

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

March 27, 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, March 27, 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:

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| 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: Matthew May of WCA; 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.; Greg Ordeneaux of Tax Tech, Inc.; Pat Naff of CDC Maintenance, Inc. ("CDC"); Andrew Phelps and Michael Ammel of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Mr. and Mrs. C.K. Dickenson, and Kevin Bracken, residents of the District; and Lynne B. Humphries, 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 February 27, 2007, meeting, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Bertrand moved to approve the February 27, 2007, meeting minutes as submitted. Director Kluppel seconded the motion, which was approved by unanimous vote.

UPDATE ON GARBAGE AND RECYCLING SERVICES

Mr. May reported on garbage collection services in the District. He stated that the recycling services provided to the District is single stream program and materials are sorted at the plant. Mr. May stated that the District does not receive payment for

the recycled materials. Mr. May stated that he will add a recycling logo to the garbage truck.

DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Haines of the YMCA presented the parks management report, a copy of which is attached. Mr. Haines discussed the possibility of adding frisbee golf at the Pecan Grove Park. The Board requested that Mr. Haines obtain proposals for installation of frisbee golf for review at the next meeting. After review and discussion, Director Kluppel moved that the Board authorize Mr. Haines to (1) install kiddie cushion at a cost of \$3,000 and (2) paint restrooms at a cost of \$3,000. Director Crow seconded the motion, which passed unanimously. Director Bertrand discussed the possible development of Plantation Park, the 5-acre park near the golf club. He stated that Plantation Park could include landscaping and benches. Director Bertrand stated that he will obtain input from members of the community on possible amenities for the park.

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. 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 Bertrand seconded the motion, which passed by unanimous vote.

ADOPT RESOLUTION CONCERNING TAX COLLECTION PROCEDURES

The Board considered adopting a Resolution Concerning Tax Collection Procedures. Mr. Hancock reviewed the procedures outlined in the Resolution. After review and discussion, Director Bertrand moved that the Board adopt a Resolution Concerning Tax Collection Procedures reflecting that the Board of Directors rejects all of the optional procedures. Director Crow seconded the motion, which passed by unanimous vote. A copy of the Resolution is attached.

ADOPT RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

Mr. Hancock reviewed a Resolution Concerning Exemptions from Taxation. After review and discussion, Director Bertrand moved that the Board adopt a Resolution Concerning Exemptions from Taxation, reflecting that the Board of Directors rejects a general residential homestead exemption, rejects any exemption of charitable organizations from ad valorem taxation, rejects any exemption of travel trailers from ad

valorem taxation and grants a \$25,000 exemption for disabled persons and persons over 65 years of age. Director Crow seconded the motion, which passed by unanimous vote. A copy of the Resolution is attached.

OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of February 2007, a copy of which is attached and which was provided previously to the Board. Mr. Ammel reported that there were no excursions at the wastewater treatment plant. Mr. Phelps reviewed the status of repairs on facilities previously approved by the Board.

Mr. Ammel reviewed a proposal from Heath Consultants for a Water Leak Detection and Pinpointing Survey that will cost \$6,600. After review and discussion, Director Crow moved that the Board authorize the operator to have the Water Leak Detection and Pinpointing Survey conducted at a cost of \$6,600. Director Kluppel seconded the motion, which passed unanimously.

Director Crow requested that the operator present a report every month as of the date of the Board meeting that reflects customers who have paid delinquent water bills.

After a question from Director Zarate, Mr. Ammel stated that each homeowner association will continue to receive one consolidated water bill.

Mr. Ammel stated that he met with Director Bertrand and Mr. Phelps on emergency preparedness and evaluation of the District's facilities for emergency situations. Mr. Ammel stated that he will contact Chief Perry on the District's emergency plan and ask if the fire station would be available for District operations. Director Bertrand discussed the process for filling the elevated storage tank. Mr. Jones stated that he and the operator will check on the elevated storage tank to ensure it is filling according to design specifications.

Following review and discussion of the operations report, Director Crow moved to accept the operator's report and authorize repairs of the roof at the wastewater treatment plant lab building in the amount of \$800.00. Director Kluppel 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 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 AND AUTHORIZE APPROPRIATE ACTION REGARDING DISTRICT NEWSLETTER AND WEBSITE

The Board requested that Mr. Ammel request that Payne Communications draft a notice for the District's website and newsletter on levee recertification.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. Mr. Naff stated that he is still working on repair to damage of the jogging trail at the golf cart barn. Director Taylor stated that he will meet with Mr. Naff to investigate the slope failure located on the T in the main drainage channel. The Board asked Mr. Naff to pull the alligator weeds after April 8, 2007. The Board authorized CDC to fertilize the levee.

DISCUSS MOWING CONTRACT

The Board reviewed the Mowing Contract between CDC and the District. The Board requested that Mr. Naff review the pricing in the contract and present a new contract at the next Board meeting. The Board tabled action on renewal of the Mowing Contract.

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. 4 to the contract in the amount of \$99,181.22. After review and discussion, Director Kluppel moved that based upon the engineer's recommendation, the Board approve payment of Pay Estimate No. 4 in the amount of \$99,181.22. Director Crow seconded the motion, which passed unanimously.

Mr. Lambert distributed and reviewed an exhibit detailing levee elevations. He stated that he is waiting on new official floodplain elevations map to be released in order to evaluate the elevation of the levee and verify compliance with freeboard requirements. He stated that he is on the technical review committee and the committee will review the maps. Director Kluppel inquired about the effect of other levees in the area on the District's levee and the ability of the District to sue other

districts. Mr. Jones replied that each downstream levee does have an effect on upstream flood elevations, and Ms. Humphries replied she believed the District would not be able to prevail in such a lawsuit since the levees were certified by FEMA and approved by governmental entities, but she had not researched the issue. Mr. Jones discussed the levee recertification process and stated that there are several issues on flow and future levees to be discussed by the technical review committee. The Board requested that ABHR conduct preliminary research to determine if sovereign immunity bars suits brought by one governmental entity against another governmental entity.

Mr. Lambert reviewed and recommended payment of Pay Estimate No. 1 in the amount of \$70,352.10 for the lift station no. 7 backup generator. After review and discussion, Director Kluppel moved that based upon the engineer's recommendation, the Board approve payment of Pay Estimate No. 1 in the amount of \$70,352.10. Director Crow seconded the motion, which passed unanimously.

Mr. Lambert reported on the construction of the relief sanitary sewers. He reviewed and recommended approval of a change order to the contract with CDC in the amount of \$18,900 to install a storm sewer in the Rambling Stone area. After review and discussion, Director Kluppel moved that based upon the engineer's recommendation, the Board approve the change order to the contract with CDC in the amount of \$18,900. Director Bertrand seconded the motion, which passed unanimously. The Board requested that CDC give EDP and residents notice prior to construction.

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

SURFACE WATER AND SUBSIDENCE ISSUES AND BRAZOS RIVER AUTHORITY

Director Kluppel stated that he met with representatives of the City of Richmond and the City of Rosenberg to discuss their plans for surface water conversion.

Director Taylor presented an updated Memorandum of Understanding for Joint Planning for the Proposed West Fort Bend Regional Surface Water Treatment Plant Project (the "Memorandum") with the Brazos River Authority ("BRA") for the next phase of study for surface water conversion which was previously approved by the Board. He stated that the District's share of the cost of the study pursuant to the Memorandum will be \$8,750.00. Ms. Humphries requested that Director Taylor ask the BRA to remove Section 2.5 from the Memorandum. Director Taylor discussed the presentation given by Camp Dresser McGee to the Brazos River Authority stakeholder group regarding surface water plant locations, treatment options and pipeline location options.

Mr. Hancock reviewed a proposed Groundwater Reduction Plan Participation Agreement with W.S.G. Pecan Grove IV, L.P. After review and discussion, the Board requested that the proposed Agreement be revised and sent to the Board, engineer and operator for review. Director Crow then moved that the Board approve the Groundwater Reduction Plan Participation Agreement with W.S.G. Pecan Grove IV, L.P. subject to final comments from the District's consultants and Board members. Director Bertrand seconded the motion, which passed unanimously.

Mr. Slovak presented a Master Agreement for Professional Services between Malcolm Pirnie, Inc. and the District for work on the Water Quality Assessment. After review and discussion, Director Crow moved that the Board approve the Master Agreement for Professional Services between the District and Malcolm Pirnie, Inc. Director Bertrand seconded the motion, which carried unanimously. Mr. Slovak stated that the Water Quality Assessment and pilot testing will be concurrent.

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. Director Zarate requested that Ms. McLennan provide an annual budget replacing projected numbers with actual numbers as they are available. After review and discussion, Director Kluppel moved that the Board approve the bookkeeper's report, investment report and payment of the District's bills. Director Crow seconded the motion, which passed unanimously.

RECEIVE REPORTS FROM BOARD MEMBERS, INCLUDING DISCLOSURE REPORTS

The Board asked Mr. Lambert to contact TXDOT and the County about Highway 359 and Mason Road flood elevations. Director Bertrand stated that he attended the emergency preparedness seminar conducted by Anco-McDonald Waterworks Insurance Services, L.L.C. and they provided lunch. Director Bertrand stated that EDP paid for his golf cart and beverage today. Director Zarate stated that she accepted rodeo tickets from J&C.

REPORTS FROM CONSULTANTS

There were no reports from consultants.

ACTION ITEM LIST

The Board reviewed and updated the action list.

RECEIVE COMMENTS FROM THE PUBLIC

Mr. Bracken discussed security services being provided by the Sheriff's office. He stated that he will discuss security concerns with the Sheriff's office. The Board requested that the operator reinstall swimming prohibition signs at Bullhead Slough.

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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