

CORNERSTONES MUNICIPAL UTILITY DISTRICT
Minutes of Meeting of Board of Directors
January 15, 2018

The Board of Directors of Cornerstones Municipal Utility District (District) met at 805 Hidden Canyon, Katy, Texas, on January 15, 2018 in accordance with the duly posted meeting notice. A quorum of Directors was present as follows:

Board Members Present:

1. Morgan Stagg, President
2. Mike Chittwood, Vice President
3. Stephen A. Talecki, Asst. Vice President
4. Tony Garza, Asst. Secretary

Board Members Absent:

Caleb Burson, Secretary

District Residents Present:

N/A

Others Present:

Also present were Patty Rodriguez of Bob Leared Interests; Whitney Aelmore of Si Environmental, LLC; Matt Carpenter of IDS Engineering Group; Terry Holland of Myrtle Cruz, Inc.; Mark W. Brooks of Young & Brooks; Adam Cohen of RBC Capital Markets LLC; Greg Sissel, BKD LLP; and Virginia Lester, Recording Secretary.

The meeting was called to order at 5:35 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 December 18, 2017 meeting were approved.

2. Questions/Comments from the public:

Virginia Lester representing Chesterfield Community Association reported that CenterPoint Energy has corrected their accounts. Cornerstones MUD's name has been removed and Chesterfield Community Association's name has been added for the street lights records.

3. Ratify insurance renewal:

The Board reviewed the insurance renewal document in December. After discussion, upon motion duly made, seconded, and unanimously carried, the Board ratified approval of the insurance renewal.

4. Approve Audit:

Greg Sissel, BKD LLP, presented the Accountant's Report and Financial Statement ("Audit") for the District's fiscal year ending September 30, 2017, and responded to questions. After discussion and upon motion duly made, seconded, and unanimously carried, the Board approved the Audit subject to any changes or corrections called in to BKD by the board members or consultants by January 31, 2018.

5. Review Investment Policies:

Mark Brooks of Young & Brooks, the District's Attorney, discussed the requirement of conducting a review of the District's Investment Policies. After discussion and 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.

6. Financing Options for District Capital Improvement Projects:

Adam Cohen of RBC Markets LLC presented a financial analysis for the Board's review and discussion. After discussion and upon motion duly made, and seconded, the motion to prepare a bond issue for \$3.185 million dollars for an eight (8) year bond with a five (5) year call carried with three (3) votes and Steve Talecki abstained.

7. 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 63.20% collected for 2017 and 99.57% collected for 2016. She responded to questions from the Board.

Ms. Rodriquez provided each Board member with the Attorney's 2017 Delinquent Taxpayers list. The Board reviewed the status of the accounts.

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 stated that the District Valve Survey has been completed and will be presented at the February 2018 meeting.

Ms. Aelmore stated that the Cinco Plant is running well.

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:

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

A. Water Well No. 2 and the transmission line:

1. The water well plans have been approved by the City of Houston and IDS is waiting on Harris County and TCEQ approval. The bid package is going through IDS's internal QA/QC process.
2. The 90% water transmission line plans are being submitted to the appropriate agencies for review.

B. Wastewater System Projects:

1. Sanitary Sewer Rehabilitation: IDS is waiting to proceed pending approval of the final annual budget. The costs will be reviewed during the February Board meeting.

C. Removal of driveway aprons:

1. The estimated construction cost, including a contingency fee and engineering costs is estimated to be approximately \$55,000 to remove the apron on Highland Knolls west of Grand Junction Dr.
2. The estimated construction cost, including a contingency fee and engineering costs is estimated to be approximately \$45,000 to remove the apron on Eagle Meadow and Holly Lake.

After discussion and upon motion duly made, seconded and unanimously carried, the Board agreed to move forward with both projects, and to begin the project with the preparation of construction plans as Phase One and with discussion with the County.

D. Sidewalks:

1. IDS registered the project with the Texas Department of Licensing & Registration and requested review of the plans and inspection of the project by Accessibility Check.

Matt Carpenter reported that the debris and the cable reel that was left at the staging area at Holly Lake and Eagle Meadow have been removed.

E. Proposed Bond Issue:

A Proposed Cost Summary was presented and discussed. The Board will review the Summary further and discuss during the February meeting.

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.

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

Mark Brooks of Young & Brooks provided the Board with an update on the status of the acquisitions for Water Well No. 2 as provided to him by Steven Bonjonia of Property Acquisition. The Board was informed that the best offers had been presented to the remaining properties. If the offers are not accepted, Property Acquisition will move forward with property condemnation steps.

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

The proposal with the District's plans for 2018 was issued to NFBWA.

12. Call Director Election:

The District will have two (2) Director Openings in 2018. All candidates must submit their intention to run for the two openings by February 16, 2018. After discussion, upon motion duly made, seconded and

unanimously carried, the Board called the 2018 election and approved the Joint Election Agreement with Ft. Bend County (referred to in item No. 13 below).

13. **Consider and possibly approve Joint Election Agreement with Ft. Bend County:**

Refer to item number 12.

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

N/A

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

After discussion, the Board agreed to repair all damaged controllers at the Greenbelt Tracts.

16. **Cinco Regional Operating Committee Report:**

The C.R.O. Report for December, 2018 was reviewed.

17. **Pending Business:**

N/A

There being no further business to come before the Board, a motion was duly made, seconded and unanimously carried to adjourn the meeting at 7:30 p.m.

Secretary

Attachments:

Bookkeeper's Report
Resolution Reviewing Investment Policies and Investment Strategies
Order for Election