

MINUTES  
PECAN GROVE MUNICIPAL UTILITY DISTRICT

June 24, 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 24th day of June, 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 Pat Naff of CDC Unlimited, LLC ("CDC"); Chris Byrd and Debbie Byrd of the Pecan Grove Homeowners Association; Mr. and Mrs. Dickenson, residents of the District; Bobby Jones and Jason Kirby of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Mike Ammel and Andrew Phelps of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Dan McDonald of Anco-McDonald Waterworks Insurance Services, L.L.C.; Marquita Griffin of the Fort Bend Herald; Conley Shepherd, Fred Ross, Keith Jones, and Will Webb of the Pecan Grove Volunteer Fire Department ("PGVFD") Board; Trent Slovak of Malcolm Pirnie, Inc.; and Lynne Humphries, Hannah Brook, and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the May 27, 2008, meeting, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the minutes of the May 27, 2008 meeting. Director Crow seconded the motion, which was approved by unanimous vote.

AUTHORIZE RENEWAL OF DISTRICT'S INSURANCE POLICIES

Mr. McDonald reviewed a proposal from Anco-McDonald Waterworks Insurance Services, L.L.C. for renewal of the District's insurance policies, a copy of which is attached. After review and discussion, Director Crow moved to renew the

District's property, boiler and machinery, general liability, automobile liability, pollution liability, directors and officers liability, umbrella liability and business travel insurance policies, a public employee blanket crime bond in the amount of \$500,000, a \$50,000 director bond, and tax assessor/collector bond in the amount of \$100,000, with Anco-McDonald Waterworks Insurance Services, L.L.C. Director Kluppel seconded the motion, which carried by unanimous vote.

#### REPORT ON FIRE AND SECURITY MATTERS

Director Minchew stated that he is reviewing the current contract for law enforcement with Fort Bend County in order to prepare for renewal of the contract in September. He added that he is evaluating the possibility of the District entering into a Law Enforcement Agreement solely with Fort Bend County for twenty four/seven coverage. Director Minchew discussed the possibility of increasing water and sewer rates to cover the increased cost of security. He stated that the subcommittee on security will continue to evaluate the alternatives for the Law Enforcement Agreement. Director Minchew stated that he will report on the Trespass Affidavit at a future meeting.

Director Taylor asked Mr. Webb to inform the Board about whether the PGVFD is satisfied with the manner in which Waterside Estates collects fire protection fees. In response to a question from the Board, Mr. Webb stated that the PGVFD audit has not been completed. Director Minchew stated that he is concerned about the time period it has taken to complete the audit and that the Board would like to review the audit as soon as it is completed. He stated that he is uncomfortable collecting fees for the PGVFD without the audit. Mr. Ross stated that he is trying to learn why the audit has not been completed.

Director Taylor stated that a letter was sent to the PGVFD stating that the District needs to install a meter at the PGVFD service line located in front of the fire station. Mr. Shepherd said he will follow up on the letter. Mr. Ross stated that the Board is in favor of conveying a waterline in the right-of-way on Pitts Road from the levee to the fire station to the District. The Board requested that ABHR send a quitclaim deed for conveyance of the waterline to the PGVFD.

#### REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff updated the Board on ditch and levee maintenance. After discussion, Director Crow moved to approve the following: (1) repair of the slope failure located on the T in the main drainage channel by CDC at a cost of \$4,500; (2) grading at Plantation Park by CDC at a cost of \$3,800; (3) cleanout of the ditch at the outfall structure by CDC at a cost of \$7,100; (4) spraying cracks in the slope paving at the outfall structure by CDC at a cost of \$2,500; (5) treatment of alligator weeds by CDC at a cost of \$2,500+; and (6) a Mowing Contract between CDC Unlimited LLC and the District and direct

that the Contract be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which carried unanimously.

#### 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 he reported complaints to WCA Waste Corporation of Texas ("WCA") regarding trucks being in the District too early for garbage collection. Ms. Humphries stated that WCA has provided an Insurance Certificate to the District that does not include \$100,000 Personal Injury Protection (Each Person) as outlined in the Garbage Collection Contract. After discussion, the Board concurred to authorize the President to execute a letter to WCA to acknowledge that WCA will not provide the Personal Injury Protection insurance for the term of the Garbage Collection Contract which expires on September 30, 2008, and direct that the letter be filed appropriately and retained in the District's official records.

#### DEVELOPMENT AND MAINTENANCE OF PARKS

Director Crow reviewed a Parks Management report, a copy of which is attached. Mr. Shepherd stated that the Board of Pecan Lakes Homeowners Association has requested that the Board consider contracting for the mowing of the 10-acre Pecan Lakes Park. The Board concurred to consider the request at the next meeting.

#### OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of May, 2008, a copy of which is attached, and which was provided previously to the Board. Mr. Ammel reported that he will add a notice to the water bill regarding the MS4 Storm Water Management Plan public workshop on July 29, 2008.

Director Taylor stated that he and the operator will prepare a response letter to Mr. Polansky of 1606 Chapelwood to address his questions on the District's replacement of a meter and water rates. Mr. Ammel reviewed the schedule for flushing of the system and stated that the residents will be notified.

Mr. Phelps stated that he is obtaining another bid for replacing four broken exterior lighting fixtures at water plant no. 3.

After review and discussion, Director Crow moved to approve (1) the operator's report; (2) authorize the operator to replace the of chlorine regulators at the wastewater treatment plant at a cost of \$2,809, and (3) authorize the operator to arrange for the repairs of the sidewalks at 1303 and 1307 Morton League at a cost submitted on the lowest price proposal. 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 the Consumer Confidence Report will be added to the website. He updated the Board on the plans for the summer newsletter. The Board requested that the engineer prepare information for the newsletter on the Storm Water Management Plan workshop.

#### MS4 STORMWATER MANAGEMENT PLAN IMPLEMENTATION

Mr. Kirby reported on the plans for the District's MS4 Stormwater Management Plan public workshop on July 29, 2008 at 7:00 p.m., which will include a presentation and discussion on storm water quality issues. The Board requested that the consultants add a notice regarding the public workshop on the website, on the water bill, and in the newsletter.

#### CONVERSION TO SURFACE WATER, PRESENTATION FROM MALCOLM PIRNIE, INC. ON SCHEDULE FOR SURFACE WATER TREATMENT PLANT, ENGINEERING PROPOSAL, AND AGREEMENTS FOR SALE OF CONVERSION CREDITS

Mr. Slovak discussed an implementation schedule of nine months for the design of the surface water treatment plant. He stated that the construction of the plant is estimated to take 19-½ months. Mr. Slovak reviewed Task Order No. 5 to the Agreement for Professional Services between the District and Malcolm Pirnie, Inc. After review and discussion, Director Kluppel moved to approve Task Order No. 5 to the Master Agreement for Professional Services with Malcolm Pirnie, Inc., and direct

that the Order be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed by unanimous vote.

Mr. Slovak discussed the Texas Commission on Environmental Quality (the "TCEQ") letter on the pilot surface water plant. He stated that he has been in communication with representatives of the TCEQ to address the letter.

#### 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.

The Board discussed House Resolution 3121, the Flood Insurance Reform and Modernization Act. After discussion, Director Kluppel moved to authorize the President to execute a letter to the Honorable John Cornyn reflecting the Board's request that the intent of Section 107 of the Bill be clarified to either remove this section or clarify that the administrator of the Federal Emergency Management Agency ("FEMA") take into consideration the protection levels of levees when setting flood insurance premiums and direct that the letter be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which carried unanimously.

Mr. Kirby discussed costs for repairs to the elevated storage tank fill line and interior tank roof. He stated that tests indicate that the exterior of the tank will need to be recoated. He added that plans and specifications are being prepared for the repairs and recoating of the tank.

Mr. Kirby discussed the design and schedule for the chloramine conversion system. He stated that once the design is complete, he will submit the plans to the Texas Commission on Environmental Quality ("TCEQ") for approval. Mr. Jones stated that J&C needs to advertise for bids 15 months in advance of the desired completion date.

Mr. Kirby discussed preliminary cost estimates for the improvements needed for levee recertification. He stated that the District's levee recertification application will be submitted to FEMA on July 3, 2008, based on the current flood plain map.

Following review and discussion of the engineer's report, Director Crow moved to (1) accept the engineer's report as presented, (2) authorize design of the chloramine conversion system and submittal of plans to the TCEQ, and (3) authorize J&C to submit the levee recertification application to FEMA. Director Stolleis 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. After review and discussion, Director Crow moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Kluppel seconded the motion, which passed unanimously.

## REPORTS FROM BOARD MEMBERS AND DISTRICT CONSULTANTS

The Board concurred to conduct a special meeting on August 5, 2008 at 5:30 p.m. for a budget workshop at the Pecan Grove Country Club.

## ATTORNEY'S REPORT

Ms. Humphries stated that ABHR would revise the action list and send it to the Board for review.

## RECEIVE COMMENTS FROM THE PUBLIC

There were no comments from the public.

## 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 7:58 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 8:04 p.m. The Board concurred that no action was necessary.

CONVENE IN EXECUTIVE SESSION PURSUANT TO CHAPTER 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION

At 8:05 p.m., Director Taylor announced that the Board would convene in executive session to conduct a private consultation with its attorney.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING CONTEMPLATED LITIGATION

Director Taylor announced the Board would reconvene in open session at 8:36 p.m. The Board authorized ABHR to prepare a letter to Fort Bend County Municipal Utility District No. 140 and Fort Bend County Municipal Utility District No. 145 requesting information related to their flood plain re-mapping efforts.

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

(SEAL)

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Secretary, Board of Directors



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