

CORNERSTONES MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
January 19, 2015

The Board of Directors of Cornerstones Municipal Utility District (the "District") met at 805 Hidden Canyon, Katy, Texas, on January 19, 2015 in accordance with the duly posted meeting notice. A quorum of Directors was present as follows:

Director Members Present:

Morgan Stagg, President
Michael D. Chittwood, Vice President
Jennifer J. Goodwin, Secretary
Stephen A. Talecki, Asst. Vice President
Bradley D. Holmes, Asst. Secretary

Board Members Absent:

None

District Residents:

Robert King, Brian Gray, Anthony Adams, John Weber, Michael Chinni, Tom Corbett, and Tony Garza

Others Present:

Also present were Patty Rodriguez of Bob Leared Interests; Whitney Aelmore of Si Environmental, LLC; Greg Sissel of BKD, LLP, Marvin Zahradnik and Steven Boyd of Landev Engineers, Inc.; Terry Holland of Myrtle Cruz, Inc.; and Mark W. Brooks of Young & Brooks.

The meeting was called to order at 6:30 p.m. and declared open for such business as might come before it.

1. Approval of Minutes:

Upon motion duly made, seconded, and unanimously carried, the minutes of the December 15, 2014 meeting were approved as presented.

2. Questions/Comments from the Public:

District resident Michael Chinni asked when recycling is now being picked up. Randy Morgan of WCA Waste Corporation (WCA) responded that recycling is now being picked up on Thursdays.

District residents John Weber and Tony Adams reported that WCA has failed to pick up recycling on the New Year's holiday make up day, and also last week.

District Residents Brian Gray and Robert King also reported that recycling is not being picked up as promised.

District resident Tom Corbett voiced similar concerns, and also reported that WCA doesn't seem to be picking up all of the spilled trash when they do come.

Board president Morgan Stagg reported that she has received many complaints about the trash collection services since WCA took over from Royal Disposal, and she recommended putting WCA on notice of their non-performance.

Trevor Royal of WCA apologized for the issues that have arisen during the transition from Royal Disposal, and he asked for an opportunity to address the concerns. He acknowledged that there was a breakdown in their internal communications that caused their failure to pick up recycling after New Year's.

Mr. Weber suggested that WCA should reduce their rates if they are not able to perform.

District resident Tony Garza reported that there have been numerous problems with trash collection in Creekstone since WCA took over. He also requested that WCA notify the residents of how to contact the WCA customer service office when they have problems, as many residents are contacting the HOA instead.

Mr. Royal committed to provide a written performance improvement plan or PIP to address the various issues raised by this coming Friday, and to have the plan implemented within 15 days. After discussion, upon motion duly made, seconded and carried by three votes, with directors Talecki and Holmes abstaining, the board resolved to put WCA on notice of nonperformance in order to initiate cure requirements under their contract.

3. Electricity Contract:

The board discussed whether the District should solicit pricing to contract for the purchase of electricity following expiration of the current contract, but decided to defer action at this time because the current contract is in place for another year and pricing seems to be stable or coming down.

4. Approve audit:

Greg Sissel of BKD, LLP presented the Accountants' Report and Financial Statements ("Audit") for the District's fiscal year ending September 30, 2014, and responded to questions. After discussion, upon

motion duly made, seconded and unanimously carried, the board approved the Audit, subject to any comments provided to Mr. Sissel by the board members or District consultants within the next two weeks.

5. Review investment policies:

The board conducted an annual review of the District's investment policies. The auditor and the bookkeeper both have indicated that they were satisfied with the policies, and recommended no changes. After discussion, upon motion duly made, seconded, and unanimously carried, the board determined against making any changes to the District's investment policies and adopted the attached Resolution Reviewing Investment Policies and Investment Strategies.

6. Consider Consultants Reports (as needed):

a) Tax Assessor-Collector

Patty Rodriguez of Bob Leared Interests, the District's Assessor/Collector, reported on the status of the District's tax collections. Ms. Rodriguez reported that the District is 98.890% collected for 2013 taxes and 59.447% for 2014, and responded to questions from the Board.

After discussion, the board requested that the tax assessor invoice the District operating account for their ongoing services in connection with the District's strategic partnership agreement.

After discussion, upon motion duly made, seconded, and unanimously carried, the Board the board approved the Tax Assessor's monthly report and payment of the tax bills presented.

b) Financial Advisor:

N/A

c) Operator Report:

[i. Monthly Report, ii. Authorize Repairs, iii. Conduct hearing on termination of water and sewer service.]

Whitney Aelmore of Si Environmental, LLC, the District's Operators, reported to the Board regarding District operations and facilities. Whitney reviewed their written report with the Board and responded to questions.

Ms. Aelmore is putting together a cost estimate to service the booster pumps at the water plant and convert them to mechanical seals.

Ms. Aelmore presented and the board unanimously approved a proposal to relocate the air compressor at the water plant equipment building from its present location to under the workbench for OSHA compliance at a cost of \$1000

The board requested an updated list of the customer meters registering over 1,000,000 gallons.

The Board conducted a hearing on the possible termination of utility services for delinquent accounts. Ms. Aelmore presented a list of utility accounts that are delinquent by more than 60 days. She reported that the listed customers were given written notice 10 days prior to this meeting, and that they had been provided an opportunity to appear before the Board to explain, contest or correct the utility service bill and to show why the utility service should not be terminated for nonpayment. None of the customers on the list were present and none have presented any statement on the matter.

After discussion, upon motion being duly made, seconded and unanimously carried, the Board approved the Operator's report, and authorized the processing of the delinquent accounts in the usual and customary manner.

d) Engineer's Report:

Marvin Zahradnik of Landev Engineers, Inc., the District's Engineers, presented the Engineer's Report. Mr. Zahradnik reported on the status of pending District projects and responded to questions.

Mr. Zahradnik reported that Landev is soliciting proposals to clean and TV the next phase of the District sanitary sewer rehab program. As also requested at the January 12, 2015 special board meeting, Landev is investigating the possibility of installing bi-directional meters at the District interconnects, and they are looking into the procedures required to obtain a water well permit for the District's proposed second water well site

Upon motion duly made, seconded, and unanimously carried, the Board approved the Engineer's Report.

e) Bookkeeper's Report:

Terry Holland of Myrtle Cruz, Inc., the District's bookkeeper, presented the District's monthly report. The report included a list of bills for the approval of payment and a copy is attached.

After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the Bookkeeper's Report, authorized payment of the bills, and ordered checks to be issued on the appropriate District accounts in payment thereof.

7. **Authorize any necessary actions in connection with District capital improvement plan:**

No action required.

8. **Authorize any necessary actions in connection with the District website:**

No action required.

9. **Authorize any necessary actions in connection with greenbelt tracts:**

Board member Michael Chittwood presented proposals received for tree trimming at the District greenbelt. After discussion, upon motion duly made, seconded and unanimously carried, the board accepted the proposal by Cody's Tree Service, Inc. at \$17,110.

10. **Cinco Regional Operating Committee report:**

The C.R.O. Report for December 2014 was reviewed. Ms. Stagg reported that good progress is being made on a contract for the proposed effluent reuse system at the Cinco plant.

11. **Pending Business:**

No action required.

There being no further business to come before the Board, the meeting was adjourned at 8:30 p.m.

Secretary

Attachment: Resolution Reviewing Investment Policies and Investment Strategies
Bookkeeper's Report