

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

February 28, 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, February 28, 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: Bobby Jones and Adam Lambert of Jones & Carter, Inc. ("J&C"); Crystal Sims of Tax Tech, Inc.; Tommy Pierson of CDC Maintenance, Inc. ("CDC"); Brian Haines of the YMCA ("YMCA"); Clay Brandenburg, Mike Thelen, Cathy Falke and Chris Wilson of ECO Resources, Inc. ("ECO"); Shirley McLennan of McLennan & Associates, L.P.; Mr. and Mrs. C.K. Dickenson, Matt Cornell, Michelle Cornell, Katie Cornell, Stewart Brady and Kyle Brady, residents of the District; Bob Haenel of the Fort Bend Herald; Larry Perry 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 January 31, 2006 meeting and the minutes of the February 23, 2006 meeting which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Zarate moved to approve the January 31, 2006 and the February 23, 2006 meeting minutes as presented. Director Crow seconded the motion, which was approved by unanimous vote.

RESOLUTION COMMENDING MATT CORNELL

The Board considered adopting a Resolution to commend Matt Cornell for being responsible for apprehending vandals who were damaging the Pecan Grove Park. Director Taylor then presented the Resolution to Matt Cornell, a copy of which is attached. Following review and discussion, Director Kluppel moved that the Board adopt the Resolution Commending Matt Cornell. Director Bertrand seconded the motion, which passed unanimously.

APPROVE ANNUAL REPORT AND AUTHORIZE FILING OF SAME WITH APPROPRIATE INFORMATION REPOSITORIES IN ACCORDANCE WITH CONTINUING DISCLOSURE OF INFORMATION AGREEMENT

Ms. Humphries reviewed updated financial and operating data to be filed in accordance with the continuing disclosure provisions contained in the bond resolutions, a copy of which had been provided in advance of the meeting. She stated that the District is required to file this update with the 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. Following review and discussion, Director Zarate moved that the Board approve the annual report and authorize the attorney to submit the District's annual report including updated financial and operating data in compliance with the continuing disclosure provisions contained in the bond resolution. Director Crow seconded the motion, which passed unanimously.

UPDATE ON GARBAGE AND RECYCLING SERVICES

Mr. May was not present to discuss the garbage and recycling services. Director Zarate reported that there have been no problems to report this month. Director Zarate further stated that Mr. May was working on obtaining information from a potential contractor for a Contingency Disaster Cleanup Plan for the District.

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 the following projects were completed during the month of February to include: power washing, kiddie cushion installation, restriping of parking spaces, repair of light under pavilion, welding repair for the gate at Pecan Grove Park, and trees and branches trimmed in Plantation Park. He further stated that he is collecting bids to paint the trash cans and will report to the Board once he receives them. He also reported that Terra had repaired the irrigation line on the levee that had been damaged by Centerpoint's contractors. Mr. Haines then reported that he is asking Terra Management Services to provide a bid to audit all HOA and POA irrigation systems and recommend a conservation plan. Mr. Haines lastly

reported that the \$500 check was received from the parents of the teenagers who damaged the Pecan Grove Park.

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

Ms. Sims reviewed with the Board the monthly tax assessor/collector's report, a copy of which is attached. She 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 Kluppel and seconded by Director Bertrand, 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 February 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 reported that there were no customer appeals to report this month.

Ms. Falke then reported on the levee damage caused by Centerpoint's subcontractor North Houston Pole ("NHP") during their installation of new power poles. Ms. Falke stated that the damage has not been repaired by CDC yet due to the recent rain, however, would be repaired as soon as possible. The Board discussed letters to be sent to NHP and Centerpoint and possibly the Sheriff.

Ms. Falke reported on the message language for the water bills and stated that she is working with Director Taylor on the matter.

Ms. Falke reported that the newsletter is in the process of being printed.

Ms. Falke reported that there was no emergency water interconnect usage.

Ms. Falke reported that the Water Smart update information is in progress and will be mailed to the AWBD next week.

Director Taylor inquired as to whether the annual infra-red survey was included in ECO's base service fee and, if not, to call the District's insurance company to verify that such a survey is performed by the insurance company at no cost to the District.

Ms. Falke distributed a report indicating the percentage of payment methods used by customers for the Board's review, a copy of which is attached.

Ms. Falke distributed a revised page to the operator's report to be replaced entitled VFD Donation & Voluntary Recovery History, a copy of which is attached.

The Board then discussed whether it was time to power wash the elevated storage tank due to mold and debris. The Board asked ECO to give its opinion as to whether the elevated storage tank needs to be power washed at this time and, if so, to provide a cost estimate.

Following review and discussion of the operations report, Director Crow moved to accept the report and authorize the expenditures and action items as discussed. Director Kluppel 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.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING GOLF CART PATH THROUGH PLANTATION PARK

Director Kluppel discussed that he received a phone call from a resident regarding the path through Plantation Park being in bad condition. After review and discussion, Director Bertrand moved that the Board recommend that CDC give a recommendation and cost for leveling the path. Director Crow seconded the motion, which passed unanimously.

REPORT ON DITCH AND LEVEE MAINTENANCE

Mr. Pierson reported on ditch and levee maintenance. Mr. Pierson also reported that he has not repaired the damage to the levee yet due to wet conditions but will begin the repairs next week weather permitting.

UPDATE FROM PECAN GROVE VOLUNTEER FIRE DEPARTMENT REGARDING ANNUAL FINANCIAL REVIEW

Director Bertrand reported that he received a verbal report from the VFD that they received the Board's request letter to perform a Modified Financial Review in lieu of a full audit and that the VFD will respond after its board has an opportunity to discuss it.

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 stated that the design of the modifications to the wastewater treatment plant is underway.

Mr. Lambert stated the contractor has completed the installation of the sheet piling and is now preparing to pour the slope paving. Mr. Lambert reviewed and recommended payment of Pay Estimate No. 2 to NBG Constructors, Inc. in the amount of \$177,192.00. After review and discussion, Director Kluppel moved, based upon the engineer's recommendation, that the Board approve payment of Pay Estimate No. 2 the amount of \$177,192.00. Director Crow seconded the motion, which passed by unanimous vote.

Mr. Lambert updated the Board on Phase II of the Levee Jogging Trail. He stated that the contractor has completed most of the construction, but still has some landscaping and clean-up work to finish. Mr. Lambert reviewed and recommended payment of Pay Estimate No. 3 to Four Seasons Development Co. in the amount of \$60,732.52. After review and discussion, Director Kluppel moved, based upon the engineer's recommendation, that the Board approve payment of Pay Estimate No. 3 the amount of \$60,732.52. Director Crow seconded the motion, which passed by unanimous vote.

The Board then discussed the need for directional signs to be installed on the new recreational trail to discourage walking on the levee through the Club. After review and discussion, Director Zarate moved that the Board ask the Parks Committee to obtain proposals for the signs through ECO and the YMCA and to install the signs at a cost not to exceed \$1,000.00. Director Bertrand seconded the motion, which passed by unanimous vote.

Mr. Lambert then updated the Board on the Sanitary Sewer Rehabilitation and said he is prepared to advertise the project to receive bids by the March Board of Directors Meeting.

Mr. Lambert reported that he will schedule a meeting with Director Kluppel and Director Taylor to discuss the drainage improvements.

Mr. Lambert reported on the levee re-certification and stated that he is currently waiting on information from Fort Bend County regarding the base flood elevation before they can advise the Board on the amount and scope of work required to re-certify the District's levee. Mr. Lambert further stated that in an effort to facilitate the process he will contact Fort Bend County directly to obtain the base flood elevation requirements and report his findings to the Board by next month.

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.

DISCUSS AND AUTHORIZE APPROPRIATE ACTION REGARDING ORDERING BOOK COVERS FOR ELEMENTARY SCHOOLS WITHIN THE DISTRICT

Director Zarate reported on the use of conservation themed book covers by the elementary schools within the District. She further reported that, after conversations with representatives of the three elementary schools, new covers did not need to be ordered and that the book covers on stock in the customer service office will be sent to the schools requesting covers for the students' use.

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 Bertrand moved that the Board approve the bookkeeper's report, investment report and payment of the District's bills. Director Crow seconded the motion, which passed unanimously.

ANNUAL DISCLOSURE STATEMENT FOR INVESTMENT OFFICER

Ms. Humphries stated that the Disclosure Statement signed by Director Bertrand as Investment Officer 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 Kluppel seconded the motion, which passed by unanimous vote.

DISCUSS AND ADOPT AMENDED CODE OF ETHICS

The Board tabled this item.

APPROVE INTERLOCAL AGREEMENT WITH FORT BEND COUNTY DRAINAGE DISTRICT

The Board considered re-approving the Interlocal Agreement with the Ford Bend County Drainage District. After review and discussion, Director Crow moved that the Board re-approve the Interlocal Agreement with the Ford Bend County Drainage District. Director Kluppel seconded the motion, which passed by unanimous vote.

SURFACE WATER AND SUBSIDENCE ISSUES AND BRAZOS RIVER AUTHORITY

Director Zarate had nothing to report this month in reference to the water study. Director Taylor reported that he received an engineering study on surface water conversion from New Territory called Water Reuse Feasibility Study. The Board then discussed to study whether water re-use could meet surface water requirements. After review and discussion, Director Zarate moved that she and Director Kluppel solicit proposals from J&C and Kimley-Horn & Associates to study the water re-use to meet surface water requirements. Director Crow seconded the motion, which was unanimously approved.

ADOPT ORDER CALLING DIRECTORS ELECTION

Ms. Humphries presented the Order Calling the May 13, 2006 Directors Election. Following review and discussion, Director Crow moved to adopt the Order Calling Directors Election. Director Zarate seconded the motion, which passed unanimously.

AUTHORIZE EXECUTION OF CONTRACT FOR ELECTION SERVICES

Ms. Humphries stated that Fort Bend County is preparing the contract for election services. After discussion, Director Crow moved that the Board approve and authorize execution of a contract with Fort Bend County to conduct the May 13, 2006 election contingent upon final approval of the District's attorney. Director Zarate seconded the motion, which passed unanimously.

ADOPT RESOLUTION DESIGNATING AN AGENT

The Board determined it was not necessary to designate an agent for the secretary for election documentation.

SET PAY FOR ELECTION OFFICIALS

The Board determined this item was not necessary since the County will set the pay.

REVIEW AND APPROVE VOTING RIGHTS ACT SUBMISSION LETTER TO THE U.S. DEPARTMENT OF JUSTICE

Ms. Humphries presented and discussed the Voting Rights Act submission letter and advised the Board the letter would be submitted to the Justice Department for pre-clearance of the election. Following review and discussion, Director Bertrand moved to approve the Voting Rights Act submission. Director Crow seconded the motion, which passed unanimously.

RESPONSE TO REQUEST FOR QUALIFICATIONS FOR OPERATOR PROPOSALS

The Board discussed that there will be a special meeting on March 8, 2006 to discuss the proposals.

REPORTS FROM BOARD MEMBERS

Director Zarate reported that she assisted Belin & Associates in researching some old tax claims.

REPORTS FROM DISTRICT CONSULTANTS

Ms. Humphries stated that she would discuss the Pillsbury legal invoice with Rich Muller and ask that he report back to the Board.

ACTION ITEM LIST

The Board reviewed and updated the action list. Director Bertrand stated that he will speak with the Pecan Grove Country Club regarding the location of the meeting room due to the noise from the dance class in the next room.

RECEIVE COMMENTS FROM THE PUBLIC

Mr. Dickenson reported that he is very pleased with the trail extension and stated that it is well used and a real asset to the community.

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 7:24 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 7:37 p.m. The Board took no action.

The Board decided to re-visit the issue of letters regarding the damage to the levee. Director Zarate then left the meeting. After discussion, the Board determined that Director Bertrand would gather information from ECO to include: (1) damage description, (2) photographs of the damaged area, and (3) invoices from CDC and the YMCA once the damage has been repaired. After receipt of the information, he will draft a letter to the Sheriff to confirm the District's incident report and will work with the District's attorney to write letters demanding payment and incorporation of fines to Centerpoint and NHP.

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




Secretary, Board of Directors

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