

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

January 25, 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 25th day of January, 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:

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| 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 Gregory S. Cox of Sandersen Knox & Co., PLLC; Paul Metcalf, Lee Dorger, Fred Ross, Peggy Keasler, Jesse Keasler, Jim Keller, and Mr. and Mrs. C. K. Dickenson, residents of the District; Tanner Eddleblute and Mike Waller of the Fort Bend County Sheriff's Department; Constable Rob Cook, Fort Bend County, Precinct 3; Edward Gordon and Aaron Tyksinski of the Fort Bend County Constable's Office, Precinct 3; Constable Troy Nehls, Fort Bend County, Precinct 4; Jason Kirby and Bethany Miller of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Clayton Galloway, Doug Owen, Breah Campbell, and Mike Ammel 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"); Sheldon Buck of Malcolm Pirnie, Inc. ("Malcolm Pirnie"); Pat Naff of CDC Unlimited, LLC; and Lynne B. Humphries, Hannah Brook, and Janet Swartz of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the December 21, 2010, meeting, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the minutes of the December 21, 2010, meeting. Director Minchew seconded the motion, which carried unanimously.

AUDIT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2010

Mr. Cox reviewed the District's audit for the fiscal year ended September 30, 2010. Director Stolleis noted that the Audit Committee will review the audit and report any comments to Mr. Cox. Following review and discussion, Director Kluppel moved to approve the audit, contingent upon review by the Audit Committee, authorize the President's execution of the Texas Commission on Environmental Quality ("TCEQ")

Annual Filing Affidavit, authorize the filing of the audit with the TCEQ, and direct that the audit be filed appropriately and retained in the District's official records. Director Krahn seconded the motion, which was unanimously approved.

CONTRACT FOR ELECTRICITY WITH TXU ENERGY

Director Taylor noted that the District's contract for electricity with TXU Energy expires in December, 2011. He stated that he will contact TXU Energy for a new proposed contract and report to the Board at the next meeting.

DITCH, LEVEE MAINTENANCE, AND REPAIRS

Mr. Naff reported on ditch, levee maintenance, and repairs. He stated that he is monitoring the growth of alligator weed in the ditch. Mr. Naff stated that the vegetation is under control in Bullhead Slough.

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. In response to a request from Director Stolleis, Ms. Avila updated the Board on the resident's participation in the Christmas tree recycling program. She stated that WCA collected one truck of trees for recycling. In response to a question from Mr. Metcalf on WCA's schedule for trash pickup, Ms. Avila stated that WCA strives to be consistent on trash pickup schedules. She added that sometimes there are delays due to unforeseen circumstances. Ms. Avila stated that she will report to the WCA operations department on the time inconsistencies and request that the pickup times be consistent.

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 Krahn moved to approve the tax assessor/collector's report and authorize payment of bills from the tax account. Director Stolleis seconded the motion, which passed by unanimous vote.

OPERATION OF DISTRICT FACILITIES

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

Mr. Ammel discussed water accountability and reported on the leak correlator program. In response to an inquiry from the Board, Mr. Ammel stated that the water used to fill the elevated storage tank will be reflected on the next operations report.

Mr. Ammel updated the Board on the repairs to booster pump motors nos. 1 and 2 at water plant no. 3. He stated that the repairs will commence once the insurance

adjustor for M.K. Painting has inspected the motors. Ms. Brook stated that the District will have the motors repaired and deduct the cost from the final payment to M.K. Painting.

Ms. Brook stated in connection with the Amendment to the Out-of-District Service Agreement between the District and FBISD, ABHR and J&C have approved the Water Line Easement to be placed on the north side of Plantation Drive. She added that she is waiting to receive the executed Water Line Easement from FBISD. Ms. Brook stated that the Memorandum of Understanding regarding future service to the State Government Land Office's ("SGLO") property on the north side of Plantation Drive has been sent to the SGLO for execution. Mr. Ammel stated that the tap fee has not been paid by FBISD.

Mr. Ammel reviewed the message that will be placed on the next water bill.

After review and discussion, Director Kluppel moved to approve the operator's report. Director Krahn seconded the motion, which carried unanimously.

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 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 Krahn seconded the motion, which passed unanimously.

DISTRICT NEWSLETTER AND WEBSITE

Director Krahn updated the Board on the preparation of articles for the next District newsletter. He stated that articles will include an update on the surface water plant, the law enforcement agreement, the Pecan Lakes levee system, water accountability, and water conservation. He stated that the next newsletter is scheduled to be sent out the middle of March.

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. 9 from LEM Construction in the amount of \$689,130.81. Mr. Buck recommended payment of Invoice No. 9 from Terracon in the amount of \$13,007.00. He reported that LEM Construction has submitted a proposed Change Order No. 2 related to a proposed change in the size of the waterline from 12 inches to

16 inches which Malcolm Pirnie is currently reviewing. Ms. Humphries noted Malcolm Pirnie needs to consider whether this change order also will need TCEQ approval. After review and discussion, Director Stolles moved, based upon Mr. Buck's recommendations, to (1) approve Pay Estimate No. 9 in the amount of \$689,130.81 to LEM Construction; and (2) approve payment to Terracon in the amount of \$13,007.00. Director Kluppel seconded the motion, which passed unanimously.

In response to a question from Director Kluppel, Mr. Buck stated that the membrane equipment for the surface water plant will be delivered in June or July.

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 a preliminary estimate for the additional repairs to the channel from Pitts Road to the confluence of the Jones Creek outfall channel, a copy of which is included in the engineer's report. Ms. McLennan stated that the \$437,310 estimated cost for the repairs is not in the budget for the fiscal year ending September 30, 2011. The Board discussed funding the repairs from operating reserve funds. The Board requested that Mr. Kirby prepare a detailed cost estimate for engineering fees for the repair project for the Board's review at the next meeting. The Board tabled approval of the additional repairs to the channel from Pitts Road to the confluence of the Jones Creek outfall channel.

Mr. Kirby reviewed the plans and specifications for the water plant chloramine conversions. He stated that the plans have been submitted to the TCEQ for approval.

Mr. Kirby reviewed the plans and specifications for the surface water treatment plant offsite utility extensions. He stated that the plans have been submitted to the TCEQ for approval.

Mr. Kirby discussed the design of the Pecan Lakes Floodplain Protection System. He reported that Congressman Pete Olson's office is assisting in securing a meeting with FEMA regarding the Pecan Lakes Flood Protection System.

Mr. Kirby reported on a meeting with Director Taylor regarding the water well no. 4 rework project. He requested authorization to design and advertise the water well no. 4 rework project.

Mr. Kirby updated the Board on the construction of point repairs to the slope of the east channel of the South ditch. He stated that the contractor completed the repairs and turf has been established. He reviewed and recommended payment of Pay Estimate No. 3 and Final in the amount of \$4,738.90 to L. N. McKean, Inc. and final acceptance of the contract.

Mr. Kirby updated the Board on the contract for the repair of the crack at the base of the elevated storage tank fill line. He reviewed and recommended payment of Pay Estimate No. 1 and Final in the amount of \$47,432.00 to Gemini Contracting Services, Inc., and final acceptance of the contract.

Mr. Kirby stated that AT&T has completed the construction of the driveway access from FM 359 necessary due to the Pecan Lakes levee. He recommended payment of an invoice from AT&T in the amount of \$95,995.55. He stated that the final amount is \$1,430.55 higher than originally estimated due to a field change to replace a portion of the jogging trail and a modification to the existing fence along the driveway.

Mr. Kirby stated that he will meet with Director Taylor and Director Stolleis to discuss the operator's request for items in connection with the belt press replacement.

Following review and discussion, Director Stolleis moved to approve the engineer's report and (1) approve the plans and specifications and authorize the engineer to advertise for bids for construction of the water plant chloramine conversions, contingent upon TCEQ approval of the plans; (2) approve the plans and specifications and authorize the engineer to advertise for bids for construction of the surface water treatment plant offsite utility extensions, contingent upon TCEQ approval of the plans; (3) authorize the engineer to design the plans and advertise for bids for the water well no. 4 rework project; (4) based upon the engineer's recommendation, approve Pay Estimate No. 3 and Final in the amount of \$4,738.90 for point repairs to the slope of the east channel of the South ditch, and final acceptance of the contract; (5) based upon the engineer's recommendation, approve Pay Estimate No. 1 and Final in the amount of \$47,432.00 for elevated storage tank repairs, and final acceptance of the contract; and (6) based upon the engineer's recommendation, approve payment of the invoice from AT&T in the amount of \$95,995.55. Director Kluppel seconded the motion, which passed by unanimous vote.

OUT-OF-DISTRICT SERVICE TO FBISD

Ms. Brook stated that she did not have any further update to the items discussed under the operator's report.

FINANCIAL AND BOOKKEEPING MATTERS AND ACCEPT ANNUAL DISCLOSURE STATEMENTS FOR INVESTMENT OFFICER AND BOOKKEEPER

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 presented to the Board the Public Funds Investment Act Disclosure Statements for the bookkeeper and investment officer. Ms. Humphries noted that the Disclosure Statements will be filed with the Texas Ethics Commission.

After review and discussion, Director Kluppel moved to approve the bookkeeper's report, investment report, payment of the District's bills, and to accept the Disclosure Statements under the Public Funds Investment Act and direct that the Statements be filed appropriately and retained in the District's official records. Director Minchew 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 reported on his attendance at the Fort Bend Flood Management Association meeting. He stated that the Association is planning to conduct a seminar on June 3, 2011.

COMMENTS FROM THE PUBLIC WHO HAVE SIGNED UP TO SPEAK

There were no comments from the public.

DEVELOPMENT AND MAINTENANCE OF PARKS

The Board reviewed a report on parks for January from the park manager, a copy of which is attached.

Director Krahn updated the Board on his meeting with Mr. Kirby to discuss the drainage and grading plan for Plantation Park being prepared by J&C.

Director Taylor reported that he had not heard from representatives of CenterPoint Energy on tree removal from Pecan Grove Park. Director Krahn stated that he will contact Dr. Boshart on options for free trees for Pecan Grove Park and contact the Park Manager regarding a new water fountain at Pecan Grove Park restrooms.

SECURITY MATTERS

Ms. Humphries stated that the District has received the 2010-2011 Agreement for Additional Law Enforcement Services with Fort Bend County ("2010-2011 Agreement") for patrol services to be provided by the Sheriff's Department. She added that the Board approved the budget proposal for the 2010-2011 Agreement in September, 2010, and the Sheriff's Department has been providing patrol services under that budget proposal. Ms. Humphries stated that Fort Bend County uses the identical Agreement for Additional Law Enforcement Services when patrol services are provided by the Sheriff's Department or Constable's Office. She added that the budget proposal attached to the Agreement for Additional Law Enforcement Services outlines whether services are provided by the Sheriff's Department or the Constable's Office.

Director Taylor stated that the homeowner associations in the District have indicated they are in favor of switching to the patrol services offered by the Constable's Office. After discussion, Director Minchew moved to send Fort Bend County a 30-day notice that the District will no longer use the patrol services of the Sheriff's Department

and approve execution of an Agreement for Additional Law Enforcement Services with services to be provided by the Constable's Office effective March 1, 2011, and authorize the President to execute the proposed budget outlining services to be provided by the Constable's Office. The motion died for lack of a second.

After further discussion, Director Stolleis moved to authorize ABHR to send a letter to the Fort Bend County Attorney reflecting (1) that the 2010-2011 Agreement for Law Enforcement Services provided for 30-days notice of termination so the Board is giving 30-days notice of termination of patrol services to the Sheriff's Department; (2) notice of the termination of patrol services being provided by the Sheriff's Department and authorize the President to execute a budget proposal from the Precinct 3 Constable's Office, with patrol services ending and beginning on March 1, 2011; and (3) authorize the President and Secretary to execute an Agreement for Additional Law Enforcement Services with Fort Bend County for services to be provided by the Constable's Office. Upon the question being called, Directors Stolleis, Taylor, Kluppel, and Krahn voted "Aye." Director Minchew abstained, and the motion passed. Director Stolleis recommended that the Board request the Sheriff's Department and the Constable's Office to work together to provide patrol coverage to the District during the transition of services.

ATTORNEY'S REPORT

Ms. Brook updated the Board on the status of negotiations with WSG Pecan Grove IV, LP ("WSG Pecan Grove") for a Deed and Easement for the Pecan Lakes Floodplain Protection System.

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 7:36 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 8:15 p.m. The Board asked Ms. Humphries to contact Bryan Jordan, the President and CEO of J&C, regarding the elevated storage tank repair claim, as discussed in executive session.

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 regarding the purchase, exchange, lease, or value of real property.

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.

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

Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

| | Minutes |
|--|-------------|
| | <u>Page</u> |
| report on garbage collection..... | 2 |
| tax assessor/ collector's report | 2 |
| EDP operations report for January, 2011 | 2 |
| Activity Report from Malcolm Pirnie on the surface water treatment plant | 3 |
| engineer's report | 4 |
| bookkeeper's report..... | 5 |
| January parks report..... | 6 |