

MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
PECAN GROVE MUNICIPAL UTILITY DISTRICT

September 26, 2006

The Board of Directors of Pecan Grove Municipal Utility District met in regular session, open to the public, at 5:30 p.m., on Tuesday, September 26, 2006, inside the boundaries of the District at its regular meeting place, Pecan Grove Country Club, Highway 359 at Plantation Drive, Richmond, Texas 77469, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Joe Taylor	President
Stephen Crow	Vice President
G.E. Kluppel	Secretary
Charles Bertrand	Investment Officer
Holly Zarate	Assistant Vice President/ Assistant Secretary

and all of said directors were present, thus constituting a quorum.

Also present were the following: Mark McGrath of Null-Lairson, P.C.; Matthew May of Waste Corporation of America; Matt Cornell and Larry Danna of Pecan Grove Volunteer Fire Department; Wayne Huff of Houston Pipeline Company; Brian Haines of the YMCA; Bobby Jones of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Pat Naff of CDC Maintenance, Inc. ("CDC"); Breah Campbell, Andrew Phelps and Michael Ammel of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Mr. and Mrs. C.K. Dickenson, residents of the District; Chris Sansone of the Fort Bend Herald; and Rich Muller, Josh Hancock and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The first order of business was to consider approving the minutes of the August 29 and September 7, 2006 meetings which have been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the August 29 and September 7, 2006, meeting minutes. Director Kluppel seconded the motion, which was approved by unanimous vote.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING THE DISTRICT'S REQUEST TO THE PECAN GROVE VOLUNTEER FIRE DEPARTMENT FOR AN AGREED UPON PROCEDURES AUDIT

Mr. Cornell of the Pecan Grove Volunteer Fire Department ("PGVFD") reviewed an Agreed Upon Procedures Audit with the Board. He stated that the Board of the

PGVFD has recommended that the audit be conducted every 5 to 10 years. Director Zarate thanked the PGVFD for conducting the audit and recommended that the PGVFD consider conducting audits on a more frequent basis.

ENGINEER'S REPORT

Mr. Jones reviewed with the Board the engineer's report, a copy of which is attached, and which had been provided in advance.

Mr. Jones reviewed the tabulation of bids received by the District for the modifications to the sewage treatment plant and RBC units. Mr. Jones stated that he had no prior experience with George Construction. He added that Lem Construction Co., Inc. had previously done satisfactory work in the District. The Board concurred that, in its judgment, Lem Construction Co., Inc., was a responsible bidder who would be most advantageous to the District and would result in the best and most economical completion of the project. After review and discussion, Director Kluppel moved that, the Board award the contract for modifications to the sewage treatment plant and RBC units to Lem Construction Co., Inc., in the amount of \$1,877,212.00. Director Bertrand seconded the motion, which passed by unanimous vote.

Mr. Jones stated that he submitted the District's response to the Federal Emergency Management Agency for the levee certification. He recommended that a topographical survey be conducted of the levee at a cost of \$8,000 to \$10,000. After discussion, Director Kluppel moved that the Board authorize J&C to conduct a topographical survey of the levee at a cost not to exceed \$10,000. Director Crow seconded the motion, which passed by unanimous vote.

Mr. Jones noted that he will request authorization to advertise for the lift station no. 7 backup generator and relief sanitary sewers at the October meeting.

The Board requested that Mr. Phelps call Mr. Volek, a resident at 2323 Country Mile, who had reported that water had entered his yard during heavy rains, to determine if any further repairs are necessary.

Mr. Jones stated that J&C is completing the topographical surveying for the land required for the drainage improvements. Director Bertrand stated that the Golf Club has requested that a contractor experienced in working on golf courses be hired for the project. Mr. Jones stated that he will prepare the bid specifications to include an alternate bid for contractors who are experienced in working on golf courses with special equipment. Director Kluppel stated that the Golf Club has requested that the drainage improvements have aesthetic value. He requested that Mr. Jones meet with representatives of the golf course on the plans. The Board requested that Mr. Jones consider an inspector for the project who has golf course experience.

Director Zarate reported that Mr. Kahlenberg of BCDI Custom Homes has indicated that he would grant the District an easement. The Board requested that ABHR prepare the easement and J&C prepare the metes and bounds description.

The Board discussed the granting of an easement and land sale for a (30'x36') site to Houston Pipeline company, L.P. for a total of \$7,072.00, plus an annual fee for road maintenance. Mr. Huff stated that Houston Pipeline Company, L.P. plans to use the road infrequently and is willing to pay an annual fee of \$500.00 for road maintenance. After discussion, Director Kluppel moved that the Board approve a Special Warranty Deed to Houston Pipeline Company, L.P. for the 30'x36' site and a Permanent Easement Agreement containing a \$500.00 annual road maintenance fee. Director Crow seconded the motion, which passed unanimously.

Following review and discussion of the engineer's report, Director Kluppel moved to accept the engineer's report as presented. Director Bertrand seconded the motion, which passed unanimously.

ENGAGE AUDITOR TO CONDUCT AUDIT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2006

Mr. McGrath reviewed a proposal to conduct the District's audit for the fiscal year ending September 30, 2006. After review and discussion, Director Kluppel moved that the Board employ Null-Lairson, P.C., to conduct the audit for the fiscal year ending September 30, 2006. Director Bertrand seconded the motion, which passed by unanimous vote.

SURFACE WATER AND SUBSIDENCE ISSUES AND BRAZOS RIVER AUTHORITY

Director Zarate stated that the District, the Brazos River Authority and five other entities are participating in the economists.com financial analysis. Director Zarate reported that the North Fort Bend Water Authority is conducting a study on the possible inclusion of the City of Richmond and the City of Rosenberg in its surface water plan. She added that this may provide another alternative for surface water for the District.

Directors Zarate and Kluppel updated the Board on discussions with the Golf Club to review the water reuse study and work on alternatives for water reuse.

Director Zarate recommended that the Board consider engaging an engineering firm specializing in surface water conversion. The Board concurred to conduct a special meeting on October 3, 2006 to review engineering proposals and conduct an annual review of the District's engineer.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. After discussion, Director Zarate moved that the Board authorize fertilization of the levee. Director Crow seconded the motion, which passed unanimously.

UPDATE ON GARBAGE AND RECYCLING SERVICES

Mr. May reported on garbage collection services. The Board concurred that information should be included in the newsletter on proper disposal of paint.

DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Haines of the YMCA presented the parks management report, a copy of which is attached. After review and discussion, Director Bertrand moved that the Board authorize Mr. Haines to have a staff person on duty at the park on peak nights during the spring and fall sports seasons at an annual cost of approximately \$2,000. Director Crow seconded the motion, which passed by unanimous vote.

Mr. Haines stated that he will contact Director Bertrand and follow up on the homeowners association irrigation audit. He added that he is obtaining information on adding frisbee golf at the park.

TAX ASSESSOR/COLLECTOR'S REPORT AND AUTHORIZE APPROPRIATE ACTION REGARDING TAX ACCOUNTS, PAYMENT OF BILLS, REPORT ON COLLECTION OF DELINQUENT TAXES AND AUTHORIZE FILING OF SUITS

Mr. Ordeneaux reviewed with the Board the monthly tax assessor/collector's report, a copy of which is attached. He updated the Board on the status of collection of delinquent taxes and 2005 tax payments and responded to questions from Board members. Following review and discussion, Director Bertrand moved that the Board approve the tax assessor/collector's report and authorize payment of bills from the tax account. Director Crow seconded the motion, which passed by unanimous vote.

CONDUCT PUBLIC HEARING REGARDING DISTRICT'S TAX RATE

Mr. Ordeneaux stated Tax Tech, Inc. published a Notice of Public Hearing in the Fort Bend Herald stating the District anticipates levying a \$0.48 tax rate at this meeting.

Director Taylor then opened the public hearing. No members of the public came forward to make comments. Director Taylor then closed the public hearing.

ADOPT ORDER LEVYING TAXES

Mr. Muller presented to the Board an Order Levying Taxes with a total \$0.48 tax rate comprised of \$0.28 debt service and \$0.20 for operations and maintenance. After

review and discussion, Director Crow moved that the Board adopt the Order Levying Taxes as presented. Director Kluppel seconded the motion, which passed unanimously. The Board confirmed its intention that the 2006 tax levy includes a debt service component for the calendar year ending December 31, 2007, and a maintenance tax component for the fiscal year ending September 30, 2007. A copy of the Order is attached.

APPROVE AMENDMENT TO THE INFORMATION FORM

Mr. Muller presented to the Board an Amendment to Information Form reflecting the newly adopted tax rate. After review and discussion, Director Crow moved that the Board approve the Amendment to Information Form. Director Kluppel seconded the motion, which passed unanimously.

OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of August 2006, a copy of which is attached and which was provided previously to the Board, and reviewed general maintenance and repair items for the period. Mr. Ammel discussed his review of District records to improve water accountability.

Mr. Ammel discussed the District's policy on sending out notices to customers on illegal disposal of yard debris and grass clippings in the storm sewer system. The Board reiterated the District's policy that the operator will (1) document all reports of illegal disposal of yard debris, (2) verify the disposal of the debris, (3) contact the party doing the disposal of the debris to explain the District's rules, and (4) send written notice to the party.

Mr. Ammel discussed the District's policy on the repair of concrete and sidewalks. The Board reiterated the District's policy that the District will only repair concrete or sidewalks in the vicinity of the District's facilities.

After review and discussion, Director Crow moved that the Board approve the following: (1) replacement of the lift pump controller at a cost of \$3,625.00; (2) repair of backup chlorinator and sulfanator at the wastewater treatment plant at a cost of \$7,221.00; (3) installation of monitors on pumps at wastewater treatment plant at a cost of \$1,650.00; and (4) repair to panel at lift station no. 9 at a cost of \$1,180.00. Director Bertrand seconded the motion, which passed by unanimous vote.

Following review and discussion of the operations report, Director Crow moved to accept the operator's report. Director Bertrand seconded the motion, which passed unanimously.

CONDUCT HEARING AND AUTHORIZE TERMINATION OF SERVICE

The Board next conducted a hearing on the termination of utility service to delinquent accounts. Mr. Ammel reported that the residents on the delinquent list included in the operator's report were mailed written notice prior to this meeting in accordance with the Rate Order, notifying them of the opportunity to appear before the Board to explain, contest or correct the utility service bill, and to show reason why utility service should not be terminated for reason of nonpayment. Director Crow moved that because the customers on the termination list were not present at the meeting to address the Board, and did not submit a written statement on the matter, utility service for such customers should be terminated in accordance with the District's Rate Order. Director Bertrand seconded the motion, which passed unanimously.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING DISTRICT NEWSLETTER AND WEBSITE

Mr. Ammel reported that the website has been completed. He added that the draft of the newsletter will be ready next week.

BOOKKEEPER'S REPORT

Ms. McLennan distributed and reviewed the monthly bookkeeper's report, a copy of which is attached, including the investment report, budget comparison, and the District's bills. After review and discussion, Director Crow moved that the Board approve the bookkeeper's report, investment report and payment of the District's bills. Director Bertrand seconded the motion, which passed unanimously. Mr. Ammel reported that 14 deposits on the District's statement did not get reported by Texas State Bank to the operator as payments received from District customers. He added that he is working with Texas State Bank to resolve this problem. The Board concurred that the District should not be charged for any fees associated with these types of errors.

DISCUSS AND ADOPT BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30, 2007

Ms. McLennan reviewed the proposed budget for the fiscal year ending September 30, 2007 with the Board. She stated that she will revise the budget to reflect \$643,200 for garbage collection. After review and discussion, Director Crow moved that the Board adopt the budget for the fiscal year ending September 30, 2007. Director Bertrand seconded the motion, which passed unanimously. A copy of the budget is included in the bookkeeper's report.

CONDUCT ANNUAL FUND REVIEW

Mr. Hancock stated that ABHR and the District's bookkeeper have conducted an annual review of the District's debt service funds to determine appropriate allocations

of debt service accounts and yield restriction requirements as required by IRS regulations to maintain the tax-exempt status of all outstanding bonds. Mr. Hancock reviewed a memorandum from ABHR on the annual fund review, a copy of which is attached. After review and discussion, Director Kluppel moved that the Board direct the District's bookkeeper to follow all of the recommendations contained in the memorandum. Director Crow seconded the motion, which passed by unanimous vote.

DISCUSS CHANGING DATE OF OCTOBER BOARD OF DIRECTORS MEETING DUE TO THE HALLOWEEN HOLIDAY AND AUTHORIZE APPROPRIATE ACTION

The Board concurred to conduct the October meeting on October 24, 2006 due to the Halloween.

DISCUSS SCHEDULING OF ANNUAL CONSULTANT PERFORMANCE REVIEWS AND AUTHORIZE APPROPRIATE ACTION

The Board concurred to conduct a special meeting on October 19, 2006 to conduct an annual review of the garbage collection services contract and discuss operator services. The Board concurred to conduct an annual review of the YMCA services contract at the October 24, 2006 meeting.

RECEIVE REPORTS FROM BOARD MEMBERS, INCLUDING DISCLOSURE REPORTS

In response to a question from Director Bertrand, Mr. Muller reviewed the Board's establishment of director fees of office and district reimbursement policy.

REPORTS FROM CONSULTANTS

There was no discussion under this agenda item.

ACTION ITEM LIST

The Board reviewed and updated the action list.

REVIEW TRAVEL REIMBURSEMENT GUIDELINES AND AUTHORIZE APPROPRIATE ACTION

The Board tabled action on this agenda item.

CONVENE IN EXECUTIVE SESSION PURSUANT TO CHAPTER 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ITS ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION

The Board did not convene in executive session.

CONVENE IN EXECUTIVE SESSION PURSUANT TO CHAPTER 551.076, TEXAS GOVERNMENT CODE, TO DELIBERATE THE DEPLOYMENT, OR SPECIFIC OCCASIONS FOR IMPLEMENTATION OF SECURITY PERSONNEL OR DEVICES

The Board did not convene in executive session.

DISCUSS CONTRIBUTION TO PROPERTY OWNERS ASSOCIATION FOR SHARE OF SECURITY COSTS IN THE DISTRICT

The Board tabled discussion on this matter.

RECEIVE COMMENTS FROM THE PUBLIC

There were no comments from the public.

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

(SEAL)

Secretary, Board of Directors

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