

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

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

N/A

District Residents Present:

None

Others Present:

Also present were Patty Rodriguez of Bob Leared Interests; Kyle Melgren of Si Environmental, LLC; Angie Howes of IDS Engineering Group; Terry Holland of Myrtle Cruz, Inc.; and Mark W. Brooks of Young & Brooks;.

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 September 18, 2017 meeting were approved.

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

N/A

3. **Conduct public hearing on proposed tax rate:**

President Morgan Stagg announced that the public hearing to discuss the proposed tax rate was open to the public.

Steve Talecki commented that his initial thought was that the District could lower the tax rate by a penny this year, but considering the projected needs of the District he is OK with maintaining the tax rate at \$0.30.

There being no further comments, the public hearing was closed.

4. Adopt Order Establishing Ad Valorem Tax Rate for 2017 and amend District Information Form if necessary:

After discussion, upon motion duly made, seconded and unanimously, the Board adopted the proposed tax rate of \$0.30 per \$100 valuation (\$0.125 for debt service and \$0.175 for maintenance and operations). A copy of the Order Establishing Ad Valorem Tax Rate for 2017 is attached to these minutes.

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 99.295% for 2016. She responded to questions from the Board.

The board reviewed a status report from the delinquent tax collection attorneys, and after discussion, upon motion duly made, seconded and unanimously carried, the board authorized issuing water service termination notices to the delinquent accounts that are eligible for that remedy.

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.]

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. Talecki presented and after discussion, upon motion duly made, seconded and unanimously carried, the board approved a proposal by WaterLogic for a use analysis of the Creekstone HOA irrigation facilities as a Larry's Toolbox initiative for the District.

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:

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.

The board asked that the Service First Automotive project include a sidewalk on Mason Road as well as on Royal Montreal.

Ms. Howes presented and the board reviewed a list of anticipated capital improvement projects and discussed possible financing options. After discussion was concluded, the board asked that the District's financial advisors present options to finance approximately \$2.1 million in capital improvements over a period of up to five years, or possible use of a tax anticipation note.

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.

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.

6. **Discuss and authorize any necessary actions in connection with Highland Knolls sidewalk project:**
N/A

7. **Discuss and authorize any necessary actions in connection with water conservation and drought contingency plan:**

The board discussed the need to update the District's water conservation plan. Attorney Mark W. Brooks reported that a draft of the updated plan has been distributed for review, and it will be on the agenda for possible adoption at the next board meeting. Mr. Brooks will confirm that the draft has been sent to the board members.

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

The board is waiting on an update from Property Acquisition Services as to the status of efforts to acquire the easements needed for the proposed new well discharge line, and in particular the board wants to be sure that any easements headed for condemnation are moving forward.

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:

N/A

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

N/A

13 Cinco Regional Operating Committee Report:

Board member Tony Garza reviewed the C.R.O. Report for September, 2017 with the board.

14. Pending Business:

Board member Steve Talecki asked that the operator's monthly report split out the District's irrigation meters so that the District isn't charged for those at the wastewater treatment plant.

Board members Caleb Burson and Tony Garza expressed concern that Morgan Stagg was quoted in a recent Houston Chronicle article using her title as president of the District and in favor of the unincorporated area of greater Katy incorporating as a city, which would discontinue the existing area MUDs. Ms. Stagg explained that she had been approached and interviewed by the Chronicle reporter only with respect to her personal knowledge and individual investigation of the options available for incorporation, and the research she had carried out meeting with officials in the Woodlands while she was on the board of directors of Cinco Ranch. Morgan was not interviewed as and did not speak as a representative of Cornerstones MUD. She acknowledged that the newspaper article could be read as though her comments were made as president of the District but that she did not have control over what was written and did not think that this was a Cornerstones MUD related interview. The board agreed after discussion that media inquiries should be referred to the District's attorneys, so that they can work with the board to develop a coordinated response.

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: Order Establishing Ad Valorem Tax Rate
Bookkeeper's Report