

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

September 25, 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 25th day of September, 2012, 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:

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

and all of the above were present.

Also present at the meeting were residents of the District listed on Exhibit A attached hereto; Lila Smith of Fort Bend County Commissioner Andy Meyers' office; Bethany Miller of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Mike Ammel, Angelica Ross, Clayton Galloway, Ben Connelley and Doug Owen of Environmental Development Partners, L.L.C. ("EDP"); Shirley McLennan of McLennan & Associates, L.P.; Deputy James Eleckel and Lt. Edward Gordon of the Fort Bend County Constable's Office, Precinct 3 ("Precinct 3"); Pat Naff of CDC Unlimited, LLC ("CDC"); Blake Kridel of Storm Water Solution, LP; Alan Sanderson of Sanderson, Knox & Co., LLP; Jonathan Howard of Arcadis U.S., Inc.; and Hannah Brook and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

REMARKS FROM THE BOARD PRESIDENT

Director Howard opened the meeting and welcomed attendees.

COMMENTS FROM THE PUBLIC

Ms. Smith updated the Board on the opening of Mason Road and said Fort Bend County (the "County") is seeking participation for landscaping of medians along Mason Road from FM 359 to connect with Highway 99. She also reported that "No Through Trucks" signs have been installed on Plantation Drive, as requested, and updated the Board on delivery of voter registration cards.

Paul Metcalf commented regarding water ponding on Plantation Drive during heavy rain events and requested information regarding Board plans to reduce same. Ms. B. Miller said she would provide him survey maps produced and discussed at the Board's August 22, 2012 special meeting.

Rodney Vannerson of Classic Messaging, LLC commented regarding the Board's decision to remove emergency messaging from the 2012-2013 budget and discussed messaging/pricing options.

CONSENT AGENDA

Director Howard offered Board members the opportunity to remove items from the consent agenda for individual discussion. There being no response from any Board member, Director Kluppel moved to approve all items on the consent agenda including the cost estimate presented by Pat Naff with his report under item (c) to fertilize approximately 75 acres for \$95 per acre. Director Minchew seconded the motion, which passed by unanimous vote. Copies of all documents approved as part of the consent agenda are attached.

AUDIT FOR FISCAL YEAR END SEPTEMBER 30, 2012

The Board reviewed Mr. Sandersen's proposal to conduct the District's audit for the fiscal year ending September 30, 2012. After review and discussion, Director Minchew moved to engage Sandersen Knox & Co., LLP to conduct the audit for the fiscal year ending September 30, 2012, authorize execution of the engagement letter, and direct that the engagement letter be filed appropriately and retained in the District's official records. Director Boyd seconded the motion, which passed by unanimous vote.

SECURITY MATTERS

Director Minchew and Lt. Gordon reported regarding patrol activity within the District.

SIDEWALK IMPROVEMENTS

Director Minchew updated the Board on progress identifying and prioritizing sidewalk repairs needed.

PUBLIC HEARING REGARDING DISTRICT'S TAX RATE, ORDER LEVYING TAXES, AND AMENDMENT TO INFORMATION FORM

Mr. Ordeneaux stated that Tax Tech, Inc. published a Notice of Public Hearing in the Fort Bend Herald stating the District anticipates levying a \$0.56 tax rate at this meeting. Director Howard then opened the public hearing. No members of the public came forward to make comments. Director Howard then closed the public hearing.

Ms. Brook presented to the Board an Order Levying Taxes for 2012 reflecting a total \$0.56 tax rate comprised of \$0.31 for debt service and \$0.25 for operations and maintenance. She then presented to the Board an Amendment to Information Form reflecting the 2012 tax rate. Following review and discussion, Director Kluppel moved to adopt the Order Levying Taxes as presented, approve and authorize execution of 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 Minchew seconded the motion, which passed unanimously. The Board confirmed its intention that the 2012 tax levy includes a debt service component for the calendar year ending December 31, 2013, and a maintenance tax component for the fiscal year ending September 30, 2013.

OPERATION OF DISTRICT FACILITIES

Mr. Ammel reviewed the EDP operations report for the month of September, 2012, a copy of which is attached, and which was provided in advance to the Board.

Mr. Ammel reported a request from the County Health Department to treat for West Nile mosquitoes in District manhole inflow protectors. Mr. Ammel said EDP ordered the tablet treatment, which lasts for 120 days, and will schedule an additional treatment in April or May, 2013. Director Kluppel requested a map of manholes with inflow protectors.

Mr. Ammel said he solicited proposals for security and fire monitoring for the surface water treatment plant. Following discussion, the Board concurred that Directors Kluppel and Minchew meet with EDP to review the proposals and make a recommendation to the Board. Mr. Ammel also said the security system installed as part of the construction of the surface water treatment plant is proprietary and the manufacturer is assisting in identifying a compatible monitoring service.

Mr. Ammel discussed water accountability in the District, overall water loss and historical use and loss, including surface water amounts pumped and water quality issues.

Mr. Ammel reported on repairs in the District, including a previously approved repair to blower no. 9 at the wastewater treatment plant and replacement of a 12" water line at water plant no. 1. He reported a fourth round of leak detection surveys is underway and repairs at the surface water treatment plant are being identified and addressed as the plant is running under full load.

Following review and discussion, Director Kluppel moved to approve the District operator's report. The motion, which was seconded by Director Minchew, passed unanimously.

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

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 Minchew seconded the motion, which passed unanimously.

DISTRICT NEWSLETTER AND WEBSITE

Mr. Ammel reported regarding the status of publication of the quarterly newsletter. Director Minchew requested a copy of the draft and that ABHR review the newsletter prior to publication. Director Vance requested scheduling of a teleconference with the website committee and website administrator to review resident contacts made through the website and to discuss navigability of the website.

CONVERSION TO SURFACE WATER

Mr. J. Howard reported the status of construction, start up and maintenance and operation of the surface water treatment plant and said he will coordinate with J&C and EDP for another walk through to confirm all critical items are on the punch list, identify items completed and pending and coordinate with the contractor to complete pending items. He said the punch list should be completed by the end of October, 2012 and that he anticipates beginning the 60 day demonstration period thereafter. Mr. J. Howard said that warranty items and operator training will be completed during the demonstration period.

Ken Stringer with LEM Construction reported the sedimentation basin covers will be delivered next week and installed.

Mr. Connelly confirmed installation of the SCADA system and said the contractor was programming the system today.

ENGINEERING MATTERS

Mr. Kridel next updated the Board on the initial clean out of Bullhead Bayou, including schedules for multiple applications of herbicide and removal of plant debris and plans to address sedimentation to control future aquatic growth.

Ms. B. Miller reviewed the engineer's report, a copy of which is attached, and which was provided to the directors in advance of the meeting.

Ms. B. Miller first reviewed a project schedule for design and construction of projects to be funded from operating funds or surplus bond funds during the fiscal year ending September 30, 2013. She requested the Board defer J&C's request for authorization to design the replacement and recoating of the hydro-pneumatic tank at water plant no. 1 and camera survey of water well no. 3 pending confirmation of available surplus funds.

Ms. B. Miller next distributed a draft bond application, including a final cost summary, for Director and consultant review and said the District has all local approvals for construction of the Pecan Lakes levee and J&C is preparing the technical specifications for submittal with the bond application. Ms. Brook updated the Board on the status of right of way acquisition. Ms. B. Miller requested the Board authorize submittal of the bond application to the Texas Commission on Environmental Quality ("TCEQ").

Ms. B. Miller updated the Board on the wastewater treatment plant belt filter press replacement project. She reviewed and recommended approval of Pay Estimate No. 10 and Final in the amount of \$68,675 to R&B Group, Inc. based upon the engineer's recommendation.

Following review and discussion, upon a motion by Director Kluppel and a second by Director Vance, the Board voted unanimously to (1) approve the engineer's report; (2) authorize J&C to submit bond application No. 13 to the TCEQ, subject to consultant final review; and (3) upon the engineer's recommendation, approve Pay Estimate No. 10 and Final in the amount of \$68,675 to R&B Group, Inc. for replacement of wastewater treatment plant belt filter press.

REPORTS FROM DIRECTORS, COMMITTEES, AND DISTRICT CONSULTANTS

The Board discussed dissatisfaction with installation of recreational mulch in Pitts Road Park and park maintenance, in general, and concurred that the District bookkeeper hold check nos. 6739 and 6740 pending further instruction by Director Minchew. The Board also requested that ABHR notify the YMCA and Terra Management that all emails concerning park maintenance be directed to the parks committee with a copy to ABHR and that a representative of the YMCA attend the October, 2012 meeting.

Director Howard discussed correspondence from Bobby and Jimmy Woodefin expressing thanks for the construction of Pecan Grove Memorial Park.

ATTORNEY'S REPORT

Following discussion regarding bond application no. 13, Director Boyd moved to approve a Resolution Authorizing Application to the TCEQ for Approval of Project and Bonds. The motion, which was seconded by Director Kluppel, passed unanimously.

The Board next considered costs for meetings held at the Pecan Grove Country Club and Pecan Grove Baptist Church. Following discussion, the Board concurred to continue regular meetings at the Pecan Grove Country Club and to hold special meetings at the Pecan Grove Baptist Church.

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

The Board did not convene in executive session to deliberate the deployment or specific occasions for implementation of security personnel or devices.

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 to deliberate the purchase, exchange, lease, or value of real property.

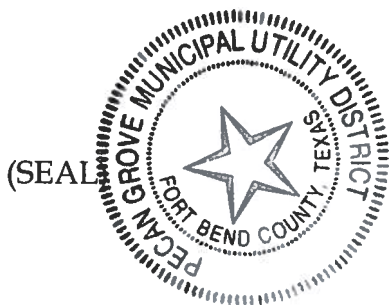
CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION INCLUDING CONDEMNATION PROCEEDINGS

At 7:02 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 7:11 p.m. the Board reconvened in open session. No action was taken as a result of discussion in executive session.

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




Secretary, Board of Directors

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