

MINUTES  
PECAN GROVE MUNICIPAL UTILITY DISTRICT

January 26, 2010

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 January, 2010, 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, thus constituting a quorum.

Also present at the meeting were Mr. and Mrs. C. K. Dickenson, Susan Denkowski, Matthew Delatiente, and Jane Gray, residents of the District; Marquita Griffin of the Fort Bend Herald; Sheldon Buck of Malcolm Pirnie, Inc. ("Malcolm Pirnie"); Pat Naff of CDC Unlimited, L.L.C. ("CDC"); Jason Kirby of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Mike Ammel, Brea Campbell, and Andy Phelps of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Curtis Lacy and Kevin Atkinson of WCA Waste Corporation of Texas, LP ("WCA"); Cliff Kavanaugh of First Southwest Company; 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 22, 2009, meeting, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the minutes of the December 22, 2009, meeting. Director Kluppel 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 mowed along the jogging trail. He also reported that the bollards will be installed this week.

The Board discussed the installation of five-gallon bald cypress trees on the slope behind Ms. Gray's house. Mr. Naff stated that the trees cost \$10.00 each. The Board

requested that CDC install the bald cypress trees on the slope behind Ms. Gray's house as necessary.

Mr. Naff stated that there is a slope failure on the east drainage channel south of the main channel. He added that drainage problems that are causing water to pond on the bank above the slope need to be corrected. Mr. Naff discussed the possible installation of french drains to correct the drainage problem. The Board concurred that long term solutions and repairs to the slope failure need to be evaluated by J&C. The Board requested that J&C evaluate the slope failure and make recommendations on a long term solution and repairs.

#### 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 2009 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

Mr. Lacy distributed and reviewed a report on garbage collection in the District during the past month, a copy of which is attached. Mr. Lacy distributed and reviewed a letter to the Board regarding a proposal for an expanded recycling program. He discussed the possible use of either a 48-gallon or 64-gallon wheeled carts for curbside recycling. Mr. Lacy stated that due to the cost of the carts, a new contract for services for a four-year term is required. He stated that the current cost for garbage collection is \$13.12. Mr. Lacy stated that the total cost for garbage collection would be (1) \$13.79 a month using the 48-gallon wheeled cart or (2) \$14.00 a month using the 64-gallon wheeled cart. He added that the wheeled cart is easier for residents to use and adds aesthetic value to the community. Mr. Lacy stated that WCA has a new list of items that can be recycled for the residents, which will be available on a WCA web site. He added that the carts would be clearly labeled with a sticker reflecting "recycle" and a stamp with the WCA web site. Mr. Atkinson stated that he has received complaints from residents about the lack of wheels on the current recycle bins. Mr. Atkinson discussed the use of the carts in other communities. Mr. Lacy recommended taking the sample cart to homeowner meetings to discuss the possibility of the expanded recycling program. He added that 96-gallon wheeled trash cans are also available for use by the District. Mr. Lacy agreed to place samples of the wheeled carts at the District office for residents to consider. The Board tabled any action on the expanded recycling program.

## OPERATION OF DISTRICT FACILITIES

Mr. Ammel reviewed the EDP operations report for the month of January, 2010, a copy of which is attached, and which was provided previously to the Board.

Mr. Ammel distributed and reviewed a meter replacement report, a copy of which is attached. He stated that the report indicates that residential meters in excess of 1.5 million gallons are being replaced and three commercial meters need to be replaced. Mr. Ammel discussed various leak detection companies and services they provide for testing of water systems. He also discussed the possible use of a computer program that detects leaks in the system. Director Crow requested that Mr. Ammel request references from all companies that would be considered for leak detection services. Mr. Ammel stated that he will meet with Directors Taylor and Stolleis to discuss water accountability and measures to be taken to reduce the amount of lost water.

Director Stolleis left the meeting to attend the Federal Emergency Management Agency ("FEMA") workshop.

Mr. Phelps stated that there was an excursion on the wastewater treatment plant permit for the month of December for minimum chlorine. He added that the excursion was due to an automatic composite sampler malfunction on November 30, 2009. Mr. Phelps stated that a signal splitter was installed to prevent signal loss in the event of another malfunction. Mr. Phelps stated that the excursion was reported to the Texas Commission on Environmental Quality (the "TCEQ").

Mr. Phelps stated that EDP reviewed the plans submitted for the Pecan Grove Elementary School fire line tap. He added that EDP prepared a letter on the tap fee pursuant to the District's Rate Order. Mr. Phelps discussed the tap fee with the Board.

Mr. Phelps reviewed a memorandum to the Board from EDP regarding the schedule for flow testing of the fire hydrants, a copy of which is attached. He reviewed a new message for the next water bill regarding the upcoming flushing of the water lines.

After review and discussion, Director Crow moved to (1) approve the operator's report; and (2) approve the tap fee for the Pecan Grove Elementary School fire line tap. Director Kluppel seconded the motion, which passed 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 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 updated the Board on updates to the District's website. Director Crow reported that the newsletter will be produced every four months in the future.

#### 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 presented Task Order No. 9 for Archeological Investigation Services in the amount of \$9,528.05, a copy of which is attached. He stated that the investigation was required by the Texas Historical Commission and no items that impact the surface water plant project were found. After review and discussion, Director Crow moved to approve Task Order No. 9 pursuant to the Master Agreement for Professional Services between the District and Malcolm Pirnie in the amount of \$9,528.05 and direct that the Order be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed by unanimous vote.

Mr. Buck stated that he contacted LEM Construction Co., Inc. ("LEM") to request that they hold their bid price for construction of the surface water treatment plant for 120 days. He added that the District has received a letter stating that LEM will hold the price for 120 days. Mr. Buck stated that LEM has requested a letter of intent from the District on award of the project. He stated that he will provide a letter to LEM reflecting that the District intends to award the contract subsequent to the sale of the Series 2010 Bonds that will fund the project.

The Board concurred to table action on the J&C proposal for engineering services for construction contract administration and field project representation for the surface water plant.

Ms. Brook stated that the System Raw Water Availability Agreement between the Gulf Coast Water Authority (the "GCWA") and the District has been fully executed by both parties.

Ms. Brook stated that the Assignment of the System Water Availability Agreement with the Brazos River Authority which reflects the assignment of the System Water Availability Agreement between the Brazos River Authority and the District to the GCWA, as required by the System Raw Water Availability Agreement, has been fully executed by both parties.

The Board discussed the design of the delivery point facilities. After discussion, Director Crow moved to authorize Malcolm Pirnie to commence design of the delivery point facilities. Director Kluppel seconded the motion, which passed unanimously.

Mr. Kavanaugh discussed a time schedule for the Series 2010 Bonds. The Board concurred to conduct the bond sale on February 16, 2010, at 5:30 p.m., at the Pecan Grove Municipal Utility District Customer Service Office. Mr. Kavanaugh stated that he and Director Taylor will meet with Moody's Investor Service to discuss the rating application on the bonds on February 3, 2010.

Director Kluppel discussed the design of a SCADA System for the surface water treatment plant. The Board requested that Mr. Buck prepare Task Order No. 10 for engineering fees for the design of the SCADA System for discussion at the next meeting. The Board requested that Mr. Buck coordinate with Mr. Istre of the GCWA during the design process of the SCADA System.

Ms. Humphries stated that the District can submit an application to the TCEQ to request approval of a change in project scope due to the revised cost summary which now reflects one year of capitalized interest and the reduction of the projected interest rate previously approved in the TCEQ order. She added that the application would also request the TCEQ to approve the use of the surplus funds resulting from the change in scope for surface water distribution projects, including water plant connections and emergency generators (the "Projects"). After review and discussion, Director Crow moved to adopt a Resolution Authorizing Application to the Texas Commission on Environmental Quality for Change in Scope, reflecting a request to change the project scope and to use surplus funds for the Projects, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed by unanimous vote.

Ms. Humphries stated that the District can apply to the TCEQ to rescind the requirement that the District escrow funds under the TCEQ Order Approving the Series 2010 bond issue for the purchase and installation of the emergency generators at the District's water plants nos. 2 and 3 (the "Generators"). After review and discussion, Director Crow moved to adopt a Resolution Authorizing Application to the Texas Commission on Environmental Quality Requesting Approval of the Release of Funds from Escrow for the Generators, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

Mr. Kirby stated that the evaluation of storage options in connection with a control structure within Oyster Creek should be discussed again once the GCWA has finalized its bed and banks permit for the use of the banks of Oyster Creek to transport water from the Brazos River.

## 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 discussed re-certification of the levee and the FEMA flood plain re-mapping. He stated that based upon comments from FEMA, J&C is revising the Operations and Maintenance Manual to include additional information on the WIPP System. He added that FEMA has requested additional information on the geotechnical condition of the levee, which requires new soil borings. Mr. Kirby stated that he obtained a proposal from Murillo Company to conduct the soil borings. He stated that J&C will ask FEMA if there are options other than the soil borings. The Board tabled action on this matter.

Mr. Kirby discussed the design of the Pecan Lakes flood plain protection system. He stated that Fort Bend County is reviewing the Pecan Lakes and Expanded Commercial Flood Protection System Request for Conditional Letter of Map Revision.

Mr. Kirby discussed the design of the AT&T and Pecan Grove Country Club improved driveway access from FM 359 necessary due to the Pecan Lakes levee. He reviewed a preliminary cost estimate for the design in the amount of \$43,900, a copy of which is attached to the engineer's report. He stated that representatives from AT&T have indicated that AT&T will require that improvements to the AT&T facilities, including driveways, be performed by an AT&T contractor. Mr. Kirby stated that AT&T will prepare a cost estimate to perform the work and request that the District fund the project. The Board concurred that no action was necessary at this time. Mr. Kirby stated that the Pecan Grove Country Club requested a driveway to the maintenance shed. Director Crow requested that "No Parking" be painted in yellow on the driveway to protect the jogging path.

Mr. Kirby stated that the Texas Department of Transportation ("TxDOT") requested that the Board approve and authorize execution of the Advance Funding Agreement for Voluntary Local Government Contributions to Transportation Improvement Projects with No Required Match between the District and TxDOT for the FM 359 project. After review and discussion, Director Crow moved to approve and authorize execution of the Advance Funding Agreement for Voluntary Local Government Contributions to Transportation Improvement Projects with No Required Match and direct that the Agreement be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

Mr. Kirby reported that the contracts for the recoating and repairs to water plant no. 3 have been prepared and will be executed once the bonds have been approved.

Mr. Kirby reviewed bids received by the District for generators at water plants nos. 2 and 3. He recommended award of the contract to Gemini Contracting Services, with a base bid plus alternate A2, in the amount of \$512,000. The Board concurred that in its judgment, Gemini Contracting Services 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 Crow moved that based upon the engineer's recommendation, the Board award the contract to Gemini Contracting Services in the amount of \$512,000 for generators at water plants nos. 2 and 3. Director Kluppel seconded the motion, which passed by unanimous vote.

Mr. Kirby discussed moving two space generators to water plant no. 1 and the remote well site. He requested that ABHR evaluate the Environmental Protection Agency's standing on moving the generators.

Mr. Kirby presented the District's Chapter 210 Effluent Reuse Application.

Mr. Kirby stated that J&C is working on the inlet inspections for year three in connection with the MS4 Stormwater Management Plan.

Mr. Kirby stated that Fort Bend Independent School District ("FBISD") is currently reviewing the Agreement for Out-of-District Service between the District and FBISD (the "Agreement"). Mr. Kirby stated that the location of the water line to serve the school needs to be finalized. Ms. Humphries stated that an easement will be needed for the water line, which will be owned by the District. Ms. Humphries stated that ABHR will send a letter to the FBISD reflecting that the FBISD should not proceed until the Agreement has been finalized. Mr. Kirby stated that the FBISD meter is placed in a dedicated easement on the school site along with backflow prevention equipment. He added that the water line is to be placed in a dedicated easement along the Plantation Drive right-of-way. Mr. Kirby stated that if FBISD uses a double check valve it will be placed in an underground vault. He added that if FBISD uses an RPZ type of backflow preventor, due to use of the sprinklers, it may be placed above ground.

Ms. Humphries stated that Senate Bill 361 addresses emergency operations of certain water service providers during extended power outages. She added that the District is not required to comply with Senate Bill 361 and file an Emergency Preparedness Plan with the TCEQ at this time. Ms. Humphries stated that once the 2010 Census is adopted, the District may be required to adopt an Emergency Preparedness Plan and file it with the TCEQ. The Board concurred no action was necessary.

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.

## 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. After review and discussion, Director Crow moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Kluppel seconded the motion, which passed unanimously.

## RESOLUTION EXPRESSING INTENT TO REIMBURSE OPERATING ACCOUNT

The Board took no action on this agenda item.

## REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

Mr. Kirby stated that FEMA's Final Community Coordination meeting is tonight to discuss the timeline of final FEMA maps for Fort Bend County. The Board thanked Director Kluppel for all of his work on the System Water Availability Agreement between the District and the GCWA. Director Taylor stated that he will attend an upcoming coordination meeting with other entities contracting with the GCWA.

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

Director Kluppel reported on the activities of the Fort Bend Flood Management Association ("FBFMA"). He stated that he is serving on the executive committee of the FBFMA. Director Kluppel updated the Board on the Association's Bylaws, creation of rules of enforcement to protect the levees, an emergency plan, and legislative efforts.

## ATTORNEY'S REPORT

Director Stolleis returned to the meeting.

Ms. Humphries reviewed a Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions. After review and discussion, Director Crow moved to adopt the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed unanimously.

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 Crow moved 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 Stolleis seconded the motion, which carried unanimously.

#### REPORTS FROM DIRECTORS

Director Stolleis reported on the FEMA Final Community Coordination meeting regarding the Fort Bend County FEMA maps. He discussed the upcoming publication in the Federal Register and local newspaper of FEMA notices regarding the maps. Director Stolleis reviewed the appeal process and FEMA's schedule for finalizing the maps.

#### COMMENTS FROM THE PUBLIC

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.

Ms. Brook reviewed an Agreement for Development of Recreational Facilities between the District and the Pecan Grove Athletic Association. After review and discussion, Director Crow moved to (1) approve an Agreement for Development of Recreational Facilities between the District and the Pecan Grove Athletic Association with an annual contribution amount of \$10,000 and direct that the Agreement be filed appropriately and retained in the District's official records, and (2) authorize the termination of the Agreement for Development of Recreational Facilities between the District and the Pecan Grove Athletic Association dated August 30, 1994. Director Minchew seconded the motion, which carried unanimously.

Director Crow updated the Board on landscaping plans for Plantation Park. He stated that he and Director Minchew will meet with Greenscape Landscaping regarding the design of an initial landscaping plan at Plantation Park this week.

#### REPORT ON SECURITY MATTERS

There was no report on security matters.

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

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 CHAPTER 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION

The Board did not convene in executive session regarding pending or contemplated litigation.

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

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Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
tax assessor/collector's report .....	2
report on garbage collection .....	2
EDP operations report for the month of January, 2010 .....	3
meter replacement report .....	3
memorandum from EDP regarding schedule for flow testing the fire hydrants .....	3
Activity Report from Malcolm Pirnie, Inc. ....	4
Task Order No. 9 for Archeological Investigation Services .....	4
engineer's report .....	6
preliminary cost estimate for design of improved driveway access .....	6
bookkeeper's report .....	8
January parks report .....	9