

**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 February 20, 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 February 20, 2014 meeting to order at 7:12 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, two consultants, the Utility's bond counsel, and two residents.

Absent was Mike Kenney.

**Approval of Prior Minutes:**

The January 16, 2014 Board of Directors Regular Meeting minutes were accepted and approved.

**Shop Report:**

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

**Shop Report**

January 15, 2014 through February 20, 2014

**Main Plant**

1. Permit capacity is 450,000 GPD. We had an average flow of 192,500 GPD and our high flow was 359,000 GPD. We treated a total of 5.966 million gallons of wastewater last month, or 43% of our permitted capacity. The following percentage rates are an indication of how efficiently the plant is operating: 98.3% removal of BODS; 98.4% of Suspended Solids; 99.7% of Ammonia; and 94.4% of Phosphorus (80% minimum). We have gone 47 months without a violation.
2. On January 20th, we walked to the outfall for our monthly inspection the outfall was clean.
3. On January 15<sup>th</sup>, the Before Filter sampler would not draw a sample. We took the sampler head apart to test the battery and reassembled the sampler. The sampler is working properly.
4. On January 23<sup>rd</sup>, Nick Ream from IDEM inspected the plant. He found nothing wrong.
5. We had been having trouble with the WAS gate valve freezing shut. On January 23<sup>rd</sup>, we took the old heat tape off of the WAS control valve and put a new heat tape and insulation around it.

**Lift Stations**

1. Lift station pump run times from January 1 - 31, 2014

Station	Cycles	Run Time (hrs)	Station	Cycles	Run Time (hrs)
Sagamore	406	18.1	Nature Preserve	1336	117.3
Pixley	490	29.3	Devon	1914	44.8
Edgewood	781	59.7	Main	6922	176
Surrey Hill	806	62	Wessex	613	50.4
Wexford	433	24	Scarborough	413	15.4
Amhurst	1838	154.4	Shorewood Ct.	489	80.7
Roxbury	3128	118.9			

- On January 29<sup>th</sup>, we were called to Wexford for a Low Wet Well float alarm. We found the float wrapped around a wire and untangled it. The Power running to the PLC was also loose and we tightened the connections.
- On February 1<sup>st</sup>, we were called out to Devon for a power failure. Upon arriving at the station we found the power restored. At 9 P.M., Forest was called out to the lift station for a power failure. He found the power to the PLC was loose and tightened it.
- On February 11<sup>th</sup>, we were called to Roxbury for a High Wet Well. We replaced the Wika Level transducer with a new Dwyer.
- On February 11<sup>th</sup>, we were called to Wexford for Pump 1 failure. We reset the pump and put it back in service.

#### **Sewer Lines & Manholes**

- On January 28<sup>th</sup>, we were called to Brockton for sewer back up. We opened the manholes and no blockages were found on our end.

#### **Other**

- On January 28<sup>th</sup>, we took the '07 F-150 to Sweeney's to have oil put in the rear differential. The seal is leaking and will have to be replaced.
- On January 28<sup>th</sup>, we took the '99 F-150 to Sweeney's to have the heat repaired.
- On February 5<sup>th</sup>, we had to put out a temporary mailbox after it was hit by a snowplow.
- On February 11<sup>th</sup>. Forest was called out for the Scada not talking.

Submitted By  
Forest W. Ash

When asked by the Board, Mr. Ash stated that expenses for the older truck are increasing, and were \$3,000 last year. A new truck was included in this year's budget. Mr. Ash was asked to obtain prices for a new truck, preferably a 2013 model.

Mr. Ash reported that the new Locator came in, but there has been no demonstration yet, because the weather has been too cold.

**Treasurer's Report:** Treasurer Jerry Hanas reported that total revenues for 2013 were approximately \$808,000, compared to projected revenues of \$771,000. Net income before depreciation was \$400,000 versus \$269,000 projected, and net income after depreciation was \$260,000 versus \$143,000 projected.

Other selected items appearing in the January 31, 2014 report: 2002A & 2005A U.S. Bank Bond outstanding principal: \$1,665,000; 2002A & 2005A U.S. Bank Bond Funds: \$143,741; 2002A & 2005A U.S. Bank Debt Services Reserve Funds: \$221,947; Capital Replacements Funds: \$322,726; Capacity Fee Funds: \$343,694; Total Restricted Bonds & Funds: \$1,032,109; Unrestricted Bank Accounts: \$328,968; Year-To-Date Debt Service Coverage Ratio is 2.24 (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:**

**Financing.** Sue Haase from London Witte Group, the Utility's financing adviser, provided an update on the project financing. She indicated one of her goals is to preserve as much cash as possible for the Utility. With that in mind she has explored the implications of refunding the 2002 and 2005 bonds as part of the financing for the new project. If the Utility were able to issue a new bond on a tax-exempt basis - and there are indications this may be possible - then there would be several advantages to refunding the 2002 and 2005 bonds as part of the project financing. First, there would be cash savings because the new bonds would be issued at a lower interest rate. At present, rates for tax-free bonds range from 2% to 3.95%, while the Utility's existing bonds have an average interest rate in excess of 5%. Second, a single outstanding bond would result in a level bond payment of approximately \$317, 200 over the life of the bond, whereas having three outstanding bonds would result in payments roughly \$40,000 higher per year in the near term. Third, because the new bond would be issued for a term of only fifteen years, the Utility could be debt free by 2029, about a year *before* the 2005 bond is scheduled to be retired.

Ms. Haase elaborated that the Utility should be able to transfer and apply its existing debt reserve to the new bond issuance. An additional amount would have to be set aside for debt reserve, but this could be done over a period of five years, with payments of \$19,049 per year. Because the 2005 bond is not callable until 2015, money to refund that issuance would have to be set aside from the new bond proceeds and put into an escrow account. Ms. Haase assured the Board that the 2005 bond and escrowed funds would not need to appear on the Utility's financials.

Ms. Haase recommended that the Utility not use its existing cash reserves to purchase the equipment for the Project, but instead use \$363,000 from the bond proceeds to buy the equipment. This approach would allow the Utility to cover more of the bond issuance costs with bond proceeds. In addition, this approach would allow the Utility to preserve the level of cash presently in the capital replacement and capital improvement funds. Going forward, Ms. Haase anticipates the Utility may be able to add \$300,000 annually to its capital reserves, while still maintaining the required 1.25 interest coverage ratio. Over the next five to seven years, this accumulation in capital reserves may enable the Utility to avoid another bond issuance to address the remaining capital projects that are contemplated by the Utility.

Ms. Haase outlined the steps needed for issuance of a new bond. First, applications must be submitted in the next few days to the Indiana Bond Bank, and to the Indiana Finance Authority (to seek Volume Cap approval, which is necessary for tax-exempt status). Next, both applications will be reviewed and then discussed at a hearing on March 11, 2014. The Indiana Bond Bank and IFA decisions will be made before the end of March. If approved, the debt would be placed privately, with a closing around April 1 or sooner.

The Utility's bond attorney, Bob Welsh, outlined four resolutions that he recommended the Board should adopt in order to process the Indiana Bond Bank and IFA applications. Written copies of the resolutions will be provided to Board members after the meeting for their written execution. After some discussion on the proposed resolutions, Greg Colton moved that the Board should authorize the refunding of the 2002 and 2005 bonds, in light of the anticipated interest cost savings and favorable amortization schedule. Randy Becker seconded the motion and it was approved. Next, Greg Colton moved that the Board should authorize the submission of an application to the Indiana Bond Bank for purposes of refunding existing bonds and financing new construction. Randy Becker seconded the motion and it was approved. Third, Greg Colton moved that the Board should authorize the submission of an application to the Indiana Finance Authority for purposes of refunding existing bonds and financing new construction. Jerry Hanas seconded the motion and it was approved. Fourth and last, Greg Colton moved that the Board should authorize Terry Atherton (or Jerry Hanas in his absence or unavailability) to execute documents needed in conjunction with the applications to the

Indiana Bond Bank and Indiana Finance Authority, with Greg Colton to attest, if necessary. Jerry Hanas seconded the motion and it was approved.

Project Construction / Equipment Purchase. John Sturgill from McMahon Associates, the Utility's engineering adviser, stated that revised value engineering plans were submitted to IDEM last week, and he is pushing to get comments back by February 27. Ms. Haase requested notification of updated IDEM construction approval as soon as possible, so she can notify the Indiana Bond Bank.

Mr. Sturgill stated his goal is to issue a request for quotes for the equipment by the beginning of March, with quotes due around March 15. He will be asking for the best terms vendors can offer, and how much they would be willing to discount for payment in cash, or for 50% now with the balance on delivery.

Utility Capacity. John Sturgill from McMahon Associates, the Utility's engineering adviser, talked about the capacity of the Utility. He noted that the Utility's capital improvement plan was primarily focused on recapturing capacity that was lost, but as a result of the capital improvements, capacity may actually increase. This presents an opportunity for the Utility to consider whether to offer to extend service to other proposed residential developments. Before doing so, he suggested it would be prudent for the Utility to confirm the available capacity in its treatment system and in its collection system, including the lift stations. Mr. Sturgill indicated he can evaluate the capacity of the Utility based on the planned capital improvements, and have the results ready in roughly 30 days. He estimated the cost of the study would be \$9,000 but could be as high as \$12,000. The study could serve as a tool for the Utility to know whether sufficient capacity is available to serve existing customers and planned hook-ups, and what upgrades would be needed, if any, to serve even higher demand. Mr. Sturgill stressed that he is not a fan of oversizing a utility's system to meet projected demand – he believes that can result in equipment degrading before it is really needed.

Jerry Hanas moved that McMahon Associates should be authorized to prepare a capacity study for a price not to exceed \$12,000. Greg Colton seconded the motion and it was approved.

In response from a question by a Member, Director Atherton confirmed that the capital improvement plan was intended to recover lost capacity. But as a result of the improvements, there will likely be increased capacity, which is a windfall that could be used to increase revenues by serving new customers. Mr. Atherton noted that the Utility is not allowed to expand its service area unless it first gets approval from the Membership, and also gets approval from the Indiana Utility Regulatory Commission.

The meeting was adjourned by President Atherton at 8:30 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'G. Colton', written in a cursive style.

Greg Colton, Secretary