

SHOREWOOD FOREST UTILITIES, INC.

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

ANNUAL MEETING

President, Terry Atherton
Vice President, Randy Becker
Treasurer, Jerry Hanas
Secretary, Greg Colton
Director, Mike Kenney

July 17, 2014

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

Pursuant to the call of the Board of Directors of Shorewood Forest Utilities, Inc., Board President Terry Atherton called to order the Annual Meeting of Shorewood Forest Utilities, Inc. on July 17, 2014 meeting at 7:07 p.m. in the Shorewood Forest Clubhouse. Directors Terry Atherton, Randy Becker, Jerry Hanas and Greg Colton were present. Also in attendance were Plant Manager Forest Ash, John Sturgill from McMahon Associates (the Utility's engineering adviser), and three members of the Utility.

Announcement of Election Results

President Atherton noted there were three openings on the Board this year. An election schedule was sent to the membership and candidate applications were solicited. Because only two people filed applications for the three positions, the election was cancelled with the understanding that the two candidates, Terry Atherton and Randy Becker (who are presently Board members) would be re-elected by the Board itself pursuant to the Bylaws. Notice of the cancelled election was sent to members as part of their June billing statement, along with notice of the date and time of this Annual Meeting.

President Atherton commented that "apathy is killing us." The lack of interest in Board participation is of concern to him. He noted that member attendance at Board meetings is limited to the same three people each month.

President's Comments

President Atherton distributed to the members a Directors Report highlighting SFU accomplishments from July 2013 to July 2014. Those highlights include:

- No employee injuries for more than a year. This helped keep insurance rates down. President Atherton also thanked member Ron Casassa for his assistance in reducing the Utility's insurance rate.
- Continued reduction in legal expenses by minimizing the use of legal counsel.
- Continued implementation of 6-year Capital Improvements Plan

- Maintained debt service coverage ratio
- Maintained self-imposed Operating Cash Balance of not less than 1.5 times the cash requirement for a billing cycle.
- Closed on Revenue Bond and refinanced existing debt
- No NPDES violations for 54 consecutive months
- Continued scheduled Capital asset replacement
- Completed Phase 1A improvements to the plant's aeration system, which should reduce energy use and improve treatment.
- Started Phase 1B improvements to the plant's headworks. Construction is expected to be complete by November 2014.

President Atherton also briefly discussed a pending request from developer Don Blum for the Utility to extend service to a new development. A vote of the membership would be required before the Utility could expand its service territory.

Member Marcia Casassa asked if collections on past-due accounts are slipping? President Atherton did not have any figures immediately available but indicated the Board is focusing its attention on this issue.

Operations Report

Plant Manager Forest Ash distributed to the members a copy of the Shorewood Forest Utilities Annual Shop Report for the months January 1 through December 31, 2013:

Shorewood Forest Utilities Annual Shop Report January 1 – December 31, 2013

Main Plant

1. Our Plant design flow is 450,000 gallons a day. We had an annual average flow of 170,900 gallons, and used 38% capacity. We removed at an average of 98% of BOD, 99% of TSS, 99% of Ammonia, and 95% of Phosphorus. Over the span of one year, we have taken 722 effluent samples. Of those effluent samples taken, we have had 0 violations.
2. Wealing Brothers removed solids from the digester twice. They took 201,000 gallons to their holding facility.
3. Northwood's made repairs to Aeration 4 after we discovered rust at critical load bearing joints.
4. The before filter sampler head stopped working. We took it apart and when we put it back together it started working again.
5. The final composite sampler had to be sent to Gasvoda for repairs after the pump jammed.
6. E-Squared replaced the level transmitter for the East Digester (under warranty).
7. We ran a test of the Blue Water Micro Screen Filters that we plan to purchase.
8. We had the Raw ISCO sampler refilled after it stopped cooling.
9. Phase 1A, Installation of VFD's has been completed

Lift Stations

1. We responded to 8 power failures; and,
2. 28 calls for pump related problems.
3. We replaced 4 failed transducers with newer, more reliable "Dwyer" style units.
4. All lift stations were cleaned once.
5. We had to repair Wexford, Devon, and Deer Ridge forced mains. We also removed the leaking air release valve on the 2 inch forced main.
6. We had to take apart back flow valve for pump 2 at Amhurst lift station. Material had gotten jammed between the hinge.
7. We had to order a new face plate guide rail flange for Amhurst lift station after one broke while in service.

Sewer Lines & Manholes

1. We responded to 7 calls for backed up sewers.
2. The Wexford Road sewer project has been completed.
3. The CIPP project on Wexford, Amhurst and Ashford has been completed.

Other

1. We responded to 8 notifications for SCADA communication failures to the PLC.
2. We had to replace the driver's side window of the 1999 F-150, replace the ignition, and repair the four wheel drive. The fuel line has been chewed through by rodents on multiple occasions.
3. We stripped and painted the flat bed trailer and re-wired it.
4. We scraped and painted the mobile generator frame.
5. We replaced the plug valve to the West Digester with a new valve.
6. We had to take the snow blower in for repair. They found the carburetor plugged.
7. We noticed the rear differential of the 2007 F-150 was leaking. We had it filled, and since then it has not leaked.
8. We have replaced the batteries and APC units for the shop computers.
9. The old lap top computer died and has been replaced.
10. The Shellbourne flow meter lost its calibration and had to be recalibrated.
11. We replaced the batteries in the repeater tower using two we had in stock.
12. Core samples for preparation of the Micro Screens has been done.
13. We purchased the 20 hp pump for the Main lift station, and a new 5 hp pump which is in stock.

Improvement Projects

McMahon Engineers has provided a detailed listing of improvements needed to improve the capacity, reliability and efficiency of the wastewater facility. The following is the status of some of their suggestions:

1. Headworks: Replace the existing bar screen with a new Micro screening, this will not only reduce the rags, and grit that enter the plant, but should also reduce the BOD count. This should help increase the capacity of our plant, since the plant size is determined by the BOD intake. Design nearly complete and construction permit has been applied for. Funding is coming from cash on hand.
2. Tankage: Replace the existing Aeration Tanks number 1 and 2, and Clarifier with a single concrete aeration tank and clarifier. The existing inefficient air lift pumps for the return and the wasting will be replaced with automated pumps, so we can better control the waste and the return of the aeration tanks. The completion of this project will provide additional redundant capacity and allow more efficient operation of the Plant. It is anticipated that a portion of the project costs can be funded from cash on hand; however there is an unfunded gap. This project will proceed depending

upon the ultimate approval of the membership for the gap funding. If the borrowing is not approved this project will have to be funded from cash flow and will be delayed several years.

3. Filtration: Replace the current cloth filters with more reliable and efficient disc filters. This project will improve reliability, reduce maintenance, and improve the quality of our effluent. This project would also be funded with the approval of gap funding by the Membership.

Submitted By:

Forest W. Ash, Plant Manager

In response to questions by Director Atherton, Mr. Ash answered that the average flow for the past three years was 180,000 gpd in 2011, 165,000 gpd in 2012, and 170,900 gpd in 2013. With regard to removed solids, 180,000 gallons was removed in 2012, and 201,000 gallons was removed in 2013.

Member Marcia Casassa asked if last week's heavy rain affected the treatment plant. Mr. Ash answered that there was a heavy flow, but there were no violations.

Financial Report

Director and Treasurer Jerry Hanas distributed to the members a Profit & Loss Previous Year Comparison for January 1 – December 31, 2013, and a Balance Sheet Previous Year Comparison as of December 31, 2013.

Total Income was \$844,425 in 2013 versus \$793,753 in 2012. Total Expenses were \$339,306 in 2013 versus \$352,860 in 2012. Net Income was \$260,006 in 2013 versus \$187,466 in 2012.

Restricted Cash was \$1,032,607 as of 12/31/13 and Total Checking/Savings was \$1,394,898.

So far in 2014, the Utility has issued new bonds to finance the planned construction projects, and has refinanced outstanding debt in order to have more level bond payments. Bond payments should be about \$330,000 per year going forward and we are on solid ground to meet that obligation.

Director/Treasurer Hanas noted that late payments are creeping up and are at around 7-8%. He asked Mr. Ash to take steps to track past due accounts.

Capital Projects

John Sturgill from McMahon Associates (the Utility's engineering adviser) outlined the various capital projects that were initially proposed in the 2011 Master Plan provided by McMahon Associates. The Master Plan contemplates four projects, denoted Phase 1A, Phase 1B, Phase 2A and Phase 2B. He provided a brief update on each Phase.

Phase 1A was completed on October 29, 2013 at a cost of \$127,000. It involved the installation of oxygen monitoring equipment, blowers, and new plant controls. The project should result in improved energy efficiency and should save money.

Phase 1B broke ground on July 10, 2014 and will cost approximately \$1.1 million. The project should be completed by Thanksgiving of this year. The project involves the construction of a new headworks building, a plant site lift station, and the installation of two state-of-the-art microscreens to filter

incoming flow. Once completed, the project should result in the Utility's recovery of its rated treatment capacity.

Phase 2A is still on the drawing board and involves the construction of a new aeration basin and clarifier at an estimated cost of \$1.4 million. Once completed, the basin should result in an increase in treatment capacity of 600,000 gpd.

Phase 2B is also still on the drawing board and involves improvements at the tail end of the treatment process, specifically the installation of tertiary filters. It is expected to cost around \$370,000 and will help the Utility maintain compliance with limits on solids discharged by the plant.

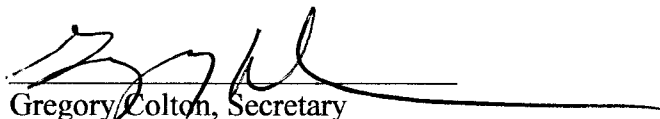
Other Business of the Members

The members in attendance noted that there has been recent discussion about whether the Utility should adopt a snow bird rate. The members in attendance expressed their view that no cost break should be given.

Member Bob Bond requested that the Board give him 10 days' advance notice of any planned Board discussion about expanding the Utility's service area (in order to serve new developments). Mr. Bond would like to have enough time to spread the word. Director Atherton responded that the Bylaws lay out a process for expanding the Utility's service territory which involves notifying all members in advance and giving them an opportunity to be heard at a special meeting.

President Atherton adjourned the meeting at 7:42 p.m.

Respectfully submitted,



Gregory Colton, Secretary