

**Salt Creek Estates Homeowners Association (SCE)
Board of Directors Meeting
At the Home of Andy Morrison
January 27, 2024**

Present: Carl Bauer, President; Bette Dodd, Kevin Ewing, Mark Fisk, Pete Grogg, Chad Huck, Colleen Hittle, Tony Moore, Diane Pfeiffer, Pat Roche, and Mark Fisk

Absent: Greg Morical

Minutes

Motion: Chad moved, Tony seconded approval of the October 14, 2023 Board minutes: Unanimously approved.

Motion: Bette moved, Tony seconded that the minutes for the October 28, 2023 SCE Annual Meeting be approved with the following corrections: Indicate it was the annual meeting and correct Hadwin Brown and Sarah Brown spelling. Unanimously approved.

Update on Sewer and Water Plan Projects: Carl Bauer

Carl reviewed his report on progress since the last board meeting, indicating that RQAW has essentially finished the sewer plant Preliminary Engineering Report (PER), which was attached to his report. The water plant PER needs some additional work but is nearly finished. Carl noted that RQAW has a good track record in writing PERs that result in funding for its clients.

Carl described scoring for State Revolving Fund (SRF) proposals submitted to the Indiana Finance Authority (IFA), noting there are separate scoring metrics for water and sewer plant projects. Funding is allocated based on proposal scores. RQAW does internal self-scoring using the SRF score sheet to guide them in writing PERS for maximum scores. At our request, RQAW did in-house self-scoring for our projects. Our water plant project scored well and is expected to be competitive for IFA grant funding, a low interest long-term loan, or a combination of both. Carl noted that the water plant is the most expensive of our two projects.

Since SCE is not considered low income, it might be unlikely to get a grant for the full project. We'd be more likely to get a combination loan and grant. It was noted that the area's income is based on census data, which would likely be beneficial for us. It is helpful that IFA prioritizes low water rates because SCE's rates are extremely high due to the significant amount of on-going investment in labor and maintenance.

RQAW's scoring for the sewer plant was less favorable than the water score, partially because one of IFA's priorities is to get people off septic. If our score is out of the SRF full funding range, it may still be eligible for pooled bond funding, which involves 20-year loan options at low interest rates. There is also a USDA Rural Development Program that Aaron at RQAW recommends we pursue if we do not receive SRF funding.

The steps for SRF submission were discussed. An Asset Management Program (AMP) and calculation of net present worth (NPW) would be required. Much of the data for the AMP will be extracted from the Ziptility report. Data for the NPW will require work by our accounting firm.

It was noted that our annual contract with Bynum, which currently increases based on inflation, would have to be changed. If we have a new sewer plant that is easier to maintain, there may be some competition for this work.

Various possibilities for loans (and interest rates) will need to be considered based on the success of our proposal and alternatives offered. The first step with USDA would be to demonstrate we can't get an IFA loan. If we get a grant from IFA, we'd likely have to also accept any loan they offer.

RQAW assisted in connecting our group with Craig McGowan, Southern District Director of the USDA Rural Development (RD) Program. Carl, Bette, and Kevin then had a Zoom meeting with Cynthia Ferguson, the regional planner for the USDA Rural Development Program in Monroe County and surrounding counties. In addition to learning that Salt Creek Estates qualifies as a rural community, they learned the following:

- The RD program is a loan program with very favorable terms for rural water and sewer plants.
- This program does not use scoring like IFA. Funding eligibility only requires evidence that we are a rural community with a governing entity that can qualify for loans and that we have the financial means to pay back a loan (for example our HOA dues, ability to undertake property liens etc). If the USDA Office of General Counsel rules that we meet this requirement, we would be eligible for the USDA RD loan program*.
- Current terms are 40-year loans at 3.2 % interest.
- This program requires that we first obtain a construction loan guaranteed by USDA to fund construction. Once construction is complete then USDA will swap out the construction loan with a 40-year low interest RD loan.
- Preliminary math indicates that a 40-year loan for \$2 million at 3.2% interest would increase the monthly rates by approximately \$100/month. The hope is that operational cost savings provided by a new water plant, coupled with reduced maintenance and operating cost of a new sewer plant, may offset payments of a USDA RD loan.

Kevin has sent Salt Creek Inc. Articles of Incorporation, Bylaws and Covenants to Cynthia Ferguson. Bette has had good experience working with USDA, but it is a slow process.

Mark indicated that we're ready to send in both of our proposals to the SRF program. He encouraged us to submit them to IFA for the SRF to get our name out and gain visibility because there is no downside to this approach.

Pat inquired whether when we apply for a government loan they would use the PER as the basis for the loan amount. Bette indicated this is not the case because after a loan is approved you seek bids, and funding will be based on actual costs of bids. Changes may be made during this phase that affect costs, so there is latitude to adjust scope during design phase.

We won't know what the overall financial impact is until this July when we see what is proposed by IFA for a grant, loan, length of loan, interest rates, etc. The best we can do is consider best, worst, and middle cost scenarios.

Our next step is to focus on the project. IFA will need to tailor a package that we can pay back. A grant is ideal, but a 40-year loan is manageable.

Carl explained that the PERs are done, but there is no AMP yet because we excluded it from our first RQAW contract when we thought we were only seeking SRF funding through the small systems grant program. In addition, IFA added a new requirement for the SRF program called Net Present Worth (NPW), which also is required by USDA. RQAW proposed a \$44,000 amendment to its contract to complete the AMP, but Mark worked with them to focus the scope of project, bringing the cost down to \$24,400.

Pat was waiting to hear from Wessler engineering for the drinking water side of the projects, Pat hasn't discussed wastewater with them. Mark said Wessler didn't interview well and said they couldn't meet our schedule, so they are not a good fit at this time.

Carl indicated the next phase will be to seek a contract for phase two. He proposed continue to work with RQAW to get the applications submitted. We could then consider Wessler in July or August for the construction phase.

It was noted that engineering costs can go into the proposal for financing along with legal and accounting costs.

Motion: Kevin motioned, Bette seconded that we accept and execute RQAW's \$24,400 contract addendum for completion of all necessary reports and analysis for the IFA submittals and, once this engagement is complete, we'll issue RFPs for phase II engineering services, which the board will discuss. Approved unanimously.

Kevin noted there is enough cash in the budget to cover the addendum.

Treasurer's Report: Kevin Ewing: (11:06)

Kevin reported that as of December 31, 2023, there were 56 lots that had not paid the \$750 special assessment. \$17,000 in assessments had been paid by the end of December. This is encouraging because the payment was not due until the end of January. There have been no requests for a payment plan.

Kevin reviewed his report for the period ending December 31, 2023, noting that 2023 was a good year operationally. We generated \$4,644 in cash from December 31, 2022, with Total Cash reflecting \$26,280 deposited to the Sanitation and Water Reserve Fund for the same period. The primary use of cash during the quarter was expenditures totaling \$58,900 for the RQAW wastewater and drinking water preliminary engineering reports. From an operational perspective (excluding RQAW expenditures, sanitation reserve deposits, special assessments, and accounts receivable), operating activities generated \$37,264 in net cash with actual Total Revenues (excluding accounts receivables) and overall expenditures being consistent with the budget. Absent the RQAW expenses we would have been ahead \$60K. It is expected that we will continue to increase cash from operations.

Kevin was complimented for estimating the best way to balance revenues. This positive cash flow will be important to USDA and IFA as they review our applications.

Delinquent Dues

Kevin reported that the [REDACTED] vacated their lot and their mobile home with no forwarding address. Their property was sold at a tax sale, but there won't be a new owner until next year because [REDACTED] will have a chance to repay the tax debt and get the property back. SCE is taking them to court in absentia with January 30, 2024 as the court date. Our local Bloomington attorney filed action in small claims court, but since we don't know where the [REDACTED] are, they can't be served. The next step is for Greg to sign an affidavit for the court that confirms all necessary steps have been taken by SCE. If the [REDACTED] don't show up, we would have a judgment. It's uncertain what happens after than because there would also be a tax lien that may take priority.

[REDACTED] is over \$1,400 behind on dues. Although he previously said he had a new job and hoped to get his dues caught up by the end of 2023, no payment has been received. Carl has discussed this with Greg and will reach out to [REDACTED] to encourage him to begin paying and to inform him that that we would need to file a lien if the outstanding dues exceed \$1,500.

Others who were delinquent paid up following Carl's follow-up.

Boat Dock Committee Report: Mark Fisk and Pete Grogg

The boat docks are essentially unchanged from last year, but they have had some damage due to bad weather. Repairs will be needed prior to the summer season. In addition to repairs mentioned in the October report, work planned for 2024 includes fixing the finger between the Koelling and Janis slips and electrical system repairs. Float replacements will also be needed in the next few years.

Water and Sewer: Pat Roche

Water treatment has been difficult with recent leaks and freezing temperatures. This included a main leak that required a water shutdown for several days. This only affected the Watsons because they were the only residents home at the time. BFU had an emergency locate performed and repaired the leak the next day. They flushed the line but had to initiate a "Boil Order" for several days. This repair cost \$5017.

During the below freezing temperatures, the water line from the lake pump to the pump house froze several times. BFU used propane torches to unfreeze the lines.

There was an IDEM inspection of the WWTP on 12/13/23. The results were same as the past with the main concerns being:

- Lift Stations in poor condition
 - Rust evidence
 - Controls in poor condition
 - Missing redundant pumps
- Lack of Alarming/Backup Power
- Hydraulic Overload
- Effluent Limits out of tolerance

Carl talked to the IDEM representative and explained we were in the process of trying to replace the plant. He also responded to the deficiencies with a detailed report that was well-received.

Pat Roche added a timer at the WWTP lift station that controls the #1 pump. The addition of the timer satisfies IDEM's Hydraulic Overload and Limits.

Bynum Fanyo increased their monthly contract by 4.4% per our contract.

Suggested that Pat push Bynum to make necessary equipment replacements.

FBI called Carl and Pat to say that our system had been hacked in relation to Israeli war.

Tank cleaning was delayed to due weather.

Road and Grounds: Carl and Chad

- Roads are in good shape overall.
- Ed Wagler did the normal fall grading after Seth blew leaves in late November.
- Seth continues to do routine inspection and maintenance of roads and culverts. There are no pressing issues.
- An agreement was reached with Jennifer Barry (owner of the large plots of land near the second mailbox and down Dianne Street) to pay half of the \$800 cost of removing her tree that fell across Dianne Street in July. Payment has been received.

There have been discussions about teaming up with neighbors on Elkins Road to get the county to pave it. It was noted that it is in Monroe County, it is a relatively short distance that needs to be paved, and it seems to be getting worse. Earlier paving of a segment of Gilmore Ridge Road was done due to health issues of a resident.

Architectural Review Committee: Tony Moore

- Tony commented that the Morical's remodel looks great.
- The new siding recently put on Hook's home needs to be replaced because the paint is peeling.
- Bob and Sammy Watson are concerned that their driveway request made a year ago has not been addressed, but Mark indicated he's still waiting for information from Sammy.
- Jim Myer wanted to modify his driveway, so the gravel won't wash out. Carl will follow up with Jim for a status report.

Josh Von Wolde and Kevin Doty's email about their difficulty in selling their lots was discussed. Carl spoke with realtors who dispelled rumors about difficulties selling Salt Creek property. Carl further noted that information about the water and sewer projects in question did not come from one of our SCE plant operators, as alleged. Rather, the prospective buyer in question spoke to an engineer who was formerly with the BF Engineering Firm before it split from Bynum Fanyo Utilities, which is now a separate company. Chad also shared information about conversations he had with a potential buyer who had heard inaccurate information about our water and sewer projects and projected costs. Carl will clarify this information with Josh and Kevin, stressing the damage they may do by circulating false information. Josh and Kevin's request for more information on the water and sewer projects was also discussed, but there was consensus that Carl's quarterly letters along with the October annual meeting have been effective in keeping SCE Owners abreast of the projects.

SCE Nonprofit Status

Kevin referenced emails on SCE's nonprofit status along with questions about whether we qualify as a nonprofit from a tax perspective. Based on initial research, Kevin does not think we qualify as a nonprofit. It is likely that there are a lot of other associations that are similarly situated.

As required, Kevin gave our Articles of Incorporation to USDA. However, the original Articles of Incorporation filed with the state are apparently not accessible, which is not uncommon. In addition, the by-laws are not current and do not line up with the Covenants. Bette and Kevin agreed to draft amended and restated by-laws to mirror the Covenants. This is needed to ensure good corporate governance and will also be important for IFA and USDA. It was noted that the Board can change by-laws, but not Covenants.

Meeting was adjourned at 12:15.

Minutes recorded by: Diane Pfeiffer, Secretary