

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

September 27, 2011

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in regular session, open to the public, on the 27th day of September, 2011, 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
Richard Stolleis	Vice President
G. E. Kluppel	Secretary
John Minchew	Assistant Vice President/Assistant Secretary
Kevin Krahn	Assistant Vice President/Assistant Secretary

and all of the above were present, thus constituting a quorum.

Also present at the meeting were Mr. and Mrs. C. K. Dickenson, Fred Ross, Robert Barta, Paul Metcalf, Chad Howard, R. F. Bayuz, Jim Ashmore, and Michael J. Damoiseaux, residents of the District; Ken Stringer of LEM Construction Co., Inc. ("LEM Construction"); Brian Jordan, Bethany Miller, and Jason Kirby of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; John Soileau; Clayton Galloway, Doug Owen, Breah Campbell, Mike Ammel, Todd Horelica, and Donald Wilson of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Sylvia Avila of WCA Waste Corporation of Texas, LP ("WCA"); Pat Naff of CDC Unlimited, LLC ("CDC"); Sheldon Buck of Malcolm Pirnie, Inc. ("Malcolm Pirnie"); Constable Rob Cook; Deputy James Eleckel and Deputy Aaron Tyksinski of the Fort Bend County Constable's Office, Precinct 3; Michael Welch of Integra Realty Resource Houston LLC; and Lynne B. Humphries and Janet Swartz of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the August 30, 2011, meeting, which were prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the minutes of the August 30, 2011, meeting. Director Krahn seconded the motion, which carried unanimously.

ENGAGE AUDITOR

The Board reviewed Mr. Sanderson's proposal to conduct the District's audit for the fiscal year ending September 30, 2011. After review and discussion, Director Kluppel moved to engage Sanderson Knox & Co., LLP to conduct the audit for the fiscal year ending September 30, 2011, authorize execution of the engagement letter, and direct that the engagement letter be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which passed by unanimous vote.

DITCH, LEVEE MAINTENANCE, AND REPAIRS

Mr. Naff updated the Board on ditch, levee maintenance, and repairs. He discussed the possibility of overseeding and fertilizing the levee with winter rye if sufficient rain is received to allow the overseeding to grow. After discussion, Director Kluppel moved to authorize CDC to overseed and fertilize the levee at a cost of approximately \$6,500 if conditions are favorable for the treatment, as determined by Mr. Naff. Director Krahn seconded the motion, which carried unanimously.

GARBAGE COLLECTION AND RECYCLING SERVICES

Ms. Avila distributed and reviewed a report on garbage collection in the District during the past month, a copy of which is attached.

Ms. Avila distributed and reviewed a flyer on Household Hazardous Waste Disposal, a copy of which is attached. Director Stolleis stated that the flyer would be posted on the District's website. Ms. Avila discussed the possibility of the District offering a day for pickup of certain household hazardous waste items. The Board concurred to conduct one pickup of certain household hazardous waste items in the spring. The Board requested that Ms. Avila determine the day for the pickup of the items, inform the Board, and coordinate with the operator to add a notice to the water bill. Ms. Avila reported that WCA will pick up Christmas trees for recycling on January 2 and January 4, 2012.

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 2010 tax payments and responded to questions from Board members. Following review and discussion, Director Kluppel moved to approve the tax assessor/collector's report, and authorize payment of bills from the tax account. Director Minchew seconded the motion, which passed by unanimous vote.

CONDUCT PUBLIC HEARING REGARDING DISTRICT'S TAX RATE

Mr. Ordeneaux stated that Tax Tech, Inc. published a Notice of Public Hearing in the Fort Bend Herald stating the District anticipates levying a \$0.55 tax rate at this meeting. Director Taylor then opened the public hearing. No members of the public came forward to make comments. Director Taylor then closed the public hearing.

ADOPT ORDER LEVYING TAXES AND APPROVE AMENDMENT TO INFORMATION FORM

Ms. Humphries presented to the Board an Order Levying Taxes for 2011 reflecting a total \$0.55 tax rate comprised of \$0.31 for debt service and \$0.24 for operations and maintenance. She then presented to the Board an Amendment to Information Form reflecting the 2011 tax rate. Following review and discussion, Director Kluppel moved to adopt the Order Levying Taxes as presented, approve and authorize execution of the Amendment to the Information Form, and direct that the Order and Amendment be filed

appropriately and retained in the District's official records. Director Minchew seconded the motion, which passed unanimously. The Board confirmed its intention that the 2011 tax levy includes a debt service component for the calendar year ending December 31, 2012, and a maintenance tax component for the fiscal year ending September 30, 2012.

OPERATION OF DISTRICT FACILITIES AND HEARING REGARDING TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT ACCOUNTS

Mr. Ammel reviewed the EDP operations report for the month of September, 2011, a copy of which is attached, and which was provided previously to the Board.

Mr. Ammel recommended replacement of a light pole assembly at the wastewater treatment plant with a galvanized pole at a cost of \$3,795.00.

Mr. Ammel recommended repair of the rotating assembly of the Gorman Rupp pump at the wastewater treatment plant at a cost of \$2,875.00.

Mr. Ammel recommended replacement of the chatter box dialer with a new Verbatim four channel auto dialer and installation of a high level alarm float at lift station no. 1 at a cost of \$3,625.00. Mr. Ammel noted that the estimate includes after-hours call and dialer rental for one month. Director Taylor requested that Mr. Ammel determine if the charges for the after-hours call services are necessary.

Mr. Ammel updated the Board on a meeting between TxDOT, EDP, and J&C on proposed improvements to the south stormwater pump station and stated that the new sluice gate should be installed by the end of the month.

Director Taylor noted that the District water accountability has improved. Mr. Owen reported on EDP's third round of leak detection in the District.

Mr. Ammel stated that he had prepared a pamphlet to send to the District's customers on conversion to surface water and requirements for change in the disinfection method. He distributed and reviewed a draft of a pamphlet with the Board. He requested that the Board members submit comments to EDP by the end of the week so the pamphlet can be sent with the next water bill.

Mr. Ammel stated that EDP is preparing the Emergency Preparedness Plan.

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 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. A copy of the termination list is attached.

After review and discussion, Director Stolleis moved to (1) approve the operator's report, (2) authorize replacement of a light pole assembly at the wastewater treatment plant at a cost of \$3,795, (3) authorize repair of the pump at the wastewater treatment plant at a cost of \$2,875.00, (4) authorize replacement of dialer and installation of alarm float at a

cost of \$3,625 at lift station no. 1, and (5) 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 Krahn seconded the motion, which carried unanimously.

AMEND RATE ORDER TO INCREASE RATES

The Board discussed increasing the base sewer rate to \$0.42 in the Rate Order. Ms. Humphries reviewed an Amended Rate Order reflecting a sewer rate of \$26.87 per single family residential connection. After review and discussion, Director Kluppel moved to adopt the Amended Rate Order and direct that it be filed appropriately and retained in the District's official records. Director Krahn seconded the motion, which passed by unanimous vote.

DISTRICT NEWSLETTER AND WEBSITE, AND AUTHORIZE POSTING OF ENERGY ANALYSIS FOR ELECTRICITY USAGE ON THE DISTRICT'S WEBSITE

Director Stolleis reported that the District newsletter will be completed next week. After discussion, Director Stolleis moved to authorize posting of the energy analysis for electricity usage on the District's website. Director Kluppel seconded the motion, which carried unanimously.

CONVERSION TO SURFACE WATER

Mr. Buck reviewed an Activity Report from Malcolm Pirnie on the surface water treatment plant, a copy of which is attached.

Mr. Buck reviewed and recommended approval of Pay Estimate No. 17 from LEM Construction in the amount of \$1,474,193.56. Mr. Buck recommended payment of Invoice No. 16 from Terracon in the amount of \$3,707.00. After review and discussion, Director Kluppel moved, based upon Mr. Buck's recommendation, to (1) approve Pay Estimate No. 17 in the amount of \$1,474,193.56 to LEM Construction, and (2) approve payment to Terracon in the amount of \$3,707.00. Director Stolleis seconded the motion, which passed unanimously.

The Board discussed the District's meeting scheduled for October 26, 2011 on the surface water conversion. Mr. Ammel discussed the preparation of a five-minute video for the presentation on the plant. The Board requested that a notice of the October 26, 2011 meeting be added to the pamphlet EDP is preparing on surface water conversion.

The Board discussed the name for the surface water treatment plant. The Board concurred to authorize purchase of a plaque for the plant that lists current and former Board members who were on the Board during the planning and construction of the plant. After discussion, Director Kluppel moved to name the plant "Pecan Grove Municipal Utility District Surface Water Treatment Plant." Director Minchew seconded the motion, which carried unanimously.

ENGINEERING MATTERS

Mr. Kirby reviewed with the Board the engineer's report, a copy of which is attached, and which was provided in advance of the meeting.

Mr. Kirby reviewed the tabulation of bids received by the District for the wastewater treatment plant belt filter press replacement project and recommended that the Board award the contract to R&B Group, Inc. in the amount of \$410,000. The Board concurred that in its judgment, R&B Group, Inc. was a responsible bidder who would be most advantageous to the District and would result in the best and most economical completion of the project. After review and discussion, Director Stolleis moved that, based on Mr. Kirby's recommendation, the Board award the contract for the wastewater treatment plant belt filter press replacement project to R&B Group, Inc. in the amount of \$410,000. Director Klappel seconded the motion, which passed by unanimous vote. Director Taylor requested that EDP order the pumps for the project.

Mr. Kirby stated that the contract with Neil Technical Services Corp. for the lift station no. 5 electrical improvements is ready for execution.

Mr. Kirby updated the Board on the construction of the surface water treatment plant offsite utility extensions. He reviewed and recommended approval of Pay Estimate No. 4 in the amount of \$401,061.18 to Hurtado Construction Company. Mr. Kirby stated that J&C has sent notice to Hurtado Construction Company to remind them of the time deadline for completion of the project.

Mr. Kirby updated the Board on the chloramine conversion of water plant nos. 1, 2, and 3. He reviewed and recommended approval of Pay Estimate No. 1 in the amount of \$84,150 to R&B Group, Inc.

Mr. Kirby distributed a draft of the Year Four Annual Report on the MS-4 Storm Water Management Plan. He stated that the final Year Four Report will be presented for the Board's approval at the next meeting.

Following review and discussion, Director Klappel moved to (1) approve the engineer's report; (2) approve Pay Estimate No. 4 in the amount of \$401,061.18 to Hurtado Construction Company for the surface water treatment plant offsite utility extensions, based upon the engineer's recommendation; and (3) approve Pay Estimate No. 1 in the amount of \$84,150 to R&B Group, Inc. for the chloramine conversion of water plant nos. 1, 2, and 3, based upon the engineer's recommendation. Director Minchew seconded the motion, which passed by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS, ADOPT BUDGET FOR FISCAL YEAR END SEPTEMBER 30, 2012, AND APPROVE THE AMENDMENT TO CONTRACT FOR BOOKKEEPING SERVICES

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 reminded

the Board that the deadline for registration for the Association of Water Board Directors winter conference is October 31, 2011.

Ms. McLennan reviewed the proposed budget for the fiscal year ending September 30, 2012 with the Board, a copy of which is included in the bookkeeper's report. The Board requested that Ms. McLennan revise the budget to reflect that the District will pay 15% of the costs for security pursuant to the Agreement for Cost Sharing of Law Enforcement Services with Pecan Grove Plantation Property Owners Association.

Ms. McLennan reviewed an Amendment to the Agreement for Services for Bookkeeper between McLennan & Associates, Inc. and the District. She stated that the Agreement includes a \$100.00 increase in the monthly fee.

After review and discussion, Director Kluppel moved to (1) approve the bookkeeper's report, investment report, and payment of the District's bills, (2) approve the amendment to the Agreement for Services for Bookkeeper between the District and McLennan & Associates, Inc. and direct that the amendment be filed appropriately and retained in the District's official records, and (3) adopt the budget for the fiscal year ending September 30, 2012, as revised. Director Krahn seconded the motion, which passed by unanimous vote.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS REGARDING EVENTS AND ACTIVITIES ATTENDED DURING THE MONTH, INCLUDING FORT BEND FLOOD MANAGEMENT ASSOCIATION MEETINGS

Director Kluppel updated the Board on his attendance at a meeting of the Gulf Coast Water Authority. He stated that he attended a meeting of the Brazos River Authority and an update was given on the availability of water from the Brazos River.

COMMENTS FROM THE PUBLIC

Ms. McLennan responded to questions from Mr. Boyd on the bookkeeper's report. In response to a question from Mr. Damoiseaux, Mr. Kirby stated that the construction of the Pecan Lakes Levee has not commenced as the District is in the process of acquiring land needed for the levee.

DEVELOPMENT AND MAINTENANCE OF PARKS

The Board reviewed a report on parks for September from the park manager, a copy of which is attached. Mr. Ross updated the Board on Plantation Park. Director Minchew stated that the Park Committee will meet to discuss plants for Plantation Park.

Director Taylor stated that he has been in contact with a representative of CenterPoint about removal and replacement of trees in Pecan Grove Park, and will continue to work on this project.

REPORT ON SECURITY MATTERS, AGREEMENT FOR ADDITIONAL LAW ENFORCEMENT SERVICES WITH FORT BEND COUNTY, AND APPROVE AGREEMENT FOR COST SHARING OF LAW ENFORCEMENT SERVICES WITH PECAN GROVE PLANTATION PROPERTY OWNERS ASSOCIATION

Deputy Tyksinski reported on security in the District. The Board concurred that the District will pay 15% of the costs of security pursuant to the Agreement for Cost Sharing of Law Enforcement Services with Pecan Grove Plantation Property Owners Association. After review and discussion, Director Kluppel moved to (1) approve the budget and Agreement for Additional Law Enforcement Services with Fort Bend County, subject to review by ABHR, and direct that the Agreement be filed appropriately and retained in the District's official records and (2) approve an Agreement for Cost Sharing of Law Enforcement Services with Pecan Grove Plantation Property Owners Association and direct that the Agreement be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which passed unanimously.

DISTRICT FIRE PLAN AND REPORT FROM FIRE PLAN COMMITTEE

Director Stolleis reported that he will meet with the Fire Plan Committee to discuss a report that will be coming from Mr. Pietsch. Director Minchew stated that he was withdrawing from the Fire Plan Committee. After discussion, Director Kluppel moved to appoint Director Krahn to the Fire Plan Committee. Director Stolleis seconded the motion, which passed unanimously.

ATTORNEY'S REPORT

Director Minchew left the meeting.

The Board conducted an annual review of the District's Investment Policy. Ms. Humphries recommended that the Board adopt an Amended Investment Policy in order to update several provisions of the current policy. Ms. Humphries reviewed an Amended Investment Policy with the Board. Following review and discussion, Director Kluppel moved to adopt a Resolution Regarding Annual Review of Investment Policy and Adoption of Amended Investment Policy and direct that the Resolution be filed appropriately and retained in the District's official records. Director Krahn seconded the motion, which passed by unanimous vote.

Director Minchew returned to the meeting.

CONVENE IN EXECUTIVE SESSION PURSUANT TO THE SECTION 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 to deliberate the deployment or specific occasions for implementation of security personnel or devices.

CONVENE IN EXECUTIVE SESSION PURSUANT TO THE SECTION 551.072, TEXAS GOVERNMENT CODE, TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

The Board did not convene in executive session to deliberate the purchase, exchange, lease, or value of real property.

CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION INCLUDING CONDEMNATION PROCEEDINGS

At 7:47 p.m., Director Taylor announced that the Board would convene in executive session to conduct a private consultation with its attorney to discuss pending or contemplated litigation including condemnation proceedings.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING PENDING OR CONTEMPLATED LITIGATION INCLUDING CONDEMNATION PROCEEDINGS

Director Taylor announced the Board would reconvene in open session at 8:25 p.m. The Board did not take any action.

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

Secretary, Board of Directors

(SEAL)

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