

CORNERSTONES MUNICIPAL UTILITY DISTRICT

Meeting Minutes of the Board of Directors

November 19, 2018

The board of directors of Cornerstones Municipal Utility District (District) met at 805 Hidden Canyon Road, Katy, Texas on Monday, November 19, 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

- Nick Jessett, president of Chesterfield HOA

Others present

- Kristen Scott of Bob Leared Interests
- David Smalling of Robert W. Baird & Co. Incorporated
- 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 5:30 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 October 15, 2018 meeting were approved.

2. Questions/comments from the public

Nick Jessett, President of Chesterfield HOA, requested funds in the amount of \$4,172.00 to repair lights in the community association parking lot, and to strip and power wash the lot, which encompasses the community basketball court.

After discussion, upon motion duly made, seconded, and carried with 4 in favor and 1 abstention, the board authorized funds for the Chesterfield community center repairs.

3. Receive bids on sale of Series 2018 Bonds and accept best offer

It was announced that, pursuant to notice published as required by law, public bids for the sale of the District's proposed \$3,185,000 Series 2018 bonds were to be received at this time and place. Upon motion duly made, seconded, and unanimously carried, the board ratified and approved publication of the notice of sale. The following bids were presented at the net effective rates noted:

▪ Raymond James & Associates, Inc.	2.997489%
▪ SAMCO Capital Markets	3.060474%
▪ Hutchinson, Shockey, Erley & Co.	3.087383%
▪ The Baker Group	3.087960%
▪ SunTrust Robinson Humphrey	3.106609%
▪ Bernardi Securities, Inc.	3.188354%
▪ Hilltop Securities	3.256135%
▪ George K. Baum & Co.	3.417499%

The bids were carefully considered. David Smalling of Robert W. Baird & Co. Incorporated, the District's financial advisors, recommended that the bid of Raymond James & Associates, Inc. be accepted, as it produces the lowest net effective interest rate to the District. Based upon this recommendation and advice, it was moved, seconded, and unanimously carried that the board and District accept the bid of Raymond James & Associates, Inc. and adopt the attached Order Awarding Sale of the said Series 2018 bonds to same.

4. Approve and execute documents in connection with Series 2018 Bonds Issue

The board next considered the selection of a paying agent/registrars to handle the closing and distribution of the District's funds and bonds in connection with the Series 2018 bonds. The board reviewed the Paying Agent/Registrar Agreement, and upon review of the Bank's fees in connection with the same, a motion was made, seconded, and unanimously carried, that The Bank of New York Mellon Trust Company, N.A. be selected as the initial paying agent/registrars, and that the President and Secretary be authorized to sign the Paying Agent/Registrar Agreement on behalf of the District.

There was presented to the meeting the Bond Order attached hereto for the issuance of the District's \$3,185,000 Series 2018 bonds, which Bond Order reflects the terms of the low bid just accepted by the board. Said order was fully considered by the board, provision by provision. Thereupon, upon motion duly made, seconded, and unanimously carried, said order was passed and adopted, and the president and secretary authorized to sign same on behalf of the District.

The board was presented with the Initial Bond for execution. The board authorized its president and secretary to execute the Initial Bond in duplicate.

Mr. Smalling reviewed with the board changes to be made in the preliminary official statement to reflect the final terms of the proposed bond issue. Upon motion duly made, seconded, and unanimously carried, the board authorized its financial advisor to issue the final official statement, dated November 19, 2018 with the corrections deemed necessary to properly reflect the terms of the District's Series 2018 bonds.

5. Authorize District officers and consultants to take all necessary actions in connection with issuance and delivery of Series 2018 Bonds

Upon motion duly made, seconded and unanimously carried, the board further authorized its officers to execute the numerous documents and letters presented to the board in connection with the issuance of the Series 2018 bonds and transcripts, and to execute any further documents required by the attorney general or by the bond insurer in connection with the approval and delivery of the Series 2018 bonds. The board authorized Robert W. Baird & Co. Incorporated and Young & Brooks in their respective capacities, to finalize matters concerning the issuance, delivery and funding of the bonds upon approval of the Attorney General. Upon motion duly made, seconded, and unanimously carried, the board also authorized the District officers and consultants to take all necessary actions for the timely issuance and delivery of the Series 2018 bonds.

6. Consider consultants' reports as needed

a) Tax Assessor-collector

Kristen Scott of Bob Leared Interests, the District's assessor/collector, reported on the status of the District's tax collections. Ms. Scott reported that the District is 99.335% collected for 2017, and 99.888% collected for 2016. She responded to questions from the board.

- As previously agreed, the charts for yearly comparison of Cornerstones SPA Revenue were sent to members of the board prior to the meeting.
- Water termination letters were sent out last month. After presentation of the Delinquent Tax Report, the board discussed the distribution of the top thirty delinquent accounts questioning the higher number of residential versus commercial accounts. Ms. Scott will discuss the issue with Patty Rodriguez.
- The board also requested that the tax assessor increase the physical monitoring of businesses in relation to the Strategic Partnership Agreement (SPA) with the city of Houston to every six months rather than the current once yearly cadence as required by the city.

After discussion, upon motion duly made, seconded, and unanimously carried, the board approved the tax assessor's monthly report and the paying of bills, and authorized issuing water service termination notices to the delinquent accounts that are eligible for that remedy.

b) Operator

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:

- Possible valve issues were reported with the interconnects with Memorial District 81. Si Environmental will check the valve and send an update.

- Damage to a curb on Hidden Canyon Road in Creekstone subdivision was reported to Si Environmental. Si Environmental will proceed to repair any damage.

ii. 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.

c) Engineer

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

Discussed items include the following:

- The contractor has cleared the area for proposed water well no. 2, installed the stabilized construction access, and installed the sound wall.
- The construction plans for the proposed water transmission line have been approved by all agencies. Mark W. Brooks of Young & Brooks, the District's attorney, related that he has received the final easement for parcel 5. IDS Engineering will begin advertising for bids so that a list of bids will be available for review in January.
- IDS Engineering recommends interior re-coating of both 15,000-gallon hydro-tanks, which were installed in 2013. The estimated cost is \$15,000 each for a total of \$30,000.
- IDS Engineering requests approval of Pay Estimate No.2 to Vortex Turnkey in the amount of \$49,253.40 for the Sanitary Sewer Rehabilitation project which is approximately 40% complete. Small issues encountered during the project have been resolved.
- The new sidewalks along Service First Automotive were surveyed; the only area found to be less than 5-feet wide was where the new sidewalk tied into the existing 4-foot wide sidewalk on Royal Montreal. The board agreed that this solution is acceptable.
- The pre-construction meeting for the Eagle Meadow Drive driveway turnout was held on October 31, 2018. The contractor is scheduling crews for the week-long project. IDS Engineering is awaiting the Notice to Proceed. Rain has had some impact on the scheduling.
- As part of the insurance policy renewal, the water plant replacement cost was increased from \$2.1M to \$3.5M. This is based on the recent well bid of \$2.5M and other water plants IDS Engineering has recently bid. This will be reflected in the renewal in February.

Upon motion duly made, seconded, and unanimously carried, the board approved the engineer's report, the Pay Estimate No.2 to Vortex Turnkey in the amount of \$49,253.40 and to authorize solicitation of bids for the interior coating of the hydro-tanks.

d) Bookkeeper

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.

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

The process is nearing completion. As noted in the Engineer's report above, Mark W. Brooks of Young & Brooks, the District's attorney, has received the final easement for parcel 5.

8. 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

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

N/A

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

The following proposed initiatives will be submitted to the NFBWA Conservation Toolbox before the end of the year:

- WISE Guys Irrigation System Evaluation
- Resident Water Conservation Rebates
- High Water Users Notifications
- Conservation Information
- Native and Adaptive Plant Outreach
- HOA/Golf Course Irrigation Evaluations
- Tiered Water Rates

After discussion, upon motion being duly made, seconded, and unanimously carried, the board approved the submission of the initiatives for the NFBWA Conservation Toolbox.

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

Mike Chittwood contacted Junction Landscaping and advised them on possible landscape repairs that may be required due to ground damage from the Sanitary Sewer Rehabilitation project.

12. Cinco Regional Operating Committee Report:

Morgan Stagg presented the bookkeeper's report, the operator's report, and the engineer's report from the October 11th meeting. Ms. Stagg also noted that the committee is still working on FEMA reimbursements for pre-emptive work done before Harvey.

13. 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 6:39 p.m.

Secretary

Attachments:

Bookkeeper's Report