

MINUTES  
PECAN GROVE MUNICIPAL UTILITY DISTRICT

August 31, 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 31st day of August, 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
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 Ariana Beck, Mr. and Mrs. C. K. Dickenson, Jim Keller, Kirk Boyd, Robert Barta, Jim Snell, and Paul Metcalf, residents of the District; Jason Kirby and Bethany Miller of Jones & Carter, Inc. ("J&C"); Pat Naff of CDC Unlimited, LLC ("CDC"); Kathy Cruthirds and Greg Ordeneaux of Tax Tech, Inc.; Doug Owen, Clayton Galloway, and Mike Ammel of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Kevin Atkinson and Curtis Lacy of WCA Waste Corporation of Texas, LP ("WCA"); Sheldon Buck of Malcolm Pirnie, Inc. ("Malcolm Pirnie"); Marquita Griffin of the Fort Bend Herald; 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 July 22 and 27, and August 11, 2010, meetings, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Stolleis moved to approve the minutes of the July 22 and 27, and August 11, 2010, meetings. Director Minchew seconded the motion, which was approved by unanimous vote.

DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff updated the Board on ditch and levee maintenance in the District. He stated that mowing is proceeding according to the schedule. Mr. Naff reported that CDC will clean up trees that are down on the east levee. He added that pursuant to Director Krahn's request, CDC will trim trees along the jogging trail along FM 359 heading towards Belin Park.

## 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. Lacy stated that WCA has a new tracking system for the garbage trucks.

Ms. Brook reviewed a contract for garbage collection services between WCA and the District. She stated that the contract contains the same terms as the previous contract, a cost of \$12.45 per residence with an allowance for an annual CPI increase, and a three-year term with a 60-day no cause termination clause ending September 30, 2013. After review and discussion, Director Stolleis moved to approve a Contract for Garbage Collection Services between WCA and the District. Director Kluppel seconded the motion, which passed unanimously.

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

## DISCUSS 2010 TAX RATE, SET PUBLIC HEARING DATE, AND AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING ADOPTION OF TAX RATE

Mr. Kavanaugh recommended a proposed 2010 debt service tax rate of \$0.31 per \$100 of assessed valuation. The Board discussed a proposed tax rate of \$0.55 per \$100 of assessed valuation, \$0.24 for maintenance and operations and \$0.31 for debt service. After review and discussion, Director Kluppel moved to approve a proposed tax rate of \$0.55 per \$100 of assessed valuation and to authorize the tax assessor/collector to publish notice in the Fort Bend Herald of the 2010 tax rate hearing on September 28, 2010, where the Board will adopt the proposed tax rate. Director Minchew seconded the motion, which passed unanimously.

## OPERATION OF DISTRICT FACILITIES

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

Mr. Ammel reported that Lake Management completed all treatment to remove the vegetation from Bullhead Slough. The Board discussed the possibility of CDC monitoring the condition of vegetation growth monthly and providing treatment when necessary. The Board requested that CDC monitor the growth of vegetation in Bullhead Slough and report to the Board if treatment is necessary.

Mr. Ammel stated that the Board previously approved the replacement of blower no. 1, which includes the motor and skid, at the wastewater treatment plant. He added that HSI is replacing the motor at a cost of \$13,845.00.

Mr. Ammel stated that EDP jetted the 4-inch line connected to the storm sewer under the street from 2314 to 2315 Quarterpath. He added that EDP has been monitoring the area during rain events. He added that he will contact Marc Grant of Fort Bend County Road and Bridge Department to ask Fort Bend County to monitor the street for standing water.

Mr. Owen updated the Board on EDP's monitoring of the widening of FM 359 and stated that the installation of the storm sewer connection to the outfall has been completed. Mr. Kirby stated that the District has an 8-inch water line, a 12-inch water line, and a 6-inch force main that cross FM 359. He reported that the location of the 6-inch force main and 8-inch water line do not appear to be in conflict; however, the 12-inch water line does conflict. He added that the 12-inch water line is in steel casing and the Texas Department of Transportation ("TxDOT") agreed to adjust the line, but not replace the steel casing. Director Stolleis stated that he met with Mr. Hunt of TxDOT to discuss the isolation of the District's water line and the replacement of the steel casing. He stated that Mr. Hunt suggested the District coordinate with the contractor, Hassell Construction, to have the steel casing replaced around the water line. Director Stolleis stated that Hassell Construction had agreed to provide the District with a cost for the project. He added that J&C will prepare a profile for the relocation of the line and the replacement of the steel casing. Mr. Owen stated that EDP will continue to monitor the relocation of the District's lines.

Mr. Ammel stated that the non-potable pump no. 1 at the wastewater treatment plant needs to be replaced at a cost of \$5,037.00.

Mr. Ammel stated that EDP provided comments on the plans for the Fort Bend Independent School District ("FBISD") middle school. He added that EDP has not received approved plans. Mr. Kirby stated that he received updated plans from FBISD and they now propose to put utilities in an existing 30-foot utility easement. He added that FBISD has submitted a water meter easement to the District for approval. He stated that he has asked the engineer for FBISD to verify there are no other lines in the utility easement and that required separations can be made. Ms. Brook stated that the Agreement for Out-of-District Service between the District and FBISD required that FBISD obtain a water line easement. She added that the Agreement will need to be amended if this change is accepted and FBISD will need to deposit additional funds to cover all fees. The Board requested that ABHR reply to FBISD that the Board will not consider the request to amend the Agreement for Out-of-District Service unless and until dump trucks used in connection with the construction of the middle school refrain from traveling through the District and a deposit of \$10,000 is made to the District for additional fees. Mr. Kirby noted that the private landowners would need to acknowledge that placement of the FBISD water line and sanitary sewer force main in the 30-foot public utility easement, can limit other facilities from being placed in the

easement due to separation requirements. The Board tabled any action on the request from FBISD for approval of the water meter easement.

Mr. Ammel discussed the recoating project at water plant no. 3. He stated that he has requested that Dunham Engineering hold the final pay estimate until a list of items related to the project are addressed by the contractor. He added that he turned over a list of items to Dunham Engineering that need to be corrected.

Mr. Owen discussed devices used to eliminate meter slippage and stated that he purchased 30 flow reducers for the District.

After review and discussion, Director Stolleis moved to (1) approve the operator's report; and (2) approve the replacement of the non-potable pump no. 1 at a cost of \$5,037.00. Director Kluppel seconded the motion, which carried unanimously.

In response to questions from Mr. Metcalf, Mr. Ammel discussed water accountability 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 Stolleis 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.

#### AMENDED RATE ORDER

The Board discussed reducing the sewer rate to reflect the reduction in garbage collection costs and increasing the surface water conversion fee in the Rate Order. Ms. Brook reviewed an Amended Rate Order reflecting a sewer rate of \$26.45 per single family residential connection, a surface water conversion fee of \$0.45 per 1,000 gallons of water used, and additional definitions in the Storm Water Management section. After review and discussion, Director Kluppel moved to adopt the Amended Rate Order and direct that it be filed appropriately and retained in the District's official records. Director Krahn seconded the motion, which passed by unanimous vote.

#### DISTRICT NEWSLETTER AND WEBSITE

Director Stolleis stated that he and Director Krahn are working on the preparation of the newsletter. Directors Stolleis and Krahn discussed possible topics for newsletter articles, including water conservation, water quality, schedule for Christmas

tree recycling, Fort Bend Flood Management Association, surface water, and the TxDOT widening of FM 359.

Director Stolleis discussed updating of the District's website.

### 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 reviewed and recommended approval of Pay Estimate No. 4 from LEM Construction in the amount of \$413,893.42. After review and discussion, Director Kluppel moved, based upon Mr. Buck's recommendation, to approve Pay Estimate No. 4 in the amount of \$413,893.42 to LEM Construction. Director Minchew seconded the motion, which passed unanimously.

Mr. Buck reviewed and recommended approval of invoice no. 2 in the amount of \$13,187.25, invoice no. 3 in the amount of \$7,318.50, and invoice no. 4 in the amount of \$7,405.00 to Terracon for construction materials testing. After review and discussion, Director Kluppel moved, based upon Mr. Buck's recommendation, to approve invoice nos. 2, 3, and 4 to Terracon. Director Minchew seconded the motion, which passed unanimously.

The Board discussed the design of the SCADA system being required by the Gulf Coast Water Authority ("GCWA"). He stated that it is not practical for the GCWA to design and construct the SCADA system. He added that Malcolm Pirnie has proceeded with the design of the system. Mr. Buck stated that the plans will be sent to the GCWA for approval next week.

The Board discussed the status of the waterline easement along the golf course for the surface water transmission line and the additional property for the levee extensions that the District has requested from WSG Pecan Grove IV, LP in fee. Mr. Kirby stated that he will meet with Golf Club representatives to discuss the District's requests for the easement and the property for the levee. The Board requested that ABHR prepare the water line easement along the golf course for the surface water transmission line and a deed and easement for the levee extensions, obtain appraisals for both projects, and send landowner bill of rights letters to WSG Pecan Grove IV, LP.

Director Taylor stated that Mr. Gilmore of the City of Richmond (the "City") has asked if the District can expand the surface water plant to treat 30% of the City's groundwater conversion requirements. He stated that he responded to Mr. Gilmore that the City would have to obtain an additional site for the expansion of the plant and negotiate with the GCWA on the transportation of water to the surface water plant.

Director Taylor stated that the District can purchase an additional 700 acre-feet of water from the Brazos River Authority ("BRA"). After discussion, the Board authorized ABHR to negotiate a contract with the BRA for the purchase of additional water and approved submission of payment in the amount of \$50 for a new agreement.

## 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") floodplain re-mapping. He stated that certification approval was received from FEMA and that J&C submitted a letter to FEMA to confirm that no additional action is required by the District during the appeals and protest period.

Mr. Kirby stated that J&C prepared plans and specifications for the repair of the crack at the base of the elevated storage tank fill line. He stated that the contract includes \$19,000 for the installation of brackets on the tank for an antenna that the GCWA will install. Mr. Kirby stated that bids were solicited from three contractors and two contractors submitted bids. He then recommended award of the contract for construction of the elevated storage tank repairs to Gemini Contracting in the amount of \$47,432.00. The Board concurred that in its judgment, Gemini Contracting 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 Krahn moved that based upon the engineer's recommendation, the Board award the contract for construction of the elevated storage tank repairs to Gemini Contracting in the amount of \$47,432.00. Director Minchew seconded the motion, which passed unanimously.

Mr. Kirby stated that AT&T has provided a revised bid in the amount of \$94,565 for the improved driveway access from FM 359 necessary due to the Pecan Lakes levee. After review and discussion, Director Stolleis moved to approve the bid from AT&T in the amount of \$94,565 for the improved driveway access from FM 359. Director Minchew seconded the motion, which passed unanimously. Mr. Kirby stated that AT&T will invoice the District upon completion of construction.

Mr. Kirby updated the Board on design of the northern wall levee and the Jones Creek improvements through the Pecan Lakes area. Mr. Kirby stated that J&C is waiting to hear from FEMA on the proposed WIPP system on FM 359.

Mr. Kirby stated that J&C reviewed the new slope failure close to Pitts Road on the south side of the ditch. Mr. Kirby recommended approval of Change Order No. 2 to the contract with L. N. McKean, Inc. for repair of the new slope failure due to unanticipated field conditions in the amount of \$25,289.00. After review and discussion, Director Kluppel moved that, based upon the engineer's recommendation, the Board approve Change Order No. 2 to the contract for repairs to the slope of the east channel of the south ditch in the amount of \$25,289.00. Director Krahn seconded the motion, which carried unanimously.

Mr. Kirby reported on the water plant nos. 2 and 3 generator replacements. He stated that the new diesel generator for water plant no. 3 was delivered and the old generator was relocated to water plant no. 1.

Mr. Kirby stated that he contacted the engineer for Fort Bend County Water Control & Improvement District No. 3 ("WCID No. 3") regarding WCID No. 3's interest in entering into negotiations for the sale of reclaimed water.

Mr. Kirby distributed the annual report for permit year three on the MS-4 Storm Water Management Plan to the Board for review. He stated that the final report needs to be approved at the October meeting.

Following review and discussion, Director Stolleis 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. Ms. McLennan reviewed the proposed budget for the fiscal year ending September 30, 2011 with the Board, a copy of which is included in the bookkeeper's report. After review and discussion, Director Kluppel moved to approve the bookkeeper's report, investment report, payment of the District's bills, and adopt the budget for the fiscal year ending September 30, 2011. 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

Director Kluppel updated the Board on the Fort Bend Flood Management Association meetings.

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

In response to a question from Mr. Metcalf, Director Stolleis stated that updated information on the surface water plant will be in the next newsletter.

#### DEVELOPMENT AND MAINTENANCE OF PARKS

The Board reviewed a report on parks for August from the park manager, a copy of which is attached. Director Krahn stated that he has reviewed the proposal for the Plantation Park landscaping and will meet with Director Minchew to discuss the proposal.

REPORT ON SECURITY MATTERS, AGREEMENT FOR ADDITIONAL LAW ENFORCEMENT SERVICES WITH FORT BEND COUNTY, AND APPROVE AGREEMENT FOR COST SHARING OF LAW ENFORCEMENT SERVICES WITH PECAN GROVE PLANTATION PROPERTY OWNERS ASSOCIATION

The Board discussed the No Thru Truck signs within the District and the enforceability issue with Fort Bend County (the "County"). Ms. Brook stated that the Board received the budget from the County for the costs of providing additional law enforcement services for 2010-2011. She added that once the Board approves the budget for law enforcement services, the County will finalize the Agreement for Additional Law Enforcement Services. After review and discussion, Director Minchew moved to approve the budget and Agreement for Additional Law Enforcement Services with Fort Bend County subject to review by ABHR and Director Minchew, and direct that the Agreement be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

After review and discussion, Director Minchew moved to approve an Agreement for Cost Sharing of Law Enforcement Services with Pecan Grove Plantation Property Owners Association and direct that the Agreement be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

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 installation of brackets on the elevated storage tank for antennas that GCWA will mount on the tank from future released escrowed funds from the \$32,000,000 Series 2010 Bonds. After review and discussion, Director Krahn 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 Minchew seconded the motion, which passed unanimously.

Ms. Brook then reviewed with the Board a Resolution Expressing Intent to Reimburse for the payment to AT&T for replacement of the driveway associated with the Pecan Lakes floodplain protection system from bonds that the District anticipates selling for the Pecan Lakes Levee project. 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 Minchew seconded the motion, which passed unanimously.

Ms. Brook reviewed an Interlocal Agreement between the District and the Fort Bend County Drainage District. The Board conducted an annual review of the District's Investment Policy. Ms. Brook then reviewed the District's 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 Kluppel moved to (1) approve the Interlocal Agreement with the



Fort Bend County Drainage District and direct that the Agreement be filed appropriately and retained in the District's official records; (2) adopt a Resolution Regarding Annual Review of the Investment Policy reflecting that the current policy will remain in effect and direct that the Resolution be filed appropriately and retained in the District's official records; and (3) adopt a 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 Minchew seconded the motion, which passed by unanimous vote.

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.

CONDUCT ANNUAL REVIEW OF FINANCIAL ADVISOR AND GARBAGE COLLECTOR

The Board conducted annual reviews of the financial advisor and garbage collector.

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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