

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

September 28, 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 28th day of September, 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 except Director Stolleis, thus constituting a quorum.

Also present at the meeting were LeaAnne Klentzman, Jane Gray, Steve Crow, Mr. and Mrs. C. K. Dickenson, Kirk Boyd, and Robert Barta, residents of the District; G. Matthew Lueckenhoff of Rogers, Morris & Grover, L.L.P., representing Fort Bend Independent School District ("FBISD"); Sundaresh Kamath of FBISD; Jason Kirby and Bethany Miller of Jones & Carter, Inc. ("J&C"); Pat Naff of CDC Unlimited, LLC ("CDC"); Kathy Cruthirds of Tax Tech, Inc.; Doug Owen, Clayton Galloway, 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 ("WCA"); Sheldon Buck of Malcolm Pirnie, Inc. ("Malcolm Pirnie"); Marquita Griffin of the Fort Bend Herald; Cliff Kavanaugh of First Southwest Company; Alan Sandersen of Sandersen Knox & Company, PLLC; and Lynne B. Humphries, Hannah Brook, Rebecca Clark, and Janet Swartz of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the August 31, 2010, meeting, which had been prepared and distributed in advance of the meeting. Ms. Swartz stated that the minutes of the June 29, 2010, have been amended to reflect the Board's approval of Pay Estimate No. 3 to the contract for recoating and repairs to water plant no. 3. She added that the minutes of July 27, 2010, have been amended to reflect that Mr. and Mrs. Thompson reside at 2314 Mayweather. Ms. Swartz stated that Director Stolleis requested that the minutes of the August 31, 2010, reflect that he stated that Hassell Construction Company, Inc. ("Hassell Construction") has agreed to provide the District with a cost for replacing steel casing around the District's water line. Following review and discussion, Director Kluppel moved to approve the minutes of the June 29 and July 27, 2010, meetings as amended and the August 31, 2010, meeting. Director Krahn 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. He updated the Board on the spraying of portions of the ditch. Mr. Naff reported that CDC trimmed trees along the jogging trail along FM 359 heading toward Belin Park. Mr. Naff recommended that CDC be authorized to proceed with fertilization of the levee. Director Taylor discussed the mowing of the area behind the putting green along the levee and ditches. The Board requested that the Parks Committee make a recommendation to the Board on the mowing of the area behind the putting green.

Mr. Naff stated that he has been and will continue to monitor the growth of vegetation in Bullhead Slough. After discussion, Director Krahn moved to authorize CDC to proceed with fertilization of the levee and ditches. Director Kluppel seconded the motion, which passed 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. He requested that the Board members let him know if they want to tour the WCA recycling facility.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Cruthirds reviewed with the Board the monthly tax assessor/collector's report, a copy of which is attached. She 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.

CONDUCT PUBLIC HEARING REGARDING DISTRICT'S TAX RATE

Ms. Cruthirds stated that Tax Tech, Inc. published a Notice of Public Hearing in the Fort Bend Herald stating the District anticipates levying a \$0.55 tax rate at this meeting.

Director Taylor then opened the public hearing. No members of the public came forward to make comments. Director Taylor then closed the public hearing.

ADOPT ORDER LEVYING TAXES AND APPROVE AMENDMENT TO INFORMATION FORM

Ms. Brook presented to the Board an Order Levying Taxes for 2010 reflecting a total \$0.55 tax rate comprised of \$0.31 for debt service and \$0.24 for operations and maintenance. She then presented to the Board an Amendment to Information Form reflecting the 2010 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 Levying Taxes and

Amendment to the Information Form be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which passed unanimously. The Board confirmed its intention that the 2010 tax levy includes a debt service component for the calendar year ending December 31, 2011, and a maintenance tax component for the fiscal year ending September 30, 2011.

OPERATION OF DISTRICT FACILITIES

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

Mr. Ammel updated the Board on EDP's monitoring of the widening of FM 359 and stated that an inspection of the installation of the storm sewer connection to the outfall was conducted and additional grouting and sealing of the connection will be required. Mr. Ammel 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 8-inch water line was not in conflict with the storm sewer but a casing will need to be added to extend the existing casing beyond the edge of the proposed paving. Mr. Ammel stated that the 12-inch water line and 6-inch force main were in conflict with the storm sewer and therefore temporary offsets were made by Hassell Construction. He added that permanent relocations of the water and sewer lines will be necessary. Mr. Ammel stated that drawings have been provided to Hassell Construction and Tackle Construction Company, Inc., and that the District should be receiving a cost estimate. Mr. Ammel stated that EDP will continue to monitor the relocations of the District's lines.

Mr. Ammel stated that booster pump no. 5 at water plant no. 3 needs to be repaired at a cost of \$5,330.00. He added that the booster pump motor no. 5 at water plant no. 3 needs to be repaired at a cost of \$2,400.00. Mr. Ammel stated that booster pump motor nos. 1, 2, 3, and 4 at water plant no. 3 need to be repaired at a cost of \$2,900.00 per motor.

Mr. Ammel discussed the recoating project at water plant no. 3. He added that he turned over a list of items to Dunham Engineering that were damaged, including the soft start for the well pump motor, the air compressor motor, and the booster pump motors. The Board requested that Mr. Ammel contact the District's insurance agent, Mr. McDonald, and report the damages to the booster pumps made by the contractor and the repairs that are necessary. The Board asked that Mr. Ammel report to the Board on whether insurance will cover the claim. Mr. Ammel stated that he has requested that Dunham Engineering hold the payment of the final pay estimate until a list of items related to the project are addressed by the contractor. The Board requested that Mr. Kirby ask Dunham Engineering to contact the bonding company for the contractor regarding the list of items the operator has provided that remain to be addressed by the contractor.

After review and discussion, Director Kluppel moved to (1) approve the operator's report; (2) approve the repair of booster pump no. 5 at water plant no. 3 at a cost of \$5,330.00; (3) approve repair of booster pump motor no. 5 at water plant no. 3 at

a cost of \$2,400.00; and (4) approve repair of booster pump motor nos. 1, 2, 3, and 4 at water plant no. 3 at a cost of \$2,900.00 per motor. 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 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 Krahn seconded the motion, which passed unanimously.

DISTRICT NEWSLETTER AND WEBSITE

Mr. Ammel discussed the preparation of the newsletter and updates to the website. After discussion, Director Kluppel moved to authorize website posting of the energy analysis for electricity usage. Director Krahn seconded the motion, which carried unanimously.

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. 5 from LEM Construction Co., Inc. ("LEM Construction") in the amount of \$588,091.33. Mr. Buck reviewed and recommended approval of invoice no. 5 in the amount of \$8,876.25 to Terracon for construction materials testing. After review and discussion, Director Kluppel moved, based upon Mr. Buck's recommendation, to approve Pay Estimate No. 5 in the amount of \$588,091.33 to LEM Construction and invoice no. 5 in the amount of \$8,876.25 to Terracon. Director Minchew seconded the motion, which passed unanimously.

Mr. Buck updated the Board on plans for the SCADA system being required by the Gulf Coast Water Authority ("GCWA"). He stated that he has received comments on the plans from GCWA. Mr. Buck stated that he is waiting for LEM Construction to finalize the cost to construct the system. Mr. Buck stated that Malcolm Pirnie will work on obtaining approval of the Change Order for the SCADA system from the Texas Commission on Environmental Quality, and will coordinate with ABHR as needed.

Ms. Brook updated the Board on the status of negotiations of a contract with the Brazos River Authority for the purchase of an additional 700-acre feet of water.

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. Ms.

Brook stated that the attorney for WSG Pecan Grove IV, LP was contacted and is aware of the District's request. She added that the appraisals for the easement and additional levee extensions were ordered. Mr. Kirby stated that he met with Golf Club representatives to discuss the District's requests for the easement and the property for the levee. Ms. Humphries stated that an offer can be sent to WSG Pecan Grove IV, LP once the appraisals are completed. Ms. Humphries stated that ABHR will send separate letters of explanation regarding the District's request for the easement and additional property to the attorney for WSG Pecan Grove IV, LP, the manager of the Pecan Grove Country Club, and the owner of the Pecan Grove Country Club. The Board requested that ABHR request that the attorney for WSG Pecan Grove IV, LP meet with the District's consultants on-site to discuss the District's request.

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 discussed the design of the Pecan Lakes Floodplain Protection System. He stated that FEMA did not comment on the WIPP System in its review of the District's Pecan Lakes and Expanded Commercial Flood Protection System Request for Conditional Letter of Map Revision. Mr. Kirby stated that J&C has been unable to schedule a meeting with FEMA. The Board reviewed a letter to Congressman Olson requesting assistance in arranging a meeting with FEMA representatives regarding the Pecan Lakes Flood Protection System. The Board requested that ABHR send the Board members the final version of the letter to Congressman Olson for their review. The Board then authorized ABHR to send the letter regarding the Pecan Lakes Flood Protection System to Congressman Olson, contingent upon the Board's final review and approval.

Mr. Kirby stated that the belt filter press at the wastewater treatment plant needs to be replaced. He requested authorization to design the belt filter press replacement. After discussion, the Board tabled action on this matter.

Mr. Kirby updated the Board on the construction of point repairs to the slope of the east channel of the South ditch. He stated that the contractor completed the repairs but turf still needs to be established. He reviewed and recommended payment of Pay Estimate No. 2 in the amount of \$22,760.10 to L. N. McKean, Inc. Mr. Kirby reviewed and recommended approval of Pay Estimate No. 3 and Final in the amount of \$4,738.90 and further recommended that the payment be held until turf is established.

Mr. Kirby reported on the water plant nos. 2 and 3 generator replacements. He reviewed and recommended payment of Pay Estimate No. 1 in the amount of \$171,900.00 to Gemini Contracting Services.

Mr. Kirby updated the Board on the contract for the repair of the crack at the base of the elevated storage tank fill line. He stated that the contractor has been directed to begin the repairs.

Mr. Kirby stated that J&C informed AT&T that the Board approved the bid for the improved driveway access from FM 359 necessary due to the Pecan Lakes levee. He stated that construction is expected to begin at the end of September.

Mr. Kirby reviewed the annual report for permit year three on the MS-4 Storm Water Management Plan.

Mr. Kirby stated that representatives of the City of Richmond contacted J&C requesting District approval of a 20-foot water and sanitary sewer easement along FM 359 for water and sanitary sewer extensions. He stated that the land is the south outfall ditch to Jones Creek and the extreme event swale south of Pecan Lakes and the Pecan Grove Baptist Church properties. The Board requested that J&C contact the representatives of the City and request additional information in connection with the request.

Following review and discussion, Director Kluppel moved to (1) approve the engineer's report; (2) based upon the engineer's recommendation, approve Pay Estimate No. 2 in the amount of \$22,760.10, for point repairs to the slope of the east channel of the South ditch and payment to L. N. McKean, Inc.; (3) based upon the engineer's recommendation, approve Pay Estimate No. 3 in the amount of \$4,738.90 for point repairs to the slope of the east channel of the South ditch and direct that the bookkeeper hold the payment until J&C has confirmed that turf has been established; (4) based upon the engineer's recommendation, approve Pay Estimate No. 1 in the amount of \$171,900 for water plant nos. 2 and 3 generator replacements and payment to Gemini Contracting Services; (5) approve the MS-4 Storm Water Management Plan annual report for permit year three; and (6) accept a Deed from Pecan Lakes Community Association. Director Minchew seconded the motion, which passed unanimously.

Director Taylor stated that the Board wanted to thank Steve Crow for his service to Pecan Grove Municipal Utility District. He presented Mr. Crow with a framed Resolution Commending Steve Crow for service to Pecan Grove Municipal Utility District. Mr. Crow thanked the Board for its kindness in remembering him for his service.

Director Taylor stated that Mr. Gilmore of the City of Richmond contacted him to discuss the City's request to the Fort Bend Subsidence District ("FBSD") to extend the City's deadline for surface water conversion by two years. Director Taylor stated that Mr. Gilmore has requested that a Board member from the District attend a meeting with representatives of the FBSD to request a two-year extension of the District's conversion deadline and support the City in its request for extension of the deadline. Directors Taylor and Kluppel concurred to meet with Mr. Gilmore regarding the City's request. Director Taylor added that Mr. Gilmore requested an emergency water interconnect agreement between the District and the City of Richmond. The Board concurred they were in favor of such an agreement if the City pays all costs of the interconnect.

Director Taylor stated that the District may want to terminate the existing Emergency Water Supply Contract between the District and Fort Bend County Water

Control & Improvement District No. 3. Ms. Brook stated that ABHR will review the Contract and report to the Board at the next meeting.

APPROVE, IF APPROPRIATE, AMENDED AGREEMENT FOR OUT-OF-DISTRICT SERVICE BETWEEN THE DISTRICT AND FORT BEND INDEPENDENT SCHOOL DISTRICT AND ACCEPT WATER METER EASEMENT AND OTHER NECESSARY EASEMENT

Mr. Lueckenhoff stated that he is an attorney representing FBISD in connection with the construction of a middle school and the Agreement for Out-of-District Service between the District and FBISD. He introduced Mr. Kamath of FBISD to the Board. Mr. Lueckenhoff stated that FBISD now proposes 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. Mr. Lueckenhoff stated that FBISD is requesting an Amended Agreement for Out-of-District Service to allow the utilities to be placed in an existing 30-foot utility easement.

Mr. Kamath stated that he asked the contractor for the middle school to stop all of the contractors' and/or subcontractors' trucks from traveling on Plantation Drive through the District. He added that a sign also was placed on Plantation Drive to prevent the trucks from traveling through the District. Director Minchew stated that the trucks traveling through the District have presented a safety issue and he questioned why county officials and FBISD Board members had to be contacted. He added that the safety issues also involve trucks that have been speeding and running stop signs. Mr. Lueckenhoff stated that the contractor has contacted the subcontractors and asked them to not travel through the District. Director Minchew stated that he was concerned about the lengthy period it has taken FBISD to address this safety issue. Mr. Kamath stated that he addressed the issue with the contractor when he learned about the issue. Mr. Lueckenhoff stated that FBISD desires to correct the problem and has communicated this to the contractor. Director Minchew stated that FBISD needs to place staff on Plantation Drive to prevent trucks from traveling through the District. Mr. Lueckenhoff stated that he would relay this request to FBISD. He added that FBISD is attempting to meet an October 4, 2010 construction deadline. Director Taylor stated that the Board will not consider an Amendment to the Out-of-District Service Agreement until FBISD has demonstrated that it has prevented all trucks associated with the middle school project from traveling through the District. He added that until that time, the current Out-of-District Service Agreement will be the Agreement the District will operate under.

Ms. Humphries noted that FBISD has been aware of the water line easement required by the Out-of-District Service Agreement since before April, 2010, when the Agreement was signed and now has requested the Board to immediately approve an amendment to install the water line in the 30-foot public utility easement. She added that the District's consultants have concerns about the required separation distances for water lines that are required in public utility easements and also the rights of other utilities to use the easement. Mr. Lueckenhoff stated that there are no other facilities currently in the utility easement. Mr. Kirby stated that because the easement is public, other utilities could be placed in the easement. Mr. Kirby stated that in connection with

his review, he would require FBISD to guarantee the District that nine feet of separation will be maintained from other lines to the District's water line and that FBISD will prevent another utility from placing a line in the public utility easement without the District's consent. Mr. Kirby noted that FBISD can also seek alternative easements for placement of the water line on the north side of Plantation Drive. Ms. Humphries noted that the District will require a Certificate of Authority from the FBISD School Board authorizing execution of any easement presented to the Board. After discussion, the Board concurred to table any action on an Amended Agreement for Out-of-District Service between the District and FBISD and approval of the water meter easement.

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 stated that \$993.00 of unclaimed deposits will be turned over to the Comptroller of Texas as required. After review and discussion, Director Krahn 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.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS REGARDING EVENTS AND ACTIVITIES ATTENDED DURING THE MONTH, INCLUDING FORT BEND FLOOD MANAGEMENT ASSOCIATION MEETINGS

Director Taylor stated that the North Fort Bend Water Authority has a townhall meeting on September 30, 2010, and there will be a National Flood Workshop on October 24, 2010.

Director Krahn stated that he attended the meeting of the Pecan Lakes Homeowner Association to discuss the District's request for the conveyance by deed for the Pecan Lakes Levee project.

COMMENTS FROM THE PUBLIC WHO HAVE SIGNED UP TO SPEAK

Mr. Boyd stated that he appreciated the Board's efforts to request that FBISD prevent trucks traveling through the District. Ms. Humphries noted that Mr. Cordes told her that the Commissioner's Court has ordered a traffic study for Plantation Drive so that the "no through trucks" traffic regulation may be enforced.

DEVELOPMENT AND MAINTENANCE OF PARKS

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

REPORT ON SECURITY MATTERS

Ms. Humphries stated that she is meeting this week with Mr. Cordes on the District's Agreement for Additional Law Enforcement Services with Fort Bend County.

ATTORNEY'S REPORT

Ms. Brook stated that there was no attorney report.

CONDUCT ANNUAL REVIEW OF BOOKKEEPER CONTRACT

The Board conducted an annual review of the bookkeeper. Ms. McLennan reviewed an Amendment to the Agreement for Services for Bookkeeper between McLennan & Associates, Inc. and the District. She stated that the Agreement includes a \$250.00 increase in the monthly fee. After review and discussion, Director Minchew moved to approve the amendment to the Agreement for Services for Bookkeeper between the District and McLennan & Associates, Inc., and direct that the amendment be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

CONDUCT ANNUAL REVIEW OF AUDITOR

The Board conducted an annual review of the auditor.

CONDUCT ANNUAL REVIEW OF TAX ASSESSOR/COLLECTOR

The Board tabled review of the Tax Assessor/Collector.

ENGAGE AUDITOR

Mr. Sandersen reviewed a proposal to conduct the District's audit for the fiscal year ending September 30, 2010. After review and discussion, Director Kluppel moved to engage Sandersen Knox & Co, LLP, to conduct the audit for the fiscal year ending September 30, 2010, authorize execution of the engagement letter, and direct that the engagement letter be filed appropriately and retained in the District's official records. Director Krahn 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.

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

Secretary, Board of Directors

(SEAL)

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