

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

May 26, 2009

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in regular session, open to the public, on the 26th day of May, 2009, 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 except Director Stolleis, thus constituting a quorum.

Also present at the meeting were residents of the District listed on Exhibit A attached hereto; Dan McDonald and Greg Valikonis of Anco-McDonald Waterworks Insurance Services, L.L.C.; Cliff Kavanaugh of First Southwest Company; Sheldon Buck and Trent Slovak of Malcolm Pirnie, Inc.; Pat Naff of CDC Unlimited, L.L.C. ("CDC"); Jason Kirby and Scott Saenger of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Mike Ammel, Amanda Benzman and Andy Phelps of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Marquita Griffin of the Fort Bend Herald; Melony Gay of Uretex/ICR ("Uretex"); and Lynne B. Humphries, Hannah Brook, and Jessica Jones of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the April 28 and May 6, 2009, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the minutes of the April 28 and May 6, 2009, meetings. Director Minchew seconded the motion, which was approved by unanimous vote.

DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. He stated that CDC is mowing the sidewalk area in front of the Country Club for a fee of \$100 per mowing. The Board discussed maintenance of the sidewalk area in front of the club and the sidewalk area on the west side of Pitts Road.

TAX ASSESSMENT AND COLLECTIONS MATTERS

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 2008 tax payments and responded to questions from Board members. Following review and discussion, Director Crow moved to 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.

GARBAGE COLLECTION AND RECYCLING SERVICES

There was no discussion on this agenda item.

DEVELOPMENT AND MAINTENANCE OF PARKS

The Board reviewed the parks management report, a copy of which is attached. The Board asked Mr. Phelps to obtain an update on the installation of the WaterLogic system for irrigation of Pecan Grove Park.

OPERATION OF DISTRICT FACILITIES

Mr. Ammel reviewed the EDP operations report for the month of May, 2009, a copy of which is attached, and which was provided previously to the Board.

Mr. Ammel reviewed the Consumer Confidence Report ("CCR"). The Board asked the operator to add water conservation information to the CCR. After review and discussion, Director Crow moved to approve the CCR, authorize the operator to mail the CCR and to file the Certificate of Mailing with the Texas Commission on Environmental Quality (the "TCEQ"), and direct that the CCR be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

Ms. Brook stated that the Texas Water Development Board has approved the District's Water Conservation Plan.

Mr. Phelps stated that the estimate to repair the motor on the return sludge pump no. 2 is \$1,655.00. He added that he will obtain an additional estimate and report back to the Board. Mr. Kirby recommended that the operator check the warranty on the pump. Director Kluppel stated that the operator needs to ensure that the repair is performed with compatible motor components.

Mr. Phelps stated that the pump controller for the lift station at the wastewater treatment plant needs to be replaced and will cost \$3,748.95.

After review and discussion, Director Crow moved to approve (1) the operator's report; (2) repair of the sludge transfer pump at a cost of \$2,035.47; (3) updating of the District's Emergency Response Plan by Kimmons Security at a cost of \$6,250.00; (4)

repairs to the fence at lift station no. 8 by Foster Fence Company at a cost of \$5,020.00; (5) repairs to the fence at water plant no. 1 by Clements Fence Company at a cost of \$6,350; and (6) replacement of the pump controller at a cost of \$3,748.95. Director Kluppel seconded the motion, which passed by unanimous vote.

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.

DISTRICT NEWSLETTER AND WEBSITE

Mr. Phelps stated that the newsletter is being mailed out this week. The Board discussed a possible E-mail Blast System for the District.

CONVERSION TO SURFACE WATER, PROGRESS UPDATE ON SURFACE WATER PLANT DESIGN FROM MALCOLM PIRNIE, INC., AND AGREEMENTS FOR SALE OF CONVERSION CREDITS

Mr. Slovak updated the Board on the design of the surface water plant and a meeting with the District's engineer and operator to review the preliminary engineering report. He added that the TCEQ has approved the preliminary engineering report.

Director Taylor stated that the District responded to the letter from the City Managers of the City of Richmond and the City of Rosenberg that (1) the District is expecting to have conversion credits available for purchase which the Board expects to sell based on fair market value; and (2) the District probably will not have excess capacity in the surface water treatment plant.

Director Kluppel updated the Board on contacts with Mr. Istre of the Gulf Coast Water Authority (the "GCWA") regarding an Interlocal Agreement. He stated that the District should receive an agreement from the GCWA in June.

RENEWAL OF DISTRICT'S INSURANCE POLICIES

Mr. McDonald reviewed a proposal from Anco-McDonald Waterworks Insurance Services, L.L.C. for renewal of the District's insurance policies. After review and discussion, Director Crow moved to renew the District's property, boiler and

machinery, general liability, automobile liability, pollution liability, directors and officers liability, umbrella liability and business travel insurance policies, 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 \$100,000, with Anco-McDonald Waterworks Insurance Services, L.L.C. and direct that the proposal be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which carried by unanimous vote.

ENGINEERING MATTERS

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 reviewed a memorandum from J&C to the Board regarding the Existing Levee Road Crossings at Plantation Drive and Southern Place, a copy of which is attached to the engineer's report. Mr. Saenger stated that FEMA is allowing the District to use temporary flood protection devices to meet the three feet of freeboard requirements. He discussed options for the existing road crossings east of FM 359. After review and discussion, the Board directed that J&C include the WIPP (Water Inflated Property Protector System) as part of the District's plan for the crossings at Plantation Drive, Southern Place, and the wastewater treatment plant access road.

Mr. Saenger reviewed a memorandum from J&C to the Board regarding the Pecan Lakes Flood Protection System, a copy of which is attached to the engineer's report. He reviewed the options of a flood protection system with a structural wall along the north boundary at a cost of \$14,814,000 or a flood protection system with earthen levee along the north boundary at a cost of \$13,996,000. Director Taylor discussed the County's approval of the system. The Board concurred that these options need to be discussed with residents of Pecan Lakes. The Board asked J&C to schedule a meeting with residents of Pecan Lakes to discuss the options for the levee system. The Board asked the engineer to send a cost summary for the levee system to Mr. Kavanaugh.

Mr. Kirby updated the Board on construction of levee improvements to the existing levee. He reviewed and recommended payment of Pay Estimate No. 4 in the amount of \$66,246.28 to Paskey, Incorporated. After review and discussion, Director Crow moved that, based upon the engineer's recommendation, the Board approve Pay Estimate No. 4 in the amount of \$66,246.28 to Paskey, Incorporated. Director Kluppel seconded the motion, which passed by unanimous vote.

Mr. Kirby reviewed a letter to Paskey, Incorporated reflecting that the completion date of the project has been exceeded and to complete the work immediately, a copy of which is attached to the engineer's report. He added that J&C has contacted Paskey, Incorporated several times regarding work progress and they have not followed through with the necessary action. He added that the bonding company also was sent a copy of the letter. The Board concurred to not consider

approval of any further pay estimates until Paskey, Incorporated has completed the project. The Board asked Mr. Kirby to send Paskey, Incorporated a letter stating that the Board will only consider further payments when the project is complete.

Mr. Kirby stated that the TCEQ has issued the new wastewater treatment plant permit. Mr. Kirby stated that under the new permit, the effluent discharge limits are changed and must be implemented within three years. He recommended that the operator take influent samples. The Board requested that the operator obtain estimates for influent samples.

Mr. Kirby stated that a public presentation is scheduled for June 30, 2009 regarding the District's Storm Water Management Program. He stated that the inlets, channels, ditches, and detention basins must be inspected prior to August 12 to determine if remediation or repairs are necessary. He reviewed the cost of the inspection of 850 storm inlets. After discussion, Director Crow moved to authorize J&C to inspect the storm sewer inlets including taking pictures, at a cost of \$6,800.00. Director Kluppel seconded the motion, which passed by unanimous vote.

Mr. Kirby reported on the contract for the elevated storage tank recoating and repairs. Mr. Kirby stated that based on onsite inspection of the tank and input from the operator and third party inspectors, additional repairs are needed to the tank entry door, a deteriorated roof flange, and the roof access tube connection to the tank bowl. He added that replacement of two isolation valves and the addition of a bellows-type expansion joint on the fill line may add to the overall function of the tank. He added that the cost of these repair items total \$18,000.00. Mr. Kirby reviewed and recommended approval of Pay Estimate No. 1 in the amount of \$47,520.00 and Change Order No. 1 for the repairs in the amount of \$18,000.00 to the contract with Williams Painting & Sandblasting, LLC. After review and discussion, Director Crow moved that, based upon the engineer's recommendation, the Board approve payment of Pay Estimate No. 1 in the amount of \$47,520.00 and Change Order No. 1 in the amount of \$18,000.00 to the contract with Williams Painting & Sandblasting, LLC. Director Kluppel seconded the motion, which carried unanimously.

Mr. Kirby stated that he received a letter from TxDOT requesting that the District identify the capital improvements that are necessary for the District's existing Jones Creek outfall ditch to accommodate the possible joint use of the ditch by the District and TxDOT, a copy of which is attached to the engineer's report. After discussion, Director Crow moved to authorize the President to execute an Easement from the District to TxDOT which reserves the District's drainage rights in the Jones Creek outfall ditch and provides for maintenance of the ditch by TxDOT. Director Kluppel seconded the motion, which passed unanimously.

Mr. Kirby stated that ANJ@359LLC has requested a Consent to Encroachment for the phase two development to Plaza 359, and they asked for utility service. He added that the development will include paving over the current public utility easement.

After review and discussion, Director Crow moved to approve a Consent to Encroachment and utilities to ANJ@359LLC, and direct that the Consent be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

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

PREPARATION OF PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL NOTICE OF SALE FOR FIRST INSTALLMENT OF SURFACE WATER PLANT BONDS, SERIES 2009

Mr. Kavanaugh discussed the preparation of the Preliminary Official Statement for the first installment of surface water bonds. After review and discussion, Director Kluppel moved to authorize First Southwest Company to prepare the Preliminary Official Statement and Official Notice of Sale for the first installment of Surface Water Plant Bonds, Series 2009. Director Crow seconded the motion, which carried unanimously.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. McLennan distributed and reviewed the monthly bookkeeper's report, a copy of which is attached and which was provided in advance of the meeting, including the investment report, budget comparison, and the District's bills. Ms. McLennan stated that the District received reimbursement from FEMA in the amounts of \$4,313.25 and \$10,763.47. After review and discussion, Director Kluppel moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Crow seconded the motion, which passed unanimously.

RESOLUTION EXPRESSING INTENT TO REIMBURSE OPERATING ACCOUNT

No action was necessary on this agenda item.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

Director Taylor stated that he and Director Stolleis met with the operator to discuss water accountability.

ATTORNEY'S REPORT

Ms. Humphries updated the Board on the ABHR legislative monitoring reports. She distributed a packet from the Fort Bend Central Appraisal District on a proposal for a new building. Ms. Humphries stated that the FBCAD will vote on the building proposal on June 1, 2009. She stated that the FBCAD will prepare and distribute to the District a Resolution to vote on the proposed building at its June, 2009 meeting. She added that FBCAD needs 2/3 vote approval from all Fort Bend taxing entities to

proceed. The Board concurred to discuss and vote on the proposed building at the June Board meeting.

Ms. Humphries reviewed the Interlocal Agreement between the District and the Fort Bend Subsidence District ("FBSD") for the Water Conservation Education Program. After review and discussion, Director Kluppel moved to approve an Interlocal Agreement between the District and the FBSD for the sponsorship of the three elementary schools (Austin, Frost, and Pecan Grove) in the Water Conservation Education Program and direct that the Agreement be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which carried by unanimous vote.

FORT BEND COUNTYWIDE LEVEE MEETING, PARTICIPATION IN SUBCOMMITTEE MEETINGS, AND STATUS OF FEDERAL FLOOD INSURANCE LEGISLATION

Ms. Humphries stated that the legislative subcommittee of the Fort Bend Countywide Levee Committee will meet June 5, 2009, at 8:00 a.m.

SECURITY MATTERS AND SHERIFF CONTRACT

Director Minchew stated that he and ABHR are working on proposed changes to the District's Contract for Law Enforcement Services with Fort Bend County. He updated the Board on security matters in the District.

COMMENTS FROM THE PUBLIC WHO HAVE SIGNED UP TO SPEAK

Ms. Gay of Uretek reviewed the Uretek process for a foam used for sealing and repairing facilities. A resident of 2410 Old Dixie Drive requested that the operator check on the erosion on the bank of Bull Head Bluff that backs up to her home.

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 regarding security.

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 8:30 p.m., Director Taylor announced that the Board would convene in executive session to discuss the purchase of real property.

RECONVENE 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 8:44 p.m. No action was taken by the Board.

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

At 8:45 p.m., Director Taylor announced that the Board would convene in executive session to discuss pending or contemplated litigation.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION

Director Taylor announced the Board would reconvene in open session at 9:00 p.m. No action was taken by the Board.

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

Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

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