

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

May 30, 2006

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, May 30, 2006, 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:

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| Joe Taylor | President |
| Stephen Crow | Vice President |
| G.E. Kluppel | Secretary |
| Charles Bertrand | Investment Officer |
| Holly Zarate | 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 Adam Lambert of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Pat Naff of CDC Maintenance, Inc. ("CDC"); Jennifer Barnes; Cathy Falke and Clay Brandenburg of ECO Resources, Inc. ("ECO"); 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; Dan McDonald of Anco-Wessendorff Insurance; Ed Kahlenberg of BCDI Custom Homes; and Lynne Humphries and Denise Garcia of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The first order of business was to consider approving the minutes of the April 25, 2006 and the May 4, 2006 meeting which have been prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the April 25, 2006 and May 4, 2006, meeting minutes. Director Crow seconded the motion, which was approved by unanimous vote.

APPROVE CERTIFICATE OF ELECTION AND DISTRIBUTE TO EACH NEWLY ELECTED BOARD MEMBER

Ms. Humphries presented and reviewed with the Board the Certificate of Election to be signed by the Secretary certifying that Directors Zarate and Kluppel have been re-elected, each for a four-year term beginning May 13, 2006 and expiring on May

8, 2010. After review and discussion, Director Bertrand moved that the Board approve the Certificate of Election and approve distribution to Directors Zarate and Kluppel. Director Crow seconded the motion, which was approved by unanimous vote.

APPROVE SWORN STATEMENTS, OATHS OF OFFICE AND OFFICIAL BONDS FOR NEW DIRECTORS, REORGANIZE THE BOARD AND AUTHORIZE EXECUTION OF DISTRICT REGISTRATION FORM

The Sworn Statement, Oath of Office and Official Bond for Directors Zarate and Kluppel were presented to the Board for review. Ms. Humphries stated that the newly elected directors must each execute an individual Oath of Office stating that each will perform the duties of director and will, to the best of her or his ability, preserve, protect, and defend the Constitution and laws of the United States. After review and discussion, Director Crow moved that the Board of Directors approve Director Zarate's and Director Kluppel's Sworn Statement, Oath of Office and Official Bond, and direct that they be filed and retained in the District's official records and that the Oath of Office and Official Bond be filed with the Secretary of State of the State of Texas. Director Kluppel seconded the motion, which was approved by unanimous vote.

The Board then discussed whether to reorganize the Board and elect officers. After review and discussion, Director Crow moved that the Board's positions remain the same. Director Kluppel seconded the motion, which was approved by unanimous vote.

The Board next considered approving a District Registration Form for Board Members of Water Districts and Authorities in Texas (the "DRF"). Ms. Humphries explained that the DRF must be filed with the Texas Commission on Environmental Quality to reflect the newly elected directors and the new items. After review and discussion, Director Crow moved that the Board authorize the execution and filing of the DRF. Director Kluppel seconded the motion, which was approved by unanimous vote.

UPDATE ON GARBAGE AND RECYCLING SERVICES

Mr. May was not present to discuss the garbage and recycling services. Director Zarate reported that there were no problems to report this month. She added that the vendor used by WCA for recycling services might be making changes in how it handles recycling. If the changes are implemented, it would expand the types of material which could be recycled through the curbside program. Director Zarate further stated that the next newsletter should remind residents of the recycling rules.

DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Haines of the YMCA presented the parks management report, a copy of which is attached. Mr. Haines also discussed a proposal to have Terra Management audit the District's and HOA's irrigation systems to determine if the systems are working properly and irrigating at the proper rate. After review and discussion, Director Crow moved that the Board authorize the study at a cost not to exceed \$1,000.00 and approve the report. Director Zarate seconded the motion, which passed by unanimous vote.

Ms. Humphries then discussed a letter to an individual who eyewitnesses believe violated the District's park rules by riding an ATV in Pecan Grove Park. After review and discussion, Director Crow moved that the Board authorize the President to execute the letter and authorize ABHR to mail the letter via certified mail. Director Kluppel 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 2005 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.

DISCUSS VACANCY ON FORT BEND CENTRAL APPRAISAL DISTRICT BOARD AND ADOPT RESOLUTION VOTING FOR WATER DISTRICT NOMINEE FOR THE ELECTION OF THE BOARD OF DIRECTORS OF THE FORT BEND CENTRAL APPRAISAL DISTRICT

Ms. Humphries reviewed a memorandum from the Fort Bend Central Appraisal District regarding the process for nominating a candidate to fill the vacancy on its Board of Directors due to the death of Jack Herrmann. After review and discussion, Director Zarate 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 the nomination of Debbie Hooper. Director Crow seconded the motion, which passed unanimously.

OPERATOR'S REPORT

Ms. Falke reviewed the operations report for the month of May 2006, a copy of which is attached, and which was provided previously to the Board, and reviewed general maintenance and repair items for the period. She also reviewed an insurance update on the status of pending claims.

Ms. Falke then presented two bid proposals for pipe gates to be installed across the entrance to the levee at the east entrance to the District. She recommended the Board approve the proposal from Clements Fence Co., Inc. in the amount of \$1,254.00. The Board also discussed the installation of bollards to prevent unauthorized access. After review and discussion, Director Kluppel moved that the Board approve Clements Fence Co., Inc. to install pipe gates across the entrance to the levee in the amount of \$1,254.00 and for ECO to arrange for the installation of bollards. Director Crow seconded the motion, which passed unanimously.

The Board discussed the transition from ECO to EDP. Mr. Ammel updated the District on discussions between the two companies regarding transition. Mr. Ammel reported that ECO and EDP planned to transition operator responsibilities from ECO to EDP around midday on June 30, 2006. In response to an inquiry from Director Zarate, Ms. Falke stated ECO had not yet determined the depreciated value of the Gator but that she would obtain that information.

The Board then discussed amending the Rate Order to add inspections for splash pad and water parks and tap fees for District Funded Recreational and Homeowners Association Facilities. After review and discussion, Director Crow moved to adopt an Amended Rate Order and Rules and Regulations Regarding District System, Parks and Connections, reflecting the addition of inspections for splash pad and water parks and tap fees for District Funded Recreational and Homeowners Association Facilities. Director Bertrand seconded the motion, which passed unanimously.

Mr. Bertrand then informed that Board that a demand letter was sent to Centerpoint Energy to attempt to recover damages to District's levee. He added that the District has not received a response.

Mr. Ammel then discussed EDP's electronic payment process with Texas State Bank for customer payment of water bills. He explained that Texas State Bank will take 90-120 days to complete the transition from ECO to EDP and make the electronic payment process available. He further stated that he is working with ECO and TSB regarding the best method of handling the electronic payments during the transition period.

Following review and discussion of the operations report, Director Taylor moved to accept the report and authorize the expenditures and action items as discussed. Director Crow 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. Ms. Falke 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 Taylor 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 AND AUTHORIZE APPROPRIATE ACTION REGARDING EXECUTION OF CONTRACT WITH EDP FOR OPERATING SERVICES

The Board discussed execution of the contract with EDP for operating services and concurred that June 30, 2006 would be the starting date for EDP. After review and discussion, Director Kluppel moved that the Board approve an Agreement for Operating Services between the District and EDP. Director Crow seconded the motion, which passed unanimously.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING DISTRICT NEWSLETTER AND WEBSITE, INCLUDING APPROVE CONTRACT FOR EMPLOYMENT OF NEW WEBMASTER.

Director Crow informed that Board that he met with Barbara Payne and Nikki Wynn of Payne Communications to discuss the District newsletter and engagement of a new webmaster. After review and discussion, Director Crow moved that the Board approve a Communications Consulting Program Agreement between the District and Payne Communications to include (1) services of the Texas Network as webmaster; and (2) a website for an initial cost of \$970.00 and a monthly cost of \$58.95. Director Zarate seconded the motion, which passed unanimously.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. Mr. Naff also presented a Box Culverts Report and stated that there were leaks still in joints that had not been repaired and that there was some weeping of the repaired joints but the flow had

stopped. He further stated that the joints that were repaired were the critical ones that needed attention. The Board requested that the engineer review the photos and recommend the necessary repairs that need to be made.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING THE DISTRICT'S REQUEST TO THE PECAN GROVE VOLUNTEER FIRE DEPARTMENT ("PGVFD") FOR AN AGREED UPON PROCEDURES AUDIT AND POWER WASHING AT ELEVATED STORAGE TANK

Director Bertrand updated the Board on the status of the Agreed Upon Procedures Audit ("Audit"). He further reported that the PGVFD has employed Briggs & Lancaster, P.C. to perform the Audit which will commence the third week of June, 2006. Director Bertrand then stated the power washing at elevated storage tank was complete.

ENGINEER'S REPORT

Mr. Lambert reviewed with the Board the engineer's report, a copy of which is attached, and which had been provided in advance.

Mr. Lambert presented Pay Estimate No. 5 for the Phase IIA of the Levee Jogging Trail. The Board tabled approval of Pay Estimate No. 5.

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

RECEIVE UPDATE ON ANNEXATION REQUESTS, INCLUDING PRESENTATION ON POSSIBLE ANNEXATION OF TRACTS ON PITTS ROAD, DISCUSS FEASIBILITY AND AUTHORIZE APPROPRIATE ACTION, INCLUDING AUTHORIZE EXECUTION OF ANNEXATION AGREEMENT, IF APPROPRIATE

There was no discussion of this agenda item.

DISCUSS AND AUTHORIZE EXECUTION OF INTERLOCAL AGREEMENT WITH FORT BEND SUBSIDENCE DISTRICT FOR WATER CONSERVATION EDUCATION PROGRAM FOR THE 2006-2007 SCHOOL YEAR

The Board discussed the sponsorship of the three area elementary schools in the Water Conservation Program. After review and discussion, Director Crow moved that the Board approve and authorize execution of the Interlocal Agreement with the Fort Bend County Subsidence District for the Water Conservation Program. Director Bertrand seconded the motion, which passed unanimously.

DISCUSS POSSIBLE AGREEMENT WITH FORT BEND COUNTY SHERIFF'S DEPARTMENT AND/OR HOMEOWNERS ASSOCIATIONS FOR SECURITY IN THE DISTRICT

Director Bertrand discussed a possible agreement with the Fort Bend County Sheriff's Department and/or Homeowners Associations for security in the District. He further reported that he will be obtaining additional information for the Board to review and consider next month.

DISCUSS AND AUTHORIZE RENEWAL OF DISTRICT'S INSURANCE

Mr. McDonald reviewed a proposal for renewal of the District's insurance policies. After review and discussion, Director Kluppel moved that the Board renew the District's property, boiler and machinery, general liability, automobile liability, pollution liability, directors and officers liability, umbrella liability, business travel coverage, a public employee blanket crime bond in the amount of \$500,000, a \$50,000 director bond, and tax assessor/collector bond in the amount of \$50,000, insurance policies with Anco-Wessendorff Insurance to be effective July 1, 2006 through July 1, 2007. Director Crow seconded the motion, which carried by unanimous vote.

BOOKKEEPER'S REPORT

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. 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 Bertrand seconded the motion, which passed unanimously.

SURFACE WATER AND SUBSIDENCE ISSUES AND BRAZOS RIVER AUTHORITY

Director Zarate reported that she and Director Kluppel participated in a conference call with the BRA to discuss the preliminary financial analysis of the Regional Surface Water Plant Study. She stated that there will be a joint meeting between the City of Richmond and the City of Rosenberg on Monday, June 5, 2006 to further discuss the matter. The Board requested that the engineer attend the meeting on the District's behalf.

Director Zarate stated that a contract was executed between the District and Kimley-Horn & Associates, Inc. ("Kimley-Horn") on May 4, 2006 for the Engineering Water Reuse Feasibility Study. She added that Kimley-Horn has begun working on the study and that the subcommittee would be meeting with them in June to discuss the preliminary report.

Mr. Jones discussed the District's participation in the Fort Bend County Water Control and Improvement District No. 2 Preliminary Engineering Study for Feasibility of Groundwater Reduction Plan Participation (the "Study Agreement"). He added that Fort Bend County Water Control and Improvement District No. 2 currently has four participants in the study.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING DEVELOPMENT OF A DETAILED DISASTER PREPARATION AND RECOVERY PLAN FOR THE DISTRICT

Director Bertrand discussed a Disaster Preparation and Recovery Plan for the District. He further stated that as more information becomes available he will present it to the Board for review. Mr. Jones stated he can also provide information for the Plan.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING MATTERS BEFORE THE TEXAS LEGISLATURE

Director Zarate did not have anything to report and asked that the item be removed from the agenda.

RECEIVE REPORTS FROM BOARD MEMBERS, INCLUDING DISCLOSURE REPORTS AND UPDATE ON EAGLE SCOUT STORM SEWER INLET STENCILS, AND AUTHORIZE APPROPRIATE ACTION

Director Zarate did not have anything to report at this time.

REPORTS FROM BOARD MEMBERS

Director Zarate reported on lunch meetings she had with ECO and Kimley-Horn consultants.

Director Zarate stated that PGVFD will be issuing its 2007 Calendars soon and informed the Board and consultants that ad space will be available. She suggested that the Board consider placing an ad to inform the public about the District.

Director Zarate reminded the Board that the second quarter consultants' reviews need to be scheduled.

Director Bertrand stated that he delivered the framed Resolution Commending Matt Cornell and said he was very pleased.

Director Bertrand further stated that the signage project for the new trail is complete, but a misspelling needs to be fixed.

REPORTS FROM CONSULTANTS

There were no reports from consultants.

ACTION ITEM LIST

The Board reviewed and updated the action list.

RECEIVE COMMENTS FROM THE PUBLIC

There were no comments from the public.

CONVENE IN EXECUTIVE SESSION PURSUANT TO CHAPTER 551.072, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ITS ATTORNEY TO DISCUSS PURCHASE OF REAL PROPERTY

At 8:31 p.m., Director Taylor announced that the Board would convene in executive session.

RE-CONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING PURCHASE OF REAL PROPERTY

Director Taylor announced the Board would reconvene in open session at 8:55 p.m. Director Kluppel moved that the Board authorize the District's engineer to contact Mr. Kahlenberg to discuss the lift station at 2420 Old South Road. Director Bertrand seconded the motion, which passed unanimously.

CONVENE IN EXECUTIVE SESSION PURSUANT TO CHAPTER 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ITS ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION INCLUDING PERMIT PROTESTS

At 8:55 p.m., Director Taylor announced that the Board would convene in executive session.

RE-CONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION PENDING OR CONTEMPLATED LITIGATION INCLUDING PERMIT PROTESTS

Director Taylor announced the Board would reconvene in open session at 8:57 p.m. After review and discussion, Director Kluppel moved that the Board authorize Rich Muller of ABHR to negotiate a definitive contract with the Brazos River Authority. Director Bertrand seconded the motion, which passed unanimously.

Director Kluppel moved that the Board direct all of its consultants to cease and desist work on all matters pertaining to the Fort Bend County Municipal Utility District No. 19 TPDES Permit and remove the item from the agenda permanently. Director Zarate seconded the motion, which passed unanimously.

REVIEW TRAVEL REIMBURSEMENT GUIDELINES AND AUTHORIZE APPROPRIATE ACTION

Ms. Humphries reviewed with the Board the proposed Travel Reimbursement Guidelines with the Board, a copy of which is attached. The Board tabled adoption of the Travel Reimbursement Guidelines.

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

Secretary, Board of Directors

(SEAL)

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