

CORNERSTONES MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
March 21, 2016

The Board of Directors of Cornerstones Municipal Utility District (District) met at 805 Hidden Canyon, Katy, Texas, on March 21, 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:

N/A

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; Jeff Hevey, Fire Chief of Harris County ESD # 48; Simon VanDyk, Public Information Officer of Harris County ESD # 48; Marshall Kramer, Commissioner of Harris County ESD # 48; Alex Chachere of Junction Landscaping; 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 February 15, 2016 meeting were approved.

2. Questions/Comments from the public:

Representatives from Harris County Emergency Services District (ESD) # 48 informed the Board that the local volunteer fire department has transitioned into a full time fire fighting and emergency service. The department has four (4) active stations serving an area of 45 square miles and is staffed with full time, part time and volunteer fire fighters. Additional volunteer fire fighters are also being trained. The ESD # 48 Community Team focuses on prevention and serves as a model for our neighborhoods.

3. Adopt order for cancellation of election:

Mark W. Brooks of Young & Brooks, the District's attorneys, reported that the candidates for the director's election scheduled for May 7, 2016 are unopposed. Pursuant to the Order for Election of Directors adopted previously by the Board, upon certification that each candidate whose name is to appear on the ballot is unopposed, the Board of directors is to declare each unopposed candidate elected to the office, and the election will not be held. After discussion, upon motion duly made, seconded and unanimously carried, the Board adopted the attached Order for Cancellation of Election.

4. Authorize any necessary actions in connection with greenbelt landscape maintenance contract:

Alex Chachere of Junction Landscape was in attendance to discuss fuel surcharges with the Board. He stated that even though fuel costs have been very low, the surcharges have remained on the District's bills. He assured the Board that the fuel surcharge will be eliminated on future billing.

Mr. Chachere recommended an addendum to the current contract stating that when fuel charges increase to over \$3.00 per gallon, the surcharge would be added to the bills. After discussion, he informed the Board that the current contract was signed in 2005 and proposed a new contract with a small rate increase with an addendum regarding a surcharge if fuel rates increase in the future. The Board agreed to review a new contract.

Mr. Chachere stated that he would inform the Board of the date on which Junction would begin irrigation. The Board informed him that water conservation is a major concern for the District. He assured the Board he will closely monitor the system to ensure water efficiency.

A Board member stated that the benches in the greenbelt area were dirty. Mr. Chachere agreed to pressure wash the benches.

5. 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 96.32% collected for 2015 and responded to questions from the Board.

Mr. John Peterson notified Bob Leared Interests that he had incorrectly forwarded a check in the amount of \$883.62 to the water operator. The water operator refunded Mr. Peterson the full amount. Mr. Peterson's tax account was paid in full including a penalty interest of \$61.85. After discussion, the Board authorized Bob Leared Interests to reimburse John Peterson for \$61.85 penalty interest that had been paid.

After discussion, upon motion duly made, seconded and unanimously carried, the Board authorized Bob Leared Interests to request the Delinquent Attorney to provide a report that identifies qualified water termination candidates with delinquent taxes.

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 20 meter locations where meters were replaced during the past month.

Ms. Aelmore stated that letters have been mailed to the top 20 residential high water users. Per the Board's request Si Environmental will forward letters each month using the same criteria. At present the Board will focus only on residential high water users only.

Si Environmental investigated the location of the fifth interconnect reported on the District map. The crew discovered that the fifth interconnect was in the correct location but was buried and inaccessible. The problem is resolved and the interconnect is available for use. Ms. Aelmore will report further if anything additional is required.

It was reported that a resident at 1911 Stormcroft Cr. had a water meter replaced. The new box that covers the meter is not level with the yard. It should be lowered 3 inches. Ms. Aelmore will schedule the work to be completed immediately.

The fence at the Cinco Ranch water plant will not be replaced. After discussion, upon motion duly made, seconded and unanimously carried, the Board voted to repair and upgrade the fence by closing the gaps at each end, raising the barbed wire by one (1) foot (in the area facing the playground), replacing the slats, power washing and staining the fence. Personnel at Cinco Ranch will select the color of the stain for the fence. Si Environmental will perform the work on a Work Order.

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.

Board member Brad Holmes left the meeting at 7:41 pm.

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 informed the Board that Harris County will schedule the sidewalk project on Highland Knolls upon receipt of the \$67,899.00 from the District. The check to Harris County was signed at the meeting and the funds were transferred from the SPA account into the District's regular operating account to cover the costs.

Dennis Hughes informed the Board that the well permit is in effect.

Mr. Hughes stated that the construction plans for the sanitary rehabilitation at Creekstone Sections 1, 2, and 3 are at Harris County pending review and approval.

A proposal was received from Base Line Corporation for performing a topographical survey that is required for the new water well and well easements. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the Engineer's proposal for the survey. Mr. Hughes informed the Board that the survey would begin soon.

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, the Board recommended moving \$380,000 from the operating money market account to obtain better interest rates. \$240,000 will be transferred to the Pioneer Bank for an interest rate of \$0.84% and \$140,000 will be moved to the Third Coast Bank for an interest rate of \$0.50%.

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

North Ft. Bend Water Authority has provided the District with information regarding water saving tips to forward to our residents.

Mark Brooks of Young & Brooks stated that he had received and reviewed the Conservation Toolbox Participation Agreement. The Board members have received a copy and will review the contract and be prepared to discuss the Agreement at the April meeting.

7. Authorize any necessary actions in connection with District website:

The Board discussed the web site and will review a list of recommendations at the next meeting for possible changes to the web site.

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

Refer to Item Number 4 in regard to greenbelt irrigation.

9. Cinco Regional Operating Committee report:

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

Also, the Board discussed the status of the proposed Reclaimed Water Agreement. After discussion, upon motion duly made, seconded and unanimously carried, the Board stated their belief that the good faith agreement proposed by Cinco MUD 1 is fundamentally sound and requested the Committee continue moving forward to finalize negotiations.

10. Pending Business:

N/A

There being no further business to come before the Board, the meeting was adjourned at 9:05 p.m.

Secretary

Attachment: Bookkeeper's Report
Order for Cancellation of Election