

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

BOARD OF DIRECTORS MEETING

President, Terry Atherton
Vice President, Randy Becker
Vice-President, Gary Maxwell
Secretary, Chuck McIntire
Treasurer, Phil Litherland
Assistant Treasurer, Donna Atherton

Regular Meeting of April 16, 2012

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 16, 2012 meeting to order at 7:05 p.m. in the Shorewood Forest Clubhouse. Directors, Gary Maxwell, Chuck McIntire, Randy Becker, Phil Litherland, & Assistant Treasurer Donna Atherton were present. Also, in attendance were Plant Manager Forest Ash, Office Manager Linda Walla, and several residents.

Approval of Prior Minutes:

A motion was made by Director Maxwell and seconded by Director Litherland to approve the minutes for the March 19, 2012 Board of Directors Regular Meeting. The motion was approved unanimously.

Shop Report:

As reported by Plant Manager, Forest Ash:

March 17 – April 12, 2012

Main Plant

1. Our NPDES Permit is for 450,000 GPD. We had an average flow of 151,490 GPD and our high flow was 243,020 GPD. We treated a total of 4.7 million gallons of wastewater last month, or 34% of our permitted capacity. We removed 99.4% of BODS, 98.5% of Suspended Solids, 99.6% of Ammonia, and 94.7% of Phosphorus. We had no violations this month.
2. On March 20th, we walked to the outfall for our monthly inspection. We did not see any visible solids. The creek and the outfall are clean and odorless.
3. We replaced all the o-rings on the U.V. light sleeves, and replaced the sleeves on bank B with new sleeves.

4. On March 29th, we installed the U.V. lights into the channel for the disinfection. We turned them on to verify they were working properly; we found that the modules 5 on both banks were not working. On the 30th I had to call Trojan Tech support; they walked me through the setup to recalibrate the mother board to recognize the 5th module. The mother board had lost its program.
5. On March 31st, we turned on the U.V. lights for the disinfection season.

Lift Stations

1. Lift station pump run times from March 1 – 31, 2012

Station	Cycles	Run Time (hrs)	Station	Cycles	Run Time (hrs)
Sagamore	97	5	Nature Preserve	632	70.7
Pixley	422	23.1	Devon	1061	39.0
Edgewood	657	39.6	Main	6531	164.4
Surrey Hill	620	70.6	Wessex	476	35.1
Wexford	613	29.1	Scarborough	420	18.7
Amhurst	1343	204.4	Shorewood Ct.	318	33.6
Roxbury	619	106.9			

2. On April 3rd, we were called to Roxbury for high wet well. We had to pull the pumps and found wads of toilet paper caught in the impellers. We removed the paper and put the pumps back in service.

Sewer Lines & Manholes

1. We replaced the missing manhole in the swamp area near the outfall.
2. M.E. Simpson came out to finish the GPS on manholes that we had uncovered and/ or located. They also did the GPS on the manholes to the outfall, the outfall, and the new manholes that were installed in Sagamore over the winter months.
3. We installed the special order manhole risers at Camden and Pickwick.

Other

1. On March 26th, I went to Madison, Wisconsin, for a seminar on “Upgrading Your Sanitary Sewer.”
2. On March 28th, I went to Glenbeulah, Wisconsin, to look at a Salsnes Filter in operation.
3. On April 9th, V&H the contractors for Arbor Lakes called and informed us they are starting the second phase and needed manhole 27 unlocked so they can get the proper elevation to begin excavating from the low- land area.

Questions ensued regarding the shop report:

Director Litherland asked Forest if the recalibration of the mother board for the U.V. Lights System was a part of the regular start-up procedure that is done during the disinfection season.

Forest replied that the recalibration was not a part of the normal procedure in starting up the system for the disinfection season, which runs from April 1st to October 1st.

Director Litherland inquired how frequently our pumps have to be pulled because of items such as the wads of toilet paper getting caught in the impellers. Forest replied that it occurs more often than not in the Roxbury Lift Station. The flow goes from the Wexford Lift Station to the Amhurst Lift Station, then from the Amhurst Lift Station to the Roxbury Lift Station. Director Maxwell inquired about the size of the impellers. Forest replied that the impellers are designed to push out 3” solids.

President Atherton asked Forest to include in his subsequent shop reports, a chart comparison replacing the information given under Main Plant, item # 1. This chart would compare the monthly values of the information against the parameters of the NPDES Permit to see how well we are operating.

Questions ensued regarding the seminar that Forest attended in Madison, Wisconsin:

Director Maxwell asked Forest to give the Board some feedback as to what he learned at the seminar in Madison, Wisconsin in regards to the upgrading of our sewer system. Forest replied that Shorewood Forest Utilities, Inc. is on the right track and asked the Board to review the report that he prepared for them.

Forest spoke with other plant operators in attendance at the seminar regarding the roots that need to be removed from the sewer lines. They had used a product called “Root X” that dissolves the roots, but it took 4 to 6 months before they saw any results. They decided that it was best to cut the roots first and then come back in 6 months with the Root X to dissolve any new growth that has begun. Forest also found out that there is a new machine that can regROUT the leaking joints in the sewer lines, instead of using Insituform to seal the leak. The cost of using the machine is \$5 to \$10 per foot. The machine can also be used at the lift stations and manholes to regROUT due to leaks. The company that uses this machine is located in Milwaukee.

President Atherton reinforced the information that Forest included in his report regarding the need for keeping accurate records such as location of manholes, updated information on sewer lines (length of pipe and age of pipe), and condition assessments. President Atherton stated that Shorewood Forest Utilities, Inc. has been obtaining the information needed to maintain such records. President Atherton asked Forest to give the Board his assessment of the condition of the pumps that are used in the lift stations, in addition to the run times of the pumps.

Forest explained that there is legislation in the works that will make utility companies responsible for any problems regarding the service laterals up to the home. President Atherton stated that this legislation will never be put into effect because the Utility doesn’t own the lateral lines from the property line to the home. The Utility cannot be responsible for something it doesn’t own.

Tom Szeffc (lot 878) asked about whether or not the sewer lines had to be cleaned before the sealant could be applied to repair the leaks. Forest stated that the lines were cleaned recently and that it takes a long time for build-up to occur in the lines, once they have been cleaned. Tom also asked Forest to explain what the Salsnes Filter does. President Atherton explained that it is a fine mesh filter located in the beginning of the sewer process that separates the BODS and grit. He explained that Forest did a site visit after the seminar to a plant located in Glenbeulah, Wisconsin that has a Salsnes Filter in operation. Forest stated that the plant facility has been using the Salsnes Filter for 3 years. The plant manager stated that he has not had to perform any

maintenance on the filter so far and would highly recommend using it. Director Becker inquired about the electrical cost of implementing the Salsnes Filter. Forest replied that the electrical cost is approximately \$10, 000 per year; however this cost would be offset by the fact that there will be less sludge to haul away by using the Salsnes Filter and 32% of the BODs would be removed. President Atherton stated that when the BODs are reduced, the plant requires less air, which translates into less electricity to operate the blowers.

Financial Report:

A copy of the financial summary was handed out to all members that were present. Treasurer Litherland presented the financial report as follows:

The Summary Financial Report as of March 31, 2012 (*a copy of the full report can be obtained from the SFU office*) is highlighted as follows: Capital Replacement Fund \$114,324.12; Capacity Fees Fund \$514,259.43; Total Operating Fund \$360,228.93 (7.2 months of cash on hand); March Income \$61,387.06; March Expenses \$29,417.60; 2002 & 2005 Bond Payment \$17,613.96; March Net Income \$14,355.50; Year-To-Date Debt Service Ratio is 1.92 (1.25 is required to be in compliance with our Bond Covenants).

Assistant Treasurer Donna Atherton stated that we are in the process of closing the 2011 year-end and do not have the exact amount of our net income (excess), to transfer to the capital replacement account. President Atherton stated that we are on track with our revenue expectations with regards to our budget.

Director Litherland asked Assistant Treasurer Donna Atherton if we have recently pursued collections for customers who are in arrears. Assistant Treasurer Donna Atherton explained that we have been busy with working on the year-end tax return; however, as soon as we have completed the year-end work, we will be compiling a list of customers with arrearages and will be obtaining contractor bids as to the cost of capping those sewer lines.

Old Business:

There was no old business to discuss.

New Business:

Capital Improvement Plan for 2012-2017

President Atherton stated that the Board of Directors had a workshop regarding the Capital Improvement Plan covering 2012 through 2017, with a focus on the first two years. President Atherton explained that the total cost of the improvements would be approximately 3 million dollars over the next six years. All but \$700,000 of this will be funded by either cash on hand or from future net revenues. If we implement the plan, Shorewood Forest Utilities, Inc. would have to obtain \$700,000 in financing. President Atherton stated that it appears that we will not have to raise the rates. We should have adequate net cash flow to be able to pay the increased debt service. President Atherton also stated that we may choose to spread out the improvements and pay for them out of the cash flow, which would take a couple of additional years before the projects would be completed.

President Atherton explained that Shorewood Forest Utilities, Inc. has restricted funds set aside for the sole purpose of implementing capital and capacity improvements. He explained that we transfer our yearly excess of funds into the Capital Replacement Account with the purpose of accumulating funds for replacing capital (i.e. assets that are becoming obsolete). The Capacity

Fund Account contains the fees paid by Arbor Lakes, Edgewood, and Sagamore to Shorewood Forest Utilities, Inc. and are restricted by Board resolution to be used only for projects that will increase or improve the capacity of our sewer system. These projects include the headwork and flow split and aeration upgrade. These projects will be implemented this year and will give us approximately 600,000 gallons per day, rated capacity for our new IDEM Permit. Currently, we are at 450,000 gallons per day, rated capacity.

President Atherton stated that an annual pump rehab/replacement project will start this year. He thanked Tom Szefc for the work he had done in gathering the information on the pumps that will allow us to put together a reasonable replacement program (based on the age and condition of the pumps) that can be implemented in a cost effective way.

President Atherton explained that Shorewood Forest Utilities, Inc. will also implement this year several projects to improve the collection system. He stated that we will be undertaking a slip-lining project in which we will use the insertion technique. He also explained that we will be replacing the sewer line on Wexford running east and west and rehabbing several manholes that need to be repaired due to Sulfide damage.

President Atherton stated that we will be upgrading several lift stations in the upcoming years. This year, Shorewood Forest Utilities, Inc. will be upgrading the Devon Lift Station.

A discussion ensued regarding the cost of the headworks. President Atherton explained that the cost of the headworks includes the two Salsnes Filters, the piping, the electricity, and the building. Forest stated that the cost of Salsnes Filter is \$160,000 each and Indiana requires that we purchase two. The state requires redundancy, although only one filter is used at a time.

It was moved by Director Litherland and seconded by Director McIntire to adopt the Capital Improvement Plan and begin implementation. The motion was unanimously approved.

In-house Billing

Assistant Treasurer Donna Atherton explained that Indiana American will no longer be doing the billing for Shorewood Forest Utilities, Inc. sewer services. They have decided to drop all contract billing. The last bill from Indiana American Water will be mailed to customers between August 5th and 8th, reflecting June and July sewer charges. Indiana American Water will collect funds from customers until September 20th, after which time they will close our accounts and transfer any monies received after the deadline into their water accounts, unless customers send a letter or call an Indiana American Water customer service representative to request a refund. Assistant Treasurer Donna Atherton urged customers not to pay Indiana American Water in advance. She also advised those customers who have already paid in advance, to ask that their funds be remitted back to them; otherwise, Indiana American will apply the total advance payment to water only. Assistant Treasurer Donna Atherton and the Board will draft a letter informing customers of the transition. She stated that it is up to the Board and staff to protect the members and our neighbors. She reminded everyone that the first in-house billing will be mailed in October and will reflect August and September sewer charges. Shorewood Forest Utilities, Inc. will mail out bi-monthly bills. Assistant Treasurer Donna Atherton stated that the POA extended a gracious offer to include a banner in the Shorelines, highlighting the billing transition from Indiana American Water back to Shorewood Forest Utilities, Inc. She urged everyone to spread the news regarding the transition.

NPDES Permit

President Atherton stated that our NPDES Permit will expire in February 2013 and that we must submit a notice to IDEM with intent to renew the permit six months in advance (August 2012). President Atherton stated that he would like to engage a consultant to assist us with the renewal of the permit, in light of the fact that we are designing a new treatment system and upgrading our rated plant system. We are also on the heels of the compliance plan with IDEM. He stated that he would like to hire McMahon and Associates who did the report and recommendations of the new treatment process. Although President Atherton has not obtained a formal proposal, the estimated cost to hire McMahon will be about \$3,000.

It was moved by Director McIntire and seconded by Director Litherland to authorize the hiring of McMahon & Associates as consultants to assist Shorewood Forest Utilities, Inc. in the renewal of the NPDES permit. The motion was unanimously approved.

Director Litherland inquired if there was any other company that could assist us. President Atherton stated that NIES assisted us the last time we had to renew our permit. President Atherton stated that he has a comfort level with McMahon, since they are familiar with the Salsnes Filter technology and there is no other Utility in the state of Indiana that has the filter. President Atherton will ask for a formal proposal from McMahon & Associates.

Progress Reports and Updates:

Manhole Repair Report- Director McIntire

Director McIntire stated there are seven manholes that must be raised, exclusive of the manhole rehab project listed in the Capital Improvement Plan. Director McIntire stated that the capital project will be executed sometime in the summer. He also suggested that Forest check to make sure the proposals that were obtained awhile back have not changed since then.

Wexford Lift Station Landscaping- Director Litherland

Director Litherland stated that he would landscape the area at the Wexford Lift Station in the middle of May.

Website Demo-Director Becker

Director Becker stated that he has given most of the information to the website designers. He asked whether we should take pictures of the entrances of the communities we service, such as Sagamore, Arbor Lakes, and Edgewood for customers to click on. President Atherton suggested that we keep it simple. He also asked Director Becker if the designers of the website are constructing the demo free of charge, as the Board has not yet accepted their proposal. Director Becker stated yes. President Atherton reminded everyone that the Board has not signed the agreement.

McMahon Efficiency Report & Letter to IDEM – President Atherton

President Atherton stated that the final report from McMahon was received tonight and copies were given to the Board members. He will submit this report to IDEM, as well as an update on the status of the other items in the IDEM compliance report.

Comments from the Board:

There were no comments from the Board.

Comments from the Membership:

There were no comments from the Membership.

Adjournment:

Motion to adjourn was made by Director Litherland, seconded by Director McIntire, and unanimously approved. The meeting was adjourned at 8:02 p.m.