

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

October 27, 2009

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in regular session, open to the public, on the 27th day of October, 2009, 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
Stephen Crow	Vice President
G. E. Kluppel	Secretary
Richard Stolleis	Assistant Vice President/ Assistant Secretary
John Minchew	Assistant Vice President/ Assistant Secretary

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

Also present at the meeting were Susan Denkowski, Kirk Boyd, Jim Keller, Andrew Davis, and Shannon Davis, residents of the District; Sheldon Buck of Malcolm Pirnie, Inc.; Pat Naff of CDC Unlimited, L.L.C. ("CDC"); Jason Kirby of Jones & Carter, Inc. ("J&C"); Kathy Cruthirds of Tax Tech, Inc.; Mike Ammel and Andy Phelps 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"); Marquita Griffin of the Fort Bend Herald; Cliff Kavanaugh of First Southwest Company; Ben Anders of the YMCA; John Kelly of Terra Management Services; 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 September 29, 2009, meeting, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Stolleis moved to approve the minutes of the September 29, 2009, meeting. Director Crow seconded the motion, which was approved by unanimous vote.

DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. He stated that CDC has not started the fertilization of the levee and ditches. Mr. Naff stated that some of the areas of the levee and ditches may need to be over seeded in the winter. Director Crow stated that he will coordinate with Mr. Naff to determine where the over seeding is necessary.

Director Crow requested that EDP remove a pipe on the edge of the jogging trail. Director Crow recommended that bollards be placed across both ends of the levee at golf hole no. 1. After review and discussion, Director Kluppel moved to authorize EDP and CDC to install bollards at golf hole no. 1 and authorize CDC to proceed with the extension of the asphalt to the jogging trail. Director Crow seconded the motion, which was approved by unanimous vote.

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 2008 tax payments and responded to questions from Board members. Following review and discussion, Director Crow moved to approve the tax assessor/collector's report and authorize payment of bills from the tax account. Director Kluppel 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 \$0.468 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. Humphries presented to the Board an Order Levying Taxes with a total \$0.468 tax rate comprised of \$0.218 for debt service and \$0.25 for operations and maintenance. She then presented to the Board an Amendment to Information Form reflecting the newly adopted tax rate. Following review and discussion, Director Crow moved to adopt the Order Levying Taxes as presented, approve 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 Kluppel seconded the motion, which passed unanimously. The Board confirmed its intention that the 2009 tax levy includes a debt service component for the calendar year ending December 31, 2010, and a maintenance tax component for the fiscal year ending September 30, 2010.

GARBAGE COLLECTION AND RECYCLING SERVICES AND CONTRACT FOR GARBAGE COLLECTION SERVICES

Mr. Atkinson distributed and reviewed a report on garbage collection in the District during the past month, a copy of which is attached. Director Crow requested that Mr. Atkinson ask the drivers of the trucks to use slower speeds in the District. Mr. Atkinson discussed the Christmas trees recycling program and schedule. The Board

requested that WCA provide the Christmas tree recycling program on January 2 and 9, 2010. The Board directed WCA to also pick up trees left at the curb on regular trash collection days. The Board requested that EDP add a notice to the newsletter on the tree recycling program. Ms. Brook reviewed a contract for garbage collection services between WCA and the District. She stated that the contract contains a one-year term with a 60-day no cause termination clause and other terms as previously discussed by the Board. After review and discussion, Director Kluppel moved to approve a Contract for Garbage Collection Services between WCA and the District. Director Stolleis seconded the motion, which passed unanimously.

ADOPT AMENDED RATE ORDER

The Board discussed amending the Rate Order to decrease the sewer rate to \$27.12 per single family residential connection on and after November 15, 2009. After review and discussion, Director Stolleis moved to adopt the Amended Rate Order and Rules and Regulations Regarding District System, Parks and Connections, and direct that the Order be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

OPERATION OF DISTRICT FACILITIES

Mr. Ammel reviewed the EDP operations report for the month of October, 2009, a copy of which is attached, and which was provided previously to the Board.

Mr. Phelps stated that the north and east fences at water plant no. 3 need to be replaced. He stated that three bids were obtained and the lowest bid is from National Fence Company in the amount of \$11,643.00.

Mr. Phelps stated that the sludge return pump at the wastewater treatment plant was cleaned at a cost of \$1,615.00. He added that a leaking valve on the west digester was repaired and reinstalled. Mr. Phelps stated that the rotating assembly and additional components on the pump need to be replaced at a cost of \$3,025.00.

Mr. Phelps stated that there was a power failure at Lift Station No. 6 and after Center Point located a shorted meter can, it was replaced. He added that he is contacting the District's service provider, TXU, to improve procedures for communications during power outages. Director Taylor recommended that Mr. Phelps contact the individuals assigned to the District at TXU and Center Point.

Mr. Phelps stated that the District's fire hydrant located at Farmer Road at Oyster Creek was damaged by a motor vehicle. He stated that he obtained the accident report from the Texas Department of Public Safety and will forward the information and invoice for backcharges to the vehicle owner's insurance company.

Ms. Humphries stated that the District received an inquiry from Mr. Mike Goldsmith, a resident at 2211 Southern Place, who asked the operator to investigate

erosion occurring on his lot. Mr. Phelps stated that EDP responded to Mr. Goldsmith's request and determined that the District does not need to take any action.

After review and discussion, Director Crow moved to (1) approve the operator's report, (2) approve replacement of the north and east fences at water plant no. 3 by National Fence Company in the amount of \$11,643.00, and (3) authorize repairs to the sludge pump at the wastewater treatment plant in the amount of \$3,025.00. Director Stolleis seconded the motion, which passed by unanimous vote.

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 Crow 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 Stolleis seconded the motion, which passed unanimously.

DISTRICT NEWSLETTER, WEBSITE, AND EMAIL BLAST AND/OR AGREEMENT WITH PECAN GROVE VOLUNTEER FIRE DEPARTMENT FOR EMAIL BLAST

Director Crow updated the Board on the status of the next newsletter for release in November.

Discussion ensued regarding the use of an Email Blast System. Director Taylor stated that the Board had asked Ms. Denkowski to determine if it were possible to add a Pecan Grove Volunteer Fire Department (the "PGVFD") link to the District's website in order to get residents to sign up for email notices of community news. Ms. Denkowski stated that the PGVFD Email Blast System is only used for emergency type notifications to the residents and there are guidelines established for the notifications. Director Taylor stated that non-emergency type District related notices need to be sent to the various homeowner associations who in turn can notify the residents. The Board concurred to send a notice to the residents to request that they submit email addresses to the PGVFD if they would like to be included in the Email Blast System. Mr. Phelps stated that he will work with Ms. Denkowski on the notice to the residents and send the notice to Director Crow for approval. The Board concurred that the District's website needs to be updated regularly with non-emergency type notices. The Board requested that Mr. Phelps notify the various homeowner associations of the 2009 tax rate.

CONVERSION TO SURFACE WATER, PROGRESS UPDATE ON SURFACE WATER PLANT DESIGN, REVIEW PLANS AND SPECIFICATIONS AND AUTHORIZE ADVERTISEMENT FOR BIDS FOR CONSTRUCTION OF SURFACE WATER PLANT, AGREEMENTS FOR SALE OF CONVERSION CREDITS, AND CONTRACT WITH GULF COAST WATER AUTHORITY

Mr. Buck reviewed Activity Report No. 14 from Malcolm Pirnie, Inc. on the surface water treatment plant, a copy of which is attached. He updated the Board on the plans and specifications for the surface water plant and stated that he met with the surface water plant committee to review the plans. After review and discussion, Director Kluppel moved to approve the plans and specifications and authorize Malcolm Pirnie, Inc. to advertise for bids for construction of a surface water plant. Director Crow seconded the motion, which passed unanimously. Mr. Buck stated that he is planning to conduct a prebid conference on December 1, 2009, at the PGVFD office.

The Board discussed the possible placement of a flood control structure on Oyster Creek, which could act like a holding pond for surface water. Mr. Kirby recommended that J&C communicate with the Fort Bend County Drainage District ("the "FBCDD") on a possible flood control structure. After discussion, Director Kluppel moved to authorize J&C to coordinate with the FBCDD on a possible flood control structure and if agreed upon, to seek further approval from the Gulf Coast Water Authority (the "GCWA") and any other applicable government agencies. Director Crow seconded the motion, which carried unanimously.

Director Kluppel updated the Board on meetings with Mr. Istre of the GCWA regarding an Interlocal Agreement. He stated that representatives of the GCWA have indicated an agreement will be ready for District review in December. In response to a question from Mr. Boyd, Director Taylor stated that the District has entered into a System Water Availability Agreement with the Brazos River Authority and will convert to surface water to comply with the mandate of the Fort Bend Subsidence District.

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.

Ms. Humphries reported that the Federal Emergency Management Agency ("FEMA") recently released the October, 2009 modeling maps for review. Mr. Kirby reported that FEMA has requested additional documentation from the District for certification of the levee. He added that J&C and EDP are preparing the documentation to submit to FEMA.

Mr. Kirby updated the Board on the preparation of plans and specifications for natural gas generators for water plants no. 2 and 3 with alternate plans for diesel fuel. Mr. Kirby stated that the footprint for water plant no. 3 limits the size of the generator that can be placed at the plant. He reviewed the optional generators that will be

included in the plans that will fit at the plant site. Mr. Kirby stated that he will arrange to have the replacement of the generators conducted on a staggered schedule. The Board requested that Mr. Kirby present the plans to the Board for approval at the November meeting and accept bids at the January meeting.

Mr. Kirby reported on the contract for the elevated storage tank recoating and repairs. Mr. Kirby stated that during installation of the new 16-inch isolation valves within the base pedestal piping, a 16-inch tee fitting was cracked. He added that Williams Painting & Sandblasting submitted a change order to the contract in the amount of \$8,800, which includes the amount requested for payment for the repair of the cracked tee, and requested that the Board approve finalization of the contract, the release of all retainage, and final acceptance of the project, prior to commencement of the work contained in the change order. He stated that J&C does not recommend final payment and acceptance of the project because hydrostatic testing of the fill line and disinfection of the tank and piping remains to be done once the cracked tee is repaired. Mr. Kirby stated that J&C has responded to Williams Painting & Sandblasting that they have until October 27, 2009 to respond to the District on the requirement to complete the change order and have the system tested before finalization, retainage release and final acceptance can occur. Mr. Kirby stated that he has notified the surety company about the change order to the contract. The Board requested that Mr. Kirby proceed under the terms of the contract and notify the surety company if the contractor has not responded to the District by the deadline or commenced the repair to the cracked tee.

Mr. Kirby updated the Board on the design of the recoating and repairs at water plant no. 3. He stated that bids will be presented at the December meeting. Mr. Kirby stated that the tanks will be taken down on a staggered schedule so the plant can remain in service. The Board concurred to allow alternates for products in the bids. After review and discussion, Director Crow moved to approve the plans and specifications and authorize the engineer to advertise for bids for recoating and repairs at water plant no. 3. Director Kluppel seconded the motion, which carried unanimously.

Mr. Kirby updated the Board on construction of levee improvements to the existing levee. He stated that Paskey Incorporated is working on punch list items and turf establishment.

Mr. Kirby updated the Board on J&C's communications with FEMA to discuss the Pecan Lakes Levee System.

Mr. Kirby stated that J&C is preparing the District's Chapter 210 Effluent Reuse Application.

Mr. Kirby updated the Board on a meeting with representatives of AT&T and the Pecan Grove Country Club regarding the driveway realignment improvements at the intersection of FM 359 and Skinner Lane. He stated that TxDOT plans to replace 15% of

the driveway and the District will need to fund replacement of the remaining portion of the driveway.

Mr. Kirby stated that he received a request from TxDOT for a Release of Easement. The Board requested that Mr. Kirby respond to TxDOT that they need to pay the District to relocate the sidewalk in the easement. The Board tabled action on the request from TxDOT to approve the Release of Easement.

Mr. Kirby stated that TxDOT has requested that the Board approve a Temporary Construction Easement for the FM 359 expansion to rebuild slope paving over the main outfall at Jones Creek. After review and discussion, Director Crow moved to authorize the President to execute the Temporary Construction Easement from the District to TxDOT. Director Kluppel seconded the motion, which passed unanimously.

Following review and discussion of the engineer's report, Director Crow moved to approve the engineer's report. Director Kluppel seconded the motion, which passed unanimously.

UPDATE ON PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL NOTICE OF SALE FOR FIRST INSTALLMENT OF SURFACE WATER PLANT BONDS, SERIES 2009

Mr. Kavanaugh discussed the preparation for the bond issue. The Board concurred to conduct a special meeting to discuss the bond issue on November 4, 2009 at 5:00 p.m. at the Pecan Grove Customer Service Office.

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 Crow moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Kluppel seconded the motion, which passed unanimously.

Ms. Humphries reviewed Depository Pledge Agreements between the District and Central Bank, Bank of Houston, Frost Bank, Houston Community Bank, N.A., and Amegy Bank National Association with the Board. After review and discussion, Director Crow moved to approve the Depository Pledge Agreements and direct that the Agreements be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

RESOLUTION EXPRESSING INTENT TO REIMBURSE OPERATING ACCOUNT

The Board took no action on this agenda item.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

Director Crow stated that he will contact Dr. Boshart regarding possible removal of trees behind his property to the bank of Bullhead Slough.

ATTORNEY'S REPORT

The Board next considered authorizing execution of a District Registration Form reflecting updated information on consultants. After review and discussion, Director Kluppel moved to authorize the President to execute the District Registration Form and direct that the Form be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed unanimously.

Ms. Humphries reviewed a Resolution Voting for Director for Board of Directors Election for Fort Bend Central Appraisal District. After review and discussion, Director Kluppel moved to adopt a Resolution Voting for Director for the Board of Directors Election for Fort Bend County Central Appraisal District reflecting the District's votes cast in favor of Kraig Warren, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed by unanimous vote.

FORT BEND COUNTYWIDE LEVEE MEETING, PARTICIPATION IN SUBCOMMITTEE MEETINGS, STATUS OF FEDERAL FLOOD INSURANCE LEGISLATION, FORMATION OF FORT BEND FLOOD MANAGEMENT ASSOCIATION

Director Kluppel reported on the legislative committee meeting of the Fort Bend Flood Management Association (the "Association"). Director Stolleis stated that he will attend the Association meeting on October 30, 2009.

COMMENTS FROM THE PUBLIC

Mr. Boyd requested information on the cost of the proposed Pecan Lakes Levee. Mr. Kirby stated that the cost of the project has not been determined and will depend on FEMA requirements.

In response to a question from Mr. Boyd, Director Taylor stated that Fort Bend Independent School District ("FBISD") desires to obtain out-of-district water service from the District for a Middle School to be located on Plantation Drive east of the District. Ms. Humphries added that representatives of FBISD are reviewing a draft of an Agreement for Out-of-District Water Service.

DEVELOPMENT AND MAINTENANCE OF PARKS

Ms. Anders reviewed the parks management report, a copy of which is attached.

Mr. Anders reviewed the Operation and Maintenance Agreement with the YMCA of the Greater Houston Area ("YMCA Agreement"). After review and discussion, Director Crow moved to approve the YMCA Agreement and direct that the YMCA Agreement be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

Mr. Kelly reviewed the Landscape and Maintenance Contract with R&R "1818" Landscape L.P. d/b/a Terra Management Service ("Landscape Contract"). After review and discussion, Director Crow moved to approve the Landscape Contract, and direct that the Landscape Contract be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed unanimously.

REPORT ON SECURITY MATTERS

There was no discussion on this agenda item.

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 8:09 p.m., Director Taylor announced that the Board would convene in executive session to discuss the purchase 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 8:18 p.m. Director Crow moved to authorize ABHR to send a formal offer letter to Old South Plantation (Gary Pochyla) to acquire property for the northern portion of the proposed Pecan Lakes levee. Director Kluppel seconded the motion. Upon the question being called, Directors Taylor, Kluppel, and Crow voted "Aye," Director Stolleis abstained, and the motion passed.

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

The Board did not convene in executive session regarding pending or contemplated litigation.

CONDUCT ANNUAL REVIEW OF ELECTRICITY PROVIDER, LANDSCAPE CONTRACTOR, AND PARKS MANAGER

The Board conducted annual reviews of the electricity provider, 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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