

**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-Treasurer, Phil Litherland  
Assistant Treasurer, Donna Atherton

**Regular Meeting of August 20, 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 August 20, 2012 meeting to order at 7:07 p.m. in the Shorewood Forest Clubhouse. Directors, Gary Maxwell, Randy Becker & Assistant Treasurer Donna Atherton were present. Also, in attendance were Plant Manager Forest Ash, Office Manager Linda Walla, and several residents. Director Phil Litherland was not able to attend the meeting.

President Atherton announced that Director Chuck McIntire handed in his resignation a few weeks ago. President Atherton stated that the Board met in an executive session earlier tonight and elected a replacement to fill Chuck McIntire's remaining term, which is up in 2014. Per President Atherton, the Board elected Mike Kenney, who is a 20-year resident of Shorewood Forest Subdivision. President Atherton stated that Mr. Kenney is currently employed by the Skillman Corporation, which does construction management; therefore, he will be an asset to this Board particularly given the fact that we are currently implementing our capital plan. President Atherton stated that we are looking forward to introducing Mike Kenney in person at our next meeting.

President Atherton pointed out to the members that although two Directors were not present, there is still a quorum and business can be conducted as usual.

**Approval of Prior Minutes:**

A motion was made by Director Maxwell and seconded by Director Becker to approve the July 9, 2012 Annual Members Meeting minutes. The motion was approved unanimously.

**Shop Reports:**

Copies of the July and August Shop Reports prepared by Forest Ash, Plant Manager, were distributed to all members that were present, and are as follows:

*[Note: the following report has been edited for brevity. A full copy of the Shop Report is available upon request.]*

## **July Shop Report**

**June 16- July 6, 2012**

### **Main Plant**

1. We treated a total of 4.6 million gallons of wastewater last month, or 34% of our permitted capacity. We had no violations this month.
2. The outfall was inspected and found to be clean.
3. The West Digester diffusers will need to be repaired..

The roof on the blower room has been sealed and the Filter Room has been painted.

### **Lift Stations**

1. The Edgewood failed to start due to low water in the battery.
2. There was a power failure at Wexford, Roxbury, and Edgewood. Power was restored at 4:00 pm.

## **August Shop Report**

**July 7-August 20, 2012**

### **Main Plant**

1. We treated a total of 5 million gallons of wastewater last month, or 36% of our permitted capacity. We had no violations this month.
2. The outfall was inspected and found to be clean

### **Lift Stations**

1. On July 10<sup>th</sup>, we were called for a power failure at Wessex Rd., the Main Lift Station, and Amhurst Ct. Power was restored at the Main and Wessex Lift Stations at 4:30 pm. We had to leave the generator at Amhurst during the night.
2. On July 24<sup>th</sup>, 7:30 am, a power failure sounded for the Main Plant, Shop, Pixley, Shorewood Ct., Scarborough, Wessex, Main, Roxbury, Amhurst, Wexford, Surrey Hill, and Edgewood Lift Stations. We found that the Edgewood generator did not start and called Nova Tech for field service. The power was restored to all stations at 7:00 pm.
3. We took the check valve apart at Wexford to try to get it repaired, but could not get it to seat. The check valve needs to be replaced.

### **Sewer Lines & Manholes**

1. Culy has lined the manholes that had the H2S damage, and lined the Devon Lift Station.

### **Other**

1. Bids for the digester repair work are attached.

### **Questions regarding the shop reports:**

Director Maxwell asked Forest to explain how many generators we have and how often we test them. Forest replied that we have 3 generators on lift stations, one at the plant, and one portable generator. Forest stated that all the generators, except the Edgewood Lift Station generator, are on an automatic weekly testing cycle. He explained that we manually test the generator at the Edgewood Lift Station on an average of once a month. Director Maxwell asked Forest if he has a maintenance check-off list for this type of maintenance, to which Forest replied that he does keep a log.

Director Becker pointed out that the portable generator serves an important function and asked Forest how he plans to proceed with the tire that he temporarily fixed. Forest replied that he will remove the tire and take it to Valpo Trailer, so they can recommend whether or not the tire can be fixed, or needs to be replaced.

President Atherton noticed that in Forest's Shop Reports, there seems to be frequent instances of backups in the laterals due to the tree roots. Forest stated that typically in the months of August through October, the tree roots are active and are getting into the lines. President Atherton reminded the members that as a result of the televising of our sewer lines, we noticed tree roots in some service laterals, as well as in our main sewer lines. As a courtesy to our customers, per President Atherton, we sent letters to the affected customers warning them of the potential sewer backups that may occur. Forest stated that the list of customers who were sent letters were not the ones who experienced the recent backups in their laterals.

President Atherton asked Forest if he had bids regarding the check valves that need to be replaced. Forest stated that he hasn't had a chance to obtain bids. President Atherton asked Forest to explain what a circulating valve does. Forest explained that the HydroAire pumps come with a new technology, the circulating valve, which circulates the water on the bottom to keep the mix stirred up and solids from accumulating on the bottom. Forest stated that HydroAire has been having problems with this valve malfunctioning, so he removed the valve from the pump; it isn't a necessary component.

President Atherton inquired as to how many consecutive months we have gone without any violations. Forest replied that it has been 32 months without any violations and President Atherton congratulated him.

President Atherton commented on how nice Utility Drive looks, since the pot holes have been cold patched. Forest stated that it was done in-house at a cost of about \$72.00 for the cost of the materials.

**Marcia Casassa (lot 618)** asked Forest if the generators are used for supplying power to the lift stations when there is a power outage. Forest replied yes, and that we were having a problem with the generator at the Edgewood Lift Station.

**Bob Band (lot 799)** wanted to know who is responsible for removing the roots in the sewer lines. Forest replied that if the roots are in the service lateral, then the resident is responsible for the repair of the line; however, if the roots are in the sewer main, then Shorewood Forest Utilities, Inc. is responsible for the cleaning of the lines. Mr. Band asked if a homeowner needed the Utilities' permission to do the work on their service laterals. President Atherton stated that a homeowner doesn't need our permission to do the work on their service lateral.

**Tom Szefc (lot 878)** stated that even if a company such as Roto-Rooter removes the roots, they will grow back and the only sure recourse would be to cut the tree down. Forest stated that there is a chemical (copper sulfate) that retards the growth of the roots. He stated that you simply flush the chemical in down your toilet. However, he explained that the chemical does not work on dissolving the roots that are already there; that would require Roto-Rooter.

Tom also suggested to Forest that he add two columns (YTD average number of cycles and YTD average number of run times) to his chart for the lift station pump run times that are included in his shop reports every month. Mr. Szefc stated that he is aware that some of the lift stations feed

into one another and as a result, will cycle more often; however, it is hard at a glance to ascertain what normal activity is without a YTD comparison.

**Jackie Hobson (lot 759)** asked why there is such a difference in the cycling time when comparing the different lift stations. Forest stated that the size of the pumps dictate the cycling time, and different lift stations have different pump sizes.

**Marcia Casassa (lot 618)** wanted to know if the Utility has clay tiles, to which Forest replied, yes. Marcia commented on the fact that it would be an expensive proposition to replace the service laterals with plastic tubing. Forest agreed and stated that one of our projects is to replace a section of sagging pipe lines on Wexford. He also stated that Pro-Form will be putting a line inside the line (this technology is called CIPP (Cured in Place Pipe)). He explained that after the line is cleaned, Pro-Form inserts something like a sock that inflates and dries hard. They come back and cut the service lateral out and basically you have a new line. This process is said to increase the integrity of the line for another 20 to 30 years.

**Tom Szeftc (lot 878)** asked Forest how many times IDEM has inspected our plant in the last 32 months. Forest stated that IDEM was performing physical inspections often when the Utilities incurred numerous violations, but now they audit our records and inspect the plant on an annual basis.

### **Financial Reports:**

Copies of the financial summary for the months of June and July were handed out to all members that were present. In the absence of Treasurer Litherland, Assistant Treasurer Donna Atherton presented the financial reports as follows:

**The Summary Financial Report as of June 30, 2012** (*a copy of the full report can be obtained by Members from the SFU office*) is highlighted as follows: Capital Replacement Fund \$114,360.82; Capacity Fees Fund \$558,432.42; Total Operating Fund \$457,150.54 (9.14 months of cash on hand); June Income \$64,749.20; June Expenses \$26,746.71; 2002 & 2005 Bond Payment \$17,613.96; June Net Income \$20,388.53; Year-To-Date Debt Service Ratio is 2.16 (1.25 is required to be in compliance with our Bond Covenants).

**The Summary Financial Report as of July 31, 2012** (*a copy of the full report can be obtained by Members from the SFU office*) is highlighted as follows: Capital Replacement Fund \$262,459.55; Capacity Fees Fund \$558,484.45; Total Operating Fund \$323,861.03 (6.48 months of cash on hand); July Income \$64,570.71; July Expenses \$29,130.94; 2002 & 2005 Bond Payment \$17,613.96; July Net Income \$17,825.81; Year-To-Date Debt Service Ratio is 2.01 (1.25 is required to be in compliance with our Bond Covenants).

Assistant Treasurer Donna Atherton pointed out that the excess funds reported in the FY 2011 990 in the amount of \$148,080.95 were transferred from the Operating Account into the Capital Replacement Fund on 7/16/12. She explained that we are a not-for profit Utility and are required to transfer any excess funds into a “restricted” capital fund, to be used for improvement(s) to the infrastructure. These funds are earmarked for use in the Five Year Capital Improvement Plan the Board adopted earlier this year, which will cost approximately 2 million dollars. President Atherton added that if we don’t get membership approval to issue debt, then these projects could take 7 to 8 years to complete. He did remind the members that there will not be any increase in the rates while undertaking these projects.

**Questions ensued regarding the financial summaries:**

**Tom Szefc (lot 878)** asked Assistant Treasurer Donna Atherton to identify the approximate collective amount owed to the Utilities by customers who are in arrears. Donna stated that our office is trying to collect on balances due before the arrearages are excessive. Messages appear on invoices and thereafter a payment demand is made. The final letter sets forth the costs for dig up, and one last opportunity to pay without incurring the costs of dig up is offered. She pointed out that the cost, according to contractor bids, can be expensive depending on how deep the line is and if the line is located under pavement. She explained that once the property is dug up and the sewer is capped, the hole must be backfilled and the Board of Health is notified. She explained that the property will be deemed as uninhabitable. She also explained that all contractor costs associated with the dig up and restoration are assessed to the customer, and are required to be paid in addition to all arrearages before service is restored.

**Mr. Szefc (lot 878)** inquired if we could install a rod that goes to the surface in order to turn the sewer on and off, instead of digging up a customer's property. President Atherton stated that although it is an excellent idea, there isn't anything currently on the market that can handle a 6" line.

Assistant Treasurer Donna Atherton stressed the point that customers pay their arrearage once they hear how expensive the dig-up and restoration costs can be. She stated that fortunately, we have not had to dig-up anyone for non-payment, yet.

**Betsy Kirby (lot 843)** asked if the dig-up cost is passed onto the customer and what happens if it is a hardship case. Assistant Treasurer Donna Atherton stated that according to the Rules and Regulations of Shorewood Forest Utilities, Inc., in the unfortunate event that we must disconnect the sewer service for non-payment, all costs associated with the termination and reconnection of the sewer service will be the responsibility of the customer and will have to be paid, along with their arrearage before service can be restored. She stated that there is one hardship case, in which a church is willing to help the customer with their arrearage to avoid the expensive dig-up costs.

Director Maxwell asked Donna how many customers are habitually late. She stated that we probably have about 8 in-house customers that are always in arrears; more than half of those are renters. She stated that Indiana American Water doesn't keep track of who the owners and renters are. She stated that all of our customers have been sent service contracts to be filled out, so that our records can be updated. She stated that it is not only important for us to know who owns the property, so we can contact them about a bill that is past-due before we dig up the property, but also about any issues regarding a sewer problem. In addition, only owners are allowed to vote during elections and we could lose our non-profit status if more than 85% of our income is derived from non-members, or renters, according to the IRS code. Assistant Donna Atherton stressed the importance of completing the service contracts.

Director Maxwell asked the President of the Shorewood Forest Property Owner's Association, Cindy Kirby, if the POA keeps track of the owners and renters. President Kirby stated that the POA does keep track of who the renters are and charges the household \$100 to update that information. She stated that the information is available to the Utility. Linda Walla, Office Manager of the Utilities, stated that she has other outside subdivisions, such as Arbor Lakes, Sagamore, and Edgewood and those customers do not report to the POA.

Director Maxwell asked Assistant Treasurer Donna Atherton what happens if we dig-up a property for the non-payment of a bill by a renter. Donna stated that we research who the owner of record is and give them written notification before we dig-up a property to avoid any legal ramifications. Donna stated that having good records simplifies the research.

**Jackie Hobson (lot 759)** stated that it is obvious that the Utilities went from a loss in previous years to a profit. Given that the rates were constant and we had roughly the same number of customers, she inquired what contributed to this miraculous turnaround. Assistant Donna Atherton stated that there are two individuals on this Board who ran Utilities and have expertise in this field. Director Maxwell stated that for years, the Utility Board had paid Sales Taxes and Utility Receipt Taxes in error, which was approved by their accountant. He stated that Donna Atherton found the error when she reviewed our documents and was able to obtain the maximum refund allowed by the State for taxes paid in error in the amount of \$46,851.00. According to President Atherton, there is no one single reason for the turnaround. He stated that basically it involves controlling expenses and maximizing revenues. He stated that in the past, the Utilities would hire attorneys to do collection work and their fees were much greater, than what they collected in arrearages. He stated that this Board hasn't filed a lawsuit for collections in three years.

**Marcia Casassa (lot 618)** asked Assistant Treasurer Donna Atherton how much she collected in arrearages. Donna replied that she has collected thousands of dollars, but explained that she did collections for a living, and also did non-for profit work and Terry is an engineer and utility administrator by trade.

### **Old Business:**

#### **Utility Website (Randy Becker)**

Director Becker stated that the website has been put together and was shown to the Board at an Executive Meeting. He stated that he solicited three hosting sites and received bids back from two: the company out of Chesterton will charge us \$199 per year and will upload one file per month at no additional charge; DataMine, a company out of Gary, will charge us approximately \$200 per year, including 2 hours of help per year, and allow us to update our website in-house. Director Becker recommended the Board accept the bid from DataMine. President asked Director Becker to obtain a written proposal from DataMine.

A motion was made by Director Becker and seconded by Director Maxwell to accept the quote from DataMine contingent upon receiving the written proposal with a base cost of \$200 per year with 2 hours of help per year. Additional hours of help are available at an additional charge of \$25.00 per hour. The motion was approved unanimously.

Director Maxwell asked POA President Cindy Kirby how this cost compares to the POA website cost. POA President Cindy Kirby wanted to know if the Utilities Website was much different than the POA's website. President Atherton stated that we intend on posting our monthly meeting minutes and have a banner that flashes across the page for notices on upcoming projects or special announcements. Director Becker clarified that this cost is for the hosting of the website. He stated that the creation of the website itself was donated by his son, who did the work as an intern project. Director Becker stated that the website will be able to be viewed from your Smart-phone, iPhone or Tablet.

Assistant Treasurer Donna Atherton confirmed with Director Becker that he was going to train the staff on how to upload the minutes, and the two hours of training per year by DataMine would be used for any complications or aberrations that come up.

Director Maxwell commented that he would like customers to be able to pay their bills on the Website by electronic transfers, or credit cards. Cindy Kirby stated that some POA residents also commented that they would like to make payments via credit cards, but there is a cost associated with the use of credit cards. Assistant Treasurer Donna Atherton stated that we will conduct a study to figure out what means of payment we can offer our customers, without having to raise our rates in an effort to absorb extra costs.

**Tom Szeffc (lot 878)** inquired whether or not the minutes will still appear in the Shorelines Publication, since they will be accessible on the website. President Atherton stated that the minutes will continue to be published in the Shorelines because some residents don't have access to a computer. President Atherton stated that the website will allow the other subdivisions that we serve, outside of Shorewood Forest, to access information, since they do not receive the Shorelines.

### **Wexford Road Replacement Project**

President Atherton reminded members that according to our capital plan, we were going to replace a segment of sagging sewer line behind the homes on Wexford Road. This project will affect 9 lots. He stated that a bid from a contractor had been accepted and that letters regarding the project were sent to those residents who would be affected. However, before the work was to begin, President Atherton stated that we received calls from the residents who were upset with the scheduling of the job, so we postponed the project. He stated that we are obtaining a set of engineering plans and specifications to make sure that we haven't overlooked anything. Per President Atherton, once the plans are obtained, we will talk with residents to explain the project and address their concerns. President Atherton stated that we may be able to incorporate some of their concerns when we rebid the job. President Atherton stated that the Board wants to make sure this is a project that is done properly, and that everyone is satisfied.

### **New Business:**

#### **Acceptance of the Proposal for Engineering Services for Wexford Road and 350 West**

President Atherton suggested that we table the proposal for the 350 West project until he obtains more bids.

A motion was made by President Atherton and seconded by Director Maxwell to approve the acceptance of the proposal from McMahon and Associates in the amount of \$3,500 for engineering surveying services, inspection, and bidding assistance for the Wexford Road Sewer Line Replacement Project. The motion was approved unanimously.

#### **West Digester Repairs**

President Atherton stated that the West Digester is in need of repairs and that Forest obtained three bids for the repairs as follows: MCO \$4,700; Gasvoda and Associates \$7,965; and Thieneman \$10,950. Forest stated that MCO's bid is significantly lower than the other two companies, because they do not have as much overhead and are non-union.

A motion was made by Director Becker and seconded by Director Maxwell to approve the proposal from MCO in the amount of \$4,700 for the repair of the diffusers in the West Digester. The motion was approved unanimously.

### **Progress Reports and Updates:**

#### **Wexford Lift Station Landscaping- Director Litherland**

Director Litherland was absent.

### **Comments from the Board:**

There were no comments from the Board.

### **Comments from the Membership:**

**Marcia Casassa (lot 618)** asked if the Wexford Project affects the lots on the other side of the tennis courts and will there be any interruption of service during the repairs. President Atherton stated that the project will not affect them and there will be no interruption of service during the replacement.

**Cindy Kirby (lot 467)** asked if the Utilities mails the minutes to the customers living outside of the Shorewood Subdivision. President Atherton stated that we do not because of the cost of postage. However, they are invited to attend our monthly meetings and can obtain copies of the minutes from our office. He stated that they are members with a half vote.

**Tom Szeffc (lot 878)** stated that he is receiving phone calls regarding the Utility Service Contracts and is being asked for the reason behind obtaining a copy of the customer's driver's license. President Atherton stated that we are using a standard form contract. He stated that the main reason for completing the contract is so that we can distinguish between owners and renters. President Atherton stressed that our records, once we receive them back from Indiana American Water, need to be as accurate as possible. He stated that if customers are not comfortable with giving us a copy of their license, we will not press the issue. Assistant Treasurer Donna Atherton stated that according to the Shorewood Forest Utilities, Inc. Rules and Regulations, a service contract is required to be completed.

**Jackie Hobson (lot 759)** inquired why the service contract asks for the number of persons living at the residence. Assistant Treasurer Donna Atherton stated that this is a standard question on Utility Contracts. Utilities track the number of people in the household to determine the amount of sewage being treated.

**Tom Szeffc (lot 878)** asked why we care about the number of people living in the household if we have a flat rate. President Atherton explained that the information is used to determine gallons per capita per day and is used to help with the design, or engineering, of the Utility's capacity.

**Cindy Kirby (lot 467)** thanked President Atherton, Assistant Treasurer Atherton and the rest of the Board for all the hours of dedication and hard work that they have put into the projects. She asked how the Utility Board deals with the issue of nepotism. She asked if there have been any complaints about Donna serving on the Board, since Terry is the President. President Atherton stated that he has had only one person raise the question. President Atherton stated that both he and his wife serve the Board without compensation there is no personal financial interest gained from participation in Board business. He also pointed out that Donna is not an elected Director; she is an Officer, who was appointed by the Board. Under our By-laws, the only Officer that is required to be a Director is the President. In addition, he stated that all other positions can be filled by anyone; they don't even have to be a resident of Shorewood.

**Adjournment:**

Motion to adjourn was made by Director Becker, seconded by Director Maxwell, and unanimously approved. The meeting was adjourned at 8:22 p.m.