

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

August 22, 2012

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 August, 2012, at the Pecan Grove Baptist Church, 1727 FM 359, Richmond, Texas, inside the boundaries of the District, and the roll was called of the members of the Board:

Chad Howard	President
Randy Vance	Vice President
Buddy Kluppel	Secretary
Kirk Boyd	Asst. Vice President/ Asst. Secretary
John Minchew	Asst. Vice President/ Assistant Secretary

and all of the above were present.

Also present at the meeting were Shirley McLennan of McLennan & Associates, LP; Bryan Jordan and Bethany Miller of Jones & Carter, Inc. ("J&C"); Doug Owen, Breah Campbell and Mike Ammel of Environmental Development Partners, L.L.C. ("EDP"); Greg Lentz of First Southwest Company; Lynne Humphries and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR"); and members of the public present in the audience.

BUDGET WORKSHOP

Director Howard noted today's meeting is a workshop for the Board on budget and other items and there is no "public comments" on tonight's agenda. He added public comments are on the agenda for the District's regular monthly meeting, which is Tuesday night.

Director Howard then asked Mr. Ammel to address the Board regarding operating budget items related to District operation, which Mr. Ammel did.

DRAINAGE ISSUES, ANALYSIS AND PROPOSED IMPROVEMENTS

Mr. Jordan then discussed pending drainage issues and proposed drainage improvements, including potential costs for related land acquisition and projected schedules to design and complete construction. A copy of Mr. Jordan's summary is attached. He also discussed a proposed bond issue for drainage improvements. Following discussion, Director Boyd moved to approve Scenario A, Option 2 and to move forward with design and land acquisition. Director Vance seconded the motion which passed unanimously. The Board also concurred not to bond finance previously spent operating funds used for capital improvements due to the need for bonding capacity on new drainage projects.

BOND APPLICATION NO. 13 AND RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR APPROVAL OF PROJECT AND BONDS

The Board took no action on this agenda item.

BUDGET WORKSHOP FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2013 CONTINUED

The Board continued a budget workshop for the fiscal year ending September 30, 2013. A copy of the proposed budget submitted for review is attached.

The Board discussed surface water treatment expenses, including security costs and groundwater reduction plan fees. Mr. Ammel noted national standards related to plant security were recently adopted by the American Water Works Association ("AWWA") and approved by Homeland Security. The Board concurred to defer final decisions related to security until Mr. Ammel has time to review and consider these new standards and their applicability to the District.

Mr. Jordan reviewed capital and maintenance projects planned for the fiscal year ending September 30, 2013. Mr. Jordan first reported that Phase 1 of the reclaimed water system is under design and that construction and engineering are estimated at \$1,051,000. The Board agreed to remove the project from the operating budget and move it to the capital projects budget since the funding will come from funds escrowed in the 2010 Series Bonds for water improvements.

Mr. Jordan next discussed replacing and recoating hydro-pneumatic tanks at water plant no. 1 for an estimated \$787,000. The Board agreed to remove the project from the operating budget and move it to the capital projects budget since the funding will come from funds escrowed in the 2010 Series Bonds for water improvements.

Mr. Jordan discussed the possible rework at water well no. 3 and proposed maintenance items associated with facility aging. The Board concurred to budget \$20,000 for camera surveying and inspection.

The Board next discussed televising and cleaning sanitary sewer lines in The Grove, Sections 1 and 2 and Plantation, Sections 1 and 2 at an estimated cost of \$125,000.

The Board discussed the revisions to special projects and concurred to amend line items 6403 and 6404 to \$903,625 collectively.

The Board next discussed the renewal of the District's contract with Fort Bend County Constable's Office, Precinct 3 for 2013, noting increased costs and concurred to revise budget line item no. 6395 to \$53,778 and budget line item no. 6396 to \$215,112.

Mr. Lentz reviewed a 2012 tax rate analysis, discussed current bond market trends, and anticipated tax increases related to the sale of the drainage bonds.

The Board discussed and concurred to (1) increase the District's maintenance tax to \$0.25; (2) discontinue funding the Fort Bend Subsidence District for Water Conservation Education Program; (3) to charge for open records requests in accordance with the law; (4) to terminate the District's contract with Classic Messaging, LLC; (5) to terminate the District's contract with Pecan Grove Athletic Association to mow Belin Park; (6) to reduce funding for recreational facility improvements from \$50,000 to \$40,000; and (7) to authorize amendment of the District's Interlocal Agreement with the Pecan Grove Plantation Property Owners Association, Inc. to increase the District's share of security patrol to 20%.

Director Boyd made a motion to terminate the District's contract with ESSI, Inc. for the surface water plant security. Director Vance seconded the motion, which passed 4 to 0, with Director Minchew abstaining.

The Board then requested that Ms. McLennan make revisions to the budget, as discussed, and concurred to defer adoption until the Board's September meeting, with review at the August 28, 2012 meeting.

VOLUNTARY CONTRIBUTIONS FROM DISTRICT RESIDENTS TO PECAN GROVE VOLUNTEER FIRE DEPARTMENT, APPROVE MESSAGE LANGUAGE ON WATER BILL TO SURVEY RESIDENTS AND POSSIBLE SERVICES AGREEMENT

Ms. Humphries discussed directives understood by consultants following the July 31, 2012 meeting concerning a survey to be included in the water bill to poll District residents regarding collection of voluntary contributions to benefit the Pecan Grove Volunteer Fire Department ("PGVFD"). Ms. Humphries also discussed collection agreements as opposed to service agreements under the Texas Water Code.

Director Boyd stated, as the maker of the original motion, he wanted to withdraw his prior motion. He then moved to withdraw the following motion approved at the July 31, 2012 meeting:

"Director Boyd moved to approve that the District will collect voluntary donations for PGVFD through water bills, subject to the District being able to work out an agreement with the PGVFD that will protect the District from liability and to authorize ABHR to work with the PGVFD to finalize the agreement to be presented at the August Board meeting. Director Vance seconded the motion. Director Boyd then modified his motion to make the proposed collection subject to proof of resident approval by survey included in the monthly utility billing. Director Vance agreed to the modified motion. The modified motion passed 3 to 2, with Directors Kluppel and Minchew dissenting."

Director Kluppel seconded the motion, which passed unanimously.

Director Minchew then moved that the District collect no fees, not enter into a service agreement and get out of the fire business. Director Kluppel seconded the

motion, which failed with Directors Minchew and Kluppel voting for the motion and Directors Boyd, Vance and Howard voting against the motion.

Following additional discussion, Director Boyd moved to table this item until further notice. Director Vance seconded the motion which passed by a vote of 3 to 0 with Directors Minchew and Kluppel abstaining from voting.

MEETING SCHEDULE

The Board discussed length, content and location of meetings and revising the future agendas to a consent agenda format. Following discussion, the Board concurred to revise the August regular meeting agenda to a consent agenda format and to meet at the Pecan Grove Country Club for the meeting.

AGENDA FOR AUGUST 28 MEETING

The Board reviewed and provided comment for a revised August 28, 2012 regular agenda and concurred to remove mowing proposals and amendment of the District Rate Order from the agenda draft.

EXECUTIVE SESSION PURSUANT TO SECTION 551.072, TEXAS GOVERNMENT CODE, TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

The Board determined that no executive session was needed for this purpose.

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

At 8:43 p.m., Director Howard announced that the Board would convene in executive session to conduct a private consultation with its attorney to discuss pending or contemplated litigation including condemnation proceedings.

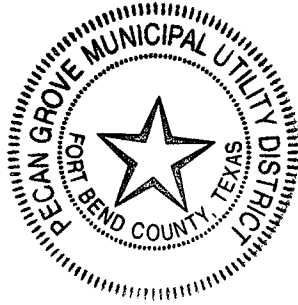
RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING PENDING OR CONTEMPLATED LITIGATION INCLUDING CONDEMNATION PROCEEDINGS

At 8:54 p.m. the Board reconvened in open session. Director Boyd moved to authorize payment of the special commissioners' award in the matter of Pecan Grove MUD v. HQ 359 and authorize Charles McFarland to file special exceptions to the award only if the Defendant files special exceptions and to allow access as discussed in executive session. Director Kluppel seconded the motion which passed unanimously.

There being no further business to conduct, the meeting was adjourned.

(SEAL)


Secretary, Board of Directors



LIST OF ATTACHMENTS TO MINUTES

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