

SHOREWOOD FOREST UTILITIES, INC.

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

BOARD OF DIRECTORS MEETING

President, Greg Colton
Treasurer, Jerry Hanas
Secretary, Ken Buczek
Director, Terry Atherton

Meeting of October 20, 2016

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.

Pursuant to the call of the Board of Directors of Shorewood Forest Utilities, Inc., Board President Greg Colton called the October 20, 2016 meeting to order at 7:07 p.m. in the Shorewood Forest Club House. Directors Greg Colton, Ken Buczek, Terry Atherton were present. Director Jerry Hanas was absent. Also attending were Forest Ash, Plant Manager, three members of the Utility, and Don and Heidi Blum from the Arbor Lakes subdivision.

Approval of Prior Minutes:

Board President Colton asked if there were any questions concerning the minutes from the previous Board meeting of August 18, 2016. There were none. The minutes of the Board of Directors Regular Meeting of August 18, 2016 were then accepted and approved.

Shop Report:

A copy of the September 10, 2016 through October 18, 2016 Shop Report, prepared by Forest Ash, Plant Manager, was distributed to all Members who were present, and is summarized as follows:

Shop Report

September 10th through October 18, 2016

Main Plant

1. Permit capacity is 450,000 GPD. We had an average flow of 176,620 GPD and our high flow was 227,740 GPD. We treated a total of 5.2986 million gallons of wastewater last month, or 39% of our permitted capacity. The following percentage rates are an indication of how efficiently the plant is operating: 99.4% removal of BODS; 99.6% of Suspended Solids; 99.6% of Ammonia; and 94.6% of Phosphorus (80% minimum).
2. On September 7th, we walked to the creek for our normal monthly inspection.
3. We replaced the drive belt on the micro-screen vent fan.
4. Loving's installed the new ventilation system for the headworks building.
5. On September 22nd, we were called for a thermal auger alarm on micro-screen 2. We cleaned the micro-screen out and started micro-screen 1.
6. On September 30th, IDEM inspected the plant and found it in satisfactory condition.
7. We have purchased a new blower to replace blower 1.
8. Blower 2 has been sent in for evaluation.
9. On October 7th, 11th, and 12th we discovered the ferric chloride was not running. We blew the line out and cleaned the pump.
10. The airline to the return was repaired by Gaskell and Walton.

11. October 13th, the chain drive that runs the garage door on the micro-screen building came apart. We put the chain back together and the door is working.
12. A new belt was installed in micro-screen 2 by Blue Water.
13. On October 16th, micro-screen 1 called for an auger failure. We started micro-screen 2, which failed immediately. We cleaned out micro-screen 1 and put it back in service.
14. On October 17th, we discovered the magnesium feed line was plugged. We ran water through the line to clean it out.

Lift Station

Lift station pump run times from September 1 - 30, 2016

Station	Cycles	Run Time (hrs)	Station	Cycles	Run Time (hrs)
Sagamore	684	31.8	Nature Preserve	1112	138
Pixley	419	25.3	Devon	738	54.7
Edgewood	534	48.4	Main	5354	134.5
Surrey Hill	497	28.3	Wessex	503	34.8
Wexford	490	21.7	Scarborough	651	15.9
Amhurst	1147	104.2	Shorewood ct.	782	204.5
Roxbury	1710	73.9			

1. On September 19th, we were called to Shorewood Ct. for a high wet well. We discovered a fuse that supplies 24-volt power to the cabinet had blown. We replaced the fuse.
2. On October 3rd, we replaced the high wet well float at Wexford after getting repeated false alarms. October 5th we ran new power wires to the high and low floats from the backup power and have not gotten any additional calls.

Sewer Lines & Manholes

1. On September 12th, we were called to Wessex Rd. for sewer backup. We opened the manholes and saw the main running freely. We informed the homeowner the blockage was in their line and to contact a plumber.
2. On September 20th, we were called to Wessex Rd. for sewer back up. We found the service line in the manhole had roots. We contacted Weiler to rod out the line, however, the service line was plugged 20 feet from the manhole, so we submitted the bill to the home owner.

Other

1. On September 14th, we were called out for an emergency sewer locate on Wessex Rd.

Submitted By

Forest W. Ash

Questions and Answers:

President Colton asked how the painting of the Indiana-American water tower was going. Mr. Ash stated that the project should be completed in the next couple of weeks. Indiana-American plans to paint "Shorewood Forest" on the north side of the tower and "Indiana-American Water" on the south side.

President Colton asked if there were any further questions. There were none.

Treasurer's Report:

Director Atherton gave the financial report: Restricted Bonds total \$107,333, Debt Service Reserve of \$275,714 with a Debt Service Reserve target of 325,920, leaving an amount still owed of \$50,206. Capital Replacement Fund totaled \$767,357; Construction Funds totaled \$224,556; Capacity Fees totaled \$356,247; and Restricted Investments totaled \$1,348,159. The Utility currently has Total Operating Funds of \$248,056 and 4.1 months of cash on hand, which is down \$140,000 from last year. Payables totaled \$56,950, which were \$5,347 last year. Receivables totaled \$164,809. Income was \$683,763 compared to \$664,734 last year. Operating Expenses totaled \$326,957, which were \$247,112 last year; resulting in a Net Operating Income of \$417,622 last year and \$356,806 this year. Bond payments totaled \$257,761, resulting in an Income after Bond Payments of \$99,045 this year and \$157,423 last year. The Debt Service Coverage Ratio is 1.37, compared to 1.61 last year. The Utility is required to maintain a Debt Service Coverage ratio of 1.25.

President Colton, asked if there were any questions on the financials. There were none.

Old Business:

President Colton mentioned that there was no meeting in September due to a lack of quorum. In the August meeting, following the Special Meeting, a motion to change the Utility's bylaws concerning voting rights was tabled. President Colton asked if anyone would like to make a motion to remove that motion from the table. There was none and the motion remained tabled.

New Business:

Mr. Ash presented bids for the cleaning of the lift stations. Mr. Ash explained that the Utility was under contract with Niles to clean the lift stations, however, when he called Niles to verify that they were still planning to clean the stations, he discovered that they had gone out of business. Therefore, new bids were solicited from other qualified contractors. The lowest bid received was from Beebe's Excavation. After a short discussion Director Atherton made the motion to accept the bid from Beebe's Excavation. Director Buczek seconded. All were in favor and the motion passed.

Mr. Ash then presented a bid for a tote and mixer for the plant's magnesium hydroxide feed. The Utility is currently using a magnesium slurry, which is costly. The Utility had used dry bags of magnesium hydroxide in the past, but could not maintain a proper mix. This tote is designed by Garrison, vendor for the dry magnesium. They will send the tote and mixer for a 60 day trial period at no cost. If the tote and mixer do not work, the Utility can ship it back to them at no cost. If they work, the Utility will have the option of renting or purchasing the equipment. Mr. Ash explained that the bags of dry magnesium hydroxide could save the Utility about 50% per month in treatment costs, and the reason he brought it to the Board, was he did not have the authority to put the Utility under contract without the Board's permission. There was a short discussion and Director Atherton made a motion to try the product for 60 days. Director Buczek seconded the motion. All were in favor and the motion passed.

President Colton then presented the contract for MCO to the Board and asked Mr. Ash to explain what duties MCO was presently doing for the Utility. Mr. Ash explained that MCO visited the plant twice a month. MCO's inspector walks through the plant, checks the conditions at the outfall, reviews paper work, discusses plant operations, and sends the Board a summary report of findings. President Colton then asked Director Atherton to explain why MCO had been retained. Director Atherton explained that in 2009 the Utility's plant was having

operational troubles, and following stipulations contained in IDEM's Agreed Order, the Utility agreed to hire an outside contractor to help bring the plant back into compliance. As a result, Mr. Ash and MCO had done a great job in turning things around. The Utility had consequently gone 6 consecutive years without having a violation and IDEM subsequently removed the Agreed Order. Director Atherton then stated that he did not feel that MCO was needed any longer in this capacity, and would not have a problem with using MCO on an as-needed basis. Director Buczek made a motion to terminate the current MCO contract, and use MCO in an as-needed basis. Director Atherton seconded the motion. All were in favor and the motion passed.

President Colton then introduced Don Blum from Arbor Lakes Estates and asked him to describe his plans for a new subdivision.

Mr. Blum introduced himself as the developer of the Arbor Lakes Estates subdivision. Mr. Blum stated that he was currently planning to develop a new subdivision on the south side of 100 N called Arbor Lakes South. Mr. Blum currently has 88 lots in Arbor Lakes Estates and is planning to develop an additional 208 lots south of 100 N on 156 acres. Indiana-American has already agreed to extend water service to the new development. Mr. Blum explained that he was in the process of rezoning the 156 acres to R-2. Arbor Lakes Estates on the north side of 100 N is zoned R-1. The lots in the new subdivision will be slightly larger than those in Arbor Lakes Estates. The Porter County Zoning Commission has requested that Mr. Blum obtain a letter from the Utility indicating its commitment to extend sanitary service to the proposed new subdivision through an extension of its CTA.

President Colton stated that the Utility was willing to draft a letter to the Zoning Commission stating that the Utility was willing to provide sanitary service, providing the Utility's membership voted in favor of extending service and that the IURC agreed to expand the Utility's CTA to include the new subdivision. President Colton then asked Mr. Blum if that would satisfy the Zoning Commission.

Mr. Blum responded that it would probably not be acceptable to the Zoning Commission because it was looking for a non-provisional commitment.

Director Atherton stated that the Zoning Commission would probably accept a letter of commitment to serve with the contingencies that the IURC expands the CTA, but they do not want too many contingencies attached to the zoning.

Mr. Blum stated that was correct, and as far as his financial side of the development, would need a decision.

Director Atherton explained that the process for the Utility to get that done requires an adoption of a preliminary resolution by the Board, stipulating a date for a public hearing. Then after the public hearing, the Board could either reject, accept, or amend the preliminary resolution. If approved, the resolution is brought before the membership for a vote, the ballot would be done by mailing in the same manner that previous votes have been done.

President Colton anticipated the time line to accomplish this was a minimum of 3 months. President Colton then stated that in the past, the developer had to absorb all costs related to the expansion of the CTA, and had to put those funds into an escrow account. The developer had to also pay a \$2,000 reservation fee for each lot developed. Payment of the reservation fee could be determined at a later date.

Director Atherton further explained that the major step needed was for this Board to adopt a resolution to expand the Utility's CTA. President Colton stated that the preliminary resolution could be tailored to request expansion of our CTA to only include the land for the new subdivision, or, because it is expensive to go before the IURC, the resolution can state that the new subdivision is what the Utility intends to serve immediately, however, there are adjacent areas to our current CTA that are presently serviced by private septic systems that the Utility may want to extend service to in the future that should be included within the new CTA . I

understand that Mr. Blum may not want to pay for anything beyond what his proposed development's needs are, but perhaps we can arrange through an agreement that if someone does receive service at a later date we include a mechanism to refund him some of his up-front costs.

Mr. Blum stated that when Arbor Lakes Estates was developed he constructed facilities to accept sewage from the nearby Summerhill and Stonegate subdivisions. So there are 2 subdivisions that can currently tie into Arbor Lakes Estates' sewers. We had discussed previously to expand the Utility's CTA to enable them to tie in at any time. A portion of the new subdivision abuts the back end of Rolling Meadows, which includes 68 homes that are all on private wells and septic systems. Indiana-American Water has expressed an interest in extending water service to the Rolling Meadows subdivision.

Director Atherton asked if that Rolling Meadows was located south of 100 N and east of the new proposed subdivision, and was it in the Lake Michigan watershed?

Mr. Blum responded that it was.

Director Atherton asked if Rolling Meadows was in the watershed of Lake Louise?

Mr. Blum responded that 85% of the Rolling Meadows subdivision was in the Lake Louise watershed.

Director Atherton stated that it had been a long standing policy of the Board to encourage the extension of public sewers, and prohibit the existence of septic systems within the watershed of Lake Louise, to protect its water quality.

Mr. Blum stated that all of the septic fields and storm water from Rolling Meadows runs to the east of the subdivision to the Blue Heron pond.

President Colton stated that he believed we have an understanding of the situation as it is, and if we want to get the ball rolling it would start with a preliminary resolution from the Board. He then asked if anyone would like to propose a resolution at this time.

Director Buczek presented to the Board of Directors a resolution as follows: "That Shorewood Forest Utilities, Inc. on a preliminary basis, is interested in expanding its Certificate of Territory Authority to include the Arbor Lakes South Development, and to include the surrounding adjacent areas, contingent on the developer paying all of the costs associated with that, in accordance with past practice." Mr. Atherton seconded the motion.

President Colton then opened the floor for discussion.

Director Atherton stated that we needed to have all of our T's crossed and I's dotted on what it is that we expand to. He stated that if we are taking this to the membership they would want to know what they are voting for. He said he was aware that Stonegate has already petitioned for sewers, and the Utility postponed that discussion until we could verify capacity. Summerhill has not expressed any interest yet, but he is aware that there is interest over there. It is beneficial to request expansion of our CTA just once, however, he did not want to over-reach and bite off more than we can chew. There are some homes on 350 W, south of the 5 homes we serve now, that are on septic systems. Also on the east side of 350 W adjacent to Sagamore there are homes that are still on septic systems. He did not know why these homes have not been brought into our CTA, but believed they should have been. He would like to see us square that area off, bringing both the east and west side of 350 W into our CTA.

Mr. Blum asked what the capacity of the plant was if we brought those homes in as well.

Director Atherton stated that we verified a couple of years ago that we were going to be OK with yours, but there is going to eventually be a limit.

President Colton stated that the purpose of the preliminary resolution is to bring the membership together to talk about this, and he was comfortable with having a fairly broad preliminary resolution because it can always be narrowed down. If the Board had to request that the CTA be expanded again at a later date, we would have to re-notify the membership, have another meeting, and basically start all over again. President Colton pointed out a risk that the Board needs to be aware of within our rules, which provide that if the membership votes to not approve a proposed CTA expansion, then there is a moratorium on bringing up that particular CTA issue again. So, if the Board tries to over-reach and the membership does not like it, that will prevent further action for about a year.

President Colton brought the preliminary resolution to a vote. All were in favor and the resolution passed.

President Colton then asked if there were any further comments from the Board. There were none.

The floor was then opened to the membership for questions.

Mr. Clark asked Mr. Ash if there were any concerns about accepting the 208 homes. Mr. Ash replied there were no concerns. Director Buczek asked how many customers the Utility currently has. Mr. Ash replied we have 1,064 customers right now.

Mr. Bob Band stated, that if he remembered correctly, the Board may have already sent a letter of intent to Mr. Blum, and wanted to make sure if a new letter was sent, that there be no conflicts with whatever was sent before. President Colton said he would check into it.

Mr. Band asked that the minutes of this meeting include all of the discussion about the areas that may not be included in the preliminary resolution, but are being considered for future service, as discussed. President Colton asked if Mr. Band meant Summerhill and Stonegate and those areas. Mr. Band replied "yes". President Colton stated that was fair. Director Atherton then requested that maps be made of our current CTA, along with prospective service expansions and the water shed boundaries for Lake Louise, for presentation to the membership.

Ms. Marcia O'Sullivan (formerly Casassa) asked Mr. Blum why he is zoning R-2 and not R-1. Mr. Blum explained that R-2 has bigger setbacks, so he can make the lots bigger than that of R-1.

President Colton recognized Ms. O'Sullivan and thanked her for her past support and consistent attendance at Utility board meetings, and said the Board will miss her attendance in future meetings. Ms. O'Sullivan explained she sold her home and will be moving out of Shorewood Forest.

Mr. Colton brought up the fact that Randy Becker had resigned from the Board in August. This left a vacant seat on the Board of Directors. Mr. Colton noted that the Board is aware there are two people interested in serving on the Board. One is present tonight: Daniel Clark. Mr. Clark was asked to introduce himself and to describe his background. Mr. Clark stated that he moved into Shorewood about a year and a half ago. He previously was at Field Stone Crossing in Crown Point, and was an architectural control member for 10 years. He went to school at Purdue, was an electrical engineer, manager of the national engineering team for BP, and worked in the underground pipeline logistics department. BP has 4,000 miles of pipeline similar to the Utility's sewer network. His department managed engineering construction for the company in 17 states. Director Atherton noted that the term of office for the vacant position will expire in July of 2017. Director Atherton then nominated Dan Clark for the open position on the Board. Director Buczek seconded.

President Colton asked if there was any additional discussion. There was none. A vote was taken and all were in favor of approving Mr. Clark to fill the vacancy.

President Colton then adjourned the meeting at 7:52 pm.

Respectfully submitted,

Kenneth L. Buczek, Secretary