

CORNERSTONES MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
September 21, 2015

The Board of Directors of Cornerstones Municipal Utility District (District) met at 805 Hidden Canyon, Katy, Texas, on September 21, 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. Jennifer J. Goodwin, Secretary
4. Stephen A. Talecki, Asst. Vice President
5. Bradley D. Holmes, Asst. Secretary

Board Members Absent:

None

District Residents:

Tony Adams, Tony Garza, John Irwin, and Geert Naumow

Others Present:

Also present were Patty Rodriguez of Bob Leared Interests; Whitney Aelmore of Si Environmental, LLC; Dennis Hughes of Landev Engineers, Inc.; Terry Holland of Myrtle Cruz, Inc.; Mark W. Brooks of Young & Brooks; Stephen Eustis of R.W. Baird & Company, Inc.; Greg Sissel of BKD, LLP; Kay Serventi of Republic Services; Kevin Atkinson of Texas Pride Disposal; Matthew May of Best Trash; and Jerrell Wolff of Residential Recycling and Refuse of Texas.

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 and seconded the minutes of the August 17, 2015 meeting were approved as presented.

2. Questions/Comments from the Public:

The board recognized Kevin Cain of Blue Umbrella, who introduced himself and his company, which offers communication consulting services to utility districts.

Tony Garza and Geert Naumow with the Creekstone HOA urged the board to make a prompt decision with respect to changing trash providers, as they continue to receive numerous complaints with respect to the current provider.

3. Hire auditor:

The board recognized Gregory Sissel of BKD, who presented their proposal to audit the District's books and records for FYE 2015. BKD is proposing to complete the audit for the same estimated fee as last year, \$13,900 plus expenses. After discussion, upon motion duly made, seconded and unanimously carried, the board accepted the proposal of BKD to perform the FYE 2015 audit.

4. Adopt Budget:

Terry Holland of Myrtle Cruz, Inc. presented and reviewed the proposed budget for the District's fiscal year ending September 30, 2016. After discussion, upon motion duly made, seconded, and unanimously carried, the Board approved the proposed budget with revisions noted during the discussion.

5. Authorize publication of proposed tax rate:

The board recognized Stephen Eustis of R.W. Baird & Company, Inc., the District's financial advisors. Mr. Eustis presented spreadsheets and recommendations with respect to the District's 2015 tax rate, and responded to questions. Based upon the District's taxable value as certified by the Harris County Appraisal District, Baird is recommending a debt service tax rate of \$0.13. The District's budget contemplates a maintenance tax rate of up to \$0.20, for a total 2015 tax rate of up to \$0.33 per \$100 taxable value. After discussion, upon motion duly made, seconded, and unanimously carried, the board authorized publication of a total proposed tax rate of \$0.33 per \$100 valuation for purposes of the required public notice. The board will conduct the required public hearing and formally adopt the tax rate at the next regular board meeting.

6. Trash Contract:

The board considered proposals and presentations by the following companies offering to provide trash collection and disposal services to the District:

- Residential Recycling and Refuse of Texas (Jerrell Wolff)
- Republic Services (Kay Serventi)
- Best Trash (Matthew May)
- Texas Pride Disposal (Kevin Atkinson)

After discussion, upon motion duly made, seconded and unanimously carried, the board approved contracting with Texas Pride Disposal for biweekly service on Tuesdays and Fridays, for a 5-year term with a 3-year lock on the price if that option is available, and otherwise for a 3-year term with a 2-year lock on the price. Upon motion duly made, seconded and unanimously carried, the board also authorized termination of the current contract with WCA after 30 days written notice, or sooner if WCA agrees to an earlier termination.

7. 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 98.973% collected for the 2014 taxes and responded to questions from the Board. After discussion, upon motion being duly made, seconded and unanimously carried, the Board approved the Tax Assessor's monthly report and payment of the tax bills presented.

b) Financial Advisor:

Stephen Eustis of R.W. Baird & Company, Inc. presented information for the tax rate. See Item 5 above.

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 their written report with the Board and responded to questions.

Ms. Aelmore reported that four of the five booster pumps at the District's water plant have been rebuilt. After discussion, the board unanimously authorized rebuilding the last booster pump.

Ms. Aelmore presented a proposal to change out 1-inch meters at \$195 each after they complete change out of the high read 5/8-inch meters. The board requested a list of 1-inch meters within the District for review at the next board meeting.

Ms. Aelmore presented a list of suggested commercial meter repairs prepared for the District by Southern Flowmeter. After discussion, upon motion duly made, seconded and

unanimously carried, the board authorized all of the recommended repairs except for the two irrigation meters on the Mason Road esplanade.

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 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:

Dennis Hughes of Landev Engineers, Inc. (Landev), the District's Engineers, presented the Engineer's Report. Mr. Hughes reported on the status of pending District projects and responded to questions.

Mr. Hughes recommended that the District proceed with the current year's sanitary sewer rehab work, estimated at \$150,000.

Mr. Hughes reported that the permit application for the Highland Knolls sidewalk project is at the County for approval. After discussion, the board unanimously authorized an increase in the contract price for the project to include a bond premium if required by the County.

Mr. Hughes discussed routing options for the new well discharge line. The board asked that Landev pursue routing down the Harris County Flood Control District right-of-way if possible, as the alternative would require acquisition of easements from 14 separate landowners.

Upon motion duly made, seconded and unanimously carried, the Board approved the Engineer's Report and authorized the engineers to prepare a bid package for the current year's sanitary sewer rehab work, estimated at \$150,000.

e) Bookkeeper's Report:

Terry Holland of Myrtle Cruz, Inc., the District's bookkeeper, the District's bookkeeper, presented their monthly report. The report included a list of bills for the approval of payment, a copy of which is attached hereto. After discussion, upon motion duly made, seconded and

unanimously carried, the board approved said bills and ordered checks to be issued on the appropriate accounts of the District in payment thereof.

Mr. Holland also reviewed the proposed budget for fiscal year ending September 30, 2016 and answered questions. (See Item 4 above.)

8. Hike and Bike Trail:

The board deferred discussion of the proposed hike and bike trail extension from Mason Road west to Peek Road, to the next board meeting.

9. NFBWA Conservation Toolbox:

The board noted that the North Fort Bend Water Authority is hosting a series of presentations in October regarding the Authority's Conservation Initiative Toolbox program.

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

Nothing to report

11. Authorize any necessary actions in connection with greenbelt tracts:

Nothing to report

12. Cinco Regional Operating Committee report:

The C.R.O. Report for September 2015 was reviewed. The Committee is moving forward with preparation of the effluent reuse contract. After discussion, upon motion duly made, seconded and unanimously carried, the board authorized the District's attorney or his representative to attend the next Cinco Plant Operating Committee meeting if board president Stagg determines that their attendance would be helpful.

13. Pending Business:

Board President Morgan Stagg reported that she is serving as a volunteer member of the Cinco Area Township Steering Committee, which was formed to investigate the advantages and support organization of an area township board to provide municipal services similar to the township board operating in the Woodlands.

There being no further business to come before the Board, the meeting was adjourned at 9:10 p.m.

Secretary

Attachment: Bookkeeper's Report