

MINUTES  
PECAN GROVE MUNICIPAL UTILITY DISTRICT

December 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 December, 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 Taylor, thus constituting a quorum.

Also present at the meeting were Paul Heinrich, Conley Shepherd, Chuck Bertrand, Tom Brauen, Michael Damoiseaux, Fred Ross, Mr. and Mrs. C. K. Dickenson, Jack Foster, and Wanda Foster, residents of the District; John Kelly of Terra Management Services; Jess Stuart of the T. W. Davis YMCA; Pat Naff of CDC Unlimited, L.L.C. ("CDC"); Jason Kirby of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Mike Ammel of Environmental Development Partners, L.L.C. ("EDP"); Diane Fingleman of McLennan & Associates, L.P.; Marquita Griffin of the Fort Bend Herald; David Stone; and Hannah Brook and Amy N. Conner of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the November 25 and December 2, 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 November 25 and December 2, 2008, meetings. Director Minchew seconded the motion, which was approved by unanimous vote.

DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. Director Kluppel commented on Plantation Park and requested that Mr. Naff report on necessary work.

## 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 2008 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 Stolleis seconded the motion, which passed by unanimous vote.

## GARBAGE COLLECTION AND RECYCLING SERVICES

Director Stolleis reported that Christmas trees will be collected for recycling on January 7, 2009.

## FIRE AND SECURITY MATTERS, SHERIFF CONTRACT, FIRE PLAN, ENGAGEMENT OF FIRE PLAN CONSULTANT, AND PECAN GROVE VOLUNTEER FIRE DEPARTMENT AUDIT

The Board discussed the engagement of a fire plan consultant. After discussion, Director Minchew moved to engage Burns Anderson Jury & Brenner, L.L.P. as a fire plan consultant, authorize the President to execute an engagement letter, and direct that the letter be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed by unanimous vote.

Director Kluppel reviewed a memorandum containing comments on review of the Pecan Grove Volunteer Fire Department ("PGVFD") audit, a copy of which is attached. He stated that the audit is for the year 2007 and the Board was informed previously by the PGVFD that the audit would include 2006. Director Kluppel recommended that the Board send a letter to the PGVFD inquiring about an audit for 2006. Director Stolleis commented on the audit and noted that the audit referred to anecdotal information that indicated the District had not properly handled PGVFD donation funds and asked the Board if any information supporting that allegation had been received by the District. All present confirmed that no information or request to investigate these allegations had been received from the PGVFD. He proposed that a letter be sent to the PGVFD to inquire (1) why the PGVFD did not investigate further back in time beyond 2006/2007 after the restitution was paid for the amount that was in issue; and (2) why the District has received no request in writing from the PGVFD regarding allegations related to voluntary contribution collections by the District. After discussion regarding talk of potential litigation by the PGVFD, the Board took no action on proposed communications to the PGVFD.

## DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Stuart distributed and reviewed a parks management report, a copy of which is attached. Mr. Stuart reviewed bids for the installation of boulders along the edge of

the streets in Pecan Grove Park to prevent illegal parking on the grass, copies of which are attached to the parks management report. After review and discussion, Director Kluppel moved to authorize Mr. Stuart to proceed with installation of the boulders by Greenscape Associates in the amount of \$18,570.53 and approve the parks management report. Director Minchew seconded the motion, which passed by unanimous vote. The Board requested that Mr. Stuart ask Greenscape Associates to hold the price for the boulders until the end of February, due to the performance of work on the Pecan Grove levee.

Mr. Bertrand presented to the Board a proposal for landscaping at Plantation Park. He stated that he is willing to work with the District's park committee on each phase of the park and landscaping. Director Kluppel recommended that work on the park be postponed until after construction on the existing levee and that the District consult with a landscape architect on the plans.

The Board then conducted an annual review of the Landscape and Maintenance Contract with Terra Management Services ("Terra"). Mr. Kelly discussed the services Terra provides to the District. Director Minchew asked Mr. Kelly to have branches trimmed at Plantation Park that were damaged during Hurricane Ike. The Board reviewed the schedule and pricing information and requested that Mr. Kelly perform one less fertilization application in the summer. Ms. Brook stated that the Exhibit to the Landscape and Maintenance Contract will be revised to reflect one less fertilization application. Upon a motion made by Director Stolleis and seconded by Director Kluppel, the Board voted unanimously to revise the Landscape and Maintenance Contract as discussed.

#### OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of December, 2008, a copy of which is attached, and which was provided previously to the Board.

After review and discussion, Director Kluppel moved to approve (1) the operator's report, (2) repair of the wiring and starter panel for booster pump no. 2 at water plant no. 1 at a cost of \$3,576.00, (3) pressure washing of tanks at water plant no. 1 at a cost of \$4,998, (4) pressure washing of a fence in front of Pitts Road Park at a cost of \$2,413.00, and (5) replacement of the belt at the wastewater treatment plant at a cost of \$2,526.00. Director Stolleis seconded the motion, which passed by unanimous vote.

#### 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 Kluppel 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.

#### DISTRICT NEWSLETTER AND WEBSITE

Mr. Ammel updated the Board on the District's website.

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

Director Stolleis reported on the District's plans for conversion to surface water. The Board requested that Ms. Brook follow up with Malcolm Pirnie, Inc. on sending a letter to Mr. Istre of the Gulf Coast Water Authority summarizing discussions between the District and the Authority regarding the conveyance of water.

#### 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 reported that a preconstruction meeting will be held on January 2, 2009, regarding the construction of levee improvements to the existing levee to meet new FEMA standards. Mr. Kirby stated that he notified the staff of the Pecan Grove Golf Course of the meeting.

Mr. Kirby stated that J&C is obtaining topographic data for the design of the Pecan Lakes Flood Protection System. He reviewed a proposed agreement between the District and Aviles Engineering Corporation for geotechnical services containing a fee of \$45,809.00.

Mr. Shepherd stated that the PLHOA desires to coordinate with J&C during the construction of the Pecan Lakes levee. He reported that the PLHOA has created a committee for this purpose.

Mr. Kirby stated that the application to the Texas Commission on Environmental Quality (the "TCEQ") for the renewal of the wastewater treatment plant permit was submitted.

Mr. Kirby updated the Board on the implementation of the MS4 Storm Water Management Plan ("SWMP"). He stated that the Texas Commission on Environmental

Quality ("TCEQ") has instructed the District to publish notice of the proposed SWMP in the Houston Chronicle.

Mr. Kirby stated that contracts are being prepared for the elevated storage tank repairs.

Mr. Kirby stated that the District's consultants have reviewed and responded to the TCEQ staff memorandum on the bond application for the surface water plant.

Mr. Kirby reported that a representative from Fort Bend Independent School District ("FBISD") called to verify information provided to FBISD regarding costs associated with out-of-district service.

Following review and discussion of the engineer's report, Director Kluppel moved to (1) accept the engineer's report as presented, (2) approve an agreement between the District and Aviles Engineering Corporation for geotechnical services, subject to the engineer resolving issues regarding access and stake location, and (3) authorize J&C to publish the notice of the proposed SWMP in the Houston Chronicle. Director Minchew seconded the motion, which passed unanimously.

#### RESOLUTION EXPRESSING INTENT TO REIMBURSE OPERATING ACCOUNT

The Board tabled action on this agenda item.

#### BOOKKEEPER'S REPORT

Ms. Fingleman distributed and reviewed the monthly bookkeeper's report, a copy of which is attached and which was provided in advance of the meeting, including the investment report, budget comparison, and the District's bills. After review and discussion, Director Kluppel moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Stolleis seconded the motion, which passed unanimously.

#### AUTHORIZE PREPARATION OF ANNUAL REPORT IN ACCORDANCE WITH THE DISTRICT'S CONTINUING DISCLOSURE OF INFORMATION AGREEMENT AND AS REQUIRED BY SEC RULE 15C2-12

Ms. Brook stated the District was required to file updated financial information and operating data in the form of an annual report with designated Nationally Recognized Municipal Securities Information Repositories as designated by the United States Securities and Exchange Commission and with the Municipal Advisory Council of Texas, the State Information Depository, prior to March 31, 2009. After discussion, Director Kluppel moved to authorize preparation of the annual report in accordance with the continuing disclosure agreement. Director Minchew seconded the motion, which passed by unanimous vote.

TRAVEL REIMBURSEMENT GUIDELINES AND DIRECTOR EXPENSES FOR THE ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE

The Board discussed fees of office and expenses in connection with the Association of Water Board Directors winter conference. After discussion, Director Kluppel moved to authorize per diems for two days for attendance at the conference, a maximum of six meals, and two nights at a hotel at the conference rate. Director Minchew seconded the motion, which passed by unanimous vote.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

There were no reports from directors or consultants.

ATTORNEY'S REPORT

Ms. Brook reviewed a Supplemental Engagement Letter with ABHR for legislative monitoring and reporting. She outlined the services that ABHR will render to the District during the 81st Regular Session of the Texas Legislature from January of 2009 until June of 2009. After review and discussion, Director Stolleis moved to approve the Supplemental Engagement Letter with ABHR for legislative monitoring and reporting and direct that the letter be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which passed unanimously.

PUBLIC COMMENTS

Mr. Shepherd asked if the District would consider collecting donations through the water bill from residents in Pecan Lakes for the City of Richmond fire department. After discussion, the Board concurred that Directors Stolleis and Crow, as the Fire Subcommittee, will investigate the request from Pecan Lakes.

Fred Ross addressed the Board regarding the upcoming Pecan Lakes Homeowners Association ("PLHOA") meeting.

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 regarding security.

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

At 6:58 p.m., Director Crow announced that the Board would convene in executive session to discuss pending or contemplated litigation.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING CONTEMPLATED LITIGATION

Director Crow announced the Board would reconvene in open session at 7:35 p.m. No action was necessary.

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 7:36 p.m., Director Crow announced that the Board would convene in executive session to discuss the purchase of real property.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

Director Crow announced the Board would reconvene in open session at 7:45 p.m. No action was necessary.

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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