

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

December 22, 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 22nd day of December, 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, thus constituting a quorum.

Also present at the meeting were Rey Silva of the Pecan Grove Athletic Association; Mr. and Mrs. C. K. Dickenson, residents of the District; Marquita Griffin of the Fort Bend Herald; Sheldon Buck and Trent Slovak of Malcolm Pirnie, Inc.; Pat Naff of CDC Unlimited, L.L.C. ("CDC"); Jason Kirby of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Mike Ammel and Andy Phelps of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Curtis Lacy and Kevin Atkinson of WCA Waste Corporation of Texas, LP; Cliff Kavanaugh of First Southwest Company; Robert Istre of the Gulf Coast Water Authority; and Lynne B. Humphries, Hannah Brook and Amy Conner of Allen Boone Humphries Robinson LLP.

MINUTES

The Board considered approving the minutes of the November 24, 2009, meeting, which had been prepared and distributed in advance of the meeting. Following review and discussion, Director Crow moved to approve the minutes of the November 24, 2009, meeting. Director Kluppel 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 removed the alligator weed from the District's drainage ditch. He also reported that the installation of bollards is in progress. Mr. Naff responded to questions from the Board regarding the status of new grass on new portions of the levee.

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 Crow seconded the motion, which passed by unanimous vote.

GARBAGE COLLECTION AND RECYCLING SERVICES

Mr. Lacy distributed and reviewed a report on garbage collection in the District during the past month, a copy of which is attached. Mr. Lacy stated that he will bring the 48-gallon recycle carts that could be tested in a pilot program to the next meeting. He added that WCA is not able to dispose of hazardous waste and informed the Board about the program offered through Fort Bend County. Mr. Lacy stated that WCA will pick up Christmas trees on January 2 and 9, 2010.

OPERATION OF DISTRICT FACILITIES

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

Director Crow presented a chart on water accountability over the past two years, a copy of which is attached. Mr. Ammel discussed methods to detect water loss in the District. The Board requested that Mr. Ammel add meter reading reports for each District meter to the monthly operations report.

Mr. Phelps stated that the west digester air leaders at the wastewater treatment plant need to be repaired. He reviewed a proposal from Alvin Contracting in the amount of \$9,400 for the repair.

Mr. Phelps stated that the District received a letter from the Texas Commission on Environmental Quality ("TCEQ") regarding DMR reports for the wastewater treatment plant. He added that he is working with the TCEQ on the submittal of the reports by the December 25, 2009 deadline.

After review and discussion, Director Stolleis moved to (1) approve the operator's report; and (2) authorize repair of the west digester air leaders at the wastewater treatment plant at a cost of \$9,400. Director Crow seconded the motion, which passed 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 Crow seconded the motion, which passed unanimously.

DISTRICT NEWSLETTER AND WEBSITE

Mr. Phelps updated the Board on updates to the District's website.

CONVERSION TO SURFACE WATER

Mr. Buck reviewed an Activity Report from Malcolm Pirnie, Inc. on the surface water treatment plant, a copy of which is attached. Mr. Buck distributed and reviewed bids received for construction of the surface water treatment plant. He recommended award of the contract for construction of the surface water treatment plant to LEM Construction Co., Inc. ("LEM") in the amount of \$15,312,035. He reported a calculation error in their bid, and an omission regarding information on equipment suppliers. He reported that LEM has already been contacted to cure the defects. In addition, the Board instructed Malcolm Pirnie, Inc. to release the deposits of the third and fourth bidders, but to hold the first and second bidders' deposits until the formal contract has been executed. The Board requested that Mr. Buck contact LEM to request that they hold the bid price for 120 days. The Board tabled award of a contract for the surface water plant.

Mr. Kirby stated that he is preparing a proposal for engineering services for construction contract administration and field project representation for the surface water plant.

Mr. Istre discussed a proposed System Raw Water Availability Agreement between the Gulf Coast Water Authority and the District. The Board discussed comments on the Agreement from Director Taylor, ABHR, and Gulf Coast Water Authority ("GCWA"). After review and discussion, Director Kluppel moved to approve the System Raw Water Availability Agreement between the District and the GCWA contingent upon the agreed-upon terms discussed during the meeting being incorporated into the Agreement, ABHR's final approval, final approval by Directors Kluppel and Taylor, and direct that the Agreement be filed appropriately and retained

in the District's official records. Director Minchew seconded the motion, which carried unanimously.

Ms. Humphries discussed the need for an Assignment of the System Water Availability Agreement with the Brazos River Authority. She stated that the Assignment will reflect the assignment of the System Water Availability Agreement between the Brazos River Authority and the District to the GCWA as required by the System Raw Water Availability Agreement between the District and GCWA. After review and discussion, Director Kluppel moved to approve the Assignment of the System Water Availability Agreement with the Brazos River Authority and direct that the Assignment be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed by unanimous vote.

Mr. Kirby updated the Board on evaluation of storage options in connection with a control structure within Oyster Creek. He stated that he met with the TCEQ Water Rights Permitting and Availability Team to discuss possible options for surface water storage for the surface water treatment plant. Mr. Kirby stated that TCEQ approval is needed to impound water within the banks of Oyster Creek. He added that the TCEQ is working with the GCWA on a bed and banks permit for use of the banks of Oyster Creek to transport water from the Brazos River. Mr. Kirby recommended that the District not apply for a permit until the GCWA has finalized its permit. Mr. Istre reported that the GCWA has included the District in its permit.

The Board accepted a check from GCWA in the amount of \$2.11 for renewal of the Canal Right of Way Lease from GCWA.

Mr. Kavanaugh discussed a time schedule for the Series 2010 Bonds.

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 re-certification of the levee and Federal Emergency Management Agency ("FEMA") flood plain re-mapping.

Mr. Kirby discussed the design of the Pecan Lakes flood plain protection system. He stated that the Pecan Lakes and Expanded Commercial Flood Protection System Request for Conditional Letter of Map Revision (the "CLOMR") has been submitted to Fort Bend County for signature. He added that once signed, the CLOMR will be submitted to FEMA. Mr. Kirby discussed a proposal for the design of the Pecan Lakes and Expanded Commercial Flood Protection System. He stated that Task One items in the proposal are not impacted by the variance requested in the CLOMR and Task Two items are dependent on the response in the CLOMR. The Board tabled action on the proposal.

Mr. Kirby updated the Board on the construction of levee improvements to the existing levee. He reviewed and recommended payment of Pay Estimate No. 8 and Final to Paskey Incorporated in the amount of \$38,306.40 and final acceptance of the contract. After review and discussion, Director Kluppel moved that based upon the engineer's recommendation, the Board approve Pay Estimate No. 8 and Final to Paskey Incorporated in the amount of \$38,306.40 and final acceptance of the contract. Director Crow seconded the motion, which passed unanimously. Mr. Kirby stated that the one year warranty period will now commence.

Mr. Kirby reported on the contract for the elevated storage tank recoating and repairs. He reported on the repair of the broken tee fitting by G&N Enterprises, Inc. Mr. Kirby reviewed and recommended payment of Pay Estimate No. 6 and final in the amount of \$40,012.00 to Williams Painting & Sandblasting and final acceptance of the contract. After review and discussion, Director Kluppel moved that based on the engineer's recommendation, the Board approve payment of Pay Estimate No. 6 and Final in the amount of \$40,012.00 to Williams Painting & Sandblasting and final acceptance of the contract. Director Crow seconded the motion, which passed unanimously.

Mr. Kirby reviewed bids received by the District for recoating and repairs to water plant no. 3. He recommended award of the contract to MK Painting in the amount of \$279,000. The Board concurred that in its judgment, MK Painting 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. After review and discussion, Director Kluppel moved that based upon the engineer's recommendation, the Board award the contract to MK Painting in the amount of \$279,000 for recoating and repairs to water plant no. 3. Director Crow seconded the motion, which passed by unanimous vote.

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. After review and discussion, Director Kluppel moved to approve the plans and specifications and authorize the engineer to advertise for bids for generators at water plant nos. 2 and 3. Director Crow seconded the motion, which passed unanimously. The Board requested that Mr. Kirby arrange for mandatory site inspections to take place during the pre-bid conference.

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

Mr. Kirby stated that J&C is working on the inlet inspections for year three in connection with the MS4 Stormwater Management Plan.

Mr. Kirby discussed a Release of Easement requested by Texas Department of Transportation ("TxDOT"). He reviewed a plan reflecting that TxDOT will tie in the crosswalk access to the existing jogging trail and stated that the proposed plan will not disturb the surface of the jogging trail. After review and discussion, Director Kluppel moved to approve a Release of Easement and direct that the Release be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed unanimously.

Mr. Kirby stated that Fort Bend Independent School District ("FBISD") is currently reviewing the Agreement for Out-of-District Service between the District and FBISD. He stated that the middle school will not need water service until late 2010.

Mr. Kirby updated the Board on the status of the Advance Funding Agreement for Voluntary Contributions to Transportation Improvement Projects between the District and TxDOT. He stated that J&C is working with TxDOT on the agreement in connection with the Pecan Lakes levee.

The Board authorized J&C to complete the metes and bounds for the property acquisition for the Pecan Lakes levee and authorized ABHR to order a title report for the property acquisition.

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.

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 Stolleis moved to approve the bookkeeper's report, investment report, payment of the District's bills, and the transfer of funds to Central Bank. 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 Taylor reported on a meeting regarding Fort Bend Independent School District and traffic issues. He also reported on an upcoming meeting with Fort Bend County Precinct 3 Commissioner Andy Meyers regarding mobility and intersection plans.

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

Director Kluppel reported on the meeting of the Fort Bend Flood Management Association.

ATTORNEY'S REPORT

The Directors stated that none plan to attend the Association of Water Board Directors winter conference.

Ms. Humphries stated the District was required to file updated financial information and operating data in the form of an annual report with designated Nationally Recognized Municipal Securities Information Repositories as designated by the United States Securities and Exchange Commission and with the Municipal Advisory Council of Texas, the State Information Depository, prior to March 31, 2010. After discussion, Director Crow moved to authorize preparation of the annual report in accordance with the continuing disclosure agreement. Director Kluppel seconded the motion, which passed by unanimous vote.

COMMENTS FROM THE PUBLIC

There were no comments from the public.

DEVELOPMENT AND MAINTENANCE OF PARKS

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

Mr. Silva introduced himself to the Board and stated that he represents the Pecan Grove Athletic Association (the "PGAA"). He stated that he and Ms. Brook have discussed the Agreement for Development of Recreational Facilities between the District and the Pecan Grove Athletic Association. He stated that certain terms of the Agreement are outdated and the Association requests that the Agreement be revised. The Board authorized Ms. Brook to prepare a new Agreement between the District and the PGAA for review at the next meeting.

Director Crow updated the Board on landscaping plans for Plantation Park. He recommended that the Board approve the proposal from Greenscape Landscaping for the design of an initial landscaping plan at Plantation Park at a cost not to exceed \$3,300. After review and discussion, Director Crow moved to approve the proposal from Greenscape Landscaping in the amount of \$3,300. Director Minchew seconded the motion, which passed unanimously.

REPORT ON SECURITY MATTERS

Director Minchew updated the Board on security matters in the District. Director Minchew stated that he will meet with the Sheriff regarding a possible credit for the District for deputy time spent out of the District.

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

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)

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
tax assessor/collector's report	2
report on garbage collection.....	2
EDP operations report for the month of December, 2009	2
chart on water accountability for the past two years.....	2
Activity Report from Malcolm Pirnie, Inc.	3
engineer's report	4
bookkeeper's report.....	6
report on parks for November and December, 2009	7