

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

September 25, 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, September 25, 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"); Sunil Kommineni and Trent Slovak of Malcolm Pirnie, Inc.; Greg Ordeneaux of Tax Tech, Inc.; Breah 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, Billy Teague, Fred Becker, Robert Barta, Marc Bateman, and Holly Zarate, residents of the District; Marquita Griffin of the Fort Bend Herald; Larry Perry, Larry Danna, Joe Vontz and Paula Micheli of the Pecan Grove Volunteer Fire Department; Tom Minkel and Rod Trautman of the Pecan Grove Athletic Association; and Lynne B. Humphries and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of August 28, 2007, meeting, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Stolleis moved to approve the August 28, 2007, meeting minutes as submitted. Director Kluppel seconded the motion, which was approved by unanimous vote.

ADOPT RESOLUTION COMMENDING DIRECTOR BERTRAND FOR SERVICE TO THE DISTRICT

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

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Director Crow reviewed a report from Mr. Naff on ditch and levee maintenance. Director Taylor stated that he will obtain an estimate from CDC for mowing of an area located in front of the Pecan Grove Country Club near the jogging trail. After discussion, Director Stolleis moved that the Board authorize CDC to proceed with fertilization in the District. Director Crow the seconded the motion, which passed by unanimous vote.

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.

CONDUCT PUBLIC HEARING REGARDING DISTRICT'S TAX RATE

Mr. Ordeneaux stated that Tax Tech, Inc. published a Notice of Public Hearing in the Fort Bend Herald stating the District anticipates levying a \$0.47 tax rate at this meeting.

Director Taylor then opened the public hearing. No members of the public came forward to make comments. Director Taylor then closed the public hearing.

ADOPT ORDER LEVYING TAXES

Ms. Humphries presented to the Board an Order Levying Taxes with a total \$0.47 tax rate comprised of \$0.22 for debt service and \$0.25 for operations and maintenance. Following review and discussion, Director Crow moved that the Board adopt the Order Levying Taxes as presented. Director Kluppel seconded the motion, which passed unanimously. The Board confirmed its intention that the 2007 tax levy includes a debt service component for the calendar year ending December 31, 2008, and a maintenance

tax component for the fiscal year ending September 30, 2008. A copy of the Order is attached.

APPROVE AMENDMENT TO THE INFORMATION FORM

Ms. Humphries presented to the Board an Amendment to Information Form reflecting the newly adopted tax rate. After review and discussion, Director Crow moved that the Board approve the Amendment to the Information Form. Director Kluppel seconded the motion, which passed unanimously.

UPDATE ON GARBAGE AND RECYCLING SERVICES

Director Taylor stated that Mr. May did not have anything noteworthy to report on garbage collection services in the District.

DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Haines reviewed a parks management report, a copy of which is attached. Mr. Haines stated that he has contacted Mr. Betts of the Pecan Grove Athletic Association (the "PGAA") regarding several cars that were parked on the grass at Pecan Grove Park during recent football practice. He added that the PGAA plans to pay for any damage to the grass or meter box covers in the park. Ms. Zarate reviewed the District's past actions to increase parking spaces in the park and discussed the District's rule that no parking is allowed on the grass. Director Crow stated that he will obtain an estimate for the purchase of bollards to use at the park to protect the grass. Mr. Trautman of the PGAA stated that correspondence has been sent to all members of the PGAA reminding them not to park on the grass. He added that additional attention will be given to future scheduling of practices in order to prevent an excessive amount of cars at the park. Mr. Minkel of the PGAA apologized for the cars being parked on the grass and stated that the PGAA will pay for any damages. Director Taylor stated that the Pecan Grove Park is for the use of all residents and no concessions are allowed. Director Taylor distributed a letter to Mr. Trautman and Mr. Minkel sent to the PGAA outlining the District's rules for use of the park. In response to a question from Mr. Perry, Director Taylor stated that the YMCA should be contacted about any incidences in the park.

OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of August 2007, a copy of which is attached and which was provided previously to the Board. Director Crow requested that the Operator replace any missing blue fire hydrant markers in the streets.

Mr. Ammel recommended that the Board approve the installation of a key pad opener at the levee gate at Belin Park at a cost of \$2,890.00. Mr. Ammel recommended that the Board approve repairs to wastewater treatment plant lift pump no. 1 in the amount of \$6,885.00. After review and discussion, Director Crow moved that the Board authorize the installation of the key pad opener at the levee gate at a cost of \$2,890.00 and repairs to the lift pump no. 1 at cost of \$6,885.00. Director Kluppel seconded the motion which passed by unanimous vote.

Following review and discussion of the operations report, Director Crow moved to accept the operator's report. 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 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 FIRE PROTECTION SERVICES FOR THE DISTRICT AND DONATIONS TO AND ACCOUNTABILITY OF PECAN GROVE VOLUNTEER FIRE DEPARTMENT

Director Minchew reported that the Pecan Grove Volunteer Fire Department ("PGVFD") has engaged a firm to conduct an audit.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING DISTRICT NEWSLETTER AND WEBSITE

Director Crow stated that the newsletter was sent to the District residents.

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 updated the Board on the construction of the activated sludge conversion project at the wastewater treatment plant. Director Crow requested that the Board conduct a special meeting to tour the plant.

Mr. Kirby stated that Mr. Heckman of Heckman Venture contacted J&C about an expansion of Murphy's Carwash located on FM 359. The Board requested that Mr. Kirby ask Mr. Heckman to implement a water reuse system at the car wash. Mr. Kirby stated that he will review the plans for the expansion of the car wash.

Mr. Kirby discussed the District's compliance with the regulations on Municipal Separate Storm Sewer Systems. He added that J&C is preparing a Storm Water Management Program and will file a Notice of Intent for discharge under the Texas Commission on Environmental Quality General Permit.

Director Kluppel updated the Board on a meeting he attended on re-certification of the levee by the Federal Emergency Management Agency ("FEMA"). Mr. Kirby stated that J&C met with representatives of FEMA regarding the District's participation in the National Flood Insurance Program ("NFIP"). He added that the District is currently participating in the NFIP and acting as flood plan administrator. Mr. Kirby stated that in order to continue to participate, the District must update the current Flood Damage Prevention Order, review its building permit and inspection program, and implement a public awareness program. After discussion, Director Kluppel moved that the Board authorize the engineer to prepare an updated Flood Damage Prevention Order. Director Crow seconded the motion which was approved by unanimous vote.

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

HOLD PUBLIC HEARING TO DISCUSS POSSIBLE PROPOSED STRATEGIC PARTNERSHIP AGREEMENT WITH CITY OF RICHMOND AND AUTHORIZE APPROPRIATE ACTION

Director Taylor opened the second public hearing regarding the proposed Strategic Partnership Agreement (the "Agreement") with the City of Richmond at 7:07 p.m. Ms. Humphries reviewed the Agreement and the Board discussed how the City, the District, the taxpayers, and residents will be impacted by the limited purpose annexation. Ms. Zarate addressed the Board about the benefits of the Agreement.

In response to a question from Mr. Danna, Director Kluppel explained that tax revenue is used to fund debt service and maintenance and operations for the District. Director Taylor discussed the terms of the agreement and stated that the City will annex commercial tracts within the District for the limited purpose of levying the City's sales tax and 50% of the sales tax collections will be remitted to the District. Director Stolleis disclosed that he is employed by Kelly Kaluza & Associates, Inc., the engineering firm

that prepared the field notes for the Agreement and who serves as engineer for the City of Richmond.

The President closed the public hearing at 7:30 p.m.

AUTHORIZE EXECUTION OF STRATEGIC PARTNERSHIP AGREEMENT WITH THE CITY OF RICHMOND

After review and discussion, Director Kluppel moved that the Board authorize execution of a Strategic Partnership Agreement with the City of Richmond. Director Crow seconded the motion, which passed by unanimous vote.

RECEIVE COMMENTS FROM THE PUBLIC WHO HAVE SIGNED UP TO SPEAK

Mr. Danna reported that the Pecan Grove Volunteer Fire Department conducts meetings on the first Tuesday of every month and the meetings are open to the public.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING CONVERSION TO SURFACE WATER AND AGREEMENT WITH THE CITY FOR SALE OF CONVERSION CREDITS

Director Kluppel stated that he met with representatives of the City of Richmond and gave them a copy of the District's Groundwater Reduction Plan. Director Taylor stated that the manager of Fort Bend County Municipal Utility District No. 25 has asked to meet regarding the possible purchase of conversion credits.

BOOKKEEPER'S REPORT AND ADOPT 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. She 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, payment of the District's bills, and adopt the budget for the fiscal year ending September 30, 2008. Director Stolleis seconded the motion, which passed unanimously.

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

After review and discussion, Director Crow moved that the Board authorize ABHR to prepare an Interlocal Agreement for Law Enforcement Services. Director Minchew seconded the motion, which passed by unanimous vote.

RECEIVE REPORTS FROM BOARD MEMBERS AND DISTRICT CONSULTANTS

Mr. Kirby stated that he will schedule annual inspections of the District's water plants. Director Taylor asked that the inspection of water plant no. 3 be conducted after the PGVFD has cleaned the tank.

ATTORNEY'S REPORT

Ms. Humphries stated that she did not have a report.

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

The Board did not convene in executive session to discuss the purchase of real property.

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)

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