

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

July 29, 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 29th day of July, 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 John Haskew and Lee Petros of Fort Bend Independent School District ("FBISD"); Jason Hull of PBK Engineers ("PBK"); residents of the District as indicated on the attached list; Pat Naff of CDC Unlimited, LLC ("CDC"); Bobby Jones, Jason Kirby, and David Barton of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Breah Campbell and Andrew Phelps of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Marquita Griffin of the Fort Bend Herald; Conley Shepherd, Fred Ross, and Keith Jones of the Pecan Grove Volunteer Fire Department ("PGVFD") Board; Trent Slovak and Robert McCollum of Malcolm Pirnie, Inc.; and Lynne Humphries, Hannah Brook, and Jessica Jones of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the June 17 and June 24, 2008, 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 June 17 and June 24, 2008, meetings. Director Kluppel seconded the motion, which was approved by unanimous vote.

REPORT ON FIRE AND SECURITY MATTERS

Mr. Keith Jones presented a draft fire plan to the Board. He stated that the PGVFD audit should be completed soon. In response to a question from Director Crow, Mr. Keith Jones stated that the audit may be completed before the District's next regular meeting.

Ms. Humphries presented and reviewed a letter from Ms. Menchan, an attorney for PGVFD, regarding the District's request to exchange conveyance of a water line for a sanitary sewer line, a copy of which is attached. After discussion, Director Minchew moved to approve suspension of the collection of volunteer fees for the PGVFD sixty days after the July meeting, if by the August 26, 2008, meeting the District has not received the PGVFD audit. Director Crow seconded the motion, which passed by unanimous vote.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff updated the Board on ditch and levee maintenance. He stated that the treatment of alligator weeds is 50% complete and the cost is \$2,500. After discussion, Director Crow moved to approve more treatment of alligator weeds by CDC at an additional cost of \$2,500. Director Stolleis 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. Mr. Ordeneaux stated that the Fort Bend Central Appraisal District has indicated that certified values may be ready the first week in August. Director Kluppel requested that Mr. Ordeneaux obtain the certified values for the special meeting on August 5, 2008, if possible, for budget purposes. 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.

AUTHORIZE DELINQUENT TAX ATTORNEY TO PROCEED WITH THE COLLECTION OF DELINQUENT TAXES

After discussion, Director Stolleis moved to authorize the delinquent tax attorney to proceed with the collection of delinquent taxes. Director Crow seconded the motion, which passed unanimously.

UPDATE ON GARBAGE AND RECYCLING SERVICES AND RENEWAL OF CONTRACT FOR GARBAGE COLLECTION SERVICES

Director Stolleis discussed renewal of the Garbage Collection Contract with WCA Waste Corporation. He stated that WCA has proposed a new collection cost of \$14.25 per unit and a new provision for an annual CPI increase. Director Stolleis recommended that the current contract provision for the CPI increase remain in a renewed contract. The Board requested that ABHR prepare the Fifth Amendment to the Garbage Collection Contract with WCA Waste Corporation reflecting a cost of

\$14.25 per unit for collection for a term beginning on October 1, 2008 and expiring on September 30, 2009.

DEVELOPMENT AND MAINTENANCE OF PARKS

Director Crow reviewed a Parks Management report, a copy of which is attached. After review and discussion, Director Taylor moved to authorize Terra Management Services to mow Pecan Lakes Park and to approve an amendment to the Landscape and Maintenance Contract to reflect this addition. Director Kluppel seconded the motion, which passed by unanimous vote.

Ms. Humphries stated that the YMCA has requested an amendment to the Operation and Maintenance Agreement for an increase of \$50.00 in the monthly fee commencing October 1, 2008. After review and discussion, Director Crow moved to approve Amendment No. 1 to the Operation and Maintenance Agreement between the YMCA and the District and direct that the Amendment be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed by unanimous vote.

OPERATOR'S REPORT

Mr. Phelps reviewed the EDP operations report for the month of July, 2008, a copy of which is attached, and which was provided previously to the Board.

Mr. Phelps stated that the District received a letter from Mr. Mueller of 1902 Richmond Bend Court regarding the settlement of a storm sewer inlet in his driveway which is damaging his vehicles. The Board concurred that the driveway was constructed by the home builder with the inlet already existing. The Board requested that Mr. Phelps send a response letter to Mr. Mueller.

After review and discussion, Director Stolleis moved to approve the operator's report. Director Crow 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 Stolleis 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 DISTRICT NEWSLETTER AND WEBSITE

Mr. Phelps updated the Board on the District's website.

MS4 STORMWATER MANAGEMENT PLAN IMPLEMENTATION AND PUBLIC PARTICIPATION WORKSHOP

Mr. Kirby presented an MS4 Stormwater Management Plan public workshop and discussed storm water quality issues. Mr. Kirby notified the residents that the Plan is available in the District's office. Mr. Kirby stated that the District received a letter of administrative completeness from the Texas Commission on Environmental Quality (the "TCEQ") on the Plan. The Board received comments and questions from the public. In response to a resident's request, Mr. Kirby stated that the Plan will be available on the website.

After discussion, Director Crow moved to authorize ABHR to perform research and develop an ordinance or other regulatory mechanism to address requirements of the permit. Director Kluppel seconded the motion, which passed unanimously. Ms. Humphries noted that costs would be shared with all districts represented by ABHR required to do an MS4 Stormwater Management Plan.

CONVERSION TO SURFACE WATER, PROGRESS UPDATE ON SURFACE WATER PLANT DESIGN FROM MALCOLM PIRNIE, INC., AUTHORIZATION REQUEST ON SPECIAL SERVICES TASK ORDER, AND AGREEMENTS FOR SALE OF CONVERSION CREDITS

Mr. McCollum gave a progress update on the surface water plant design, a copy of which is attached. In response to a question from Director Crow, he stated that Malcolm Pirnie, Inc. was slightly behind schedule but will be on schedule shortly. The Board concurred that Directors Taylor and Stolleis serve on a surface water committee. Mr. Slovak reviewed Task Order No. 6 for a wetland assessment. After review and discussion, Director Stolleis moved to approve Task Order No. 6 to the Master Agreement for Professional Services with Malcolm Pirnie, Inc., subject to completion of the preliminary environmental and design work to determine the existence of wetlands that would be affected by the project, and direct that the Task Order be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed by unanimous vote.

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 stated that the District has received a request from PBK on behalf of Fort Bend Independent School District (the "FBISD") and the Texas General Land Office

(the "TGLO") for service. He discussed the request for capacity and stated that service to the property could affect the District's groundwater reduction plan and surface water plans. Mr. Petros stated that FBISD has paid J&C \$5,000 to prepare a feasibility study. The Board indicated that, even if feasible from an engineering perspective, it would not agree to serve the TGLO property unless it were annexed into the District. After discussion, Director Stolleis moved to approve commencement of a feasibility study for service to property owned by FBISD and the TGLO at a cost not to exceed \$5,000. Director Kluppel seconded the motion, which passed by unanimous vote.

Mr. Kirby stated that the District will need to submit an application to the TCEQ for a Texas Pollution Discharge Elimination System Permit for the wastewater treatment plant. He added that the permit expires July 1, 2009.

Mr. Kirby discussed a request from Lamar Little League (the "LLL") for out-of-district service to property located on Harlem Road being developed into a practice facility. The Board concurred to approve out-of-district service to the Lamar Little League contingent upon (1) Lamar Little League paying all costs associated with out-of-district service and; (2) LLL agreeing to pay out-of-district water rates for non-profit or tax-exempt entities.

Mr. Kirby updated the Board on the preparation of the bond application for the surface water plant. The Board tabled adoption of a Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds.

Following review and discussion of the engineer's report, Director Stolleis moved to accept the engineer's report as presented, authorize the FBISD feasibility study, and authorize preparation of the Texas Pollution Discharge Elimination System Permit. Director Crow seconded the motion, which passed unanimously.

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

The Board discussed the Association of Water Board Directors summer conference. Director Stolleis updated the Board on a conference seminar on levees. Following discussion, Director Kluppel moved to approve the reimbursement of eligible expenses from the summer conference and authorize any interested directors to attend the Association of Water Board Directors winter conference. 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. Ms. McLennan reviewed an analysis of capital project funds and a 2008 Bond Series tracking chart. She added that she has distributed a draft of the proposed budget to the Board for review. 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

Director Taylor noted that Ms. Griffin prepared an article in the Fort Bend Herald regarding storm water matters. Ms. Humphries stated that she has agreed to assist Lamar Little League in drafting agreements on a pro bono basis if they can partner with the county to develop the Harlem Road site.

ATTORNEY'S REPORT

After discussion, Director Crow moved to approve a new engagement letter with Allen Boone Humphries Robinson LLP for bond counsel fees and direct that the letter be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed by unanimous vote.

Ms. Humphries stated that Texas State Bank recently merged with Compass Bank and soon will only be using the name Compass Bank. She then reviewed a Depository Pledge Agreement and a Letters of Credit Agreement between the District and Compass Bank. After review and discussion, Director Crow moved to approve the Depository Pledge Agreement and the Letters of Credit Agreement with Compass Bank, and direct that the Agreements be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

Ms. Humphries presented a Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions reflecting the addition of Compass Bank as an authorized depository institution of the District. After review and discussion, Director Crow moved to adopt the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions and direct that the Resolution be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

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 8:27 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 9:02 p.m. After review and discussion, Director Stolleis moved to authorize R&W Real Estate to continue to negotiate on the District's behalf for the purchase of a site for a surface water treatment plant. Director Crow seconded the motion, which passed unanimously.

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 9:03 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 9:14 p.m. The Board authorized ABHR to prepare a letter to the PGVFD regarding the water line that serves the PGVFD building.

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

(SEAL)

Secretary, Board of Directors

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