

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

January 31, 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, January 31, 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, thus constituting a quorum.

Also present were the following: Matthew May of Waste Corporation of America; Bobby Jones and Adam Lambert of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Pat Naff of CDC Maintenance, Inc. ("CDC"); Brian Haines of the YMCA; Clay Brandenburg, Cathy Falke and Chris Wilson of ECO Resources, Inc. ("ECO"); Mark McGrath of Null-Lairson, P.C.; Shirley McLennan of McLennan & Associates, L.P.; Mr. and Mrs. C.K. Dickenson, Ray Tanking, Nolan Bentley, Judy M. Daviscokenair, residents of the District; Clyde King of the Fort Bend Herald; Larry Danna, a resident and representative of the Pecan Grove Volunteer Fire Department ("VFD"); 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 December 27, 2005 meeting which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the December 27, 2005 meeting minutes as presented. Director Zarate seconded the motion, which was approved by unanimous vote.

APPROVE AUDIT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2005

Mr. McGrath reviewed the District's audit for the 2005 fiscal year. Mr. McGrath stated that he had received input from the Board and the District's attorney. Mr.

McGrath discussed the method for reporting equivalent single family connections. Mr. McGrath stated that he forwarded final depreciation schedules to the Board. Mr. McGrath stated that the background auditing work has been performed to meet the GASB requirements. Director Taylor stated that the audit committee recommends approval of the audit. Following review and discussion, Director Taylor moved that the Board approve the audit, authorize the President's execution of a representation letter and the Texas Commission on Environmental Quality Annual Filing Affidavit, and authorize the filing of the audit with the Texas Commission on Environmental Quality (the "TCEQ"). Director Bertrand seconded the motion, which was unanimously approved.

UPDATE ON GARBAGE AND RECYCLING SERVICES AND ADOPT AMENDED RATE ORDER REGARDING PROHIBITION OF PARKED VEHICLES

Mr. May discussed garbage and recycling services in the District for the service period and contact with customers. He then discussed the problem of not being able to adequately collect the garbage when vehicles are parked in the streets, particularly cul-de-sacs, blocking access by the trucks. Director Zarate addressed the issue and recommended that the Board revise the Rate Order to add Section 36-Prohibition Against Parked Vehicles Blocking Garbage Collection Sites on Garbage Collection Days. Ms. Humphries stated the District was required to publish notice of the new provision in a newspaper of general circulation in the District. After review and discussion, Director Kluppel moved that the Board adopt the Amended Rate Order and Rules and Regulations Regarding District System, Parks and Connections and authorize the District's attorney to publish a notice of the new regulation in the Fort Bend Herald. Director Zarate seconded the motion, which passed unanimously. Director Bertrand discussed the concept of implementing a policy of instructing customers to replace their trash cans with garbage bags. He mentioned that a customer had brought this idea to his attention and stated that it had been very successful in Lake Jackson. The Board discussed the idea but no action was taken.

DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Haines of the YMCA then presented the parks management report, a copy of which is attached. Mr. Haines stated that he is recommending spring clean up at Pecan Grove Park to include: power washing, kiddie cushion installation, restriping of parking spaces, and painting trash cans. He also recommended that work be done at Plantation Park to remove trees and branches that could possibly fall on fences or properties next to the park. He further stated he is also collecting bids to repair the lights on the pavilion and welding needed to repair the gate at Pecan Grove Park. Mr. Haines stated the repairs to the lights and welding are covered under the provision in the maintenance contract with the District which allows repair work for amounts less than \$500 without prior Board authorization.

Mr. Haines also reported that on January 21, 2006, two teenagers were caught driving on the fields at Pecan Grove Park. He stated that Matt Cornell, a member of the Pecan Grove VFD and also an Assistant Fire Marshall with Fort Bend County, witnessed the incident and contacted the Fort Bend Sheriff's office. He explained that Terra Management is repairing ruts and other damage made by the vehicle at cost of \$500.00. He also informed the Board that the parents of the teenagers will pay for the repairs. The Board suggested that the District recognize Matt Cornell's efforts by adopting a resolution of commendation at the next meeting. After review and discussion, Director Kluppel moved that the Board approve the report from the Park Manager and approve the recommended repairs at a price not to exceed \$5,250. The Board requested Ms. Humphries to prepare a Resolution Commending Matt Cornell for adoption at the next meeting. Director Zarate 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 and based upon a motion made by Director Taylor and seconded by Director Kluppel, the Board unanimously approved the tax assessor/collector's report and authorized payment of bills from the tax account.

OPERATOR'S REPORT

Ms. Falke reviewed the operations report for the month of December 2005, a copy of which is attached, 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 reported on a customer appeal from resident Larry Danna. She informed the Board that Mr. Danna wrote a letter stating that he noticed his water bill significantly increased over an eight month period. Ms. Falke stated that there was a tapline leak and that ECO installed a new meter on May, 2004 and repaired the tapline on October 13, 2005. After review of usage history and discussion with Mr. Danna, the Board determined that it was possible that the excessive water usage could possibly have occurred due to the District's meter installation in 2004 and that the subsequent tapline repair corrected the problem. Director Crow reminded the Board that it was the Board's policy to give the customer the benefit of the doubt in instances when it was possible that the District could be at fault. Director Zarate then moved that the Board approve a credit to Mr. Danna, calculated by taking the average water usage from

October, 2004 to November, 2005, adjust to the average usage and issue a credit in the amount of the overage. Director Kluppel seconded the motion, which passed unanimously.

Ms. Falke then reported on the levee damage caused by Centerpoint's subcontractor North Houston Pole ("NHP") during their installation of new power poles. She stated that Clay Brandenburg has spoken to the crew supervisor of NHP concerning the damage. She stated, in the past in other Districts, ECO has rarely been successful in getting NHP to repair or pay for damages and typically they have to involve an attorney to pursue the damages. Ms. Humphries stated that it is against the law for any person to wrongfully destroy or in any manner impair the usefulness of a levee. She stated she discussed the event with the Fort Bend District Attorney, who stated the District could file a report with the Sheriff's office. After review and discussion, Director Kluppel moved to: (1) authorize CDC to repair the damage immediately, (2) send correspondence including the invoice for the damage repair to Center Point with a copy to NHP demanding payment, and (3) authorize ABHR to file a preliminary report with the Sheriff's office. 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. 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 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 Zarate seconded the motion, which passed unanimously.

UPDATE FROM PECAN GROVE VOLUNTEER FIRE DEPARTMENT REGARDING ANNUAL FINANCIAL REVIEW

The Board discussed the District's prior request for an audit of the VFD, and the VFD's request to perform a Modified Financial Review in lieu of a full audit. Director Kluppel reported that he and Director Zarate contacted Null-Lairson, P.C. who suggested an Agreed Upon Procedures Audit. After review and discussion, Director Kluppel moved that the Board accept the Agreed Upon Procedures Audit in lieu of a full audit from the VFD. Director Zarate seconded the motion, which passed unanimously. The Board then instructed ABHR to send a letter to the VFD discussing

the Agreed Upon Procedures Audit and notifying them of the Board's decision regarding the audit.

REPORT ON DITCH AND LEVEE MAINTENANCE

Mr. Naff reported on ditch and levee maintenance.

ENGINEER'S REPORT

Mr. Lambert reviewed with the Board the engineer's report, a copy of which is attached.

Mr. Lambert stated that the design of the modifications to the wastewater treatment plant is underway and that he met with Directors Taylor and Kluppel to further discuss the treatment plant conversion in light of the recent influent testing.

Mr. Lambert stated that the contractor has cleared the site and is installing the sheet piling on the Jones Creek outfall project. Mr. Lambert reviewed and recommended payment of Pay Estimate No. 1 to NBG Constructors, Inc. in the amount of \$27,855.00. After review and discussion, Director Kluppel moved, based upon the engineer's recommendation, that the Board approve payment of Pay Estimate No. 1 the amount of \$27,855.00. Director Crow seconded the motion, which passed by unanimous vote. Ms. Humphries noted that the Interlocal Agreement with the Fort Bend County Drainage District is ready for execution.

Mr. Lambert updated the Board on Phase II of the Levee Jogging Trail. He stated that contractor has completed a portion of the gravel trail and is working on the concrete sections. Mr. Lambert reviewed and recommended payment of Pay Estimate No. 1 to Four Seasons Development Co. in the amount of \$12,568.05 and No. 2 in the amount of \$6,664.43. After review and discussion, Director Kluppel moved, based upon the engineer's recommendation, that the Board approve payment of Pay Estimate No. 1 the amount of \$12,568.05 and Pay Estimate No. 2 in the amount of \$6,664.43. Director Crow seconded the motion, which passed by unanimous vote.

Mr. Lambert then updated the Board on the revised drawings to provide additional drainage near the SBC building on Farmer Road and recommended to the Board to approve Change Order No. 1 in the amount of \$2,200.00. After review and discussion, Director Kluppel moved, based upon the engineer's recommendation, that the Board approve Change Order No. 1 in the amount of \$2,200.00. Director Crow seconded the motion, which passed by unanimous vote.

Mr. Lambert reported on the Sanitary Sewer Rehabilitation and stated that he is reviewing the testing reports and is designing the repairs.

Mr. Lambert reported that he met with Directors Taylor and Kluppel on January 26, 2006 and discussed the drainage in Plantation Section 7. He further stated that he will be reviewing the original survey data and prepare estimates for alternative solutions to reduce ponding.

Mr. Lambert stated that the inlet repairs on golf course project is complete. He reviewed and recommended payment of Pay Estimate No. 2 in the amount of \$2,681.25. After review and discussion, Director Kluppel moved, based upon the engineer's recommendation, that the Board approve payment of Pay Estimate No. 2 in the amount of \$2,681.25. Director Crow seconded the motion, which passed by unanimous vote.

Mr. Lambert reported on the Levee Re-Certification and stated that he received a letter from the Federal Emergency Management Administration ("FEMA") requiring the District to re-certify its levee in preparation for the new Fort Bend County flood maps. He further stated that he will be working with FEMA's consultants, Fort Bend County, and other entities to determine what the District is required to provide. A copy of the FEMA letter is attached to the engineer's report.

Mr. Lambert reported on the Hurricane Rating for the building at the wastewater treatment plant and stated he received a letter from Stanley Engineering, a structural engineering consultant, which describes the maximum winds the lab building at the treatment plant can withstand. A copy of the letter is attached to the engineer's report.

Mr. Lambert reported on a letter he received from Maverick Engineering in reference to a proposed 5.99 acre subdivision adjacent to the District. He further stated that they are conducting a feasibility study and will determine if they will request the District for service. A copy of the letter is attached to the engineer's report.

Mr. Lambert reviewed a Project Cost Tracker, a copy of which is attached to the engineer's report, and answered questions and responded to comments from Board members.

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.

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. Ms. McLennan also requested authorization to pay the annual expenditure regarding mowing of Belin Park. After review and discussion, Director

Crow moved that the Board approve the bookkeeper's report, investment report and payment of the District's bills and authorize payment of the annual expenditure regarding mowing of Belin Park. Director Taylor seconded the motion, which passed unanimously.

ANNUAL DISCLOSURE STATEMENT

Ms. McLennan discussed with the Board the Disclosure Statement for the bookkeeper. Ms. McLennan stated that the Disclosure Statement will be filed with the Texas Ethics Commission. After review and discussion, Director Crow moved that the Board accept the Disclosure Statement pursuant to Public Funds Investment Act. Director Taylor seconded the motion, which passed by unanimous vote. Ms. Humphries stated the Disclosure Statement will be submitted to Director Bertrand, the District's Investment Officer, for acceptance next month.

DISCUSS RENEWAL OF DISTRICT'S INSURANCE POLICIES AND AUTHORIZE APPROPRIATE ACTION

The Board tabled this item until April, 2006 and requested that ABHR ask Dan McDonald of Anco-Wessendorff Insurance to be present at the meeting.

DISCUSS CONFLICT OF INTEREST DISCLOSURE AND ADOPT AMENDED CODE OF ETHICS, TRAVEL, DISTRICT INVESTMENT, PROFESSIONAL SERVICES AND MANAGEMENT POLICY

Ms. Humphries reviewed additions regarding conflicts of interest disclosure to the District's Code of Ethics, Travel, District Investment, Professional Services and Management Policy. Director Zarate reviewed language requiring directors to report any gifts, dining or entertainment contact with current or prospective District vendors/consultants even if they are not required under the Chapter 176. After review and discussion, the Board asked Directors Zarate and Crow to prepare another draft to be reviewed and discussed at the next Board meeting. The Board determined to table adoption of the Amended Code of Ethics, Travel, District Investment, Professional Services and Management Policy until the next Board meeting.

DISCUSS VOTING MACHINE REQUIREMENTS FOR MAY 2006 DIRECTORS ELECTION AND AUTHORIZE APPROPRIATE ACTION

Ms. Humphries reviewed a memorandum about the new requirement for the use of voting machines, a copy of which is attached. The Board concurred to contract with Fort Bend County for conduct of the 2006 directors election.

SURFACE WATER AND SUBSIDENCE ISSUES AND BRAZOS RIVER AUTHORITY

Director Zarate reported that Cathy Dominguez with the Brazos Rive Authority ("BRA") requested additional information to be provided to the consultant preparing the financial analysis for the WFBC's regional water plant project. After discussion, the Board concurred to provide the BRA copies of the last 4 years' budgets.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING SOLICITATION OF PROPOSALS FOR OPERATOR SERVICES

Director Taylor stated that the letter requesting qualifications for operator proposals are complete and ready to be distributed to the proposed recipients. The Board discussed the proposed recipients. The Board decided the deadline to receive responses to the proposal will be Friday, February 24, 2006. After review and discussion, Director Taylor moved that the Board approve distributing the proposal request letters via Federal Express overnight delivery. Director Zarate seconded the motion, which passed unanimously.

REPORTS FROM BOARD MEMBERS

There were no additional reports from the Directors.

REPORTS FROM DISTRICT CONSULTANTS

There were no additional reports from the District 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 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ITS ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION INCLUDING PERMIT PROTESTS

At 8:32 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 8:44 p.m. The Board took no action.

CONTINUATION OF OPERATOR'S REPORT

Ms. Humphries noted that the Board had not discussed item 6(j) on tonight's agenda about the amendment to the operator's report. After discussion, Director Crow moved and Director Zarate seconded, to amend the District's operator's contract to expire June 30, 2006. The motion passed unanimously. The Board asked Ms. Humphries to send a letter to Jim Brown, President of ECO, regarding the termination date, enclosing a draft amendment.

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




Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

	<u>Minutes</u>
	<u>Page</u>
parcs management report.....	2
tax assessor/collector's report.....	3
operations report.....	3
engineer's report	5
FEMA letter	6
letter from Stanley Engineering	6
letter from Maverick Engineering.....	6
bookkeeper's report	6
memorandum regarding new requirement for the use of voting machines.....	7