

SHOREWOOD FOREST UTILITIES, INC.

425 Utility Dr.
Valparaiso, IN 46385
219-531-0706

BOARD OF DIRECTORS MEETING

President, Greg Schafer
Vice President, Anthony Cimino
Secretary & Treasurer, Tom Szeffc
Director, Dave Bengston
Director, Greg Colton

Meeting of October 19, 2017

NOTE: All minutes are summarized to give the community the essential information of what has taken place at meetings and what votes were taken. Board discussions and public comments are not presented verbatim.

CALL TO ORDER

Board President Greg Schafer called the Board of Directors of Shorewood Forest Utilities, Inc. October 19, 2017 meeting to order at 7:01 p.m. in the Shorewood Forest Club House. He welcomed everyone to the meeting and introduced the Board of Directors which are: Vice President Anthony Cimino, Secretary/Treasurer Tom Szeffc, Director Dave Bengston. Plant Manager Forest Ash and 13 members of the Utility were also present.

President Schafer stated that although the meetings are run using the Rules of Roberts, he encouraged members who were in attendance to ask questions and comment anytime during the discussion of topics.

OPERATIONS REPORT (September 22, through October 19, 2017)

As reported by Plant Manager Forest Ash:

- We have had no violations.
- We have completed the generator at the main lift station. *President Greg Schafer added comments at this point in time **
- The snorkel has been removed from the #3 aeration tank. *Plant manager Forest Ash and President Greg Schafer added comments at this point in time ***
- I have finished the lift station flow report. We have recognized that we have 4 lift stations that have problems during a heavy rainfall: Amhurst, Nature Preserve, Devon and Roxbury. These lift station flows increase dramatically during a rainfall.
- We have taken the camera out of mothballs and have televised the line going under the swamp via our Nature Preserve Lift Station.

* Back-up Generators

President Greg Schafer informed everyone that a back-up natural gas generator is standard at all the new subdivision lift stations (Edgewood, Arbor Lakes, and Sagamore) that are connected to Shorewood Forest Utilities, so that if the power does go out, their sewer service is uninterrupted. He explained that unfortunately, the Shorewood Forest Subdivision does not have back-up generators at all the lift stations except for the Nature Preserve and the Main Lift Stations. He informed everyone that we recently

installed a 45,000 watt generator at the Main Lift Station located by the boat docks on Shorewood Drive, whereby 2/3 of the subdivision dumps sewage into that lift station. He added that if there was an outage and no generator, we would have about 20 minutes before someone's basement began to flood. He praised Plant Manager Forest Ash and crew for the excellent job they did in installing the Generac generator. Initially the bids for a generator installed were about \$23,000-\$24,000. He was happy to report that we purchased the generator from Home Depot with an 11% rebate and with the in-house installation, the total cost was \$11,500 slashing the original bid in half.

President Greg Schafer stated that in the Executive Board Meeting, they decided to purchase 3 more natural gas generators. He explained that the more expensive, 1800 rpm, water-cooled generators would be installed at the Roxbury and Amhurst Lift Stations; which have high run-times during heavy rainfall. He also stated that although we are paying probably \$3,000 more per unit, the water-cooled generators are quieter, more efficient, and have a longer life expectancy. He added that the third generator would be installed at the plant office and would be air-cooled.

**** Removal of Snorkel at Aeration #3**

Plant Manager Forest Ash informed everyone that the snorkel was removed from aeration tank #3 because he believed that the snorkel caused the overflow of the tank during a period when we experienced 3 inches of rain. He stated that we had 2 3/8 inches of rain since the removal of the snorkel and had no overflow or any other issues.

President Greg Schafer stated that while Plant Manager Ash was on vacation, plant employees Philip and Michael removed the snorkel. He also stated that it was an all-day job and was pleased that the removal was done in-house and commended them on a job well-done.

Lift Station Flow Report

Plant Manager Forest Ash stated that the report shows all the lift stations experienced a spike in flow during a rain cycle; however, Amhurst, Nature Preserve, Devon and Roxbury lift stations are in trouble when we have a heavy rainfall.

President Greg Schafer informed everyone that normally we have an average flow of 190,000 gallons/day which we treat without incident and our outflow is really good; better than most plants. He stated that we have had three violations on days with heavy rainfalls because of overflows and on those days. He added that the new subdivisions with "plastic" pipes experience only a 10% increase. He was concerned that there are still some sump pumps tied into our system causing infiltration. He stated that we will be running a test to try and identify those homes and anyone with sump pumps or downspouts tied into our system; this is not only costing the Utility money, but is also causing violations with I.D.E.M. (Indiana Department of Environmental Management) because of the extra flow. He added that some of the manholes aren't water tight and we will be purchasing flow meters to investigate which manholes are leaking and would like to stop the infiltration to avoid any fines with I.D.E.M. He stated that the previous Board's answer to the overflow problem was to install more aeration tanks to be able to collect more water and it is this Board's belief that we have to stop the infiltration and only build aeration tanks and clarifiers as needed.

A member asked, "Have we heard about the smoke test that can be used to investigate whether a home is tied into our system?" President Greg Schafer replied that we have used the test before; we would seal the manhole and blow smoke into the sewer lines and if smoke enters your home, it means you are tied into our system. He added that we are hoping we don't have to resort to smoke testing and that owners will come to us for help. He informed everyone that if we find out that you are tied into our system and continue to ignore our demand to eliminate this problem, there will be a fine. **Secretary/Treasurer Tom Szefc** pointed out that if a home has a check valve, the smoke may not penetrate, but **President Greg**

Schafer replied that on a check valve that is worn, smoke being lighter than water, will bleed through. He promised to inform the community before the smoke testing is to be initiated.

Flow Meters & Rain Gauge for the Manhole Study

President Greg Schafer reported that it was discussed by the Board to purchase flow meters at a cost of \$3,500 each, to help us investigate the sewage flows in the manholes. He stated that out of the 360 manholes we have, we will have to aggressively look at about half of them. He also stated that we probably need at least a pair of meters, which means you can only check two manholes at a time.

Secretary/Treasurer Tom Szeftc asked, "Can we rent the meters instead of buying them?" **President Greg Schafer** replied that we should find out if we can rent them. He explained that if we identify a lift station that has too much water running through, then we can start going down the street to find out where the problem is and which manhole has the issue. He stated that if we can rent the meters, we should obtain at least 4, but if we can't rent, we should at least purchase two; we would like to do so as soon as possible before the winter and the rainy season of spring.

Plant Manager Forest Ash informed everyone that the flow meter measures the size of the pipe, the water flow, and the velocity of the flow with great accuracy. **President Greg Schafer** added that we will run the flow meters on dry days as well to determine normal flow.

Secretary/Treasurer Tom Szeftc asked, "Do we have access to all of our manholes?" **Plant Manager Forest Ash** replied that although some manholes are on personal property, we have access because we have a Utility easement.

President Greg Schafer stated that we also need to purchase an electronic rain gauge that will tell us how much rain is coming down every 15 minutes. He also stated that we don't see a problem with the plant when there is a steady rain all day long; only when the rain is heavy all at once. He added that after we identify these areas that we know have a high pump run-time during the severe weather, we will put the cameras down the sewer lines and look for where the infiltration is coming from. He informed everyone that we are now prepared to do this all in-house where last year and the year before we spent \$70,000 to have Metz do camera work and sewer cleaning. He added that we have purchased a vactor truck to clean out the lift stations.

Nature Preserve

President Greg Schafer informed everyone that the system running the hardest in a heavy rain is the Nature Preserve Lift Station where the line is crossing under the swamp. He added that Plant Manager Forest Ash ran a camera through the sewer just the other day and saw some dripping, so that will be the first place we will put the meter in.

Plant Manager Forest Ash informed everyone that they make sure when a home is tied into the main; they do an inspection whereby they are taking pictures, running a tracer wire, and measuring where the tie-in occurs.

FINANCIAL REPORT

A full copy of the financial report was handed out to all members that were present. Secretary/Treasurer Tom Szeftc presented the financial report as follows:

The Summary Financial Report for September 30, 2017, *(a copy of the full report can be obtained from the SFU office)* is highlighted as follows:

- Income \$76,699.22; Expenses \$27,076.13; Bond Payment \$26,422.50; Escrow Payment \$1,732.88; Net Income \$21,467.71.
- Year-To-Date Service Ratio is 1.46 (1.25 is required to be in compliance with our Bond Covenants).
- Funds Currently In Accounts: Operating Funds \$288,264.86 (4.80 months of cash on hand); Capital Replacement Fund \$771,733.17; Construction Fund \$117,636.07; Capacity Fees Fund \$358,489.13

President Schafer explained that the escrow or debt service reserve fund of \$325,920 is money required by our bond covenant to be set aside in case we default on our bond payments; once the bond is paid off, we will get this money back.

Secretary/Treasurer Tom Szefc informed everyone that we did open up a CD at 1st Source Bank in the amount of \$1,150,000 for 18 months at 1.86%; the Construction Fund and Capacity Fees Fund have been rolled into the CD.

President Greg Schafer added that we have several blocks of money and the Operating Fund is the bank account from which we pay our monthly expenses; the Capacity Fund is when a new developer pays \$2,000 to the Utility to tie into our system. He stated that when we were a member of the Indiana Utility Regulatory Commission, it was required that we kept these funds separate and had to spend that money on the plant, but we backed out of the IURC about 10 years ago and are no longer regulated on how we spend our money.

Secretary/Treasurer Tom Szefc added that we backed out of the IURC because it cost us \$30,000 a year to be a member.

President Greg Schafer informed everyone that the Capital Fund is where we pay for all our plant improvements such as sewer lines and generators; and finally the Construction Fund is the remainder of monies left from when we did the bond issue several years back. He added that instead of having all these separate accounts, we combined the accounts and purchased a CD from 1st Source at 1.86% interest for 18 months which will generate about \$22,000 a year in interest income; we were only making about \$900 last year in interest. He stated that this interest income is the same as having 22 new customers that are paying their utility bill, but we don't have to provide a service for them. He also stated that if we need the money that is tied up in the CD, we can borrow the money back at 3.86% or 2% over what the bank is giving us in interest, instead of cashing it out. He added that 1st Source offered us the best deal and wanted to keep our business; in fact, we are moving all our business over to 1st Source and are closing the accounts from Centier Bank. He clarified that although we are comingling the accounts, we will still be tracking the capacity funds coming in to make sure the developers are paying what they should be paying.

OLD BUSINESS

SCADA (Supervisory Control and Data Acquisition) Software

Plant Manager Forest Ash informed everyone that we have been studying different software to upgrade the SCADA system and have narrowed it down to purchase the I-FIX software; we received one bid in the amount of \$26,000 and are trying to find other vendors that work with this software to obtain other bids. He stated that hopefully by the end of this year we should have this issue resolved and have a new SCADA system. He added that SCADA provides data collection and monitoring services for the utility plant and is very important to its operation.

NEW BUSINESS

Purchase of Vactor Truck

Plant Manager Ash informed everyone that the vactor truck is used to vacuum out the manholes and lift stations. He added that we purchased a vactor truck through an auction and now will be able to do the vacuuming and cleaning of the sewer lines in-house instead of subcontracting this service out to Metz and Midwest. He also added that we now have the ability to clean our own sewer lines and cut out the tree roots. He reported that since the beginning of January 2015, \$72,964 was paid out to subcontractor to clean and televise our sewer lines and cut out tree roots; \$6,075 was spent on lift station cleaning; \$7,520 for cleanups during overflows and lift station pump outs during repairs. He stated that we can do 90% of this work on our own. Although it is labor intensive, Plant Manager Forest Ash stated that it will save the Utility money; over the last three years, we have spent \$86,559.00 or \$28,853 per year subcontracting out these types of services. He also stated that the savings will be rolled over from the Operating Account into the Capital Replacement Account for needed improvements.

Vice President Anthony Cimino stated that basically the truck will pay for itself in six months. President Greg Schafer added that we purchased the truck at an unbelievable price of \$20,000 and it is in very good condition; he pointed out that a used Vactor Truck costs \$80,000 and new one costs about \$325,000.

President Greg Schafer informed everyone that when the new generator was installed at the Main Lift Station, the electricity had to be shut off; about 600 homes dump sewage in to this lift station. He stated that we had to hire a vacuum truck to pump out 6 loads of sewage at a total cost of \$1,200, while the SFU crew wired up the new generator; however, we can now do this type of work ourselves. He also stated that Plant Manager Forest Ash and crew are doing more and more work such as camera televising of the sewer lines and cleaning of the sewer lines. As the work load continues, he stated that we will reward the employees accordingly; they received a raise not long ago and we are working to get them health insurance and retirement benefits, which is something that is long overdue.

Secretary/Treasurer Tom Szefc commented that the truck can also suck out the silt from the lake. **President Greg Schafer** added that the Property Owners Association paid a subcontractor \$3,800 to suck out the sludge in a small ravine on the Wells Common area.

Secretary/Treasurer Tom Szefc stated that we will need to purchase an attachment to the Vactor Truck if we want to cut out the tree roots. **Plant Manager Forest Ash** added that the cost for the attachment will run anywhere from \$500-\$2,000. He also stated that the truck has about 600 feet of hose, and can hold about 2,000 gallons of sewage and 300-500 gallons of water.

President Greg Schafer added that although it is a heavy truck, it will not damage the road; it is not heavier than a garbage truck. He also stated that by having this truck onsite, we don't have to be at the subcontractor's mercy, if there is an emergency.

Flow Meters for the Manhole Study

A motion was made by President Greg Schafer and seconded by Secretary/Treasurer Tom Szefc to rent the flow meters if possible or to purchase two meters at a cost of \$3,500 each and to also purchase a rain gauge at a cost of \$600. The motion was approved unanimously.

Coupon Books, Checking and Savings Accounts, Debit & Credit Card Acceptance

President Greg Schafer informed everyone that it was decided in an executive meeting to implement a new billing process whereby we will mail out a coupon payment book, instead of mailing out a bi-monthly invoice to each customer. He pointed out that every bi-monthly billing costs the Utilities about \$850 to \$900; we have a bulk mailing expense of \$650 per mailing plus paper and envelope expenses etc. He stated that the coupon book will contain 12 pages or two years of bi-monthly coupon bills and is similar to a coupon book used to make a car payment. He informed everyone that they will be receiving the booklet in November and will have to remit a coupon and payment in the amount of \$130 for October and November sewer services, due on or before December 15th. He stated that if you lose the coupon book, you will be able to obtain another one at the office or can even print a coupon from our website (shorewoodforestutilities.org).

Vice President Anthony Cimino informed everyone that we are offering customers different payment methods in addition to the traditional method of mailing in a check to pay for sewer services. He stated that one method offered is using ACH (Automated Clearing House) which is an easy way to pay or receive money (direct deposit); you can have your bank automatically withdraw your sewer payment either monthly or bi-monthly from your checking or savings account. He explained that this could expedite your payment if you cannot pay at the office or if you have to mail in the payment which could make the payment late.

Vice President Anthony Cimino informed everyone that another convenient method of payment that we are exploring would be to pay by credit or debit cards; we will have a credit card machine at the office whereby you can pay your bill onsite, or you can call in your credit or debit card information and we can process your payment by phone. He added that we are also looking at the option of using your credit card through our website.

Late Payment Policy

President Greg Schafer informed the membership that they decided at the Executive Board Meeting to put into effect a late payment policy. President Greg Schafer added that our current collection rate is good, but we do have some customers with outstanding bills. He explained the policy is as follows, "if you become late on a single payment, you will receive a reminder letter to pay your bill, along with a late fee; if you are late on two payments, you will receive a certified letter stating that you are four months in arrears and you have 15 or 20 days to make a payment or we will file an action against you immediately with Small Claims Court." He clarified that there times when a customer may forget, but if you are two bills behind, you are likely ignoring the situation; everybody must pay their bills.

New Service Agreement

President Greg Schafer informed everyone that we have a new service agreement to be signed by the customer at the time they apply for sewer services. He added that many times the renters are customers who think they don't have to pay when they sign the contract for sewer services; a renter will also have to pay a deposit of \$260 (4 months of sewer payments).

President Greg Schafer informed everyone that another policy change will go into effect whereby if the water is shut off; you will not have to pay the sewer bill. He cited an example whereby you are selling your home, it is vacant and you have provided us with a verified letter from Indiana American Water stating that you have shut off your water, you will not be charged for the sewer service; however, if you return and turn the water back on, you will be responsible for the back bills. He made it clear that if you are caught with the water on and have not informed Shorewood Forest Utilities, you will be fined \$500.

He also stated that there is NO Snowbird Policy.

President Greg Schafer stated that the previous Board charged customers for sewer service even when the water was turned off, which he believes was not correct. The previous Board made a customer pay his sewer bill even though his house burned down.

Betsy (lot 5) stated that it is better if the owner pays the Utility bill and collects it from his or her renter because it is hard to track down a renter. President Greg Schafer replied that this is convenient; however, some rental property owners don't want to operate that way. He stated that he too has rental properties and does not want to be responsible for their utility bills; however, it is stated in his rental property lease that the renter must pay their utilities or be in violation of the lease and their security deposit.

John Bullock (lot 920) asked, "Do we have an agreement with Indiana American Water to inform us of who turns their water on and off?" President Schafer replied that when a member turns their water on, they must have Indiana American Water add Shorewood Forest Utilities as a contact on their account, so that we may have access to account changes at anytime; this will be required at the time of your sewer service application.

John Bullock (lot 920) asked, " Although we can call the water company about the customer's account, is the customer obligated to let Shorewood Forest Utilities know when the water is turned on?" President Schafer replied that the customer is responsible for letting us know in writing whether the water is turned on or off and there will be no pro-rating; the bill is fixed at \$65.00 per month. He gave an example where the customer turns off the water on October 2nd, but would still be responsible for the entire month of October.

Articles and Bylaws are Under Revision

President Greg Schafer stated that the Bylaws are still under revision. He also stated that one of the Bylaws in particular that must be changed is the Bylaw regarding actions requiring the approval vote of the membership. He informed everyone that only two actions currently require the approval vote of the membership: one is when there is a vote to expand the territorial authority of the Utility, and two, when there is a need to finance Utility capital improvements through the issuance of bonds. He added that if the situation was presented that Shorewood Forest Utilities was to be sold, the 5 members of the Board would be the only people required to vote on this decision.

President Greg Schafer stated that he strongly believes the Bylaws state that the Board can vote to sell the Shorewood Forest Utilities without a membership vote and that should be changed; the sale of the plant to an outside investor could mean that the Shorewood Forest Subdivision could have to take on sewage from miles away and all of a sudden you have 50 aeration tanks in the plant and all their sewage would be dumped into the Shorewood Forest Subdivision.

Margaret Stiles (lot 545) asked, " When was this Bylaw changed?" President Greg Schafer replied that this Bylaw was never changed; he strongly believes the community should have a say so in selling the plant and that it should not be in the hands of 5 Board Members.

President Greg Schafer commented that there are several changes in the Bylaws that he wants done and brought back to how they were originally written. He informed everyone that the former Board made changes to the Bylaws about 5 years ago, one being that they only need a simple majority to carry a vote or 50 ½ votes out of 100 people to ratify a resolution. He added that it was originally written that a 60 % majority was needed to carry a vote and he would like the Bylaws changed to reflect the original percentage of 60%.

He also stated that the process in changing the Bylaws should require two readings; in other words, first have an open discussion with the community about the Bylaws that the Board feels need to be changed; then another Board meeting whereby a second reading of the changes takes place; and finally, the community will vote on the changes or perhaps make adjustments to the Bylaws.

COMMENTS FROM THE MEMBERSHIP

John Bullock (lot 920) stated there was a previous approval of Don Blum's application to expand the CTA and inquired whether this contract has to go forward. President Greg Schafer stated that there is a gag order on him, but as of 9:00 tomorrow morning the lawyers will meet with the Judge in a pre-trial conference. He informed everyone that we have filed a class action suit and are determining if the previous Board had the authority to enter into a contract with Blum. He reminded the membership that the previous Board did not have their annual meeting on the 1st Monday of July as it states in the ByLaws. He stated that the former Board ignored the Bylaws and had their annual meeting three weeks later, scheduled at 7:00 p.m. He also stated that the membership was in attendance at 7:00 p.m, but then the Board decided to have a special meeting before the annual meeting where they entered into the Blum Contract to expand the territory. He stated that the minute the new officers were empowered after that meeting, they negated the contract, so Blum had a contract for about 1 ½ hours. He informed everyone that we have not heard yet from Mr. Blum; however, there is a chance that he can sue the Board stating that he has a valid contract. He stated that if Mr. Blum releases us from any potential lawsuit, then we will drop the class action suit. He reminded the membership that if Blum brings on new members, our ownership is diluted from 74% to below that.

Margaret Stiles (lot 545) remembered that two of the previous Board Members stated that they wanted a big sewage plant and their loyalties are not to "Shorewood." President Greg Schafer was also present at that meeting and he stated that one of the now defeated Board Members said that we must "expand or die". He reminded the membership that the new Board had received about 800 votes, while the former Board had received about 200 votes.

President Greg Schafer wanted to inform the membership that they will receive a letter regarding the new billing process, which is a cost saving measure to the Utility in the amount of \$5,000-\$6,000 per year; also, when customers begin to use the ACH system, there will be less paperwork.

A member asked, "Does the coupon have to be used if they decide to make an ACH payment?" President Greg Schafer replied that you will not have to use the coupon if you use the ACH. He added that we purchased the coupon booklet for about \$1.00 per book and there are 12 pages or reflecting two years of bi-monthly payment coupons. He also informed the membership that signs will be put up to remind the community of the change.

John Bullock (lot 920) asked, "Is the plant office open and is there someone there to take the payment?" Secretary/Treasurer Tom Szefc replied that there is someone in addition to Plant Manager Forest Ash at the plant on Mondays, Wednesdays, and Fridays. **President Greg Schafer** reminded the members that there is a dropbox in the front door of the plant office.

President Greg Schafer stated that if you pay the entire year up front, you are insulated from any kind of increase for that year; however, we have no intention to raise rates; we have more money now than we ever had even doing all the different things that we are doing. He also stated that he can't tell the membership we will never raise rates, but we don't intend to raise them.

COMMENTS FROM THE BOARD

President Greg Schafer stated that the accounting firm of London Witte comes in at year-end to do our audit at a cost of \$12,000. He asked Director Dave Bengston, "Would you investigate pricing for such a service and perhaps even come up with a list of possible accounting firms that would be able to do the job?" He also asked, "What would a fair price be?" **Director Dave Bengston** replied that in an audit, there is a significant cost to have someone assume the responsibility and sign their name stating that the financial statements are free of material misstatement by error or fraud and the customer has to pay for that. He stated that he use to be an auditor, but no longer does that. **President Greg Schafer** added that we are aware of the cost and believes that we are a small company that wouldn't require much time to audit and we should be able to get this audit done for a lot less and we will keep looking.

Vice President Anthony Cimino told the membership to remind their neighbors about the new billing set up, which will be for the October and November sewer services, due on or before December 15th.

ADJOURNMENT

A motion to adjourn was made by President Greg Schafer and seconded by Vice President Anthony Cimino. The motion was unanimously approved.

The meeting was adjourned at 8:28 p.m.