

MINUTES  
PECAN GROVE MUNICIPAL UTILITY DISTRICT

March 29, 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 29th day of March, 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 Chuck Bertrand, Lee Dorger, Kevin Patton, Kirk Boyd, Robert Barta, and Mr. and Mrs. C. K. Dickenson, residents of the District; Constable Rob Cook, Fort Bend County, Precinct 3; Bryan Jordan, Jason Kirby, and Bethany Miller of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Clayton Galloway, Donald Wilson, Doug Owen, Breah Campbell, and Mike Ammel of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Kevin Atkinson of WCA Waste Corporation of Texas, LP; Sheldon Buck of Malcolm Pirnie, Inc. ("Malcolm Pirnie"); Pat Naff of CDC Unlimited, LLC ("CDC"); Don Dulin of DonDulin.com; 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 February 22, 2011, 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 February 22, 2011, meeting. Director Krahn seconded the motion, which carried unanimously.

SECURITY MATTERS

Constable Cook updated the Board on security matters and stated that he will be sending the Board members a monthly written report on security matters next week.

CONTRACT FOR ELECTRICITY WITH TXU ENERGY

Director Taylor noted that the District's contract for electricity with TXU Energy expires December 31, 2011. He stated that he contacted TXU Energy, Reliant, and Direct

Energy. Director Taylor added that TXU Energy will be proposing a new blend and extend contract to the District.

#### DITCH, LEVEE MAINTENANCE, AND REPAIRS

Mr. Naff reported on ditch, levee maintenance, and repairs. He stated that the grass is thin in an area on the outside of the levee in Plantation Place due to the live oak trees. Director Taylor stated that the Plantation Place Homeowners Association needs to trim the trees. Mr. Naff stated that CDC sprayed the alligator weeds in the ditch. Mr. Naff recommended that CDC be authorized to fertilize the levee. After discussion, Director Kluppel moved to authorize CDC to fertilize the levee. Director Krahn seconded the motion, which passed unanimously.

#### GARBAGE COLLECTION AND RECYCLING SERVICES

Mr. Atkinson distributed and reviewed a report on garbage collection in the District during the past month, a copy of which is attached. Mr. Atkinson stated that WCA will prepare a more detailed report on garbage collection and recycling services pursuant to Director Stolleis's request.

#### 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 Krahn seconded the motion, which passed by unanimous vote.

#### RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

Ms. Brook reviewed a Resolution Concerning Exemptions from Taxation. After review and discussion, Director Krahn moved to adopt a Resolution Concerning Exemptions from Taxation, reflecting that the Board of Directors rejects any exemptions of residential homesteads, rejects any exemption of travel trailers from ad valorem taxation, and grants a \$25,000 exemption for persons over 65 years of age and for disabled persons, 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.

#### OPERATION OF DISTRICT FACILITIES

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

Director Minchew arrived at the meeting.

Mr. Ammel reviewed the water loss audit and the annual Water Conservation Plan report with the Board. He updated the Board on the acoustic leak detection being performed in the District.

Mr. Ammel stated that the control panel at lift station no. 5 needs to be replaced. The Board requested that J&C prepare specifications for the replacement control panel at lift station no. 5.

Mr. Ammel stated that lift pump no. 2 at lift station no. 8 needs to be replaced. He stated that All-Pump & Equipment Co. has quoted a price of \$6,611.50. The Board requested that J&C coordinate with EDP to select the pump to replace pump no. 2 at lift station no. 8.

After review and discussion, Director Kluppel moved to (1) approve the operator's report; (2) approve the Water Loss Audit and authorize EDP to submit the audit to the Texas Water Development Board; (3) approve the Water Conservation Plan annual report and authorize EDP to submit the report to the Texas Water Development Board; (4) authorize J&C to prepare specifications for the control panel at lift station no. 5; and (5) approve replacement of lift pump no. 2 at lift station no. 8 at a cost not to exceed \$6,611.50. Director Krahn seconded the motion, which carried unanimously.

#### DEVELOPMENT AND MAINTENANCE OF PARKS

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

Director Krahn discussed the drainage and grading plan being prepared by J&C for Plantation Park (the "Park"). Mr. Kirby stated that the landscape architect, GreenScape Associates, LLC ("GreenScape") needs to complete the plans for the landscaping at the Park. Director Minchew requested that the flagpoles be installed at the Park prior to Memorial Day. Director Krahn recommended that J&C be authorized to proceed with finalizing the plans and soliciting bids for the landscaping and improvements project for the Park. After review and discussion, Director Kluppel moved to (1) authorize GreenScape to finalize the landscape plans at a cost not to exceed \$1,500; (2) authorize J&C to take the lead on the project with Chuck Bertrand; (3) authorize location for the entry way and flagpole locations; and (4) authorize J&C to prepare for advertisement and solicit bids for the landscaping and improvements including flagpoles as separate from the overall project for the Park. Director Minchew seconded the motion, which passed unanimously. Mr. Kirby stated that he will meet with Director Krahn and representatives of GreenScape to finalize the plans.

Director Taylor reported he has not yet been able to communicate with representatives of CenterPoint Energy on tree removal from Pecan Grove Park. Director Krahn stated that he is working on options for free or replacement trees for Pecan Grove Park.

Director Stolleis arrived at the meeting. Director Minchew left the meeting.

## 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 Stolleis seconded the motion, which passed unanimously.

## DISTRICT NEWSLETTER AND WEBSITE

Director Stolleis reported that the District newsletter has been sent out and posted on the District's website.

Director Stolleis stated that the District's website will be managed by Don Dulin as of April 15, 2011. He added that the District will discontinue the Texas Network website services contained in the Payne Agreement as of May 1, 2011.

## 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. In response to an inquiry from Director Kluppel, Mr. Buck stated that the contractor is two weeks behind schedule on the project and he plans to meet with the contractor. Director Kluppel stated that the surface water committee will discuss the delay in the schedule at its meeting next week. Ms. Humphries noted that Malcolm Pirnie needs to keep written records of all discussions of the schedule with the contractor.

Mr. Buck reviewed and recommended approval of Pay Estimate No. 11 from LEM Construction in the amount of \$1,035,035.85. Mr. Buck recommended payment of Invoice No. 10 from Terracon in the amount of \$8,296.75. After review and discussion, Director Kluppel moved, based upon Mr. Buck's recommendation, to (1) approve Pay Estimate No. 11 in the amount of \$1,035,035.85 to LEM Construction; and (2) approve payment to Terracon in the amount of \$8,296.75. Director Stolleis seconded the motion, which passed 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 stated that J&C is addressing comments from the Texas Commission on Environmental Quality ("TCEQ") on the plans for the Water Plant Nos. 1, 2, and 3 chloramine conversions. Mr. Kirby reviewed the plans and specifications for the Water Plant Nos. 1, 2, and 3 chloramine conversions. After review and discussion, Director Kluppel moved to approve the plans and specifications and authorize the engineer to advertise for bids for construction of the Water Plant Nos. 1, 2, and 3 chloramine conversions contingent upon approval of the plans and specifications by the TCEQ. Director Stolleis seconded the motion, which passed unanimously.

Mr. Kirby reviewed the tabulation of bids received by the District for the construction of surface water treatment plant offsite utility extensions and recommended that the Board award the contract based on the bid plus Alternates A1 and A2 to Hurtado Construction Company ("Hurtado") in the amount of \$2,065,818. Mr. Kirby stated that Alternates A1 and A2 include additional work necessary to deliver surface water to water plant no. 1. The Board concurred that in its judgment, Hurtado 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 construction of surface water treatment plant offsite utility extensions to Hurtado in the amount of \$2,065,818 and direct that the tabulation of bids be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed by unanimous vote.

Mr. Kirby discussed the design of the Pecan Lakes Floodplain Protection System. He reviewed proposals from SMC Consulting for environmental services and Aviles for geotechnical services required by FEMA.

Mr. Kirby stated that the Water Plant Nos. 2 and 3 generator replacements are complete. He reviewed the Certificate of Completion and recommended payment of Final Pay Estimate No. 3 in the amount of \$65,600 to Gemini Contracting Services, Inc. ("Gemini") and final acceptance of the contract.

Following review and discussion, Director Kluppel moved to (1) approve the engineer's report, (2) accept proposals from SMC Consulting and Aviles; and (3) based upon the engineer's recommendation, approve Final Pay Estimate No. 3 in the amount of \$65,600 to Gemini, final acceptance of the contract, and direct that the Certificate and Pay Estimate be filed appropriately and retained in the District's official records. Director Krahn seconded the motion, which passed by unanimous vote.

#### OUT-OF-DISTRICT SERVICE TO FORT BEND COUNTY INDEPENDENT SCHOOL DISTRICT

Ms. Brook stated that an invoice was sent to Fort Bend County Independent School District for the additional outstanding amounts due for the feasibility and for additional work that J&C will need to perform in coordination with service to the school.

## COMMENTS FROM THE PUBLIC

Mr. Dorger requested design information on the Pecan Lakes levee. The Board requested that J&C send the conceptual design plans to Mr. Dorger.

## 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 Krahn moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Stolleis 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

Ms. Humphries reported on Judge Hebert's comments on the County's role in connection with levees at a recent Fort Bend Flood Management Association meeting.

## COMMENTS FROM THE PUBLIC WHO HAVE SIGNED UP TO SPEAK

Mr. Boyd reported on the Pecan Grove Volunteer Fire Department.

## ATTORNEY'S REPORT

Ms. Brook reviewed a Resolution Expressing Intent to Reimburse with the Board. She stated that the Resolution reflects that the District will reimburse the District's operating account for the construction of surface water treatment plant offsite utility extensions from future released escrowed funds from the \$32,000,000 Series 2010 Bonds.

Ms. Brook stated that OmniCap Group L.L.C. has completed the Interim Excess Earnings Report on the Series 2005 Bonds. She stated that the report reflects that no yield reduction payment is due to the Internal Revenue Service.

After review and discussion, Director Kluppel moved to (1) adopt a Resolution Expressing Intent to Reimburse, and direct that the Resolution be filed appropriately and retained in the District's official records and (2) accept the Interim Excess Earnings Report for the Series 1995 Bonds, and direct that the Report be filed appropriately and retained in the District's official records. Director Krahn seconded the motion, which passed unanimously.

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 THE SECTION 551.072, TEXAS GOVERNMENT CODE, TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

At 7:12 p.m., Director Taylor announced that the Board would convene in executive session to deliberate the purchase, exchange, lease, or value 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 7:45 p.m. After discussion, Director Krahn moved to (1) authorize ABHR to negotiate the purchase of land from Pecan Grove Baptist Church, Geraldine Abb-Ivey, Houston Community Bank, and HQ 359, LLC; (2) authorize an appraisal in connection with the offer to HQ 359, LLC; and (3) approve and authorize execution of a Water and Sewer Line Easement (0.072 acres) and a Water and Sewer Line Easement (0.037 acres) to the City of Richmond, contingent upon final approval by ABHR, and direct that the Easements be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which carried unanimously.

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 7:45 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 7:47 p.m. The Board took no action.

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

At 7:48 p.m., Director Taylor announced that the Board would convene in executive session to deliberate the deployment or specific occasions for implementation of security personnel or devices.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION  
REGARDING THE DEPLOYMENT OR SPECIFIC OCCASIONS FOR  
IMPLEMENTATION OF SECURITY PERSONNEL OR DEVICES

Director Taylor announced the Board would reconvene in open session at 8:02 p.m. The Board took no action.

CONDUCT ANNUAL REVIEW OF ATTORNEY

The Board conducted an annual review of the attorney.

The Board concurred to proceed with annexation of the surface water plant site into the District's boundaries.

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

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Secretary, Board of Directors

(SEAL)

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