

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

June 26, 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, June 26, 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
Richard Stolleis	Assistant Vice President/ Assistant Secretary
John Minchew	Assistant Vice President/ Assistant Secretary

and all of said directors were present, thus constituting a quorum.

Also present were the following: Brian Haines of the YMCA; Bobby Jones and Jason Kirby 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"); Brea Campbell, 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; Matthew May of WCA Waste Corporation of Texas; Nikki Wynn of Payne Communications; and Lynne B. Humphries, Josh Hancock, and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of the May 29 and June 7, 2007, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the May 29 and June 7, 2007, meetings minutes as submitted. Director Kluppel seconded the motion, which was approved by unanimous vote.

REAPPROVE ADOPTION OF RESOLUTION COMMENDING DIRECTOR BERTRAND FOR SERVICE TO THE DISTRICT

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

DISCUSS WITH DISTRICT'S AUDITOR NEW SAS 112 AUDITING STANDARDS RELATED TO MANAGEMENT LETTER AND MATERIAL WEAKNESSES AND AUTHORIZE APPROPRIATE ACTION

The Board tabled discussion of this agenda item.

UPDATE ON GARBAGE AND RECYCLING SERVICES

Mr. May updated the Board on garbage collection services in the District.

DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Haines of the YMCA presented the parks management report, a copy of which is attached. Mr. Haines updated the Board on the installation of frisbee golf equipment at the Pecan Grove Park. After review and discussion, Director Crow moved that the Board (1) authorize the use of the Pecan Grove Park in October by the Sugar Land Masonic Lodge and the Richmond Masonic Lodge, since residents were lodge members who requested the use, and (2) approve the YMCA's request to use the baseball and soccer fields at the Pecan Grove Park on Saturdays for teams containing Pecan Grove residents. Director Kluppel seconded the motion, which passed unanimously.

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.

ADOPT RESOLUTION NOMINATING CANDIDATE FOR BOARD OF DIRECTOR ELECTION FOR FORT BEND CENTRAL APPRAISAL DISTRICT

Ms. Humphries stated that Bobby Rich, a Greatwood resident, has been nominated as a candidate for the Board of Director Election for the Fort Bend Central Appraisal District. The Board took no action on this agenda item.

OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of May 2007, a copy of which is attached and which was provided previously to the Board.

Mr. Ammel requested authorization to repair fire hydrants in the District at a cost of \$10,000 to \$12,000 as outlined on the inspection report. After discussion, Director Stolleis moved that the Board authorize the operator repair the fire hydrants at a cost not to exceed \$12,000. Director Crow seconded the motion, which passed by unanimous vote. Director Stolleis requested that the operator determine why some of the fire hydrants were not flow tested.

Mr. Ammel stated that Mr. Knack of 1215 Mayweather has requested that the District reimburse him \$400 for raising areas of his driveway. Mr. Ammel stated that the work was not authorized by the District. The Board concurred to not reimburse Mr. Knack for the work because it was not authorized by the District.

Following review and discussion of the operations report, Director Stolleis moved to accept the operator's report and authorize the expenditure of \$10,000 for additional equipment including a climate controlled cabinet and filtration system in connection with the chloride monitor. Director Crow 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 Kluppel 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 Crow seconded the motion, which passed unanimously.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING DISTRICT NEWSLETTER AND WEBSITE

Ms. Wynn discussed the newsletter and the possibility of adding additional color. She stated that she will send inserts on water conservation to Director Crow to review for possible inclusion in the newsletter. Ms. Wynn requested that the Board consider renewal of an agreement for services with Payne Communications. The Board concurred to consider the agreement at the next meeting.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. He stated that a fence that protects the levee next to 1910 Landsdowne Street needs to be repaired. He added that the fence is 60 feet long and is located at the end of the street behind a barricade. The Board requested that Mr. Naff obtain an estimate to repair the fence. Mr. Naff reported that a house on Mayweather that is located near the water well has several bee hives in the backyard. The Board requested that the operator contact the civic improvement association about the bee hives.

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 reported on the construction at the wastewater treatment plant. He reviewed and recommended payment of Pay Estimate No. 7 to the contract in the amount of \$301,268.76. After review and discussion, Director Crow moved that based upon the engineer's recommendation, the Board approve payment of Pay Estimate No. 7 in the amount of \$301,268.76. Director Stolleis seconded the motion, which passed unanimously.

Mr. Kirby stated that Mr. Istre of the Gulf Coast Water Authority ("Authority") reported that the Authority will not issue a draft of a Water Conveyance Agreement before the end of the year. Director Taylor stated that the District needs to obtain a Letter of Understanding regarding the conveyance of water from the Authority in the near future to submit with the District's Groundwater Reduction Plan. Mr. Kirby stated that Mr. Istre has indicated that the Authority would agree to execute a Letter of Understanding with the District. The Board requested that ABHR prepare a Letter of Understanding between the District and the Authority with input from J&C and Malcolm Pirnie, Inc.

Mr. Jones stated that construction of the lift station no. 7 backup generator is complete. He reviewed and recommended approval of the Certificate of Acceptance and payment of the Final Pay Estimate to the contract with McDonald Electric in the

amount of \$7,816.90. After review and discussion, Director Crow moved that based upon the engineer's recommendation, the Board approve payment of the Final Pay Estimate in the amount of \$7,816.90. Director Stolleis seconded the motion, which passed unanimously.

Mr. Kirby stated that CDC has completed the relief sanitary sewer project. He reviewed and recommended approval of the Certificate of Acceptance and payment of the Final Pay Estimate to the contract with CDC in the amount of \$29,368.03. After review and discussion, Director Crow moved that based upon the engineer's recommendation, the Board approve payment of the Final Pay Estimate in the amount of \$29,368.03. Director Stolleis seconded the motion, which passed unanimously.

Mr. Kirby discussed a possible modification to water plant no. 2 to allow automatic operation of the plant. He added that the project would include the installation of pressure reducing valves on the two 12-inch lines leaving the plant. Mr. Kirby stated that the modifications would allow for greater flexibility in the system in the event of a drought or rationing while maintaining full elevated storage capacity. Mr. Kirby stated that he and Mr. Ammel will continue to study options for modifications to water plant no. 2.

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

DISCUSS AND APPROVE LETTER TO U.S. ARMY CORPS OF ENGINEERS REQUESTING ENTRY INTO LEVEE REPAIR AND INSPECTION PROGRAM

Ms. Humphries reviewed a letter from the District to the U.S. Army Corps of Engineers requesting entry into the Levee Repair and Inspection Program. She stated that Fort Bend County Levee Improvement District No. 2 has requested entry into the program and is recommending the Program to all districts operating levees. After review and discussion, Director Crow moved that the Board authorize Director Taylor to execute the letter to the U.S. Army Corps of Engineers, upon review and approval by J&C. Director Stolleis seconded the motion, which passed unanimously.

SURFACE WATER AND SUBSIDENCE ISSUES AND BRAZOS RIVER AUTHORITY

Director Taylor reported on the August meeting of the Brazos River Authority stakeholders. He stated that the stakeholders received a preliminary engineering report on the surface water study. After review and discussion, Director Crow moved that the Board authorize payment of \$9,800 for the District's share of the Brazos River Authority surface water study. Director Stolleis seconded the motion, which passed unanimously.

Mr. Hancock discussed an Agreement for Sale of Water Conversion Credits between the District and the City of Richmond (the "Agreement"). The Board tabled approval of the Agreement.

Director Kluppel stated that he and Director Taylor attended the FBSD meeting and requested the extension of the District's Groundwater Reduction Plan date to match the City of Rosenberg's and City of Richmond's Groundwater Reduction Plan date. He added that the staff of the FBSD would not recommend changing the District's submittal date for a Groundwater Reduction Plan. After discussion, Ms. Humphries stated that she will contact the attorney for the FBSD to discuss the District's request for a change in submittal date for the Groundwater Reduction Plan.

Mr. Hancock stated that the District has received the executed Groundwater Reduction Plan Participation Agreement from W.S.G. Pecan Grove IV, L.P.

DISCUSS ASSOCIATION OF WATER BOARD DIRECTORS SUMMER CONFERENCE, APPROVE REIMBURSEMENT OF ELIGIBLE EXPENSES AND AUTHORIZE ATTENDANCE AT THE ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE

After discussion, Director Kluppel moved that the Board approve reimbursement of eligible expenses for directors who attended the Association of Water Board Directors summer conference and authorize all interested directors to attend the winter conference. Director Crow seconded the motion, which passed unanimously.

ADOPT RESOLUTION APPOINTING INVESTMENT OFFICER, ACCEPT DISCLOSURE STATEMENT FOR INVESTMENT OFFICER AND APPROVE AMENDED EXHIBIT A TO DEPOSITORY PLEDGE AGREEMENTS

Ms. Humphries stated the District must appoint an Investment Officer for the District due to the resignation of Director Bertrand. After discussion, Director Minchew moved that the Board adopt a Resolution Appointing an Investment Officer reflecting the appointment of Shirley McLennan as Investment Officer. Director Stolleis seconded the motion, which passed unanimously.

Ms. Humphries stated that Ms. McLennan, as the Investment Officer and bookkeeper is required to execute a Disclosure Statement that discloses her relationships with banks and brokers who seek to sell investments to the District. She added that the Disclosure Statement will be filed with the Texas Ethics Commission and the Board of Directors and updated whenever necessary. After review and discussion, Director Minchew moved that the Board accept the Disclosure Statements. Director Stolleis seconded the motion, which passed unanimously.

Ms. Humphries reviewed an amended Exhibit A to the Depository Pledge Agreement between the District and Texas State Bank to reflect Ms. McLennan as the

District's Investment Officer. Following review and discussion, Director Minchew moved that the Board approve the amended Exhibit A to the Depository Pledge Agreement between the District and Texas State Bank. Director Stolleis seconded the motion, which passed by unanimous vote.

Ms. Humphries reviewed a Depository Pledge Agreement between the District and JPMorgan Chase Bank. Following review and discussion, Director Minchew moved that the Board approve the Depository Pledge Agreement between the District and JPMorgan Chase Bank. Director Stolleis seconded the motion, which passed unanimously.

Ms. Humphries reviewed a Depository Pledge Agreement between the District and Wells Fargo Bank for the tax account. Following review and discussion, Director Minchew moved that the Board approve the Depository Pledge Agreement between the District and Wells Fargo Bank for the tax account. Director Stolleis seconded the motion, which passed by unanimous vote.

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. After review and discussion, Director Crow moved that the Board approve the bookkeeper's report, investment report and payment of the District's bills. Director Stolleis seconded the motion, which passed unanimously.

RECEIVE REPORTS FROM BOARD MEMBERS, INCLUDING DISCLOSURE REPORTS

The Board concurred to conduct a special meeting on August 2, 2007, at 5:30 p.m., at the Pecan Grove Country Club to conduct a budget workshop. Director Minchew stated that he and Director Stolleis would like to form a committee to review the Code of Ethics and recommendations to the Board on streamlining the Board meetings. Director Kluppel reported on a Fort Bend County Commissioners Court meeting he recently attended. He stated that the Commissioners voted on new rules for future levees constructed in Fort Bend County.

REPORTS FROM CONSULTANTS

Mr. Slovak updated the Board on the Water Quality Assessment. He stated that the test plan was submitted to the Texas Commission on Environmental Quality. Mr. Kommineni updated the Board on the status of equipment installed for the Water Quality Assessment. He recommended that the Board conduct a workshop meeting to discuss land acquisition and pilot testing. The Board concurred to conduct a workshop

meeting on July 12, 2007, at 5:30 p.m. at the District's office at 2035 FM 359, Suite 13, Richmond, Texas.

ACTION ITEM LIST

The Board reviewed and updated the action list.

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 8:10 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 8:20 p.m. The Board concurred no action was necessary.

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

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
parks management report.....	2
tax assessor/collector's report	2
EDP operations report.....	3
engineer's report	4
bookkeeper's report.....	7