

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

February 26, 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 26th day of February, 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 Mr. and Mrs. Dickenson, Dorothy Emmer, Gerald Cox, Brittany Moore, Ann Crosser, Rory Courtney, Maureen Courtney, Joel Nickles, Polly Nickles, Wayne Watts and Kevin Welsh, residents of the District; Bobby Jones and Jason Kirby of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Breah Campbell and Andrew Phelps of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Chief Paul LeDoux, Larry Danna, and Will Webb of the Pecan Grove Volunteer Fire Department ("PGVFD"); Marquita Griffin of the Fort Bend Herald; Cliff Kavanaugh of First Southwest Company ("FSC"); and Hannah Brook and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of January 29, 2008, and February 5 and 19, 2008 meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the January 29, 2008, and February 5 and 19, 2008 meetings as submitted. Director Crow seconded the motion, which was approved by unanimous vote.

RECEIVE COMMENTS FROM THE PUBLIC

Ms. Emmer stated that she resides at 2318 Confederate Court. She said that she believes that since the rectification of Bullhead Slough, located behind her home, water has collected around her patio and back door. She added that the fence behind her home is no longer straight. Ms. Emmer added that she believes dirt was pushed under

her fence and caused a mound to form in the middle of the backyard. Ms. Emmer stated that the District should compensate her for drainage repairs needed in her back yard. Director Taylor stated that the Board had previously concluded it was not possible for dirt to be pushed under her fence and mound 10-20 feet away. He added that the District's engineer investigated the drainage in Ms. Emmer's back yard and confirmed that the District's drainage system was not causing a problem in Ms. Emmer's backyard. Mr. Jones stated that the lots are Type A lots that drain to the street in front of the homes and improvements to the ditch would have no effect upon the drainage of the lot. Director Stolleis stated that he investigated the backyard and the District's facilities located behind Ms. Emmer's home. He added that the District's operator performed maintenance on the District's back slope drain. Director Taylor stated that the Board of Directors relies on the expertise of its engineer who has determined that the District's facilities did not cause the drainage problems in Ms. Emmer's yard. He added that due to the Board's findings, compensation to Ms. Emmer would not be justified.

Mr. Danna reported that the PGVFD will conduct a Joint Program with the Richmond Fire Department and Domino's Pizza on March 9, 2008. He added that the PGVFD will check smoke detectors when delivering pizza to homes in the District.

REPORT ON FIRE AND SECURITY MATTERS

Director Minchew stated that the Fort Bend County Sheriff has developed a strike team to help catch the individuals who vandalized property in the District. He added that Crime Stoppers is offering a \$3,000 reward. Director Minchew reported that the Sheriff will make a presentation in the District on March 6, 2008, on the Crime Watch Program. In response to a question from Director Minchew on the status of the PGVFD audit, Chief LeDoux stated that field work is being conducted on year 2007. He added that the audit for 2006 will then be completed. Chief LeDoux stated that a link to the PGVFD could be added to the District's website and residents could view crime statistics from the Sheriff's Department. Chief LeDoux presented a letter from the President of the PGVFD Board of Directors to the Board regarding the request for a District fire plan, a copy of which is attached.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Phelps reported on the mowing and fertilizing of the levee and jogging trails. Mr. Phelps stated that CDC has estimated it will cost \$4,375 to fill in many areas on the jogging trail along Farmers Road from Belin Park to Plantation with crushed granite. The Board requested that CDC prepare an estimate for extending asphalt to the north end of the jogging trail.

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 Crow moved to 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.

UPDATE ON GARBAGE AND RECYCLING SERVICES

Director Stolleis stated that residents need to be reminded to properly bundle tree limbs for garbage disposal.

DEVELOPMENT AND MAINTENANCE OF PARKS

The Board reviewed a parks management report, a copy of which is attached. Director Crow stated that Mr. Haines has accepted a position as Executive Director at the Katy YMCA. He added that he asked Mr. Haines to consider landscaping at Plantation Park. Ms. Brook stated that the YMCA has requested the Board's written consent for the purchase of a \$3,000,000 umbrella policy. She added that the Operation and Maintenance Agreement between the District and the YMCA requires a \$5,000,000 liability policy and written consent for the purchase of an umbrella policy. After review and discussion, Director Crow moved to authorize Director Taylor to execute a letter to the YMCA reflecting the Board's approval of the purchase of a \$3,000,000 umbrella policy, with \$2,000,000 in general liability, 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.

OPERATOR'S REPORT

Mr. Phelps reviewed the EDP operations report for the month of January, 2008, a copy of which is attached, and which was provided previously to the Board. Mr. Phelps stated that he has not received estimates yet for the replacement of the elevated storage tank riser pipe.

Mr. Phelps stated that the District received a letter from Ms. Landahl regarding sanitary sewer system line backups. The Board requested that Mr. Phelps speak to Ms. Landahl. Mr. Phelps reviewed a letter from Mr. Rose requesting that the District reimburse him for repairs in the amount of \$801.08 to his car which was damaged by rats. He added that Mr. Rose's letter reflects that the rats have come over the back yard fence from the District's wastewater treatment plant. The Board discussed that no rodents have been found at the wastewater treatment plant and concurred to decline

the request for reimbursement. The Board requested that Mr. Phelps send a response to Mr. Rose.

Ms. Brook stated that the Rate Order has been revised to reflect the operator's recommended changes to Section 12 on Adjustment to Bills and Exhibit B containing Water and Sewer Rates. After review of the proposed revisions and discussion, Director Crow 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 Kluppel seconded the motion, which passed unanimously.

After review and discussion, Director Crow moved to approve the operator's report and replacement of the pump controller at lift station no. 8 at a cost of \$3,250.00. Director Kluppel seconded the motion, which passed by unanimous vote.

CONDUCT HEARING AND AUTHORIZE TERMINATION OF SERVICE

The Board next conducted a hearing on the termination of utility service to delinquent accounts. Mr. Phelps 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.

DISCUSS DISTRICT NEWSLETTER AND WEBSITE

Mr. Phelps stated that he will obtain the article on Crime Stoppers for the next newsletter. The Board discussed adding the Stormwater Management Plan to the website and a link to the PGVFD so security statistics can be accessed.

MS4 STORMWATER MANAGEMENT PLAN IMPLEMENTATION AND SCHEDULE WORKSHOP

Mr. Kirby stated that the District's MS4 Stormwater Management Plan (the "Plan") was filed with the Texas Commission on Environmental Quality ("TCEQ"). He stated that the TCEQ will respond to the District on the Plan. Mr. Kirby reviewed a schedule attached to the engineer's report for implementation of the Plan over the first year. The Board concurred to schedule a committee meeting with Mr. Kirby to discuss the Plan in detail. The committee will include G.E. Kluppel and Richard Stolleis.

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 bond application no. 11 has been submitted to the TCEQ.

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.

CONVERSION TO SURFACE WATER AND AGREEMENTS FOR SALE OF CONVERSION CREDITS

Director Kluppel stated that he attended a meeting with representatives of Malcolm Pirnie, Inc. and the TCEQ regarding the plans for the surface water plant.

ASSOCIATION OF WATER BOARD DIRECTORS SUMMER CONFERENCE

The Board discussed the Association of Water Board Directors summer conference. After discussion, Director Crow moved to authorize any interested directors to attend the Association of Water Board Directors summer conference. Director Kluppel 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. The Board tabled adoption of an amended budget. After review and discussion, Director Kluppel moved to approve the bookkeeper's report, investment report and payment of the District's bills. Director Crow seconded the motion, which passed unanimously.

REPORTS FROM BOARD MEMBERS AND DISTRICT CONSULTANTS

Ms. Brook distributed and reviewed a Notice on the Brazos River Corridor Grant Workshop.

ATTORNEY'S REPORT

The Board reviewed the action list. Director Taylor asked Chief LeDoux if the PGVFD would convey a water line in the right-of-way on Pitts Road from the levee to the fire station to the District. Chief LeDoux stated that the attorney for the PGVFD has advised against this action and therefore PGVFD is declining the request. The Board

requested that Chief LeDoux respond to the District in writing regarding the request. The Board requested that J&C prepare a cost estimate for a water supply line.

Ms. Brook discussed with the Board a downgrade in the rating of Financial Guaranty Insurance Corporation, the insurer of the District's series 1995 and series 1997 bonds. She stated that ABHR has filed a Continuing Disclosure Material Event Notice providing notification of the rating downgrade, in accordance with the District's continuing disclosure requirements.

Ms. Brook 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. Brook stated that pursuant to an Agreement with the Fort Bend Economic Development Council, the District contributes \$2,000 on an annual basis. After discussion, Director Crow moved to approve the payment of \$2,000 to the Greater Fort Bend Economic Development Council. Director Kluppel seconded the motion, which passed unanimously. The Board concurred to consider approval of a new Agreement with the Greater Fort Bend Economic Development Council at the next meeting.

2008 ELECTIONS

Ms. Brook reviewed an Order Calling Directors Election for conduct of a May 10, 2008 election. She stated that the Order reflects that the District will enter into a contract with Fort Bend County to conduct the election. After review and discussion, Director Crow moved to adopt an Order Calling Directors Election and direct that the Order be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which was approved by unanimous vote.

Ms. Brook reviewed a Resolution Designating an Agent of the Secretary of the Board of Directors During the 2008 Board of Directors Election Period. She stated that the Resolution reflects that Director Minchew will serve as agent of the Secretary of the Board to perform duties provided by Section 31.123 of the Texas Election Code during the 2008 election period. After review and discussion, Director Crow moved to adopt the Resolution Designating an Agent of the Secretary of the Board of Directors During the 2008 Board of Directors Election Period and direct that the Resolution be filed

appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed by unanimous vote.

Ms. Brook reviewed a Joint Election Agreement and Contract for Election Services between the District and Fort Bend County for conduct of the May 10, 2008 election. After review and discussion, Director Crow moved to approve the Joint Contract for Election Services with Fort Bend County and direct that the Contract be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which was approved by unanimous vote.

The Board discussed an Order Calling Bond Elections for conduct of a May 10, 2008 election. After review and discussion, Director Crow moved to adopt the Order Calling Bond Elections. Director Kluppel seconded the motion. Director Stolleis distributed and reviewed a statement on his remarks on the conduct of a bond election, a copy of which is attached. He stated that he objects to the bond election at this time and his statement reflects his opinion on how the District can achieve the Fort Bend Subsidence District mandate. Director Taylor stated that he is in favor of the bond election in order to give the District the ability to issue the bonds when necessary and at the most favorable time. Upon the question being called, Directors Taylor, Kluppel, Crow, and Minchew voted "Aye." Director Stolleis voted "No" and the motion passed. The Board directed that the Order be filed appropriately and retained in the District's official records.

Ms. Brook stated that the District must submit a Voting Rights Act Submission Letter to the U.S. Department of Justice regarding the polling places that will be used in the election and the bond elections. After review and discussion, Director Crow moved to approve the Voting Rights Act Submission Letter and direct that it be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

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.

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 7:55 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 8:21 p.m. After review and discussion, Director Taylor moved to (1) authorize Malcolm Pirnie, Inc. and J&C to evaluate potential sites for a surface water treatment plant, and (2) authorize R&W Real Estate to continue to negotiate on the District's behalf for the purchase of a site for a surface water treatment plant. 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 ITS ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION

The Board did not convene in executive session to discuss contemplated litigation.

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




Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
letter from the President of the PGVFD Board of Directors	2
tax assessor/collector's report	3
parks management report.....	3
EDP operations report.....	3
engineer's report	5
bookkeeper's report	5
Director Stolleis's remarks regarding the conduct of a bond election	7