

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

April 28, 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 28th day of April, 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 except Director Kluppel, thus constituting a quorum.

Also present at the meeting were residents of the District listed on Exhibit A attached hereto; Claudia Wright of R&W Real Estate; Cliff Kavanaugh of First Southwest Company; Michael Hobbs and Elie Alkhoury of the Texas Department of Transportation ("TxDOT"); Nahel Kabazi of Tukay Associates, Inc.; Sheldon Buck and Trent Slovak 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 and Andy Phelps of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; John O'Donnell and Paul Marks of WaterLogic; Marquita Griffin of the Fort Bend Herald; and Lynne B. Humphries, Hannah Brook, and Janet Swartz of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of March 31 and April 15, 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 March 31 and April 15, 2009, meetings. Director Minchew seconded the motion, which was approved by unanimous vote.

TEXAS DEPARTMENT OF TRANSPORTATION EXPANSION OF FM 359

Mr. Alkhoury introduced himself and Mr. Hobbs from TxDOT and Mr. Kabazi of Tukay Associates, Inc. He stated that TxDOT is going to develop FM 359 into a four lane road with curbs and gutters. He added that the project has been scheduled to commence immediately and should be completed by January, 2010, using federal stimulus funds. Mr. Alkhoury stated that he met with Mr. Kirby regarding TxDOT's request to use the District's existing Jones Creek outfall ditch for drainage purposes. He

stated that due to time restrictions, TxDOT would like to use the District's existing ditch instead of purchasing land and constructing an outfall drainage system for the new road. Mr. Kirby stated that TxDOT would prepare a study to verify that use of the District's outfall ditch would not impact the District. Ms. Humphries stated that if the study indicates TxDOT's use of the outfall ditch will not impact the District, she will recommend that the District give TxDOT a drainage easement, reserving District capacity, to use and permanently maintain the outfall ditch. After review and discussion, Director Crow moved to authorize the engineer to review a study by TxDOT for use of the District's outfall ditch for drainage of FM 359. Director Stolleis seconded the motion, which carried unanimously. The Board concurred to consider TxDOT's request to use the District's ditch once the District's engineer has reviewed the study and made a recommendation to the Board. Director Stolleis requested that TxDOT work with the District on road transitions over the District's existing levee and the Pecan Lakes future levee.

PITTS ROAD ANIMAL INCINERATOR PERMIT

Director Taylor stated that Ms. Dalrymple, a resident of the District, has applied for an animal incinerator permit for a facility on Pitts Road outside the District. He stated that although the facility will be located outside of the District, the Board is interested in hearing public comment on matters affecting the community of Pecan Grove. Several residents of the District spoke in favor of and against the proposed facility. Ms. Dalrymple reviewed her plans for the facility and stated that she has applied for an animal incinerator permit from the Texas Commission on Environmental Quality ("TCEQ"). She reviewed her history of working in the community. Ms. Dalrymple stated that she has contacted the various homeowner associations in order to inform the public about the permit. She invited all interested individuals to meet with representatives of the TCEQ at the upcoming May hearing on the permit and to contact her directly for additional information.

DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. He requested that Mr. Kirby contact Paskey, Incorporated regarding rough spots on the levee and soft spots on the jogging trail.

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. Following review and discussion, Director Stolleis moved to 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.

GARBAGE COLLECTION AND RECYCLING SERVICES

In response to a question from Mr. Boyd, Director Stolleis stated that WCA will replace trash cans damaged by WCA.

SECURITY MATTERS AND SHERIFF CONTRACT

Mr. Smith of 2203 Windmill Drive stated that he had not received a response from the Sheriff's Department regarding an attempted vehicle burglary at his residence. Director Minchew stated that he will contact the Sheriff regarding this matter.

DEVELOPMENT AND MAINTENANCE OF PARKS

The Board reviewed the parks management report, a copy of which is attached. Mr. Marks presented a proposal to the Board on the WaterLogic system that would reduce the District's water usage for irrigation of Pecan Grove Park. Mr. O'Donnell discussed the operation of the WaterLogic sprinkler sensor system. After review and discussion, Director Crow moved to approve a Contract with WaterLogic for the park watering system, for \$5,000, with an annual fee of \$1,350, subject to final review by ABHR, and direct that the Contract be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which carried unanimously.

OPERATION OF DISTRICT FACILITIES

Mr. Ammel reviewed the EDP operations report for the month of April, 2009, a copy of which is attached, and which was provided previously to the Board. Mr. Ammel reviewed a Consumer Confidence Report ("CCR") with the Board. The Board concurred to consider approval of the CCR at the next meeting. Director Crow requested that the operator investigate a depressed storm inlet on the south side of Land Grant Road.

Mr. Phelps stated that he is obtaining additional estimates for replacement of the wood picket fence at lift station no. 8. Mr. Phelps stated that an additional estimate was received for installation of an electric gate at the wastewater treatment plant from Foster Fence in the amount of \$8,131.00.

Mr. Phelps reviewed proposals for 17 signs for the levee including hardware for a cost of \$1,621.63, and 10 signs for the water plants at a cost of \$923.90.

In response to a question from Director Taylor, Mr. Phelps reported that EDP televised a sinkhole near lift station no. 7, found no problem with the pipe, and repaired the hole.

After review and discussion, Director Crow moved to approve (1) the operator's report; (2) installation of an electric gate at the wastewater treatment plant by Foster Fence in the amount of \$8,131.00, and (3) the operator's purchase of signs and hardware

for the levee at a cost of \$1,621.63, and signs for the water plants at a cost of \$923.90. Director Minchew seconded the motion, which passed by unanimous vote.

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 Minchew seconded the motion, which passed unanimously.

DISTRICT NEWSLETTER AND WEBSITE

Director Crow updated the Board on the preparation of the next newsletter. The Board reviewed a Communications Consulting Program Agreement between the District and Payne Communications. After review and discussion, Director Crow moved to approve the Communications Consulting Program Agreement with Payne Communications and direct that the Agreement be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which carried unanimously.

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 a meeting with representatives of the TCEQ. He distributed and reviewed Activity Report No. 8, a copy of which is attached, on the plans for the surface water plant.

Director Taylor updated the Board on contacts with Mr. Istre of the Gulf Coast Water Authority (the "GCWA") regarding an Interlocal Agreement. He stated that he was promised an agreement from the GCWA for the next meeting.

Director Taylor stated that the District received a letter from the City Managers of the City of Richmond and the City of Rosenberg, a copy of which is attached, asking if the District will have any conversion credits available for purchase or if the District's plant will have excess capacity for sale. After review and discussion, Director Crow moved to authorize ABHR to prepare a response to the City of Richmond and the City of Rosenberg City Managers reflecting that (1) the District is expecting to have conversion credits available for purchase which the Board expects to sell based on fair market value; and (2) the District probably will not have excess capacity in the surface

water treatment plant. Director Minchew seconded the motion, which carried unanimously.

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 construction of levee improvements to the existing levee. He stated that he is working with Paskey, Incorporated and the Pecan Grove Country Club to coordinate access to the levee sections that impact the golf course area. He stated that the levee sections could require slight adjustments to original quantities for fill and concrete for the cart path. Mr. Kirby stated that the adjustments are located in the District's right-of-way. Mr. Kirby reviewed and recommended payment of Pay Estimate No. 3 in the amount of \$92,132.56 to Paskey, Incorporated. After review and discussion, Director Crow moved that, based upon the engineer's recommendation, the Board approve Pay Estimate No. 3 in the amount of \$92,132.56 to Paskey, Incorporated. Director Minchew seconded the motion, which passed by unanimous vote.

Mr. Kirby stated that he expects to receive shortly a draft permit from the TCEQ for renewal of the wastewater treatment plant permit.

Mr. Kirby reported on the contract for the elevated storage tank recoating and repairs and stated that the contractor is on site.

Mr. Kirby updated the Board on the design of plans for levee improvements to meet new FEMA standards for Pecan Lakes Levee. He stated that he will meet with the Homeowners Association once the plans are complete.

Mr. Kirby reported on the design and timeline of the chloramine conversion system.

Mr. Kirby discussed the MS4 Stormwater Management Plan. Director Crow stated that he contacted Lamar Consolidated Independent School District and students may be interested in volunteering to install inlet markers in the Fall. The Board requested that Mr. Kirby contact the Boy Scouts regarding the possible volunteer project of installing the District's storm inlet markers.

Ms. Humphries stated that the District is required to adopt a Water Conservation Plan prior to May 1, 2009. She then reviewed the Water Conservation Plan with the Board. Ms. Humphries stated that the District's Operator will administer and enforce the Water Conservation Plan, and will oversee and be responsible for the execution and implementation of all elements of the Plan. After review and discussion, Director Crow moved to adopt an Order Adopting Water Conservation Plan; Providing for Implementation and Enforcement Thereof; and Containing for Other Provisions Related

to the Subject, authorize submittal to the Texas Water Development Board and direct that the Order be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which passed by unanimous vote.

Mr. Kirby updated the Board on a meeting J&C attended on drainage and detention of the proposed site for the surface water treatment plant. The Board concurred to authorize J&C to review possible alternatives to offsite detention and drainage for the plant site.

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

PROTEST OF 723 FORT BEND PARTNERS WASTE WATER PERMIT APPLICATION

After discussion, Director Crow moved to authorize the President to execute a letter to the TCEQ regarding possible adoption of new judicial standards for wastewater treatment plants. Director Stolleis seconded the motion, which carried unanimously.

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. After review and discussion, Director Crow moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Minchew 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 Taylor reviewed a letter from Ms. Talkington, a resident of the District, requesting that the Board revise the rate structure to promote water conservation. He added that he will respond to the letter.

ATTORNEY'S REPORT

Ms. Humphries updated the Board on the ABHR legislative monitoring reports. She distributed a packet from the Fort Bend Central Appraisal District on a proposal for a new building. She added that a resolution to vote on the new building will be on the next agenda.

Ms. Humphries stated that the TCEQ rules require that the District review and adopt an amended and restated Drought Contingency Plan prior to May 1, 2009. After review and discussion, Director Crow moved to adopt an Order Adopting Amended and Restated Drought Contingency Plan; Providing for Implementation and Enforcement Thereof; Providing Penalties for Violations; and Containing Other Provisions Related to the Subject and direct that the Order be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which passed by unanimous vote.

Ms. Humphries reviewed an Order Adopting Identity Theft Prevention Program and Providing for Implementation and Enforcement Thereof. After review and discussion, Director Crow moved to adopt an Order Adopting Identity Theft Prevention Program and Providing for Implementation and Enforcement Thereof and direct that the Order be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which passed by unanimous vote.

The Board concurred to hold a special meeting on May 6 at 8:00 a.m. at the District's Customer Service Office to discuss with the District's financial advisor the bond application for the surface water plant and the bond application for the additional levee drainage improvements.

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

Ms. Humphries stated that the legislative sub-committee of the Fort Bend Countywide Levee Committee will meet May 1, 2009, at 8:00 a.m. Director Crow stated that he would attend the meeting.

COMMENTS FROM THE PUBLIC WHO HAVE SIGNED UP TO SPEAK

Mr. Courtney requested information on the Board's engagement of a fire plan consultant. Director Taylor stated that the Pecan Grove Volunteer Fire Department previously requested the District to consider adoption of a fire plan. He added that the District engaged Mr. Ken Campbell to identify service providers available and give the District ideas and information so the Board can rely upon objective information to reach the best decision about whether there is a benefit to the District being in the fire protection business. He added that Mr. Campbell is to objectively assess available options for fire protection that would be responsive to the community and evaluate the resources of those options. Mr. Conley requested that the Board receive input from the homeowner associations when reviewing Mr. Campbell's study.

Ms. Stelma, a resident of 906 Bent Creek, stated that debris was left in her backyard when the water tank located behind her home was pressure washed. The Board requested that the operator notify residents prior to pressure washing or painting of the water tanks.

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 8:08 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 8:14 p.m. After review and discussion, Director Crow moved to adopt a Resolution Authorizing the President of the Board of Directors to Execute Closing Documents relating to the purchase of a surface water plant treatment plant site and direct that the Resolution be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which carried 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

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

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

Secretary, Board of Directors

(SEAL)

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