

MINUTES  
PECAN GROVE MUNICIPAL UTILITY DISTRICT

December 18, 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 18th day of December, 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 at the meeting were Scott Saenger and Jason Kirby of Jones & Carter, Inc. ("J&C"); Trent Slovak 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, residents of the District; Chief Paul LeDoux of the Pecan Grove Volunteer Fire Department ("PGVFD"); Marquita Griffin of the Fort Bend Herald; Cliff Kavanaugh of First Southwest Company; and Josh Hancock and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of November 20, November 27, December 4, December 6, and December 8, 2007, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the November 20, November 27, December 4, December 6, and December 8, 2007 minutes as submitted. Director Kluppel seconded the motion, which was approved 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. Mr. Ordeneaux recommended that a notice be placed on the next water bill informing residents to contact Tax Tech, Inc. if they did not receive a tax statement. Following review and discussion, Director Crow moved to approve the tax

assessor/collector's report, authorize payment of bills from the tax account, and approve a notice for the next water bill regarding tax statements. Director Kluppel seconded the motion, which passed by unanimous vote. Mr. Ordeneaux requested that the Board approve a new contract for tax assessor/collector services with Ms. Flores in January, 2008.

#### AUTHORIZE PREPARATION OF ANNUAL REPORT IN ACCORDANCE WITH THE DISTRICT'S CONTINUING DISCLOSURE OF INFORMATION AGREEMENT AND AS REQUIRED BY SEC RULE 15C2-12

Mr. Hancock stated the District was required to file updated financial information and operating data in the form of an annual report with designated Nationally Recognized Municipal Securities Information Repositories as designated by the United States Securities and Exchange Commission and with the Municipal Advisory Council of Texas, the State Information Depository, prior to March 31, 2008. After discussion, Director Kluppel moved to authorize preparation of the annual report in accordance with the continuing disclosure agreement. Director Crow seconded the motion, which passed by unanimous vote.

#### REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

There was no report on this agenda item.

#### UPDATE ON GARBAGE AND RECYCLING SERVICES

Director Taylor stated that a notice was placed on the water bill regarding the January 2, 2008 recycling day for Christmas trees. Director Stolleis stated that Mr. May did not have a report on garbage collection.

#### DEVELOPMENT AND MAINTENANCE OF PARKS

The Board reviewed a parks management report, a copy of which is attached.

#### 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 recertification of the levee by the Federal Emergency Management Association ("FEMA") and Fort Bend County. He distributed and reviewed a memorandum from J&C on Brazos River Floodplain Issues, a copy of which is attached. He discussed the outstanding issues of the technical committee on levee recertification. Mr. Saenger reviewed the Brazos River Study Review Schedule, a copy of which is attached. He stated that the proposed date for FEMA preliminary mapping is August or September, 2008. Mr. Saenger stated that Mr. Marinos, of the

U.S. Army Corps of Engineers, will inspect the District's levee system on January 8 and 9, 2008. Mr. Kirby apologized for not attending a committee meeting on December 14, 2007.

Mr. Kirby distributed the draft Storm Water Management Program ("SWMP") and a Notice of Intent. The Board concurred to consider approval of the SWMP at the January meeting.

Mr. Kirby stated that he met with a representative of W.S.G. Pecan Grove IV, L.P. ("WSG") and Director Kluppel to discuss the status of the approval of the Drainage Easement and the Water Line and Sanitary Sewer Easement. He added that WSG plans to submit revisions to the Easements regarding construction coordination and the time period for closure of a golf hole.

Mr. Kirby stated that the Fort Bend Subsidence District approved the District's Groundwater Reduction Plan.

Mr. Kirby reviewed a preliminary engineering report for future construction costs with the Board, a copy of which is attached to the engineer's report.

Mr. Kavanaugh discussed options for bond issues with the Board. After discussion, Director Kluppel moved to authorize the engineer to prepare a bond application. Director Crow seconded the motion, which passed unanimously. After discussion, Director Kluppel moved to authorize the engineer to prepare a preliminary cost summary for future bond issues. Director Crow seconded the motion, which passed unanimously.

The Board discussed the funding for improvements recently made at the wastewater treatment plant. The Board concurred that a previous decision was made by the Board to fund the improvements in the amount of \$1,877,212.00 from operating funds and reimburse the operating fund from future bond funds.

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

#### DISCUSS FIRE AND SECURITY MATTERS

Director Minchew stated that Ms. Humphries plans to meet with Mr. Dunbar, assistant attorney for Fort Bend County, about possible amendments to a future contract with the County for Law Enforcement Services. Chief LeDoux stated that he has been hired as the Fire Chief of the PGVFD. Chief LeDoux stated that the PGVFD audit for 2006 should be complete at the end of January 2008. He added that the audit for 2007 should be complete at the end of February 2008. Chief LeDoux 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 the attorney for the PGVFD is evaluating the request.

#### OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of November 2007, a copy of which is attached, and which was provided previously to the Board. Mr. Phelps stated that he will obtain an estimate for repair of the riser pipe at the elevated storage tank for review at the next meeting. Mr. Phelps stated that information on three possible sewage backup claims at 1203 Alexandria Court, 1931 Shining Stream, and 2518 Crystal Lake were turned over to the District's insurance company. Mr. Phelps reported on his investigation of the grade elevation of the granite on the trail from Belin Park to the Pecan Grove Country Club. The Board requested that Mr. Phelps obtain a cost estimate to replace the crushed granite. Director Crow requested that the operator replace blue reflector dots in the streets where necessary.

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

Director Crow stated that the District's newsletter was distributed. Mr. Phelps stated that the website was updated. Director Taylor requested that the operator post the latest Rate Order on the website.

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

Mr. Slovak reviewed a report from Malcolm Pirnie, Inc. on the Surface Water Treatment Plant Implementation, a copy of which is attached. He distributed the Class 4 Cost Estimate to the Board for review. The Board concurred to conduct a workshop

meeting on January 9, 2008 at the Customer Service Office at 5:30 p.m. to discuss the Class 4 Cost Estimate for the surface water plant.

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

#### REPORTS FROM BOARD MEMBERS AND DISTRICT CONSULTANTS

Director Kluppel stated that he attended the quarterly meeting of area levee improvement districts. Director Taylor reported on his meeting with the presidents of homeowner associations regarding surface water issues and the District's rate increase. Director Minchew recommended that the Board investigate the possibility of implementing a fire plan.

#### ATTORNEY'S REPORT

The Board discussed the purchase of a peace officer bond that covers three peace officers. The Board tabled action on this item. Ms. Eisenberg reviewed the action list with the Board.

#### ADOPT RESOLUTION DECLARING SURPLUS PROPERTY

Mr. Hancock reviewed a Resolution Declaring Surplus Property ("Resolution") with the Board. He stated that the Resolution reflects that the property described in Exhibit A is declared as surplus, is no longer needed by the District, and the Board authorizes the sale of the property at a private sale pursuant to Section 49.226 of the Texas Water Code. After review and discussion, Director Stolleis moved to adopt the Resolution and direct that the Resolution be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed unanimously.

#### 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 551.071, 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.

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 7:55 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 8:25 p.m. After review and discussion, Director Crow moved to authorize Ms. Wright to amend the Letter of Intent for purchase of property for the proposed surface water plant site to reflect that the purchase is contingent upon the Gulf Coast Water Authority granting an easement to the District for surface water lines. Director Kluppel seconded the motion, which passed unanimously.

ANNUAL REVIEW OF FINANCIAL ADVISOR'S CONTRACT

The Board conducted a review with Mr. Kavanaugh of the Financial Advisor's contract.

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

(SEAL)

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Secretary, Board of Directors

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