

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

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

**Board 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:**

**District Residents Present:**

Tony Garza, Jim Stanka, Caleb Burson, Harvey Miller, Michael Bayliss

**Others Present:**

Also present were Michelle Guerrero 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; Adam Cohen of Robert W. Baird & Co., Inc.; George Goff of Harris County MUD 81; Gregg Nady of Ft. Bend Emergency Service; Jim Stanka of Bella Palma, LLC; 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 the Board.

**1. Approval of Minutes:**

Upon motion duly made, seconded, and unanimously carried, the minutes of the September 19, 2015 meeting were approved.

**2. Questions/Comments from the public:**

Mr. Jim Stanka of Bella Palma, LLC stated that construction on his project on Mason Road required a permit. He had forwarded the required forms to Landev Engineers, Inc. He was informed that the Board authorized the permit issuance when Dennis Hughes of Landev Engineers received and approved the building plans. He thanked the Board and stated that he would contact Mr. Hughes on Tuesday.

**3. Discuss proposed hike and bike trail extension:**

Gregg Nady introduced a map illustrating a proposed extension to the existing inter-community hike and bike trail. When the proposed extension is constructed, the trail will be complete. He asked Cornerstones MUD for a

contribution of \$15,000 to be applied to payment of easements as well as sidewalk extensions and improvements at Highland Knolls. George Goff expressed comments supporting the community project. Other MUDs have contributed to the project and the requested funds would complete the required funding. President Stagg informed Mr. Nandy and Mr. Goff that the sidewalk extensions and improvements have been approved by the Board.

After discussion, upon motion duly made, and seconded and carried by four (4) votes with director Steve Talecki abstaining, the Board approved the \$15,000 donation to complete the inter-community hike and bike trail with the condition that if the bike trail is not completed, the portion of the \$15,000 not utilized will be returned to Cornerstones MUD.

**4. Conduct public hearing on proposed tax rate;**

Information from the September 21, 2015 meeting was made public and this meeting is the second opportunity to conduct a public hearing. The hearing was opened and there were no comments from the public. The Board members discussed the option of lowering the tax by 1 cent (from \$0.34 to \$0.33 per \$100 taxable value with \$0.13 for debt service and \$0.20 for maintenance and operations) as recommended by R. W. Baird & Company, Inc., the District's financial advisors. Board members also discussed reducing the maintenance and operations rate from \$0.20 to \$0.18 or from \$0.20 to \$0.17.

**5. Adopt Order Establishing Ad Valorem Tax Rate for 2015 and amend District Information Form if necessary;**

After discussion, a motion was made by Mr. Talecki to set the 2015 tax rate at \$0.13 for debt and \$0.17 for maintenance and operations, but the motion died for lack of a second.

A motion was then made by Mr. Holmes and seconded by Mr. Talecki to set the 2015 tax rate at \$0.13 for debt and \$0.18 for maintenance and operations, but the motion failed on a vote of two in favor (Holmes and Talecki) and three against (Stagg, Chittwood, and Goodwin).

A motion was then made by Ms. Goodwin and seconded by Mr. Chittwood to set the 2015 tax rate at \$0.13 for debt and \$0.20 for maintenance and operations, and the motion carried on a vote of three in favor (Stagg, Chittwood, and Goodwin) and two against (Holmes and Talecki). A copy of the Order Establishing Ad Valorem Tax Rate for 2015 is attached to these minutes. The board was also presented with an Amendment to District Information Form reflecting the new tax rate, which was reviewed and approved upon motion duly made, seconded and unanimously carried. The directors present were authorized to execute the Amendment to District Information Form.

**6. Consider Consultants Reports (as needed):**

**a) Tax Assessor-Collector:**

Michelle Gurrero of Bob Leared Interests, the District's Assessor/Collector, reported on the status of the District's tax collections. Ms. Gurrero reported that the District is 99.27% collected 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 where meters were replaced during the month.

Ms. Aelmore stated that work is in progress on booster pump five, and that she has authorized pulling the last booster pump for maintenance.

Ms. Aelmore advised the Board that the first stage of the meter program was complete. There are 67 5/8" meters and 259 1" meters to be replaced. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the installation of the 5/8" meters and at the accelerated rate of 50 per month until completed. The Board also gave approval for installation of the 1" meters to begin thereafter at the rate of 25 per month until completed.

The Board discussed the possibility of installing a smaller gauge meter where the existing meters are reading a low flow rate and verification of the cost of the smaller meters.

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:**

Dennis Hughes of Landev Engineers, Inc., 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 informed the Board that the work on Phase One of the sanitary sewer line is in progress.

Mr. Hughes also reported that the sidewalk permit costs are approved and will be available within one week. Mr. Hughes stated that he will advise the Board upon completion of the permits, and will wait for Board approval before forwarding the permits to the contractor, as president Stagg is investigating possible project assistance from Harris County.

Mr. Hughes is reviewing alternative routes for placement of the 12" well discharge line from the proposed new water well site. After discussion and upon motion being duly made, seconded and unanimously carried, the Board requested that Landev Engineers, Inc. review all alternate routes.

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.

Expected expenses for the 2016 Budget were identified and discussed. The amounts will be finalized at the September meeting.

After discussion, upon motion duly made, seconded and unanimously carried, the Board requested that the SPA Revenue, (excluding the \$15,000 for the hike and bike trail) be moved from the budget account to a money market account.

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. **Discuss and authorize any necessary actions in connection with proposed NFBWA Conservation Toolbox:**

The Board will review any NFBWA requirements during the November 2015 meeting.

8. **Authorize any necessary actions in connection with trash collection contract including approval of new contract:**

Mark Brooks of Young & Brooks has reviewed the Texas Pride contract and presented the contract to the Board for approval. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the new trash collection contract with Texas Pride.

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

The software program has been installed that will size data to the device receiving the information. The program is ready for testing.

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

After discussion, upon motion duly made, seconded and unanimously carried, the Board approved winterizing the sprinkler system until the spring of 2016.

11. Authorize any necessary actions in connection with Cinco Ground Lease and Effluent Sale Agreement:

The agreement is being reviewed and will be presented to the Board when completed.

12. Cinco Regional Operating Committee report:

The C.R.O. Report for September 2015 was reviewed.

The Board discussed the issue of the Ft. Bend Water Authority anticipating a decline in 2018 revenues due to the conversion to lake water.

13. Pending Business:

N/A

There being no further business to come before the Board, the meeting was adjourned at 8:35 p.m.

---

Secretary

Attachment(s): Order Establishing Ad Valorem Tax Rate  
Bookkeeper's Report