

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

February 20, 2018

THE STATE OF TEXAS §
COUNTY OF HARRIS §
BRIDGESTONE MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the "Board") of Bridgestone Municipal Utility District (the "District") met in regular session, open to the public, at the Jerry Thomas Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, February 20, 2018, at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Jim Marks	President
Adrian E. Steffes	Vice President
John "Skip" W. Warren	Secretary
Ronald W. Schkade	Assistant Secretary
Mikuel K. Draper	Director

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Lieutenant Charles Hoover of Harris County Precinct 4 Constables' office; Ms. Pat Hall of Equi-Tax, Inc., tax assessor/collector for the District; Mr. Josh Lee, P.E., and Ms. Sherry Grant, P.E., of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. Danny Staab of Water District Management Company, Inc. ("WDM"), operators for the District; Ms. Christina Cole of Myrtle Cruz, Inc., bookkeepers for the District; Mr. Carles Webb, Vice President of the Bridgestone Homeowners Association; Mr. Donald Callender, resident of the District; Ms. Barbara Nussa of Republic Services, Inc., garbage and recycling service provider for the District; and Mr. Jonathan D. Polley, attorney, and Ms. Alison A. Miller, paralegal, of Radcliffe Bobbitt Adams Polley PLLC ("RBAP"), attorneys for the District.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Lieutenant Hoover reviewed the Constable's Report for the month of January, a copy of which is attached hereto, and noted that 279 citations had been issued during the month. Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Constable's Report.

CONSENT AGENDA

Director Marks then reviewed the items reflected on the Consent Agenda with the Board. Director Marks explained that this portion of the agenda deals with routine matters of the Board, and that no separate discussion of such items will occur unless a Board member requests an item be moved to the regular portion of the agenda. Upon motion by Director Warren, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to approve the consent agenda, including: 1) the minutes of the special meetings of January 9, 2018 and January 30, 2018, and the regular meeting of January 23, 2018, as written; and 2) pay estimates and change orders as follows: Public 8" Water and 8" Sanitary Sewer Extension at Northwest Corner of FM 2920 and Gosling Road Pay Estimate No. 2, in the amount of \$30,252.70, to AR Turnkey Construction Company, Inc.

Director Steffes then asked about the status of the Consent to Encroachment Agreement between the District and AT&T. Mr. Polley reported that the Consent to Encroachment Agreement is not ready for Board approval. Director Steffes stated that he does not want to approve the Consent to Encroachment Agreement until AT&T can resolve ongoing issues within the District. Mr. Staab also stated that he is having trouble collecting payment from AT&T for damages caused by AT&T subcontractors. Mr. Polley stated that he would work with Jones & Carter and WDM to identify and address the issues that AT&T has caused in the District, and also let AT&T know that the Board is hesitant to move forward with approval of the Consent to Encroachment Agreement until the outstanding issues have been resolved.

REGULAR AGENDA

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall reviewed the Tax Assessor/Collector's Report for January 2018, a copy of which is attached hereto. Ms. Hall reported that the District has collected 88.9% of its 2017 taxes to date. Upon motion by Director Warren, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor/Collector's Report and the checks reflected therein.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall next reviewed the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Upon motion by Director Warren, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Delinquent Tax Attorney's Report.

ADOPT RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION FOR 2018 TAX YEAR (THE "TAX RESOLUTION")

Mr. Polley reminded the Board that adoption of the Tax Resolution had been deferred from the January Board meeting so that Mr. Polley could research exemptions related to disabled veterans. Mr. Polley reported that all exemptions for disabled veterans are handled between the taxpayer and the tax office directly and the District does not have any discretion to grant additional exemptions for disabled veterans. Mr. Polley then reported that last year, the Board granted a \$25,000 exemption for individuals who are disabled or who are 65 years of age or

older and a 10% general residential homestead exemption. Mr. Polley informed the Board that the Tax Resolution had been prepared to maintain these same exemptions for the 2018 tax year. Upon motion by Director Warren, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Tax Resolution.

BOOKKEEPER'S REPORT

Ms. Cole reviewed the Bookkeeper's Report, including the revenues and expenses of the District, the budget comparison, the investment report and the checks being presented for payment, a copy of which is attached hereto. Ms. Cole reported that the District received payment from the City of Houston (the "City"), in the amount of \$100,380.20, for the District's share of sales tax revenue for the month of November 2017, in connection with the District's Strategic Partnership Agreement with the City. Ms. Cole also presented an amended budget for the fiscal year ending ("FYE") December 31, 2018 that was revised to include changes to the District's Capital Improvement Plan ("CIP").

Upon motion by Director Schkade, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report, the Investment Report, payment of the checks reflected therein and adopt the amended budget for FYE December 31, 2018.

AUTHORIZE ATTENDANCE AT ASSOCIATION OF WATER BOARD DIRECTORS ANNUAL CONFERENCE IN SAN ANTONIO, TEXAS, ON JUNE 21-23, 2018, AND SPRING BREAKFAST ON APRIL 20, 2018

Upon motion by Director Steffes, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to authorize attendance at the AWBD Annual Conference and Spring Breakfast.

GARBAGE AND RECYCLING COLLECTION SERVICE REPORT

Ms. Nussa reviewed the Garbage and Recycling Collection Service Report with the Board, a copy of which is attached hereto.

DIRECTOR'S INSPECTION REPORT

Director Schkade then gave the Director's Inspection Report for the month of February, a copy of which is attached hereto. Director Schkade reported that all of the District's facilities are in good working order. Upon motion by Director Draper, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Director's Inspection Report.

OPERATOR'S REPORT

Mr. Staab next reviewed the Operator's Report for the month of January, a copy of which is attached hereto. Mr. Staab reported that the District currently serves 6,257 active connections. Mr. Staab then reported that two (2) accounts had been written off in the amount of \$14.70, nine (9) accounts had been sent to collections in the amount of \$2,517.99 and 34 accounts had been terminated due to non-payment.

Mr. Staab next reported that Mueller will be shipping the 4th generation infrastructure to the District, to replace the current 3rd generation infrastructure. Mr. Staab also reported that the District will be able to decrease the number of repeaters from 59 to 13.

Mr. Staab then reported that the polymer unit #2 at the centrifuge went out and was repaired at a cost of \$2,278.88.

Mr. Staab next reported that he obtained two (2) quotes for a Manitowoc 250 pound industrial ice maker. Mr. Staab stated that the first quote is from Ace Mart in the amount of \$3,656.44 and the second quote is from Budget Restaurant Supply in the amount of \$3,504.35. Director Schkade stated that he would contact an additional distributor for pricing.

Upon motion by Director Warren, seconded by Director Draper, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report and authorize termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order.

ENGINEER'S REPORT

Mr. Lee then reviewed the Engineer's Report, a copy of which is attached as an exhibit hereto. Mr. Lee reported that the SCADA report is complete and has been handed out to the Board. Mr. Lee then suggested scheduling a special Board meeting to discuss the findings. Mr. Lee then reported that all of the samplers for the wastewater sampling plan have been installed and are currently sampling for influent loading trends.

Mr. Lee next reported that the CIP has been updated as previously discussed at the January 30th special Board meeting. Mr. Polley suggested that the Board could adopt a resolution that would approve CIP projects and authorize Jones & Carter to move forward with the projects through the bid phase. Mr. Lee then stated that he would prepare a summary of costs for a bond issue for 2018 and 2019 projects. The Board concurred that they would like to approve such a resolution to facilitate implementation of the CIP.

Mr. Lee next requested authorization to proceed with the following: 1) design of the Rhodes Landing detention pond and pump station improvements and rehabilitation project; 2) design of the public utility extension along Kuykendahl Road, south of Spring Cypress; 3) work with Source Point Solutions to prepare a phasing plan for cleaning and televising the District's sanitary sewer lines; and 4) evaluation of options for constructing a building over the booster pumps at the Elevated Storage Tank.

Mr. Lee then reported that Dr. Clara Scott of My Family Vet contacted him regarding the annexation of her property into the District. Mr. Lee stated that Dr. Scott informed him that construction had begun on her property and that she wants to tie in to the District's utility lines. Mr. Lee informed Dr. Scott that she cannot tie into the District's system until the annexation is approved by the City of Houston. Mr. Polley explained that the City of Houston has accepted the application for annexation as administratively complete, but that it has still not received City Council approval because for some reason the Mayor's office is slowing the process for all consent applications.

Mr. Lee next reported that he received a draft interlocal agreement from Harris County to accept the storm sewer boxes included in the Upper Seals Gully Phase III (B) project for maintenance. Mr. Lee noted that he has forwarded the agreement to Mr. Polley for further review.

Mr. Lee then presented a rate analysis of the North Harris County Regional Water Authority ("NHCRWA") surface water and ground water pumpage fee increases, a copy of which is attached hereto. Mr. Lee reminded the Board that effective April 1, 2018, the NHCRWA will be raising surface water and ground water pumpage fees, with the ground water pumpage fee increasing to \$3.35 per 1,000 gallons and the surface water fee increasing to \$3.85 per 1,000 gallons. Mr. Lee stated that the District would need to increase its NHCRWA fee to \$3.65 per 1,000 gallons in order to balance the District's payments to the NHCRWA with revenue from the NHCRWA fee. Director Steffes stated that he would like to send a letter to District residents regarding the NHCRWA fee increase, as well as schedule a town hall meeting to further discuss the increase. Mr. Polley stated that Mr. Al Rendl, President of the Board of Directors of the NHCRWA, will come give a presentation to anyone that makes a request. Mr. Polley stated that he would revise the letter to District residents and send to the Board for their review and approval. Mr. Polley also stated that once a few potential dates for a town hall meeting were determined that he would contact Mr. Rendl for his availability. Mr. Polley further stated that the rate increase will not require an amendment to the District's Rate Order, but that a budget amendment will be necessary.

Director Steffes then stated that he would like to explore other options for a website service provider for the District's website. Mr. Polley stated that he would include an agenda item on the March meeting agenda.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report and authorization to proceed with the following: 1) design of the Rhodes Landing detention pond and pump station improvements and rehabilitation project; 2) design of the public utility extension along Kuykendahl Road, south of Spring Cypress; 3) work with Source Point Solutions to prepare a phasing plan for cleaning and televising the District's sanitary sewer lines; and 4) evaluation of options for constructing a building over the booster pumps at the Elevated Storage Tank.

DISCUSS NHCRWA RATE INCREASE

Upon motion by Director Steffes, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to increase the NHCRWA fee to \$3.65 per 1,000 gallons, effective April 1, 2018.

UPDATE ON AND TAKE ACTION RELATED TO DEVELOPER AGREEMENTS AND ANNEXATIONS CONCERNING THE FOLLOWING DEVELOPMENTS:

WE GOSLING, LLC - 8.5758-ACRE ANNEXATION

Mr. Polley reported that the annexation application and annexation package for WE Gosling, LLC is still pending with the City of Houston.

OLI HOLDINGS, LLC – 6.3571-ACRE ANNEXATION

Mr. Polley next reported that the annexation application and annexation package for OLI Holdings, LLC is still pending with the City of Houston.

AUTHORIZE ANNUAL REVIEW OF POST-ISSUANCE TAX-EXEMPT DEBT COMPLIANCE POLICY

Mr. Polley then explained that the District's Amended Post-Issuance Tax-Exempt Debt Compliance Policy requires that the District's Tax Compliance Officer, along with the District's consultants to annually review and complete post-issuance compliance checklists in connection with outstanding District bonds. Upon motion by Director Warren, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the annual review of the District's Policy.

ATTORNEY'S REPORT

Mr. Polley reported that he has received a fully executed Cost Sharing Agreement and Out-of-District Service Agreements from Klein Independent School District ("Klein ISD") and Champions Forest Baptist Church ("CFBC"). Mr. Polley further reported that he has received payment from CFBC and should be receiving payment from Klein ISD shortly. Mr. Polley then reported that he is making headway with Meadowhill Regional Municipal Utility District on the drainage cost sharing issue.

Mr. Polley next reported that Senate Bill 625, 85th Texas Legislature, requires the implementation of a Special Purpose District Public Information Database. Mr. Polley explained that the Texas State Comptroller's Office (the "Comptroller") is creating the required database and is, therefore, requiring the annual filing of certain financial and tax-related information by all Special Purpose Districts. Mr. Polley noted that such information must be filed with the Comptroller annually by May 1, 2018. Upon motion by Director Schkade, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to authorize RBAP to file the required financial and tax-related information with the Comptroller by May 1, 2018.

Mr. Polley then reported that he received an engagement letter from Pogach & Trachtenberg to act as litigation council for the District on the R&B Group dispute and he reviewed the terms of the engagement. Mr. Polley explained that Pogach & Trachtenberg will be engaged by RBAP on behalf of the District. Mr. Polley noted that the engagement letter was previously approved by the Board, but he wanted the Board's concurrence before signing the engagement letter. The Board concurred with engaging Pogach & Trachtenberg according to the terms of the engagement letter.

SUPPLEMENTAL NOTICE OF PUBLIC MEETING

Mr. Polley then reviewed the items on the supplemental agenda regarding the District's upcoming May 5, 2018 Directors Election, a copy of which is attached hereto. Mr. Polley noted that terms of Directors Steffes and Warren expire in May, 2018. Mr. Polley reported that one (1) application was received in addition to the two (2) incumbent applications, so the District will be holding a Directors Election on May 5, 2018. Mr. Polley stated that the polling location has been

determined as Spring Baptist Church - Klein Campus. Mr. Polley also stated that the District still needs election clerks. Director Warren stated that he would reach out to potential election clerks.

MISCELLANEOUS MATTERS

The Board then determined March 6, 2018 and March 13, 2018 as dates for its next special meetings. Mr. Polley noted the next regular meeting will be held on March 20, 2018, at 6:00 p.m.

There being no further business to come before the Board, the meeting was adjourned.

PASSED, APPROVED AND ADOPTED this 20th day of March, 2018.




Secretary, Board of Directors