

Meeting Minutes
Choctaw Utilities, Inc.
Board of Directors Quarterly Meeting – Virtual Zoom Meeting
Tuesday, May 26, 2020

Call to Order: 7:20pm

Roll Call in Attendance: Dave Lohrer, Doug Orange, Kent Feliks, Dave Rankin, Brian Welch, Dick Hanna - Bob O'Connor not in attendance

Jim Moran – Plant Manager, Marti Schmidt – Office Manager, Scott Kutzley – New Plant

Old Business:

- **Electronic Motion 12/3/2019: Minutes from October 14, 2019**

Motion to accept minutes as submitted – passed 6-0

- **Non-Profit Committee – Dave Rankin:**

Social media comments indicated that the committee is stalled. Dave R. disagreed with the consensus, and felt stalled was a bit strong. Committee meetings started in November, 2019. Since then, the committee:

- went to DelCo Water and got info from them (bi-laws, etc.). DelCo is very fond of Albers and recommended we talk with them.
- Phone meeting with Jane at Clark Schaffer Hackett – she said it would cost us a lot in taxes if we went from for profit to non-profit. There is not agreement this is actually correct.

Currently at a stalemate, not sure if they will have another meeting. Christine sent the committee a spreadsheet of answers for all questions asked. Kent indicated that one accountant said we couldn't get tax savings, but Albers indicated that we could. Doug updated that Paul Rennick could have more information as they are water utility accountants (which CCSH is not). Dave L. indicated that he brought it up on social media after reviewing the current budget figures and realized we are still not getting closer to possible cost savings for the property owners.

Next step will be to get a meeting with John Albers and Paul Rennick: can we do this (non-profit) and what is the tax ramifications? How will/does this effect the CLPOA and their bottom line. Could it be a transfer of interest and not a sale of stock for CLPOA so they remain in control of the utility. Big question is for the tax exemption going from for-profit to non-profit, and making sure that CLPOA stays in control of any future sales. Further discussion of how to move forward went around. Money spent to date with CSH is \$3,350, cost split between CLPOA and CU (\$1,675 each)

MOTION: CU to pay for contacting both Albers and Rennick with specific questions to address tax ramifications of CLPOA and CU for changing CU to not-for-profit and

recommend multiple courses of action for final review by CLPOA attorney, cost NTE \$10,000
Motion carries 6-0

ms Consultants change order negotiation – Dave Lohrer:

In March, change order from CapCity for \$100,000+. Held onto it, and pushed ms Consultants and they offered to pay us pay us \$60k in hard cash (\$15k/quarter), destroy two current invoices, and offer their services to issue finalized drawings amounting to \$40k in services for a hard savings to CU of \$100,000. Offer sent to Albers for review, a few changes were recommended and Dave L. sent back to ms Consultants for a final review.

Water Plant/EPA Update– Dave Lohrer:

Equipment shipping and delivering: transformer June 2nd and control center June 9th, and CapCity indicated that we should be operational at the end of July. Media is in the tanks, just waiting for electrical equipment so we can turn the plant on. Painters started back today, additional crew tomorrow, and best guess is should be complete in two weeks. Grading not very currently satisfactory – discussed today with ProCon (they handle both the grading and painting).

Plant Manager Update - Jim

In 2019, pumped 71.53 million gallons, 3.5million gallons less that last year; 10,000 gallons less per day and stays within the normal range. Well #1 pumped 28.75 million gallons, well #2 28.98 million gallons, and well #3 23.80 million gallons. November least amount pumped and July the most. We had 4 taps last year, 1 sprinkling ban, 2 main repairs, 5 service line repairs, 0 boil orders and 0 valve replacements. CCR completed and needs distributed by the end of June. EPA testing in 2019 completed with two violations. 2020 testing started; copper and lead testing need to be done by the end of June, but with COVID we are not sure about getting the 20 samples from the households. Jim has contacted EPA multiple times, and they will get back to us. Dave L. wants to get their answer in writing to prevent another violation. Spending very little to nothing on the old plant; putting off for another month or two. Hydrants have been rated and tested and were flushed this spring. Jim has heard that the insurance companies have lowered the rating to give home owners a cost savings for the installation of hydrants and the new fire station that is now fully manned on SR 56.

EPA reviewed our CCR draft and they made a few suggestions to change and remove items that we do not have to report on. Jim made the changes and sent it back for final draft review. The EPA said that anything that is below detectable limits should be removed from the CCR. The EPA also said that they did not double-check his chlorine calculations. Dave suggested that we might send out chlorine calculations for verification to another plant. Dave L. asked Jim to call OWDA to see if they could do a final review of our CCR and gave Jim the phone number to call.

Fire department was able to use the new hydrants to help fight the recent fire on Huron. No leaks were discovered in that area after the hydrant was used. There were initial concerns

about water hammering when the valves were actuated with the hydrant. Did not appear to be an issue. Jim made it clear to the fire department that he would like a courtesy call any time they pull on the hydrant so he can monitor any effects from the use for fighting fires.

Treasurer Report as of May 24th- Doug

P&L fiscal YTD (March 1 to today) - \$80k profit, first quarter looking good for us. Balance sheet as of today, have \$881k in cash, we have appropriated about \$400k to asset management. We set back \$76k a year to fund large capital projects. Water plant loan first payment due in 60-days.

Budget: Dave, Doug, Jim and Marti met (zoom meeting) and went over every line item. Projecting revenue of \$515k. Gross income \$122k profit. From the gross profit, we have to make loan payment to OWDA, \$76k retained earnings set aside for asset management, we forecast about a \$24k loss this year. Brian had questions concerning tap budget and water testing budget. Tap income budget and tap subcontractor net zero. With new plant start-up with new chemicals, the EPA requires more rigorous testing until we get consistent results from the new plant. Once you show compliance for 6-months to a year, they relax testing requirements. Testing costs reduce after satisfactory performance.

Doug tried to get first payment to OWDA extended to January 2021. They respectfully declined and told us we were doing too well financially to postpone the loan. Doug is still working with them to get the first payment adjusted lower to reflect the funds distributed to date instead of the entire loan amount. He should know later this week or next.

Aging: 24 accounts past due by two billings in March – by today in May it is reduced to 12 past due accounts. Marti will watch for a possible decline in payments after the July billing because of stay-in-place order for COVID and owners not being able to return to work. Currently collecting 98%+ of accounts.

MOTION to approve budget, seconded – motion carries 6-0

New Business:

Election of new officers: Current chairman turned meeting over to Jim. Floor open for nominations for President. Dave Lohrer was nominated and seconded. Dave accepted nomination. Nominations closed. Vote - Motion carries 6-0.

Floor open for nominations for Secretary/Treasurer. Doug was nominated and declined. Kent Felix was nominated and seconded. Kent accepted nomination. Nominations closed. Vote – Motion carries 6-0

Floor open for nominations for Vice President. Dick Hanna was nominated and seconded. Dick accepted nomination. Nominations closed. Vote - Motion carries 6-0.

Audience Discussion/Questions: none

Meeting adjourned 8:40pm