

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

September 24, 2013

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in regular session, open to the public, on the 24th day of September, 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:

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

and all of the above were present, except Director Boyd, thus constituting a quorum.

Also present at the meeting were residents of the District listed on Exhibit A attached hereto; Bethany Miller, Bryan Jordan and Grady Turner of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Mike Ammel Ben Connelly, Breah Campbell, Sarah Hume, Clayton Galloway and Doug Owen of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Chief Joe Woolley of Pecan Grove Volunteer Fire Department ("PGVFD"); Jonathan Howard of Arcadis U.S., Inc. ("Arcadis"); Pat Naff of CDC Unlimited, LLC; Sylvia Avila of WCA Waste Corporation of Texas ("WCA"); Alan Sanderson of Sanderson, Knox & Co., LLP; Sheriff Troy Nehls, Major James Hines and Sergeant Jean Gobar of the Fort Bend County Sheriff's Department; and Hannah Brook and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

REMARKS FROM THE BOARD PRESIDENT

Director Vance opened the meeting at 5:30 p.m. and welcomed attendees. He noted since the last regular meeting, the Board reorganized officers at a special meeting. He announced the new office.

COMMENTS FROM THE PUBLIC

Ms. Paula Sims reported a recurring issue with the main drain line backing water into her home since 1991. Described the efforts to address the problem through the District's operator, past and present. The Board noted the District's operator will address the matter under his agenda item.

Ms. Sylvia Avila reported District resident complaints regarding missed garbage pick-up stops and a broken can, all of which were subsequently resolved. Directors Minchew and Vance reported calls they received about careless collection of trash

resulting in trash in the street and broken cans. Ms. Avila said she would discuss the complaints with the collection crews.

Mr. Metcalf noted that grass on the side of the sidewalks in Memorial Park between the street and side path need water. He also reiterated his previous request that the progress of all major District projects be placed on the District website and that his personal written narrative of commentary he provided at the August regular meeting and tonight be included among the attachments to these minutes. He objected to the fact that his comments made to the Board at the August meeting were not reflected under "Comments From the Public." A copy of Mr. Metcalf's personal written narratives of his commentary for the August and September regular meetings are attached to these minutes.

Mr. Brad Evans commented regarding the condition of Farmer Road. The Board directed Mr. Evans to contact Fort Bend County Commissioner Andy Meyers regarding same.

CONSENT AGENDA

Director Vance offered Board members the opportunity to remove items from the consent agenda for individual discussion. There being no additional response from any Board member, Director Kluppel moved to approve all items on the consent agenda, except item f removed for additional discussion. Director Vance seconded the motion, which passed by unanimous vote. Copies of all documents approved as part of the consent agenda are attached.

ENGAGE AUDITOR TO CONDUCT AUDIT FOR FISCAL YEAR END SEPTEMBER 30, 2013

The Board reviewed Mr. Sandersen's proposal to conduct the District's audit for the fiscal year ending September 30, 2013 and an alternate proposal to conduct the District's audits for the fiscal years ending September 30, 2013, September 30, 2014 and September 30, 2015 for a fee not to exceed \$11,250 for each fiscal year. After review and discussion, Director Minchew moved to engage Sandersen Knox & Co., LLP to conduct the audit for fiscal years ending September 30, 2013, September 30, 2014 and September 30, 2015 for a fee not to exceed \$11,250 for each fiscal year, authorize execution of the engagement letter, and direct that the engagement letter be filed appropriately and retained in the District's official records. Director Howard seconded the motion, which passed by unanimous vote.

PUBLIC HEARING REGARDING DISTRICT'S TAX RATE, ORDER LEVYING TAXES,
AND AMENDMENT TO INFORMATION FORM

Mr. Ordeneaux stated that Tax Tech, Inc. published a Notice of Public Hearing in the Fort Bend Herald stating the District anticipates levying a \$0.655 tax rate at this meeting. Director Vance then opened the public hearing. No members of the public came forward to make comments. Director Vance then closed the public hearing.

Ms. Brook presented to the Board an Order Levying Taxes for 2013 reflecting a total \$0.655 tax rate comprised of \$0.405 for debt service and \$0.25 for operations and maintenance. She then presented to the Board an Amendment to Information Form reflecting the 2013 tax rate. Following review and discussion, Director Kluppel moved to adopt the Order Levying Taxes as presented, approve and authorize execution of the Amendment to the Information Form, and direct that the Order and Amendment be filed appropriately and retained in the District's official records. Director Vance seconded the motion, which passed unanimously.

BUDGET FISCAL YEAR END SEPTEMBER 30, 2014

Ms. McLennan confirmed that all Board and consultant comment/revisions to the 2014 fiscal year budget discussed at the August budget workshop were incorporated with the exception of maintenance tax revenue which will be incorporated following the meeting. Following review and discussion, Director Kluppel moved to approve the proposed budget for the District's fiscal year ending September 30, 2014. The motion, which was seconded by Director Howard, passed unanimously.

SECURITY AND PUBLIC SAFETY MATTERS

Sheriff Nehls introduced key personnel with the Fort Bend County Sheriff's Department and addressed concerns regarding the disposition and transition of Fort Bend County Constable Precinct 3 officers currently patrolling the District, including additional training, if necessary, and the transfer of patrol vehicles. Sheriff Nehls also discussed special initiatives and programs available to communities through the Fort Bend County Sheriff's Department. Sheriff Nehls confirmed that during transition the District will not be without patrol coverage.

OPERATION OF DISTRICT FACILITIES

Mr. Ammel reviewed the EDP operations report for the month of September, 2013, a copy of which is attached, and which was provided in advance to the Board.

Mr. Ammel discussed lower water accountability in the District, attributable to major main breaks this month, and historical use and loss, including surface water amounts pumped.

Mr. Owen updated the Board regarding repair of lift pump no. 2 at lift station no. 6 and said the pump is operational.

The Board next considered amending the District's Rate Order. This amendment to the District's Rate Order proposes to incorporate an additional charge in the District base sewer charge to cover the Consumer Price Index ("CPI") assessed by the District's garbage carrier. Ms. Humphries noted the CPI increase is \$0.19 per connection and will increase the base sewer charge from \$26.65 to \$26.84. Following review and discussion, Director Kluppel moved to amend the District's Rate Order, as discussed. Director Vance seconded the motion, which passed unanimously.

Discussion ensued regarding the issues reported by Ms. Paula Sims. Mr. Ammel explained that the Sims' service line is tied directly to the manhole and the 4 inch line outside the manhole has settled. Mr. Jordan recommended EDP provide a service connection outside the manhole. Following review and discussion, Director Kluppel moved to provide a District service connection outside the manhole for the customer to tie into. Director Vance seconded the motion, which passed unanimously.

The Board next discussed budgeted funds available for the District's ongoing annual sidewalk repair program. Mr. Ammel said the repairs went on hold in July 2013 with 25 to 30 identified repair projects pending. Director Minchew said the Pecan Grove Property Owner's Association ("POA") wants to continue participation and coordination of repairs between the District and the POA.

Mr. Ammel discussed staffing changes at EDP, including placing Doug Owen in charge of construction services management and Breah Campbell in charge of management.

Following review and discussion, Director Kluppel moved (1) approve the operations report; and (2) authorize staffing changes at EDP, as discussed. Director Howard 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. 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 Howard seconded the motion, which passed unanimously.

CONVERSION TO SURFACE WATER

The Board discussed with Ms. B. Miller and Mr. Howard the status of completion of the surface water treatment plant, including the status of review of the final membrane acceptance report by J&C. Mr. Howard also reported the contractor is currently uploading all supervisory control and data acquisition ("SCADA") and will be complete in a couple of weeks.

ENGINEERING MATTERS

Ms. B. Miller reviewed with the Board an engineering report, a copy of which is attached to these minutes.

Ms. B. Miller first discussed the status of preparation of a Concentration-Time ("CT") Study needed to increase capacity at the surface water treatment to 2.3 million gallons per day and said the study is ready for submittal to the Texas Commission on Environmental Quality ("TCEQ"). Mr. Turner noted the review period is 60 days following submittal. Ms. B. Miller said J&C is recommending revising the sampling location at the clear well and adding minor piping.

Ms. B. Miller said J&C is preparing an MS-4 presentation and report for approval at the October regular Board meeting.

Ms. B. Miller also discussed the status of preparation of an application for renewal of Permit No. WQ0011655-001 for the wastewater treatment plant.

Ms. B. Miller discussed the status of design of proposed drainage improvements, reviewed an inlet improvement project and requested authorization to advertise for bids for construction. The Board concurred to defer authorization to advertise.

Ms. B. Miller next reviewed bids for rehabilitation of the sanitary sewer and recommended that the Board award the contract to the lowest bidder, Reliance Construction Services, LP, in the amount of \$359,553.96, based on the engineers' recommendations, and because it would result in the best and most economical completion of the project, Director Howard moved to approve the award of the contract to the lowest bidder, Reliance Construction Services, LP, based upon the recommendation of J&C and subject to review and approval of payment and performance bonds and insurance. Director Kluppel seconded the motion which passed unanimously.

Ms. B. Miller next discussed the status of construction of the Pecan Lakes Flood Protection System, and recommended the Board approve Pay Estimate no. 3 in the amount of \$296,528.85, payable to LECON, Inc. and Change Order No. 1 in the amount of \$10,550 for conduit under road to ensure drainage and additional riprap. Ms. B. Miller said homeowner foundation surveys were completed and J&C is meeting with the homeowner's association in October to agree upon a color and finish for the flood wall. Following review and discussion, Director Kluppel moved to approve Pay

Estimate no. 3 in the amount of \$296,528.85, payable to LECON, Inc. and Change Order No. 1 in the amount of \$10,550 for conduit under road to ensure drainage and additional riprap. The motion, which was seconded by Director Vance, passed unanimously.

Ms. B. Miller next reported the status of construction of the Pecan Lakes Pump Station and recommended the Board approve Pay Estimate No. 1 in the amount of \$92,250, payable to JTR Constructors, Inc. Following review and discussion, Director Kluppel moved to approve Pay Estimate No. 1 in the amount of \$92,250, payable to JTR Constructors, Inc. Pay Estimate No. 1 in the amount of \$92,250, payable to JTR Constructors, Inc. Director Vance seconded the motion, which passed unanimously.

Ms. B. Miller reported rework at Water Well No. 3 rework is complete, but additional vibration tests are pending.

Ms. B. Miller next discussed ongoing site work with regard to Water Plant No. 1 Hydro-Tank Replacement and Recoating and recommended the Board approve Pay Estimate No. 2 in the amount of \$30,118.97, payable to Nunn Constructors, Ltd. Following review and discussion, Director Kluppel moved to approve Pay Estimate No. 2 in the amount of \$30,118.97, payable to Nunn Constructors, Ltd. Director Vance seconded the motion, which passed unanimously.

REPORTS FROM DIRECTORS, COMMITTEES, AND DISTRICT CONSULTANTS

Director Kluppel reported regarding surface water issues and meetings with the Fort Bend Flood Management Association, Gulf Coast Water Authority Mainland Municipal Advisory Committee and Brazos River Authority and drought contingency issues.

Director Vance advised all consultants that information between meetings, including resident correspondence and inquiries, be distributed to all directors and that he be contacted for all emergency matters. The Board concurred that any emergency operational matters be referred directly to the board operations liaison. Director Vance also reminded consultants that individual Directors are not authorized to direct work between meetings when not authorized to do so at a Board meeting.

The Board also discussed changing the meeting time to accommodate residents who may not be able to make a 5:30 p.m. meeting start time. Following discussion, Director Vance moved to start regular meetings at 6:00 p.m. Director Minchew seconded the motion, which passed by a vote of 3 to 1, with Director Howard voting against the motion.

Director Kluppel said he and Director Vance will meet to discuss water rates in October to make a recommendation to the Board at the October meeting.

ATTORNEY'S REPORT

Further discussion ensued regarding drought contingency matters, including discussion of Governor Perry's drought proclamation for Fort Bend County. Mr. Jordan said J&C is reviewing the District's drought contingency order and will make recommendations to the Board at the October regular meeting. Ms. Humphries recommended including language encouraging voluntary water conservation in the interim as requested by the Governor. Following review and discussion, Director Vance moved to include a message on the District utility bills encouraging water conservation. Director Kluppel seconded the motion, which passed unanimously.

PARK MATTERS

Ms. Campbell reported general park maintenance and repairs, including the status of benches approved for installation and recommended adding kiddy mulch and sand to the volley ball area and re-stripping the parking lot at Pecan Grove Park. Director Minchew reported he has requested pricing to continue fencing on the side of the park along the Pecan Grove Fire Department to keep cars from cutting through the park. Upon a motion by Director Kluppel and a second by Director Minchew, the Board voted unanimously to approve adding kiddy mulch and sand to the volley ball area and re-stripping the parking lot at the Pecan Grove Park.

Chief Woolley reported special initiatives by the PGVFD for breast cancer awareness month. The Board also discussed with Chief Woolley coordinating holiday activities/events in District parks.

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 7:22 p.m., Director Vance 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 7:50 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 consider, Director Vance moved to adjourn the meeting. The motion was seconded by Director Kluppel and passed unanimously.


Secretary, Board of Directors



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