

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

February 24, 2009

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in regular session, open to the public, on the 24th day of February, 2009, 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 Steve Miller, Roger Coughran, Steve Walsh, Paul Metcalf, Jim Keller, Rory Courtney, Jacqueline and Chuck Bertrand, and Mr. and Mrs. C. K. Dickenson, residents of the District; Trent Slovak and Sheldon Buck of Malcolm Pirnie, Inc.; 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, Andy Phelps, Amanda Benzman, and Breah Campbell of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Marquita Griffin of the Fort Bend Herald; Greg East of Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue Brandon"); Cliff Kavanaugh of First Southwest Company; 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 January 20, 22, and 27, 2009, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the minutes of the January 20, 22, and 27, 2009, meetings. Director Kluppel seconded the motion, which was approved by unanimous vote.

DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. Mr. Naff updated the Board on the resurfacing of the pathway through Plantation Park. After discussion, Director Crow moved to authorize CDC to proceed with fertilization of the levee. Director Kluppel seconded the motion, which carried unanimously.

TAX ASSESSMENT AND COLLECTIONS MATTERS

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. Mr. Ordeneaux stated that Mr. Zuckerman has requested that the Board waive the penalties and interest on delinquent taxes on an account in the name of G&I VI South Grand, LP because he did not receive a tax statement. He added that the District sent Mr. Zuckerman tax statements on November 6, 2008, and February 17, 2009. Mr. Ordeneaux stated that the District did not make an error on the account. Following review and discussion, Director Kluppel moved to approve the tax assessor/collector's report, authorize payment of bills from the tax account, and refrain from waiving penalty and interest on the account in the name of G&I VI South Grand, LP to Mr. Zuckerman. Director Crow seconded the motion, which passed by unanimous vote.

Mr. East reviewed a report on delinquent taxes, a copy of which is attached.

GARBAGE COLLECTION AND RECYCLING SERVICES

There was no discussion on this agenda item.

SECURITY MATTERS AND SHERIFF CONTRACT

Director Minchew discussed current security matters handled by the Sheriff's Department in the District. He stated that the schedule for deputies patrolling the District will soon change.

Director Minchew discussed methods for distributing information to residents of the District on security matters. Mr. Phelps stated that Texas Network can set up an Email Blast System that will send email notifications to large groups on an as-needed basis. Director Crow requested that Mr. Phelps arrange to have information about the Email Blast System put in the next newsletter. Director Minchew recommended that the information on the Email Blast System be added to the water bill. The Board requested that Mr. Phelps determine the cost for the service and inform Director Minchew. The Board concurred to authorize Director Minchew to review the cost and approve the establishment of an Email Blast System for the District to use to notify the various homeowners associations, who can then notify their residents. Director Minchew reported that Paskey, Incorporated was moving its construction equipment closer to Plantation Drive due to vandalism.

DEVELOPMENT AND MAINTENANCE OF PARKS

The Board reviewed the parks management report, a copy of which is attached. Director Crow stated that he asked Mr. Bertrand for an estimate of costs for landscaping at Plantation Park for review during the budget process.

OPERATION OF DISTRICT FACILITIES

Mr. Ammel reviewed the EDP operations report for the month of February, 2009, a copy of which is attached, and which was provided previously to the Board.

Mr. Ammel updated the Board on the maintenance of the storm water pumps at the south pump station. He stated that the cost to pull, transport, repair and reinstall pump no. 5 is \$6,627.50. Mr. Ammel stated that all five pumps at the south pump station need to be inspected and he recommended pulling two pumps at a time.

Mr. Phelps stated that the Board received a request from Mr. Femal of 2407 Vintage Circle requesting that a leak in the meter box be repaired by the District. He added that Mr. Femal's letter states that the leak occurred after the District changed the meter. The Board requested that the operator repair the leak and concurred that the District will pay for the repair.

Mr. Phelps stated that the District has received a request from Mr. Casey of 411 William Morton Drive for reimbursement of expenses due to damages from a sewer line backup. The Board requested that the operator submit Mr. Casey's claim to the District's insurance carrier for processing.

Mr. Ammel recommended that the Board conduct a special meeting with a representative of the Texas Water Development Board ("TWDB") to discuss plans for water conservation. Director Taylor recommended that the District maintain its current proactive practice on repairing leaks. The Board requested that Mr. Ammel contact a representative of the TWDB and request that they attend a special Board meeting.

Mr. Ammel introduced Ms. Benzman and stated that she would be working at the customer service office during Ms. Campbell's maternity leave.

After review and discussion, Director Crow moved to approve (1) the operator's report; (2) the repairs and reinstallation of pump no. 5 at the south pump station in the amount of \$6,627.50; and (3) pulling, transporting, repairing and reinstalling, if necessary, two additional pumps at the south pump station at a cost of up to \$6,627.50 per pump. Director Kluppel seconded the motion, which passed by unanimous vote.

The Board asked the operator to discontinue the message on the water bill regarding the address for PGVFD donations.

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.

DISTRICT NEWSLETTER AND WEBSITE

Director Crow requested that J&C give information on engineering projects to Ms. Wynn for the next newsletter. Mr. Phelps stated that he will add information to the newsletter on the new Email Blast System. The Board discussed topics on security, the levee, surface water, and storm water management for the newsletter.

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

Mr. Slovak updated the Board on the design of the surface water plant and the site layout. He stated that the plant should be operational by August, 2011. He distributed and reviewed Activity Report No. 6, a copy of which is attached. Mr. Slovak stated that the geotechnical consultant has commenced work on the site.

ENGINEERING MATTERS

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 updated the Board on the geotechnical testing for the design of the Pecan Lakes Levee System.

Ms. Humphries stated that there is a regional levee meeting on April 3, 2009, at SWWC Services, Inc.

Mr. Kirby stated that he expects a draft permit from the Texas Commission on Environmental Quality ("TCEQ") for renewal of the wastewater treatment plant permit.

Mr. Kirby updated the Board on the implementation of the MS4 Storm Water Management Plan ("SWMP"). He stated that the public notice of the proposed SWMP was published and the public comment period ended February 21, 2009.

Mr. Kirby stated that the contractor for the elevated storage tank repairs will commence work in two weeks.

Mr. Kirby updated the Board on construction of levee improvements to the existing levee. He reviewed and recommended payment of Pay Estimate No. 1 in the amount of \$66,949 to Paskey, Incorporated. After review and discussion, Director Stolleis moved that, based upon the engineer's recommendation, the Board approve Pay Estimate No. 1 in the amount of \$66,949 to Paskey, Incorporated. Director Crow seconded the motion, which passed by unanimous vote.

Mr. Kirby stated that Paskey Incorporated has been delayed on the project due, in part, to pedestrian traffic control issues. He further reported that the W.S.G. Pecan Grove IV, LP's conveyance of a Levee Easement to the District has not been completed. The Board requested that Mr. Kirby inform Paskey Incorporated that once an area of the levee goes under construction, it needs to be completed and the trail restored within 45 days and prior to construction commencing on another section of the levee. Mr. Walsh stated that the landscaping in the median at Southern Place needs to be repaired. Mr. Kirby stated that the contractor will repair the landscaping before the project is accepted as complete. Mr. Metcalf asked about plans for raising roads across the new levee height. Mr. Kirby stated that there are no plans to raise the roads as their height is expected to be above minimum FEMA standards for road crossings. He added that the plans for the roads do not contradict the Fort Bend County evacuation plan.

Mr. Kirby discussed the draft of the District's Water Conservation Plan. He recommended that the plan implementation schedule be discussed at the special meeting.

The Board discussed the Fort Bend Independent School District ("FBISD") request to the District for out-of-district service. The Board requested that Mr. Kirby contact FBISD and determine if the request is for water service only. The Board requested that ABHR prepare an Out-of-District Service Agreement between the District and FBISD once that information is known.

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

ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE, APPROVE REIMBURSEMENT OF ELIGIBLE EXPENSES, AND AUTHORIZE ATTENDANCE AT THE ASSOCIATION OF WATER BOARD DIRECTORS SUMMER CONFERENCE AND NATIONAL LEVEE, DRAINAGE, OR FLOOD RELATED CONFERENCE

The Board discussed the Association of Water Board Directors (“AWBD”) winter conference. After discussion, Director Crow moved to approve reimbursement of eligible expenses for the winter conference and authorize all interested directors to attend the Association of Water Board Directors summer conference and a national levee, drainage, or flood related conference. Director Kluppel seconded the motion, which carried by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. McLennan 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. Ms. Humphries stated that ABHR has requested that JP Morgan Chase Bank, N.A. refund service fees charged to the District on the capital projects account and the debt service account. After review and discussion, Director Crow moved to approve the bookkeeper’s report, investment report, payment of the District’s bills. Director Minchew seconded the motion, which passed unanimously.

RESOLUTION ESTABLISHING THE AUTHORIZED DEPOSITORY INSTITUTIONS AND ADOPTING LIST OF QUALIFIED BROKER/DEALERS WITH WHOM THE DISTRICT MAY ENGAGE IN INVESTMENT TRANSACTIONS

Ms. Humphries reviewed a Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions reflecting Wells Fargo Bank and Compass Bank as the authorized depository institutions of the District. After review and discussion, Director Crow moved to adopt the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

RESOLUTION EXPRESSING INTENT TO REIMBURSE OPERATING ACCOUNT

The Board tabled action on this agenda item.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

Director Kluppel reported on the Fort Bend Countywide Levee meeting he attended. He also reported on a meeting with Mr. Istre of the Gulf Coast Water Authority. Director Stolleis reported on the AWBD seminar on generators.

FORT BEND COUNTYWIDE LEVEE MEETING, PARTICIPATION IN SUBCOMMITTEE MEETINGS, AND STATUS OF FEDERAL FLOOD INSURANCE LEGISLATION

Ms. Humphries stated that the Fort Bend Countywide Levee Committee is establishing subcommittees on emergency preparedness, legislation, and signs. Director Kluppel stated he would serve on the Legislative Committee and Director Stolleis stated he would serve on the Emergency Preparedness Committee.

COMMENTS FROM THE PUBLIC WHO HAVE SIGNED UP TO SPEAK

Mr. Walsh stated that he represents 33 homeowners who will be sending letters to the District and others regarding concerns about the work being done on the Pecan Grove Levee adjacent to Plantation Place. He stated that the concerns include elevation of the levee, loss of privacy, and reduction in property values. Mr. Kirby stated that those homes would be mapped by the Federal Emergency Management Agency ("FEMA") in the flood plain if the levee improvements are not completed. Mr. Walsh asked if there were alternatives to the design of the proposed levee improvements. Mr. Kirby discussed the design for the proposed improvements and the FEMA requirements the District is required to meet. Mr. Walsh stated that the homeowners group would be sending letters to FEMA. Ms. Humphries requested that Mr. Walsh send the district copies of any letters sent to FEMA.

Mr. Metcalf stated that he was in favor of the Email Blast System and recommended that the homeowners' associations be involved in maintaining their email addresses of residents within their association.

ATTORNEY'S REPORT

Ms. Humphries updated the Board on the ABHR legislative monitoring reports.

Ms. Humphries reviewed updated financial and operating data to be filed in accordance with the continuing disclosure provisions contained in the bond resolutions. She stated that the District is required to file certain financial and operating data with the 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. Following review and discussion, Director Crow moved to approve the annual report, authorize the attorney to submit the District's updated financial and operating data in compliance with the

continuing disclosure provisions contained in the bond resolution and direct that the report be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

Ms. Humphries stated that the TCEQ rules require that the District review and adopt a revised Drought Contingency Plan prior to May 1, 2009. She distributed the District's current Drought Contingency Plan and requested that the board members and consultants review the plan and contact ABHR with any amendments. Ms. Humphries stated that a revised Drought Contingency Plan will be on the next agenda.

Ms. Humphries distributed and reviewed a Memorandum from ABHR to the Board of Directors regarding a required Identity Theft Prevention Program (the "Program"). She added that the District is required by the Federal Trade Commission under the Fair and Accurate Credit Transaction Act of 2003 to adopt a Program by May 1, 2009. Ms. Humphries stated that ABHR will work with the operator to prepare a Program for adoption at the next meeting. She added that the District's operator will be the Program administrator, be responsible for implementation of the Program, and will report to the Board annually regarding the effectiveness of the Program and any proposed amendments to the Program. After discussion, Director Crow moved to authorize ABHR and EDP to prepare the Program for the District. Director Kluppel seconded the motion, which passed by unanimous vote.

DELINQUENT TAXPAYERS AND AUTHORIZE APPROPRIATE ACTION, AND CONDUCT ANNUAL REVIEW OF DELINQUENT TAX ATTORNEY CONTRACT

The Board conducted an annual review of the delinquent tax attorney contract with Perdue Brandon.

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 551.072, TEXAS GOVERNMENT CODE, TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

At 8:15 p.m., Director Taylor 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 Taylor announced the Board would reconvene in open session at 8:26 p.m. After discussion, Director Kluppel moved to authorize J&C to work on the necessary changes to the survey and draft a letter to Gary Pochyla regarding the surface water plant site. Director Crow 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

At 8:30 p.m., Director Taylor 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 Taylor announced the Board would reconvene in open session at 8:50 p.m. 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

	Minutes
	<u>Page</u>
residents of the District attending Board meeting	1
tax assessor/collector's report	2
report on delinquent taxes	2
parks management report.....	3
EDP operations report for February, 2009.....	3
Activity Report No. 6.....	4
engineer's report	4
bookkeeper's report	6