

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

May 29, 2007

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, May 29, 2007, 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
John Minchew	Assistant Vice President/ Assistant Secretary

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

Also present were the following: Brian Haines of the YMCA; Dan McDonald of Anco-McDonald Waterworks Insurance Services, L.L.C.; Scott Sanger, Bobby Jones, and Jason Kirby of Jones & Carter, Inc. ("J&C"); Sunil Kommineni of Malcolm Pirnie, Inc.; Greg Ordeneaux of Tax Tech, Inc.; Pat Naff of CDC Maintenance, Inc. ("CDC"); 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, Richard Stolleis and Holly Zarate, residents of the District; and Lynne B. Humphries, Josh Hancock, and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of the April 24 and May 16, 2007, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Bertrand moved to approve the April 24 and May 16, 2007, meetings minutes as submitted. Director Crow seconded the motion, which was approved by unanimous vote.

REAPPROVE ADOPTION OF RESOLUTION COMMENDING DIRECTOR ZARATE FOR SERVICE TO THE DISTRICT

After discussion, Director Kluppel moved that the Board reapprove adoption of a Resolution Commending Holly Zarate for Service to Pecan Grove Municipal Utility

District. Director Bertrand seconded the motion, which passed by unanimous vote. Director Taylor presented the Resolution to Ms. Zarate. He stated that the Board members were thankful for all of Ms. Zarate's dedication and service to the District.

UPDATE ON GARBAGE AND RECYCLING SERVICES

Director Taylor reviewed a report from Mr. May on garbage collection services in the District.

DISCUSS RE-NEGOTIATION OF CHARGE FOR WATER PURSUANT TO THE EMERGENCY WATER SUPPLY CONTRACT WITH FORT BEND COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3 AND AUTHORIZE APPROPRIATE ACTION

Mr. Hancock stated that the Board needs to re-negotiate the charge for water pursuant to the Emergency Water Supply Contract with Fort Bend County Water Control and Improvement District No. 3 ("FBWCID No. 3"). He stated that the current charge for water is \$0.50 per 1,000 gallons. After discussion, Director Kluppel moved that the Board authorize Mr. Hancock to re-negotiate the charge for water contained in the Emergency Water Supply Contract with FBWCID No. 3 and propose \$2.00 plus the District's surface water conversion fee as outlined in the Rate Order. Director Crow seconded the motion, which passed unanimously.

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 2006 tax payments and responded to questions from Board members. Following review and discussion, Director Kluppel 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.

OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of April 2007, a copy of which is attached and which was provided previously to the Board. Mr. Ammel reported that there were no excursions at the wastewater treatment plant. Mr. Phelps reviewed the status of repairs on facilities previously approved by the Board.

Mr. Ammel reported that A1 Hydromulching used water from the District's system without filing an application for temporary service. The Board requested that the District's engineer determine if A1 Hydromulching was working on a project for the District when the water was used. After review and discussion, Director Crow moved

that the Board (1) authorize the operator to bill A1 Hydromulching \$57.50 for the water if work was being performed on behalf of the District or (2) authorize the operator to bill A1 Hydromulching \$57.50 for the water and a \$100 fine, pursuant to the District's Rate Order, if work was not being performed on behalf of the District. Director Kluppel seconded the motion, which passed by unanimous vote.

Mr. Ammel reviewed the Consumer Confidence Report ("CCR") with the Board. After review and discussion, Director Crow moved that the Board approve the CCR, authorize the operator to mail the CCR and authorize the operator to file the CCR with the Texas Commission on Environmental Quality ("TCEQ"). Director Kluppel seconded the motion, which passed unanimously. Director Taylor requested that the operator send a final version of the CCR to him by email.

Following review and discussion of the operations report, Director Crow moved to accept the operator's report and authorize repair of blower motor no. 7 at the wastewater treatment plant in the amount of \$8,595. Director Kluppel 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 Kluppel seconded the motion, which passed unanimously.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING DISTRICT NEWSLETTER AND WEBSITE

Director Crow stated that the newsletter is being prepared by the printer. Ms. Humphries suggested that the Board consider an article to the newsletter on the flag program sponsored by the Boy Scouts.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. He stated that CDC will repair the slope failure located on the T in the main drainage channel. Mr. Phelps stated that a resident located at 706 Misty Creek has a leak that is causing water to build up in a neighbor's yard located at 702 Misty Creek. He added that the leak also causes the top

of the levee area to stay wet. Mr. Phelps stated that he will request that the resident at 706 Misty Creek have the leak repaired. Director Taylor requested that the operator replace the manhole grate on a manhole along the storm sewer from Old South to the golf course.

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 of the meeting.

Mr. Jones reported on the construction at the wastewater treatment plant. He reviewed and recommended payment of Pay Estimate No. 6 to the contract in the amount of \$294,237.86. After review and discussion, Director Bertrand moved that based upon the engineer's recommendation, the Board approve payment of Pay Estimate No. 6 in the amount of \$294,237.86. Director Crow seconded the motion, which passed unanimously.

Mr. Jones stated that Mr. Istre of the Gulf Coast Water Authority ("Authority") reported that the Authority will draft a Water Conveyance Agreement for the Board's review.

Mr. Jones reported on the construction of the lift station no. 7 backup generator and relief sanitary sewers. He stated that the final pay estimates for both projects will be presented at the next meeting.

Mr. Jones stated that J&C, EDP and Director Taylor have discussed possible repairs to the elevated storage tank. He stated that the cost to repair the altitude valve at the elevated storage tank is \$4,000. After discussion, Director Crow moved that the Board authorize the repair of the valve at a cost of \$4,000. Director Kluppel seconded the motion, which passed unanimously.

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

SURFACE WATER AND SUBSIDENCE ISSUES AND BRAZOS RIVER AUTHORITY

Director Kluppel stated that representatives of the Fort Bend Subsidence District (the "FBSD") have been discussing the possibility of extending the District's Groundwater Reduction Plan date to match the City of Rosenberg's and City of Richmond's Groundwater Reduction Plan dates. He added that it appears the extension would only be granted if the District participated in the Groundwater Reduction Plan, which was not acceptable. Mr. Hancock stated that ABHR is preparing

an agreement between the District and the City of Richmond for the purchase of over-conversion credits.

Director Kluppel stated that a Groundwater Reduction Plan Participation Agreement was sent to W.S.G. Pecan Grove IV, L.P. He added that he will check with W.S.G. Pecan Grove IV, L.P. on the status of the Agreement.

Director Kluppel stated he plans to accompany Mr. Kommineni to the TCEQ on June 6, 2007 to discuss the test plan for the Water Quality Assessment. Mr. Kommineni updated the Board on the collection of data by the operator for the Water Quality Assessment. He recommended that the Board conduct a workshop meeting to discuss land acquisition and pilot testing. Mr. Phelps stated that the District needs to purchase a pump and piping that will cost approximately \$5,000 for the pilot testing. After discussion, Director Kluppel moved that the Board authorize the purchase of a pump and piping in an amount not to exceed \$5,000. Director Crow seconded the motion, which passed unanimously.

Mr. Hancock stated that the District received a notice from the Brazos River Authority containing a draft of its Drought Contingency Plan. He stated that written comments to the Drought Contingency Plan are due to the Brazos River Authority by June 11, 2007.

DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Haines of the YMCA presented the parks management report, a copy of which is attached. Mr. Haines distributed and reviewed a proposal for frisbee golf at the Pecan Grove Park, a copy of which is attached. Mr. Haines stated that the cost for the frisbee golf plan including installation is \$11,500. After review and discussion, Director Kluppel moved that the Board authorize Mr. Haines to have Frisbee golf installed at the Pecan Grove Park at a cost of \$11,500. Director Bertrand seconded the motion, which passed unanimously. Mr. Haines stated that he will work with EDP on the homeowners association irrigation audit.

DISCUSS AND AUTHORIZE EXECUTION OF INTERLOCAL AGREEMENT WITH FORT BEND SUBSIDENCE DISTRICT FOR WATER CONSERVATION EDUCATION PROGRAM FOR THE 2007-2008 SCHOOL YEAR

The Board discussed the sponsorship of the three area elementary schools in the FBSD Water Conservation Education Program. Ms. Eisenberg stated that the FBSD has indicated that FBWCID No. 3 may want to share in the sponsorship of Frost Elementary. Mr. Hancock reviewed an Interlocal Agreement between the District and the FBSD for the sponsorship of three elementary schools in the Water Conservation Education Program. After review and discussion, Director Kluppel moved that the Board approve and authorize execution of the Interlocal Agreement with the FBSD for

the Water Conservation Education Program. Director Crow seconded the motion, which passed unanimously.

DISCUSS AND AUTHORIZE RENEWAL OF DISTRICT'S INSURANCE POLICIES

Mr. McDonald reviewed a proposal from Anco-McDonald Waterworks Insurance Services, L.L.C. for renewal of the District's insurance policies. After review and discussion, Director Crow moved that the Board renew the District's property, boiler and machinery, general liability, automobile liability, pollution liability, directors and officers liability, umbrella liability and business travel insurance policies, a public employee blanket crime bond in the amount of \$500,000, a \$50,000 director bond, and tax assessor/collector bond in the amount of \$50,000, with Anco-McDonald Waterworks Insurance Services, L.L.C. Director Bertrand seconded the motion, which carried by unanimous vote.

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.

RECEIVE REPORTS FROM BOARD MEMBERS, INCLUDING DISCLOSURE REPORTS

Director Kluppel reported that he attended a meeting of all the Fort Bend County Levee Improvement Districts on May 18, 2007 and ECO Resources, Inc. paid for lunch.

REPORTS FROM CONSULTANTS

There were no reports from consultants.

ACTION ITEM LIST

The Board reviewed and updated the action list.

RECEIVE COMMENTS FROM THE PUBLIC

There were no comments from the public.

ACCEPT RESIGNATION OF DIRECTOR BERTRAND AND APPOINT NEW DIRECTOR

Director Bertrand stated that he is resigning from the Board of Directors as he is moving to San Antonio. The Board thanked Director Bertrand for all of his service to the District. After review and discussion, Director Crow moved that the Board accept Director Bertrand’s resignation. Director Kluppel seconded the motion, which passed by unanimous vote.

Director Taylor introduced Mr. Stolleis to the Board. After discussion, Director Crow moved that the Board appoint Richard Stolleis to fill the vacant position on the Board of Directors. Director Kluppel seconded the motion, which carried unanimously.

APPROVE SWORN STATEMENT, OFFICIAL BOND AND OATH OF OFFICE OF NEW DIRECTOR AND REORGANIZE THE BOARD

Ms. Humphries presented and reviewed the Sworn Statement, Oath of Office and Official Bond for Director Stolleis. Following discussion and review, Director Crow moved that the Board approve the Sworn Statement, Oath of Office and Official Bond for Director Stolleis and reorganize the Board as follows:

Joe Taylor	President
Stephen Crow	Vice President
G.E. Kluppel	Secretary
Richard Stolleis	Assistant Vice President/ Assistant Secretary
John Minchew	Assistant Vice President/ Assistant Secretary

Director Kluppel seconded the motion, which passed by unanimous vote.

The Board concurred to consider appointing Shirley McLennan as Investment Officer at the next Board meeting. The Board concurred to appoint the directors to committees as follows:

Annexation Committee:	Audit Committee:	Parks Committee:	Newsletter & Website Committee:	Fire Services Committee:
Buddy Kluppel Richard Stolleis	Richard Stolleis Joe Taylor Shirley McLennan	John Minchew Steve Crow	Steve Crow	John Minchew Steve Crow

Drainage	Surface Water	Security	Emergency	Levee
Committee:	Conversion	Committee:	Preparation and	Recertification
Steve Crow	Committee:	Buddy Kluppel	Management	Committee:
Joe Taylor	Joe Taylor	John Minchew	Committee:	Buddy Kluppel
	Buddy Kluppel		Buddy Kluppel	Joe Taylor

DISTRICT REGISTRATION FORM

Ms. Humphries stated that the District Registration Form reflects the appointment of Director Stolleis to the Board of Directors. She stated that the District Registration Form will be filed with the TCEQ. After review and discussion, Director Crow moved that the Board approve the District Registration Form and authorize the filing of same with the TCEQ. Director Kluppel seconded the motion, which carried unanimously.

TEXAS OPEN MEETINGS ACT AND PUBLIC INFORMATION ACT TRAINING REQUIREMENTS

Ms. Humphries presented and reviewed a memorandum from ABHR regarding the Texas Open Meetings Act Requirements, a copy of which is attached hereto. She stated that Senate Bill 286 requires each elected or appointed public official to complete a course of training regarding responsibilities of the governmental body and its members under the Texas Open Meetings Act, Chapter 551. Ms. Humphries stated that Director Stolleis must complete training within 90 days of taking the oath of office.

DISCUSS CONFLICT OF INTEREST DISCLOSURE REQUIRED UNDER CHAPTER 176 OF THE TEXAS LOCAL GOVERNMENT CODE

Ms. Humphries presented a memorandum from ABHR regarding legislation enacting Chapter 176 of the Texas Local Government Code, a copy of which is attached, which requires directors and consultants to disclose certain conflicts of interest. She encouraged the Board to contact ABHR if assistance is needed in determining whether a conflict requires disclosure or in making a required disclosure.

CONVENE IN EXECUTIVE SESSION PURSUANT TO THE 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 to discuss security.

CONVENE IN EXECUTIVE SESSION PURSUANT TO THE CHAPTER 551.072, TEXAS GOVERNMENT CODE TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

At 8:10 p.m., Director Taylor announced that the Board would convene in executive session to discuss the purchase of real property.

RE-CONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

Director Taylor announced the Board would reconvene in open session at 8:30 p.m. After discussion, Director Crow moved that the Board authorize the engineer to collect ownership information on various tracts of land and authorize Director Crow and Director Stolleis to contact Claudia Wright on possible brokerage services. Director Kluppel seconded the motion, which passed unanimously.

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

At 8:31 p.m., Director Taylor announced that the Board would convene in executive session. Mr. Hancock stated that attorneys from ABHR would not be present for the executive session due to a possible conflict of interest. The following were present at the executive session: Directors Minchew, Kluppel, Taylor, Crow and Stolleis, and Bobby Jones, Jason Kirby, and Scott Sanger of Jones & Carter, Inc.

RE-CONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION PENDING OR CONTEMPLATED LITIGATION

Director Taylor announced the Board would reconvene in open session at 9:31 p.m. The Board concurred no action was necessary.

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

Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

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