

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

June 28, 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 28th day of June, 2011, at the Pecan Lakes Clubhouse, 1818 Misty Falls Lane, 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 Cheryl Minchew, Marc Bateman, Joe Dombrowski, Robert Barta, Mr. and Mrs. C. K. Dickenson, and Paul Metcalf, residents of the District; Ken Stringer of LEM Construction Co., Inc.; Nikki Wynn of Payne Communications; Lt. Edward Gordon, Jr. and Deputy James Eleckel, Fort Bend County Constable's Office, Precinct 3; Bethany Miller and Jason Kirby of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Clayton Galloway, Jarvis Williams, 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; Pat Naff of CDC Unlimited, LLC; Dan McDonald of SIG/McDonald & Wessendorff Insurance; Sheldon Buck of Malcolm Pirnie, Inc. ("Malcolm Pirnie"); 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 May 31, 2011, meeting, which were prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the minutes of the May 31, 2011, meeting. Director Krahn seconded the motion, which carried unanimously.

CONTRACT FOR ELECTRICITY WITH TXU ENERGY

Director Taylor stated that he did not have an update on this agenda item.

DITCH, LEVEE MAINTENANCE, AND REPAIRS

Mr. Naff updated the Board on ditch, levee maintenance, and repairs. The Board discussed removal of debris from Bullhead Slough. After discussion, Director Kluppel moved to authorize CDC to remove debris and tree limbs from Bullhead Slough at a

cost not to exceed \$2,500.00. Director Krahn seconded the motion, which carried 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 empty the polycarts at the parks in the District following the July 4 holiday. The Board requested that EDP evaluate the condition of the District's signs that inform residents of garbage collection matters and Board meetings and report back to the Board. The Board requested that EDP post signs in the District stating that no garbage service will be available on July 4, 2011.

TAX ASSESSMENT AND COLLECTIONS MATTERS AND AUTHORIZE DELINQUENT TAX ATTORNEY TO PROCEED WITH THE COLLECTION OF DELINQUENT TAXES

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, authorize payment of bills from the tax account, and authorize the delinquent tax attorney to proceed with the collection of 2010 delinquent taxes. Director Krahn seconded the motion, which passed by unanimous vote.

ADOPT RESOLUTION NOMINATING CANDIDATE FOR BOARD OF DIRECTORS ELECTION FOR FORT BEND CENTRAL APPRAISAL DISTRICT

The Board discussed the nomination of a candidate for the Board of Directors of the Fort Bend Central Appraisal District. After review and discussion, Director Kluppel moved to adopt a Resolution Nominating Candidate for Board of Directors Election for Fort Bend Central Appraisal District reflecting the nomination of Jim Keller and direct that the Resolution be filed appropriately and retained in the District's official records. Director Krahn seconded the motion, which passed unanimously.

OPERATION OF DISTRICT FACILITIES

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

Mr. Ammel stated that it has not been necessary to implement Phase One of the District's Drought Contingency Plan. Mr. Ammel discussed several repairs to District lines due to leaks. He updated the Board on the leak detection program that was implemented and reported that 28 leaks were detected. 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 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. A copy of the termination list is included in the operator's report.

DISTRICT NEWSLETTER AND WEBSITE CONTINUED

Director Stolleis reported on the preparation of the next District newsletter.

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 introduced Mr. Stringer of LEM Construction Co., Inc. ("LEM Construction") to the Board and added that a representative from LEM Construction will attend future Board meetings. In response to an inquiry from Director Kluppel, Mr. Buck discussed that the contractor is behind schedule on the project. The Board requested that Mr. Buck add details to the activity report on the contract completion date, the anticipated time frame for operation of the plant, and information on the liquidated damages that will accumulate based on the number of days late. Mr. Buck stated that LEM has requested a release of retainage in the amount of \$127,000. The Board concurred to not release the retainage of \$127,000 at this time. Mr. Stringer discussed the construction schedule with the Board.

Mr. Buck reviewed and recommended approval of Pay Estimate No. 14 from LEM Construction in the amount of \$546,835.10. Mr. Buck recommended payment of Invoice No. 13 from Terracon in the amount of \$1,709. Mr. Buck presented Task Order No. 12 for the road map to blending strategies in the amount of \$106,000. After review and discussion, Director Stolleis moved, based upon Mr. Buck's recommendation, to (1) approve Pay Estimate No. 14 in the amount of \$546,835.10 to LEM Construction; (2) approve payment to Terracon in the amount of \$1,709; and (3) approve Task Order No. 12 pursuant to the Master Agreement for Professional Services between the District and Malcolm Pirnie in the amount of \$106,000, and direct that the Order be filed appropriately and retained in the District's official records. Director Krahn seconded the motion, which passed unanimously.

Mr. Ammel presented a proposal from Kimmons Security Services, Inc. ("Kimmons") for a vulnerability assessment of the District's facilities. After review and discussion, Director Kluppel moved to approve the proposal from Kimmons at a cost not to exceed \$10,000, and direct that the proposal be filed appropriately and retained in

the District's official records. Director Krahn seconded the motion, which carried unanimously.

ATTORNEY'S REPORT

Director Stolleis reported on a meeting of the Fire Plan Committee to discuss a Fire Plan. He stated that the committee has been provided names of representatives of all the homeowners associations with the exception of the Plantation Place Homeowners Association. He recommended that a representative of the City of Richmond Fire Department and a representative of the Pecan Grove Volunteer Fire Department be asked to attend a meeting to discuss any interest in consolidation of departments. He also discussed the possibility of a survey to residents regarding a Fire Plan. The Board concurred to conduct a special meeting on July 20, 2011, at 5:30 p.m. at the Pecan Lakes clubhouse to discuss the Fire Plan. The Board discussed inviting a representative of the Waterside Community to the July 20th meeting on the Fire Plan. Director Stolleis stated that he will contact the representatives of the fire departments about attending the July 20th meeting.

Mr. McDonald reviewed a proposal from SIG/McDonald & Wessendorff Insurance for renewal of the District's insurance policies. He added that equipment for an Echo Logics Correlator valued at \$29,020 will be added to the property policy for an additional cost of \$145.50. He 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 Kluppel 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 SIG/McDonald & Wessendorff Insurance and direct that the proposal be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which carried by unanimous vote.

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 the tabulation of bids received by the District for the water plant nos. 1, 2, and 3 chloramine conversions and recommended that the Board award the contract to R&B Group, Inc. in the amount of \$595,000. The Board concurred that in its judgment, R&B Group, 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.

Mr. Kirby reviewed a proposal from J&C for engineering services related to surface water conversion in the amount of \$25,000.

Mr. Kirby stated that a meeting between the Board, J&C, and residents of Pecan Lakes regarding the design of the Floodplain Protection System has been scheduled for June 30, 2011, at 6:00 p.m., at the Pecan Lakes Clubhouse, 1818 Misty Falls Lane, Richmond, Texas.

Mr. Kirby updated the Board on the construction of surface water treatment plant offsite utility extensions. He reviewed and recommended approval of Pay Estimate No. 1 in the amount of \$237,363.03 to Hurtado Construction Company.

Mr. Kirby then updated the Board on the water well no. 4 rework project. He reviewed and recommended approval of Pay Estimate No. 2 in the amount of \$42,193.80 to Alsay Incorporated.

Mr. Kirby updated the Board on a request from Fort Bend County for an easement from the District for the Mason Road expansion project. Mr. Kirby updated the Board on the MS-4 Storm Water Management Plan.

Ms. Brook stated that the District can submit an application to the Texas Commission on Environmental Quality ("TCEQ") to request approval of the release of funds from escrow for the chloramine conversion project and the construction of surface water distribution lines and water plant connections.

Following review and discussion, Director Kluppel moved to (1) approve the engineer's report; (2) approve Pay Estimate No. 1 in the amount of \$237,363.03 to Hurtado Construction Company, based upon the engineer's recommendation; (3) approve Pay Estimate No. 2 in the amount of \$42,193.80 to Alsay Incorporated, based on the engineer's recommendation; (4) award the contract for construction of the water plant nos. 1, 2, and 3 chloramine conversions to R&B Group, Inc. in the amount of \$595,000, based on the engineer's recommendation, and direct that the tabulation of bids be filed appropriately and retained in the District's official records; (5) adopt a Resolution Authorizing Application to the Texas Commission on Environmental Quality Requesting Release of Funds from Escrow and direct that the Resolution be filed appropriately and retained in the District's official records; and (6) approve the J&C proposal for engineering services related to surface water conversion in the amount of \$25,000 and direct that the proposal be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed unanimously.

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

Director Taylor updated the Board with respect to the Interlocal Agreement with Fort Bend County and the proposed sidewalk to Fort Bend County Independent School District Middle School No. 14.

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

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 Stolleis 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 concurred to conduct a budget workshop on August 9, 2011, at 5:30 p.m. at the Pecan Grove Country Club.

ASSOCIATION OF WATER BOARD DIRECTORS SUMMER CONFERENCE, APPROVE REIMBURSEMENT OF ELIGIBLE EXPENSES, AND AUTHORIZE ATTENDANCE AT THE ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE

The Board discussed the Association of Water Board Directors summer conference. Ms. McLennan noted the expenses were submitted in accordance with the Districts travel guidelines. After discussion, Director Kluppel moved to approve reimbursement of eligible expenses for the summer conference and authorize all interested directors to attend the Association of Water Board Directors winter conference. Director Stolleis seconded the motion, which carried by unanimous vote.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS REGARDING EVENTS AND ACTIVITIES ATTENDED DURING THE MONTH, INCLUDING FORT BEND FLOOD MANAGEMENT ASSOCIATION MEETINGS AND REQUEST FROM FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 2 TO CONTRIBUTE TO LOBBYING COSTS

Director Taylor updated the Board on County re-districting and stated that hearings will be held July 26 and 27, 2011, at 1:00 p.m. and 6:00 p.m.

Director Kluppel stated that Fort Bend County Levee Improvement District No. 2 ("LID No. 2") is requesting that the District contribute funds toward the cost of a lobbyist hired by LID No. 2 to work on levee and national flood insurance matters. After review and discussion, Director Kluppel moved to authorize a contribution of up to \$3,200 for the cost of a lobbyist to work on levee and national flood insurance matters in participation with Fort Bend County and as organized by Judge Hebert. Director Krahn seconded the motion, which passed unanimously.

COMMENTS FROM THE PUBLIC

There were no comments from the public.

DEVELOPMENT AND MAINTENANCE OF PARKS

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

Director Kluppel moved to approve proceeding with lighting and irrigation for Plantation Park at a cost of \$25,000. Director Krahn seconded the motion, which passed unanimously. Director Krahn reported on the District's Flag Day ceremony on June 14, 2011, at Plantation Park.

SECURITY MATTERS

Lt. Gordon updated the Board on security matters.

ATTORNEY'S REPORT CONTINUED

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 chloramine conversion for water plant nos. 1, 2, and 3 from future released escrowed funds from the \$32,000,000 Series 2010 Bonds. After review and discussion, Director Stolleis moved to adopt a Resolution Expressing Intent to Reimburse, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

Ms. Humphries reviewed a 2011 Legislative Update with the Board. She discussed legislation recently passed that will have an impact on the District.

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

At 8:25 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 that the Board would reconvene in open session at 8:50 p.m. After discussion, Director Kluppel moved to authorize offers to HQ359 and

Houston Community and authorize Director Krahn to work with Mike Welch on the appraisals. Director Minchew seconded the motion, which passed by unanimous vote.

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

The Board did not convene in executive session. After discussion, Director Kluppel moved to approve an engagement letter with Joyce, McFarland + McFarland LLP and direct that the letter be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which carried unanimously.

CONDUCT ANNUAL REVIEW OF OPERATOR AND NEWSLETTER MANAGER

The Board conducted an annual review of the operator and newsletter manager.

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 June, 2011.....	2
Activity Report from Malcolm Pirnie on the surface water treatment plant.....	3
engineer's report	4
bookkeeper's report.....	6
June parks report.....	7