

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

October 26, 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 26th day of October, 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 Lee Dorgen, Jim Keller, Mr. and Mrs. C. K. Dickenson, and Robert Barta, residents of the District; Kirk Boyd, Board member of the Pecan Grove Volunteer Fire Department and a resident of the District; G. Matthew Lueckenhoff of Rogers, Morris & Grover, L.L.P., representing Fort Bend Independent School District ("FBISD"); Sundaresh Kamath and Ben Copeland of FBISD; John Kelly of Terra Management Services; Bryan Jordan, Jason Kirby, and Bethany Miller of Jones & Carter, Inc. ("J&C"); Pat Naff of CDC Unlimited, LLC ("CDC"); Greg Ordeneaux 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.; Sylvia Avila and Kevin Atkinson of WCA Waste Corporation of Texas, LP; Sheldon Buck of Malcolm Pirnie, Inc. ("Malcolm Pirnie"); 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 September 28, 2010, meeting, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Kluppel moved to approve the minutes of the September 28, 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. Mr. Naff stated that fertilization of the levee and the spraying of the cracks in the side slopes of the ditches are completed.

Mr. Dickenson stated that the surface of Bullhead Slough is currently covered in dead vegetation following the recent spraying by CDC. He requested that the portion of Bullhead Slough behind his home not be treated again due to the amount of accumulated dead vegetation. Director Taylor stated that it is the Board's objective to treat the vegetation often enough to prevent the accumulation of dead vegetation. Mr. Naff stated that CDC had planned to spray Bullhead Slough this week. The Board concurred that further spraying is necessary to reduce the further accumulation of dead vegetation. The Board requested that the operator conduct a reading of the dissolved oxygen in Bullhead Slough and if the results are satisfactory, to contact Mr. Naff so CDC can proceed with spraying the vegetation. The Board requested that the operator also conduct a reading of the dissolved oxygen in Bullhead Slough once CDC has completed the spraying and report all of the test results to the Board.

GARBAGE COLLECTION AND RECYCLING SERVICES

Mr. Atkinson and Ms. Avila distributed and reviewed a report on garbage collection in the District during the past month, a copy of which is attached. Mr. Atkinson reminded the Board that there will be no garbage and recycling services on Thanksgiving Day and Christmas tree pickup is scheduled for January 8, 2011. Mr. Ammel stated that there will be a message on the District's water bill and website and in the newsletter regarding garbage collection services during the Thanksgiving and Christmas holidays.

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 Minchew seconded the motion, which passed by unanimous vote.

OPERATION OF DISTRICT FACILITIES

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

Mr. Ammel stated that the repair to booster pump motor no. 5 at water plant no. 3 has been completed at a cost of \$2,440.00. Mr. Ammel stated that booster pump motor nos. 1, 2, 3, and 4 at water plant no. 3 are currently being repaired as previously authorized by the Board. Mr. Ammel discussed the recoating project at water plant no. 3. He added that he turned over a list of items that were damaged, including the soft start for the well pump motor, the air compressor motor, and the booster pump motors, to Ms. Brook who then submitted the list to the Dunham Engineering and M.K. Painting, the contractor. Mr. Ammel stated that the District's insurance agent, Mr. McDonald, will file a claim on the damages made to the District's equipment by the contractor. 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.

Mr. Ammel updated the Board on EDP's monitoring of the widening of FM 359. He stated that EDP will conduct another inspection of the installation of the storm sewer connection once the installation from the south is completed. Mr. Ammel stated that the District has received three cost estimates for the relocation and installation of the 6-inch force main, the 12-inch water line, and the 8-inch waterline casing. He then reviewed three estimates received by the District and recommended that the Board award a contract to JTM Construction, LLC for the project. The Board concurred that in its judgment, JTM Construction, LLC 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. Director Stolleis recommended that EDP arrange for traffic control during the relocation and installation of the 6-inch force main, the 12-inch water line, and the 8-inch waterline casing. Mr. Ammel stated that Mr. Owen will meet with the contractor on site to coordinate traffic control during construction.

After review and discussion, Director Kluppel moved to (1) approve the operator's report; (2) based on Mr. Ammel's recommendation, award the contract for the relocation and installation of the 6-inch force main, the 12-inch water line, and the 8-inch waterline casing to JTM Construction, LLC, in an amount not to exceed \$50,000;; and (3) authorize EDP to arrange for traffic control during the relocation and installation of the 6-inch force main, the 12-inch water line, and the 8-inch waterline casing. 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

Director Stolleis reported on the District newsletter and website. The Board requested that the operator add a notice to the next water bill reflecting that residents should call Tax Tech, Inc., if they did not receive a tax statement.

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 stated that the contractor has been behind schedule on the project but has been working on Saturdays during September and October to get back on schedule. He stated that the District can access liquidated damages if the contractor does not complete the contract on time. Ms. Humphries noted notice needs to be provided to the contractor and bonding company about the possibility that liquidated damages may be imposed per the contract terms. Mr. Buck then reviewed and recommended approval of Pay Estimate No. 6 from LEM Construction Co., Inc. ("LEM Construction") in the amount of \$327,294.38. He presented Task Order No. 10 for the SCADA system being required by the Gulf Coast Water Authority ("GCWA") in the amount of \$19,500. After review and discussion, Director Stolleis moved, based upon Mr. Buck's recommendation, to approve Pay Estimate No. 6 in the amount of \$327,294.38 to LEM Construction and Task Order No. 10 pursuant to the Master Agreement for Professional Services between the District and Malcolm Pirnie in the amount of \$19,500, and direct that the Order be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

Mr. Buck stated that Malcolm Pirnie is working on the Change Order for the SCADA system.

Ms. Brook presented a System Water Availability Agreement between the District and the Brazos River Authority for the purchase of an additional 700-acre feet of water. Following review and discussion, Director Kluppel made a motion to approve the System Water Availability Agreement between the District and the Brazos River Authority, authorize the annual payment in the amount of \$36,458.33, and direct that the Agreement be filed appropriately and retained in the District's official records. Director Krahn seconded the motion, which carried unanimously.

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. Ms. Humphries stated that she will send a letter to Congressman Olson requesting assistance in arranging a meeting with FEMA representatives regarding the Pecan Lakes Flood Protection System.

Mr. Kirby stated that representatives of J&C met with representatives of EDP to discuss the upcoming design of the belt filter press at the wastewater treatment plant. He added that he will meet with Directors Taylor and Stolleis to discuss the scope of the belt press replacement. After discussion, the Board tabled action on this matter.

Mr. Kirby discussed water well no. 4 and stated that the well needs to be reworked during the winter months. He requested the Board's authorization to commence the design of the water well no. 4 rework.

Mr. Kirby reported on the water plant nos. 2 and 3 generator replacements. He reviewed and recommended payment of Pay Estimate No. 2 in the amount of \$274,500.00 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. Mr. Kirby stated that J&C has confirmed that poor workmanship was the primary cause of the fitting failure. He added that J&C has been in continual contact with the contractor's bonding company regarding the repairs and provided additional documentation to the bonding company. Mr. Kirby stated that he will also contact Mr. McDonald, the District's insurance agent, regarding the filing of a claim on behalf of the District.

Following review and discussion and based upon the engineer's recommendations, Director Krahn moved to (1) approve the engineer's report; (2) authorize preparation of the renewal application for TPDES Storm Water Multi-Section Permit; (3) authorize design of water well no. 4 rework; and (3) approve Pay Estimate No. 2 in the amount of \$274,500.00 for water plant nos. 2 and 3 generator replacements and payment to Gemini Contracting Services. Director Stolleis seconded the motion, which passed unanimously.

APPROVE, IF APPROPRIATE, AMENDMENT TO OUT-OF-DISTRICT SERVICE AGREEMENT BETWEEN THE DISTRICT AND FORT BEND INDEPENDENT SCHOOL DISTRICT AND ACCEPT WATER METER EASEMENT AND WATER LINE EASEMENT

Mr. Lueckenhoff stated that FBISD is requesting an Amendment to the Out-of-District Service Agreement to allow the Water Line Easement to be placed on the north side of Plantation Drive. He added that the State Government Land Office has agreed to sell FBISD the land needed for the Water Line Easement on the north side of Plantation Drive. Mr. Lueckenhoff stated that he will provide the Water Line Easement to ABHR for review and approval.

Mr. Lueckenhoff reviewed actions taken by FBISD to prevent contractors' and/or subcontractors' trucks from traveling on Plantation Drive through the District. Mr. Kamath stated that FBISD has ceased bringing fill dirt to the middle school site. Mr. Copeland added that if FBISD needs additional fill dirt it will be brought in from another part of the County. Director Minchew stated that he is agreeable to FBISD no longer placing staff on Plantation Drive to prevent trucks from traveling through the

District. Director Minchew stated that he was informed by the Sheriff's office that officers will issue tickets to trucks traveling on Plantation Drive through the District.

After review and discussion, Director Krahn moved to approve the Amendment to the Out-of-District Service Agreement, accept the Water Meter Easement, and accept the Water Line Easement, subject to ABHR's review of the alignment and form of Water Line Easement, and direct that the Amendment and Easements be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which carried 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. 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 Stolleis reported that he has met with District's engineer and operator regarding water quality issues in connection with the surface water conversion.

COMMENTS FROM THE PUBLIC WHO HAVE SIGNED UP TO SPEAK

Mr. Boyd stated that he is currently a director on the Pecan Grove Volunteer Fire Department Board and reported on recent activity at the department.

DEVELOPMENT AND MAINTENANCE OF PARKS

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

Ms. Brook reviewed the new Operation and Maintenance Agreement with the YMCA of the Greater Houston Area. After review and discussion, Director Kluppel moved to 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. Director Minchew seconded the motion, which passed unanimously.

Ms. Brook reviewed the Landscape and Maintenance Contract with R&R "1818" Landscape L.P. d/b/a Terra Management Service. The Board concurred to table this item until later in the meeting.

REPORT ON SECURITY MATTERS

Director Minchew reported on security matters in the District. Discussion ensued regarding the Agreement for Additional Law Enforcement Services with Fort Bend County for 2010 to 2011. Director Minchew stated that the revised form of contract would reflect that the District would be charged a percentage of the full contract amount to allot for the time the deputies spend out of the District during their shifts. Ms. Humphries stated that she is negotiating the new Agreement on behalf of the District. Director Minchew stated that Sergeant Waller plans to attend the Board meetings in the future.

ATTORNEY'S REPORT

Ms. Brook reviewed a Resolution Regarding Gulf Coast Water Authority Representation. She stated that the Resolution reflects the District's recommendation and support of the GCWA seeking legislation that provides a voting representative from Fort Bend County on the GCWA Board. Following review and discussion, Director Kluppel moved to adopt the Resolution Regarding Gulf Coast Water Authority Representation and direct that the Resolution be filed appropriately and retained in the District's official records. Director Stolleis seconded the motion, which carried unanimously.

Ms. Brook next reviewed a letter to the Fort Bend Subsidence District stating the District's support of a delay in the implementation/conversion schedule included in the Groundwater Reduction Plan. Following review and discussion, Director Kluppel moved to approve the letter subject to Director Taylor's final approval and direct that the letter be filed appropriately and retained in the District's official records. Director Krahn seconded the motion, which carried unanimously.

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

At 7:16 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 the Board would reconvene in open session at 7:30 p.m. After review and discussion, Director Kluppel moved to authorize ABHR to proceed with an offer on property for the new levee. Director Stolleis seconded the motion, which carried unanimously.

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 TAX ASSESSOR/COLLECTOR, ELECTRICITY PROVIDER, LANDSCAPE CONTRACTOR AND PARKS MANAGER AND RENEW LANDSCAPE CONTRACT WITH TERRA MANAGEMENT SERVICES

The Board conducted an annual review of the tax assessor/collector.

The Board tabled the annual review of the electricity provider and parks manager.

The Board conducted an annual review of the landscape contractor. After review and discussion, Director Kluppel moved to 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 Krahn seconded the motion, which passed unanimously.

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

Secretary, Board of Directors

(SEAL)

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