

MINUTES  
PECAN GROVE MUNICIPAL UTILITY DISTRICT

September 30, 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 30th day of September, 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 Matthew May of WCA Waste Corporation of Texas ("WCA"); Mark McGrath of Null-Lairson, P.C. ; Pat Naff of CDC Unlimited, LLC ("CDC"); Mr. and Mrs. Dickenson, Fred Ross, Robert Barta, Conley Shepherd, Maureen Courtney, Rory Courtney, and Jim Keller, residents of the District; Jason Kirby and Scott Saenger of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Cliff Kavanaugh of First Southwest Company; 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 and Paula Micheli of the Pecan Grove Volunteer Fire Department ("PGVFD") Board; Trent Slovak, Robert McCollum, and J. Bryck of Malcolm Pirnie, Inc.; and Lynne B. Humphries, Hannah Brook, and Janet Swartz of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the August 26, 2008, meeting, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the minutes of the August 26, 2008, meeting. Director Kluppel seconded the motion, which was approved by unanimous vote.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. Mr. Naff stated that the extension of asphalt to the north end of the jogging trail has not been completed. Director Crow requested that CDC fill in holes on the inside of the jogging trail around

the telephone building. Director Stolleis recommended that Mr. Naff contact Mr. Weighat of the Fort Bend County Road and Bridge Department on disposal of debris.

#### ENGAGE AUDITOR

Mr. McGrath presented a proposal for Null-Lairson, P.C. to perform the District's audit for the fiscal year ending September 30, 2008. He stated that the District is required to implement new auditing procedures which will increase the audit fee to approximately \$15,000. After review and discussion, Director Stolleis moved to engage Null-Lairson, P.C. to conduct the audit for the fiscal year ending September 30, 2008, and direct that the engagement letter be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

#### 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 Kluppel moved to 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.

#### CONDUCT PUBLIC HEARING REGARDING DISTRICT'S TAX RATE

Mr. Ordeneaux stated that Tax Tech, Inc. published a Notice of Public Hearing in the Fort Bend Herald stating the District anticipates levying a \$0.468 tax rate at this meeting.

Director Taylor then opened the public hearing. No members of the public came forward to make comments. Director Taylor then closed the public hearing.

#### ADOPT ORDER LEVYING TAXES AND APPROVE AMENDMENT TO INFORMATION FORM

Ms. Humphries presented to the Board an Order Levying Taxes with a total \$0.468 tax rate comprised of \$0.219 for debt service and \$0.249 for operations and maintenance. She then presented to the Board an Amendment to Information Form reflecting the newly adopted tax rate. Following review and discussion, Director Crow moved to adopt the Order Levying Taxes as presented, approve the Amendment to the Information Form, and direct that the Order and Amendment be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously. The Board confirmed its intention that the 2008 tax levy

includes a debt service component for the calendar year ending December 31, 2009, and a maintenance tax component for the fiscal year ending September 30, 2009.

#### UPDATE ON GARBAGE AND RECYCLING SERVICES

Mr. May updated the Board on pickup of debris in the District that resulted from the hurricane. He stated that commencing tomorrow, four to five bags or bundles will be picked up in addition to regular household garbage. Director Stolleis stated that the County plans to pick up green waste and construction debris in the District. He noted that the County has done a good job on debris removal. The Board concurred to conduct an annual review of the garbage contract at the October 15, 2008, special meeting. Mr. Shepherd thanked Mr. May for the garbage collection service in Pecan Lakes in the aftermath of Hurricane Ike.

#### FIRE AND SECURITY MATTERS, SHERIFF CONTRACT, FIRE PLAN, AND VOLUNTARY DONATIONS TO PECAN GROVE VOLUNTEER FIRE DEPARTMENT

Director Minchew updated the Board on the status of the Agreement for Additional Law Enforcement Services with Fort Bend County. Ms. Brook stated that she is working with the County Attorney on finalizing the Agreement. Director Minchew stated that law enforcement services will continue even though the Agreement has not been finalized.

Director Stolleis requested that Director Minchew ask the Sheriff deputies to patrol around Pecan Grove Elementary School property after school hours.

Director Minchew stated that he asked the PGVFD Board to consider reappointing Mr. Shepherd to the Board. Ms. Micheli stated that the PGVFD has not met to discuss Director Minchew's request that Mr. Shepherd be reappointed to the Board of the PGVFD. Director Minchew stated that Mr. Shepherd has received a recent letter from the PGVFD attorney reflecting that the Board of the PGVFD held a meeting and had decided not to reappoint Mr. Shepherd to the Board. Ms. Micheli stated that she was not aware of the letter. Director Minchew asked that Ms. Micheli investigate the matter and determine why the letter was released.

Ms. Micheli reported on the status of the PGVFD audit. She stated that the auditor is now waiting on a confirmation letter from Fort Bend County Municipal Utility District No. 118 ("MUD 118"). Director Minchew stated that the Board of the District had previously voted to cease the collection of voluntary donations on behalf of the PGVFD sixty days from the July 29, 2008, Board meeting if the audit had not been received. He added that he was not contacted by a member of the PGVFD on the status of the audit. Ms. Micheli stated that the hurricane caused a delay in the audit being completed. Director Stolleis stated that he spoke to Mr. Braken on the status of the audit last week and was told the letter was needed from MUD 118. After discussion,

Director Minchew moved to (1) authorize that the voluntary donation for the PGVFD remain on the water bill sent out in October, and (2) authorize the removal of the voluntary donation for the PGVFD from the water bill sent out in November if the audit is not received by the Board by the October 28, 2008, Board meeting. The motion died for lack of a second. After further discussion, Director Kluppel moved to (1) authorize that the voluntary donation for the PGVFD remain on the water bill sent out in October; (2) authorize that the voluntary donation for the PGVFD be removed from the water bill sent out in November if an update from the PGVFD is not emailed to Joe Taylor by the close of business on October 6, 2008, stating the status of the audit and whether it has been turned over to Ken Wood & Associates for final completion; and (3) authorize that the voluntary donation for the PGVFD be removed from future water bills starting in November if a copy of the final bound audit and management letter are not received by the District by October 28, 2008. Director Minchew seconded the motion. Upon the question being called, Directors Kluppel, Stolleis, Minchew, and Crow voted "Aye," Director Taylor voted "No," and the motion passed.

#### DEVELOPMENT AND MAINTENANCE OF PARKS

Director Crow stated that he did not receive a Parks Management report. The Board asked Ms. Brook to contact Mr. Stuart and ask him to attend the next meeting and present a parks management report. The Board discussed the boulders along the edge of the driveways in the park. The Board concurred to discuss the boulders at the next meeting with the park manager.

#### OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of September, 2008, a copy of which is attached, and which was provided previously to the Board. The Board thanked Mr. Phelps for his work on the District's facilities during the hurricane. Mr. Ammel updated the Board on reports he has made on behalf of the District to ABHR on the status of facilities following the hurricane. Ms. Humphries stated that the information on the status of facilities is being gathered for a legislative hearing on October 8, 2008, for Fort Bend County, and for the Federal Emergency Management Agency ("FEMA"). She added that the Texas Commission on Environmental Quality ("TCEQ") has requested information on any financial implications to the District due to the hurricane.

After review and discussion, Director Crow moved to (1) approve the operator's report; (2) approve repair of a pump at lift station no. 7 at a cost of approximately \$6,370.85; (3) approve repair of a pump at the wastewater treatment plant at a cost of approximately \$7,695.04; (4) approve replacement of a motor at water plant no. 2 at a cost of \$26,491.00; and (5) approve repair of a motor at water plant no. 3 at a cost of \$23,639.00. Director Kluppel seconded the motion, which passed by unanimous vote.

Mr. Phelps discussed the District's policy on maintenance of sewer lines. After discussion, the Board concurred to approve a policy on the maintenance of sewer lines reflecting (1) the District's operator shall have the discretion to make repairs to sewer lines when a sewer line problem is determined to be on a deep service tie-in where a sewer stack would normally be used on a house service and that (2) all cases will be considered on a case-by-case basis.

#### 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.

#### COMMENTS FROM THE PUBLIC

Mr. Courtney thanked the Board for water service after the hurricane.

#### DISCUSS DISTRICT NEWSLETTER AND WEBSITE

Director Crow discussed the preparation of the next newsletter. The Board concurred to add an article on the November 4, 2008 bond election, which would be translated into Spanish as required by Federal voting rights laws.

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

Mr. McCollum distributed and reviewed Progress Update No. 2 on the Surface Water Plant Design, a copy of which is attached. He introduced Mr. Bryck of Malcolm Pirnie, Inc. to the Board. The Board asked Mr. McCollum to send updates on the design of the surface water plant directly to the Board and send a copy to ABHR. The Board requested that Mr. McCollum attend a special meeting on October 15, 2008, to discuss membrane selection for the surface water plant. Director Taylor recommended that the Board also discuss a possible extension of the conversion deadline at the October 15 meeting. The Board requested that J&C begin the topographic survey field work to obtain the design information for the surface water treatment plant.

## 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 J&C has reviewed the water well performance test results for well nos. 3, 4, and 5. He stated that the mechanical aspects of the wells indicated there were no severe mechanical problems. In response to a request from Director Stolleis, Mr. Ammel discussed the well performance test results. He stated that the wells are functioning adequately and EDP will keep monitoring performance.

Mr. Kirby updated the Board on the preparation of the application for the renewal of the Texas Pollutant Discharge Elimination System Permit and stated that the application should be completed in November.

Mr. Saenger updated the Board on the District's implementation of the Storm Water Management Plan.

Mr. Kirby discussed his meeting with representatives of Fort Bend Independent School District regarding a request for out-of-district service for a proposed middle school. He reviewed the possible locations for utility connections to the District's system. The Board concurred that the District would serve the middle school as an out-of-district customer and only consider annexation of the tract if it is moved into the extraterritorial jurisdiction of the City of Richmond.

Mr. Kirby reviewed the plans for improvements at the elevated storage tank. The Board concurred to consider authorizing the engineer to advertise for bids for the project at the October 15, 2008 meeting.

Mr. Kirby updated the Board on the preparation of the bond application for the surface water plant. He stated that the application will be submitted to the TCEQ this week. Mr. Kirby reviewed a summary of costs for the surface water bond application no. 12, a copy of which is attached to the engineer's report. Mr. Kavanaugh stated that he will attend the special Board meeting on October 15, 2008, to discuss the District's financing needs, the bond application, bond issue, rating presentation, and bond anticipation note.

Mr. Kirby discussed design of the chloramine conversion system. The Board requested that J&C design the chloramine conversion system to a point where the disinfection exception can be submitted to the TCEQ for approval. The Board further requested that J&C then temporarily cease the remainder of the design until bond proceeds are received.

Ms. Humphries distributed a letter to the Board from FEMA regarding the National Flood Insurance Program.

Mr. Saenger discussed the recertification of the levee, FEMA flood plain remapping flow studies, and the Pecan Lakes levee with the Board. He reviewed a memorandum regarding certification and levee improvements and preliminary project schedules for levee improvements, copies of which are attached to the engineer's report. Mr. Saenger stated that the exact right-of-way elevations are determined in the field and therefore he cannot answer specific questions at this time. Director Taylor requested that J&C ask the County for an Interlocal Agreement for construction of roadway improvements in connection with raising the levee freeboard.

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.

#### 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. Ms. Humphries reviewed a Resolution Expressing Intent to Reimburse with the Board. She stated that the Resolution reflects that the District will reimburse the District's Operating Account for the following: (1) preparation of a bond application to finance design and construction of a surface water treatment plant by the District's engineer at a cost of \$35,000; (2) design of levee improvements by the District's engineer at a cost of \$224,000; and (3) design of a chloramine conversion system by the District's engineer at a cost of \$132,000. After review and discussion, Director Kluppel moved to approve the bookkeeper's report, investment report, payment of the District's bills, and adopt a Resolution Expressing Intent to Reimburse, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed unanimously.

#### AUTHORIZE DIRECT DEPOSIT OF MONTHLY SALES TAX REVENUE FROM THE CITY OF RICHMOND

The Board concurred that no action was necessary on this agenda item.

#### LETTER OF CREDIT AGREEMENT WITH COMPASS BANK

The Board discussed the Letter of Credit Agreement previously entered into with Compass Bank. After discussion, Director Kluppel moved to terminate the Letter of Credit Agreement and to authorize ABHR to send a letter to Compass Bank to

terminate the Letter of Credit Agreement. Director Crow seconded the motion, which carried unanimously.

#### REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

Mr. Kavanaugh reported to the Board on the current bond market. Director Minchew reported that he attended a ball game with Ms. Brook of ABHR.

#### ATTORNEY'S REPORT

Ms. Humphries distributed and reviewed correspondence from Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the North Fort Bend Water Authority, and the TCEQ on a Homeland Security Reporting Number.

#### 2008 BOND ELECTION

The Board concurred to add a notice of the bond election on the website and in the newsletter.

#### AFTERMATH OF HURRICANE

The Board concurred that no further discussion was necessary.

#### 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

At 8:53 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 9:08 p.m. After discussion, Director Crow moved to authorize Directors Crow and Stolleis to continue negotiations for the purchase of property for the surface water plant site. Director Minchew 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 ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION

The Board did not convene in executive session.

CONDUCT ANNUAL REVIEW OF OPERATING SERVICES CONTRACT

The Board conducted a review of the operating services contract with EDP.

CONDUCT ANNUAL REVIEW OF WEBSITE MANAGEMENT SERVICES CONTRACT

The Board tabled discussion on this agenda item.

CONDUCT ANNUAL REVIEW OF GARBAGE COLLECTION CONTRACT

The Board tabled discussion on this agenda item.

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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