

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

August 28, 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, August 28, 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                                     |
| Richard Stolleis | Assistant Vice President/ Assistant Secretary |
| John Minchew     | Assistant Vice President/ Assistant Secretary |

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

Also present were the following: Cliff Kavanaugh of First Southwest Company; Bobby Jones and Jason Kirby of Jones & Carter, Inc. ("J&C"); Sunil Kommineni and Trent Slovak of Malcolm Pirnie, Inc.; Greg Ordeneaux of Tax Tech, Inc.; 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, Jane Gray, Dorothy Emmer and Chuck Bertrand, residents of the District; Matthew May of WCA Waste Corporation of Texas ("WCA"); Marquita Griffin of the Fort Bend Herald; 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 July 26, July 31 and August 2, 2007, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the July 26, July 31 and August 2, 2007, meetings minutes as submitted. Director Stolleis seconded the motion, which was approved by unanimous vote.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

The Board reviewed a report from Mr. Naff on ditch and levee maintenance, a copy of which is attached. The Board discussed ruts in the levee located along the

jogging trail at the wastewater treatment plant. The Board requested that EDP contact CDC and ask that they discontinue the use of mowing equipment that could cause ruts on the levee and jogging trail. The Board also asked EDP to request that CDC repair the metal edge of the jogging trail between Belin Park and the Pecan Grove Country Club along Farmer Road.

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 Stolleis 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.

RECEIVE COMMENTS FROM THE PUBLIC

Ms. Emmer stated that she resides at 2318 Confederate Court. She said that she believes that since the rectification of Bullhead Slough, located behind her home, water has collected around her patio and back door. Ms. Emmer added that she believes dirt was pushed under her fence and caused a mound to form in the middle of the back yard. She requested that the Board determine if the District's facilities are causing the water to collect around her patio and back door. The Board concluded it was not possible for dirt to be pushed under her fence and mound 10-20 feet away, but they requested the engineer send grading plans to Director Taylor and investigate the drainage in Ms. Emmer's backyard to confirm that the District's drainage is not causing a problem in Ms. Emmer's backyard.

CONDUCT ANNUAL FUND REVIEW

Ms. Humphries stated that ABHR has 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. Ms. Humphries reviewed a memorandum from ABHR on the annual fund review, a copy of which is attached. After review and discussion, Director Crow moved that the Board direct the District's bookkeeper to follow all of the recommendations contained in the memorandum. Director Stolleis seconded the motion, which passed by unanimous vote.

DISCUSS 2007 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 2007 of \$0.47, \$0.22 for debt service and \$0.25 for maintenance and operations. After discussion, Director Crow moved that the Board approve a proposed tax rate of \$0.47 and authorize the tax assessor/collector to publish a notice in the Fort Bend Herald of the Board meeting of September 25, 2007 where the Board will adopt the proposed tax rate. Director Stolleis seconded the motion, which passed by unanimous vote.

UPDATE ON GARBAGE AND RECYCLING SERVICES AND APPROVE AMENDMENT TO CONTRACT FOR GARBAGE COLLECTION SERVICES

Mr. May updated the Board on garbage collection services in the District. He distributed information to the Board regarding renewal of the contract with WCA for garbage collection service, a copy of which is attached. Ms. Humphries reviewed a Fourth Amendment to the Garbage Collection Contract between WCA and the District. She stated that the Amendment provides that the contract be extended until September 30, 2008 and the price to be paid to WCA per unit per month for garbage and recycling curbside service will be \$13.50 effective January 1, 2008. After review and discussion, Director Crow moved that the Board approve the Fourth Amendment to the Garbage Collection Contract between WCA and the District. Director Minchew seconded the motion, which passed by unanimous vote. Director Taylor commended Mr. May on the job he has done for the District for several years.

DEVELOPMENT AND MAINTENANCE OF PARKS

The Board reviewed a parks management report submitted by Mr. Haines of the YMCA, a copy of which is attached. The Board discussed the current location of a frisbee golf hole on the levee. The Board concurred that the contractor needs to relocate the golf hole inside the tree line and repair the hole in the levee. Director Minchew stated that he will contact Mr. Haines regarding the repair.

OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of July 2007, a copy of which is attached and which was provided previously to the Board.

Director Stolleis requested additional information on the decrease in the water level at water well no. 3. Mr. Ammel stated that he will check on the capacity at all of the water wells and report to the Board.

Mr. Ammel discussed the investigation of three elevated storm drains at Belin Park. The Board requested that EDP lower the three storm drains at Belin Park.

The Board requested that EDP investigate storm sewers located on Mayweather Road and Kingsmill Road for possible obstructions. The Board requested that EDP have the fire hydrants painted in compliance with City of Richmond (the "City") standards.

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

#### ADOPT AMENDED RATE ORDER

The Board discussed water and sewer rates. The Board tabled this agenda item.

#### DISCUSS FIRE PROTECTION SERVICES FOR THE DISTRICT AND DONATIONS TO AND ACCOUNTABILITY OF PECAN GROVE VOLUNTEER FIRE DEPARTMENT

The Board discussed the Agreed Upon Procedures Audit previously conducted by the Pecan Grove Volunteer Fire Department ("PGVFD"). Director Minchew stated that he will contact the Board of the PGVFD regarding accounting procedures to be used in the future.

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

Director Crow updated the Board on the next newsletter. Mr. Phelps stated that he will contact Payne Communications regarding the addition of an article to the newsletter on the District's drainage system.

## 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 reviewed the proposed Groundwater Reduction Plan (the "GRP") with the Board. The Board concurred that all consultant and Board members' comments should be submitted to J&C by September 15, 2007. The Board authorized Mr. Kirby to submit the GRP to the Fort Bend Subsidence District for preliminary review. The Board concurred to consider approval of the final GRP at the next special meeting of the Board.

Following review and discussion of the engineer's report, Director Crow moved to accept the engineer's report as presented and, based on the engineer's recommendation, approve payment of Pay Estimate No. 9 in the amount of \$201,667.40 to the contract for the modifications to the sewage treatment plant and RBC units. Director Stolleis seconded the motion, which passed unanimously.

## DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING CONVERSION TO SURFACE WATER AND AGREEMENT WITH THE CITY FOR SALE OF CONVERSION CREDITS

Ms. Humphries stated that the City is reviewing the proposed Agreement for Sale of Water Conversion Credits between the District and the City.

## BOOKKEEPER'S REPORT AND DISCUSS BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30, 2008

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. She reviewed a proposed budget for the fiscal year ending September 30, 2008 with the Board. Ms. McLennan stated that she will revise the proposed budget to reflect the new garbage collection fee and add a line item for surface water expenses. 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 Stolleis seconded the motion, which passed unanimously.

## DISCUSS OPTIONS FOR LAW ENFORCEMENT SERVICES AND AUTHORIZE APPROPRIATE ACTION INCLUDING INTERLOCAL AGREEMENT

Director Minchew stated that he is investigating the District's options for law enforcement services.

## RECEIVE REPORTS FROM BOARD MEMBERS AND DISTRICT CONSULTANTS

The Board concurred to discuss the budget for the fiscal year ending September 30, 2008, the GRP, Rate Order and review of the auditor's contract and tax assessor/collector's contract at a special meeting of the Board on September 20, 2007. Mr. Kommineni distributed and reviewed a report from Malcolm Pirnie, Inc. on the surface water plant implementation water quality and pilot testing, a copy of which is attached. After discussion, Director Stolleis moved that the Board authorize the surface water committee to approve Task Order 4. Director Crow seconded the motion, which passed unanimously.

## ATTORNEY'S REPORT

Ms. Humphries stated that the City is willing to enter into a Strategic Partnership Agreement (the "Agreement") with the District. She explained that the Agreement would provide that the City may annex commercial tracts within the District for the limited purpose of levying the City's sales tax and 50% of the sales tax collections will be remitted to the District. Ms. Humphries stated that the District needs to hold two public hearings on the Agreement. After discussion, Director Crow moved that the Board conduct a hearing at a special meeting on September 20, 2007 at the Pecan Grove Customer Service Office, 2035 FM 359, Suite 13, Richmond, Texas 77469 and that the second hearing be held at the District's next regular meeting on September 28, 2007. Director Stolleis seconded the motion, which passed unanimously.

Ms. Humphries stated that the District has received a proposal from BondLogistix LLC to conduct an arbitrage rebate and yield reduction study for the Series 1997 Bonds. After review and discussion, Director Crow moved that the Board approve the proposal and authorize the President to execute an engagement letter with BondLogistix LLC for the study. Director Stolleis seconded the motion, which passed unanimously.

Ms. Humphries reviewed an Interlocal Agreement between the District and the Fort Bend County Drainage District with the Board. After review and discussion, Director Crow moved that the Board approve the Interlocal Agreement with the Fort Bend County Drainage District. Director Stolleis 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 that the Board adopt a Resolution Regarding Annual Review of Investment Policy reflecting that no changes have been made to the Policy. Director Stolleis seconded the motion, which was approved by unanimous vote. Ms. Humphries stated that there are no updates to the

list of qualified broker/dealers with whom the District may engage in investment transactions.

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.

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 8:58 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 9:14 p.m. The Board did not take any action.

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

The Board did not convene in executive session to discuss contemplated litigation.

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

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Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

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