

CORNERSTONES MUNICIPAL UTILITY DISTRICT

Meeting Minutes of the Board of Directors

August 20, 2018

The Board of Directors of Cornerstones Municipal Utility District (District) met at 10000 Memorial Drive, Suite 260, Houston, Harris County, Texas on Monday, August 20, 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. Virginia Lester, Secretary
5. Tony Garza, Asst. Secretary

Board members absent:

None

District residents present:

None

Others present

- 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
- Sandra Rimmer, Recording Secretary.

The meeting was called to order at 5:25 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 July 16, 2018 meeting were approved.

2. Questions/comments from the public:

None.

3. Authorize publication of proposed tax rate if certified values are available:

Certified values were not available.

4. 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 98.488% collected for 2017, and 99.857% collected for 2016. She responded to questions from the Board.

Pertinent details include the following:

- Eligible Uncollectible Accounts have been taken off the books except for one business. The District was unable to confirm that Cedars Mediterranean Grill is no longer an active business. Cedars will remain on the Eligible Uncollectible Accounts list until their operating status is confirmed.
- The Delinquent Tax Attorney took over the accounts on July 1st and will advise as to any accounts for which the water service needs to be terminated.

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's Report

Whitney Aelmore of Si Environmental LLC, the District's Operator, reported to the Board regarding District operations and facilities.

i. Monthly report

Ms. Aelmore reviewed her written report with the Board and responded to questions.

Pertinent details include the following:

- The Consumer Confidence Report was assembled and distributed to the District in July.
- The results of the TCEQ inspection of hydropneumatic tank #1 (HPT#1) at the water plant were positive.
- The Discharge Monitoring Report for the wastewater treatment plant was updated.
- Quarterly collections in the amount of \$845.86 were submitted.
- The irrigation account for the propane business on Highland Knolls and Grand Junction was closed per the business's request in 2013. A recent meter reading indicated that the meter has been in use. The meter has now been turned off. If subsequent inquiries indicate that the meter has been in use, Enviro will follow up with retroactive billing if warranted.
- Stephen Talecki requested a copy of the report of the district's commercial meters done by Accurate Meter Testing.

ii. Authorize repairs

- Repairs to mainline breaks are ongoing.

iii. Conduct hearing on termination of water and sewer service

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

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

Pertinent details include the following:

- The quotes for proposed water well #2 were higher than expected. IDS Engineering Group recommends the low bidder Principal Plant Services LLC who quoted \$2,489,238.00. The new proposed cost of water well # 2 is \$3,915,000.00.
- Bond Issue No. 6 in the amount of \$3,185,000.00 is based on the submitted costs and does not cover the new proposed costs. A discussion on current balances and future projects/repairs resulted in a consensus that the bond issue can go through as is. The District will fund any costs not covered by the bond. After bond approval, funds can generally be utilized within 90-120 days

Upon motion duly made, seconded, and unanimously carried, the Board approved the Engineer's Report and the selection of both Principal Plant Services LLC. For well construction, and Tolunay-Wong Engineers, Inc. for construction materials testing.

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.

Pertinent additional details are as follows:

- The Maintenance Tax for the proposed 2019 budget will be changed to \$788,000.
- \$208,000 will be put into the actual costs of the Sewer Rehabilitation Project.
- The new budget will need to be adopted next month
- Mark W. Brooks of Young & Brooks questioned the projected cost of the Capital Project – Cinco WWTP in the amount of \$250,000. Mr. Holland will zero that out.

- Mr. Holland proposed opening two additional accounts: a construction account, and a deposit refund account.

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. The District also approved the opening of a construction account, and a deposit refund account.

5. Consider and possibly amend water and sewer rate order

No new information was gathered. The issue was tabled until next month.

6. Authorize any necessary actions in connection with acquisition of easements for well no. 2:

The process is nearing completion. The property that was headed to condemnation is now under contract to sell and they wish to negotiate a settlement. It is believed a settlement has been reached. This will complete the districts easement acquisitions.

7. 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

8. Discussion and action on any items discussed in Executive Session:

N/A

9. Discuss and authorize any necessary actions in connection with NFBWA Conservation Toolbox Initiatives

Stephen Talecki will re-send the Water Logic report for Creekstone HOA to John Irwin of Irwin Management. Whitney Aelmore will send Stephen Talecki the monthly usage information for the Creekstone HOA accounts.

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

No new business.

11. Cinco Regional Operating Committee Report:

No new business.

12. Pending Business

It was noted that the grass in the esplanade of Highland Knolls Drive just east of the Cinco Ranch boundary (also the western boundary of the District) is brown in color vs. the green grass in the esplanade in Cinco Ranch. The cause is that there is no irrigation in that section of the esplanade that is managed by the District. The District will explore possible solutions to install an irrigation system and possibly connect to the Cinco Ranch Landscape Maintenance Association's irrigation system.

There being no further business to come before the Board, a motion was duly made, seconded, and unanimously carried to adjourn the meeting at 6:39 p.m.

Secretary

Attachments:
Bookkeeper's Report