

CORNERSTONES MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
January 18, 2016

The Board of Directors of Cornerstones Municipal Utility District (District) met at 805 Hidden Canyon, Katy, Texas, on January 18, 2016 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:

None

District Residents Present:

Caleb Burson

Others Present:

Also present were Patty Rodriguez of Bob Leared Interests; Jeff Haley of Si Environmental, LLC; Dennis Hughes of Landev Engineers, Inc.; Terry Holland of Myrtle Cruz, Inc.; Mark W. Brooks of Young & Brooks; Greg Sissel, BKD LLP; Gregg Nady, Hike & Bike Trail; 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 December 21, 2015 meeting were approved.

2. Questions/Comments from the public:

N/A

3. Approve Audit:

Greg Sissel, BKD LLP, presented the Accountants' Report and Financial Statements ("Audit") for the District's fiscal year ending September 30, 2015, and responded to questions. After discussion and 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.

4. 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 are satisfied with the policies and recommended no changes. After discussion, upon motion duly made, seconded, and unanimously carried, the Board decided against making any changes to the District's investment policies and adopted the attached Resolution Reviewing Investment Policies and Investment Strategies.

5. 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 59.37% collected for 2015 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.]

Jeff Haley of Si Environmental, LLC, the District's Operators, reported to the Board regarding District operations and facilities. Mr. Haley reviewed his written report with the Board and responded to questions.

Mr. Haley provided a list of the 41 meter locations where meters were replaced during the past month.

Mr. Haley also stated that the fourth booster pump has been reinstalled and is complete.

The Board addressed the issue of the Ft. Bend Water Authority rate increase of 11% beginning February 2016. After discussion, upon motion duly made, seconded, and unanimously carried, the Board approved the rate increase for water charges for residents of Cornerstones MUD District beginning with the February billing.

After discussion, the Board requested that Mr. Haley investigate the fifth interconnect.

The Board conducted a hearing on the possible termination of utility services for delinquent accounts. Mr. Haley presented a list of utility accounts that are delinquent by more than 60 days. He 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 advised the Board on the status of pending District projects and responded to questions.

Mr. Hughes reported that the sidewalk plans and permit costs are approved and that he is waiting to be contacted by the County before proceeding. Ms. Stagg requested Mr. Hughes make a call to determine the current status of the project.

Mr. Hughes reported that certified letters had been mailed to all property owners on Mason Rd. regarding the transmission line for the new water well to be located along the easement on the West side of Mason Rd.

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 of the list 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.

6. Call Director Election:

Mark Brooks of Young & Brooks informed the Board that 2016 is an election year for the MUD Board. Three Board members are up for re-election: Jennifer Goodwin, Brad Holmes and Steve Talecki. Brad Holmes and Jennifer Goodwin indicated they will not be running for reelection. The first date to file as a candidate for the election is January 20, 2016 and the last date is February 19, 2016. The Board discussed possible voting locations.

7. Consider and possibly approve Joint Election Agreement with Katy ISD:

The Board discussed possible voting locations and options.

8. Discuss and authorize any necessary actions in connection with proposed NFBWA Conservation Toolbox;

Ms. Goodwin presented a letter that could be mailed to individuals who are identified as high water users. The best method for notifying the individuals was reviewed, discussed and will be addressed at the next meeting.

9. Authorize any necessary actions in connection with District website;

The Board discussed an update to different web sites and a review of the links to the web sites.

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

The Board discussed a metal fence on the greenbelt tract that requires inspection and possible repair.

11. Cinco Regional Operating Committee report;

The C.R.O. Report for January 2016 was reviewed.

12. Pending Business;

N/A

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

Secretary

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