

CORNERSTONES MUNICIPAL UTILITY DISTRICT

Meeting Minutes of the Board of Directors

September 17, 2018

The Board of Directors of Cornerstones Municipal Utility District (District) met at 805 Hidden Canyon, Katy, Texas on Monday, September 17, 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 (arrived at 5:40 after approval of the minutes)

Board members absent

Virginia Lester, Secretary

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
- Adam Cohen of R. W. Baird & Company, Inc
- Sandra Rimmer, Recording Secretary
- Greg Sissel of BKD, LLP

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 20, 2018 meeting were approved.

2. Questions/comments from the public

None.

3. Hire auditor

Greg Sissel of BKD, the District's auditor, presented the proposal to audit the District's books and records for FYE 2018. The proposed fee is \$15,200 plus expenses, which is a standard 2.5% increase from the previous year.

After discussion, upon motion duly made, seconded, and unanimously carried, the Board approved the hiring of the auditor.

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

The Board recognized Adam Cohen of R. W. Baird & Company, Inc., the District's financial advisors. Mr. Cohen presented recommendations with respect to the District's 2018 tax rate based on their cash flow analysis determined from their recommended debt service tax rate.

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, Mr. Baird recommended levying a tax rate of \$0.30 per \$100 valuation, \$0.15 for debt service, and \$0.15 for maintenance and operations.

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

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. The Board will conduct the required public hearing and formally adopt the tax rate at the next regular Board meeting.

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 98.701% collected for 2017, and 99.857% collected for 2016. She responded to questions from the Board.

Ms. Rodriguez also communicated that the Cedar's Mediterranean Grill is still in operation but under a new owner, which may determine if collection of unpaid fees is feasible.

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

Adam Cohen of R. W. Baird & Company, Inc., the District's financial advisors, had no comments in addition to the presentation of the proposed tax rate.

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. Discussed items include the following:

- A leak at the car wash on Highland Knolls was fixed by the owner, who submitted a bill for reimbursement. The cause of the leak is uncertain but which may have been due to the board-initiated sidewalk project. It was recommended that the District reimburse the bill in full, and assign the expense to the sidewalk project.

ii. Authorize repairs

- Mainline repairs continue as required.

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.

Discussed items include the following:

- Contracts for proposed water well no. 2 are ready for execution by the District. The next step is a preconstruction meeting.
- Two easements remain to be finalized. One needs to be re-signed. For the second, the owner has been given two weeks to resolve, and will be informed that if not resolved, condemnation will begin.
- The application for the proposed bond issue is still processing. The engineer is waiting to hear back from the TCEQ as to whether the application is still moving through at the expedited rate, or if it will be pushed back to January.
- Construction plans for the removal of driveway turnouts has been approved, and Ms. Howe requested authorization to advertise for bids for the driveway turn out on Eagle Meadow Drive.

Upon motion duly made, seconded, and unanimously carried, the Board approved the Engineer's Report, and the authorization to advertise for bids for the driveway turn out on Eagle Meadow Drive.

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 the proposed budget. A copy of the report is attached.

In addition to the proposed budget, discussed items include the following:

- Board members requested inclusion of the full report for SPA Revenue monthly comparison. Ms. Rodriguez of Bob Leared Interests advised that charts are available for month to month comparisons and will be provided.

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. Adopt budget

Terry Holland of Myrtle Cruz, Inc. presented and reviewed the proposed budget for the District's fiscal year ending September 30, 2019. After discussion, the following changes were agreed upon:

- The maintenance operating tax, currently \$770,000, will be replaced by \$657,000
- The cost of the Capital Project Water Well, currently \$0.00, will be replaced by \$ 740,000
- The budget for the Sanity Sewer Capital Project, currently \$208,081, will be replaced with \$210,000. For details of the revisions, see the Bookkeeper's Report.

After discussion, upon motion duly made, recorded and unanimously carried, the Board approved the proposed budget with the noted revisions.

7. Consider and possibly amend water and sewer rate order

The Board discussed differing approaches to analyzing the rate and usage of residential and apartment data. After discussion, the Board agreed to raise the sewer rate on apartments by \$0.50 effective on the October meter read date.

After discussion, upon motion duly made, recorded, and unanimously carried, the Board approved to raise the sewer rate on apartments by \$0.50 per 1000 gallons effective on the October meter read date.

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

The process is nearing completion. The case for the property that was headed to condemnation is settled. Two properties remain; one agreement needs to be re-signed; the owners of the second property will be informed that they have two weeks to resolve, or condemnation proceedings will begin.

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 and 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 Board received an email from the NFBWA Conservation and Outreach Program offering to send a speaker to a District board meeting. The Board determined that a visit is not required at this time.

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

Regarding the grass in the esplanade of Highland Knolls Drive just east of the Cinco Ranch boundary (also the western boundary of the District), the Cinco Landscape Maintenance

Association agreed to allow Cornerstones MUD to connect to their irrigation system at no charge. Si Environmental maintenance will do the installation.

13. Cinco Regional Operating Committee Report:

The C.R.O. report for August 2018 was reviewed. A discussion on scour issues in the channel led to the recommendation to cut back scouring to two times per year rather than monthly.

It was also noted that C.R.O. received Harvey reimbursement for work on manholes and the sewer line that was washed out.

14. Pending Business

None

There being no further business to come before the Board, a motion was duly made, seconded, and unanimously carried to adjourn the meeting at 6:59 p.m.

Secretary

Attachments:

Bookkeeper's Report