

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

August 29, 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, August 29, 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:

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 except Director Kluppel, thus constituting a quorum.

Also present were the following: Nikki Wynn of Payne Communications; Wayne Huff of Houston Pipeline Company; Brian Haines of the YMCA; Bobby Jones of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Pat Naff of CDC Maintenance, Inc. ("CDC"); 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, Ray Tanking, Dave Uhlig, Michael Uhlig and Christopher Uhlig, residents of the District; Chris Sansone of the Fort Bend Herald; Cliff Kavanaugh of First Southwest Company; and Lynne Humphries, Josh Hancock and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The first order of business was to consider approving the minutes of the July 20 and July 25, 2006 meetings which have been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the July 20 and July 25, 2006, meeting minutes. Director Bertrand seconded the motion, which was approved by unanimous vote.

UPDATE ON GARBAGE AND RECYCLING SERVICES

Director Zarate stated that Mr. May could not attend the meeting and gave an update on complaints received regarding garbage collection services. Director Zarate stated that she and Mr. May will work with Director Crow on preparing an article for

the newsletter on bundling of trash and contact phone numbers for garbage service. She added that an ongoing reminder will be added to the back of the newsletter on the garbage rules. Director Zarate recommended that a senior management representative from Waste Corporation of America attend the Board meeting, in addition to Mr. May, when the garbage contract is reviewed.

#### DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Haines of the YMCA presented the parks management report, a copy of which is attached. He discussed park maintenance and repairs and landscape management. After review and discussion, Director Zarate moved that the Board authorize Mr. Haines to obtain irrigation and landscaping for the new sign at a cost of \$2,200, paint the restroom facility at a cost of \$3,000 and obtain a mini rules sign by the playground and pavilion at a cost of \$600.00. Director Crow seconded the motion, which passed by unanimous vote.

The Board then discussed the violation of park rules during scheduled events at Pecan Grove Park. Director Zarate requested that the attorney prepare a letter for the President's signature to the PGAA regarding park rules. There was no discussion on the irrigation audit.

#### 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 Bertrand seconded the motion, which passed by unanimous vote.

#### OPERATOR'S REPORT

Mr. Ammel reviewed the EDP operations report for the month of July 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.

Mr. Phelps stated that the District can purchase the recommended trailer mounted jet sewer cleaning machine through the Houston-Galveston Area Council Cooperative Purchasing Program ("HGAC"). He discussed the HGAC purchase program and Ms. Humphries discussed the Bid Board Local Government Purchasing Cooperative ("LGPC") program.

After review and discussion, Director Crow moved that the Board approve the following: (1) replacement of the cylinder hoist and trolley from Burk's Mechanical at a cost of \$7,348.00; (2) evaluation of the sludge press and related equipment at a cost of \$750.00; (3) blower maintenance and alignment at a cost of \$1,125.00; (4) clean out of the vegetation in the outfall areas of the levee before the end of September by CDC; (5) repair of the automatic gate at Belin Park at a cost of \$788.98 and purchase of an extra battery and charger; and (6) authorize operator to obtain contracts from HGAC and LGPC to participate in their programs and for purchase of a trailer mounted jet sewer cleaning machine. Director Zarate seconded the motion, which passed by unanimous vote.

Mr. Ammel reviewed a letter from Mr. Vallas of 1118 Bittersweet requesting an adjustment to his bill due to an ongoing leak. He added that the leak was repaired. After review and discussion, Director Crow moved that the Board approve an adjustment to Mr. Vallas' account pursuant to the District's Rate Order and that no deposit be required. Director Zarate seconded the motion, which passed unanimously. Mr. Ammel stated that he would contact Mr. Vallas on the Board's decision.

After review and discussion of item 14 of the operations report, Director Crow moved that the Board authorize Mr. Ammel to send a bill to XX Cleanup Service in the amount of \$691.75 with a payment deadline of September 26, 2006. Director Zarate seconded the motion, which passed by unanimous vote. The Board concurred to consider imposing a fine if the bill is not paid by the September 26, 2006 meeting.

Director Taylor stated that he will work with Mr. Ammel on language for the water bills.

Mr. Ammel stated that Mr. Volek, a resident at 2323 Country Mile has reported that water has entered his yard during heavy rains. He added that CDC and Jones & Carter, Inc. have reviewed the area because the home backs up to the levee behind the Randalls Store. After review and discussion, Director Crow moved that the Board authorize CDC and Mr. Lambert to review the area behind the customer's home and report to Director Taylor who will authorize any necessary repairs. Director Zarate seconded the motion, which passed by unanimous vote.

Mr. Ammel requested that the Board review the operator's performance in October.

Following review and discussion of the operations report, Director Crow moved to accept the report. Director Zarate 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 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 Zarate seconded the motion, which passed unanimously.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING DISTRICT NEWSLETTER AND WEBSITE, AND ADVERTISEMENT SPACE IN PECAN GROVE VOLUNTEER FIRE DEPARTMENT 2007 CALENDAR

Ms. Wynn reviewed topics for the next newsletter with the Board. She reviewed a printing and mailing estimate with the Board, a copy of which is attached. After review and discussion, Director Zarate moved that the Board approve Option 2 for printing and mailing of the newsletter in the amount of \$1,666.27. Director Crow seconded the motion, which passed unanimously.

The Board requested that Ms. McLennan add \$12,000 to the budget for the newsletter. The Board discussed inserting a Pecan Grove Volunteer Fire Department notice in the water bill. Mr. Ammel stated that he can insert the notice for a charge of \$45.00. Director Zarate stated that she will check on who will print copies of the insert. Director Zarate discussed the cost to advertise in the Pecan Grove Volunteer Fire Department calendar. After review and discussion, Director Zarate moved that the Board authorize the District to sponsor a month in the amount of \$800.00 in the Pecan Grove Volunteer Fire Department 2007 calendar. Director Crow seconded the motion, which passed unanimously.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING THE DISTRICT'S REQUEST TO THE PECAN GROVE VOLUNTEER FIRE DEPARTMENT FOR AN AGREED UPON PROCEDURES AUDIT

There was no discussion on this agenda item.

REPORT ON DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance.

ENGINEER'S REPORT

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

Mr. Jones stated that a \$2,000.00 deduction was made to the pay estimate for the contractor's failure to install grass that would take root. After review and discussion of item 2 of the engineer's report, and based on the engineer's recommendation, Director Crow moved that the Board approve Pay Estimate No. 5 in the amount of \$2,832.50. Director Zarate seconded the motion, which passed unanimously.

After review and discussion of item 3 of the engineer's report, Director Crow moved that the Board authorize the engineer to perform the surveying and prepare the easement documents for the drainage improvement projects at costs of \$4,000 and \$3,750. Director Zarate seconded the motion, which passed unanimously.

Mr. Jones reviewed cost estimates for the lift station no. 7 back up generator and sanitary sewer gravity overflows. Director Bertrand stated that he is working on a Disaster Preparation and Recovery Plan for the district and he is trying to bring portable generators to two sites in the District. Director Bertrand stated that once the plan is fully implemented the number of sites that the existing portable generator will service will be reduced to two. The Board requested that Ms. McLennan add \$25,000 to the budget for video inspection of sewer lines and \$191,000 to the budget for emergency preparedness. Mr. Phelps stated that he will obtain a price on a trailer mounted fuel tank. Ms. Humphries reviewed correspondence from Mr. Stone, president of the master district in Greatwood, regarding coordination among municipal utility districts for emergency preparedness planning, a copy of which is attached to the minutes.

The Board concurred to consider the request for an easement to Houston Pipe Line Company at the September 7, 2006 meeting.

Mr. Jones reviewed the well performance tests with the Board. Director Taylor noted that well no. 5 is showing 40 feet of submergence and the engineer should evaluate the benefits of lowering the well this winter.

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

DISCUSS 2006 TAX RATE, SET PUBLIC HEARING DATE AND AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING DISTRICT ADOPTION OF TAX RATE

Mr. Kavanaugh recommended a proposed tax rate for 2006 of \$0.48, \$0.28 for debt service and \$0.20 for maintenance and operations. After discussion, Director Crow moved that the Board approve a proposed tax rate of \$0.48 and authorize the tax assessor/collector to publish a notice in the Fort Bend Herald of the Board meeting of September 26, 2006 where the Board will adopt the proposed tax rate. Director Zarate seconded the motion, which passed by unanimous vote.

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

The Board discussed this under the engineer's report.

SURFACE WATER AND SUBSIDENCE ISSUES AND BRAZOS RIVER AUTHORITY

Director Zarate reviewed a letter from the Brazos River Authority dated August 24, 2006 regarding the economists.com financial analysis. She stated that the District's share of the cost for the study is \$2,045.72. After review and discussion, Director Zarate moved that the Board approve payment to the Brazos River Authority in the amount of \$2,045.72 for the study. Director Crow seconded the motion, which passed unanimously. The Board noted that there will be a workshop meeting on September 7, 2006 for a presentation of the Kimley-Horn & Associates, Inc. Engineering Water Reuse Feasibility Study. Director Zarate stated that she will be visiting the Fort Bend County Municipal Utility District No. 25 Surface Water Plant. Mr. Jones reported on the Groundwater Reduction Plan with Fort Bend County Water Control and Improvement District No. 2. He stated that the plan will be complete within 30 days and the cost of participation will be determined.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING CONTRACT WITH SRNK, LLC FOR RENEWABLE ENERGY PROJECT AND SLUDGE HAULING

The Board discussed entering into a contract with SRNK, LLC for a renewable energy project and sludge hauling. After review and discussion, Director Crow moved that the Board authorize execution of an agreement with SRNK for a renewable energy project and sludge hauling. Director Bertrand seconded the motion, which passed by unanimous vote.

DISCUSS AND AUTHORIZE EXECUTION OF INTERLOCAL AGREEMENT WITH FORT BEND COUNTY DRAINAGE DISTRICT

Ms. Humphries reviewed the Interlocal Agreement with the Board. After review and discussion, Director Crow moved that the Board approve the Interlocal Agreement with the Fort Bend County Drainage District. Director Bertrand 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, 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. Director Zarate

stated that her per diems may be more numerous than usual this year due to her participation in surface water matters and the operator bid/transition process.

DISCUSS, CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY AND ADOPT RESOLUTION ESTABLISHING THE AUTHORIZED DEPOSITORY INSTITUTIONS OF PECAN GROVE MUNICIPAL UTILITY DISTRICT AND ADOPTING LIST OF QUALIFIED BROKER/DEALERS WITH WHOM THE DISTRICT MAY ENGAGE IN INVESTMENT TRANSACTIONS

The Board reviewed the District's current Investment Policy. Following review and discussion, Director Bertrand moved that the Board adopt a Resolution Regarding Annual Review of Investment Policy reflecting that no changes have been made to the Policy. Director Crow seconded the motion, which was approved by unanimous vote.

RECEIVE REPORTS FROM BOARD MEMBERS, INCLUDING DISCLOSURE REPORTS

Director Zarate stated that the Eagle Scouts will begin the stencils on the storm sewer inlets in September. She added that a Board member will review a sample stencil prior to the project being implemented. Director Zarate stated that she met with EDP on August 10, 2006 and accepted lunch. Director Crow stated that he met with Payne Communications during the month and accepted lunch. Director Crow reported that he met with the advisory Board for the West Fort Bend Management District.

REPORTS FROM CONSULTANTS

Ms. Humphries reviewed the agenda for the September 7, 2006 meeting. The Board requested copies of Mr. Muller's response to the request for information on customer lists received by the operator.

ACTION ITEM LIST

The Board reviewed and updated the action list.

RECEIVE COMMENTS FROM THE PUBLIC

There were no comments from the public.

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

Director Bertrand stated that he is meeting with the homeowners associations about jointly contracting with the Fort Bend County Sheriff's Department for security.

REVIEW TRAVEL REIMBURSEMENT GUIDELINES AND AUTHORIZE APPROPRIATE ACTION

The Board tabled action on this agenda item.

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

At 8:58 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

Director Taylor announced the Board would reconvene in open session at 9:16 p.m. The Board took no action.

CONVENE IN EXECUTIVE SESSION PURSUANT TO 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.

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

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Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
parks management report.....	2
tax assessor/collector's report .....	2
ECO operations report .....	2
printing and mailing estimate.....	4
engineer's report .....	4
correspondence from Mr. Stone.....	5
bookkeeper's report.....	6