

DRAFT

SHOREWOOD FOREST UTILITIES, INC.
425 Utility Dr
Valparaiso, IN 46385
219-531-0706

BOARD OF DIRECTORS MEETING

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

Meeting of April 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 the April 17, 2014 meeting to order at 7:01 pm 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, Assistant Treasurer Donna Atherton, John Sturgill from McMahon Associates (the Utility's engineering adviser), Sue Haase from London Witte Group (the Utility's financing adviser), and three residents.

Absent was Director Mike Kenney.

Approval of Prior Minutes:

The March 20, 2014 Board of Directors Regular Meeting minutes were accepted and approved.

Shop Report:

A copy of the March Shop Report prepared by Forest Ash, Plant Manager, was distributed to all Members that were present, and is as follows:

Shop Report

March 19 through April 16th, 2014

Main Plant

1. Permit capacity is 450,000 GPD. We had an average flow of 208,600 GPD and our high flow was 368,200 GPD. We treated a total of 6.466 million gallons of wastewater last month, or 46% of our permitted capacity. The following percentage rates are an indication of how efficiently the plant is operating: 97.7% removal of BODS; 98% of Suspended Solids; 99.5% of Ammonia; and 94.1% of Phosphorus (80% minimum). We have gone 49 months without a violation.
2. On March 26th, we walked to the outfall for our monthly inspection the outfall was clean.

Lift Stations

1. Lift station pump run times from March 1 – 31 , 2014

Station	Cycles	Run Time (hrs)	Station	Cycles	Run Time (hrs)
Sagamore	406	17.2	Nature Preserve	1668	110.7
Pixley	422	26.8	Devon	1947	45.4
Edgewood	666	58.5	Main	7051	188.7
Surrey Hill	667	37.6	Wessex	633	58.8
Wexford	567	26.5	Scarborough	506	20
Amhurst	1967	163.4	Shorewood Ct.	533	169.6
Roxbury	763	121			

2. On March 25th, we pulled pump 2 at Amhurst after noticing it was running slow. We found it full of rags and part of a cell phone. We put the pump back into service.
3. On March 26th, we pulled and replaced pump 2 at Amhurst Ct. with a new grinder pump after we found it was unable to keep up with the flow.
4. On March 31st, we pulled pump 2 at Shorewood Ct. and found it filled with rags and a piece of clay pipe that had broken off in the lift station. We removed the blockage and put it back into service.
5. On April 8th, we were called out to Devon Ct. for a power failure. We found that Pump 1 was tripping the main breaker. We replaced Pump 1 with a new pump.

Sewer Lines & Manholes

1. On April 14th, we were called to Surry Hill Lane for a sewer smell. Upon inspection, we found the home's E-1 pump had failed, and advised the home owner to contact a plumber.

Other

1. On March 29th, we were called out twice for emergency locates due to NIPSCO service breaks on Dorchester Circle.
2. On April 2nd, we were called out for an emergency locate on Shorewood Ct.
3. On April 13th, we were called in to reset the SCADA system after it stopped communicating twice.

Submitted By
Forest W. Ash

Mr. Ash added that the morning of the board meeting, in the swampy area adjacent to the Nature Walk at the end of Shorewood Drive, he discovered that someone had removed the manhole cover and ring from the overflow drain and stuffed it full of tree limbs. Mr. Ash removed them.

Treasurer's Report: Treasurer Jerry Hanas highlighted some of the financial figures appearing in the March 2014 financials: Restricted Funds for Bonds totaled \$54,064; Debt Service Reserve Funds totaled \$221,948; Restricted Cash & Checking totaled \$927,496 (and should remain near this figure, even after the bond issuance); Unrestricted Operating Funds totaled \$395,087; Year-to-date income from operations through March was \$207,880 (vs. \$202,040 last year); Operating Expenses were \$66,755 (vs. \$94,799 last year); and the Debt Service Coverage Ratio was 2.69. (1.25 is required to be in compliance with our Bond Covenants.) (A copy of the full report can be obtained by Members from the SFU office.)

Old Business:

New Capacity Evaluation. John Sturgill from McMahon Associates (the Utility's engineering adviser) presented to the Board a draft Wastewater Flow Projection and Capacity Evaluation, which was previously commissioned by the Board. The purpose of the study is to re-evaluate the Utility's treatment capacity and determine if there is sufficient excess capacity to serve additional customers, and if so, how many.

The draft study stated that the Utility presently serves 942 customers, and the three-year average influent flow for the utility is 165,000 gallons/day, with a peak flow of 451,000 gallons/day in 2011. The utility presently has influent flow capacity of 433,000 gallons/day, leaving reserve capacity of 268,000 gallons/day. Depending how one calculates the average customer flow, the utility could support between 765 and 1,497 additional customers.

From the perspective of BOD loading, the draft study stated the current average influent BOD loading is 342 ppd. Upon completion of the Phase 1B Project, which includes the installation of microscreens in the headworks, the draft study indicated 20% of influent BODs should be removed, thereby reducing the expected daily average to 274 ppd. The present capacity of the aeration basins is 652 ppd, leaving reserve capacity of 473 ppd. Based on the current average BOD loading of 0.37 lbs/customer/day, the Utility should have the capacity to serve an additional 1,278 customers.

Mr. Sturgill characterized the low end of the range - 864 additional customers – as a “very conservative” figure. He opined that a figure of 1,278 additional customers was a “practical” figure.

Director Atherton noted that the Utility is presently committed to serve an additional 189 customers in nearby subdivisions where lots have yet to be developed. He noted that using the 1,278 additional customer figure supported by Mr. Sturgill would mean the Utility should have the capacity to serve roughly 1,000 new customers after fulfilling its current commitments.

Mr. Sturgill pointed out that the existing aeration in Tank #3 needs to be improved, and once this is done, it should result in improved water effluent quality and further increases in treatment capacity.

Project Financing. Sue Haase from London Witte Group (the Utility's financing adviser) reported that the financing for Phase 1B is set to close on April 23, 2014. The Utility will also be refunding both the 2002 and 2005 outstanding bonds. The new debt will be in two parts: Phase 1B and the 2002 refunding will be financed with a tax-exempt bond. The 2005 refund will be financed with a taxable bond. The interest rate on the tax-exempt bond will be 3.8076%, and the blended interest rate for the tax-exempt and taxable bonds will be 4.41%. After issuance of the new debt, Ms. Haase expects the Utility to have a debt service coverage ratio of 1.38, which leaves room for additional financing if it were to become necessary.

In response to questions from the Board, Ms. Haase confirmed that the Utility will save money by refunding the 2002 and 2005 bonds. In addition, refunding those bonds will result in more level debt service payments, the level of debt service reserve will be lower than otherwise, and the Utility will have to deal with only one bank trustee. The 2002 bond will be refunded in May 2014. The 2005 bond will not be refunded until January/February 2015, but the funds will be immediately set aside in an escrow, which means the 2005 bond will no longer appear on the Utility's books.

New Business:

Report on Equipment Purchase - Phase 1B. Mr. Sturgill reported there was a miscommunication between the two vendors who are providing the microscreens, and therefore instead of the Utility paying 90% of the purchase price upon *delivery*, the Utility will need to pay 30% on the date it places the order, with an additional

60% due at delivery, and the remaining 10% upon acceptance. The vendors will be given 16 weeks from the completion of the shop drawings to deliver the microscreens, or they will incur a \$200/day liquidated damages charge. Mr. Sturgill noted this will be good timing – the microscreens should be delivered right about the time the headworks facility is ready for them to be installed. He expects the entire project to be completed by Thanksgiving.

Following up on Board discussions at the February Board meeting, Mr. Sturgill requested Board authorization to award the contract for chopper pumps and related plant site lift station equipment to Progress Pump and Turbine Services, Inc. for a price of \$30,586. He also requested Board authorization to award the contract for two microscreens to Blue Water in the amount of \$223,000, pursuant to the revised payment terms outlined above. Mr. Colton moved that both contracts be awarded as requested by Mr. Sturgill. Mr. Hanas seconded the motion and it was approved. Mr. Sturgill was instructed to await confirmation that the Utility's financing was completed before transmitting the signed contracts.

Final Approval of Phase 1B Contract with Gaskill & Walton. Mr. Sturgill requested that the Board formally award the contract for Phase 1B to Gaskill & Walton, the low bidder from last Fall's RFP, with a bid of \$1,448,000. Mr. Colton so moved and Mr. Hanas seconded the motion. It was approved by the Board.

Next, Mr. Sturgill requested that the Board formally approve the "Change Order #1" to the Gaskill and Walton bid, which reflected a reduction in price of \$569,200 for certain value engineering proposals that the Board has previously discussed and adopted, which included the relocation of the headworks, changes in the headworks building itself, and the direct purchase by the Utility of Phase 1B equipment. The Change Order reduced the cost of the Gaskill & Walton bid to \$878,800. Mr. Colton so moved and Mr. Becker seconded the motion. It was approved by the Board.

Consideration of Request by Don Blum for Service. President Atherton informed the Board that developer Don Blum (the developer for Arbor Lakes) has expressed interest in receiving service from the Utility for a planned 80-acre development on the south side of 100N, and within the Lake Louise watershed. If the Utility is not interested in providing service, the lot sizes would be larger to accommodate septic systems. If however the Utility is interested in providing service, Mr. Blum will need to request a zoning variance in order to use smaller lot sizes - up to 150 lots. In order to get a zoning variance, Mr. Blum would need an indication of firm interest from the Utility.

President Atherton expressed his view that "growth pays for growth," i.e., that revenues from new customers can help pay for new plant and the replacement of aging infrastructure, and can help keep rates low. In order for the Utility to serve the proposed subdivision, the Utility's membership would first need to approve an expansion of the Utility's service area, and then a petition would need to be filed with the Indiana Utility Regulatory Commission for approval of the expansion. Those costs would be paid by the developer.

After some discussion, Mr. Colton moved that a letter of intent be drafted by the Board's attorney, for review by the Board, expressing the Utility's interest in serving the proposed development, subject to appropriate contingencies and caveats. Mr. Becker seconded the motion and it was approved by the Board.

There was a brief discussion about other nearby subdivisions seeking service from the Utility. Stonegate, a subdivision of 12 homes on septic systems requested service from the Utility two years ago, but the Utility did not pursue the issue. (One of the complications was that the Utility would need to adopt a mandatory hookup rule, which it was not prepared to do at the time.) Summerhill subdivision, also on septic, has also informally expressed interest in receiving service from the Utility.

Mr. Atherton explained that in all cases, all of the costs of extending service are paid by the party requesting service, including the installation of pipes per the Utility's specifications, the cost of expanding the Utility

service area, etc. Mr. Sturgill indicated it might also be necessary to analyze the capacity of the Utility's collection system at the point of interconnection with a subdivision.

Comments from the Board:

Upcoming Election. Mr. Colton reported that the April billing statement for the Utility included an insert announcing the upcoming election of new board members. An application form was also included in the mailing. The following dates apply to the upcoming election:

Candidate Applications due date	Thursday, May 15, 2014 @ 5 p.m.
Candidates Night	Thursday, June 19, 2014 @ 7 p.m.
Election/Annual Meeting	Thursday, July 17, 2014 @7 p.m.

All dates coincide with regularly scheduled Board meetings.

President Atherton adjourned the meeting at 8:08 p.m.

Respectfully submitted,

Gregory Colton, Secretary