

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

July 31, 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, July 31, 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 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, Debra Elkins, Jess Tapiador, and Kevin Bracken, residents of the District; Matthew May of WCA Waste Corporation of Texas; Mark McGrath of Null-Lairson, P.C.; Marquita Griffin of the Fort Bend Herald; 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 June 25, June 26, and July 12, 2007, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the June 25, June 26, and July 12, 2007, meetings minutes as submitted. Director Kluppel seconded the motion, which was approved by unanimous vote.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. He stated that Mr. Tapiador, a resident of the District, has requested that the fence that protects the levee next to 1910 Landsdowne Street be repaired. Mr. Phelps stated that he will have the fence repaired.

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 Crow moved that the Board 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

Mr. May updated the Board on garbage collection services in the District. The Board discussed renewal of the contract with WCA for garbage collection service. The Board requested that Mr. May inform ABHR of WCA's proposed fee to collect garbage for one additional year. The Board requested that ABHR prepare an amendment to the current garbage collection contract between the District and WCA to extend the term for one year.

Mr. Bracken stated that garbage collection service is needed at the landscape buttons maintained by the Pecan Grove Homeowners Association (the "PGHA"). Mr. May stated that Mr. Bracken should contact him when collection services are needed and WCA will respond.

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

Mr. McGrath reviewed information on the new reporting on internal controls required by Statement of Accounting Standards No. 112 ("SAS 112"), a copy of which is attached. He reported that SAS 112 requires the auditor to issue a management letter to identify control deficiencies in financial reporting. Mr. McGrath reported that the District does not have an employee that is qualified to perform certain tasks, and engagement of another auditor, in addition to Null-Lairson, P.C., to review the financial statements will be required to eliminate the conditions that cause the need for a management letter. He further reported that Null-Lairson, P.C. is not recommending any changes to the District's current practice at this time. After discussion, the Board concurred to continue its current financial reporting and auditing practice until its consultants recommend implementing changes.

## DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Haines of the YMCA presented the parks management report, a copy of which is attached. He stated that he will obtain a proposal for a sign for the frisbee golf course at the Pecan Grove Park.

## OPERATOR'S REPORT

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

Mr. Phelps stated that the purchase and installation of an alarm system at the District's customer service office will cost \$5,123.00. After review and discussion, Director Minchew moved that the Board approve the purchase and installation of the alarm system at a cost of \$5,123.00. Director Crow seconded the motion, which passed unanimously.

Mr. Phelps stated that, after investigation, the District is not responsible for the drainage problems at 2318 Confederate Court.

Mr. Phelps discussed the sloughing of Bullhead Slough northwest of Old South Drive. Director Crow stated that he met with Mr. Phelps to evaluate the site. The Board requested that J&C investigate the site and make a recommendation to the Board at the next meeting.

Mr. Bracken requested information on restrictions for disposal of yard debris into the District's storm sewer system. Director Taylor stated that the homeowners associations are responsible for regulation of yard debris left in yards and the District is responsible for regulation of yard debris disposed of in the storm sewer system.

Following review and discussion of the operations report, Director Crow moved to accept the operator's report, authorize the expenditure of \$6,000 to repair fire hydrants, and authorize the repair of lift pump no. 3 at lift station no. 7. 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

Mr. Ammel updated the Board on website matters. Director Crow updated the Board on the proposed contents of the next newsletter. After review and discussion, Director Crow moved that the Board authorize execution of an Agreement with Payne Communications for newsletter and website services. Director Kluppel seconded the motion, which passed unanimously.

#### 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.

Following review and discussion of the engineer's report, Director Crow moved to accept the engineer's report as presented and, based on the engineer's recommendation, approve: (1) payment of Pay Estimate No. 8 in the amount of \$345,464.94; (2) the installation of the District's spare auto dialer inside the operations building; and (3) the letter to the U.S. Army Corps of Engineers requesting entry into the Program. Director Kluppel seconded the motion, which passed unanimously.

#### SURFACE WATER AND SUBSIDENCE ISSUES AND BRAZOS RIVER AUTHORITY

Director Taylor stated that the Surface Water Conversion subcommittee will meet with the Board of Directors of Fort Bend County Municipal Utility District No. 25 regarding their possible purchase of the District's over conversion credits.

Mr. Slovak updated the Board on the surface water study and stated that sampling will commence the week of August 13, 2007. After review and discussion, Director Crow moved that the Board approve Task Order No. 2 under the Malcolm Pirnie, Inc. Master Agreement for Professional Services for surface water treatment plant design and construction. Director Kluppel seconded the motion, which passed unanimously.

The Board tabled action on the Class 4 cost estimate.

Mr. Hancock reviewed a Letter of Understanding between the District and the Gulf Coast Water Authority ("Authority") regarding the conveyance of water from the Authority to the District. After review and discussion, Director Crow moved that the

Board authorize ABHR to send the Letter of Understanding to the Authority for execution. Director Kluppel seconded the motion, which passed unanimously.

Director Kluppel submitted handouts from past North Fort Bend Regional Water Authority meetings. He reported that three Board members attended the Brazos River Authority annual customer meeting in Rosenberg. Director Kluppel stated that pursuant to the System Water Availability Agreement, the Authority has raised the raw water rate, effective September 1, 2007, from \$52.50 per acre foot to \$54.50 per acre foot.

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.

#### BOOKKEEPER'S REPORT AND DISCUSS BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30, 2008

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. Ms. McLennan reviewed a proposed budget for the fiscal year ending September 30, 2008 with the Board. 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 Kluppel seconded the motion, which passed unanimously.

#### DISCUSS OPTIONS FOR LAW ENFORCEMENT SERVICES AND AUTHORIZE APPROPRIATE ACTION INCLUDING INTERLOCAL AGREEMENT

Ms. Humphries stated that the Interlocal Agreement for Law Enforcement Services between the District and Pecan Grove Plantation Property Owners Association expires September 30, 2007. Director Minchew discussed the option of the District contracting directly with the Sheriff's department for law enforcement services for the District. The Board requested that Director Minchew investigate the District's options for law enforcement services and report to the Board at the next meeting.

#### RECEIVE REPORTS FROM BOARD MEMBERS, INCLUDING DISCLOSURE REPORTS

Ms. Humphries stated that the District's Efficiency Committee, Directors Stolleis and Minchew, have requested that each consultant submit to the Board prior to every monthly meeting a packet of information regarding the items that will be discussed at the Board meeting with a summary page. The Board requested that all packets be emailed to the Board by the Thursday before a Board meeting. In response to a question from Director Stolleis, Ms. Humphries stated that she will contact representatives of the City of Richmond about the possibility of a Strategic Partnership Agreement.

## REPORTS FROM CONSULTANTS

There were no reports from consultants.

## ATTORNEY'S REPORT

Ms. Humphries distributed the 2007 Legislative Update with the Board, a copy of which was provided to the Directors in advance.

Ms. Humphries distributed a Memorandum from ABHR on Recording and Reporting of Electricity, Water and Natural Gas Consumption, a copy of which is attached. The Board concurred that the District's bookkeeper should include in the monthly report the metered usage of electricity and the aggregate cost. The Board also concurred to report the recorded information on the website and the District's annual audit will be supplemented or footnoted to provide the metered usage and aggregate cost of the electricity consumption. Mr. Hancock distributed and reviewed a Memorandum from ABHR on Energy Efficiency Programs for Districts expending \$200,000 or more on electricity, a copy of which is attached. Director Taylor stated that he would contract TXU on this matter.

The Board discussed voting for a water district nominee for the election of the Board of Directors of the Fort Bend Central Appraisal District. After review and discussion, Director Crow moved that the Board adopt a Resolution Voting for Water District Nominee for the Election of the Board of Directors of the Fort Bend Central Appraisal District reflecting nine votes in favor of Bobby Rich. Director Kluppel seconded the motion, which passed unanimously.

The Board reviewed and updated the action list.

Director Crow moved that the Board authorize the delinquent tax attorney to proceed with the collection of delinquent taxes. Director Kluppel seconded the motion, which passed unanimously.

## RECEIVE COMMENTS FROM THE PUBLIC

Mr. Bracken requested that the District investigate three elevated storm drains at Belin Park. Mr. Kirby stated that he will determine if the drains are the District's facilities. Mr. Bracken discussed the Pecan Grove Volunteer Fire Department ("VFD") donations. Mr. Bracken said he was a new Board member of the VFD and would report to the Board on VFD matters.

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 8:00 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 8:05 p.m. After review and discussion, Director Crow moved that the Board authorize execution of a contract with R&W Real Estate. Director Kluppel seconded the motion, which passed unanimously.

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.

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Secretary, Board of Directors

(SEAL)

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