

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

May 29, 2012

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 May, 2012, 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:

Chad Howard	President
Randy Vance	Vice President
Buddy Kluppel	Secretary
Kirk Boyd	Assistant Vice President/ Assistant Secretary
John Minchew	Assistant Vice President/ Assistant Secretary

and all of the above were present.

Also present at the meeting were residents of the District listed on Exhibit A attached hereto; Joe Taylor and Fred Ross, residents of the District; Michael Kennedy of Arcadis, U.S., Inc.; Bob Jones, Jason Kirby, Scott Saenger, Bryan Jordan and Bethany Miller of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Mike Ammel, Ben Connelley, Clayton Galloway, Doug Owen and Breah Campbell of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Kevin Atkinson of WCA Waste Corporation of Texas, LP ("WCA"); Deputies Edward Gordon and James Eleckel of the Fort Bend County Constable's Office, Precinct 3; Pat Naff of CDC Unlimited, LLC ("CDC"); Greg Lentz of First Southwest Company; Dan McDonald of SIG/McDonald & Wessendorff; Rodney Vannerson and Dominic Cashiola of Classic Messaging, LLC; Paul Marks of Water Logic; and Lynne Humphries and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

REMARKS FROM THE BOARD PRESIDENT

Director Howard introduced the new members of the Board and recognized outgoing Board President, Joe Taylor, for 12 years of service to the District.

RESOLUTION COMMENDING JOE TAYLOR FOR 12 YEARS OF SERVICE TO
PECAN GROVE MUNICIPAL UTILITY DISTRICT

Upon a motion by Director Minchew and a second by Director Kluppel, the Board unanimously approved a Resolution Commending Joe Taylor for 12 Years of Service to Pecan Grove Municipal Utility District.

COMMENTS FROM THE PUBLIC

The following individuals, residents of the District listed on Exhibit A attached hereto, commented generally regarding drainage issues during significant rain events during January and May, 2012: Kevin Welch, Paul Metcalf, Jim Stevens, Chris Lyons, Lenore Mensik, Barbara Koenig, Brent Blakely, Wendy Hale-Erlich, Jim Ashmore and Catherine Feiser.

Ms. Feiser also distributed a letter to the Board, a copy of which is attached, addressing several issues.

Ms. Feiser also commented regarding security.

The Board also received correspondence from Holly Zarate, a copy of which is attached, addressing several issues.

MINUTES

The Board considered approving the minutes of the April 24, 2012, regular meeting, the May 3, 2012, special meeting and the May 15, 2012, special meeting, all of which were prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the minutes of the April 24, 2012, regular meeting, the May 3, 2012, special meeting and the May 15, 2012, special meeting, as submitted. Director Boyd seconded the motion, which carried unanimously.

SECURITY MATTERS

Deputy Gordon reported on security in the District, traffic violations and unauthorized activities on the golf course.

RENEWAL OF DISTRICT'S INSURANCE POLICIES

Mr. McDonald reviewed a proposal from SIG/McDonald & Wessendorff Insurance for renewal of the District's insurance policies. He stated that the surface water plant is included in the values. After review and discussion, Director Vance moved to defer the Board's decision on renewal of the District's insurance policies and bonds with SIG/McDonald & Wessendorff Insurance for consideration at the Board's regular June, 2012 meeting. Director Boyd seconded the motion, which carried by unanimous vote.

DITCH, LEVEE MAINTENANCE, AND REPAIRS

Mr. Naff updated the Board on ditch, levee maintenance, and repairs, including a previously approved repair of a slope failure that occurred in the drainage ditch and repair of an outfall structure on the east side of the drainage ditch past the elementary school. Mr. Naff confirmed that the repairs made conformed to J&C's guidelines for the

repair. Mr. Naff also discussed removal of a tree to allow mower access and discussed application of herbicide. Upon a motion by Director Kluppel and a second by Director Boyd, the Board voted unanimously to approve application of herbicide and cleaning of the ditch.

REPORT ON GARBAGE COLLECTION AND RECYCLING SERVICES

Mr. Atkinson distributed and reviewed a report on recycling and garbage collection in the District during the past month, a copy of which is attached. The Board requested that Mr. Atkinson bring to the June, 2012 Board meeting the large carts for inspection by the Board and pricing to provide large carts to District customers.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Mr. Ordeneaux reviewed 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 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.

OPERATION OF DISTRICT FACILITIES

Mr. Ammel reviewed the EDP operations report for the month of May, 2012, a copy of which is attached, and which was provided in advance to the Board.

Mr. Ammel discussed water accountability in the District. He stated the accountability figure is lower due to overflow of the elevated tank overflow, lack of a meter on the connection between the distribution and transmission line at water plant no. 2 and several check valves, which have since been replaced and a line leak, which has also been resolved. Mr. Ammel said that he will add surface water to the pumpage reports.

Ms. Humphries stated that the District's Identity Theft Prevention Program (the "Program") requires EDP to provide an annual written report evaluating the effectiveness of the Program, significant instances of identity theft detection and any recommendations regarding changes to the Program. Mr. Ammel reviewed a report on the District's Program. He stated that the report indicates no significant incidents of identity theft detection and recommends no changes to the Program. The Board concurred that it was not necessary to adopt a Program amendment.

Ms. Humphries next reviewed the District's Critical Load List and explained that the District is now required to file annually with State and local agencies, regardless of whether the District has made any facility or personnel changes. Ms. Humphries said the District engineer, operator and bookkeeper have reviewed the revised Critical Load List and verified that the information is accurate. Upon a motion by Director Boyd and

a second by Director Kluppel, the Board unanimously authorized ABHR to file the Critical Load List with Fort Bend County and State agencies.

Mr. Ammel reviewed a draft Consumer Confidence Report ("CCR"), a copy of which is attached, regarding the quality of the District's water. He said the CCR must be filed with the Texas Commission on Environmental Quality ("TCEQ") and mailed to District residents by July 1, 2012. He said the CCR will include language about the District's "superior" water rating from the TCEQ. Upon a motion by Director Kluppel and a second by Director Vance, the Board voted unanimously to approve the CCR, authorize the operator to mail the CCR to District customers, and to file the CCR with the TCEQ.

Mr. Ammel updated the Board on previously approved repairs and reported the previously approved relocation of the control panel at lift station no. 3 was not completed prior to the May 12, 2012 rain event and the control panel flooded a second time, causing additional damage. Mr. Ammel requested authorization to make the additional repairs to the control panel at lift station no. 3 for an amount not to exceed \$3,000. Mr. Ammel also requested authorization to repair blower no. 10 at the wastewater treatment plant for an amount not to exceed \$7,978, blower no. 11 at the wastewater treatment plant for an amount not to exceed \$7,545 and lift pump no. 2 at lift station no. 6 for an amount not to exceed \$5,675.

The Board next reviewed pricing and services summary plans for preventative maintenance or total plant responsibility from Atlas Copco Compressors, LLC for the surface water plant on Skinner Road.

Mr. Ammel next discussed a request for reimbursement from District resident, Brian Knipling, in the amount of \$750 for removal of dead tree branches encroaching upon the District resident's property from a tree located on District property. Mr. Ammel said that EDP received the call requesting removal of the branches, but the work had been completed by the District resident before EDP could address removal of the tree branches and EDP would have charged the District approximately \$450 for removal of the tree branches. Upon a motion by Director Kluppel and a second by Director Boyd, the Board voted unanimously to authorize reimbursement to Brian Knipling for the amount that EDP would have charged the District.

The Board next discussed aquatic growth in the pond at the north pump station. The Board concurred to request a proposal and services agreement to provide routine maintenance of the bullhead. Mr. Kirby said that he will prepare a scope of work and solicit proposals for maintenance.

After review and discussion, Director Kluppel moved to (1) approve the operator's report; (2) approve additional repairs to the control panel at lift station no. 3 for an amount not to exceed \$3,000; (3) authorize repair of blower no. 10 at the wastewater treatment plant for an amount not to exceed \$7,978; (4) authorize repair of blower no. 11 at the wastewater treatment plant for an amount not to exceed \$7,545; (5) authorize repair of lift pump no. 2 at lift station no. 6 for an amount not to exceed

\$5,675; and (6) accept the annual preventative maintenance plan option for the surface water plant from Atlas Copco Compressors, LLC in the amount of \$8,526.39. Director Boyd seconded the motion, which passed unanimously.

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

The Board next conducted a hearing on the termination of utility service to delinquent accounts. Mr. Owen 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 Boyd seconded the motion, which passed unanimously.

DISTRICT NEWSLETTER AND WEBSITE

The Board discussed preparing a notification to residents for the newsletter and website notifying residents not to leave vehicles in the streets during heavy rain or storm events since the streets are part of the District's drainage system and informing residents of fines and penalties associated with placing debris of any kind in the storm sewers.

CONVERSION TO SURFACE WATER

Director Kluppel discussed the status of construction, start up and maintenance and operation of the surface water treatment plant. No pay estimates were presented for payment. Ms. Humphries noted the TCEQ has not approved Change Order Nos. 4 and 5. She asked Arcadis to contact the TCEQ regarding approval.

ENGINEERING MATTERS

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

Mr. Jones discussed the history of design and construction of drainage facilities serving the District, storm water and flow patterns as water travels towards and through the District's two outfalls, historical approach to home foundation construction as related to drainage and EDP and J&C personnel on site operating gates and pumps, surveying or taking resident calls during the May, 2012 flooding event. The Board requested that J&C investigate flood levels in Jones Creek and Oyster Creek, specifically modification of the gates at FM 359 so that the pumps trigger sooner. Director Kluppel and Ms. Humphries provided an update regarding the District's request for an easement through the Pecan Grove Country Club property that is needed for a drainage

improvement project. Director Kluppel also provided an update on Federal Emergency Management Agency ("FEMA") re-mapping of the Brazos River 100 year flood plain in Fort Bend County. Following discussion, Director Howard requested that J&C be prepared to discuss options for drainage improvements at a special workshop meeting.

Mr. Kirby reported that the plans for the north earthen levee of the Pecan Lakes Floodplain Protection System are complete, that all right of way has been acquired and that plans for the south earthen levee have been approved by Fort Bend County and are pending approval at the City of Richmond. Mr. Kirby added that the Jones Creek improvement right of way is not fully acquired. Mr. Saenger said Fort Bend County's flood plain was re-evaluated and that FEMA now requires levees in Fort Bend County to include one additional foot in addition to the FEMA 3 foot free-board on the levee. Mr. Saenger said the proposed FEMA maps should be final in about a year and half and that the new mapping will place Pecan Lakes in the 100 year flood plain. He said after the Pecan Lakes Levee is built, the District will prepare and request a Letter of Map Amendment, which will officially remove Pecan Lakes from the new 100 year Brazos River flood plain. Mr. Saenger continued and said that Fort Bend County has already assumed the outcome of the pending new mapping and is requiring higher home elevations.

Mr. Kirby reviewed the tabulation of bids received by the District for improvements to the South ditch and recommended that the Board award the contract to the second highest bidder, Gonzalez Construction Enterprise, Inc., in the amount of \$341,884.73. The Board concurred that in its judgment, Gonzalez Construction Enterprise, 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 Boyd moved, based on Mr. Kirby's recommendation, to award the contract for improvements to the South ditch to Gonzalez Construction Enterprise, Inc. in the amount of \$341,884.73, subject to verification of payment and performance bonds by ABHR. Director Kluppel seconded the motion, which passed by unanimous vote.

Mr. Kirby updated the Board on the design of the reclaimed water system. Ms. Humphries discussed credits offered by the Fort Bend County Subsidence District for the amount of water reclaimed and said the District will need an agreement with Pecan Grove Plantation Country Club for use of the reclaimed water.

Mr. Kirby updated the Board on the construction of the surface water treatment plant offsite utility extensions and said Hurtado Construction Company is addressing final punch list items.

Mr. Kirby updated the Board on the chloramines conversion of water plant nos. 1, 2, and 3 and said that R&B Group, Inc. is addressing final punch list items.

Mr. Kirby updated the Board on the wastewater treatment plant belt filter press replacement project. He reviewed and recommended approval of Pay Estimate No. 6 in the amount of \$11,250 to R&B Group, Inc. Director Boyd then moved to approve Pay

Estimate No. 6 in the amount of \$11,250 to R&B Group, Inc. Director Kluppel seconded the motion which passed unanimously.

Mr. Kirby and Ms. Humphries updated the Board on the District's pending application for renewal of TPDES Permit No. TXR040225 for the District stormwater system. Mr. Kirby said that the District may be required to retrofit District facilities following issuance of the new permit.

Mr. Kirby reported that the proposed amendments to the District Rate Order address fees for inspections and plan reviews required as part of the District's MS-4 Storm Water Management Plan.

Following review and discussion, Director Kluppel moved to approve the engineer's report. Director Vance seconded the motion, which passed by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. McLennan distributed and reviewed the monthly bookkeeper's report, a copy of which is attached, which was provided in advance of the meeting, including the investment report, budget comparison, and the District's bills. After review and discussion, Director Howard moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Kluppel seconded the motion, which passed by unanimous vote.

The Board discussed the upcoming Association of Water Board Directors summer conference in San Antonio. Ms. Humphries stated that state law provides that directors are entitled to reimbursement of actual and necessary expenses. Following review and discussion, Director Howard moved to authorize: (1) director fees of office for up to three days; (2) a maximum of three nights hotel accommodations; (3) meal expenses of up to three meals per day, upon presentation of itemized receipts for same; and (4) authorization for up to 4 per diems and 4 hotel nights for Directors attending the Public Funds Investment Act training. The motion was seconded by Director Kluppel and carried by unanimous vote.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS REGARDING EVENTS AND ACTIVITIES ATTENDED DURING THE MONTH

Director Kluppel discussed Fort Bend Flood Management Association meetings and activities.

DEVELOPMENT AND MAINTENANCE OF PARKS

The Board reviewed a report on parks , a copy of which is attached.

Mr. Ross recommended that Terra Management Services ("Terra") take over the maintenance of irrigation system at Plantation Park. The Board concurred that Mr. Ross

bring a proposal from Terra to the June, 2012 meeting and that ABHR prepare an Amended Services Agreement.

The Board next considered a request from Fort Bend Independent School District for contribution for a track to be built at James Bowie Middle School. The Board determined it was not interested in participating.

Mr. Ross reported that crepe myrtles and redbuds have been ordered for Plantation Park and said he will bring a proposal for installation to the June, 2012 meeting.

Ms. Humphries noted that the District's contract with Water Logic for the park irrigation system which was entered into on May 21, 2009, for a three-year term, will automatically renew for a 12-month term unless the Board determines to otherwise cancel the Contract. Director Kluppel moved to renew the District's contact with Water Logic for a 12-month term, ending May 21, 2013. Director Boyd seconded the motion which passed unanimously. The Board concurred to consider in the future adding similar services through Water Logic for Plantation Park.

DISTRICT FIRE PLAN AND REPORT FROM FIRE PLAN COMMITTEE

Director Boyd moved to appoint himself and Director Vance to the Fire Plan Committee and authorize the Fire Plan committee to work with the Pecan Grove Volunteer Fire Department. Director Vance seconded the motion. Discussion ensued. Director Boyd withdrew his motion and the Board concurred to leave the Fire Plan and Fire Plan Committee Report on the agenda. Director Minchew moved to remove the Fire Plan and Fire Plan Committee Report from the agenda. Director Minchew's motion failed for lack of a second.

ATTORNEY'S REPORT

Ms. Humphries said the Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds will be adopted when the District is ready to submit Bond Application No. 13.

The Board discussed using surplus funds available from the surface water plant project for a reclaimed water project within the District and concurred to table this agenda item until the District takes bids for the reclaimed water project.

The Board next considered adopting a Resolution Expressing Intent to Reimburse Operating Account in the amount of \$350,000 for improvements to the South Ditch. Upon a motion by Director Kluppel and a second by Director Boyd, the Board voted unanimously to approve a Resolution Expressing Intent to Reimburse Operating Account in the amount of \$350,000 for improvements to the South Ditch.

Ms. Humphries reported that the District's agreement with Executive Security Systems Inc. ("ESSI") for extra security at the surface water treatment plant expires on

June 12, 2012. Following discussion, Director Boyd moved to extend the District's contract through June 30, 2012 and authorize Director Minchew to obtain security proposals for review the Board's June, 2012 meeting. Director Kluppel seconded the motion which passed unanimously.

Mr. Kirby discussed the five-year requirements of the District's storm water management plan. Mr. Kirby recommended that the District's Rate Order be amended to include a fee for review of plans by the District's engineer of erosion control devices and a fee for construction site inspection. Ms. Humphries presented a draft Amended Rate Order incorporating the changes discussed. Following review and discussion, Director Kluppel moved to adopt the Amended Rate Order, as discussed. Director Minchew seconded the motion, which passed unanimously.

Ms. Humphries discussed correspondence received from SuEllen Staggs of the City of Sugar Land regarding the Bay and Basin Area Stakeholders request for funding. Upon a motion by Director Boyd and a second by Director Kluppel, the Board voted unanimously to authorize funding based upon a pro rated formula of a monetary amount to number of connections served used by the City of Sugar Land for its payment. Director Boyd seconded the motion which passed unanimously.

Ms. Humphries next discussed the proposed emergency water interconnect with the City of Richmond previously approved to be made in September 2010, subject to Richmond paying all costs to design and construct. Following discussion, Director Kluppel moved to approve the emergency water interconnect with the City of Richmond, subject to the City of Richmond agreeing upon a water delivery price equal to the lowest per 1,000 gallons charged by the supplying entity and confirmation that the City pays all construction costs. Director Vance seconded the motion, which passed unanimously.

Ms. Humphries said a memorandum from ABHR regarding the Texas Open Meetings Act Requirements was distributed to Directors Vance, Boyd and Howard. She stated that state law requires each elected public official to complete a course of training regarding responsibilities of the governmental body and its members under the Texas Open Meetings Act, Chapter 551. Ms. Humphries stated that the newly elected directors must complete training within 90 days of taking the oath of office. Ms. Humphries then discussed the methods by which the Board can receive training. She added that ABHR is the District's officer for Public Information and has received the training. No action was necessary for this agenda item.

Ms. Humphries stated a Director must disclose if he has a current business relationship with any contractor or consultant doing business with the District if that relationship results in either gifts (other than entertainment) in excess of \$250 or taxable income to the Director or his immediate family. No action was necessary for this agenda item. Director Howard made a disclosure regarding his wife's employment with Joyce, McFarland + McFarland LLP, a copy of which is attached to these minutes.

The Board discussed and assigned new Board liaisons and committee members. The new liaisons and committee members are:

BOARD LIAISONS:

Garbage Matters	John Minchew
Levee Matters	Buddy Kluppel
Newsletter/Website Matters	Randy Vance
Operations Matters/Hotline	Chad Howard
HOA Liaison	Kirk Boyd

BOARD COMMITTEES:

<u>Annexation Committee</u>	<u>Audit Committee</u>	<u>Parks Committee</u>	<u>Newsletter & Website Committee</u>	<u>Fire Services Committee</u>
Buddy Kluppel Chad Howard	Kirk Boyd Shirley McLennan	John Minchew Chad Howard	Chad Howard Randy Vance	John Minchew Kirk Boyd
<u>Drainage Committee</u>	<u>Surface Water Conversion Committee</u>	<u>Security Committee</u>		
Chad Howard Buddy Kluppel	Chad Howard Buddy Kluppel	John Minchew Randy Vance		
<u>MS4 Committee</u>	<u>Reclaimed Water</u>	<u>Fire Plan Committee</u>		
Buddy Kluppel Kirk Boyd	Randy Vance Buddy Kluppel	John Minchew Kirk Boyd		

The Board discussed contract reviews and concurred to remove the agenda item for now.

The Board discussed scheduling of meetings and workshops and concurred to schedule a special workshop meeting at First Baptist Church on June 21, 2012 at 5:30 p.m. and to add to the June, 2012 meeting agenda the following: fees for copies of records requested and notice to the public of such fees, insurance requirements for contractors and service providers, and policy for adding discussion and action items to the agenda.

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.

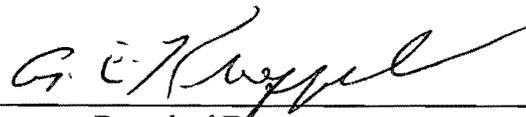
CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION INCLUDING CONDEMNATION PROCEEDINGS

At 9:56 p.m., Director Howard 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

At 10:03 p.m. the Board reconvened in open session. No action was taken as a result of discussion in executive session.

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



Secretary, Board of Directors

(SEAL)



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