

CORNERSTONES MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
March 16, 2015

The Board of Directors of Cornerstones Municipal Utility District (District) met at 805 Hidden Canyon, Katy, Texas, on March 16, 2015 in accordance with the duly posted meeting notice. A quorum of Directors was present as follows:

Director Members Present:

1. Morgan Stagg, President
2. Michael D. Chittwood, Vice President
3. Stephen A. Talecki, Asst. Vice President
4. Jennifer J. Goodwin, Secretary
5. Bradley D. Holmes, Asst. Secretary

Board Members Absent:

None

District Residents:

Tony Garza, Robert Newnom

Others Present:

Also present were Patty Rodriguez of Bob Leared Interests; Whitney Aelmore of Si Environmental, LLC; Marvin Zahradnik and Dennis Hughes of Landev Engineers, Inc.; Terry Holland of Myrtle Cruz, Inc.; Mark W. Brooks of Young & Brooks; Adam Cohen of Robert W. Baird & Co.; and Virginia Lester, Recording Secretary.

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 February 16, 2015 meetings was approved.

2. Questions/Comments from the Public:

Robert Newnom was charged with a late fee on his water bill and discussed the issues. Whitney Aelmore of Si Environmental offered to review the account and will immediately contact the customer.

3. Authorize any necessary actions in connection with financial advisory contract:

Adam Cohen of Robert W. Baird & Co. met with the Board to discuss recent changes due to new government regulations. Currently, companies have to choose either underwriting or consulting but not both for one client. Mr. Cohen is now representing Robert W. Baird & Co., a local company, who performs consulting services. He came to inform the Board of the new regulations and to offer his continued support through Robert W. Baird & Co. The Board will review the documents that were provided and hold further discussion at the April meeting.

4. Establish tax exemptions and adopt tax collection policy:

After discussion, upon motion duly made, seconded and unanimously carried, the current tax exemptions of 20% for Homesteads, \$50,000 additional for age 65 and over or disabled, and the 20% penalty for nonpayment were retained.

After discussion, upon motion duly made, seconded and unanimously carried, the 20% collection penalty for unpaid accounts was retained.

5. Consider and possibly approve Letters of Credit Agreement with Compass Bank:

After discussion, upon motion duly made, seconded and unanimously carried, the Board approved a Letters of Credit Agreement with Compass Bank to allow the pledge of Federal Home Loan Bank letters of credit to secure District deposits in excess of FDIC coverage.

6. Consider Consultants Reports (as needed):

a) Tax Assessor-Collector

Patty Rodriquez of Bob Leared Interests, the District's Assessor/Collector, reported on the status of the District's tax collections. Ms. Rodriquez reported that the District is 99.479% collected for 2013 taxes and 97.026% for 2014 and responded to questions from the Board.

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

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. Ms. Aelmore reviewed her written report with the Board and responded to questions.

Ms. Aelmore provided a list of the 24 meter locations that were replaced during February, 2015

Upon motion duly made, seconded and unanimously carried, the Board approved Si Environmental's proposal to replace the seals on the four booster pumps by following a schedule of repairing one pump at a time with two in the spring and two in the fall. Marvin Zahradnik of Landev Engineers, Inc. requested that the cans be inspected when the seals are replaced.

Ms. Aelmore presented and the Board unanimously approved a letter confirming the operator's authority to perform grease trap inspections on behalf of the District. The Board also requested that the

attorney send a copy of the approved letter, with a cover letter directed to a District customer that has questioned the operator's authority to make the required inspections.

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 informed the Board that the replacement of the second ground water tank is in progress and should be in operation within three weeks.

The request to review the possibility of providing interconnects and meters is also in progress.

Mr. Zahradnik presented a contract with insurance to the Board for signature for Phase One of the TVing and cleaning of the MUD's sanitary lines. The contract has been reviewed by Mark Brooks of Young & Brooks.

Mr. Zahradnik informed the Board that the permit for a new well for Cornerstones MUD will need to be authorized by Ft. Bend's Subsidence District. He will prepare a request for the new well to be presented to the Board for review and/or approval at the April meeting.

A copy of the aerial photos of Cornerstones MUD taken by the Bob Leared Interests during January 2015 was presented by Marvin Zahradnik to Bradley Holmes for the District's web 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.

Per the Board's request, CD's for \$200,000 and \$240,000 were purchased for a period of six months.

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 website:**

The website will be updated to include the aerial photos of the District.

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

The water sprinklers will be checked for activation.

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

The C.R.O. Report for March, 2015 was reviewed.

10. **Pending Business:**

Mark Brooks of Young & Brooks presented each Board member a copy of the letter from North Ft. Bend Water Authority in regard to the supply of surface water. The recommendation is to proceed cautiously until the planning for 2025 is completed.

There being no further business to come before the Board, the meeting was adjourned at 8:00 p.m.

Secretary

Attachment: Bookkeeper's Report