

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

October 15, 2008

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in special session, open to the public, on the 15th day of October, 2008, at the Pecan Grove MUD Customer Service Office, 2035 FM 359, Suite 13, 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"); Jason Kirby of Jones & Carter, Inc. ("J&C"); Cliff Kavanaugh and Greg Lentz of First Southwest Company; Mike Ammel and Andrew Phelps of Environmental Development Partners, L.L.C. ("EDP"); Trent Slovak and Sheldon Buck of Malcolm Pirnie, Inc.; Shirley McLennan of McLennan & Associates, L.P.; and Hannah Brook of Allen Boone Humphries Robinson LLP ("ABHR").

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

Director Taylor discussed two proposals received by the District for the membrane component of the surface water plant. The Board discussed the specifications for the membrane component and additional items that may be added to the bid specifications being prepared by Malcolm Pirnie, Inc. The Board also discussed future additions to the membrane component of the system. Mr. Buck discussed the various membrane systems that can be used at the plant. The Board discussed the costs of membrane systems, features of various systems, and life cycle costs. Mr. Ammel stated that the Board may want the opinions of other operators on the various systems. He added that he will review the proposals for the membrane systems. The Board discussed the options offered by the systems and the time frame for proceeding with the project. Mr. Buck stated that Malcolm Pirnie, Inc. is preparing a cash flow analysis and timeline analysis for the project. Mr. Kirby discussed the topographic survey related to the surface water treatment plant and the possible existence of pipeline easements.

APPROVE PLANS AND SPECIFICATION AND AUTHORIZE ADVERTISEMENT FOR BIDS FOR ELEVATED STORAGE TANK RECOATING AND REPAIRS

Mr. Kirby reviewed plans and specifications for the elevated storage tank recoating and repairs and stated that the estimated cost is \$560,000. After review and discussion, Director Stolleis moved to approve the plans and specifications and authorize the engineer to advertise for bids for the recoating and repairs to the elevated storage tank subject to review of the plans and specifications by the Board Committee. Director Crow seconded the motion, which passed by unanimous vote.

FINANCING NEEDS, BOND APPLICATION, BOND ISSUE, RATING PRESENTATION AND BOND ANTICIPATION NOTE ISSUANCE

Mr. Kavanaugh discussed financing needs for the District and current bond market conditions. He discussed the current bond application pending at the Texas Commission on Environmental Quality. The Board discussed upcoming projects including the surface water treatment plant, levee improvements, and elevated storage tank recoating and repairs. Mr. Kavanaugh discussed the possible issuance of a bond anticipation note. He discussed making a presentation to Moody's Investor Service for a rating prior to the next bond issue. Mr. Kavanaugh stated that he will work with Directors Taylor and Kluppel on a schedule for funding the District's projects. After discussion, Director Crow moved to authorize Mr. Kavanaugh to proceed with preparations for the District's issuance of a bond anticipation note. Director Kluppel seconded the motion, which passed unanimously. The Board discussed the importance of the District's projects and the levee for Pecan Lakes.

REAPPROVE ADOPTION OF RESOLUTION EXPRESSING INTENT TO REIMBURSE OPERATING ACCOUNT

After review and discussion, Director Crow moved to reapprove the adoption of a Resolution Expressing Intent to Reimburse Operating Account reflecting that the District will reimburse the District's Operating Account for the following: (1) preparation of a bond application to finance, design, and construct 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. Director Minchew seconded the motion, which passed unanimously.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

Mr. Kirby discussed the Fort Bend Independent School District ("FBISD") request for out-of-District water service for a proposed middle school. He reviewed a report on the request for out-of-District service prepared by J&C, a copy of which is attached. The Board discussed the possible locations for utility connections to the

District's system. Mr. Kirby stated that he will issue his findings on the FBISD request for water service in a letter to the Board.

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 execution of an Agreement for Cost Sharing of Law Enforcement Services with Pecan Grove Plantation Property Owners Association.

He discussed the final Agreement for Additional Law Enforcement Services with Fort Bend County. After review and discussion, Director Kluppel moved to approve the finalized Agreement for Additional Law Enforcement Services with Fort Bend County, and direct that the Agreement be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed unanimously.

Ms. Brook distributed to the Board the Parks Management Reports for August and September, 2008. Mr. Kirby updated the Board on Fort Bend County Municipal Utility District 118's supply of information to the Pecan Grove Volunteer Fire Department (the "PGVFD"). Director Stolleis updated the Board on a message from Kevin Bracken on the status of the audit for the PGVFD. The Board discussed that the prior action by the Board included authorizing: (1) the voluntary donation for the PGVFD remain on the water bill sent out in October; (2) 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) 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. The Board discussed that Director Taylor did not receive an update from the PGVFD by the close of business on October 6, 2008, stating the status of the audit and whether it had been turned over to Ken Wood & Associates for final completion.

CONDUCT ANNUAL REVIEW OF GARBAGE COLLECTION CONTRACT

The Board then conducted an annual review of the garbage collection contract. The Board discussed the need for a new garbage collection contract. The Board discussed garbage collection service following the hurricane by WCA and the County. Director Stolleis stated that he will work on a new contract for garbage collection service.

AMENDED RATE ORDER

Ms. Brook stated that the Rate Order has been revised to reflect the same water rates for all institutional users and new provisions for out-of-District users. After review and discussion of the proposed revisions, Director Minchew 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.

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 8:20 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 8:28 p.m. The Board concurred no action was necessary.

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

Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

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