

MINUTES, REGULAR QUARTERLY MEETING, JULY 17, 2017

The Choctaw Utilities Board of Directors met on Monday, July 17, 2017 at the Choctaw Lake Lodge at 7:00 PM for their regular quarterly meeting to transact the business of Choctaw Utilities.

CALL TO ORDER

President Dave Lohrer called the meeting to order at 7:05. He began by calling the roll. Dave Lohrer, Doug Orange, Greg O'Brien, Bob O'Connor, Scott Kutzley, Kent Feliks, and Andrew Beck were all present.

CHOCTAW UTILITIES STATEMENT / POWER POINT PRESENTATION / Q & A

President Lohrer opened the meeting by reading the following statement:

“We understand there has been much discussion regarding Choctaw Utilities activity in the last few weeks. The current Board of Directors, who have each stepped up in the previous 12 months, have promised to lead with transparency and accountability.

The goal and purpose of this current CU Board is straightforward, and are as follows:

- 1.) In order to assure that the problems that manifested themselves last year are resolved, replace our 47 year old plant in the most economical way possible.
- 2.) Identify every efficiency and cost saving measure in order to provide our customers the best value.
- 3.) This CU Board is focused on the next 30 years, not the previous 30 years.

It's been a process to meet these stated goals. Here is a brief summary for those who haven't been following closely along.

We are currently operating under a conditional EPA license due to the various issues regarding our water plant. We are definitely on their radar and they are closely monitoring our actions to fix our issues. They have given us strict deadlines to accomplish these necessary repairs.

IBI Group, the engineering firm who studied our plant last year, advised that our plant is well past its useful life expectancy. Their study was completed around the beginning of this year. We then sought out more opinions from a variety of other expert sources, such as the Ohio Rural

Water Association, neighboring water plants such as Plain City, and even had another engineering firm, MS Consultants give their opinion. We've shared the remarks from these sources, which occurred at open meetings, with our customers via every means possible.

We've also retained council who specializes in water utility systems. We were advised of the issues with our current For Profit structure and presented options to put our utility on much surer footing, while providing tax savings, and improved liability protection.

We have received preliminary approval for funding through the EPA at a low interest, 20 year loan.

We've been exploring installing a system of flushing taps in our system to flush out our main distribution system. We've received EPA approval to replace blow off assemblies with flushing hydrants. We're moving carefully closer to taking action in order to implement this much needed infrastructure improvement.

We understand that some people will never be satisfied no matter what action we take. That's just the reality of conducting public business. CU has made itself available to answer any questions that have arisen. This week, questions were presented to CU.

The slides that follow answer those questions line by line."

President Lohrer and Doug Orange proceeded to give a Power Point presentation complete with 21 questions and answers to those questions that were presented by community residents. They also answered additional questions from residents at the meeting. These questions related to the potential sale of the rental house owned by Choctaw Utilities (CU), the proposed move of CU's administrative operations to the water plant, and the ongoing discussion of moving CU from a for-profit corporation to a non-profit corporation.

MANAGERS REPORT- JIM MORAN

Tower 1, 2, and the clear well at the plant were recently cleaned. Jim explained the actual process of this cleaning and said this was part of the regular maintenance program. He also stated that he was preparing to do preventative maintenance on the generator at the plant which includes an oil change and comprehensive check of the entire unit. It will be done in the next few weeks.

We have started the valve exercising program on our distribution system. He explained the purpose and process of this program. This is done every 3-4 years. We have completed the east side and will be moving on to the west side this month. Valves appear to be in good shape. He

reported that we have been doing monthly testing on our filters since the problem with brown water last summer. These monthly tests have all been satisfactory.

Copper and lead report has been submitted to the EPA. None of the tests exceeded EPA standards. We have no lead at all in our system. We have also sent in our bi-annual Corrosion Control report.

FINANCIAL REPORT- DOUG ORANGE

Treasurer Orange reported that we have total deposits in the bank in our various accounts of \$845, 672.00. This slightly higher than we had at the same time last year. Jim Moran stated that we appropriate approximately \$96K annually for plant maintenance. Our aging report has improved dramatically over the past 60 days. Our over 120 day's delinquent report has been reduced from \$25K at our last quarterly meeting to \$8K. This has been a focus and will continue to be worked regularly.

EPA FUNDING UPDATE

President Lohrer informed everyone that the EPA has placed our new water plant on its Intended Project List (IPL) and eligible for funding. There is significant documentation required and the board has already begun submittal to the EPA. There are three sections to this review/approval process including technical, managerial, and financial. All three of these sections are very detailed and the hope is that it will ultimately conclude with a 20 year, low interest subsidized loan at an interest rate of around 1.5-1.8% for our new plant. The board has split into committees to address this important process.

ADMINISTRATIVE UPDATE

It was announced that the board has hired Marti Schmidt as office manager for Choctaw Utilities. Marti is a resident of the lake with a significant business background including accounting. She will be handling the daily administrative duties of CU and will be located at the water plant. She will be the point person on billing for our customers. We are thrilled to have Marti on board and believe that she will be a valuable asset to our community.

All CU files have been relocated to the water plant and the new office there should be fully operational by August 1, 2017. The new email address for CU was announced. It is choctawwater@gmail.com. The new CU web site is in development and the hope is that it will

be active in the next 30-45. Kent Felix volunteered to be part of the web site development committee with Marti Schmidt, Doug Orange, and our web developer, Christine Cooney.

Doug Orange made a motion to hire Ms. Cooney as our web developer at a cost not to exceed \$500. This motion was seconded by Kent Felix. This motion passed 7-0.

Minutes of the May 23 special meeting were reviewed and discussed. Bob OConnor motioned to approve the minutes as submitted. This motion was seconded by Doug Orange. This motion passed 7-0.

Paul Rennick, CPA, has visited our plant and met with several members of the board. He specializes in accounting for utility companies. It is our goal to have an engagement letter from him to approve in the near future and retain Paul to handle our accounting / taxation issues. He will also help us with the EPA funding process.

The board has been discussing the price that has been charged for the installation of taps on new construction at the lake. Our price has been \$1500 and the cost involved to install these taps often cost us \$3-4K. We have been losing money on each of these projects. After reviewing tap fees at other nearby plants and our costs, it has become clear we need to raise our price for these taps. After discussion, Jim Moran recommended that we raise our tap fees to \$3500. Doug Orange motioned to raise the tap fees to \$3500. The motion was seconded by Scott Kutzley. The motion passed 7-0. This new fee schedule will begin on September 1, 2017.

DESIGN ENGINEERING UPDATE

Scott Kutzley discussed the engineering of our new plant. Scott has had discussion with three contractors as to how to proceed with our project. MS Consultants in Columbus has given us two opinions as to how to proceed from an engineering standpoint. We can either go with a 30% plan with drawings/ bid packages for around \$20K. The additional engineering would be done later in the process. The downside to this option is it would require much more involvement and some critical decisions would not be included. The second option is to do 100% plan with complete drawings / bid packages. This full engineering would be more costly, perhaps in the \$100-150K range. This cost can be included in our loan package.

From a supplier standpoint, the board has concluded that Tonka equipment is the preferred choice for our new plant. We have spoken with several suppliers and other water plants and it has been determined that Tonka is superior to the other options that are available. Tonka has some unique options available to us that may reduce the cost of the overall project.

We are continuing to discuss which type of plant we prefer, either vertical pressure filters or Duolater 3, gravity filters. We believe that we have the price down to the \$1.5-1.8M range, which is about \$800-900K less than the costs estimated in the IBI report. The board will

continue to review options and hope to make a decision on the type of plant and move forward to the engineering stage in the 60-90 days.

FLUSHING HYDRANT DISCUSSION

Kent Feliks gave an update on the flushing hydrant project with our distribution system. He has spoken with Tim Ballard of the Ohio Rural Water Association and he is giving us contact information for potential contractors for this project. Kent Feliks and Andrew Beckman will develop the technical details of this project and get it ready to bid. The goal is to have the project completed sometime in late 2017. Further details will come later this summer.

TIMELINES / CRITICAL PATH UPDATE

Andrew Beckman has been working on timelines for the actual dates for tasks/accomplishments on the new water plant project. As the project progresses, he will give us monthly updates of tasks and timelines regarding progress on various parts of our project.

ELECTRICAL RATE OPTION UPDATE

This subject was tabled until the next meeting.

RENTAL HOUSE UPDATE

President Lohrer discussed the rental house that is owned by CU. The house is in deplorable condition. It is an embarrassment to our community. He displayed photos depicting the terrible condition of the house. Neighbors of this house have been complaining about its condition.

We have a PUCO exemption that is potentially in jeopardy as a result of us conducting business that is not related to the production of water. The house does not provide any use to CU and it has been rented sporadically for several years. CU does not wish to be a landlord and needs to divest themselves of this major eyesore and pocket the money to help with our new water plant.

Bob OConnor has been tasked with looking at our options with this property. We could tear it down, but there would be a cost to us to accomplish this. Price to demo could be between

\$8-20K. We could institute repairs and sell the property. Our initial estimate from a local contractor indicated that it would be a minimum of \$18K and probably more to get the house to be habitable. It is unknown what the value would be after repairs due to the smaller lot and water tower in such close proximity to the rear of the house. Bob contacted a local realtor to do a marketing analysis as to what the house may be worth “as is” or the expected value after repairs. The realtor stated that it would be very difficult to determine “comps” for this house due to the unique variables and no other house being sold that would be similar.

The board has a cash bid to purchase “as is”. There was continued discussion as to what the board should do by both the board and members of the audience. It was decided that the board wants to sell the property “as is”. The board will put a sign up in the yard, obtain a survey to separate the house from the water tower, obtain an appraisal, and entertain offers on the property for a period of time and then sell the property “as is” to the best cash offer that the board receives.

AUDIENCE DISCUSSION / QUESTIONS

There were no other questions from the audience following the rental house discussion.

Meeting was adjourned at 9:29 pm.

