

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

December 21, 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 21st day of December, 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 Becky Covell; Jim Keller, Mr. and Mrs. C. K. Dickenson, and Robert Barta, residents of the District; Mr. and Mrs. Jeff Council; Marquita Griffin of the Fort Bend Herald; Constable Rob Cook, Fort Bend County, Precinct 3; Bryan Jordan, Jason Kirby, and Bethany Miller of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Doug Owen, 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; Sheldon Buck of Malcolm Pirnie, Inc. ("Malcolm Pirnie"); and Hannah Brook and Rebecca Clark of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the November 30, 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 November 30, 2010, meeting. Director Minchew seconded the motion, which carried unanimously.

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 Board wanted to recognize Orin Covell for his service to Pecan Grove Municipal Utility District. He presented Becky Covell with a framed Resolution Commending Orin Covell for his service to Pecan Grove Municipal Utility District. Mrs. Covell thanked the Board for its kindness in remembering him for his service.

DITCH, LEVEE MAINTENANCE, AND REPAIRS

The Board did not receive a report on ditch, levee maintenance, and repairs.

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.

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 2010 tax payments and responded to questions from Board members. Following review and discussion, Director Stolleis 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.

OPERATION OF DISTRICT FACILITIES

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

Mr. Ammel updated the Board on the testing of booster pump motors nos. 1 and 2 at water plant no. 3. He reviewed an estimate from Burke's Mechanical for repairs to the motors. Mr. Ammel recommended that the booster pump motor no. 1 be repaired at a cost of \$3,653.00 and booster pump motor no. 2 be repaired at a cost of \$3,434.00.

Mr. Ammel discussed the recoating project at water plant no. 3. He reported that M.K. Painting, the contractor, has submitted the District's claim to its insurance company. Mr. Ammel stated that he met with Director Taylor, representatives of J&C and ABHR to further discuss the handling of the damages to water plant no. 3.

Mr. Ammel recommended that the SO2 regulators at the wastewater treatment plant be replaced. He reviewed an estimate from CFI Services in the amount of \$3,946.00.

Mr. Ammel stated that the DC drive for the belt press motor at the wastewater treatment plant needs to be replaced. He reviewed an estimate from NTS in the amount of \$3,565.00 for the replacement of the DC drive. Mr. Ammel stated that the belt needs to be replaced at the wastewater treatment plant. Mr. Ammel then presented and reviewed a proposal from Ashbrook Simon-Harley for the belt and installation in the amount of \$1,341.00. He stated that a rental motor will be necessary during the replacement of the DC drive.

Mr. Ammel updated the Board on EDP's inspection of the second storm sewer connection to the south outfall made by the Texas Department of Transportation ("TxDOT") for the Hwy 359 expansion. He reported that sluice gates will be funded and installed by TxDOT at the south outfall. Mr. Ammel added that the District will maintain the sluice gates.

Mr. Ammel reported that he has provided a tap fee estimate to Fort Bend Independent School District ("FBISD") for Middle School No. 14.

Mr. Ammel reported that he met with the Pecan Grove Country Club representatives regarding water and sewer service for a restroom facility to be located at Hole No. 6.

Mr. Ammel reviewed the message that will be placed on the next water bill.

After review and discussion, Director Stolleis moved to (1) approve the operator's report; (2) approve the repair of booster pump motor no. 1 at water plant no. 3 at a cost of \$3,653.00; (3) approve repair of booster pump motor no. 2 at water plant no. 3 at a cost of \$3,434.00; (4) approve replacement of the SO2 regulators at the wastewater treatment plant at a cost of \$3,946.00; (5) approve replacement of the DC drive for the belt press motor at a cost of \$3,565.00 and the cost of a rental motor; and (6) approve the purchase and installation of a new belt at the wastewater treatment plant in an amount not to exceed \$1,300.00. 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 Stolleis 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 that the District's newsletter was distributed and the website has been updated. The Board discussed web hosting providers and concurred to discuss this further and consider proposals at the next Board meeting.

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. In response to a question from the Board, he stated that the contractor has indicated that the project will be finished within the contract limits. Mr. Buck reviewed and recommended approval of Change Order No. 1 from LEM Construction Co., Inc. ("LEM Construction") to increase the contract in the amount of \$103,223.66 for the GCWA SCADA additions. He then reviewed and recommended approval of Pay Estimate No. 8 from LEM Construction in the amount of \$292,053.05. Mr. Buck recommended payment of Invoice No. 8 from Terracon in the amount of \$12,699.50. He reported that LEM Construction has submitted a proposed Change Order No. 2 related to a proposed change in the size of the waterline which Malcolm Pirnie is currently reviewing. Ms. Brook reviewed a Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Change Order reflecting that the Change Order includes the GCWA SCADA additions. After review and discussion, Director Kluppel moved, based upon Mr. Buck's recommendations, to (1) approve Change Order No. 1 in the amount of \$103,223.66, as an increase to the contract with LEM Construction; (2) approve Pay Estimate No. 8 in the amount of \$292,053.05 to LEM Construction; (3) approve payment to Terracon in the amount of \$12,699.50; and (4) adopt a Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Change Order and direct that the Resolution be filed appropriately and retained in the District's official records. Director Minchew seconded the motion, which passed unanimously.

In response to a question from Director Stolleis, Mr. Buck stated that the storage of material on the side of the creek is temporary due to the recent thefts.

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 the Conditional Letter of Map Revision has been placed on hold by FEMA. Mr. Kirby reported that Congressman Pete Olson's office is assisting in securing a meeting with FEMA regarding the Pecan Lakes Flood Protection System.

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 project is substantially complete. Mr. Kirby reported that the contractor's bonding company, SureTec, has denied the claim and has asserted that the claim is not a surety issue. He added that the District can submit a claim to the contractor's general liability insurance carrier. Ms. Brook reported that she has filed a claim with the contractor's general liability insurance company and provided the insurance company with the pertinent information. The Board concurred that ABHR and J&C should pursue the claim against the surety as well and request the report which describes the grounds on which the claim was denied.

Mr. Kirby discussed the water well no. 4 rework and Director Taylor stated he will meet with the engineer to discuss the scope of the project.

Mr. Kirby discussed the channel slope repairs. He said that J&C has identified additional ground swelling areas in the vicinity of the recent repairs and J&C has met with a geotechnical engineer to evaluate these issues. Mr. Kirby requested authorization to prepare an estimate for the repairs. The Board requested that J&C prepare a preliminary estimate for the additional repairs to the channel slope.

Following review and discussion, Director Krahn moved to approve the engineer's report and to authorize the engineer to prepare a preliminary estimate for the additional repairs of the channel slope. Director Kluppel seconded the motion, which passed by unanimous vote.

OUT-OF-DISTRICT SERVICE TO FBISD

Ms. Brook stated that in connection with the Amendment to the Out-of-District Service Agreement between the District and FBISD, the District has received and reviewed the Water Line Easement to be placed on the north side of Plantation Drive. Ms. Brook reported that ABHR has minor revisions to request from the State Government Land Office ("SGLO"). Ms. Brook stated that the SGLO has approved a draft of a Memorandum of Understanding regarding future service to its property on the north side of Plantation Drive. After review and discussion, Director Stolleis moved to accept the Water Line Easement, subject to final approval by ABHR and J&C, and direct that the Easement be filed appropriately and retained in the District's official records. Director Kluppel 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. She noted that check no. 5672 to Fort Bend County for security services is less than the usual monthly amount because of a credit due to the District in the amount of \$23,420.37. After review and discussion, Director Kluppel moved to approve the bookkeeper's report, investment report, and payment of the District's bills. Director Minchew 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 reported on his attendance at the Fort Bend Flood Management Association meeting.

COMMENTS FROM THE PUBLIC WHO HAVE SIGNED UP TO SPEAK

There were no comments from the public.

DEVELOPMENT AND MAINTENANCE OF PARKS

Director Krahn updated the Board regarding the Plantation Park site plan, which will be further discussed at the January Board meeting.

ATTORNEY'S REPORT

Ms. Brook stated the District was required to file updated financial information and operating data in the form of an annual report with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System prior to March 31, 2011. She requested authorization to compile the report.

Ms. Brook reviewed a proposal from OmniCap LLP to conduct an arbitrage rebate study for the Series 1995 Bonds.

Ms. Brook updated the Board on the status of negotiations with WSG Pecan Grove IV, LP ("WSG Pecan Grove") for a Deed and Easement for the Pecan Lakes Floodplain Protection System. She stated that Director Taylor has worked with WSG Pecan Grove and has come to a preliminary agreement on terms for the acquisition of property for the levee project. She stated that once the Deed and Easement are finalized, she will bring them to the Board for approval. She added that the surface water transmission line easement is being executed by WSG Pecan Grove and its lienholder.

Ms. Brook updated the Board on the Memorandum of Understanding with the SGLO. She stated that ABHR has prepared the document to reflect the terms as directed by the Board and the SGLO has agreed to accept the terms contained therein.

After review and discussion, Director Kluppel moved to (1) authorize the consultants to prepare the annual report; (2) approve the proposal from OmniCap LLP for the arbitrage rebate study for the Series 1995 Bonds and direct that the proposal be filed appropriately and retained in the District's official records; and (3) authorize the execution of the Memorandum of Understanding to the SGLO and direct that the Memorandum be filed appropriately and retained in the District's official records. Director Krahn seconded the motion, which carried by unanimous vote.

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

At 6:40 p.m., Director Taylor announced that the Board would convene in executive session to deliberate the deployment, or specific occasions for implementation of security personnel or devices.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING THE DEPLOYMENT, OR SPECIFIC OCCASIONS FOR IMPLEMENTATION OF SECURITY PERSONNEL OR DEVICES

Director Taylor announced the Board would reconvene in open session at 7:02 p.m. The Board took no action.

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 regarding the purchase, exchange, lease, or value of real property.

CONVENE IN EXECUTIVE SESSION PURSUANT TO THE SECTION 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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