

CORNERSTONES MUNICIPAL UTILITY DISTRICT

Meeting Minutes of the Board of Directors

August 19, 2019

The board of directors (Board) of Cornerstones Municipal Utility District (District) met at 805 Hidden Canyon Road, Katy, Texas on Monday, August 19, 2019 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

Rhonda Windish of 22511 Wildwood Grove, Cornerstone Place

Others present

- Patty Rodriguez of Bob Leared Interests
- Ross Madia of Si Environmental, LLC
- Matthew Carpenter of IDS Engineering Group
- Brice A. Stanford of IDS Engineering Group
- Terry Holland of Myrtle Cruz, Inc.
- Mark W. Brooks of Young & Brooks
- Adam C. Cohen of Robert W. Baird & Co. Incorporated
- Sandra Rimmer, Recording Secretary
- Anthony Windish, attending with district resident Rhonda Windish

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 July 15, 2019 meeting were approved.

2. Questions/comments from the public

Ms. Windish described an atypical spike in her water meter reading. Ms. Windish communicated the spike to Si Environmental and received a partial refund based on the average of the year prior to the usage spike. Ms. Windish requested that the meter be replaced. Si

Environmental visited the home to check for leaks and test the meter. Standard procedures indicated no leaks and normal meter readings. After discussion between the resident, the Board, and the consultants, the Board agreed to lower the RWA charge to the lower consumption rate for the month in question, to adjust the water bill to the amount of the previous month, and to replace the water meter. After discussion, upon motion duly made, seconded, and unanimously carried, the Board approved to lower the RWA charge, adjust the water bill, and to replace the water meter.

The Board also discussed an issue from district resident Bradley Holmes. While on vacation, a pool leakage caused a spike in water usage. The leak was fixed promptly when Mr. Holmes returned. Mr. Holmes requested assistance with the unexpectedly high monthly bill. The Board agreed to lower the RWA charge, and to adjust the high usage month to last year's usage of the same month.

3. 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 2019 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. Cohen recommended levying a 2019 total tax rate of \$0.30 per \$100 valuation, composed of a maintenance tax rate of \$0.16 per \$100 of assessed valuation, and a debt service tax rate of \$0.14 per \$100 of assessed valuation.

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

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

4. Consider consultants' reports as needed

a) Tax Assessor/Collector

Patty Rodriguez reported on the status of the District's tax collections. Ms. Rodriguez reported that the District is 97.985% collected for 2018, 99.694 % collected for 2017, and 99.892% collected for 2016.

Ms. Rodriguez reviewed her written report with the Board and responded to questions. Ms. Rodriguez reported nothing unusual about the Delinquent Tax Report. The Delinquent Attorney will make recommendations for water termination in the coming months.

The Cornerstones SPA Revenue chart for 2015 through 2018 was attached to the report.

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

Ross Madia of Si Environmental LLC, the District's operator, reported to the Board regarding District operations and facilities.

i. Monthly report

Mr. Madia reviewed the written report with the Board and responded to questions.

Items discussed include the following:

- A discussion around a domestic leak caused by the contractor for the proposed water transmission line. Details are included in the Engineer's report. The Board voted to adjust the resident's bill to the average of the prior 12 months, and bill the surplus to the contractor. After discussion, upon motion duly made, seconded, and unanimously carried, the Board approved the water bill adjustment and to bill the surplus to the contractor.

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. Mr. Madia 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 the processing of the delinquent accounts in the usual and customary manner.

c) Engineer

Matthew Carpenter of IDS Engineering Group (IDS), the District's engineer, introduced Brice Stanford, a project manager with IDS who will attend future Board meetings as required.

Mr. Carpenter presented the engineer's report, advised the Board on the status of pending district projects, and responded to questions. Projects presented include the following:

- **Proposed Water Well No. 2** (Principal Plant Services, LLC): The Contractor provided an updated schedule and appears to be meeting their new schedule. Details of the schedule were presented. IDS met with a customer at 22102 Rockchester Drive regarding a complaint they received about their driveway; the Contractor agreed to repair the driveway within the next month and is in communication with the customer. Pay Application No. 8 in the amount of \$56,385.00 will be postponed until IDS receives a corrected billing amount from the contractor.
- **Water Plant No. 1**
 - **Entry gate:** IDS received a submittal for the entry gate to the plant. Two options were presented: Option 1 for \$11,400, and option 2 for \$10,180. The Board selected option 1 for \$11,400. The Board also selected a color for the building trim and above ground piping

After discussion, upon motion being duly made, seconded, and unanimously carried, the Board approved the selection of option 1 for the entry gate, and the color for the building trim and above ground piping.

- **Hydrotanks** (D&M Tank): The Contractor has completed the project. IDS recommends payment be made for Pay Application No. 3 and Final in the amount of \$2,176.00.
- **Proposed Water Transmission Line** (G&A Boring Directional)
 - The Contractor has completed approximately 60% of the project and is working from Highland Knolls and Mason towards Water Plant No. 1.
 - The Contractor damaged a customer's connection during the installation of a bore pit. They repaired the line, but the repair did not hold. The repair began leaking over the weekend, and the Operator made an emergency repair to the line. The Operator will bill the expense as a back-charge to the Contractor.
 - IDS recommends payment be made for Pay Application Nos. 1 and 2 in the amounts of \$75,690.00 and \$89,190.00.
- **Sanitary Sewer Rehabilitation** (Vortex Turnkey): The contractor is complete. IDS recommends payment be made for Pay Application No. 7 and Final in the amount of \$21,316.00 pending correction of application documents.

Upon motion duly made, seconded, and unanimously carried, the Board approved the engineer's report, and the following pay applications: Pay Application No. 3 and Final in the amount of \$2,176.00 to D&M Tank, Pay Application Nos. 1 and 2 in the amounts of \$75,690.00 and \$89,190.00 to G&A Boring Directional, Pay Application No. 7 and Final in the amount of \$21,316.00 to Vortex Turnkey pending correction of application documents.

d) 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. The report also included the proposed budget for the next fiscal year. Mr. Holland answered questions regarding the proposed budget.

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.

5. Discuss possible SPA fund projects

The following possible SPA projects were proposed in the July meeting of the Board:

- Fund the painting of house numbers on the curb for all houses to assist law enforcement and emergency vehicles in locating homes. The cost is estimated at \$15 per house. No decision was made as to whether to proceed with the project.
- ESD smoke detector checks for residents and ESD testing of private fire hydrants. These projects will be discussed in the next month's meeting of ESD District 48.

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

No updates.

7. Authorize any necessary actions in connection with greenbelt tracts

No new business.

8. Cinco Regional Operating Committee Report:

Morgan Stagg presented the bookkeeper's report, the operator's report, and the engineer's report from the July meeting and responded to questions.

9. Pending Business

Mark W. Brooks of Young & Brooks, the District's attorney, reminded the Board that a quorum would be required for the September meeting to publish the tax rate. The Board confirmed that the quorum will be met.

The Board discussed the need to contact the District's electricity broker to add the new water plant to the District's account.

There being no further business to come before the Board, a motion was duly made, seconded, and unanimously carried to adjourn the meeting at 7:18 p.m.

Secretary

Attachments:

Bookkeeper's Report