

**CORNERSTONES MUNICIPAL UTILITY DISTRICT**  
**Minutes of Meeting of Board of Directors**  
**January 16, 2017**

The Board of Directors of Cornerstones Municipal Utility District (District) met at 805 Hidden Canyon, Katy, Texas, on January 16, 2017 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:**

None

**Others Present:**

Also present were Patty Rodriguez of Bob Leared Interests; Whitney Aelmore of Si Environmental, LLC; Angela Howes and Matthew Carpenter of IDS Engineering Group; Terry Holland of Myrtle Cruz, Inc.; Mark W. Brooks of Young & Brooks; Gregg Sissel of BKD, LLP; Allen De Jonge Off Cinco; Gregg Nady of Ft. Bend Emergency Services District No 1; and Virginia Lester, Recording Secretary.

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 carried by four votes with Tony Garza abstaining, the minutes of the December 12, 2016 meeting were approved as presented.

Upon motion duly made, seconded, and unanimously carried, the minutes of the December 19, 2016 meeting were approved as presented.

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

Gregg Nady provided an update on the Mason Creek Trail Project. One additional easement is required. The County may be required to apply eminent domain and will require reimbursement for the costs expended. One

option is an offer of \$2,800 to the owner. If that is not accepted, then the case will go to court at the cost of \$5,000. Mr. Nady informed the Board that the engineering portion of the project will be a nine (9) month process.

3. **Consider and authorize any necessary actions in connection with HOA park improvements including possible approval of related agreement(s):**

The Board was informed that the swing set has been installed at North Lake Village Park but a bill has not been forwarded.

4. **Consider and possibly approve continuation of Water Logic Annual Water Management Service:**

After discussion, the Board tabled the contract decision until February 2017.

5. **Approve Audit:**

Greg Sissel, BKD LLP, presented the Accountants' Report and Financial Statements ("Audit") for the District's fiscal year ending September 30, 2016, 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.

6. **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.

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 99.45% collected for 2015 and 59.514% for 2016. She 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 7 meter locations where meters were replaced during the past month.

Ms. Aelmore notified the Board that it has been two years since the water hydrants in the District have been tested, pressure washed and repainted. She asked if the Board wants to schedule this work for completion in 2017. Two bids were received for 158 hydrants. Industrial Solutions bid \$3,807.80 and Lone Star Hydrants and Utility, LLC bid \$5,530.00. The Board tabled the request for further action until the February meeting.

Ms. Aelmore stated that an air conditioning unit is required at the Water Plant to maintain the correct temperature for the employees and the electrical equipment. The cost would be \$2,759 for the air conditioning unit, the installation of the unit and installing an electrical cover for the vent. After discussion, upon motion duly made, seconded, and unanimously carried, the Board approved the project.

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:**

Matthew Carpenter and Angela Howes of IDS Engineering Group (IDS), the District's Engineers attended the meeting. Mr. Carpenter presented the Engineer's Report. He advised the Board of items that IDS requires to begin their engineering responsibilities to the District and he responded to questions.

Mr. Carpenter reviewed the District Engineering Services Agreement (Agreement) with the Board and requested the execution of the Agreement. After discussion, upon motion being duly made, seconded and unanimously carried, the Board approved the District Engineering Services Agreement.

Mr. Carpenter asked that the Board authorize a letter to Landev Engineering requesting copies and any documentation applicable to the following:

- 1.) Water Distribution Maps;
- 2.) Future water well and transmission line;
- 3.) Water Plant improvements;
- 4.) Wastewater System Maps;
- 5.) Sanitary Sewer Rehabilitation;
- 6.) Drainage System Maps;

7.) Development Construction Plans; 8.) District Records Request; 9.) Asset Management Plan; and  
10.) Sidewalks

Mr. Carpenter and the Board discussed the site location for Water Well No 2 which is engineered for the Green Belt at Highland Knolls and Mason Road. Other options for the Water Well location were discussed.

After discussion, a motion to designate the Water Well No 2 location at the Green Belt on Highland Knolls and Mason Rd as the permanent site was made, seconded with three opposed: Mike Chittwood, Steve Talecki and Caleb Burson.

After further discussion, a motion was made to continue work planned for the current project site and to gather additional information on another suggested well site. The motion was seconded and carried with four votes to approve with once abstaining vote by Tony Garza.

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.

Mr. Holland presented an invoice to the Board for water well easements in the amount of \$21,500.

After discussion regarding the completion of Phase II of the side walk project and upon motion being duly made, seconded and unanimously carried, the Board approved moving funds from the SPA Revenue Account to the Operating Budget for payment of \$21,832.68 for the final engineering charges.

Mr. Holland discussed the AWBD Conference in Austin Texas with the Board and requested information regarding payment of expenses for the meeting.

After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the Bookkeeper's Report, authorized payment of bills, and ordered checks to be issued on the appropriate District accounts in payment thereof.

Patty Rodriguez excused herself from the meeting.

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

The Board will investigate to determine if credit is provided toward the NFBWA Conservation Toolbox initiative for the water saving project of Water Logic.

Documents were provided to the Board regarding a water system assessment.

9. **Authorize any necessary actions in connection with engineering services contract, including possible approval of new contract:**

The contract was reviewed, authorized and signed. (Please refer to Section 7(d), Engineer's Report on page 3 of these minutes.)

10. **Property Acquisition Services update and authorize any necessary actions in connection with acquisition of easements for well No. 2 discharge line, including possible approval of agreement for related legal services:**

Steve Bonjonia of Property Acquisition Services has submitted a request for changes in the easement agreement regarding damages. The Board discussed the issues and stated that the property involved will be reviewed. The issue will be discussed in more detail at the February meeting.

Mark Brooks of Young & Brooks, the District's attorney, discussed the requirement for an attorney to represent the District in connection with any condemnation proceedings for acquisition of the easements for Water Well No. 2. A request was made for a motion to approve an engagement letter with attorney Charles McFarland, to process any required condemnation matters in regard to obtaining easements. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the engagement letter with Mr. McFarland, and it was signed on behalf of the District.

11. **Closed executive session in accordance with the Open Meetings Act, Texas Government Code Section 551.071, 551.072 and/or 551.074, if necessary:**

Mark Brooks of Young & Brooks, the District's Attorney, reviewed the legal requirements for closed executive sessions of the Board in regard to the Open Meetings Act. The Board is and has been in compliance with the requirements.

12. **Discussion & action on any items discussed in executive session:**

N/A

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

Allen De Jonges of Off Cinco, a web design firm, made a presentation to the Board in regard to maintaining the District's web site. The Board tabled the presentation to provide time to review the information prior to the February meeting.

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

N/A

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

The C.R.O. Report for January 2017 was reviewed.

16. Pending Business:

N/A

There being no further business to come before the Board, the meeting was adjourned at 7:50 p.m.

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Secretary

**Attachments:**

Bookkeeper's Report

Resolution Reviewing Investment Policies and Investment Strategies