

CORNERSTONES MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
September 19, 2016

The Board of Directors of Cornerstones Municipal Utility District (District) met at 805 Hidden Canyon, Katy, Texas, on September 19, 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. Caleb Burson, Secretary
5. Tony Garza, Asst. Secretary

Board Members Absent:

None

District Residents Present:

John Irwin, Creekstone

Others Present:

Also present were Patty Rodriquez of Bob Leared Interests; Greg Sissel of BKD, LLP; Adam Cohen of R.W. Baird & Company, Inc.; Whitney Aelmore and Kyle Melgren of Si Environmental, LLC; Rick Radford of Landev Engineers, Inc.; Terry Holland of Myrtle Cruz, Inc.; Mark W. Brooks of Young & Brooks; Tabitha Floyd, Chairperson for the Cinco Ranch Parks and Recreation Committee, and Gregg Nady of the Fort Bend Emergency Services District.

The meeting was called to order at 5:30 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 August 15, 2016 meeting were approved as presented.

2. Questions/Comments from the public:

Gregg Nady of the Fort Bend Emergency Services District updated the board regarding the acquisition of the easements needed for the proposed hike and bike trail extension from Mason Road west to Peek Road. The group has acquired or has commitments from the owners of 47 out of the 49 easements needed. They think one of the remaining two will come through, and that Harris County will help acquire the last one through condemnation if necessary. After responding to questions from the board, Mr. Nady excused himself from the meeting.

Tabitha Floyd of the Cinco Ranch Parks and Recreation Committee addressed the board again regarding the request presented last month that the District contribute to the cost of installing playground equipment at the North Lake Village Park located at Briarchester and North Lake Village Drive. The board discussed possible implementation of a cooperative parks program with the HOA's in the District, at a level of \$10,000 per HOA.

3. Hire auditor:

The board recognized Greg Sissel of BKD, who presented their proposal to audit the District's books and records for FYE 2016. BKD is proposing to complete the audit for \$14,400 plus expenses, which is a \$500 increase over last year. After discussion, upon motion duly made, seconded and unanimously carried, the board accepted the proposal of BKD to perform the FYE 2016 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, 2017. After discussion, upon motion duly made, seconded, and unanimously carried, the Board approved the proposed budget with a number of revisions noted during the discussion.

5. Authorize publication of proposed tax rate:

The board recognized Adam Cohen of R.W. Baird & Company, Inc., the District's financial advisors. Mr. Cohen presented spreadsheets and recommendations with respect to the District's 2016 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 \$0.125. The District's budget contemplates a maintenance tax rate of between \$0.165 and \$0.195. After discussion, upon motion duly made, seconded, and carried by 4 votes with director Burson voting against the motion, the board authorized publication of a total proposed tax rate of \$0.30 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. Storm Sewer Repairs:

The board discussed the Si Environmental cost estimate for storm sewer repairs in the Fort Bend County portion of the District. The board will review the cost estimate for consideration at the next board meeting.

7. Interconnect Agreement with MUD 81:

The board discussed a draft First Amendment to the Emergency Water Interconnect Agreement with MUD 81. After discussion, it was the consensus of the board to maintain and exercise the interconnect at the northwest corner of Mason and Highland Knolls as an unmetered connection for back up, in addition to the metered interconnect on Hidden Canyon. Upon motion duly made, seconded and unanimously carried, the board approved the First Amendment with that revision.

8. 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 99.154% collected for 2015 and responded to questions from the Board.

Ms. Rodriguez presented, recommended, and upon motion duly made, seconded and unanimously carried, the board authorized moving a number of small delinquent personal property accounts for businesses that have closed to the uncollectible tax roll, excluding however the accounts for the Cedars Mediterranean Grill and the Sanders Chiropractic Clinic, which both remain open.

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:

Adam Cohen 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.]

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

Mr. Melgren provided a list of the 25 meter locations where meters were replaced during the past month.

The board discussed fire hydrant maintenance at the Cornerstone Ranch apartment project on Mason Road, and board president Stagg agreed to visit with the apartments to see about getting a copy of their water line plans. If they would agree, then Cornerstones MUD would contact ESC 48 to discuss arrangements for ongoing maintenance of the fire hydrants.

The Board conducted a hearing on the possible termination of utility services for delinquent accounts. Mr. Melgren 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:

Rick Radford of Landev Engineers, Inc., the District's Engineers, presented the Engineer's Report. Mr. Radford advised the Board as to the status of pending District projects and responded to questions.

Mr. Radford presented, and upon motion duly made, seconded and unanimously carried, the board approved a proposal by Landev Engineering to prepare construction plans for the Highland Knolls Sidewalk Project, Phase 2, and their revised Change in Scope and Fee for engineering services in connection with the Sanitary Sewer Rehab Phase 1 project, to add field observation services and reimbursables.

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, 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.

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

Board member Steve Talecki is preparing an explanation of the tiered rate structure implemented by the District last winter, for presentation to the North Fort Bend Water Authority in connection with the District's participation in their Conservation Toolbox program.

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

N/A

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

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

12. **Pending Business:**

The board reviewed a valuation matrix developed on behalf of the District by Property Acquisition Services for the Water Well No. 2 discharge line easements. After discussion, upon motion duly made, seconded and unanimously carried, the board approved the valuation matrix and authorized Board President Stagg to approve the purchase of easements at the prices falling within the matrix range. The board also considered a counteroffer received from the owner of Tract 6. After discussion, upon motion duly made, seconded and unanimously carried, the board authorized increasing the District's offer for the Tract 6 easement to \$16,814, based on the approved valuation matrix.

There being no further business to come before the Board, the meeting was adjourned at 8:15 p.m.

Attachments: Bookkeeper's Report

Secretary