

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

November 25, 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 25th day of November, 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 residents of the District shown on Exhibit A attached hereto; Pat Naff of CDC Unlimited, L.L.C. ("CDC"); Deputies Soland and Eddleblute of the Fort Bend County Sheriff's Department; Jason Kirby and Scott Saenger of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Andrew Phelps of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Marquita Griffin of the Fort Bend Herald; Claudia Wright of R&W Real Estate; Jason Peterson, General Manager of Pecan Grove Country Club; and Lynne B. Humphries, Hannah Brook, and Janet Swartz of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the October 28 and November 13, 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 October 28 and November 13, 2008, meetings. Director Kluppel seconded the motion, which was approved by unanimous vote.

COMMENTS FROM THE PUBLIC

Mr. Kaliszczak stated that he was in favor of retaining the Pecan Grove Volunteer Fire Department ("PGVFD") in the Pecan Grove community and asked why the District discontinued collections for the PGVFD. Ms. Loy stated that she was present to voice her support for the PGVFD. Mr. DiCanio stated he would like to thank the PGVFD for service to the community. Mr. Bertrand stated that he was in favor of the District working with the PGVFD to resolve issues and resume collections for the

PGVFD. Mr. Hamrick stated that he is a volunteer fireman, supports the PGVFD and asked if the Board would consider polling the residents. Ms. Davis stated that she is a nurse for the PGVFD and discussed the high skill base of the volunteers. Mr. Shepherd stated that the PGVFD does a stellar job for the community, but the problem is with management and the Fire Chief. He added that Pecan Lakes Homeowners Association was seeking to have fire service from the new Richmond Fire Station on Farmer Road. Mr. Shepherd also said the PGVFD bylaws have been changed to all allow non-Pecan Grove residents to serve on the Board and the Fire Chief is now a voting Board member. Mr. Courtney discussed his quick experience with response time from the PGVFD. Mr. Denkowsky stated that the community should be polled to determine if the residents desire to continue to support the PGVFD. Mr. Bracken presented copies of the recent audit of the PGVFD to the Board members. He added that as a Board member of the PGVFD he is willing to work to resolve any issues with the Board of Directors in order to reinstate collections by the District. Mr. Trenck discussed the bylaws of the PGVFD and complimented the PGVFD on response time. Mr. Jones stated that he is on the Board of the PGVFD and he is willing to work with the Board of Directors to reinstate collections.

DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. Mr. Naff stated that the extension of asphalt to the north end of the jogging trail is on hold until construction of the levee has been completed.

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 2008 tax payments and responded to questions from Board members. Mr. Ordeneaux requested that a notice be added to the water bill reflecting that the tax office should be contacted if residents did not receive a tax bill. Following review and discussion, Director Crow moved to 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

Director Taylor stated that Mr. Owen requested that the District consider using only trash bags for waste disposal to reduce costs of collection. Director Taylor added that Mr. May responded that the method would not reduce collection costs. The Board asked Mr. Phelps to send a response to Mr. Owen. The Board tabled discussion on a new agreement with WCA Waste Corporation of Texas.

FIRE AND SECURITY MATTERS, SHERIFF CONTRACT, FIRE PLAN, AND VOLUNTARY DONATIONS TO PECAN GROVE VOLUNTEER FIRE DEPARTMENT

Director Minchew stated that he is working with the County Auditor on the costs for security under the Agreement for Additional Law Enforcement Services with Fort Bend County.

Director Crow stated that the Board needs to review the audit received today from the PGVFD. The Board concurred to table discussion of voluntary donations to the PGVFD until the Board members have reviewed the audit. The Board concurred that they are willing to work with the PGVFD. Director Taylor requested that the PGVFD appoint a liaison to work with the Board of Directors. Mr. Bracken stated that the Board of the PGVFD will appoint a liaison to work with the Board of Directors.

FIRE PLAN

Ms. Humphries discussed the statutory requirements for a Fire Plan. She stated that the District could create a fire department or enter into a contract with a fire department as a Fire Plan. Director Minchew stated that the PGVFD has requested that the Board consider implementing a Fire Plan which would create mandatory fees for fire protection. After discussion, Director Minchew moved to authorize ABHR to begin the development of a Fire Plan. Director Crow seconded the motion, which carried unanimously. Director Crow stated that the Board subcommittee will work on the Fire Plan.

DEVELOPMENT AND MAINTENANCE OF PARKS

Ms. Brook distributed and reviewed a Parks Management report, a copy of which is attached. She stated that a representative of Terra Management Services will attend the next meeting. Ms. Brook stated that Mr. Anders is obtaining bids for the installation of boulders along the edge of the streets in the park. The Board requested that the park manager present the bids for the boulders at the December meeting.

OPERATOR'S REPORT

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

Mr. Phelps discussed estimates for replacement of fences at water plant no. 1, water plant no. 3, lift station no. 7 and lift station no. 8. The Board requested that Mr. Phelps obtain additional estimates.

Mr. Phelps stated that the diffuser system has been inspected at the wastewater treatment plant and he will meet with Jason Kirby to discuss any necessary repairs or maintenance.

Mr. Phelps stated that he will submit forms to the Federal Emergency Management Agency ("FEMA") for reimbursement of costs incurred by the District due to Hurricane Ike for debris removal and emergency protective measures prior to December 22, 2008.

After review and discussion, Director Crow moved to approve (1) the operator's report, (2) repair of the booster pump at water plant no. 1 at a cost of \$3,654, and (3) repair of a motor at water plant no. 3 at a cost of \$3,153. Director Kluppel seconded the motion, which passed by unanimous vote.

Ms. Humphries discussed a memorandum from ABHR to the Board regarding FEMA Mitigation Grant Program Applications, a copy of which is attached. She stated that state officials will review the applications and select grant proposals pursuant to the Hazard Mitigation Grant Program established by FEMA. Ms. Humphries stated that the District's first step in applying for a grant is to submit a Notice of Interest by January 9, 2009. After discussion, Director Crow moved to authorize J&C to prepare the Notice of Interest for the Mitigation Grant Program and authorize ABHR to submit the Notice of Interest to FEMA. Director Kluppel seconded the motion which passed by unanimous vote. The Board concurred to authorize Director Taylor to execute the necessary documents in order to file the Notice of Interest and Application with FEMA.

The Board requested that ABHR research grants provided by the Department of Homeland Security.

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 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.

DISTRICT NEWSLETTER AND WEBSITE

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

CONVERSION TO SURFACE WATER, PROGRESS UPDATE ON SURFACE WATER PLANT DESIGN FROM MALCOLM PIRNIE, INC., AND AGREEMENTS FOR SALE OF CONVERSION CREDITS

The Board requested that Malcolm Pirnie, Inc. send a letter to Mr. Istre of the Gulf Coast Water Authority summarizing discussions between the District and the Authority regarding the conveyance of water and send a copy to the Fort Bend Subsidence District.

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. Saenger updated the Board on the West Brazos Sub-Group Joint Levee Improvement District meeting. He then discussed a meeting with representatives of Michael Baker to discuss the preliminary Flood Insurance Rate Maps for the Brazos River Model Study. The Board asked Mr. Saenger to update the Board further on the FEMA flood plain re-mapping at the meeting on December 2, 2008.

Mr. Saenger reviewed a Conceptual Plan for the Pecan Lakes Flood Protection System. He reviewed a preliminary cost estimate and the initial scope of the project. He added that information on the plans will be sent to Mr. Conley Shepherd for review by the Pecan Lakes Homeowners Association.

Mr. Kirby stated that the application to the Texas Commission on Environmental Quality (the "TCEQ") for the renewal of the wastewater treatment plant permit is complete.

Mr. Kirby updated the Board on the implementation of the MS4 Storm Water Management Plan.

Mr. Kirby stated that bids were received for elevated storage tank repairs. He recommended that the Board award the contract to Williams Painting & Sandblasting, LLC in the amount of \$230,640, which includes Alternates 1 and 2. The Board concurred that in its judgment, Williams Painting & Sandblasting, LLC was a responsible bidder who would be most advantageous to the District and would result in the best and most economical completion of the project.

Mr. Kirby stated that the bond application for the surface water plant is pending at the TCEQ.

Mr. Saenger reviewed bids received for the construction of levee improvements to the existing levee to meet new FEMA standards. The Board concurred to meet with the representatives of J&C and contractors on December 2, 2008, to discuss the bids.

The Board concurred to conduct a special Board meeting on December 2, 2008, at 5:30 p.m. at the Pecan Grove Customer Service Office to award the contract for the levee improvements to the existing levee. Mr. Saenger stated that representatives of J&C will meet with the General Manager of the Pecan Grove Golf Course to discuss the levee improvements and coordination through the Golf Course during construction.

Following review and discussion of the engineer's report, Director Kluppel moved to (1) accept the engineer's report as presented, (2) authorize the President to execute the application to the TCEQ for renewal of the wastewater treatment plant permit, (3) based upon the engineer's recommendation, award the contract to Williams Painting & Sandblasting, LLC in the amount of \$230,640 for elevated storage tank repairs, and (4) authorize surveying, geotechnical testing and preliminary engineering for the Pecan Lakes Levee. Director Crow seconded the motion, which passed unanimously.

RESOLUTION EXPRESSING INTENT TO REIMBURSE OPERATING ACCOUNT

Ms. Humphries reviewed a Resolution Expressing Intent to Reimburse with the Board. She stated that the Resolution reflects that the District will reimburse the District's Operating Account for the following: (1) a surface water treatment plant site, (2) preparation of Conceptual Plan, design fees, construction, right-of-way acquisition, and geotechnical studies for Pecan Lakes Levee, and (3) improvements to the existing Pecan Grove levee. After review and discussion, Director Crow moved to adopt a Resolution Expressing Intent to Reimburse, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Kluppel 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 of the meeting, including the investment report, budget comparison, and the District's bills. Ms. McLennan distributed and reviewed an amended budget for the fiscal year ending September 30, 2009, a copy of which is attached to the bookkeeper's report. After review and discussion, Director Stolleis moved to approve the bookkeeper's report, investment report, payment of the District's bills, and adopt the amended budget for the fiscal year ending September 30, 2009. Director Crow seconded the motion, which passed unanimously.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

There were no reports from directors or consultants.

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.

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 8:39 p.m., Director Taylor announced that the Board would convene in executive session to discuss the purchase of real property.

RECONVENE 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 9:00 p.m. After discussion, Director Stolleis moved to authorize Ms. Wright to make an offer on behalf of the District for the purchase of a surface water plant site. 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 ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION

The Board did not convene in executive session.

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

Secretary, Board of Directors

(SEAL)

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