

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

May 27, 2008

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in regular session, open to the public, on the 27th day of May, 2008, at the Pecan Grove Country Club, Highway 359 at Plantation Drive, Richmond, Texas, inside the boundaries of the District, and the roll was called of the members of the Board:

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

and all of the above were present, thus constituting a quorum.

Also present at the meeting were Cliff Kavanaugh of First Southwest Company; Pat Naff of CDC Maintenance, Inc.; Jim Keller, Larry Harris, and Mr. and Mrs. Dickenson, residents of the District; Scott Saenger and Jason Kirby of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Mike Ammel and Andrew Phelps of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Dan McDonald of Anco-McDonald Waterworks Insurance Services, L.L.C.; Marquita Griffin of the Fort Bend Herald; Trent Slovak of Malcolm Pirnie, Inc.; Claudia Wright of R&W Real Estate; and Lynne Humphries and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the April 29 and 30, May 6 and May 14, 2008, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the minutes of the April 29 and 30, May 6 and May 14, 2008 meetings. Director Crow seconded the motion, which was approved by unanimous vote.

APPROVE PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL NOTICE OF SALE

Ms. Humphries stated that the District has received a staff memorandum from the TCEQ approving the issuance of \$4,140,000 Unlimited Tax Bonds. Mr. Kavanaugh reviewed the Preliminary Official Statement and Official Notice of Sale for the Series 2008 bond issue in the amount of \$4,140,000 with the Board. Following review and

discussion, Director Kluppel moved to approve the Preliminary Official Statement and Official Notice of Sale. Director Crow seconded the motion, which passed unanimously.

AUTHORIZE ADVERTISEMENT FOR SALE OF THE SERIES 2008 BONDS AND SCHEDULE BOND SALE

After discussion, Director Kluppel moved to authorize advertisement for sale of the Series 2008 Bonds. Director Crow seconded the motion, which passed unanimously. The Board concurred to hold the bond sale on June 17, 2008 at the Pecan Grove MUD Customer Service Office, 2035 FM 359, Suite 13, Richmond, Texas.

APPOINT PAYING AGENT/REGISTRAR

The Board then discussed appointing The Bank of New York Trust Company, N.A. as the Paying Agent/Registrar for the District's bond issue. After discussion, Director Kluppel moved to appoint The Bank of New York Trust Company, N.A. as the Paying Agent/Registrar for the Series 2008 bonds. Director Crow seconded the motion, which passed by unanimous vote.

AUTHORIZE FINANCIAL ADVISOR TO BID ON THE BONDS AND ADOPT RESOLUTION PERMITTING FINANCIAL ADVISOR TO BID ON THE SERIES 2008 BONDS

Mr. Kavanaugh requested authorization for First Southwest Company to bid on the bonds. Ms. Humphries then reviewed a Resolution Permitting the District's Financial Advisor to Bid on the Bonds. She stated that the Resolution provides that the financial advisor may bid on the bonds and that the bonds will be awarded to the bidder with the lowest net effective interest rate. After review and discussion, Director Kluppel moved to authorize the financial advisor to bid on the bonds, adopt a Resolution Permitting the District's Financial Advisor to Bid on the Bonds, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed by unanimous vote.

CONVERSION TO SURFACE WATER, PRESENTATION FROM MALCOLM PIRNIE, INC. ON SCHEDULE FOR SURFACE WATER TREATMENT PLANT, AND AGREEMENTS FOR SALE OF CONVERSION CREDITS

Mr. Slovak distributed and reviewed a draft (1) Engineering Services Fees Chart for Preliminary Detailed Design and Construction Phases for the Surface Water Treatment Plant; (2) construction cost chart for the surface water treatment plant, and (3) implementation schedule for the surface water treatment plant, copies of which are attached. Director Kluppel stated that the one year estimated time period for design of the plant was not acceptable. Mr. Slovak stated that he will respond with a shorter time frame for the design of the plant at the next meeting.

Mr. Kirby discussed that J&C will prepare a schedule for conversion to chloramine. Mr. Slovak discussed the preparation of an addendum to the Master Services Contract between the District and Malcolm Pirnie, Inc. for the design of the plant. Ms. Humphries stated that the engineering addendum will need to contain the set price for design of the plant discussed with the Board. Mr. Slovak stated that he will prepare the addendum for design of the plant and submit it to ABHR for review. He added that he will further evaluate the design schedule discussed today and send the Board updated information prior to the June 17, 2008 special Board meeting.

RENEWAL OF INSURANCE POLICIES

Mr. McDonald reviewed an insurance proposal from Anco-McDonald Waterworks Insurance Services, L.L.C., a copy of which is attached. The Board requested that Mr. McDonald prepare a revised proposal that includes an alternative for a lower deductible for the commercial general liability policy for sewer and drain backup claims.

REPORT ON FIRE AND SECURITY MATTERS

Director Taylor reviewed a letter the District received from the Pecan Grove Volunteer Fire Department ("PGVFD") regarding a water main proposal, a copy of which is attached. After review and discussion, the Board concurred to authorize ABHR to prepare a letter to the PGVFD reflecting that (1) the Board will discuss a response at the June 24, 2008, meeting and (2) the District needs to install a meter at the PGVFD service line located in front of the fire station.

Ms. Humphries stated that she has had additional communication with the County Attorney regarding the Sheriff's Department's enforcement of the District's Park Rules. She added that the County Attorney has stated that the Sheriff may not have authority to enforce the Park Rules, which have the effect of municipal ordinances. Director Minchew stated that he will obtain an affidavit from the Sheriff that will give the Sheriff authority to handle trespassers on the District's property.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff updated the Board on ditch and levee maintenance. He stated that he will prepare a mowing contract for the Board's review at the next meeting. The Board requested that Mr. Naff prepare an estimate for spraying weeds in the cracks at the outfall structure and removing silt.

TAX ASSESSOR/COLLECTOR'S REPORT

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 2007 tax payments and responded to questions from Board

members. Following review and discussion, Director Crow moved to approve the tax assessor/collector's report and authorize payment of bills from the tax account. Director Stolleis seconded the motion, which passed by unanimous vote.

UPDATE ON GARBAGE AND RECYCLING SERVICES

Director Stolleis stated that there was nothing to report on garbage services.

DEVELOPMENT AND MAINTENANCE OF PARKS

Director Crow reviewed a Parks Management report, a copy of which is attached. Mr. Phelps stated that he is checking on the location of buried inlets in connection with the Plantation Park landscaping project proposal.

OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of April, 2008, a copy of which is attached, and which was provided previously to the Board. Mr. Ammel reported that he will add a notice to the water bill regarding the upcoming flushing of the system and the MS4 Storm Water Management Plan public workshop on July 29, 2008.

Mr. Ammel reviewed letters from the Texas Commission on Environmental Quality ("TCEQ") on Unregulated Contaminant Monitoring Regulation and the TXWARN program. Mr. Ammel stated that the District is a member of the TXWARN program which shares information on disaster response and recovery.

The Board requested that the operator report on the coating in the wastewater treatment plant lift station wet well.

Mr. Phelps discussed replacing four broken exterior lighting fixtures at water plant no. 3. The Board requested that the operator obtain another bid for review at the next meeting.

After review and discussion, Director Crow moved to approve (1) the operator's report; and (2) authorization for repairs to lift pumps no. 1 and 2 discharge piping at a cost of \$3,895.00. Director Kluppel seconded the motion, which passed by unanimous vote.

CONDUCT HEARING AND AUTHORIZE TERMINATION OF SERVICE

The Board next conducted a hearing on the termination of utility service to delinquent accounts. Mr. Phelps 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 DISTRICT NEWSLETTER AND WEBSITE

Mr. Phelps reported on updates to the website. He updated the Board on the plans for the summer newsletter. The Board requested that the engineer prepare information for the newsletter on the Storm Water Management Plan workshop and levee recertification.

MS4 STORMWATER MANAGEMENT PLAN IMPLEMENTATION

Mr. Kirby reported on the plans for the District's MS4 Stormwater Management Plan public workshop on July 29, 2008, which will include a presentation and discussion on storm water quality issues. Mr. Kirby stated that he will prepare a notice regarding the workshop to send out with the water bill.

ENGINEER'S REPORT

Mr. Kirby 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. Kirby discussed possible methods and costs for repairs to the elevated storage tank fill line and interior tank roof. Mr. Kirby stated that he will have the exterior coat tested prior to the next meeting. The Board requested that Mr. Kirby prepare plans and specifications for (1) replacing the fill line and repairing the interior ceiling, (2) recoating the interior bowl area, and (3) include alternates for top coating the interior column, recoating the exterior tank, and top coating the tank exterior.

Mr. Saenger updated the Board on levees and flood plain management matters. He stated that J&C is reviewing the current Brazos River updated model dated May, 2008, and preparing comments to submit to the Michael Baker firm. The Board requested that J&C prepare cost estimates for improvements needed to protect Pecan Lakes and to complete the improvements needed for levee recertification.

Mr. Kirby distributed and reviewed a preliminary Levee Operation and Maintenance Manual. The Board tabled adoption of a Resolution Adopting Operation and Maintenance Manual.

Mr. Kirby stated that he will prepare a cost estimate for construction of a transmission line between water plants no. 2 and 3 and chloramine conversion.

Following review and discussion of the engineer's report, Director Kluppel moved to accept the engineer's report as presented and authorize J&C to prepare the bond application for the surface water plant, with bonds to be sold in 2009. Director Minchew 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 and which was provided in advance, including the investment report, budget comparison, and the District's bills. She stated that she will hold the check for the insurance premium. After review and discussion, Director Stolleis moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Kluppel seconded the motion, which passed unanimously.

REPORTS FROM BOARD MEMBERS AND DISTRICT CONSULTANTS

There were no reports from Board members or consultants.

ATTORNEY'S REPORT

Ms. Humphries reviewed the memorandum previously provided to the Board regarding the Interlocal Agreement between the District and Fort Bend Economic Development Council, the sponsorship of the three area elementary schools in the Fort Bend Subsidence District ("FBSD") Water Conservation Education Program, and the proposal from OmniCap LLP to conduct an arbitrage rebate study for the Series 2003 Bonds. After review and discussion, Director Crow moved to approve (1) an Interlocal Agreement between the District and the Greater Fort Bend Economic Development Council; (2) an Interlocal Agreement between the District and the FBSD for the sponsorship of the three elementary schools in the Water Conservation Education Program; (3) the proposal from OmniCap LLP, and (4) direct that the Agreements and the proposal be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which carried by unanimous vote.

The Board reviewed the action list.

RECEIVE COMMENTS FROM THE PUBLIC

There were no comments from the public.

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 9:05 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 9:20 p.m. After review and discussion, Director Kluppel moved to authorize R&W Real Estate to continue to negotiate on the District's behalf for the purchase of a site for a surface water treatment plant. Director Crow seconded the motion, which passed unanimously.

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

(SEAL)

Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

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