

MINUTES  
PECAN GROVE MUNICIPAL UTILITY DISTRICT

October 30, 2007

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in regular session, open to the public, on the 30th day of October, 2007, 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 were the following: Brian Haines of the YMCA; Jason Kirby of Jones & Carter, Inc. ("J&C"); Sunil Kommineni of Malcolm Pirnie, Inc.; Greg Ordeneaux of Tax Tech, Inc.; 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 Chuck Bertrand, residents of the District; Marquita Griffin of the Fort Bend Herald; Chief Paul LeDoux of the Pecan Grove Volunteer Fire Department; and Lynne B. Humphries, Josh Hancock, and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of September 20, September 25, and October 11, 2007 meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the September 20, September 25, and October 11, 2007 meeting minutes as submitted. Director Crow seconded the motion, which was approved by unanimous vote.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Director Taylor reviewed a report from Mr. Naff on ditch and levee maintenance. Mr. Phelps recommended that CDC Maintenance, Inc. ("CDC") be authorized to treat the drainage channels for weeds. After discussion, Director Crow moved to authorize CDC to proceed with treatment of the drainage channels for weeds at a cost of \$1,800.00. Director Kluppel seconded the motion, which passed by unanimous vote.

## 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 Kluppel 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.

## UPDATE ON GARBAGE AND RECYCLING SERVICES

Director Stolleis stated that Mr. May did not have anything noteworthy to report on garbage collection services in the District. He noted that there will not be garbage collection or recycling service on Thanksgiving day.

## DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Haines reviewed a parks management report, a copy of which is attached. Mr. Haines reviewed three proposals for tree pruning in Pecan Grove Park, copies of which are attached. Ms. Humphries stated that the District needs to make the semi annual payment to the Pecan Lakes C.A. for maintenance of the park facility. After review and discussion, Director Kluppel moved to authorize Mr. Haines to have the trees pruned in Pecan Grove Park at a cost of \$3,500.00 and authorize a \$2,500.00 payment to Pecan Lakes, C.A. for maintenance of the park facility. Director Crow seconded the motion, which passed by unanimous vote.

Mr. Haines updated the Board on his meeting with the Pecan Lakes Homeowner Association Board on a possible irrigation audit. He added that he is coordinating a meeting with Homeowner Association representatives, Terra Management Service and EDP to discuss high water usage. Director Crow requested that Mr. Haines arrange for installation of a meter control along the tree line in Pecan Grove Park. Director Kluppel requested a report on the status of Pecan Grove Athletic Association's (the "PGAA") plan to pay the District for damage to the grass or meter box covers in Pecan Grove Park. Mr. Haines stated that Terra Management Services made some repairs at the park. The Board requested that Mr. Haines report at the next Board meeting on the amount the PGAA was required to pay for damages and whether the payment has been received.

Mr. Haines stated that he has submitted proposed changes to the Operation and Maintenance Agreement with the YMCA of the Greater Houston Area and the Landscape and Maintenance Contract with R&R "1818" Landscape LP dba Terra Management Service to the parks committee for review. The Board concurred to consider renewal of the Agreement and Contract at the next Board meeting.

## OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of September 2007, a copy of which is attached and which was provided previously to the Board. Director Taylor requested that EDP check on the northwest corner of the intersection of Pitts Road and Morton League Road to determine if a repair is necessary. Mr. Kirby stated that an inspection of the elevated tank should be conducted to determine if the cathodic protection is working properly.

Mr. Ammel recommended that the Board authorize CDC to reshape the back slope along the District channel backing up to 2318 and 2322 Confederate Court at a cost of \$1,275.00. After review and discussion, Director Stolleis moved to accept the operator's report, authorize CDC to reshape the backslope along the District channel backing up to 2318 and 2322 Confederate Court and authorize EDP to have the elevated storage tank inspected. Director Crow seconded the motion which passed by unanimous vote. Mr. Kirby stated that he is scheduling annual inspections of the District's water plants.

## 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 DISTRICT NEWSLETTER AND WEBSITE

Director Crow reported on the preparation of the newsletter.

## 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 construction of the modifications to the wastewater treatment plant are completed with the exception of one item. He added that the item includes the removal of an electrical power service pole which is contingent upon deactivation of a meter by CenterPoint Energy. Mr. Kirby reviewed and recommended

approval of the Certificate of Acceptance and payment of the Final Pay Estimate to the contract with LEM Construction Co. in the amount of \$190,515.00, contingent upon the removal of the electrical power service pole. After review and discussion, Director Kluppel moved that, based upon the engineer's recommendation, the Board approve the Certificate of Acceptance and payment of the Final Pay Estimate in the amount of \$190,515.00, contingent upon the removal of the electrical power service pole. Director Crow seconded the motion, which passed unanimously.

Mr. Kirby reported on a meeting with Mr. Tom Michel, of the Fort Bend County Subsidence District ("FBCSD"), regarding the District's Groundwater Reduction Plan (the "GRP"). He stated that based upon the request of the FBCSD, he added a Daily Demand Graph which reflects historical groundwater usage data and projected surface water usage data. Mr. Kirby stated he also included in the GRP that the District plans on piloting reverse osmosis. Mr. Kirby stated that the FBCSD technical committee will review the GRP on November 15, 2007 and the Board will consider approval on November 28, 2007. After review and discussion, Director Kluppel moved to approve the revised GRP. Director Crow seconded the motion, which passed unanimously. Mr. Kirby then reviewed plans for the operation of a future surface water system.

Mr. Kirby stated that he will contact Mr. Istre of the Gulf Coast Water Authority to request the executed Letter of Understanding between the District and the Authority regarding the conveyance of water from the Authority.

Mr. Kirby stated that he will be scheduling an inspection of the District's levee with the Army Corps of Engineers. The Board requested that J & C notify any residents that will be affected by the inspection.

Mr. Kirby reviewed a letter sent to Heckman Venture, Inc. for the proposed Kwik Kar Wash expansion, a copy of which is attached to the engineer's report.

Mr. Kirby discussed the District's compliance with the regulations on Municipal Separate Storm Sewer Systems. He reviewed a memorandum regarding Storm Water Management Program requirements, a copy of which is attached to the engineer's report. The Board requested that the engineer and attorney meet with the Board in November to conduct a workshop on Storm Water Management Programs.

Ms. Humphries reviewed a Flood Damage Prevention Ordinance with the Board. Mr. Kirby added that the Ordinance is required by the Federal Emergency Management Agency in connection with the District's participation in the National Flood Insurance Program. After review and discussion, Director Kluppel moved to adopt the Flood Damage Prevention Ordinance. Director Crow seconded the motion which was approved by unanimous vote.

Director Taylor stated that he will work on an energy savings plan for the District. 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.

#### DISCUSS CONVERSION TO SURFACE WATER AND AGREEMENTS FOR SALE OF CONVERSION CREDITS

Mr. Kommineni reviewed a report from Malcolm Pirnie, Inc. on the Surface Water Treatment Plant Implementation, a copy of which is attached.

#### 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 Kluppel moved to approve the bookkeeper's report, investment report and payment of the District's bills. Director Crow seconded the motion, which passed unanimously.

#### RECEIVE REPORTS FROM BOARD MEMBERS AND DISTRICT CONSULTANTS

The Board concurred to conduct the regular December meeting on December 18, 2007 due to the Christmas holiday. The Board concurred to conduct a special workshop meeting on November 14, 2007, if possible, on Phase II MS4 permitting requirements at the District's customer service office located at 2035 FM 359, Suite 13, Richmond, Texas, at 5:30 p.m.

#### ATTORNEY'S REPORT

Ms. Humphries reviewed an Amendment to Information Form with the Board. She stated that the Form of the Notice to Purchaser reflects that the District has entered into a Strategic Partnership Agreement with the City of Richmond. After review and discussion, Director Crow moved to authorize execution of the Amendment to Information Form. Director Kluppel seconded the motion, which passed by unanimous vote.

Ms. Humphries reviewed a letter from Bond Logistix on an arbitrage rebate study on the Series 1997 Bonds, a copy of which is attached. Ms. Humphries noted that the study reflects that no rebate payment is due to the Internal Revenue Service.

Ms. Humphries reviewed a Resolution Voting for Director for Board of Directors Election for Fort Bend Central Appraisal District. After review and discussion, Director Crow moved to adopt a Resolution Voting for Director for the Board of Directors

Election for Fort Bend County Central Appraisal District reflecting the District's votes cast in favor of Bobby Rich, a copy of which is attached. Director Kluppel seconded the motion, which passed by unanimous vote.

Ms. Humphries reviewed a memorandum from ABHR regarding House Bill 621, which provides a new exemption from ad valorem taxation for goods-in-transit, a copy of which is attached. The Board opened a public hearing regarding the taxation of tangible personal property in transit. There were no members of the public in attendance who wished to address the Board. The Board then closed the public hearing. Ms. Humphries reviewed a Resolution to Tax Tangible Personal Property in Transit Which Would Otherwise be Exempt Pursuant to Texas Tax Code, Section 11.253 (the "Resolution") with the Board of Directors. After review and discussion, Director Crow moved to adopt the Resolution. Director Kluppel seconded the motion, which passed unanimously. A copy of the Resolution is attached.

The Board discussed revising the Rate Order to add requirements for car wash facilities and a floodplain development permit fee. After review of the proposed revisions and discussion, Director Kluppel moved to adopt the Amended Rate Order and Rules and Regulations Regarding District System, Parks and Connections containing requirements for car wash facilities and a floodplain development permit fee consisting of the actual cost of a permit, not to exceed \$1,000. Director Crow seconded the motion, which passed unanimously.

The Board reviewed the action list.

The Board tabled discussion on a law enforcement legal liability insurance policy.

#### DISCUSS FIRE AND SECURITY MATTERS

Director Minchew stated that the Fort Bend County attorney's office submitted a proposed Agreement for Additional Law Enforcement Services between Fort Bend County and Pecan Grove Municipal Utility District (the "Agreement"). The Board requested that ABHR contact the County Attorney's office to negotiate the terms of the Agreement.

Director Minchew stated that the Pecan Grove Volunteer Fire Department ("PGVFD") engaged a firm to conduct an audit. He added that the audit will not be ready within 45 days as expected. Chief LeDoux stated that the audit will take longer than originally anticipated to complete because it is the first full audit of the PGVFD. He added that once the auditor has reviewed the records, the audit will be completed within 30-45 days. Director Taylor requested that Chief LeDoux schedule the cleaning of the elevated tank. Director Taylor stated that the Board had previously asked the

PGVFD to convey to the District the water line in the right-of-way on Pitts Road from the levee to the fire station. Chief LeDoux stated that he will ask the Board of the PGVFD about the conveyance at the December meeting.

RECEIVE COMMENTS FROM THE PUBLIC WHO HAVE SIGNED UP TO SPEAK

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 8:20 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 8:58 p.m. After review and discussion, Director Crow moved that the Board authorize R&W Real Estate to present an offer to purchase land for the surface water plant. 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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