

2006-1  
MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS  
January 17, 2006

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 Bridgestone Community Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, January 17, 2006, at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Adrian E. Steffes	President/Investment Officer
Jim Marks	Vice President
Ronald W. Schkade	Secretary
Skip Warren	Treasurer
Jerry Thomas	Assistant Secretary

All members of the Board were present, thus constituting a quorum. Also attending the meeting were Mr. Gene Conner, General Manager of the District; Ms. Pat Hall of Equi-Tax, Inc., tax assessor/collector for the District; Ms. Mary Jarmon of Myrtle Cruz, Inc., bookkeeper for the District; Messrs. Ed Shackelford, P.E. and Erich Peterson, P.E. and Ms. Dedra Ecklund of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Ms. Karen Sears and Mr. Joe Almaguer of Aqua Services, LP ("Aqua Services"), operators for the District; Mr. Bob Hudson of Texas Investment & Development Company; and Ms. Robin S. Bobbitt and Mr. Lewis S. Kasner, attorneys, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), attorneys for the District. A copy of the sign-in sheet for those in attendance at the meeting is attached hereto.

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.

**CONSENT AGENDA**

Director Steffes then reviewed with the Board the items reflected on the Consent Agenda. Director Steffes 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 or a member of the public requests that an item be moved to the regular portion of the agenda. Director Steffes stated that the minutes of the special meeting on October 4, 2005 and the executive session of December 20, 2005 and the developer reports have been removed from the Consent Agenda.

Upon motion by Director Thomas, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following Consent Agenda items: 1) approve the minutes of the regular meetings of November 15, 2005 and December 20, 2005 and the special meeting of December 12, 2005; 2) approve the following pay estimates: a) Pay Estimate No. 4 in the amount of \$30,816.00 to Triple B Services, LLP for construction of the water, sewer and drainage facilities to serve Bridgestone Lakes, Section 4; b) Pay Estimate No. 2 in the amount of \$345,587.58 to Pace Services, L.P. for construction of the water, sewer and drainage facilities to serve Senterra Lakes, Section 1; c) Pay Estimate No. 2 in the amount of \$22,920.65 to B & D Construction Co., Inc. for construction of the water, sewer and drainage facilities to serve Springbrook, Section 6; d) Pay Estimate No. 2 in the amount of \$876,550.48 to Kenneth Lamb Construction Co., Ltd. for construction of the water, sewer and drainage facilities to serve the Villages of Senterra Lakes, Section 1; and 3) authorize execution of any necessary easements to serve various District developments.

## **REGULAR AGENDA**

### **REVIEW CHANGE IN DEVELOPMENT PLANS FOR 20-ACRE TRACT OF LAND**

Mr. Conner then reported that Mr. Hudson, the developer of Augusta Village, a 20-acre tract of land within the District, located east of Rhodes Road, west of Bridgestone Lakes, Sections 2 and 3 and north and south of Seals Gully (the "West/Hudson Tract"), is proposing to develop a gated community of zero-lot line patio homes, rather than typical subdivision lot homes, with an estimated value of \$150,000 to \$170,000 each. Mr. Conner noted that Mr. Hudson wanted the Board to be aware that the patio home lots will be 45-foot by 105-110-foot, rather than 55-foot by 100-foot, as originally proposed. Mr. Hudson stated that he would like the Board's concurrence on the change in the lot sizes. Ms. Bobbitt noted that the Tract was not subject to the Board's 55-foot by 110-foot lot size requirement, because the West/Hudson Tract is already within the boundaries of the District and, therefore, not subject to the development requirements for annexed land. All of the Board members present concurred with the change in the lot sizes for Mr. Hudson's development. Mr. Hudson stated that he would prepare a land plan of the development and share it with the Board at a future meeting.

### **TAX ASSESSOR/COLLECTOR'S REPORT**

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of December, a copy of which is attached hereto. Ms. Hall reported that 97.4% of the District's 2004 taxes and 9.9% of the District's 2005 taxes have been collected as of today's date. Ms. Hall also reported that approximately \$30 million in 2005 valuation remains uncertified, excluding the accounts that still have not been correctly coded to the District by the Harris County Appraisal District (the "HCAD"). Ms. Bobbitt reported that she and Ms. Hall talked about the uncoded tracts of land before tonight's meeting and are continuing to work to resolve the account coding matter with HCAD.

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 Tax Assessor/Collector's Report and to authorize payment of the checks reflected therein.

## DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall next reviewed with the Board the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Ms. Hall noted that no action was required by the Board on the Delinquent Tax Attorney's Report at this time.

## DIRECTOR'S REPORT

Director Warren then reported that he had inspected the District's facilities on January 13, 2006 with Mr. Almaguer. A copy of his inspection report is attached hereto. Director Warren noted that Water Plant No. 1 was in the best condition he had ever seen. Concerning Water Plant No. 2, Director Warren stated that ants and weeds needed to be treated at such facility, but that the painting project looked good. Director Warren also noted that a portion of the fence at such facility still needs to be replaced. Director Warren next reported that the North Harris County Regional Water Authority's (the "NHCRWA") construction contractor had left Water Plant No. 3 unsecured on several occasions recently. Director Warren also reported that there needed to be better signage at the District's water plant facilities. Director Steffes commented that he wants Aqua Services to use uniform signage at each of the District's plant facilities. Director Warren next reported that the District's Wastewater Treatment Plant was in good condition during his inspection.

Director Warren then reported that ants and weeds also need attention at all of the District's lift station facilities and noted several areas also need to be maintained and cleaned up. Director Warren noted that Harris County (the "County") needs to do some maintenance work on the drainage ditch near Lift Station No. 6.

Upon motion by Director Schkade, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Director's Report.

Ms. Hall then exited the meeting at 6:42 p.m.

## BOOKKEEPER'S REPORT

Ms. Jarmon next reviewed the Bookkeeper's Report with the Board, including the revenues and expenses of the District, the budget comparison, investment report and the checks being presented for payment, a copy of which is attached hereto. Ms. Jarmon reported that the monthly invoices had been sent to the various developers in the District for construction management services and to those developers with outstanding balances for annexations and/or feasibility studies. Ms. Jarmon further reported the addition of check numbers 8856 through 8859 to tonight's meeting, which will be reflected on next month's Report.

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 Bookkeeper's Report, the investment report and the payment of the checks reflected therein.

## OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of December with the Board, including the termination list, copies of which are attached hereto. Ms. Sears reported that the District's four (4) month water accountability ratio was 92.7%, and that there were nine (9) sludge hauls during the prior month. Ms. Sears added that there are currently 3,556 connections in the District, including 2,992 residential accounts, 286 builder accounts and 93 vacancies. Ms. Sears noted that Aqua Services will be increasing the number of monthly sludge hauls from nine (9) to ten (10).

Ms. Sears then reported a sewer backup at 20902 Harvest Terrace Lane due to a grease blockage. A copy of the report to the Texas Commission on Environmental Quality (the "TCEQ") regarding the sewer backup is attached to the Operator's Report.

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

Director Marks then entered the meeting at 6:55 p.m.

Director Marks asked Ms. Sears to compile the District's work orders with the related invoices on a monthly basis in order to make it easier for the Board members to review the invoices. Ms. Sears stated that she would do so. Director Marks then questioned a \$19.20 fuel surcharge on each of the invoices from Electrical Mechanical Service, Inc. ("EMS") for work subcontracted out to them by Aqua Services. Ms. Sears stated that she would contact EMS to determine why they are charging a fuel surcharge to the District. Mr. Conner noted that EMS did not have a fuel surcharge in their contract with the District and, to his knowledge, was not charging a fuel surcharge to the District. Director Steffes asked Ms. Sears to also find out why EMS charged two-and-one-half (2½) hours for travel time on one (1) of their invoices to travel a distance of only 24 miles. Ms. Sears stated she would contact EMS concerning such matters.

## UPDATE ON STATUS OF DISTRICT WEBSITE IMPROVEMENTS

Director Thomas reported that he has a meeting scheduled with Ms. Barbara Payne on January 23, 2006 to continue work on the District's website improvements and will be able to provide an update on the matter at the Board's February meeting.

## FEASIBILITY STUDY FOR 19.6-ACRE McCAMPBELL TRACT

Mr. Peterson first reviewed the feasibility study prepared for Mr. David McCampbell for service to the proposed 19.6-acre office condominium development within the boundaries of the District and located east of Kuykendahl Road and south of FM 2920 (the "McCampbell Tract"), a copy of which is attached hereto. Mr. Peterson noted that the McCampbell Tract's land plan proposes approximately 21 office condominiums with a total of 162 units and three (3) commercial reserves. Mr. Peterson estimated that the McCampbell Tract's water capacity requirement is 67,000 gallons per day ("GPD") average daily flow, and the sanitary sewer capacity requirement is 54,000 GPD average daily flow. Mr. Peterson noted that there is an

existing 12-inch public water line along the southern right-of-way of FM 2920 and an existing 12-inch water line parallel to and west of Kuykendahl Road that could provide service to the McCampbell Tract. Mr. Peterson also noted that the installation and cost of any on-site water lines would be the responsibility of the owner/developer of the McCampbell Tract.

Mr. Peterson went on to explain that the District has an existing public 18-inch sanitary sewer line along and outside the western boundary of the McCampbell Tract and noted that the on-site sanitary sewer lines, whether public or private, will connect to the public 18-inch sanitary sewer line. Mr. Peterson stated that the cost of any on-site sanitary sewer line extensions will be the responsibility of the owner/developer of the McCampbell Tract. Mr. Peterson added that, if the sanitary sewer line meets the requirements for public facilities, the lines would be eligible for reimbursement by the District.

Concerning drainage detention and outfall, Mr. Peterson noted that the Harris County Flood Control District (the "HCFCD") will most likely require the owner/developer to provide on-site detention facilities, the cost of which would be the responsibility of the owner/developer of the McCampbell Tract.

In summary, Mr. Peterson reported that the District has water and sanitary sewer lines in the immediate vicinity of the McCampbell Tract, and there is sufficient water and sanitary sewer capacity available to serve the McCampbell Tract.

Upon motion by Director Thomas, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the feasibility study and approve the request for service to the McCampbell Tract and authorize the attorney to prepare the necessary Agreement for Financing of Facilities.

#### ENGINEER'S REPORT

The Board next recognized Mr. Peterson, who reviewed the Engineer's Report with the Board, a copy of which is attached hereto.

Mr. Peterson first reported that Storm Water Solutions, L.P. ("Storm Water Solutions") has completed the interim repairs to the eastern berm and reseeded Ditch "A" along Stone Forest, Section 4.

Mr. Peterson next reported that there is not enough area in Ditch "B" to construct a 20-25-foot berm as requested by the HCFCD and, therefore, suggested that the District acquire a portion of the land behind Bill Paiko's car wash to expand Ditch "B", which would then compensate for the loss of volume in Ditch "A". Mr. Conner then explained that the improvements to Ditch "B" would be funded by the District and not developers. Mr. Conner went on to explain that the HCFCD does not want the slopes of the ditch paved because it is costly to repair if the slopes fail. Director Thomas asked how much the District has spent in the past to maintain Ditches "A" and "B." Mr. Conner responded that little has been done to maintain the ditches and that they have essentially been ignored since around 1994. Mr. Conner reminded the Board that erosion of the ditches is now encroaching on adjacent properties and that both Ditch "A" and Ditch "B" must be improved to correct the problem. Mr. Conner estimated that it will cost the District \$50,000 per year to maintain Ditch "A" and Ditch "B" once

they have been repaired, and that the Board should consider improving the ditches to comply with the HCFCD's requirements in order to get the ditches accepted by the HCFCD for maintenance.

Mr. Shackelford estimated that the proposed repairs/improvements and the clean-up work on Ditch "A" and Ditch "B" could be done by Storm Water Solutions for \$150,000. Director Thomas expressed concern that the costs to restore/improve the ditches to meet the HCFCD criteria will greatly exceed the earlier cost estimate of \$355,000. Mr. Conner noted that historically, the District's policy has been to construct and maintain ditches to meet HCFCD criteria for acceptance. Mr. Conner suggested that the Board might want to more closely examine what it would cost for the District, rather than the HCFCD, to maintain Ditch "A" and Ditch "B". Mr. Conner also noted that slope paving would make the ditches easier for the District to maintain. Mr. Peterson interjected that the HCFCD has stated that they will take over the maintenance of the two (2) ditches immediately after the District has the slopes restored to meet HCFCD criteria for acceptance. After further discussions, the Board determined that they would proceed with the necessary improvements/repairs to Ditch "A" and Ditch "B" to meet the HCFCD criteria for acceptance.

Upon motion by Director Thomas, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to immediately proceed with the investigation of the purchase of 1 to 2 acres of vacant land near Ditch "B" from Mr. Paiko and to arrange for an appraisal of the subject tract of land, as outlined above by Mr. Peterson.

Mr. Peterson next reported that Jones & Carter is in the process of finalizing the District's eighth (8<sup>th</sup>) bond application report (the "BAR"). Mr. Hudson asked when the bond application report would be submitted to the TCEQ. Ms. Bobbitt noted that she had made her final comments and would check with Mr. Carlin Short, the District's financial advisor, tomorrow concerning any further comments on the BAR. Mr. Shackelford stated if all comments have been provided on the BAR, it can be finalized and submitted to the TCEQ for expedited review within the next week or so.

Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report.

Director Steffes then noted that an ISO audit had been completed on the Klein Volunteer Fire Department ("KVFD"), and the KVFD had been upgraded from a level five (5) to a level three (3). Director Steffes explained that the new rating would result in a decrease in home insurance rates on homes that are within the KVFD service area.

#### GENERAL MANAGER'S REPORT

Mr. Conner next presented the General Manager's Report, previously distributed to the Board, a copy of which is attached hereto.

Mr. Conner first reported that additional copies of the outstanding invoices for engineering and legal services associated with the Texas Mega Storage development had been

sent to Mr. Raines and included a statement that the Board would take no action on his request for service from the District until all of the outstanding invoices have been paid.

Mr. Conner next presented the Harris County Precinct 4 Constable's Report, a copy of which is attached hereto.

Mr. Conner went on to report that Ground Storage Tank No. 2 ("GST No. 2") at Water Plant No. 3 is offline, and that it appears that the interior roof needs to be recoated, and recommended that the interior of the tank be inspected by Jones & Carter while the NHCRWA is in the process of completing construction of their connection to the District's facilities at Water Plant No. 3. Director Schkade asked what kind of recoating would be required on GST No. 2. Mr. Conner responded that a specialized three (3) layer epoxy coating would be used to recoat the interior of the tank.

A discussion ensued regarding the length of time it would take Jones & Carter to inspect, prepare plans and specifications, advertise for bids and complete the recoating project. Mr. Shackelford estimated the timeline for the project would push up against the high usage months and could impact the District's water supply capacity. Ms. Bobbitt then recommended that the project be reviewed to see if the project would qualify as an emergency project due to the rapid growth in the District and the need to get the GST No. 2 back online before the peak demand months. Mr. Shackelford stated that Jones & Carter could perform the inspection on GST No. 2 and report back to the Board with their findings at a special meeting early in February, and that he could prepare the plans and specifications on the project in time for the Board's regular February meeting scheduled for February 21<sup>st</sup>. Mr. Conner stated that he would work on scheduling a special Board meeting on Tuesday, February 7, 2006, to review and discuss the inspection report on GST No. 2.

Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to perform the inspection of GST No. 2 and present the results of such inspection at a special meeting in February. The Board asked Mr. Shackelford to have the plans and specifications ready for review at the Board's February 21, 2006 meeting, if the results of the inspection in fact warrant recoating of GST No. 2.

Mr. Conner next reported that as previously directed by the Board, he had solicited three (3) proposals from fencing companies for the repairs/replacement to the District's fences at Water Plant Nos. 1 and 2 and Lift Station Nos. 1, 2, 4, 5 and 6 as a result of damage sustained during Hurricane Rita, a copy of which is attached to the General Manager's Report. Mr. Conner recommended accepting the proposal from Southland Fence & Supply ("Southland") in the amount of \$37,779.35. An extensive discussion regarding the fence repairs then ensued. The Board approved and accepted the proposal from Southland and authorized Mr. Conner to request additional price quotes from Southland for the complete replacement of the fences at Water Plant No. 2 and Lift Station No. 5.

Concerning inspections of the glass lined tanks at Water Plant No. 1 and Water Plant No. 2, Mr. Conner reported that A. O. Smith, the construction contractor for such facilities, will inspect them after Water Plant No. 3 has been put back online.

Mr. Conner then reported that he had received a response letter from the HCFCD regarding the District's application for the installation of a Hike/Bike Trail along Ditch "C" and Seals Gully, a copy of which is attached to the General Manager's Report. Mr. Conner noted that the HCFCD welcomes Hike/Bike Trails into its fee strips and easements as long as there is a trail sponsor willing and able to monitor the HCFCD requirements for such facilities and be responsible for all maintenance work of the facilities.

Director Schkade asked if there is an update on garbage collection service matters. Mr. Conner responded that he had not yet been able to obtain a copy of the customer information sheet from Republic Waste Services ("Republic") for distribution to the District's customers, but would continue his efforts to contact Mr. Johnny Smith at Republic regarding such information.

Director Thomas then asked if the source of the grease that caused the sewer backup on Harvest Terrace Lane could be traced to a particular residence or commercial entity. Mr. Conner stated that Aqua Services could televise the line and likely determine the source of the grease blockage.

Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to approve the General Manager's Report and to authorize Aqua Services to televise a portion of the sewer line on Harvest Terrace Lane to try to determine the source of the grease blockage that caused the sanitary sewer line backup.

#### ATTORNEY'S REPORT

Ms. Bobbitt then reported that Roth Elementary School had been contacted regarding the use of space in the school for the May 13, 2006 Directors Election polling place. Ms. Bobbitt also reported that Ms. Regina Adams and Ms. Dold had attended an informational meeting hosted by the Harris County Elections Department on January 10, 2006 to obtain information on how the County will provide electronic voting equipment to all of the governmental entities that will be holding elections on May 13, 2006. Ms. Bobbitt then advised the Board that she would like them to decide if they want to use only electronic voting equipment or to also have paper ballots for use in the election in case of a failure of the electronic equipment. The Board concurred that both electronic voting equipment and paper ballots should be used in the upcoming election.

Ms. Dold noted that she would prepare and send candidate packets to Director Steffes and Director Warren and asked that they return their completed candidate forms to her at the February 21, 2006 meeting.

Ms. Bobbitt then noted that a copy of a memorandum from JRPB regarding the new conflicts of interest legislation discussed at the December meeting had been distributed to the Board at tonight's meeting, a copy of which is attached hereto.

Concerning the Cost Sharing Agreement for Joint Detention Facilities in connection with the Spring Terrace and Bella Sera detention ponds, Ms. Bobbitt reported that Mr. Rick Yarbrough of D.R. Horton-Texas, Ltd. delivered checks payable to MHI Partnership and Centex Homes to her office following the last meeting, and that such checks were forwarded on to

MHI Partnership and Centex Homes and that Mr. Conner, Mr. Shackelford and she are working on conveyance to and acceptance of the facilities by the District.

Concerning the proposed Strategic Partnership Agreement (the "SPA") with the City of Houston (the "City"), Ms. Bobbitt reported that the City is proposing to conduct hearings on the SPAs in February or March, 2006.

Ms. Bobbitt also reported that Mr. Kasner had finalized the First Amendment to the Agreement for District Field Project Representative Services with Preventative Services, LP, a copy of which is attached hereto.

#### MISCELLANEOUS MATTERS

Ms. Bobbitt then noted that the next regular meeting of the Board would be held on Tuesday, February 21, 2006, at 6:00 p.m. at the Bridgestone Community Center.

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

PASSED, APPROVED AND ADOPTED this 21<sup>st</sup> day of February, 2006.

/s/Ronald W. Schkade

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Secretary, Board of Directors

(DISTRICT SEAL)