

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 Szefer
Director, Dave Bengston
Director, Greg Colton

Meeting of November 16, 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., November 16, 2017 meeting to order at 7:10 p.m. in the Shorewood Forest Club House. He welcomed everyone to the meeting and asked that the Board of Directors introduce themselves as follows: Vice President Anthony Cimino, Secretary/Treasurer Tom Szefer and Director Greg Colton. Plant Manager Forest Ash and 5 members of the Utility were also present.

BOARD PERSONNEL

President Greg Schafer stated that the first order of business was under the Indiana Code IC 23-17-12-9; the Board of Directors has the authority to remove another board member at their discretion with or without cause and introduced a motion unfortunately to remove Director Greg Colton, a former appointee, from the board. Vice President Anthony Cimino seconded the motion.

Director Greg Colton asked, "Could the whole statute be read and did President Greg Schafer receive legal advice?" **President Greg Schafer** replied that he did receive legal advice and he would be happy to read the Indiana statute for him. **Director Greg Colton** inquired who the lawyer was that advised him. **Greg Schafer** replied that he was not at liberty to say, but there is a bank of lawyers involved. **Director Greg Colton** stated, "You relied on legal counsel, so who is your legal counsel?" **President Greg Schafer** replied that he does not owe him any explanation. **Director Greg Colton** pointed out that he will find that out in Discoveries of the class action lawsuit against the previous Board. **President Greg Schafer** replied, "You certainly will."

President Greg Schafer read the statute IC 23-17-12-9 which states, "*A director elected by a board of directors (which is what Director Greg Colton is since he was not elected by the membership, but has been elected by the previous board), may be removed with or without cause by a vote of the majority of the directors then in office, unless a greater number is set forth in the Articles of Incorporation or Bylaws.*" However; "*A director elected by a Board of Directors to fill the vacancy of a director elected by the members (which is not the case here), may be removed without cause by the members, but not by the Board of Directors.*" President Greg Schafer added that we are on firm ground to be able proceed as motioned.

Director Greg Colton stated that the reason he was appointed after the last election was because he was the only one running; it was an automatic thing; it saved the community and the members of the utility the expense of holding a countless election; and because of that, the previous Board cancelled the election and that is how he became appointed. He also stated that the circumstances are a little different than what is here in the statue. **President Greg Schafer** replied, "We understand your opinion, but by your own admission, you were not elected by the membership so my motion stands and it has been seconded".

Director Greg Colton stated that he would think that his position would be of value to the Board and also to the Membership; he has knowledge that these new Board Members do not have. He also went on to say that even though there is a lawsuit against him personally, everyone can see that he has conducted himself in a professional manner at all times; the Board Members can also attest to that and he does not see the harm of serving on the Board, as it brings an alternative viewpoint to the Board and alternative viewpoints can be valuable when it comes to making decisions. He stated that he wanted to bring up the way this issue was brought to his attention; a letter was sent that stated, *"Please be advised that the current Shorewood Forest Utilities Board of Directors has discussed your conduct and actions taken during your recent tenure on the Board of Directors. Regrettably, we have decided to offer you the opportunity to resign in lieu of formal action to remove you per the statue you just read."* He also stated that the letter suggested there was conduct and actions taken on his part to precipitate the Board's actions. His response via email to the Board was, *"I received your letter dated November 2, 2017. I declined to offer my resignation at this time. I would like to know the conduct and actions I took that has caused the Board to want to remove me, so that I could have an opportunity to respond."* He stated that he understands the legal reasons the Board is saying he can be removed with or without cause and they are hanging their hat on that. He just wanted this to be put into the record.

President Greg Schafer added that he would like to say one more thing regarding Director Greg Colton's question on why this Board felt that he does not quite fit with the ideology of this Board. He stated that the Board is going to introduce into the record, which is a public record at this time, the amended complaint of the lawsuit on file which clearly states the allegations that have been planted and this will become part of the permanent record and will be posted on the website for everyone's review.

Dave Serynek (lot 362) stated that the Board is not recognizing Greg Colton as an elected member of the Board, yet between the time that he was appointed and the present, there was an election. *"Is that correct?"* President Greg Schaffer replied that it is all academic; if nobody applies to run and they are handpicked and appointed by the previous Board, the new Board can say that handpicking does not quite fit what we are doing and can be replaced by the current Board and this is precisely what is going on.

Dave Serynek (lot 362) said, *"That was not my question." My question was, "Between the time Director Greg Colton was appointed and today, there was a scheduled election, according to the Bylaws, that would have occurred had there been enough candidates to warrant an election; is that true?"* President Greg Schafer replied, "that is correct."

Dave Serynek (lot 362) stated that there was no election held because there were not enough candidates; so there was an election in the cycle, but to save the shareholders money, the election was not held because it was a moot point. He asked, *"Is that correct?"* **President Greg Schafer** replied that is not correct; nobody filed to run. **Director Greg Colton** stated that he filed. **President Greg Schafer** told Director Greg Colton, "You filed, but withdrew your application and then you were handpicked by Mr. Atherton, which was his right at the time." He also pointed out that was the decision Director Greg Colton made, but there is no reason to think that Director Greg Colton is going to bring anything to this table regarding his past conduct and he (President Greg Schafer) does not have to have any more reason than that.

Dave Serynek (lot 362) asked Director Greg Colton, "Did you in fact withdraw your application?" Director Greg Colton replied that he did withdraw his application; if he did not, it would have forced an election.

President Greg Schafer restated the current motion under the Indiana Code IC 23-17-12-9; whereby the Board of Directors has the authority to remove another Board Member at their discretion with or without cause and introduced a motion unfortunately to remove Director Greg Colton, a former appointee of the Board. Vice President Anthony Cimino seconded the motion. The motion was approved 3 to 1 with President Greg Schafer, Secretary/Treasurer Tom Szeffc and Vice President Anthony Cimino voting yes and Director Greg Colton voting no.

President Greg Schafer then told Mr. Greg Colton that he was no longer on the Board and to take his seat in the audience at which point he did (*that leaves President Greg Schafer, Vice President Anthony Cimino, and Secretary/Treasurer Tom Szeffc on the Board*).

RETIREMENT

President Greg Schafer reminded everyone that we have discussed retirement for employees previously and we have come to a resolution that we will match up to 5% of their gross income per year, starting this year. He stated that Plant Manager Forest Ash’s retirement is the only one that will be retroactive; the reason being is he has been with us for twenty years; the other two employees will have to be vested for three more years and if they leave before the next three years, then the money we have contributed to that employee will be returned. **Director Anthony Cimino** added that the employees must contribute, and the company will match what the employee contributes. He also added that if the employee does not choose to participate, they will have to wait one year before they can opt in to the retirement fund.

A motion was made by President Greg Schafer and seconded by Vice President Anthony Cimino to start a matching retirement fund for the three employees up to 5% per year, starting this year; only Plant Manger Forest Ash's fund is vested immediately; the other two employees will have to be employed by SFU for the next three years before being vested. If the employee does not choose to participate, they will have to wait for the next enrollment period which is December 1st to 31st of each year, before they can opt in to the retirement fund. The motion was approved unanimously.

OPERATIONS REPORT (October 20TH - November 15TH, 2017)

- There was an average flow of 195,200 GPD and our high flow was 204,700 GPD (I.D.E.M. allowable permit is 450,000 GPD). The plant took on a total of 6.1 million gallons of wastewater last month.
- The following are the NPDES (National Pollutant Discharge Elimination System) monthly average summer limits (ends November 31st):

	INCOMING (Av)		OUT GOING (Av)		I.D.E.M. (Limits)	
	lbs	mg/l	lbs	mg/l	lbs	mg/l
CBOD	481.5	296.0	4.9	3.3	37.6	10
TSS	750.0	476.0	4.4	2.9	45.1	45.1
AMMONIA		22.0	.29	.17	4.5	1.2
PHOSPHORUS		9.1		.3		1

- The lift stations were cleaned at the Plant and Devon with the new Vactor truck and it works excellently.
- With Nature Preserve being identified as a high-level infiltration problem, the lines are being televised that connect to the Nature Preserve, in order to find the infiltration problems.
- There are a lot of pump jams at different lift stations. This is due to the stations not being cleaned often enough, which the employees are working on.
- Numerous hours have been spent working on the new payment books and setting up the new payment methods.
- London Witte has been doing the year- end accounting in the past. Plant Manager Forest Ash stated that they are in the process of collecting bids to reduce the cost of preparing the non-for-profit 990 tax return, the preparation of 1099s, and w-2s, and for the state and federal audits for our bonds.

President Greg Schafer informed everyone that we are paying \$12,000.00 a year to have our books audited. He stated that we are writing approximately 500 checks a year and have approximately seventy accounts. He also stated that this is an absorbent amount and they just got comfortable with our billing process; we are bidding this out and he thinks it should be no more than \$4,000 - \$5,000.

FINANCIAL REPORT

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

The Summary Financial Report as of October 31, 2017, (a copy of the full report can be obtained from the SFU office) is highlighted as follows:

- Income \$76,846.46; Expenses \$35,881.99; Bond Payment \$26,422.50; Escrow Payment \$1,732.88; Net Income \$12,804.77.
- Year-To-Date Service Ratio is 1.43 (1.25 is required to be in compliance with our Bond Covenants).
- We opened a CD with 1st Source in the amount of \$1,150,000.00. The proceeds came from our Capital Replacement Fund of \$791,503.80 and our Capacity Fees Fund of \$358,496.20
- Funds Currently In Accounts: Operating Funds \$360,929.09 (6.02 months of cash on hand); Capital Replacement Fund \$97,885.38; *The Construction Fund has been closed and \$117,636.07 has been moved to the Capital Replacement Fund temporarily which became part of the CD. The Capacity Fees Fund has been closed and \$358,496.20 has been moved to the CD.*

Dave Serynek (lot 362) asked, "Can you list the legal fees on the Financial Reports?"

Secretary/Treasurer Tom Szefer stated that he would.

OLD BUSINESS

Pumps

Plant Manager Forest Ash stated that he has ordered one 5 HP pump and one 10 HP pump to replace the ones in stock he had used. He has ordered two new VFD's (Variable Frequency Drives) to put in stock. He pointed out that we have 3 different kinds of pumps in stock (add-a-phases, roto-phases, and VFD's) that convert the single phase electric to three phase electric. He added that there are two lift stations that have roto-phase pumps which are twenty years old and he is anticipating these to go out soon and wants to be prepared to react when they do.

Sampler

Plant Manager Forest Ash stated that he has ordered a sampler to take analytical samples after the Micro-Screen of our CBOD's (Carbonaceous Biochemical Oxygen Demand); he currently takes the sample

before the Micro-Screen, but not after. He added that he needs a year of data to verify how much the Micro-Screen is removing before he can ask IDEM to recognize the reduction of our CBOD's, so he can have our permit modified; however, that probably won't happen until a new aeration tank has been built.

Flow Meter

Plant Manager Forest Ash reminded everyone that at the last meeting, the Board decided to purchase two flow meters; after discussing it a little further, they had decided to purchase only one to see if it works as good as they would like it to. He informed everyone that this meter will go inside the manhole and measure the velocity and the depth of the sewage, then covert it to gallons per minute; this will allow him to find the lines that are causing the high flow problem.

President Greg Schafer asked, "Does anyone have any questions concerning the flow meter?" He then explained that the best way to find out where all the high flow of sewage is coming from is to watch the sewage move through the manholes (on a rain day and thereafter). He added that we will find out if it is water coming from the top of the manholes or if people have sump pumps connected to our sewage system, which is illegal. He pointed out that if you think you have a sump pump connected to the sanitation sewer drain, please call and we will try to help you figure out how to resolve this issue.

Plant Manager Forest Ash reported that we have on an average a normal day flow of about 200,000 gallons, but on a rain day the flow can double and even triple. He added that there are four areas of concern which are the Nature Preserve, Amhurst, Roxbury and the Devon area.

NEW BUSINESS

Payment Books

President Greg Schafer informed everyone that we will be mailing out payment books and you should be receiving them in a couple of weeks. This will save a lot of time in the office with invoicing, mailing, and so forth; and it will save the SFU about \$10,000/year. He stated that this payment book is good for two years and you will be responsible to make sure your payment is made. He added that there will be extra payment books incase you loose yours and signs will be up at the entrances to remind everyone that their payment is due.

Vice President Anthony Cimino informed everyone that we are working with a company to accept debit and credit cards, or electronic checking and savings withdrawals to pay your bills. He stated that there will be a small fee to do this; it is around the same cost of the late fee and for the ACH (Automated Clearing House), it will be around sixty- five cents.

Plant Manager Forest Ash reported that there are approximately 150 to 200 members that come to the office to pay their bills.

President Greg Schafer informed everyone that we are trying to make it more convenient for you to make your payment. He stated that you will be able to come to the office as always to pay by cash or check. He also stated that if you go on our web page, you will be able to click on "PAY MY BILL" and you will be directed to a site to pay by debit card, most credit cards, or with an ACH (Automated Clearing House) payment.

COMMENTS FROM THE BOARD

No comments.

COMMENTS FROM THE MEMBERSHIP

Jerry Buczek (lot 9) commented that with all the in-house savings/work, we should give Plant Manager Forest Ash a raise. President Greg Schafer replied that he and the two other employees did get a substantial raise, plus health insurance and retirement.

ADJOURNMENT

A motion to adjourn was made by Vice President Cimino and seconded by Secretary/Treasurer Tom Szefc. The motion was unanimously approved.

The meeting was adjourned at 8:06 p.m.