

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

October 25, 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 25th day of October, 2011, 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 residents of the District listed on Exhibit A attached hereto; Michael Youngblood, Fire Chief of the City of Richmond; Ken Stringer of LEM Construction Co., Inc. ("LEM Construction"); Bryan Jordan and Bethany Miller of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Clayton Galloway, Doug Owen, Breah Campbell, and Mike Ammel of Environmental Development Partners, L.L.C. ("EDP"); Mary Ann Mihills of McLennan & Associates, L.P.; Kevin Atkinson of WCA Waste Corporation of Texas, LP ("WCA"); Trey Sawyer of CDC Unlimited, LLC; Sheldon Buck of Malcolm Pirnie, Inc. ("Malcolm Pirnie"); Constable Rob Cook and Deputy Aaron Tyksinski of the Fort Bend County Constable's Office, Precinct 3; John Kelly of Terra Management Services; Ben Anders of the YMCA of the Greater Houston Area; and Lynne B. Humphries and Janet Swartz of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the September 27, 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 September 27, 2011, meeting. Director Stolleis seconded the motion, which carried unanimously.

DITCH, LEVEE MAINTENANCE, AND REPAIRS

Mr. Sawyer updated the Board on ditch, levee maintenance, and repairs. He stated that overseeding and fertilizing of the levee has been completed.

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 reported that WCA will pick up Christmas trees for recycling on January 2 and January 4, 2012.

Director Stolleis requested that Mr. Atkinson revise the monthly report to reflect actions taken by WCA in response to customer inquiries.

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 2011 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.

ADOPT RESOLUTION VOTING FOR DIRECTOR FOR BOARD OF DIRECTOR ELECTION FOR FORT BEND CENTRAL APPRAISAL DISTRICT

After review and discussion, Director Kluppel moved to adopt a Resolution Voting for Director for Board of Director Election for Fort Bend Central Appraisal District reflecting that the District's 20 votes are cast in favor of Kraig Warren and direct that the Resolution be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed unanimously.

CONDUCT PUBLIC HEARING REGARDING TAXATION OF GOODS-IN-TRANSIT UNDER TEXAS TAX CODE SECTION 11.253 AND ADOPT RESOLUTION TO TAX GOODS-IN-TRANSIT

The Board opened a public hearing regarding the taxation of goods-in-transit. Ms. Humphries reviewed a Memorandum prepared by ABHR regarding a tax exemption for goods-in-transit, as defined in Section 11.253, Texas Tax Code, as amended by Article 48 of Senate Bill No. 1 of the First Called Session of the 82nd Texas Legislature. A copy of the Memorandum is attached. Ms. Humphries reported that goods-in-transit will be exempt from taxation in the 2012 tax year and each year thereafter unless the District takes action by the end of the 2011 to tax such goods-in-transit. There being no members of the public in attendance wishing to address the Board, the public hearing was closed. Ms. Humphries presented a Resolution to Tax Goods-in-Transit for the Board's consideration. After review and discussion, Director Kluppel moved to adopt the Resolution to Tax Goods-in-Transit and direct that the Resolution be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed unanimously.

COMMENTS FROM THE PUBLIC

In response to a question from Mr. Metcalf, Director Taylor stated that the Board would consider conducting a community town hall meeting on the Fire Plan in the future when any plan is near being finalized. Mr. Boyd stated that as a resident he believes Director Stolleis has a conflict of interest in working on the Fire Plan Committee due to his employment at an engineering company that does work for the City of Richmond. He requested that Director Stolleis remove himself from the Fire Plan Committee due to a conflict of interest and that the Board start over on the Fire Plan.

Mr. Dorger stated that on behalf of the Pecan Lakes Community Association (the PLCA"), he wanted to thank the Board for being given the opportunity to comment on the design of the Pecan Lakes levee system. He stated that the PLCA is also requesting that the District's engineer consider the athletic fields when working on the final design. Mr. Dorger stated that he has been in contact with Mr. Kalkomey of J&C on the PLCA's comments on the design plans. In response to a question from Mr. Dorger, Director Taylor gave an update on the construction plans and stated that the District is in the process of obtaining all of the property for the new levee.

Ms. Fieser requested that the Board identify themselves and stated that she was present to address Directors Taylor and Stolleis. The Board identified themselves. Ms. Fieser stated that the Board suspended the order of the new agenda for the Board to receive comments from the public prior to discussion on the Fire Plan. Ms. Fieser stated that no members of the Board have background in fire or emergency safety issues in connection with the Board discussions on contracting for those services. Ms. Fieser stated that she believes Director Stolleis has a conflict of interest and she requested Director Stolleis to recuse himself from voting on Fire Plan matters. She added that she was in favor of the Board conducting a town hall community meeting on the Fire Plan.

Ms. Denkowsky requested further clarification on whether the Pecan Grove Volunteer Fire Department ("PGVFD") requested the District to create a Fire Plan, as reflected in the District's current newsletter. Director Taylor stated that the PGVFD sent a letter to the District requesting the Board to create a Fire Plan. Ms. Denkowsky also requested information regarding Director Minchew's credentials reflected on the District's website be corrected. Director Minchew stated that any residents seeking public records should submit a written request to the District.

OPERATION OF DISTRICT FACILITIES AND HEARING REGARDING TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT ACCOUNTS

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

Mr. Ammel recommended installation of a new air line at water plant no. 3 from the control building to each of the hydrotanks at a cost of \$6,674.75.

Mr. Ammel recommended that blower motor no. 9 at the wastewater treatment plant be repaired at a cost of \$6,304.00.

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. A copy of the termination list is attached. No customers on the termination list were present at the meeting to address the Board, nor did they submit a written statement on the matter.

After review and discussion, Director Kluppel moved to (1) approve the operator's report, (2) authorize installation of a new air line at water plant no. 3 at a cost of \$6,674.75, (3) authorize repair of blower motor no. 9 at the wastewater treatment plant at a cost of \$6,304.00, and (4) authorize termination of utility service for delinquent customers in accordance with the District's Rate Order. Director Krahn seconded the motion, which carried unanimously.

DISTRICT NEWSLETTER AND WEBSITE, AND AUTHORIZE POSTING OF ENERGY ANALYSIS FOR ELECTRICITY USAGE ON THE DISTRICT'S WEBSITE

Director Stolleis reported that the District newsletter was completed and distributed. He thanked Ms. Campbell and Ms. Wynn for their work on the 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.

Mr. Buck reviewed and recommended approval of Pay Estimate No. 18 from LEM Construction in the amount of \$892,518.21. Mr. Buck recommended payment of Invoice No. 17 from Terracon in the amount of \$1,234.50. After review and discussion, Director Stolleis moved, based upon Mr. Buck's recommendation, to (1) approve Pay Estimate No. 18 in the amount of \$892,518.21 to LEM Construction, and (2) approve payment to Terracon in the amount of \$1,234.50. Director Krahn seconded the motion, which passed unanimously.

Mr. Stringer reported that the manufacturer of the filtration membranes will arrive at the site of the surface water treatment plant in three to four weeks and will be on site for three to four weeks. He added that electricity has been turned on at the plant and temporary pumps will be delivered next week. In response to a question from Mr. Boyd, Director Taylor stated that Malcolm Pirnie's Activity Report reflects that the services budget is 88.3% complete by time. Director Taylor stated that the District will conduct a community meeting on October 26, 2011, at 7:00 p.m. at the Pecan Grove Country Club on the surface water conversion.

Director Kluppel stated that he attended a meeting of the Gulf Coast Water Authority ("GCWA") and the Executive Director of the GCWA said that he is aware of when the District will need water for the surface water plant. Director Kluppel reported that the Briscoe pump station is out of service until March, 2012, and water will be delivered via the Shannon pump station.

ENGINEERING MATTERS

Ms. Miller reviewed with the Board the engineer's report, a copy of which is attached, and which was provided in advance of the meeting.

Ms. Miller reported on the coordination between J&C and TxDOT on the widening of FM 359 and the sluice gate installation near the south pump station.

Ms. Miller stated that the contracts for the wastewater treatment plant belt filter press replacement project are ready for execution by the Board.

Ms. Miller updated the Board on the construction of the surface water treatment plant offsite utility extensions. She reported that J&C reviewed and recommended approval of Pay Estimate No. 5 in the amount of \$332,961.93 to Hurtado Construction Company. Ms. Miller reported that J&C reviewed and recommended approval of Change Order No. 2 in the amount of \$9,462.00 for the open cut for the proposed eight-inch sanitary sewer line on Old Dixie Road due to field conditions.

Ms. Miller updated the Board on the chloramine conversion of water plant nos. 1, 2, and 3. She reported that J&C reviewed and recommended approval of Pay Estimate No. 2 in the amount of \$46,482.79 to R&B Group, Inc.

Ms. Miller stated that J&C is ready to submit the application for renewal of the stormwater permit for the wastewater treatment plant.

Ms. Miller stated that the Year Four Annual Report on the MS-4 Storm Water Management Plan previously distributed to the Board is ready for approval.

Following review and discussion, Director Kluppel moved to (1) approve the engineer's report; (2) approve Pay Estimate No. 5 in the amount of \$332,961.93 to Hurtado Construction Company for the surface water treatment plant offsite utility extensions, based upon the engineer's recommendation; (3) approve Change Order No. 2 in the amount of \$9,462.00 to the contract with Hurtado Construction Company, based upon the engineer's recommendation; (4) approve Pay Estimate No. 2 in the amount of \$46,482.79 to R&B Group, Inc. for the chloramine conversion of water plant nos. 1, 2, and 3, based upon the engineer's recommendation; (5) authorize J&C to submit the application to the Texas Commission on Environmental Quality (the "TCEQ") for renewal of the stormwater permit for the wastewater treatment plant; and (6) approve the MS-4 Stormwater Management Plan Year Four Annual Report and authorize J&C to submit the report to the TCEQ and direct that the Report be filed appropriately and

retained in the District's official records. Director Krahn seconded the motion, which passed by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Mihills 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 Kluppel moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Krahn 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 stated that he met with the new manager for the Pecan Grove Country Club (the "PGCC") and gave him a copy of the Groundwater Reduction Plan Participation Agreement. He added that he also discussed with the manager the PGCC's interest in the use of gray water to water the golf course. Ms. Miller stated that J&C is evaluating water usage by the golf course and gray water system options.

DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Anders reviewed a report on parks for October, a copy of which is attached. The Board asked Mr. Anders to investigate methods to secure the flags at the Plantation Park. Director Krahn stated that the Park Committee will consider lighting the flags.

Ms. Humphries reviewed the new Operation and Maintenance Agreement with the YMCA of the Greater Houston Area.

Ms. Humphries reviewed the new Landscape and Maintenance Contract with R&R "1818" Landscape L.P. d/b/a Terra Management Service.

After review and discussion, Director Krahn moved to (1) approve the Operation and Maintenance Agreement with the YMCA of the Greater Houston Area and direct that the Agreement be filed appropriately and retained in the District's official records and (2) approve the Landscape and Maintenance Contract with R&R "1818" Landscape L.P. d/b/a Terra Management Service and direct that the Contract be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which passed unanimously.

Director Taylor stated that he has been in contact with a representative of CenterPoint about removal and replacement of trees in Pecan Grove Park. He added that CenterPoint will submit an agreement to the Board for approval.

REPORT ON SECURITY MATTERS

Constable Cook reported on security in the District.

DISTRICT FIRE PLAN AND REPORT FROM FIRE PLAN COMMITTEE

Director Krahn thanked all members of the Fire Plan Committee who worked on the Fire Plan. He reported on a meeting of the Fire Plan Committee on October 10, 2011, to discuss the Report on Evaluating Fire Defense Infrastructure for ISO Public Protection Classification (the "Report") from Mr. Pietsch, the Fire Plan consultant. Director Krahn stated that the Fire Plan Committee discussed comments from the President of the PGVFD and the Report prepared by Mr. Pietsch. Director Krahn explained Mr. Pietsch's role as a consultant to the Fire Plan Committee. Ms. Cravens asked questions regarding the possibility of combining the PGVFD with the City of Richmond (the "City") Fire Department. Director Krahn stated that neither Chief LeDoux nor Mr. Jacks of the PGVFD Board could attend the Fire Plan Committee meeting on October 10, 2011. Director Krahn presented for the District's files a memorandum from the Fire Plan Committee summarizing the Committee's recommendations.

Director Stolleis stated he did not want anyone thinking his service on the Fire Plan Committee was inappropriate and therefore thought it was best for the community to resign from the Fire Plan Committee and recuse himself from further discussion on the Fire Plan.

Ms. Cravens requested additional information on anticipated response times to emergencies if services were changed and details on how specifically services to the Pecan Grove community would be improved. Director Taylor stated that the Fire Plan Committee will address Ms. Craven's questions. Ms. Cravens requested that the Fire Plan Committee meet with Chief LeDoux and Mr. Jacks to discuss the report from Mr. Pietsch. Director Kluppel moved to appoint Director Minchew to the Fire Plan Committee to replace Director Stolleis. Director Krahn seconded the motion. Upon the question being called, Directors Minchew, Taylor, Kluppel, and Krahn voted "Aye," Director Stolleis abstained, and the motion passed. The Board tabled acceptance of the Report.

ATTORNEY'S REPORT

Ms. Humphries stated that she did not have a report.

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

The Board did not convene in executive session to conduct a private consultation with its attorney to discuss pending or contemplated litigation including condemnation proceedings.

CONDUCT ANNUAL REVIEW OF LANDSCAPE CONTRACTOR AND PARKS MANAGER

The Board conducted annual reviews of the landscape contractor and parks manager.

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

Secretary, Board of Directors

(SEAL)

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