

SHOREWOOD FOREST UTILITIES, INC.

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

BOARD OF DIRECTORS PUBLIC MEETING

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

Meeting of September 21, 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., September 21, 2017 meeting to order at 7:01 p.m. in the Shorewood Forest Club House. Present were Vice President Anthony Cimino, Secretary/Treasurer Tom Szeffc, Director Greg Colton, and Director Dave Bengston. Also attending were Plant Manager Forest Ash and 13 members of the Utility.

President Greg Schafer welcomed everyone to the meeting and stated that the meeting will be run differently than the previous Board had done in the past. He also stated that every time there is an issue being presented, members will have a chance to interact by asking questions and commenting on these issues at the time of discussion, not after the decisions have been made. He encouraged members to ask questions if they need clarification or if there is an error.

Introduction of Officers

President Greg Schafer asked the Board of Directors to introduce themselves. **Forest Ash** stated that he has been the Plant Manager for Shorewood Forest Utilities for the past 20 years. **Greg Schafer** stated that he is the acting president and has lived in Shorewood for about 35 years; he is a general contractor by trade. **Tom Szeffc** stated that he holds the positions of Secretary & Treasurer and has lived in Shorewood since 1992. **Dave Bengston** introduced himself as a director. **Anthony Cimino** stated that he is the acting Vice President and has lived in the Shorewood neighborhood off and on for about 25 years. **Greg Colton** introduced himself as the current director and stated that he has been on the Board since 2012.

OPERATIONS REPORT (August 15th through September 21st, 2017)

As reported by Plant Manager, Forest Ash:

Plant operations

- We have had no violations.
- We have repaired an air line to the south skimmer in Clarifier 4. Aeration 4 has been put online.

Major Projects

We are in the process of studying lift station run times in dry weather vs. wet weather and have found that the Nature Preserve, Amhurst, and Roxbury Lift Stations double their run time during a heavy rain.

The new generator has been installed at the Main Lift Station, and we are now waiting for NIPSCO to install the meter.

The total cost of generator installation:

• Generator	\$12,279.24
• Misc. cost	\$ 496.07
• Sub contract pumping out lift station*	\$ 1,200.00
• Rebate	\$ 1,468.17

Total Cost	\$12,507.14

* Plant Manager Forest Ash restated that during the installation of the generator, the electricity had to be shut off and they had a company come in to maintain the lift station; they were there for two hours and pumped out 6 loads of sewage.

President Greg Schafer informed everyone that he coordinated the purchase of the generator from Home Depot and explained that we received an 11% rebate or \$1,100 rebate. He stated that he initially bid the generator out to G & W Generator and their cost for the generator, installed with a concrete pad and wired up, was \$22,900. He pointed out that by comparison shopping for the best price and having Plant Manager Forest Ash and crew install the generator, Shorewood Forest Utilities saved roughly \$10,000. He explained that this lift station is important because 2/3 of the homes dump their sewage there and it is then pumped to the utility plant. He stated that 600 homes rely on this system and that this lift station should have been on a generator a long time ago. He also stated that it is our goal to get back-up generators on each lift station, so that electricity outage is not a problem.

President Greg Schafer commended Plant Manager Forest Ash and crew for the excellent work they did on repairing Aeration Tank #4 and for the fact that projects are being completed in-house and not contracted out, which proves to be a huge savings for Shorewood Forest Utilities.

Director Greg Colton was curious about the 6 loads that were pumped out during the generator installation. He wanted to know, "How large was a load?" Plant Manager Forest Ash replied that the tanker used for the pump out had a capacity of about 1700 gallons.

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 for August 31st, 2017, (*a copy of the full report can be obtained from the SFU office*) is highlighted as follows:

- Income \$77,618.73; Expenses \$48,101.09; Bond Payment \$26,422.50; Escrow Payment \$1,732.88; Net Income \$1,362.26.
- Year-To-Date Service Ratio is 1.63 (1.25 is required to be in compliance with our Bond Covenants).
- Funds Currently In Accounts: Operating Funds \$340,319.46 (5.67 months of cash on hand); Capital Replacement Fund \$792,081.18; Construction Fund \$117,648.14; Capacity Fees Fund \$358,465.56

Secretary/Treasurer Szefc reminded everyone that we have two bonds: 2014 A is a non-taxable bond in the amount of \$2,430,000 and the interest rate varies starting out at 1% and increasing to 4.6% and matures of April of 2029; 2014 B is a taxable bond in the amount of \$1,045,000 and the interest rate varies starting out at as 2% and increases to 5 ¼ % with a maturity date of April of 2029.

OLD BUSINESS

SCADA (Supervisory Control and Data Acquisition) Software Upgrade

Plant Manager Forest Ash stated that six months ago the plant experienced problems with the SCADA system and decided to upgrade with a newer computer. He explained that SCADA has a PLC (Programmable Logic Controller) at each lift station that reads the parameters or set points and will call the plant if something is wrong. He gave an example whereby if a pump goes out, an alarm will be created and the computer will notify the plant via employee cell phones that the pump has stopped working. He stated that the old computer was not dialing the cell phones when alarms went off.

Plant Manager Forest Ash stated that they converted from Windows XP to Windows 7 assuming this would fix the problem, but it did not (Windows 10 was not compatible with the Wonderware software that we currently have). He also stated that once the software was installed on Windows 7, hardly anything worked properly; sometimes they did not receive alarms and sometimes they received false alarms. He added that the COM Port went out on the old Windows XP, but we have an external analog modem and we can purchase a USB adapter for it. He informed everyone that we converted back to the Windows XP temporarily until we can get new software.

Plant Manager Forest Ash stated that we contacted Wonderware to purchase the software, but the company has changed the way they sell their product. He added that we cannot purchase the software out right and we need to purchase a developer's license since we will be adding new alarms and new processing parameters. He also added that Wonderware has decided to rent the developing license for a 5-year period at a cost of \$18,000. He informed everyone that we are currently researching other developers such as I-Fix and we have one bid from a person to redo the whole program, but we are currently searching for vendors. He explained that in the meantime, we were trying to change from Frontier to Comcast, but found out that the SCADA system that dials out to the plant can only work with an analog phone and will not work with a digital phone which is what Comcast would provide. He stated that in order to convert from an analog phone to a digital phone, we must purchase WIN 911 software which costs \$3,000. He also stated that with the SCADA system, we have a system called Excel Reporter which holds all the data from the lift stations and formats the information into an Excel file, which we can access for important historical information; however, since the conversion from Windows XP to Windows 7 and back again to Windows XP, the excel reporter is not working. He explained that the excel reporter has to be updated for the new Windows program, costing \$1,000. He added that if we switch to Comcast and purchase the I-Fix program, we will need to also purchase the WIN-911 and update the Excel Reporter, for a total cost of \$4,000.

President Greg Schafer informed everyone that the reports are very important to us especially at this time. He added that we currently have about 200,000 gallons of sewage flowing through the plant in a day, but on a day with heavy rainfall, we get a tremendous amount of infiltration in this system. He stated that we may get 450,000 gallons in a day and it has even gone as high as 1.2 million gallons. He also stated that the SCADA system will collect the information and help to identify where the water is coming from; and that this Board is concentrating its entire focus on finding out the problem areas and seal the leaks, so the need for an additional aeration tank is lessened.

Douglas Sheehy (lot 32)stated that he is terrified that we are still using the outdated Windows XP and asked' "Have we researched other systems besides SCADA and perhaps investigated what other sewer plants are using and get something that is updated and modern?" **President Greg Schafer** assured Mr. Sheehy that Plant Manager Forest Ash has called at least 10 utility plants to inquire what they are using and has zeroed in on the best and latest technology. He emphasized how important this updated software and computer system is to our plant and it is in our budget to proceed with this upgrade to our system. **Plant Manager Forest Ash** interjected that the I-Fix program will work with Windows 10.

NEW BUSINESS

Articles & Bylaws

President Greg Schafer stated that he was disappointed in how the Bylaws were changed in the past and there are several issues that he would like to address, although no changes would be made at tonight's meeting. He also stated that the process in changing the Bylaws should be methodical: in other words, first have an open discussion with the community; then at the next meeting have the first reading of the changes; then another Public meeting whereby a second reading of the changes takes place; and finally the community will vote on the changes. For example, he stated that one of the Bylaws he would like to change is the bylaw whereby a member cannot vote if he or she is behind in their sewer payments. He stated that he would like to implement a change whereby each member has the right to vote regardless if they are in good standing or not; however, it will be up to the community to agree or disagree with this change.

Pete Million (lot 537) asked, "How far behind can a member be in paying his sewer bill and still be able to vote"? President Greg Schafer replied that if you are a member, you get to vote; you are an owner.

Pete Million (lot 537) asked, "If you are 10 years behind on your sewer payment, do you get to vote?" Vice President Anthony Cimino replied that we have already begun to investigate a collection process and we will not let it get to that point.

Pete Million (lot 537) asked, " Are there many members behind in their payments?" **Plant Manager Forest Ash** replied that there is about \$18,000 to \$20,000 in outstanding collections encompassing roughly 42 to 43 people, with the highest single outstanding balance of \$1500. **President Greg Schafer** added that you will get a notice if you are a payment or two behind and if you don't pay, we will take you to small claims court; this will become a standard practice and Plant Manager Forest Ash will handle that up so there are no attorney fees involved. **Secretary/Treasurer Tom Szeffc** asked, "Are there any foreclosures included in the collections?" **Plant Manager Forest Ash** replied that there are a couple of bankruptcies. **President Greg Schafer** stated that of course we would like 100 % collection, but there is no business that enjoys that type of percentage. He also stated that there is new technology whereby you place a balloon that will stop your sewage from flowing to the plant which could be implemented if a customer becomes excessively delinquent in their sewer service payments; of course, this will cost money. **Vice President Anthony Cimino** asked, "Do we charge the member for insufficient funds or a bad check charge?" **Plant Manager Forest Ash** replied that we do pass the fee from our bank onto the customer. **President Greg Schafer** pointed out that if you read the law regarding 501(c) non-for-profit corporations, it is clearly delineated that each member or owner gets one vote; there is no language that states a member will be stripped of their voting rights if they are behind in their payments.

Bylaws Regarding the Annual Board Meetings

President Greg Schafer stated that the annual meeting was not conducted according to the Bylaws. He read from the Bylaws, "The annual meeting shall be held at 7:00 p.m. on the evening of the first Monday

in July of each year; if that day is a holiday, said meeting shall be held the next day that is not a legal holiday." He also read from the Bylaws, "Failure to hold this meeting will not forfeit the charter or result in the dissolution of the corporation." He explained that the language is clear; on the first Monday reorganize, get your new officers in place and empower them. He reminded everyone that last year the Board did not have the annual meeting on the first Monday in July; and on the day that the annual meeting was held, they had a special meeting prior to the annual meeting to conduct business before the new Board members were put in place. He explained that there is a question of litigation on whether they had authority to extend their term through that process. He suggested that the Bylaws to state that the only business to be conducted at the annual meeting would be to recognize the officers of the Board and let them do their job.

Plant Manager Forest Ash commented that candidates are not elected every year, but every other year.

President Greg Schafer agreed, but replied that there were years where candidates are elected and the only business to be held at the annual meeting is the placement of the new officers. He also stated that he doesn't believe it is right for the previous Board to make decisions on the day they are leaving office and then the new Board will be left trying to enforce these decisions; for example, President Greg Schafer stated that the previous Board filled an open position at the special meeting at the very instant their term was ending, instead of allowing the newly elected Board to fill that position.

Bylaws Regarding Actions Requiring the Approval Vote of the Membership

President Greg Schafer stated that another important issue of the Bylaws that needs to be revised is the Bylaw that addresses "Actions that require the approval vote of the membership." He explained that in addition to the membership voting for Board candidates, they must vote to expand the territorial authority of the Utility and to finance Utility capital improvements through the issuance of bonds. He stated that he strongly believes that the Bylaws stating that the Board can vote to sell the Shorewood Forest Utilities without a membership vote should be changed; the sale of the plant to an outside contractor could mean that the Shorewood Forest Subdivision could end up with 50 aeration tanks, taking on sewage from up to 10 miles away. He also stated that he believes the language should read that the Membership must participate in voting at a level of a minimum of 60%; if we have 1000 members at least 600 must vote and there must be a majority rule of 66% or 2/3 of the votes.

A member asked, "Does that include new home additions?" President Greg Schafer replied that anyone tied into the Shorewood Forest Utilities is a member, including homes of new subdivisions that have been accepted.

President Greg Schafer stated that in the ratification of a final resolution, we should have a general community discussion; then the next meeting is a first reading of the resolution, but no action taken; a month later, another meeting and then a vote. He also stated that he would like to change the vote to reflect a 60% majority needed to carry the vote, As it stands now, it only takes a simple majority or 50 ½ votes out of 100 people voting to ratify a resolution.

Bylaws Regarding Appointees and Vacancies

President Greg Schafer read from the Bylaws, "Any vacancies that should occur on the Board of Directors shall be filled by the majority of the remaining directors and that director so chosen, shall serve the unexpired portion of the term of the person he or she is replacing." He stated that if a Board Member cannot complete his term, the Board can appoint a new member to take his or her place provided they are working in the best interest of Shorewood Forest Utilities. He also stated that once the term is over and the next election cycle is in effect, the membership should vote a person in that position.

President Greg Schafer informed everyone that the previous Board appointed Dave Bengston to a vacancy at the special meeting, two hours before the new Board was to be empowered, instead of

allowing the new Board to elect the appointee. He reminded everyone that Margie Stiles, whom had the fourth highest vote count, should have been Board Member number four. He stated that Director Dave Bengston is a very nice man, very intelligent and asked Director Dave Bengston to tell us a little bit about himself: **Director Dave Bengston** stated that he is a CPA, certified financial planner, chief financial officer of a corporation in Valparaiso, and was the owner of his own CPA firm. He also stated that he believes he can be useful to this Board with his financial background and would hate to think the Board would part with him because they have some agenda; he would like to think that he could help out and that is what he wants to do. **President Greg Schafer** replied that the point being is this organization is a membership organization owned by the community and the community should decide who runs it and not people who are walking out the door at the last hour of their term.

President Greg Schafer stated that he has a proposed revision to the Bylaws, "Any vacancies that should occur on the Board of Directors shall be filled by the majority of the remaining directors and that director so chosen, shall serve the unexpired portion of the term of the person he or she is replacing, unless the majority of the Board present at the time of a regular meeting or a special meeting decide to remove the original appointee with or without cause; also, the term of an appointee should expire at the next election cycle." He added that Margie Stiles, whom spent her time and effort passing out brochures and shaking hands should be the person sitting in that seat. He explained that this does not mean Director Dave Bengston is a bad man by any means and he is a very intelligent man, but somebody who got in the fight, wanted to be on the Board, signed up for the Board, is now sitting at home.

A member commented that we should give Director Dave Bengston a fair opportunity to serve on this Board. President Greg Schafer replied that he thinks that is fair, but Director Dave Bengston was given the same chance to file and run for the position, yet he did not. He stated that the community should decide and not the Board who is exiting their term; however, once again he wanted the members to know that Director Dave Bengston is a good man and has done nothing wrong.

A member commented that it is not a bad thing to maybe have somebody that is not of a "Like mind" and thinks differently and can challenge ideas. President Greg Schafer replied that he does not have a problem with that.

A member asked, "What percent of the people in Shorewood can vote?" Secretary/Treasurer Tom Szefc replied that there are 819 lots in Shorewood and 850 home owners because some people have two lots. **Vice President Anthony Cimino** added that the tally of the last vote for the expansion was 370 votes from members inside the Shorewood Forest Subdivision and 57 outside for a total of 427, which is less than half of the total membership.

Vice President Anthony Cimino reminded everyone to spread the word and let the membership know that the next few meetings will be important, as we will be discussing the Bylaws and a lot of new business coming up.

A member asked, "Can you put up the signs a week earlier reminding the community that there will be a Utility Board meeting?" Secretary/Treasurer Tom Szefc suggested that the signs should be put out the Friday before the Thursday meeting or 6 days ahead (the meetings are held the third Thursday of every month). **President Greg Schafer** assured the members that if there is going to be a special meeting, there will be signs up to inform the community.

COMMENTS FROM THE MEMBERSHIP

A member inquired about the lawsuit regarding the Blum Contract. President Greg Schafer stated that the lawyers won't let him say much about the case, but reminded the membership that the new Board negated the Blum Contract the night it was finalized. He also stated that finally they have found a judge located almost on the state line on the other side of Newton County to take the case; no judge in Porter or Lake County wanted to take on a class action suit. He stated that they are trying to settle the case, but the problem is that the previous Board entered into the contract on election night; and, "Was that a binding contract?" "Can they do what they did?" He informed everyone that the charges of the lawsuit can be viewed on line, once the lawsuit has been filed. He stated that the lawyers have issued a gag order not to discuss the case. He explained that for the lawsuit to be settled, the developer would have to release us from liability, but he has 10 years to file a lawsuit against us if he chooses to do so.

A member asked, "In the meantime, do we still have to hook Blum up?" President Greg Schafer replied that we do not.

The member also asked, " Does that include the current new additions?" President Greg Schafer replied that we did accept the 2nd Phase of the Sagamore Subdivision at the August 17th Board Meeting. **Secretary/Treasurer Tom Szeftc** informed everyone that when all the current approved subdivisions get built out, we will have 1254 homes connected to our sewer system and we have about 164 more homes to hook up.

The member also asked, " Do we have a current service map of all our customers?" Plant Manager Forest Ash replied that he does.

The member also asked, "Does Aberdeen or Lakes of the Four Seasons treat sewage for any other subdivisions or outside communities?" President Greg Schafer replied that he believes they are self-contained.

COMMENTS FROM THE BOARD

Banking and Finance

President Greg Schafer informed everyone that last year we had about \$1.2 million in 1st Source Bank and we earned about \$950 in interest; this year we struck up a deal whereby we will put this money into a CD that will earn us 1.86% interest per year or about \$22,000 more each year in interest. He stated that they will also pay us 40 basis points on the checking account and will be waiving all banking fees. He also stated that if we needed this money and we don't want to pay a penalty for early withdrawal of the CD, we can borrow against the CD and pay the bank roughly 2% more than what they pay us in interest or 3.6%.

Director Greg Colton was concerned whether we could invest construction funds and make a profit according to our Bond Covenants. **President Greg Schafer** replied that we will check into this question before we take official action.

Director Greg Colton was also concerned if 1st Source Bank is FDIC insured. **Vice President Anthony Cimino** replied that it is FDIC insured; however, the FDIC insurance is capped at \$250,000. He explained that if the bank completely fails, the FDIC insurance will pay us \$250,000 on our \$1.6 million account; however, most of the time when there is a bank meltdown, another bank steps in and merges with that bank and takes over the assets.

Director Greg Colton suggested that we must invest with a bank that has a strong rating and inquired about the rating of 1st Source Bank. **Vice President Anthony Cimino** replied that he is not familiar with 1st Source; they are a smaller regional bank, not a national bank such as Chase, U.S. Bank, or Wells Fargo; however, they have been around for quite some time in the area. He suggested that we can go to the FDIC website to check the strengths of banks and view their depository share in the community. **Secretary/Treasurer Tom Szeftc** asked Vice President Anthony Cimino, "Will you research the rating of 1st Source Bank?" **Vice President Anthony Cimino** said, "He would check into that." **President Greg Schafer** reminded the membership that we have had this 1st Source Bank account for about 5 years and this is a moot point at this time, since nothing has changed except for the fact that the bank is going to pay us \$22,000 in interest on our \$1.2 million account instead of \$950.

A motion was made by President Greg Schafer and seconded by Secretary/Treasurer Tom Szeftc to close out the Centier Bank Construction Fund Account and transfer the money to 1st Source Bank and enter into the CD agreement with 1st Source Bank (\$1,150,000 CD for 18 months @ 1.86% with a guaranteed 2% buy back) dependent upon Vice President Anthony Cimino's findings. The motion was approved. President Greg Schafer, Vice President Anthony Cimino, and Secretary/Treasurer Tom Szeftc voted for the motion; Director Dave Bengston abstained and Director Greg Colton voted against the motion until further information was gathered.

Secretary/Treasurer Tom Szeftc clarified that if one of the questions raised is suspect, then we would have to vote on this again. **President Greg Schafer** reiterated that the motion states that we purchase the CD with 1st Source Bank provided the information contained in Vice President Anthony Cimino's report will support the action. He reminded the membership that our money is already at 1st Source Bank. **Vice President Anthony Cimino** offered an option that we could put our \$1.6 million into 6 separate banks to collect the \$250,000 FDIC insurance money from each bank to cover our account should the banks fail, but this would be an accounting nightmare. **President Greg Schafer** stated that the motion carries.

ACH (Automated Clearing House) and Coupon Payment Books

Vice President Anthony Cimino asked, "Would the community be in favor of a debit/credit card acceptance fee?" **President Greg Schafer** replied that we will inform the membership with a letter stating that we will no longer be mailing out bi-monthly billing invoices and will instead be providing each member with a coupon payment booklet to pay their sewer service bill. He informed everyone that we are closing the lockbox account at Centier Bank and we will explain the ACH system and fees associated with it. He explained that there is a little bit of cost in that, but every time we mail out bi-monthly invoices it costs us about \$700 to \$800; however, this is a one-time mailing to find out where the community is on that. **Vice President Anthony Cimino** explained that if we go to an ACH system or electronic method of payment, it is more efficient, it helps with the collection process, and saves us a ton of fees.

Community Email

Vice President Anthony Cimino stated that he would like instill an emergency email chain. He also stated that the Property Owners Association sends out an email to let members know that there is a meeting or perhaps an emergency order. He stated that this can be done quickly and at no cost. **President Greg Schafer** added that when we mail out the letter about the billing, we could ask members for their email address.

ADJOURNMENT

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

The meeting was adjourned at 8:07 p.m.