

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

May 25, 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 25th day of May, 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 Michael Damoiseaux, Jim Keller, Conley Shepherd, Paul Metcalf, Kirk Boyd, Austin Evans, and Chuck Bertrand, residents of the District; Dan McDonald of Anco-McDonald Waterworks Insurance Services, L.L.C.; Jason Kirby and Bethany Miller of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Doug Owen, Breah Campbell, and Mike Ammel of Environmental Development Partners, L.L.C. ("EDP"); Mary Ann Mihills of McLennan & Associates, L.P.; Kevin Atkinson and Sylvia Avila of WCA Waste Corporation of Texas, LP; Sheldon Buck of Malcolm Pirnie, Inc. ("Malcolm Pirnie"); Marquita Griffin of the Fort Bend Herald; and Lynne B. Humphries, Hannah Brook, and Janet Swartz of Allen Boone Humphries Robinson LLP.

MINUTES

The Board considered approving the minutes of the April 22 and 27, 2010, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the minutes of the April 22 and 27, 2010, meetings. Director Crow seconded the motion, which was approved by unanimous vote.

DITCH, LEVEE MAINTENANCE, REPAIRS

There was no report on ditch and levee maintenance.

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.

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

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. Mr. McDonald stated that the proposal for comprehensive boiler and machinery will be revised to reflect the following deductibles: (1) 30% of loss subject to a \$25,000 minimum to wells, in any one occurrence, excluding lift pumps; (2) \$5,000 for all other boiler and machinery equipment, in any one occurrence and \$5,000 for any other covered equipment. Mr. Kirby stated that the surface water plant will be included in the values once the construction contract is complete and accepted by the District. After review and discussion, Director Stolleis 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. upon receipt of the revised proposal for the comprehensive boiler and machinery policy, and direct that the proposal be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which carried by unanimous vote.

OPERATION OF DISTRICT FACILITIES

Mr. Ammel reviewed the EDP operations report for the month of May, 2010, a copy of which is attached, and which was provided previously to the Board. He updated the Board on the replacement and repair of the probes and controls at water plant no. 3.

Mr. Ammel stated that the Board authorized repair of the sludge press at the wastewater treatment plant at a cost not to exceed \$15,000 and in consultation with Director Taylor, at the last meeting. He added that the repairs to the sludge press were completed and the total cost was \$13,855.

Mr. Ammel stated that blower no. 1 at the wastewater treatment plant has been evaluated and an overhaul and new motor will cost \$15,136. He added that he is reviewing options and will make a recommendation at the next meeting.

Mr. Ammel stated that the no. 4 motor at water plant no. 1 needs to be replaced. He stated the cost for a new motor is \$4,010.

Mr. Ammel distributed and reviewed the Consumer Confidence Report (“CCR”) with the Board. 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”) upon final approval by Director Taylor, and direct that the CCR be filed appropriately and retained in the District’s official records. Director Stolleis seconded the motion, which passed by unanimous vote.

Mr. Owen updated the Board on EDP’s use of acoustic leak detection equipment to survey segments of the water distribution system. He stated that the equipment is used on service calls and several leaks have been found by the equipment. Director Taylor requested that EDP note on future service orders the manufacturer of the water pipes removed and replaced.

Director Minchew arrived at the Board meeting.

Mr. Ammel updated the Board on the demonstration of a leak corrolator conducted in the District for the detection of leaks. He stated that the system costs approximately \$26,500. Mr. Ammel stated that he will obtain three proposals for a leak corrolator system and consult with Directors Taylor and Stolleis.

Mr. Ammel discussed the construction of Highway 359 and the District’s water line that crosses Highway 359. Mr. Kirby stated that J&C will have the District’s northern water line location that crosses Highway 359 for Pecan Lakes staked according to construction records. He added that J&C will report the location to EDP so EDP can excavate and field locate the water line in preparation for construction on Highway 359.

After review and discussion, Director Crow moved to (1) approve the operator’s report; (2) authorize replacement of the no. 4 motor at water plant no. 1 at a cost of \$4,010.00; and (3) approve the purchase of leak corrolator equipment contingent upon the final approval of Directors Taylor and Stolleis. Director Stolleis seconded the motion, which passed by unanimous vote.

The Board requested that EDP post a message on the water bill and website regarding the surface water fee increase.

In response to a question from Mr. Boyd, Director Stolleis discussed the District’s efforts to locate and repair leaks in the District.

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 Stolleis seconded the motion, which passed unanimously.

DISTRICT NEWSLETTER AND WEBSITE

Mr. Ammel reported on updates to the District's website and the preparation of the newsletter. He stated that the next newsletter will contain an update on recycling and security.

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. He then reviewed an agreement between the District and CenterPoint for the installation of utility extensions to provide power to the surface water plant site. Mr. Buck stated that the contractor will pay CenterPoint and include the cost in a pay estimate. He added that a \$30,000 allowance for this cost was included in the contract. Mr. Buck stated that he will meet with Directors Taylor and Stolleis to review additional requirements of the Gulf Coast Water Authority in connection with the plant to include in a Task Order.

Mr. Buck updated the Board on the construction of the surface water treatment plant. He reviewed and recommended approval of Invoice No. 1 from Terracon for construction materials testing in the amount of \$5,846.50. After review and discussion, Director Stolleis moved that, based upon Mr. Buck's recommendation, the Board approve Invoice No. 1 in the amount of \$5,846.50 from Terracon. Director Kluppel seconded the motion, which passed unanimously.

Mr. Buck reviewed and recommended approval of Pay Estimate No. 1 from LEM Construction in the amount of \$688,271.40. After review and discussion, Director Stolleis moved that, based upon Mr. Buck's recommendation, the Board approve Pay Estimate No. 1 in the amount of \$688,271.40 to LEM Construction. Director Kluppel seconded the motion, which passed unanimously.

In response to a question from Mr. Metcalf, Director Taylor discussed the District's construction of the surface water plant.

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 updated the Board on re-certification of the levee and the Federal Emergency Management Agency ("FEMA") flood plain re-mapping.

Mr. Kirby discussed the possible establishment of a GIS system that will contain the District's boundary map and the water, sanitary sewer, storm sewer, and levee layouts. Director Stolleis requested that Mr. Kirby prepare a cost estimate for the GIS system and coordinate with EDP on the contents.

Mr. Kirby discussed options for replacement of a belt filter press at the wastewater treatment plant. Mr. Kirby stated that he will coordinate with Director Kluppel, Mike Ammel, Andy Phelps, and Doug Owen and make a recommendation on the project. Director Kluppel requested that Mr. Kirby add the cost of the belt filter press to the budget to be discussed in August.

Mr. Kirby discussed the water well performance reports. He stated that after review of the results, he recommends the Board budget for possible reworking of the wells.

Mr. Kirby discussed the plans for the Surface Water Treatment Plant offsite utility extensions. He stated that the District will need to obtain an easement from WSG Pecan Grove IV, LP for the utility extensions. Ms. Humphries requested that J&C send WSG Pecan Grove IV, LP the survey of the easement that is needed.

Mr. Kirby stated that J&C is coordinating with AT&T, TxDOT, and Fort Bend County on the plans for the design of the improved driveway access from FM 359 necessary due to the Pecan Lakes levee. Mr. Kirby discussed the design of the Pecan Lakes Floodplain Protection System. He stated that the District's Pecan Lakes and Expanded Commercial Flood Protection System Request for Conditional Letter of Map Revision is pending at FEMA. Mr. Kirby updated the Board on meetings with landowners affected by the proposed Pecan Lakes levee. Ms. Brook updated the Board on the conveyance of a reserve by the Pecan Lakes Homeowners Association to the District that will be used for the levee. In response to a question from Mr. Boyd, Director Taylor discussed the financing of the Pecan Lakes Floodplain Protection System.

Mr. Kirby updated the Board on the construction of point repairs to the slope of the east channel of the South ditch.

Mr. Kirby reported on the recoating and repairs to water plant no. 3. He reviewed and recommended payment of Pay Estimate No. 2 in the amount of \$99,000 to Dunham Engineering. After review and discussion, Director Crow moved that, based upon the engineer's recommendation, the Board approve Pay Estimate No. 2 in the amount of \$99,000 to Dunham Engineering. Director Kluppel seconded the motion, which carried unanimously.

Mr. Kirby updated the Board on the contract for the generators at water plants nos. 2 and 3.

Mr. Kirby updated the Board on review of the Fort Bend Independent School District Middle School No. 14 water line extension plans. Following review and

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

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Mihills 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. She reported that the District received a credit from Fort Bend County in the amount of \$19,575.35 for law enforcement services. The Board thanked Director Minchew on his efforts to obtain the credit. After review and discussion, Director Stolleis moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Crow seconded the motion, which passed unanimously.

TRAVEL REIMBURSEMENT GUIDELINES AND DIRECTOR EXPENSES FOR THE ASSOCIATION OF WATER BOARD DIRECTORS SUMMER CONFERENCE

The Board discussed fees of office and expenses in connection with the Association of Water Board Directors summer conference. After discussion, Director Crow moved to authorize up to four per diems for attendance at the conference, a maximum of two meals a day, and three nights at a hotel at the conference rate. Director Minchew seconded the motion, which passed by unanimous vote.

COMMENTS FROM THE PUBLIC

Mr. Damoiseaux stated that he is a resident of Pecan Lakes and he submitted a letter to the District regarding the plans for the Pecan Lakes Flood Plain Protection System. He discussed issues associated with the plans for the system including funding, the effect on 26 homeowners, and flood insurance. Mr. Damoiseaux recommended that a survey be done of the homes before and after construction of the system. He addressed his concerns. Mr. Kirby stated that the requirements for the levee are defined by FEMA and the District is building the levee in order to comply with new flood plain levels to maintain the value of the homes. Director Taylor stated that once FEMA approves the Conditional Letter of Map Revision, the District's engineer can finalize the plans and meet with the homeowners.

In response to a question from Mr. Boyd, Director Taylor stated that the Board received a preliminary report on fire services and review of the report is not complete.

REPORTS FROM DIRECTORS, DISTRICT CONSULTANTS AND FORT BEND FLOOD MANAGEMENT ASSOCIATION MEETINGS

Director Kluppel reported on the activities of the Fort Bend Flood Management Association ("FBFMA"). He stated that the FBFMA will conduct the Fort Bend Flood Management Association 1st Annual Symposium on Flood Risk Reduction on June 4, 2010. Directors Taylor and Kluppel stated they would attend the Symposium.

DEVELOPMENT AND MAINTENANCE OF PARKS

The Board reviewed a report on parks for May from the park manager, a copy of which is attached. After review and discussion, Director Crow moved to approve an Irrigation Addendum to the Service Agreement with GreenScape Associates, LLC. Director Kluppel seconded the motion, which passed unanimously.

REPORT ON SECURITY MATTERS

Director Minchew updated the Board on the credit received from Fort Bend County with respect to the contract for additional law enforcement for 2009 and the first quarter of 2010.

ATTORNEY'S REPORT

Ms. Brook 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 Crow 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 Stolleis seconded the motion, which carried by unanimous vote.

Ms. Humphries reviewed a Certificate of Election reflecting that Buddy Kluppel and John Minchew have been elected to the Board of Directors for a four-year term. After review and discussion, Director Crow moved to approve the Certificate of Election and direct that the Certificate be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed by unanimous vote.

Director Crow submitted his resignation from the Board of Directors. After review and discussion, Director Stolleis moved to accept Director Crow's resignation from the Board of Directors. Director Kluppel seconded the motion, which passed by unanimous vote. Ms. Humphries noted that Director Crow would remain on the Board until the Board appoints his replacement. The Board thanked Director Crow for his efforts and dedication to the Pecan Grove community.

Director Crow moved to accept the Sworn Statements, Bonds, and Oaths of Office for Directors Kluppel and Minchew, authorize the attorney to file the Oaths of Office with the Secretary of State, and direct that the Statements, Bonds, and Oaths be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed by unanimous vote.

The Board discussed reorganization. Director Crow moved to retain the current positions on the Board, which are as follows:

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

Director Stolleis seconded the motion, which passed by unanimous vote.

The Board next considered authorizing execution of a District Registration Form reflecting the new Board of Directors and terms of office. After review and discussion, Director Crow moved to authorize the President to execute the District Registration Form and direct that the Form be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed unanimously.

The Board tabled discussion on the Open Meetings Act and Public Information Act Training Requirements and the conflict of interest disclosure required under Chapter 176 of the Texas Local Government Code.

The Board concurred that the following directors would temporarily work on the following committees:

John Minchew	Parks/Fire Department
G. E. Kluppel	Newsletter
Joe Taylor	Operations
Richard Stolleis	Levee/Drainage

Director Stolleis reported that the District has received the executed Agreement between the District and the Fort Bend Subsidence District for installation of an elevation monitor.

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, INCLUDING CONDEMNATION PROCEEDING

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.

Secretary, Board of Directors

(SEAL)

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