

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

July 16, 2015

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 16, 2015 at 7:00 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 four members of the Utility.

President's Comments

President Atherton announced the election of a new Board member, Ken Buczek. Mr. Buczek was elected by the Utility Board to fill a vacancy that has existed for the past year. He is a retired engineer with many years of utility experience.

President Atherton stated he continues to have concerns about the Utility's debt service coverage ratio. President Atherton remarked that the Utility needs growth, and that expansion of the Utility's service area would help that growth. A local developer is interested in building a 200-home subdivision near the Utility, and would like service from the Utility. Also, new homes are being constructed in another section of Sagamore Subdivision, which is already in the Utility's service area.

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, 2014:

Shorewood Forest Utilities

Annual Shop Report

January 1 – December 31, 2014

Main Plant

1. Our Plant design flow is 450,000 gallons a day. We had an annual average flow of 187,900 gallons, and used 42% capacity. We removed at an average of 98% of BOD, 99% of TSS, 100% of Ammonia, and 96% of Phosphorus. Over the span of one year, we have taken 725 effluent samples. Of those effluent samples taken, we have had 0 violations.
2. Wealing Brothers removed solids from the digester twice. They took 228,000 gallons to their holding facility.
3. Phase 1B Construction on the new filter building began.

Lift Stations

1. We responded to 16 power failures.
2. 30 calls for pump related problems.
3. We replaced 2 failed transducers with newer, more reliable “Dwyer” style units.
4. All lift stations were cleaned once.
5. We replaced a pump at Amhurst, Devon, Roxbury, and Shorewood Ct. lift stations.
6. We replaced an adapter flange at Roxbury lift station.
7. We replaced the 30 amp fuses with breakers at Shorewood Ct.
8. We replaced the antenna at the Plant, Edgewood, and Scarborough lift stations. We extended the radio masts on Nature Preserve, Scarborough, and Amhurst Ct.
9. We replaced MAP sensor 2 at Shorewood ct.
10. We replaced the back-up batteries in all lift stations, the water tower, the main plant, and the emergency backup lights.
11. We replaced the radio at Wessex lift station.

Sewer Lines & Manholes

1. We responded to 17 calls for backed up sewers.
2. We raised one manhole to ground level.

Other

1. We responded to 4 notifications for SCADA communication failures to the PLC.
2. We responded to 20 calls for emergency locates.
3. We replaced the rear brakes on the 2007 F-150, Filled the rear differential with fluid,
4. We had the heater and crane winch repaired on the 1999 F-150.
5. We replaced our mailbox after it was hit by a snow plow.
6. We had our Lamotte meter repaired.

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. Phase 2A 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.

2. Phase 2B 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.

Submitted By:
Forest W. Ash, Plant Manager

In response to a question from Director Colton, Mr. Ash clarified that the Phase 2A and 2B improvement projects are only in the pre-planning stage, and will not be started until funds become available.

Financial Report

Director and Treasurer Jerry Hanas distributed to the members a copy of the Utility's Financial Statements for the year ended December 31, 2014, which were audited by the utility's independent auditor, London Witte Group.

The Utility had revenues of \$873,416 operating expenses of \$537,246 and interest expenses of \$71,369, leaving an operating margin of \$264,801. Debt service (principal and interest) on the new bonds is \$325,921, resulting in a debt service coverage ratio of 1.28.

Treasurer Hanas reported the Utility has capital reserves and capacity fees totaling roughly \$900,000 available for capital projects. However, before making a decision on how much to spend on new capital projects, he said it is important to know where cash flow is heading. Cash presently accumulates at a rate of about \$100,000 to \$150,000 per year, but the rate of accumulation would increase if the Utility were to add more customers.

All in all, Treasurer Hanas noted that the Utility is in reasonably good financial condition, but not as healthy as it was prior to the recent bond issuance.

Capital Projects

John Sturgill from McMahon Associates (the Utility's engineering adviser) reported that Phase 1B is now complete. Phase 1B involved the construction of a new headworks, including a concrete block building, and the purchase and installation of two state-of-the-art microscreens. A subcontractor is still refining the control system, and the vendor for the microscreens is installing auger parts with stricter tolerances in order to remove more liquid from the waste that is screened.

Mr. Ash expressed concern that dental floss intercepted by the microscreen is getting into the auger, which causes problems.

President Atherton asked about the final cost for the Phase 1B project, and whether there were any cost over-runs. Mr. Sturgill reported that the original bid from Gaskill & Walton was \$1,448,000, which was reduced to \$878,000 after value engineering by McMahon Associates. Change orders requested by the Utility added an additional 5% to the cost, resulting in a total cost of \$922,000 for the work done by G & W. There were no cost overruns. The project was scheduled for completion by Thanksgiving 2014, but due to unanticipated underground work and weather issues, the project was not completed until early Spring 2015. Mr. Sturgill reported that contingency funds of \$358,642.59 were not spent, and are therefore available for use in future capital projects. He noted that combining the

contingency funds with the Utility's existing capacity fees of \$351,876 and unrestricted cash of \$582,135 results in approximately \$1.2 million that could be used for future projects.

Director Colton thanked Mr. Sturgill for his services throughout the project, for his progress updates at each monthly Board meeting, and for providing a monthly report of disbursements related to the project.

Member Comments

There were no comments from the members in attendance.

President Atherton adjourned the meeting at 7:26 p.m.

Respectfully submitted,


Gregory Colton, Secretary