

CORNERSTONES MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
September 18, 2017

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

N/A

District Residents Present:

John Irwin

Others Present:

Also present were Patty Rodriguez of Bob Leared Interests; Whitney Aelmore of Si Environmental, LLC; Angie Howes of IDS Engineering Group; Terry Holland of Myrtle Cruz, Inc.; Mark W. Brooks of Young & Brooks; Adam Cohen of R. W. Baird & Company, Inc.; 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 unanimously carried, the minutes of the August 21, 2017 meeting were approved.

2. Questions/Comments from the public:

John Irwin discussed issues concerning MUD 81 Sewer Lines. Eighteen Lots on the North side of Kenlake Dr in Creekstone's subdivision have sewage problems during the heavy rains. The issue is that these properties are located in Cornerstones MUD but the sewer system is connected to MUD 81. The billing records and services to these 18 lots need to be reviewed.

Ms. Aelmore of Si Environmental will discuss the issue at the West Memorial Plant meeting during the coming week. Tony Garza stated that he would investigate any problems with their lines.

Mr. Irwin also discussed concerns regarding the storm drain system. Creekstone's system funnels water into a drain at the southern end of Valley Landing and Highland Knolls before flowing into the flood control ditch. The concern is whether blockages occur where all the lines meet. John asked that the system layout be reviewed and an investigation be initiated regarding possible system blockages. Angie Howes of IDS Engineering Group, the District's engineers, stated that she will contact Harris County to investigate the drainage configuration and will report back to the Board and Mr. Irwin.

Virginia Lester stated that the Estates of Chesterfield's request at the prior meeting for a light pole at the corner of Chesterwick Dr. and Rockchester Dr. has been placed on a temporary hold. An update will be presented at a later date.

3. Hire auditor:

Greg Sissel of BKD, the District's auditor, forwarded the proposal to audit the District's books and records for FYE 2017 to Mark Brooks of Young & Brooks, the District's attorney. Mr. Brooks stated that BKD's proposal is to complete the audit for \$14,800 plus expenses, which is a \$400 (2.8%) increase over last year. After discussion, upon motion duly made, seconded, and carried by 4 votes with Mr. Talecki abstaining, the Board accepted the proposal of BKD to perform the FYE 2017 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, 2018. After discussion, upon motion duly made, recorded 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 2017 tax rate and responded to questions. Based on the District's taxable value as certified by the Harris County Appraisal District and after discussion of the District's financial requirements for the coming year, Baird is recommending no change from the past year and levying a 2017 tax rate of \$0.30 per \$100 of assessed valuation composed of a maintenance tax rate of \$0.175 per \$100 of assessed valuation and a debt service tax rate of \$0.125 per \$100 of assessed valuation.

After discussion, upon motion duly made, seconded and unanimously carried, 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.

Ms. Rodriguez of Bob Leared Interests stated that she will publish the proposed tax rate in the Katy Times.

6. 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 99.81% collected for 2015 and 99.27% for 2016. She responded to questions from the Board.

Ms. Rodriguez informed the Board she will request the Delinquent Tax Attorney to prepare a report of all delinquencies and all terminations that should be addressed. Currently the time period for delinquency collections and resident service terminations has been extended due to the damage caused by Hurricane Harvey.

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, and 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 reported that the wastewater treatment Plant is in good working order following Hurricane Harvey and the extensive rains. The Plant reported 38.25" of rain with their rain gauge during the storm. During Hurricane Harvey the Plant lost motors and pumps to the clarifiers due to high water. All equipment has been replaced and is working.

The maintenance crews have replaced meter lids that were lost due to the storm.

Twenty-four meters were changed during the month of August 2017.

The sanitary manhole was investigated and temporary repairs were made and working efficiently. Permanent repairs have been scheduled.

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. Termination of service for delinquent accounts was suspended for the month of September due to Hurricane Harvey.

d) Engineer's Report:

Angie Howes of IDS Engineering Group (IDS), the District's Engineer, attended the meeting and presented the Engineer's Report. Ms. Howes advised the Board as to the status of pending District projects and responded to questions.

Ms. Howes informed the Board that IDS has signed an agreement in the amount of \$17,700 with Tolunay Wong Engineers to proceed with a geotechnical report for the site of the new well. Tolunay Wong Engineers will support IDS Engineering Group as a subcontractor.

Ms. Howes and the Board discussed the requirement for flood proofing at the Regional Wastewater Treatment Plant.

Ms. Howes informed the Board that approximately 90 homes in Creekstone Sections 1 and 2 had flooded. Ms. Howes previously had spoken with John Irwin about the location of the flooded homes. The concerns of Creekstone's residents concerns are reported under Questions/Comments from the Public section in this document.

The overall county map shows that between 30-50 inches of rain fell on the entire county during the storm. If you assume that 36" of rain fell over 1,777 square miles of Harris County that would equate to greater than 1 Trillion Gallons falling on the county.

IDS received a plan for a build out at 1520 S. Mason for a café and bakery. The plan is under review.

Ms. Howes reported that the sidewalk project has been shut down due to Hurricane Harvey and subsequent road closures and that the contractor will remobilize on September 21, 2017.

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. A copy of the report is attached.

President Stagg requested that Mr. Holland and Mr. Cohen investigate available financing options to provide an optimum choice for financing Water Well No. 2 .

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.

7. Discuss and authorize any necessary actions in connection with Highland Knolls sidewalk project:

N/A

8. Authorize any necessary actions in connection with acquisitions of easements for Water Well No. 2:

N/A

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

N/A

10. Discussion & action on any items discussed in Executive Session:

N/A

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

Ms. Rodriguez of Bob Leared Interests stated that she would forward a copy of the proposed 2017 Tax Rate for publication on the District's Web Site.

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

N/A

13 Cinco Regional Operating Committee Report:

The C.R.O. Report for August, 2017 was reviewed.

Mr. Garza expressed the Board's gratitude for the continuous service provided under extreme conditions by Si Environmental employees at the Cornerstones MUD Plant during Hurricane Harvey. The Plant operated well under extreme conditions.

14. Pending Business:

N/A

There being no further business to come before the Board, a motion was made, seconded and unanimously carried to adjourn the meeting at 7:25 p.m.

Secretary

Attachments:

Bookkeeper's Report