

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

January 30, 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, January 30, 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
Charles Bertrand	Investment Officer
Holly Zarate	Assistant Vice President/ Assistant Secretary

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

Also present were the following: Bob Haenel of the Fort Bend Herald; Brian Haines of the YMCA; Bobby Jones and Adam Lambert of Jones & Carter, Inc. ("J&C"); Trent Slovak and Sunil Kommineni of Malcolm Pirnie, Inc.; Jayson Peterson of Pecan Grove Country Club; Greg Ordeneaux of Tax Tech, Inc.; Pat Naff of CDC Maintenance, Inc. ("CDC"); Andrew Phelps, Breah Campbell, and Michael Ammel of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Richard Stolleis, Sheila Kahleh, Ray Tanking, Kirk Boyd, Jane Gray, Roger Coughran, and Mr. and Mrs. C.K. Dickenson, residents of the District; Cliff Kavanaugh of First Southwest Company; Matthew May of WCA Waste Corporation; Mark McGrath of Null-Lairson, P.C.; Kevin Bracken, resident and President of Pecan Grove Homeowners Association; Robert Ledger of Pecan Grove Volunteer Fire Department; and Richard Muller, Josh Hancock and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The first order of business was to consider approving the minutes of the December 19, December 20, 2006, and January 11, 2007, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the December 19, December 20, 2006, and January 11, 2007, meeting minutes. Director Crow seconded the motion, which was approved by unanimous vote.

CONVENE IN EXECUTIVE SESSION PURSUANT TO CHAPTER 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ITS ATTORNEY TO DISCUSS BRAZOS RIVER AUTHORITY PERMIT PROTEST

At 5:36 p.m., Director Taylor announced that the Board would convene in executive session.

RE-CONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION AND APPROVE SETTLEMENT AGREEMENT AND WATER PURCHASE CONTRACT

Director Taylor announced the Board would reconvene in open session at 5:48 p.m. After discussion, Director Kluppel moved that the Board (1) approve and authorize execution of an Interlocal Agreement with the Brazos River Authority; (2) approve and authorize execution of a Surface Water Availability Agreement with the Brazos River Authority; and (3) approve payment in the amount of \$13,833.75 to the Brazos River Authority. Director Crow seconded the motion, which passed unanimously. Director Taylor commended Director Zarate for the work she had done on behalf of the District on surface water matters.

RECEIVE REPORT FROM PECAN GROVE ATHLETIC ASSOCIATION

Director Zarate reported on the mowing of Belin Park by the Pecan Grove Athletic Association (the "PGAA"). After review and discussion, Director Crow moved that the Board approve the annual payment to the PGAA in the amount of \$8,000. Director Bertrand seconded the motion, which passed unanimously.

APPROVE AUDIT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2006

Mr. McGrath reviewed the District's audit for the 2006 fiscal year. Following review and discussion, Director Zarate moved that the Board approve the audit, authorize the President's execution of a representation letter and the Texas Commission on Environmental Quality Annual Filing Affidavit, and authorize the filing of the audit with the Texas Commission on Environmental Quality. Director Bertrand seconded the motion, which was unanimously approved.

UPDATE ON GARBAGE AND RECYCLING SERVICES

Mr. May reported on garbage collection services in the District. He stated that there was not significant participation in the Christmas tree recycling program. He discussed one complaint he responded to regarding trash not being collected on Windswept.

RECEIVE COMMENTS FROM THE PUBLIC

Ms. Gray requested that the District investigate and monitor the erosion of Bullhead Bayou on the southwest side of Old Dixie Drive. The Board requested that Mr. Lambert investigate and monitor the erosion.

Mr. Boyd stated that several years ago he requested that the Board research the possibility of working with the Pecan Grove Country Club to use recycled water to water the golf course. He requested that the Board research the possible use of recycled water again.

DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Haines of the YMCA presented the parks management report, a copy of which is attached. Mr. Haines reviewed proposals from Protection One for an alarm system for the restroom facility at Pecan Grove Park. After review and discussion, Director Crow moved that the Board authorize the purchase of the alarm system listed as Option 1 from Protection One and the installation of a fence not to exceed a cost of \$800.00. Director Bertrand seconded the motion, which passed unanimously. Director Bertrand stated that he will obtain proposals for installation of a video camera at the restroom facility. After review and discussion, Director Kluppel moved that the Board authorize the purchase of a new door for the restroom at a cost of \$580.00. Director Crow seconded the motion, which passed unanimously.

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. The Board discussed the 2004 and 2005 delinquent taxes owed to the District by Ms. Moore of 2419 Woodwind Drive. After review and discussion, Director Crow moved that the Board authorize Perdue, Brandon, Fielder, Collins & Mott, L.L.P. to file a lawsuit on behalf of the District for the collection of the delinquent taxes. Director Kluppel seconded the motion, which passed unanimously. Following review and discussion, Director Crow moved that the Board approve the tax assessor/collector's report and authorize payment of bills from the tax account. Director Kluppel seconded the motion, which passed by unanimous vote.

ADOPT RESOLUTION PROVIDING FOR ADDITIONAL PENALTY FOR TAX COLLECTION COSTS

Mr. Hancock stated that the District has a contract with Perdue, Brandon, Fielder, Collins & Mott, L.L.P. for the collection of delinquent taxes.

Mr. Hancock then reviewed a Resolution Providing for Additional Penalty for Tax Collection Costs for personal property with the Board. After review and discussion, Director Bertrand moved that the Board adopt a Resolution Providing for Additional Penalty for Tax Collection Costs for personal property. Director Crow seconded the motion, which passed unanimously. A copy of the Resolution is attached.

OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of December 2006, a copy of which is attached and which was provided previously to the Board, and reviewed maintenance and repair items for the period. Mr. Ammel reported that there were no excursions at the wastewater treatment plant.

Mr. Ammel discussed drinking water testing with the Board. He stated that he is increasing methods for detection of leaks in the storm sewer system. Mr. Ammel stated that he will obtain a proposal for leak detection for the sanitary sewer system.

Mr. Ammel requested authorization to release information to entities that receive water from the District for the Consumer Confidence Reports. After discussion, Director Kluppel moved that the Board authorize Mr. Ammel to release the information to entities for the Consumer Confidence Reports. Director Crow seconded the motion, which passed unanimously.

Mr. Ammel stated that Mr. Green of 2114 Thompson Crossing requested a credit for a plumber service call to his home in the amount of \$129.99. After discussion, Director Zarate moved that the Board authorize a refund to Mr. Green in the amount of \$129.99. Director Crow seconded the motion, which passed unanimously.

Mr. Ammel stated that Mr. Orsak of 2207 Woodland requested reimbursement of \$460.00 for repairs to his sprinkler system. After discussion, the Board concurred that the \$460.00 was not a District expense. Director Zarate recommended that Mr. Ammel consult with Terra Management Services on the matter.

Mr. Ammel stated that Mr. and Mrs. Johnson of 1902 Old Dixie wrote to the District about standing water in front of their residence. Mr. Ammel stated that he has contacted Fort Bend County to report the problem.

Mr. Ammel stated that a second letter was sent to Mr. Zozobrado regarding an improper pool filter tie in to the District's storm sewer system. The Board requested

that Mr. Ammel contact Mr. Tanking to determine if the civic improvement association sent Mr. Zozobrado a letter on the matter. The Board requested that the operator contact Mr. Zozobrado and request that the improper tie-in be repaired. The Board requested that ABHR send a letter to Mr. Zozobrado to notify him of a violation of the District's Rate Order if the repair is not completed.

Mr. Ammel discussed the system used by EDP for payment processing. The Board requested that the operator monitor the payment processing system.

Mr. Ammel stated that he has added the water accountability study to the operator's report.

Director Bertrand requested that the operator add the language "voluntary tax deductible fee" to the water bill next to the volunteer fire department donation.

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

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING DISTRICT NEWSLETTER AND WEBSITE

Director Crow stated that the District's newsletter should be published by February 15, 2007. Director Taylor requested that Mr. Ammel notify the Board when the website is updated.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. Director Taylor requested that Mr. Naff meet him in the District to investigate the failure of the T in the main drainage channel.

ENGINEER'S REPORT

Mr. Lambert reviewed with the Board the engineer's report, a copy of which is attached, and which had been provided in advance.

Mr. Lambert reported on the construction at the wastewater treatment plant. He reviewed and recommended payment of Pay Estimate No. 2 to the contract in the amount of \$114,705. After review and discussion, Director Crow moved that based upon the engineer's recommendation, the Board approve payment of Pay Estimate No. 2 in the amount of \$114,705. Director Kluppel seconded the motion, which passed unanimously.

Mr. Lambert stated that J&C has determined the bond issue requirement for a surface water treatment plant. He added that he has been working with Mr. Kavanaugh to complete an analysis.

Mr. Lambert stated that he is waiting on official floodplain elevations to be released in order to evaluate the elevation of the levee and verify compliance with freeboard requirements. Mr. Lambert stated that he will contact the Army Corps of Engineers for clarification on geotechnical requirements for levee recertification.

Mr. Hancock stated that Mr. Kahlenberg reported that the Utility Easement from 2303 Old South LLC is being executed. The Board asked ABHR to contact Mr. Kahlenberg regarding the status of the Utility Easement. The Board requested that Mr. Ordeneaux contact the District's delinquent tax attorney and advise them that they may resume contacting Mr. Kahlenberg regarding delinquent taxes owed to the District if the Utility Easement is not received by the District.

Following review and discussion of the engineer's report, Director Crow moved to accept the engineer's report as presented. Director Kluppel seconded the motion, which passed unanimously.

SURFACE WATER AND SUBSIDENCE ISSUES AND BRAZOS RIVER AUTHORITY

Director Zarate reported that she and Director Taylor attended a Brazos River Authority Stakeholder meeting. She added that a stakeholder meeting is scheduled for February 9, 2007. Director Zarate recommended that the Board table any decisions about a surface water treatment plant until after the February 9 meeting. After review

and discussion, Director Zarate moved that the Board approve declining the District's participation in the North Fort Bend Water Authority ("NFBWA") groundwater reduction plan. Director Kluppel seconded the motion, which passed unanimously. The Board requested that ABHR send a letter to the NFBWA reflecting that the District declines to participate in the NFBWA groundwater reduction plan. Director Zarate stated that she will call representatives of the NFBWA.

Mr. Peterson stated that the Pecan Grove Country Club is interested in participating with the District in a groundwater reduction plan. Director Kluppel stated that she will meet with Mr. Peterson on the Pecan Grove Country Club's participation in the plan and a possible written agreement. Director Zarate stated that the District's groundwater reduction plan needs to be filed by September 1, 2007 for review by the Subsidence District prior to the January 1st permit renewal date.

Director Taylor requested that Malcolm Pirnie, Inc. include options for expanding the surface water treatment plant in the plans for the plant. The Board requested that Mr. Lambert send the Gulf Coast Water Authority notification that the District desires to commence contract negotiations for the transportation of water.

Mr. Kavanaugh discussed and reviewed cash flow analysis for a future bond issue with the Board. The Board discussed the possibility of conducting a bond election to authorize the issuance of additional bonds for the surface water treatment plant.

The Board discussed amending the Rate Order to pass through the fees that will be charged by the Brazos River Authority for surface water conversion. The Board concurred to consider amending the Rate Order at the next meeting.

Mr. Lambert distributed and reviewed "comparison of water rates" charts with the Board. Director Zarate stated that the geotechnical report on water reuse of the lakes is completed. She added that she will request Kimley-Horn to ask the Texas Commission on Environmental Quality for a written response to determine if the District can reuse the water in the lakes. She added that she will send the water reuse study to the Pecan Grove Country Club and Pecan Lakes.

Director Taylor stated that he will meet with Tom Michel of the Subsidence District this week to discuss water reuse matters.

BOOKKEEPER'S REPORT

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. Ms. McLennan reviewed an amended budget for the fiscal year ending September 30, 2007 with the Board. After review and discussion, Director Crow moved that the Board approve the bookkeeper's report, investment report, payment of the

District's bills and adoption of the amended budget. Director Bertrand seconded the motion, which passed unanimously.

ANNUAL DISCLOSURE STATEMENTS

Ms. McLennan presented to the Board the Public Funds Investment Act Disclosure Statements for the bookkeepers. Director Bertrand stated that he will submit his Disclosure Statement as investment officer to ABHR. Mr. Hancock noted that the Disclosure Statements will be filed with the Texas Ethics Commission. After review and discussion, Director Crow moved that the Board accept the Disclosure Statements under the Public Funds Investment Act. Director Kluppel seconded the motion, which carried unanimously.

DISTRICT RENEWAL OF INSURANCE

The Board requested that ABHR obtain a proposal from Anco-McDonald Waterworks Insurance for renewal of the District's insurance.

RECEIVE REPORTS FROM BOARD MEMBERS, INCLUDING DISCLOSURE REPORTS

There were no reports from Board members.

REPORTS FROM CONSULTANTS

Mr. Lambert stated that the cost for the repairs to the Jones Creek Outfall Structure will be \$4,800. After discussion, Director Crow moved that the Board authorize repairs to the Jones Creek Outfall Structure in the amount of \$4,800. Director Kluppel seconded the motion.

After review and discussion, Director Kluppel moved that the Board authorize J&C to scan District plans for archive use at a cost up to \$6,000. Director Bertrand seconded the motion, which passed unanimously.

ACTION ITEM LIST

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 matters.

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

Secretary, Board of Directors

(SEAL)

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