

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

April 24, 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, April 24, 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: Matthew May of WCA; Brian Haines of the YMCA; Bobby Jones and Jason Kirby of Jones & Carter, Inc. ("J&C"); Sunil Kommineni of Malcolm Pirnie, Inc.; Greg Ordeneaux of Tax Tech, Inc.; Pat Naff of CDC Maintenance, Inc. ("CDC"); Andrew Phelps, Michael Ammel and Breah Campbell of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Mr. and Mrs. C.K. Dickenson, Kevin Bracken, Caroline Boesenberg and John Minchew, residents of the District; Larry Perry of Pecan Grove Volunteer Fire Department ("PGVFD"); Mary Carter of Blackburn & Carter; and Josh Hancock and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

ACCEPT RESIGNATION OF DIRECTOR ZARATE AND APPOINT NEW DIRECTOR

Director Zarate stated that she is resigning from the Board of Directors. The Board thanked Director Zarate for all of her service to the District. After review and discussion, Director Bertrand moved that the Board accept Director Zarate's resignation. Director Crow seconded the motion, which passed by unanimous vote.

After discussion, Director Kluppel moved that the Board adopt a Resolution Commending Holly Zarate for service to Pecan Grove Municipal Utility District. Director Crow seconded the motion, which passed by unanimous vote.

Director Taylor introduced Mr. Minchew to the Board. After discussion, Director Kluppel moved that the Board appoint John Minchew to fill the vacant

position on the Board of Directors. Director Crow seconded the motion, which carried unanimously.

APPROVE SWORN STATEMENT, OFFICIAL BOND AND OATH OF OFFICE OF NEW DIRECTOR AND REORGANIZE THE BOARD

Mr. Hancock presented and reviewed the Sworn Statement, Oath of Office and Official Bond for Director Minchew. Following discussion and review, Director Crow moved that the Board approve the Sworn Statement, Oath of Office and Official Bond for Director Minchew and reorganize the Board as follows:

Joe Taylor	President
Stephen Crow	Vice President
G.E. Kluppel	Secretary
Charles Bertrand	Investment Officer
John Minchew	Assistant Vice President/Assistant Secretary

Director Kluppel seconded the motion, which passed by unanimous vote.

DISTRICT REGISTRATION FORM

Mr. Hancock stated that the District Registration Form has been updated to reflect the appointment of Director Minchew to the Board of Directors. He stated that the District Registration Form will be filed with the Texas Commission on Environmental Quality (the "TCEQ"). After review and discussion, Director Crow moved that the Board approve the District Registration Form and authorize the filing of same with the TCEQ. Director Kluppel seconded the motion, which carried unanimously.

TEXAS OPEN MEETINGS ACT AND PUBLIC INFORMATION ACT TRAINING REQUIREMENTS

Mr. Hancock presented and reviewed a memorandum from ABHR regarding the Texas Open Meetings Act Requirements, a copy of which is attached hereto. He stated that Senate Bill 286 requires each elected or appointed public official to complete a course of training regarding responsibilities of the governmental body and its members under the Texas Open Meetings Act, Chapter 551. Mr. Hancock stated that Director Minchew must complete training within 90 days of taking the oath of office.

DISCUSS CONFLICT OF INTEREST DISCLOSURE REQUIRED UNDER CHAPTER 176 OF THE TEXAS LOCAL GOVERNMENT CODE

Mr. Hancock presented a memorandum from ABHR regarding legislation enacting Chapter 176 of the Texas Local Government Code, a copy of which is attached,

which requires directors and consultants to disclose certain conflicts of interest. He encouraged the Board to contact ABHR if assistance is needed in determining whether a conflict requires disclosure or in making a required disclosure.

APPROVE MINUTES

The Board next considered approving the minutes of the March 27 and 29, 2007, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the March 27 and 29, 2007, meetings 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.

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 Kluppel moved that the Board approve the tax assessor/collector's report and authorize payment of bills from the tax account. Director Crow seconded the motion, which passed by unanimous vote.

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 proposal for adding frisbee golf at the Pecan Grove Park. Mr. Haines recommended and the Board concurred that the frisbee golf be located between the Pitts Road entry drive and the PGVFD area. Director Bertrand stated that he will be reporting on the District and homeowners association irrigation audit in the spring. After discussion, Director Bertrand moved that the Board approve a \$2,500 payment to Pecan Lakes, C.A. for maintenance of the park facility. Director Crow seconded the motion, which passed unanimously.

OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of March 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.

Ms. Boesenberg stated that she lives at 1403 Hobson Drive and recently contacted the District's operator regarding a depression in the area adjacent to the water meter. She stated that she requested that the District's operator raise the meter box. Ms. Boesenberg discussed concerns over the operator's work which included raising the meter box, reconfiguring the houseline, replacing the U-branch at the meter and covering the sprinkler head with dirt. She added that the operator has since made additional repairs to the meter box and sprinkler head to her satisfaction. The Board concurred that no further action was necessary.

Mr. Phelps stated that he has been conducting tests on meters in the District. He recommended the Board change the District's policy which currently calls for the replacement of meters that have registered in excess of 3 million gallons to replacement of meters that have registered in excess of 2 million gallons. The Board concurred to change the meter replacement policy to reflect that the operator is authorized to replace meters that register in excess of 2 million gallons.

Mr. Ammel recommended revisions to the Rate Order on grease trap inspections, customer payments and collection of fire department donations. After review and discussion, Director Crow moved that the Board adopt an Amended Rate Order reflecting revisions on grease trap inspections, customer payments and collection of fire department donations. Director Kluppel seconded the motion, which passed unanimously.

The Board tabled discussion on the Consumer Confidence Report. Following review and discussion of the operations report, Director Crow moved to accept the operator's report and authorize repair of the booster pump no. 4 at water plant no. 1 in the amount of \$3,784.00. 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 discussed possible articles for the newsletter. Director Bertrand recommended that additional information be added to the website on the surface water conversion fee.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance.

DISCUSS AND RENEW MOWING CONTRACT WITH CONSTRUCTION DESIGN CONSULTANTS

Mr. Naff discussed proposed changes to the Mowing Contract between CDC and the District. The Board tabled action on renewal of the Mowing Contract.

ENGINEER'S REPORT

Mr. Jones 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. Jones reported on the construction at the wastewater treatment plant. He reviewed and recommended payment of Pay Estimate No. 5 to the contract in the amount of \$179,359.83. After review and discussion, Director Crow moved that based upon the engineer's recommendation, the Board approve payment of Pay Estimate No. 5 in the amount of \$179,359.83. Director Kluppel seconded the motion, which passed unanimously.

Mr. Jones reported that J&C contacted Texas Department of Transportation and they could not issue any comment regarding the proposed roadway elevations for FM 359 and Mason Road. Director Taylor requested that this inquiry be documented by the engineer for the District's records.

Mr. Jones stated that J&C attended the Brazos River Floodplain Review meeting on April 20, 2007. He stated that the technical review committee is coordinating on the rating curve to provide an acceptable inflow for the Hydrologic Engineering Centers River System Analysis model that will be used to calculate event water surface elevations. He stated that J&C will attend future meetings on levee recertification.

Mr. Jones reported on the construction of the relief sanitary sewers. He reviewed and recommended approval of Pay Estimate No. 1 to the contract with CDC in the amount of \$79,192.48. After review and discussion, Director Crow moved that based upon the engineer's recommendation, the Board approve Pay Estimate No. 1 in the

amount of \$79,192.48. Director Kluppel seconded the motion, which passed unanimously.

Mr. Kirby stated that J&C has reviewed the drawings for the elevated storage tank and he is working with the operator to recommend repairs to the facility. Mr. Phelps stated that he will obtain quotes on repairs to the altitude valve at the elevated storage tank.

Mr. Bracken requested that the District's consultants determine why there is water in the inlets and drainage swales around the county club maintenance facility at Belin Park.

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

Mr. Kommineni distributed and reviewed a memorandum on a summary of the Plant 2 Site Visit and a Historical Chloride Data Chart, copies of which are attached. Mr. Kommineni discussed the District's possible acquisition of a chloride automated probing monitor. After discussion, Director Kluppel moved that the Board authorize the purchase of a chloride automated probing monitor in an amount not to exceed \$10,000. Director Crow seconded the motion, which passed unanimously. The Board concurred to conduct a workshop meeting on May 16, 2007 at 5:30 p.m. at the Pecan Grove MUD Customer Service Office, 1421 FM 359, Suite D, Richmond, Texas 77469, to discuss the surface water study.

Director Kluppel stated that he plans to attend a Brazos River Authority meeting on May 8, 2007. Director Taylor stated that he will attend a hearing on April 25, 2007 of the Fort Bend Subsidence District (the "FBSD") on the plan to amend a regulatory plan to allow the City of Rosenberg and City of Richmond a two-year extension to the Groundwater Reduction Plan submittal date. Director Taylor stated that the City of Richmond has requested an agreement with the District for the purchase of over-conversion credits. He stated that he will ask the City to present an agreement to the District.

RESOLUTION EXPRESSING INTENT TO REIMBURSE OPERATING ACCOUNT

Mr. Hancock reviewed a Resolution Expressing Intent to Reimburse the Operating Account ("Resolution") with the Board. He stated that the Resolution reflects that the District will reimburse the District's Operating Account for the costs used to finance surface water conversion expenses and expenses related to the levee recertification, including legal fees and engineering fees, with future bond funds. After

review and discussion, Director Crow moved that the Board adopt the Resolution Expressing Intent to Reimburse the Operating Account. Director Kluppel seconded the motion, which passed unanimously. A copy of the Resolution is attached.

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, the District's bills and an amended budget. The Board reviewed a letter from Mid-Continent Group reflecting that the District will need to submit a \$5,000 deductible payment for a property damage claim on 1931 Shining Stream. After discussion, Director Kluppel moved that the Board authorize the bookkeeper to send a check in the amount of \$5,000 to Mid-Continent Group for the deductible. Director Crow seconded the motion, which passed unanimously. After review and discussion, Director Crow moved that the Board approve the bookkeeper's report, investment report, payment of the District's bills and adopt the amended budget for the fiscal year ending September 30, 2007. Director Kluppel seconded the motion, which passed unanimously.

RECEIVE REPORTS FROM BOARD MEMBERS, INCLUDING DISCLOSURE REPORTS

Director Kluppel reported that he attended a meeting of Fort Bend County levee improvement districts on April 20, 2007 and ECO Resources, Inc. paid for his lunch.

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 requested that the Board consider adding trees to prevent erosion on the north shore of Bullhead Slough between Kernal Court and Old South. Chief Perry reported that the PGVFD received an ISO rating of 3 which may reduce insurance rates for homeowners. The Board concurred to add a notice on the new ISO rating in the District's newsletter and on the District's website.

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

At 8:25 p.m., Director Taylor announced that the Board would convene in executive session. Mr. Hancock stated that attorneys from ABHR would not be present for the executive session due to a possible conflict of interest. The following were present at the executive session: Directors Minchew, Kluppel, Taylor, Crow and Bertrand, Bobby Jones of Jones & Carter, Inc. and Mary Carter of Blackburn & Carter.

RE-CONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION PENDING OR CONTEMPLATED LITIGATION

Director Taylor announced the Board would reconvene in open session at 9:15 p.m. The Board authorized Ms. Carter to research matters relating to the levee recertification. The Board instructed Mr. Jones to coordinate technical information on levee recertification with Ms. Carter. The Board concurred to meet with Ms. Carter again on May 16, 2007.

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

Secretary, Board of Directors

(SEAL)

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