

SHOREWOOD FOREST UTILITIES, INC.

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

BOARD OF DIRECTORS PUBLIC MEETING

President, Greg Schafer
Vice President, Anthony Cimino
Secretary & Treasurer, Tom Szeffc
Director, Margie Stiles

Meeting of March 22, 2018

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.

CALL TO ORDER (00:00)

Board President Greg Schafer called the Board of Directors of Shorewood Forest Utilities, Inc., called the January 24, 2018 meeting to order at 7:03 p.m. in the Shorewood Forest Club House. Present were President Greg Schafer, Vice President Anthony Cimino, Secretary/Treasurer Tom Szeffc and Director Margie Stiles. Also, in attendance were Plant Manager Forest Ash and 4 members of Shorewood Forest Utilities.

President Greg Schafer welcomed everyone to the meeting and stated that meetings are run using the Rules of Roberts Law; every time there is an issue being presented, members will have a chance to interact by asking questions and commenting on these issues while the Board discusses each issue. He encouraged members to ask questions if they need clarification or provide their valuable input to help the Board better understand their concerns.

APPROVAL OF MINUTES (00:50)

Secretary / Treasurer Tom Szeffc stated that the 2017 Public Meeting Minutes for August 17th, September 21st, October 19th and November 16th are ready for Board approval (there was no meeting in December); as well as the August 17th and October 19th Executive Meeting Minutes.

A motion was made by President Greg Schafer and seconded by Director Margaret Stiles to accept the 2017 Public Meeting minutes for August 17th, September 21st, October 19th and November 16th for Board approval; as well as the August 17th and October 19th Executive Meeting minutes. The motion was unanimously approved.

UPDATE OF THE CLASS ACTION LAWSUIT (2:57)

Attorney Glenn Vician presented an update regarding the class action lawsuit filed against the previous Board of Directors. The following report is from the public meeting:

The class-action lawsuit that was filed on behalf of the members of the Shorewood Forest Utility, which basically constitutes the homeowners that live in Shorewood and a few of the homeowners that live outside of Shorewood that are presently tied in to the sewage plant. The lawsuit was filed on May 12, 2017.

The purpose of the lawsuit was to recover money damages that the attorneys believe they uncovered with respect to the management of the Utility for a period of time in the last year or so; and actually as we did more discovery we believe we have uncovered monetary damages that go back a longer period of time.

The core nature of the claim is that there was action by the former Board to expand the Certificate of Territorial Authority, we will call it the CTA, which is the area where the treatment plant services sewage from outside homes. Of particular concern was the fact that the original Board from a year ago had engaged with an outside developer named Blum, to potentially bring in 379 additional homes and those 379 homes, once they were tapped in, would have been dumping additional sewage into our treatment plant.

One of the problems that was uncovered was the fact that our existing plant is designed and can service the 1064 homes that we are presently tied in to the plant, and in addition there were another 190 homes that by contract could be added in under previous agreements so there were already about 1254 homes to be tied in to the plant. But the plant did not have and does not have sufficient treatment capacity and redundancy capacity to process the sewage for the 1254 homes that are contractually to be tied in, AND another 379 homes.

To put this in perspective, the Indiana Department of Environmental Management has publications where they project that the average home in Indiana dumps 310 gallons of sewage a day in to a sewer line. If you do the math, and if it is 310 gallons average per day and you added another 379 homes to our plant, it would mean in each year the new outside homeowners would be dumping Forty-Two Million gallons of sewage in to the Shorewood Treatment Plant. And the Utility does not have the capacity to treat that sewage with redundancy capacity today. And so when we were looking at what was going on, we realized we would have to build up the plant before the sewage comes. You can't just let sewage flow over the tanks. There was a projected cost of \$1,600,0000 to \$2,000,0000 to build up additional capacity, so that the Utility would be ready to take the sewage from up to 379 homes, the 42,000,000 gallons of sewage.

So the existing homeowners in Shorewood and existing people that were members of the Utility, were in a position where they would have to *advance* the cost of the \$1,600,0000 to \$2,000,0000 to build up the plant and if you divide 1064 utility members in to something like \$1,600,0000 to \$2,000,0000 of costs, it was going to cost somewhere between \$1000 and \$1500 per homeowner in Shorewood as a special assessment to pay for the opportunity to bring in 42,000,000 gallons of other peoples' sewage. And we said why would we want to do that? So, on top of that we found other issues that we believe were damages and so the class-action lawsuit was filed and the further we go, actually we believe that we have uncovered additional damages that will be part of this claim.

To give you an idea of how the class-action works, if the court grants class certification, then in one court case the court will resolve how much in damages the class would be entitled, to the whole group, and people in Shorewood, the utility members, would have the right to opt-in or opt-out. If you want to opt-in, it doesn't cost you anything and you receive whatever benefits that court case generates. If you want to opt-out, then you can file your own lawsuit if you don't want to have to pay the money for the buildup of the treatment plant or whatever the other damages that would be determined. So people have the right to opt-in or opt-out. Typically in most class actions, people opt-in because they don't want to have to hire their own lawyer and go through that cost.

We are at the stage where we have fully briefed class certification from the Plaintiff's point of view and there is a hearing set for April 5, 2018, for the court to hear arguments on a couple matters including class certification. If the class is certified, notices would then go out to people down the road so the Utility Members would have the opportunity to determine whether they want to opt-in or opt-out, but that is a matter for the future. At this point, the Plaintiff's lawyers that are litigating the case are funding all the

costs of the litigation, so we have not gone to the community and asked anybody to pay any money. It is our goal and our hope that the court would award a remedy that covers that cost down the road.

That's the general oversight, the case has been pending for about 10 months and there is no indication how long this could take because it is complex, but we intend to pursue it as efficiently as we can. Thank you.

Frank Draschil (Arbor Lakes, Lot 21): *If this lawsuit is successful on behalf of the utility, who are we suing and for how much and where would the remedy come from?*

Attorney Glenn Vician: Well, the lawsuit is a lawsuit pending against the former board members that took the actions that we believe caused damages. There is insurance. The insurance is insurance that is provided by the Utility to cover board members' actions, so one source of the remedy would be from insurance and a second source would be from the parties that were sued which were the former directors that took the actions that were described in the class action complaint.

John Bullock (Lot 927): *I understand the approach of the class action lawsuit basically you say the utility can join the former action that was undertaken by the former board, stopping it and getting an injunction.*

Attorney Glenn Vician: Well, to be honest with you, there is no injunction sought at this point; it is just a claim for money damages because the actions that took place have already occurred. What we are trying to do is recover money damages that would be ultimately determined by the court, as far as damages that the members of the Utility suffered by reason of the actions set out in the class action complaint.

John Bullock (Lot 927): *My question really relates to a different point of attack and I am sure the other board members have heard this before, but my claim has been all along that the land that was sought to be annexed into the CTA was never part of the watershed of Lake Louise or the Lake Michigan watershed, that the land that was sought to be annexed into the CTA was in the Kankakee watershed. Now I know from past experience with subdivision developments and all that; crossing watershed lines is almost strictly foreboded and I don't know if that has ever been fully explored as an avenue to block the CTA expansion and if it hasn't, I think it should.*

Attorney Glenn Vician: Well, we have not gotten to the stage in the litigation where the CTA expansion has been addressed, but there are significant other monetary damages whether the CTA expansion is ultimately approved or not. We believe we've got several hundred thousand dollars of monetary damages that are completely independent of the issue of the contract with the outside developer Blum and the issue of the CTA expansion. The CTA expansion though is one significant additional damage claim.

John Bullock (Lot 927): *Do you know whether or not Mr. Bloom has proceeded with any other areas before Porter County in the interim since the new board has taken over?*

Attorney Glenn Vician: We don't.

Wessel Bengston (Lot 721): *Do you have engineering studies to back up your statement.*

President Greg Schafer: Which statement is that?

Wessel Bengston (Lot 721): *Plant capacity and the cost.*

Attorney Glenn Vician: Yes, we have. The Utility had to go out and spend additional money which are additional damages we are pursuing against the defendants, to get a supplemental engineering report to verify the issue about the lack of redundancy capacity of the plant. So not only do we have the original engineering report from when the plant was originally built up to its current status, but we have a supplemental report to verify that information.

Wessel Bengston (Lot 721): *How much did that cost?*

Secretary/Treasurer Tom Szefc: \$1,600

Wessel Bengston (Lot 721): *You say it cost money in advance, which is true, but don't current bond issues given for that and the new people coming in paying that off? And let's say it's a 20 year bond issue. They have 20 years to pay that off issue and the cost to build it*

Attorney Glenn Vician: Well, there are a lot of issues. I just want to make two points about bond issues. 1) Bond issues are dependent upon the capacity of the company to service the bond, and I believe that our information establishes the Utility does not have the financial capacity to add another \$2,000,000 of a bond, even if we wanted to.

2) The people that pay the bond initially are the people that are present utility members. We can't be expecting someone that might buy a lot in seven years, to be paying for the bond that we would have to float today, if we can even get one, to build up plant capacity.

Wessel Bengston (Lot 721): *Who do you represent sir?*

Attorney Glenn Vician: My representation relates to the Plaintiff in the class action lawsuit and to the extent that there could be future class members, I will be representing all of the class members that opt-in.

Wessel Bengston (Lot 721): *Do you represent us?*

Attorney Glenn Vician: If you opt-in, you will be represented by me. Thank you.

OPERATIONS REPORT (January 24th, 2018 to March 20th, 2018) (22:55):

There were no copies of the Operations Report to handout. Plant Manager Forest Ash presented the Operations Report as follows:

- The plant has been running efficiently; we have not only met but well exceeded all NPDES permit requirements.
- On February 2nd, the furnace went out at the office. My crew and I replaced the furnace with a new one that we had purchased earlier in the year.
- On February 19th, 20th, 21st, we had a total of 4 inches of rain, plus the added snow melt, causing high flows throughout the plant. On the 19th, we had 426,000 gallons; on the 20th we had 966,000 gallons; on the 21st we had 700,000 gallons. In the 3-day period, we had 2.1 million gallons go through the plant. Our normal flow is around 200,000 gallons per day.
- On February 19th at 11:00 p.m., we were called out for auger failures and high level in the aeration tank. We had to shut the lift station down to repair the auger jams; the lift station went into bypass of the micro-screens. Once the augers were repaired, we put them on line and began to monitor the flow by manually pumping the station, controlling the flow through the VFD's, and maintaining the level in the aeration tanks, so they would not overflow. I sent the crew home at 3:00 a.m., as I continued to monitor the flows. At 11:30 a.m. I went home, but the crew continued to monitor the flow during the day. Nick Ream from IDEM called a couple of days later and asked how we did. He was surprised to hear that we did not overflow, as he had numerous plants that did. He commended my crew and I for the job we did.
- We were called out to Sagamore 2; the generator was alarming. We found the block heater was not working properly and it was replaced.
- We have put the flow meters in throughout Arbor Lakes and have found that we have an excessive flow in that subdivision.
- On March 8th 4:00 p.m., as I was leaving, the central alarm sounded for communication failure. We found that the 24V transformer went out. I replaced it with a temporary one that I had on the shelf.
- We have received the 5 hp and 10 hp pumps that were ordered for stock.

- The following are the NPDES (National Pollutant Discharge Elimination System) permit monthly average limits and the lab results of the final effluent:

	INCOMING (Av)		OUT GOING (Av)		I.D.E.M. (Limits)	
	lbs.	mg/l	lbs.	mg/l	lbs.	mg/l
CBOD	613.0	346	2.9	1.7	37.6	10
TSS	825.3	475	6.2	3.7	45.1	45.1
AMMONIA		26.7	0.2	0.1	4.5	1.2
PHOSPHORUS		5.9		0.3		1

CBOD - Carbonaceous Biochemical Oxygen Demand.

TSS - Total Suspended Solids

President Greg Schafer informed everyone that since the snorkel was removed from aeration tank #3 back in September/October 2017 (which was designed to reduce the amount of foam in the tank), we had not experienced any overflows even during heavy rains.

Questions From The Membership

Greg Colton (lot 723) inquired about the excessive flow coming out of Arbor Lakes that Plant Manager Forest Ash commented on. President Greg Schafer replied that the Nature Preserve lift station pumps run 4 times longer on a rainy day than on a dry day, so there is definitely some sort of infiltration going on there with the cast iron sewer pipe that runs under the swamp. He also stated that we purchased portable flow meters that can go inside the manholes to measure the flow and help determine where all that infiltration is coming from. **Plant Manager Forest Ash** informed everyone that the Nature Preserve Lift Station only services about 60 homes.

FINANCIAL REPORT (30:38)

There were no copies of the Financial Reports to handout. Treasurer/Secretary Tom Szefc presented the financial reports as follows:

The Summary Financial Report as of January 31, 2018 (a copy of the full report can be obtained from the SFU office) is highlighted as follows:

- **January:** Income \$75,090.49; Expenses \$37,037.82 (Including legal expenses of \$2,500.00); Bond Payment \$27,034.17; Debt Service Reserve (Escrow Payment) \$1,732.88; Surplus/Deficit \$9,285.62.
- **Y-T-D:** Income \$75,090.49; Expenses 37,037.82 (Including legal expenses of \$2,500.00); Bond Payments \$27,034.17; Debt Service Reserve (Escrow Payment) \$1,732.88; Surplus/Deficit \$9,285.62; Debt/Service Ratio 1.32 (1.25 is required to be in compliance with our Bond Covenants).
- **Y-T-Y Restricted Funds (2 Bonds; \$3,475,000; Mar 2014):** Bond Payments \$1,235,071.17; Remaining Balance \$3,452,386.84.
Debt Service Reserve (Escrow Payment) \$304,949.91 (Funds to be returned after the Bond is paid off); Remaining Balance \$20,970.09.
- **Y-T-Y Unrestricted Funds:** Operating Funds \$368,980.61 (7.38 months of cash on hand); Petty Cash \$100.00; Capital Improvement & Replacement Fund \$72,054.38; Total: \$441,134.99.
- **CD (\$1,150,000.00; Oct 9, 2017):** Interest \$6,679.80 (Since Oct 9, 2017).

The Summary Financial Report as of February 28, 2018 (a copy of the full report can be obtained from the SFU office) is highlighted as follows:

- **February:** Income \$76,098.27; Expenses \$40,334.58, Bond Payment \$27,034.17; Debt Service Reserve (Escrow Payment) \$1,732.88; Surplus/Deficit \$6,996.64.
- **Y-T-D:** Income \$151,188.76; Expenses \$77,372.40 (Including legal expenses of \$2,500.00); Bond Payments \$54,068.34; Debt Service Reserve (Escrow Payment) \$3,465.76; Surplus/Deficit \$16,282.26; Debt/Service Ratio 1.28 (*1.25 is required to be in compliance with our Bond Covenants*).
- **Y-T-Y Restricted Funds (2 Bonds; \$3,475,000; Mar 2014):** Bond Payments \$1,262,142.15; Remaining Balance \$3,425,315.86. Debt Service Reserve (Escrow Payment) \$306,926.80 (*Funds to be returned after the Bond is paid off*); Remaining Balance \$18,993.20.
- **Y-T-Y Unrestricted Funds:** Operating Funds \$170,929.19 (*3.42 months of cash on hand*); Petty Cash \$100.00; Capital Improvement & Replacement Fund \$297,066.19; Total: \$468,095.38. *On Feb 21st, \$225,000 was transferred over to the Capital Improvement & Replacement Fund.*
- **CD (\$1,150,000.00; Oct 9, 2017):** Interest \$8,320.60 (Since Oct 9, 2017).

OLD BUSINESS (36:23)

SCADA Upgrade/Comcast

President Greg Schafer reported that Frontier is currently our internet service provider, but the iFIX software that we are purchasing requires a digital system, so we are switching to the Comcast Business System. **Plant Manager Forest Ash** went on to explain that with Frontier our download speed was 3.5 Mbps and our upload speed was 1.5 Mbps; and with Comcast our download speed will be 150 Mbps and our upload speed will be 75 Mbps. He stated that the new SCADA System should be completed in the next couple of weeks. **President Greg Schafer** commented that once the upgrade is complete, we will experience better data collection than before and a huge difference in speed. **Plant Manager Forest Ash** stated that Comcast put us online today with their internet service.

Shellbourne Conference Center

Plant Manager Forest Ash explained that in November of last year, Shellbourne experienced a flow meter failure with a flow of over a million gallons of water. He reported that Phoenix Innovations recommended that Shellbourne replace the flow meter which was faulty. In order to invoice Shellbourne during the time the flow meter was not working properly, he took the highest sewer bill that Shellbourne had in 2017 and used that figure for the five months that the flow meter was faulty (November 2017 through March 2018). **Plant Manager Forest Ash** reported that last week, the new flow meter was installed at a cost to Shellbourne of \$3800 and now Shorewood Forest Utilities will resume regular billing for Shellbourne. **President Greg Schafer** added that Shellbourne is the only commercial contract company that we provide sewer service treatment to and we bill them based on their actual throughput; the regular membership has a fixed monthly bill of \$65 and is not dependent upon the actual throughput.

John Bullock (lot 929) stated that he was under the impression that at one time, Shellbourne was on a multiple of the residential flow rate and not dependent totally upon the readings of a flow meter. **Plant Manager Forest Ash** added that a year-end calculation is made whereby we take the total treated utility plant flow minus the flow from the Shellbourne Conference Center to obtain a *net flow*; we divide that result by the number of customers that are billed; we divide that result by 12 to obtain the *monthly gallons per customer*; the Shellbourne flow meter is read monthly and that flow meter reading is divided by the monthly gallons per customer to obtain a *billing rate*; that billing rate is multiplied by \$65 and that is the amount billed to Shellbourne. **President Greg Schafer** commented that this is the only fair way to bill Shellbourne since their flow blends into our entire operation.

Delinquent Accounts

President Greg Schafer reported that there are several outstanding debts that are owed to the Utility Company for sewer services. He summarized the outstanding arrearages as follows:

There are 30 customers owing	\$ 4 - \$ 65	for a total of \$ 553
There are 95 customers owing	\$ 65 - \$140	for a total of \$11,240
There are 31 customers owing	\$ 140 - \$300	for a total of \$ 7,810
There are 12 customers owing	\$ 300 - \$450	for a total of \$ 4,479
There are 15 customers owing	\$ 450 - \$650	for a total of \$ 7,800
There are 12 customers owing	\$ 650 - \$800	for a total of \$ 8,525
There are 22 customers owing	(arrearages over 1 year old)	\$27,382

President Greg Schafer stated that as of today, the total amount owed for sewer services provided is \$67,789; the amount of bad debt to be written off is \$4,859, which is debt that is over 18 months old and has been determined to be uncollectible which is bankruptcies, a customer moving out of the country, etc. He explained that once the bad debt has been written off, the total debt is still \$62,930. He pointed out that although in the past, the Board had not worked very hard at collecting outstanding debt, this Board will be very aggressive in collecting that debt.

Vice President Anthony Cimino went on to explain the two different letters that will be mailed out tomorrow:

Letter #1) Regarding past due account. Please be advised that your sewer bill is in arrears. We know with the transition of coupon booklets it might have been easily overlooked. Your current outstanding bill owed is \$XXX.XX and due immediately. In addition to your outstanding sum, the next billing cycle of \$130.00 is due on April 1st and is considered delinquent after the 15th. If you have made your payment, please kindly disregard this letter. Thank you for your patronage.

Letter #2) Regarding past due account. Please be advised that your sewer bill is seriously in arrears. Your current outstanding bill owed is \$XXX.XX and due immediately. Be advised that this Board of Directors shall take any and all official action necessary to mitigate this matter, **including termination of service**. Your immediate cooperation is of the utmost importance. In addition to your outstanding sum, the next billing cycle of \$130.00 is due on April 1st and is considered delinquent after the 15th. If you have made your payment, please kindly disregard this letter. Thank you for your patronage.

President Greg Schafer stated, "if you owe us, pay the money." He commented that it is not fair for the customers who pay their bill on time to float the cost of running the plant, while others choose not to pay. He went on to say that some of the customers are very delinquent and have always been delinquent.

President Greg Schafer announced that Shorewood Forest Utilities has signed a contract with Indiana American Water and are working through some of the details. He explained that customers will have their water shut off if they do not pay their sewer bills. He went on to say that there is a very specific process of notifying the customer, giving them their chance to argue their side, and meeting with the Board or an assigned group to listen to any claims that they are not being treated fairly. He also stated that in the past, the Board has threatened to dig up the sewer of those customers who were seriously delinquent in paying their sewer bills. He stated this Board has decided to take those customers to small claims court along with attempting to shut off the water for non-payment of sewer bills.

President Greg Schafer shared the conversation that he had with other utility companies in the area such as Merrillville, Portage and Chesterton, in which all three companies stated that you'd be surprised at how all

those bills get paid when you use the process of shutting off their water. He went on to say that those companies told him that their percentage of delinquent payments are at about .05% and are even lower than that once the red tag notice to shut off the water is placed on the door of the residence. President Greg Schafer emphatically stated that Shorewood Forest Utilities will be going after the \$62,000 owed to us.

Wessel Bengston (lot 721) stated that in his experience, if the water is shut off the house is uninhabitable.

President Greg Schafer explained that the Board of Health can deem the house uninhabitable. He went on to say that we will post online, a Federal case that took place in Indiana that specifically outlines the procedure on what can be done and what cannot be done; we have the right to do this and the water company is not liable for shutting off the water in that they are following the statute.

He explained that the Board of Health could possibly step in and prohibit us from shutting off the water due to the fact that it can create a health issue, but there isn't any record that we found to substantiate this type of claim.

Wessel Bengston (lot 721) asked, "what if the police department declared the house is uninhabitable."

President Greg Schafer replied that you would need to get a judge to run those people out of their house and all that is pretty hard to do. He reminded the members that we are not trying to be unneighborly or get people's backs up; we just want the members to pay their fair share. He reported that currently there are 220-230 customers who are in arrears, representing about 20% of our total customer base.

John Bullock (lot 929) explained that when he and Secretary/Treasurer Tom Szeffc was on the Board, they threatened to dig up the sewer or physically close it off for non-payment, which worked for a few delinquent customers; at that time Indiana American Water was not willing to help us by shutting off the water. President Greg Schafer added that Indiana American Water is attempting to balk at this now, but we have a signed contract with them which was executed by Secretary/Treasurer Tom Szeffc and a representative of Indiana American Water. President Greg Schafer believes this contract is enforceable and in fact, cited the Federal case whereby if the water company refused to shut the water off, the sewer company could send the sewer bill to the water company for payment.

Secretary/Treasurer Tom Szeffc explained that it was either the State of Indiana or the Indiana Utility Regulatory Commission that doesn't want us to dig up customer's sewers because that would create disease within the house and community; they would rather that we shut the water off. He added that the city of Gary was going to dig up sewers for non-payment, but was stopped and a statute was created so that the water utility could shut off water, if sewer bills weren't being paid.

President Greg Schafer stated that if we do shut the customer's water off or if we decide to take them to small claims court, it will cost the Shorewood Forest Utilities \$125; however, we have an attorney ready to do this, but we would prefer not to do this. He also pointed out that although we want the payment in full, we are willing to come up with a payment agreement (if necessary) which would contain the number of installments to bring the account current within reason and would require the member to not only pay the agreed upon installment, but must also pay the current bi-monthly bills on time.

Wessel Bengston (lot 721) asked, "can we collect it when they sell the house." President Greg Schafer replied that if the title company contacts us to inform us that a property is being sold and wants to know if there are any bills outstanding, we send the title company a statement showing the amount owed to us and they collect it at closing. He believes that we will receive 80% of the amount in arrears once the letters go out. He stated that there is no such thing as a perfect collection rate, but for example, Julie at the SFPOA stated that they have a 98.5% collection rate.

Vice President Anthony Cimino stated that our delinquent accounts are slightly up, but we have had more customers pay in advance for the entire year than ever before (34 customers).

President Greg Schafer pointed out that it takes time for people to get use to change and we will continue to put the signs up as a reminder at the entrances; we will also send you a red envelope regarding your delinquent account. However, if not paid, you will receive a door hanger with the intended water shut off date, giving you 10 days to pay or the water will be shut off. He added that we can't be any more accommodating, but we are not waiting for the money any longer.

Wessel Bengston (lot 721) commented that he likes the coupon book. President Greg Schafer informed the members that most customers do like the coupon booklet and that we have had overwhelming support now that customers can pay online with a credit card or by ACH (electronically transferring your funds); there is a \$.65 charge for the ACH transaction, but a stamp to mail your payment is about \$.50. **Vice President Anthony Cimino** stressed the fact that the Board tried to accommodate everybody when designing the new payment system; for example, if a customer owes \$1500 and doesn't have the cash, he or she can pay with a credit card online.

Director Margaret Stiles asked, "how much has the delinquency increased since the coupon books came in?" President Greg Schafer replied that it has increased 5%-7%, but on the flip side 34 customers have paid for the entire year whereas only less than 10 customers normally pay in advance.

Job Descriptions

President Greg Schafer stated that Plant Manager Forest Ash is working on formulating job descriptions for in-house employees, as well as for newly hired employees, so that the level of expectation is clearly outlined for each employee. He added that there will be a yearly job evaluation to make sure they are meeting those levels of expectations - some of the descriptions relate to training or to the physical work they must do, such as changing out pumps or doing electrical panels. Currently, Plant Manager Forest Ash does most of the electrical work. He informed everyone that Philip has been with the Utility for 10 years, while Michael has only been working for the Utility for 2 years; Michael is studying for his 1st license test, while Philp has his class 2 license and could technically run the plant if Forest was on vacation, etc.

Bylaws

President Greg Schafer told the members that he would like to make several changes to the bylaws; for example, the selling of the Utility plant must be approved by the a majority or 60% of the ownership. He informed everyone that as it is now written in the Bylaws, the Board of Directors can sell the plant without a membership vote. He also reiterated not to worry because this Board has no intention of selling the plant, but this needs to be addressed as well as several other issues.

Wessel Bengston (lot 721) asked, " was it ever in the Bylaws at any time." President Greg Schafer stated that it was not in the Bylaws and explained that the approval of the membership is required only if there is a question regarding the CTA expansion or if there is a need to take on debt; no approval by the membership is needed regarding the sale of the plant. He also stated that the Board has no restrictions and can run the Plant as they see fit. President Greg Schafer commented that the Board is not trying to control the destiny of the plant; the Board just wants to make sure that it runs properly and that anything important should be brought to the membership.

NEW BUSINESS (1:04:07)

5th/3rd Bank and 1st Source Bank Interest

President Greg Schafer reminded the membership that on October 9th, 2017, we took our cash reserves from capital projects and purchased an 18-month CD from 1st Source Bank in the amount of \$1,150,000 that pays 1.865% interest (186 basis points), yielding \$23,000 in interest over the next year and \$33,000 over the next 18 months. He explained that the Board did negotiate a caveat, whereby if we needed the

money, we could borrow against the Bond (instead of cashing in the CD) at 2% over the rate of interest we are paying them (3.86%).

President Greg Schafer went on to report that in addition to the purchase of the CD, we negotiated an agreement with 1st Source that we would receive 38 basis points in interest on our cash balance from the Capital Improvement & Replacement Fund and Operating Fund accounts; however, we come to find out they were only paying us 6 basis points.

President Greg Schafer explained that 5th/3rd Bank presented an opportunity, whereby if we move our extra cash, they would pay us 1 1/2% interest (150 basis points) over an annual percentage rate for a period of one year; this is a money market account, not a CD.

Secretary/Treasurer Tom Szefer informed the membership that in the next couple of days we are moving \$290,000 from the Capital Improvement & Replacement Fund and \$130,000 from the Operating Fund for a total transfer to 5th/3rd of \$420,000. **President Greg Schafer** pointed out that the money is easily accessible and we can write a check from this money market account to our Operating Fund or Capital Improvement & Replacement Fund, if we need the money. He also added that we should make (over the course of a year) an additional \$8,500 in interest from this opportunity, along with approximately \$31,000 in interest from the 1st Source Bank CD.

President Greg Schafer informed everyone that we already took official action on that decision, whereas himself (President Greg Schafer), Secretary/Treasurer Tom Szefer, and Director Margie Stiles agreed to move the funds to 5th/3rd Bank; Vice President Anthony Cimino could not be involved in the official action because he is employed by 5th/3rd Bank.

Suspension of the Shorewood Forest Utilities Monthly/Bi-monthly Meetings

President Greg Schafer stated that the Board believes there is not enough new business every 30 days to warrant a monthly meeting, so they would like to go to a bi-monthly Board Meeting; not only would this cut down on expenses, but it would allow us to spend more time on projects or issues that need attention. He added that there will be special meetings from time to time, but they will be advertised and signs will be put up.

A motion was made by President Greg Schafer and seconded by Director Margaret Stiles to suspend, on a temporary basis, the monthly Shorewood Forest Utilities regular Board Meetings and instead, conduct the meetings on a bi-monthly basis. The motion was approved unanimously.

COMMENTS FROM THE BOARD (1:10:59)

President Greg Schafer thanked Vice president Anthony Cimino for bringing to our attention the money market rate of 1.5% that Fifth Third Bank is offering to enable us to deposit our money at that bank.

Questions From The Membership

Frank Draschil (Arbor Lakes, Lot 21) asked, "could the minutes of the meetings be done on a more timely basis especially with all the turmoil going on with the lawsuit and whose doing what to who now?" He went on to say that the purpose of the minutes is to keep people informed and we are dealing with minutes that are 11 months old. Secretary/Treasurer Tom Szefer informed everyone on how the process works: first our Administrative Assistant Linda Walla listens to the audio of the meeting, then Plant Manager Forest Ash reviews them and makes any corrections, then I (Tom Szefer) listen to the audio and read along with what they wrote and make any corrections; then it goes back to Administrative Assistant Linda Walla for final grammatical and punctuation corrections, then it goes to the Board for review and any recommended corrections before it is approved by the entire Board. He also stated that with this last batch

of minutes, the Board had them for about 4 to 6 weeks. He also stated that the problem with completing the Board minutes started back in August; the minutes were always put on the back burner because of all the new things we were doing with the Utility and that is why there are so many minutes coming out at one time now.

President Greg Schafer stated that once we had a chance to digest the minutes, we will post them immediately on our website, but we can't take official action to accept them until the next meeting. He also stated that he understands his (Frank Draschil) concern, that he wants to stay informed; it is our responsibility is to keep him informed and we will happily accommodate him.

Secretary/Treasurer Tom Szefc explained that we can do the minutes in 10 days if Administrative Assistant Linda Walla gets started on them tomorrow morning and does not get interrupted so she can do her part of it; but everything else comes into play and they have Linda doing this and that and the minutes get pushed off to the side.

Frank Draschil (Arbor Lakes, Lot 21) asked, "was there something in the past where there was talk about a revote (Blum Contract)?" President Greg Schafer replied that we haven't taken any position to do a revote, right now it is in the hands of the attorneys and the court to see what in fact shakes out from all this. We do feel confident in our position, but right now it has to run its course.

Greg Colton (lot 723) stated that at candidates night all 4 of us said that if elected, we would have a revote and he doesn't understand why anything the courts decide, will have anything to do with a revote. President Greg Schafer replied that things have been exposed that we had no idea that was going on and now let it run its course in the courts.

Frank Draschil (Arbor Lakes, Lot 21) asked, "what county is the lawsuit filed in?" President Greg Schafer replied that the lawsuit is filed in Benton County.

Summertime Help

President Greg Schafer stated that we are going to need some summer help to do some camera work and general maintenance and so forth.

A motion was made by President Greg Schafer and seconded by Vice President Anthony Cimino to allow Plant Manager Forest Ash to have the discretion to hire or not hire one person, under his direction, full time summer help for approximately four months at an hourly rate of \$11 an hour. In addition, whoever he hires has to perform; however, if he or she doesn't perform, Plant Manager Forest Ash has a responsibility to get someone else in there who can. The motion was unanimously approved.

COMMENTS FROM THE MEMBERSHIP (1:23:15)

Greg Colton (lot 723) inquired if we have an accountant because we probably have to file taxes in about two months. President Greg Schafer replied that we have filed an extension.

Greg Colton (lot 723) re-asked an earlier question stating that at candidates night all 4 of us said that if elected, we would have a revote and he sees nothing in this lawsuit that would prohibit us from following through on that. President Greg Schafer replied that, "other than the former Board entered into a contract before a revote; and that's exactly what we were proposing is to shelve that vote you got because we think it is inaccurate; it hasn't been proposed properly and please let us do a revote; at that time you chose as

president not to do a revote, in fact I remember a phone call from you saying you thought something was inadequate there and asked me to hold off a couple or three days before we took official action and then suddenly you guys decided not to shelve the vote, but to proceed with signing a contract with Blum." **President Greg Schafer asked, "Is any part of that not right?"** **Greg Colton (Lot 723)** replied that, "you spoke real quickly and I didn't have time to digest it, so I'm not going to commit."

Secretary/Treasurer Tom Szefc asked Greg Colton (Lot 723), "if we had a revote would that change anything?" President Greg Schafer said, "it does not change anything anymore." He also said, "the former Board entered into a contract and Blum has signed that contract and has even deposited some money in an account as per the contract agreement, demonstrating that he intends to move forward now; the revote should of happened yes, I agree, the revote should have happened back then and that was exactly what to do and all this would have went away, but that's not where we are and the former Board moved forward, called a special meeting instead of opening the ballots the night that the annual meeting was scheduled for 7 o'clock; I got a picture of the sign here that said it was an annual meeting for 7 o'clock and after 7 (o'clock) they called for a special board meeting to specifically add another board member to take the official action they were about to make legal and then turned around and voted outside the outcry of numerous people in the audience - don't do this, but they just forced the deal through; now they have to live with what they've done and the court will decide whether they acted in good faith, bad faith, whether there was any collusion; whatever the case might be, I think this will be sorted out in the courts now and that's where it belongs."

ADJOURNMENT (1:26:47)

A motion to adjourn was made by Director Margie Stiles and seconded by Secretary/Treasurer Tom Szefc. The motion was unanimously approved.

The meeting was adjourned at 8:29 p.m.