

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

February 27, 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, February 27, 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
Holly Zarate	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; Adam Lambert of Jones & Carter, Inc. ("J&C"); Trent Slovak and Sunil Kommineni of Malcolm Pirnie, Inc.; Crystal Brock of Tax Tech, Inc.; Pat Naff of CDC Maintenance, Inc. ("CDC"); Andrew Phelps, Brea Campbell, and Michael Ammel of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Jane Gray, Mr. and Mrs. C.K. Dickenson, and Dr. Wendy Hale-Erlich, residents of the District; and Lynne B. Humphries, 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 January 30, 2007, meeting, which had been prepared and distributed in advance of the meeting. Ms. Eisenberg noted that the minutes had been revised to reflect that the Board authorized a refund to Mr. Green in the amount of \$129.99. Following review and discussion, Director Kluppel moved to approve the January 30, 2007, meeting minutes as revised. Director Crow seconded the motion, which was approved by unanimous vote.

RECEIVE COMMENTS FROM THE PUBLIC

Dr. Hale-Erlich introduced herself to the Board and stated that she is a resident of the District and is in attendance to observe the meeting.

APPROVE ANNUAL REPORT AND AUTHORIZE FILING OF SAME WITH APPROPRIATE INFORMATION REPOSITORIES IN ACCORDANCE WITH CONTINUING DISCLOSURE OF INFORMATION AGREEMENT

Ms. Humphries reviewed updated financial and operating data to be filed in accordance with the continuing disclosure provisions contained in the bond resolutions. She stated that the District is required to file certain financial and operating data with the Nationally Recognized Municipal Securities Information Repositories as designated by the United States Securities and Exchange Commission and with the Municipal Advisory Council of Texas, the State Information Depository. Ms. Humphries added that the District's financial and operating data and the audit must be filed by March 31, 2007. Following review and discussion, Director Crow moved that the Board approve the annual report and authorize the attorney to submit the District's annual report including updated financial and operating data in compliance with the continuing disclosure provisions contained in the bond resolution. Director Bertrand seconded the motion, which passed unanimously.

UPDATE ON GARBAGE AND RECYCLING SERVICES

Director Zarate reported on garbage collection services in the District and two complaints received during the past month.

DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Haines of the YMCA presented the parks management report, a copy of which is attached. Mr. Haines stated that the Board authorized the purchase of an alarm system and the installation of a fence not to exceed a cost of \$800.00 for the restroom facility at Pecan Grove Park at the January meeting. Director Bertrand stated that the park subcommittee has re-evaluated the facility and recommends the installation of a gate and additional lighting in lieu of an alarm system. Mr. Haines stated that a wrought iron gate for the restroom facility and motion activated lighting can be installed at a cost of approximately \$2,000.00. After review and discussion, Director Zarate moved that the Board authorize Mr. Haines to have a wrought iron gate and lighting installed at the restroom facility at a cost not to exceed \$2,500.00 Director Bertrand seconded the motion, which passed unanimously. Mr. Haines reported that graffiti was removed from the park facility.

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

Ms. Brock reviewed with the Board the monthly tax assessor/collector's report, a copy of which is attached. She 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 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.

### OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of January 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 stated that an inspection was performed on Mr. Zozobrado's pool and it conforms to the District's Rate Order requirements. He added that an abandoned discharge line at Mr. Zozobrado's house is connected into the storm water inlet. The Board requested that the operator remove the abandoned line.

Mr. Phelps reviewed a letter from Mr. Winston of 2218 Windmill requesting that the District remove trees growing on the banks of the drainage ditch near the back of the property. The Board authorized the operator to remove the trees.

Mr. Phelps reviewed a letter from Mr. and Mrs. Laury of 2007 N. Greens regarding a persistent wet curb line in front of their home. He stated that the wet curb line appears to be caused by over watering but he will continue to investigate.

Mr. Phelps stated that the District received a letter from Mr. Muller of 1802 Polly Ct. requesting that the Pecan Grove Volunteer Fire Department ("PGVFD") donation fee be removed from his water bill. Mr. Phelps stated that he will remove the fee from Mr. Muller's bill.

Mr. Ammel recommended that the District install a meter at the PGVFD. The Board discussed asking the PGVFD to convey to the District the water line in the right-of-way on Pitts Road from the levee to the fire station. Mr. Ammel stated that he will ask the PGVFD if they are willing to convey the waterline to the District.

The Board discussed sending a notice to the customers with the next water bill on a surface water conversion fee. Mr. Ammel stated that he will draft a notice for the water bill and send it to the Board for review. The Board requested that Mr. Ammel add the notice on a separate insert to send with the water bill.

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

## DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING DISTRICT NEWSLETTER AND WEBSITE

The Board requested that Mr. Ammel request that Payne Communications draft a notice for the District's website on the District's surface water conversion fee similar to the notice in the newsletter.

## REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. Director Crow requested that Mr. Naff discuss proposals at the next Board meeting on treatment of alligator weeds. Mr. Naff stated that he completed the desilting of the bottom of the central ditch.

## ENGINEER'S REPORT

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

Mr. Lambert reported on the construction at the wastewater treatment plant. He reviewed and recommended payment of Pay Estimate No. 3 to the contract in the amount of \$42,300. After review and discussion, Director Kluppel moved that based upon the engineer's recommendation, the Board approve payment of Pay Estimate No. 3 in the amount of \$42,300. Director Crow seconded the motion, which passed unanimously.

Mr. Lambert presented a contract from CenterPoint Energy for modifications to the District's electrical service in the amount of \$11,718.21. He added that the contract provides for non standard service items including the power pole, transformers and service drop at the wastewater treatment plant. After review and discussion, Director Kluppel moved that the Board approve the contract with CenterPoint Energy in the amount of \$11,718.21. Director Crow seconded the motion, which passed unanimously.

Mr. Lambert stated that he is waiting on official floodplain elevations to be released in order to evaluate the elevation of the levee and verify compliance with freeboard requirements. Ms. Humphries stated that Fort Bend County area levee districts are going to meet on a regular basis on the 3rd Friday of the month at ECO Resources, Inc. to discuss levee recertification and other matters of mutual interest. Director Kluppel stated that he may attend future meetings of the area levee districts. Ms. Humphries stated that Mr. Vogler of the Fort Bend County Drainage District appointed a technical review committee comprised of several Houston area engineering firms and LJA Engineering was hired by the Federal Emergency Management Agency consultant to conduct part of the drainage analysis used in connection with the re-mapping of the floodplain.

Mr. Hancock reviewed a Water Line and Sanitary Sewer Easement and Drainage Easement from W.S.G. Pecan Grove, IV, L.P. to the District. After review and discussion, Director Kluppel moved that the Board accept the Water Line and Sanitary Sewer Easement and Drainage Easement from W.S.G. Pecan Grove, IV, L.P. Director Crow seconded the motion, which passed unanimously.

Mr. Lambert reviewed and recommended payment of an invoice from CenterPoint Energy in the amount of \$547.50 for additional natural gas service in connection with the lift station no. 7 backup generator. After review and discussion, Director Kluppel moved that the Board authorize payment of the invoice in the amount of \$547.50 to CenterPoint Energy. Director Crow seconded the motion, which passed unanimously.

Mr. Lambert stated that an invoice was received from NTS for electrical work performed at the wastewater treatment plant in the amount of \$12,900. After review and discussion, Director Kluppel moved that the Board authorize payment of the invoice in the amount of \$12,642.00 with \$258.00 deducted as a penalty for a late invoice. 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 Crow seconded the motion, which passed unanimously.

#### ADOPT AMENDED RATE ORDER

The Board discussed amending the Rate Order to implement a surface water conversion fee. After review and discussion, Director Crow moved that the Board adopt an Amended Rate Order reflecting (1) a surface water conversion fee of \$0.26 per 1,000 gallons of water used and (2) a sewer rate for the PGVFD of \$1.00 per year. Director Zarate seconded the motion, which carried unanimously.

## SURFACE WATER AND SUBSIDENCE ISSUES AND BRAZOS RIVER AUTHORITY

Director Kluppel discussed a possible Groundwater Reduction Plan Participation Agreement with W.S.G. Pecan Grove IV, L.P. The Board also discussed the possibility of entering into agreements with other municipalities to treat surface water in the District's surface water treatment plant.

Mr. Slovak distributed and reviewed a Water Quality Assessment with the Board, a copy of which is attached. He discussed pilot testing by membrane manufacturers and submittal of the pilot test plan to the Texas Commission on Environmental Quality for approval. The Board discussed the possibility of the District engaging three membrane manufacturers for pilot testing. Mr. Kommineni reviewed the organizational flow chart and timetable for the pilot testing process. The Board concurred that the District should engage three membrane manufacturers for pilot testing. Mr. Kommineni discussed a timetable for testing and stated that the assessment would take approximately 28 weeks. Mr. Slovak presented a Master Agreement for Professional Services between Malcolm Pirnie, Inc. and the District for work on the Water Quality Assessment. The Board requested that ABHR review the Master Agreement for Professional Services.

Director Kluppel stated that he will meet with representatives of the City of Richmond and the City of Rosenberg to discuss their plans for surface water conversion.

Ms. Humphries stated that the Board received a letter from Fort Bend County Water Control and Improvement District No. 3 ("FBWCID 3") requesting that the Board consider the possibility of FBWCID 3 participating in the purchase of surface water from the Brazos River Authority. The Board requested that ABHR send a letter to FBWCID 3 reflecting that FBWCID 3 is located within the extraterritorial jurisdiction of the City of Richmond and therefore the District is unable to consider the request without written documentation from the City of Richmond allowing the District to determine its own groundwater reduction plan.

### DISCUSS ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE, APPROVE REIMBURSEMENT OF ELIGIBLE EXPENSES AND AUTHORIZE ATTENDANCE AT THE ASSOCIATION OF WATER BOARD DIRECTORS SUMMER CONFERENCE

The Board discussed the Association of Water Board Directors ("AWBD") winter conference. After review and discussion, Director Kluppel moved that the Board approve reimbursement of eligible expenses for the winter conference and authorize any interested Directors to attend the AWBD summer conference. Director Bertrand seconded the motion, which passed unanimously.

### 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 Kluppel moved that the Board approve the bookkeeper's report, investment report and payment of the District's bills. Director Crow seconded the motion, which passed unanimously.

### RECEIVE REPORTS FROM BOARD MEMBERS, INCLUDING DISCLOSURE REPORTS

The Board discussed conducting consultant reviews. The Board scheduled a special meeting on March 29, 2007 to conduct reviews of the engineer, bookkeeper and attorney. The Board requested that ABHR prepare a proposed schedule for the review of all consultants. Director Zarate stated that she plans to resign from the Board at the March 29, 2007 Board meeting.

### REPORTS FROM CONSULTANTS

Ms. Humphries noted that Tim Austin of ABHR is being paid by the developers of the Pyle tract in an attempt to create a new district on that property.

### ACTION ITEM LIST

The Board reviewed and updated the action list.

### 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 matters.

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

(SEAL)

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Secretary, Board of Directors

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