

MINUTES  
PECAN GROVE MUNICIPAL UTILITY DISTRICT

August 26, 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 26th day of August, 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 except Director Kluppel, thus constituting a quorum.

Also present at the meeting were Mr. and Mrs. Dickenson, Joe Cartwright, Carol Cartwright, Cheryl Minchew, Jim Ashmore, Uwe Jerg, Conley Shepherd, Max Trenck, Terri Trenck, Jim Keller, Larry Danna, Dick Collier, Lorena Collier, George Sepe, Robert Barta, Larry Harris, Don Marquart, Maggie Crow, Wayne Watts, Kirk Boyd, Grant Russell, Nancy Russell, John Ehlingen, Kevin Bracken, and Larry Perry, residents of the District; Sheriff Milton Wright; Jason Kirby of Jones & Carter, Inc. ("J&C"); Aimee Ordeneaux of Tax Tech, Inc.; Cliff Kavanaugh of First Southwest Company; Breah Campbell, Mike Ammel, and Andrew Phelps of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Marquita Griffin of the Fort Bend Herald; Keith Jones, Paula Micheli, and Will Webb of the Pecan Grove Volunteer Fire Department ("PGVFD") Board; Robert McCollum of Malcolm Pirnie, Inc.; and Hannah Brook and Janet Swartz of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the July 29 and August 5, 2008, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the minutes of the July 29 and August 5, 2008, meetings. Director Stolleis seconded the motion, which was approved by unanimous vote.

## REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Ms. Ordeneaux reviewed a report from Mr. Naff on ditch and levee maintenance. After discussion, Director Crow moved to approve fertilization of the levee at a cost of \$10,500. Director Stolleis seconded the motion, which carried unanimously.

## ARBITRAGE REBATE STUDY FOR SERIES 2003 BONDS

Ms. Swartz stated that OmniCap Group L.L.C. has completed the Interim Excess Earnings Report on the Series 2003 Bonds. She stated that the report reflects that no yield reduction payment is due to the Internal Revenue Service.

## TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Ordeneaux 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 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.

## RECEIVE COMMENTS FROM THE PUBLIC

Mr. Ashmore presented a letter from the presidents of the five homeowners' associations in Pecan Grove. He stated that the letter reflects a request that the Board continue the collection of voluntary donations on behalf of the PGVFD. Mr. Harris stated that the request for an audit is reasonable. Mr. Marquart stated that the Board of Pecan Grove Municipal Utility District and the PGVFD should work together and the District should not discontinue the collection of voluntary donations. Mr. Danna discussed the history of the PGVFD and stated that the District and the PGVFD need to continue to work together. Mr. Trenck requested information on the firm conducting the audit and when the audit is due. Ms. Micheli stated that the Board of the PGVFD expects the audit within the next couple of weeks. She added that Ken Wood & Associates is conducting the audit. Director Taylor stated that the Board of Directors of the District initially requested an audit from the PGVFD in 1999. Mr. Perry stated that the PGVFD conducted a modified financial review for the year 2005 which was given to the District in 2007. Ms. Collier stated that she is in favor of the District continuing to collect the voluntary donations. In response to a question from Mr. Ehlingen, Director Taylor stated that the PGVFD set up the system to be based on voluntary donations in 1992. Mr. Perry discussed the procedures involved in the implementation of a Pecan Grove Municipal Utility District fire plan. Ms. Crow stated that the deadline being discussed is the Board's intention to suspend the collection of voluntary donations for the PGVFD sixty days from the July 29, 2008 meeting if the audit is not received.

Director Taylor stated that he is willing to discuss the District's procedures for collection of the PGVFD donations with any interested parties.

#### REPORT ON FIRE AND SECURITY MATTERS

Sheriff Wright discussed security patrol by deputies in the District and answered questions from the public in attendance.

#### APPROVE AGREEMENT FOR COST SHARING OF LAW ENFORCEMENT SERVICES WITH PECAN GROVE PLANTATION PROPERTY OWNERS ASSOCIATION

After review and discussion, Director Crow moved to approve an Agreement for Cost Sharing of Law Enforcement Services with Pecan Grove Plantation Property Owners Association contingent upon final approval by Director Minchew and direct that the Agreement be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed unanimously.

#### APPROVE AGREEMENT FOR ADDITIONAL LAW ENFORCEMENT SERVICES WITH FORT BEND COUNTY

After review and discussion, Director Crow moved to approve an Agreement for Additional Law Enforcement Services with Fort Bend County contingent upon final approval by Director Minchew and direct that the Agreement be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed unanimously.

#### UPDATE ON GARBAGE AND RECYCLING SERVICES

There was no update on garbage and recycling services.

#### DEVELOPMENT AND MAINTENANCE OF PARKS

Director Crow stated that he did not receive a Parks Management report. Ms. Brook reviewed Amendment No. One to the Landscape and Maintenance Contract between the District and Terra Management Services. She stated that the Amendment reflects that Terra Management Services will mow Pecan Lakes Park. After review and discussion, Director Stolleis moved to approve Amendment No. One to the Landscape and Maintenance Contract between the District and Terra Management Services and direct that the Amendment be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which passed by unanimous vote.

Ms. Brook reviewed the First Amendment to Interlocal Governmental Agreement for Recreational Facilities Between the District and Pecan Lakes, C.A. She stated that the Amendment provides that the District will agree to undertake the maintenance of Pecan Lakes Park. After review and discussion, Director Stolleis moved

to approve the First Amendment to Interlocal Governmental Agreement for Recreational Facilities between the District and Pecan Lakes, C.A., and direct that the Amendment be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which passed unanimously.

Director Crow reported that people are parking on the grass at Pecan Grove Park in the afternoons during football practice. Director Taylor stated that he will inform the YMCA and the Sheriff's Office of the parking situation. He added that funds have been included in the budget for boulders along the edge of the driveways in the park.

#### OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of August, 2008, a copy of which is attached, and which was provided previously to the Board. Mr. Ammel stated that he will obtain a contract for sludge hauling with a term that coincides with the District's reporting period to the Texas Commission on Environmental Quality ("TCEQ").

After review and discussion, Director Crow moved to approve the operator's report and authorize the operator to perform maintenance on five storm water pumps at a cost of \$6,244. Director Stolleis 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. 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 Stolleis seconded the motion, which passed unanimously.

#### AMENDED RATE ORDER

Ms. Brook stated that the Rate Order has been revised to reflect a new sewer rate of \$28.25 for single family users and \$14.75 per equivalent single family residential connection for non-single family users. After review of the proposed revisions and discussion, Director Stolleis moved to adopt the Amended Rate Order and Rules and Regulations Regarding District System, Parks and Connections, and direct that the Order be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed unanimously.

## DISCUSS DISTRICT NEWSLETTER AND WEBSITE

Mr. Phelps discussed possible articles for the next newsletter.

## CONVERSION TO SURFACE WATER, PROGRESS UPDATE ON SURFACE WATER PLANT DESIGN FROM MALCOLM PIRNIE, INC., AND AGREEMENTS FOR SALE OF CONVERSION CREDITS

Mr. McCollum gave a progress update on the surface water plant design, a copy of which is attached.

## 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 stated that he had not received any update on the status of the existing perimeter levee certification from FEMA. Mr. Kirby stated that the application for the renewal of the Texas Pollutant Discharge Elimination System Permit should be completed in November.

Mr. Kirby stated that he is preparing the District's Storm Water Management Plan Annual Report for year one, which is due to the TCEQ by November 11, 2008. Director Stolleis stated that he and Director Kluppel will meet with Mr. Kirby to review the Annual Report. Mr. Kirby stated that he will commence preparation of the year two implementation tasks.

Director Taylor stated that he and Director Stolleis will meet with Mr. McIntyre, a landowner, who has requested out-of-district service.

Mr. Kirby updated the Board on the preparation of the bond application for the surface water plant.

Mr. Kirby updated the Board on the preparation of the bond application for reclamation and drainage system improvements. The Board tabled adoption of a Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds.

Following review and discussion of the engineer's report, Director Stolleis moved to accept the engineer's report as presented, and authorize the engineer to commence design of levee improvements for the existing perimeter of the levee. Director Crow 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. After review and discussion, Director Stolleis moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Crow seconded the motion, which passed unanimously.

## ADOPT BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30, 2009

Ms. McLennan reviewed the proposed budget for the fiscal year ending September 30, 2009 with the Board, a copy of which is attached to the bookkeeper's report. After review and discussion, Director Stolleis moved to adopt the budget for the fiscal year ending September 30, 2009. Director Crow seconded the motion, which passed unanimously.

## ATTORNEY'S REPORT

Ms. Brook reviewed an Interlocal Agreement between the District and the Fort Bend County Drainage District with the Board. After review and discussion, Director Crow moved to approve the Interlocal Agreement with the Fort Bend County Drainage District and direct that the Agreement be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which passed unanimously.

The Board conducted an annual review of the District's current Investment Policy. Following review and discussion, Director Crow moved to adopt a Resolution Regarding Annual Review of Investment Policy reflecting that no changes have been made to the Policy and direct that the Resolution be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which was approved by unanimous vote. Ms. Brook stated that there are no updates to the list of qualified broker/dealers with whom the District may engage in investment transactions.

The Board concurred to not contribute this year to the Greater Fort Bend Economic Development Council.

Ms. Brook reviewed a letter from the District to the PGVFD reflecting that the District will agree to install a two (2) inch meter and backflow device at the point of connection of the PGVFD water line to the District's system and install a tap and sanitary sewer line for use by the PGVFD in exchange for PGVFD conveying the water line currently used by the PGVFD to the District. After review and discussion, Director

Crow moved to authorize the President to execute the letter to the PGVFD. Director Minchew seconded the motion, which passed unanimously.

2008 TAX RATE, SET PUBLIC HEARING DATE AND AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING DISTRICT ADOPTION OF TAX RATE

Mr. Kavanaugh recommended a proposed tax rate for 2008 of \$0.468, \$0.219 for debt service and \$0.249 for maintenance and operations. After discussion, Director Stolleis moved to approve a proposed tax rate of \$0.468 and authorize the tax assessor/collector to publish a notice in the Fort Bend Herald of the Board meeting of September 30, 2008 where the Board will adopt the proposed tax rate. Director Crow seconded the motion, which passed by unanimous vote.

2008 BOND ELECTION

Mr. Kirby reviewed a preliminary engineering report related to future construction costs for the District's reclamation and drainage improvement projects, a copy of which is attached. He stated that the total bond authorization requirement for the improvements is \$24,300,000, including refunding authorization. After review and discussion, Director Crow moved to approve the preliminary engineering report. Director Minchew seconded the motion, which passed by unanimous vote.

The Board discussed an Order Calling Bond Election for conduct of a November 4, 2008 election. After review and discussion, Director Crow moved to adopt the Order Calling Bond Election and direct that the Order be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed by unanimous vote.

Ms. Brook reviewed a Joint Election Agreement and Contract for Election Services between the District and Fort Bend County for conduct of the November 4, 2008 election. After review and discussion, Director Crow moved to approve the Joint Contract for Election Services with Fort Bend County and direct that the Contract be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which was approved by unanimous vote.

Ms. Brook stated that the District must submit a Voting Rights Act Submission Letter to the U.S. Department of Justice regarding the early voting polling places that will be used in the election and the bond election. After review and discussion, Director Crow moved to approve the Voting Rights Act Submission Letter and direct that it be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed unanimously.

REPORTS FROM BOARD MEMBERS AND DISTRICT CONSULTANTS

Director Taylor stated that he is willing to work with the PGVFD on the various issues previously discussed during comments from the public.

Mr. Shepherd stated that as a homeowner association Board member, he would like to see mutual respect from all associations. Director Minchew stated that Mr. Shepherd never spoke to him about executive sessions of the PGVFD and he asked that the PGVFD Board consider re-appointing Mr. Shepherd to the Board. Director Stolleis stated that he and Director Taylor will work with the PGVFD.

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.

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

The Board did not convene in executive session.

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

The Board did not convene in executive session.

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

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Secretary, Board of Directors

(SEAL)

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