

Indian Creek Homeowners and Water Association Annual Meeting
Wednesday, March 4, 2020 – 7 p.m.
Towanda Community Center

President: Barb Leathers
VP/Secretary: Barbara Ulbrich
Treasurer: Dave Schulthes
Water Chair: Jim Larson
Grounds Chair: Fred Walk
Newsletter: Kathy Dumler and Ron Metz

- I. Call to Order - Barb
- II. Minutes of 2019 Annual Meeting were read by Barbara with no suggested changes.
- III. Standing Reports

A. Covenants and Bylaws - Barbara

The "Annual Assessment" covers specified items – maintenance for grounds, insurance, taxes, mailing/postage and water as it pertains to the common area and common elements. The Annual Assessment can be raised by a vote of the Board. Changes to the water bill and water system require a vote of the homeowners.

B. Finance Report – Dave.

The Association has approximately \$163,000, invested in Certificates of Deposit. We take in about \$45,000 plus about \$3,000 in interest each year. Our expenses are approximately \$29,000 each year. Dave expects we could see a decrease in the amount of interest we receive.

C. Water report – Jim.

Jim introduced Frank Cottrell, the ICHWA water system operator, and Joe Mikulecky, Engineer Manager for the Farnsworth Group. Joe conducted the recent inspection of our water tower and developed recommendations for the water system. Frank provided background on our water system and water quality. Jim discussed the "Indian Creek Water System Assessment Resolution" document provided to all residences by email with the Annual Meeting Agenda. This document was also provided at the Annual Meeting and mailed to residences who have not yet voted on the assessment increase. The document includes background on past water tower maintenance

(refurbishing was last done in 2008), descriptions of refurbishing/replacement options considered in the Farnsworth inspection report and information supporting the necessity of increasing the annual assessment.

Based on the information provided through the Farnsworth inspection, the Board will pursue refurbishing the water tower at an estimated cost of \$300,000 and constructing a building to house the chemical processing now done in the tower base at an estimated cost of \$75,000. The chemical processing creates a caustic environment in the tower which could reduce the life of the tower. The chemical building is planned to be constructed in 2020 and the refurbishing is planned for 2021. The other water tower options considered were replacing the tower with a new or used tower, replacing the tower with a ground based pressurized system or connecting with a Bloomington water source either through Hudson or Towanda. The options that were not selected were all considerably more expensive than the refurbishing / chemical building option selected. Refurbishing the tower is estimated to last for 20 years. The water tower is about 58 years old and has an expected additional useful life of 40-60 years with proper maintenance.

The planned refurbishing cost is significantly higher than past refurbishing costs because the four layers of paint from previous refurbishing work will need to be stripped in order to prevent likely overcoat paint failure. This will require a containment structure to cover the tower during the stripping/repainting. Stricter EPA standards as to how this work is completed have also contributed to the increased cost. A temporary pressurized water tank will provide water service during the refurbishing.

The Board's recommendation to increase the quarterly water assessment from \$115 to \$200 was discussed. ICHWA currently has \$163,000. The Board considered a number of options regarding how to fund the refurbishing and chemical building. An option considered was a one-time assessment of approximately \$2,000 per residence. This option was considered to be too much of a burden on residents. The current plan to increase the assessment and borrow about \$200,000 is recommended in order to minimize the burden on residents while providing sufficient funds for the needed work. A more detailed capital budgeting plan will be developed when refurbishing costs, financing options and other information is finalized.

Jim stressed it is critical the Board's recommendation to increase the water assessment is approved by a majority of our residences so the necessary

refurbishing work can be completed in order to properly maintain our water system and for our homeowners' association to continue to be financially sound.

Other business – One resident discussed experiencing discolored water and clogged filters on a newly installed in-house water system. Frank Cottrell said the primary challenge with water quality is the presence of iron and organic matter that accumulates especially during winter months when water usage is low and we are unable to flush the system due to freezing issues. Other residents provided information about available in-house water treatment options. Information is available in the water section of the ICHWA website regarding treatment options. Residents will be informed about the flushing schedule when flushing resumes during the warm weather months along with instructions and warnings regarding water usage during scheduled flushing times. Our water operator, engineering firm and the EPA all regard flushing during the warm weather months as an important tool in maintaining our water quality.

D. Grounds Report – Fred.

The Annual Assessment (formerly known as "Grounds" fees) needs to be increased from \$10/quarter to \$25/quarter to keep pace with increasing insurance costs and other expenses. Indian Creek homeowners may be able to find much lower-cost garbage and recycling collection. The Village of Towanda administers the collection of the Village's garbage fees. To be eligible for the Village's "preferred customer" rate with garbage vendors Indian Creek would need to partner with the Village. The cost may be as low as \$16-\$19/month, including recycling. Garbage pickup would be weekly; recycling would be monthly. Fred also shared that our spring work day will be May 2nd.

IV. Other items.

A. Newsletter report. Kathy.

V. Action Items.

A. Annual Assessment.

Motion to increase the Annual Assessment from \$10/quarter to \$25/quarter was made and passed unanimously by the Board.

B. Water System Assessment.

Proxy materials were provided so that Homeowners could vote immediately, or by mail, no later than March 16.

VI. Adjournment.

The meeting was adjourned, but continued to March 16, when the Water System Assessment vote will be taken.

Indian Creek Water System Assessment Resolution

At the Annual Homeowners Meeting on March 4, 2020, the ICWHA Board will present and strongly supports a resolution to increase the water assessment from \$115 per quarter to \$200 per quarter, beginning July 1, 2020. Detailed information supporting this needed increase is provided in the following sections.

It is very important this resolution is approved in order to maintain the long-term viability of our water system. In developing this recommendation, the Board considered both the cost to our homeowners and the impact on the value of our properties of having a well-maintained and financially secure water system. In order to minimize the immediate impact to homeowners, the Board is seeking a loan to help spread the needed increase over a period of time.

Background:

In addition to normal operating expenses, the most significant expense related to our water system is periodic maintenance of the water tower. About every 10 years major expenditures are needed to refurbish the water tower, including painting both the inside and outside of the tower as well as making other proactive repairs. The water tower was last refurbished in 2008 at a cost of about \$70 thousand dollars. The Farnsworth Group (who designed our water system) has been used to perform engineering studies of the water system, develop refurbishing cost estimates, examine other water system repair/replace options and assist in finding contractors.

Why we need to increase our water assessment:

The Farnsworth Group recently completed an inspection of our water tower and provided cost estimates of 1) refurbishing the water tower, 2) replacing the water tower and 3) connecting to a Bloomington water source. More details of the Farnsworth findings are described in the "Cost Estimate" section of this document and will be discussed at the Annual Homeowners meeting

with a representative of the Farnsworth group in attendance. The ICWHA Board recommends refurbishing the tower because of the very high cost of other options and additional issues with those options.

The estimated cost of refurbishing the water tower is \$300 thousand. The increase is due partially to normal inflation of repair costs. The most significant driver of the increase is the need to strip the four layers of previous paint coatings prior to refurbishing. There is a significant risk of coating failure if we do not strip these old coatings. More stringent EPA requirements have also added to estimated costs. The new coatings are expected to have a 20-year useful life.

In order to prolong the life of our tower, chemical processing which is currently housed inside the tower base needs to be moved to an auxiliary building. Processing chemicals inside the tower creates a caustic environment which results in additional maintenance expense and could shorten the tower life. The estimated cost of a chemical processing building is \$75 thousand. We plan to perform the refurbishing in 2021. The chemical building will be constructed in 2020 or in 2021 before the refurbishing work is started.

We currently have \$167 thousand in our water system fund. We will need to obtain a loan to fund this project. The recommended increase in the assessment is needed to service the required loan, provide for contingency funds and also begin building funds for future maintenance and other capital needs under consideration such as drilling a backup well (\$185 thousand). An illustration of the financial information is provided in a following exhibit.

Next steps:

A vote/proxy form recommending increasing the water assessment will be mailed to all residences and available at the Annual Homeowners Meeting. A majority of residences needs to approve the resolution per our Covenants. (One vote per residence excluding any residence not current in paying assessments.) The ICWHA Board will work with the Farnsworth Group to obtain bids for refurbishing the water tower and constructing a chemical processing building. The Board is investigating loan options which includes bank loans and government loans or loan support programs.

In the future, the water tower will be inspected every five years in order to have more up to date information regarding maintenance and capital needs. The Board is also pursuing having the well inspected to determine the

condition of our well and when a backup well should be drilled (current estimated cost \$185 thousand).

Why a vote of all residences is needed to change our water system assessment: The ICWHA Board recently asked our attorney to review the Indian Creek Covenants and Bylaws. One result of this review was a recommendation to have changes to our Indian Creek water assessment approved by a majority vote of Indian Creek residences. The water system assessment supports our water system operational costs, maintenance, insurance, replacement and needed improvements.

Cost estimates from the 2020 Farnsworth Group report:

Refurbishing the water tower -

The estimate for refurbishing the water tower is \$300 thousand. The water tower refurbishing cost estimate has significantly increased due to escalating repair costs, the need to strip the four previous coats of paint prior to refurbishing and more stringent EPA standards. The new coatings are expected to have a 20-year useful life. The water tower is expected to have a useful life of another 40-60 years with this refurbishment.

Chemical processing currently done in the tower base creates a caustic environment which results in additional maintenance expense and could shorten the tower life. The estimated cost of a chemical processing building is \$75 thousand.

Replacing the water tower with a ground level pressurized system - An alternative not considered in previous studies is replacing the water tower with a ground level pressurized tank system with a backup generator. The estimated cost is \$1.1 million. This may be an option to consider when the water tower needs to be replaced. Replacing the present water tower with a new or used water tower -

A used or new water tower is estimated to cost \$575 thousand to \$650 thousand. This option was not selected because refurbishing can be done at a much lower cost and the water tower's useful life is expected to be another 40-60 years.

Connecting to a Bloomington water supply -

Estimated costs for connecting to a Bloomington water supply range from

\$1.3 million (Towanda) to \$1.8 million (Hudson). There are numerous complications and challenges associated with either option including obtaining approval of governmental agencies, requiring our water tower for pressure under the Hudson connection option or relying on the city of Towanda water tower and system if we purchased water through Towanda which buys water from Bloomington. Residents would be required to pay a usage-based fee for water in addition to maintaining remaining parts of our water system under either water source option. Water meters would need to be installed at each residence and monitored for billing. The Board does not feel these are viable options under current conditions because of the very high cost and a number of other issues. This option would be reconsidered if a closer connection ever becomes available.

Backup well –

Most water systems of our size have a backup well. The estimated cost of drilling an additional well is \$185 thousand. The Board is pursuing having the well inspected to determine the condition of our well and when a backup well should be drilled (current estimated cost \$185 thousand).

Financial Illustration – Water Assessment Change

This exhibit illustrates the financial impacts of the estimated cost of refurbishing and constructing a chemical building based the current water system assessment rate (\$115 per quarter) and recommended assessment rate (\$200 per quarter). The assumptions listed are based on currently available information. They do not include future increases in normal operating expenses. Relatively moderate changes to the assumptions would not likely cause results that would significantly alter recommendations. For example, a 2% change in the loan rate changes the annual loan payment by about \$2 thousand.

Assumptions:

- The recommended assessment is implemented July 1, 2020.
- A 10-year loan is assumed because this is the likely term of a commercially available loan. The Board feels we should pay this loan off within a 5-10 year period in order to begin accumulating funds for future maintenance, a backup well and other capital needs.
- A loan interest rate of 5% is assumed.

(\$ in thousands)

	Recommended Assessment	No assessment
change		
Projected cash May 2021	\$185	\$215
Cash retained for contingencies	15	15
Cash available for project	\$170	\$200
Project cost estimate	\$375	\$375
Loan needed		\$205
5		\$17
Annual revenue over normal operating costs	\$15	\$ 45
Annual loan payment		\$
26	\$ 22	
Annual cash additions (shortages)		\$
(11)	\$ 23	

Note: If the water assessment rate is not increased there will not be sufficient funds to service the loan needed to refurbish the water tower and build the needed chemical processing building. Delaying this work until sufficient funds are available without an increase in the assessment would significantly risk damage to the water tower and higher future costs of completing the necessary work. It is also very important we add to our cash reserves for future increases in operating expenses and build capital reserves for future refurbishing work, potential improvements (such as a backup well) and eventual replacement of the water tower.

**Indian Creek Homeowners and Water Association
Annual Membership Meeting Agenda**

Wednesday, March 4, 2020 – 7:00 p.m.

Towanda Community Center

103 S Jefferson Street

Towanda, IL 61776

- I. Call to Order: Barb Leathers, President
- II. Minutes of Last Meeting: Barbara Ulbrich, Vice President/Secretary
- III. Standing Reports:
 - A. Covenants and Bylaws: Barbara Ulbrich, Vice President/Secretary
 - B. Finance Report: Dave Schulthes, Treasurer
 - 1. Review of 2019 Financial Results and Activity
 - C. Water Report: Jim Larson, Water Chair
 - 1. Water System
 - a. Introductions
Frank Cottrell, Water Operator
Joe Mikulecky, Engineering Manager, Farnsworth Group.
 - b. Water Tower Inspection Report
 - c. Water Tower Refurbishing and Construction of Chemical Processing Building
 - d. Recommendation: Increase Water Assessment from \$115 per quarter to \$200 per quarter (see attached document)
 - D. Grounds Report: Fred Walk, Grounds Chair
 - 1. Garbage Collection
 - 2. Microwave Cable Boxes
 - 3. Common Ground Maintenance
 - a. Spring Workday - May 2, 2020
 - b. Recommendation: Increase Annual Assessment from \$10 per quarter to \$25 per quarter (see attached document)
- IV. Other Items
 - A. Newsletter Report: Kathy Dumler, Ron Metz, Co-Editors
- V. Action Items
 - A. Annual Assessment (Vote of Board)
 - B. Water System Assessment (Proxy Vote of Membership)
- VI. Adjournment

Notice of Annual Membership Meeting and Proxy

Indian Creek Homeowners and Water Association of McLean County, Inc. The Indian Creek Homeowners and Water Association of McLean County, Inc. ("Association") shall hold its Annual Membership Meeting on March 4, 2020 at 7:00 p.m. at the Towanda Community Building. The Association's Board of Directors is proposing the Members of the Association vote to increase the quarterly Water Assessment from \$115 per quarter to \$200 per quarter. Information concerning the proposed increase in the quarterly Water

Assessment shall be presented at this Annual Membership Meeting. The Annual Membership Meeting will then be adjourned and reconvened at 7:00 p.m. on Monday, March 16, 2020, at 29 Candle Ridge Road, Towanda, Illinois, for the sole purpose of voting on the proposed increase in the quarterly Water Assessment.

I hereby designate the Association's Secretary, BARBARA ULBRICH, to vote my membership as follows:

I approve of an increase in the Quarterly
Water Assessment from \$115 per quarter to \$200 per
quarter to commence on July 1,
2020.

YES

NO

Printed Name
Member

Signature of

Address:

Towanda, IL 61776

Date of signing

Please complete and return this form by March 16, 2020 to the attention of:

***Barbara Ulbrich
29 Candle Ridge Road
Towanda, IL 61776***

TO: Residents of Indian Creek Subdivision
FROM: Indian Creek Homeowners and Water Association Board
DATE: February 25, 2020
RE: Annual Membership Meeting and Proxy

Please find important information enclosed with this memo, including:

1. Notice of Annual Membership Meeting and Proxy
2. Annual Membership Meeting Agenda
3. Homeowners Annual Assessment and Supporting Information
4. Water System Assessment and Supporting Information

During the Annual Membership Meeting for the Indian Creek Homeowners and Water Association, information about subdivision assessments and the water system will be provided. A representative from Farnsworth Group and the Association's Water Operator will also be in attendance to provide related information and answer questions. The Board of Directors will vote on an increase to the Homeowners Annual Assessment and proxy forms will be distributed to Indian Creek members to vote on an increase to the Water System Assessment. *It is extremely important for the resolution to be approved to properly maintain our water system.*

Following the Annual Membership Meeting, we will mail proxy forms to homeowners who did not attend the meeting and then we will reconvene the meeting on Monday, March 16, 2020 to review all returned proxy votes. Following the reconvened meeting on March 16, we will notify all members via email of assessment vote outcomes. Any approved changes to the assessments would be reflected in the quarterly billing beginning July 1, 2020.

Your vote is important so we hope to see you at the meeting on Wednesday, March 4, 2020. Note that there is one vote per household and a majority vote of homeowners is required to approve the Water System Assessment. Thank you.

Indian Creek Water System Assessment Resolution

At the Annual Homeowners Meeting on March 4, 2020, the ICWHA Board will present and strongly supports a resolution to increase the water assessment from \$115 per quarter to \$200 per quarter, beginning July 1, 2020. Detailed information supporting this needed increase is provided in the following sections.

It is very important this resolution is approved in order to maintain the long-

term viability of our water system. In developing this recommendation, the Board considered both the cost to our homeowners and the impact on the value of our properties of having a well-maintained and financially secure water system. In order to minimize the immediate impact to homeowners, the Board is seeking a loan to help spread the needed increase over a period of time.

Background:

In addition to normal operating expenses, the most significant expense related to our water system is periodic maintenance of the water tower. About every 10 years major expenditures are needed to refurbish the water tower, including painting both the inside and outside of the tower as well as making other proactive repairs. The water tower was last refurbished in 2008 at a cost of about \$70 thousand dollars. The Farnsworth Group (who designed our water system) has been used to perform engineering studies of the water system, develop refurbishing cost estimates, examine other water system repair/replace options and assist in finding contractors.

Why we need to increase our water assessment:

The Farnsworth Group recently completed an inspection of our water tower and provided cost estimates of 1) refurbishing the water tower, 2) replacing the water tower and 3) connecting to a Bloomington water source. More details of the Farnsworth findings are described in the "Cost Estimate" section of this document and will be discussed at the Annual Homeowners meeting with a representative of the Farnsworth group in attendance. The ICWHA Board recommends refurbishing the tower because of the very high cost of other options and additional issues with those options.

The estimated cost of refurbishing the water tower is \$300 thousand. The increase is due partially to normal inflation of repair costs. The most significant driver of the increase is the need to strip the four layers of previous paint coatings prior to refurbishing. There is a significant risk of coating failure if we do not strip these old coatings. More stringent EPA requirements have also added to estimated costs. The new coatings are expected to have a 20-year useful life.

In order to prolong the life of our tower, chemical processing which is currently housed inside the tower base needs to be moved to an auxiliary building. Processing chemicals inside the tower creates a caustic environment which results in additional maintenance expense and could shorten the tower

life. The estimated cost of a chemical processing building is \$75 thousand. We plan to perform the refurbishing in 2021. The chemical building will be constructed in 2020 or in 2021 before the refurbishing work is started.

We currently have \$167 thousand in our water system fund. We will need to obtain a loan to fund this project. The recommended increase in the assessment is needed to service the required loan, provide for contingency funds and also begin building funds for future maintenance and other capital needs under consideration such as drilling a backup well (\$185 thousand). An illustration of the financial information is provided in a following exhibit.

Next steps:

A vote/proxy form recommending increasing the water assessment will be mailed to all residences and available at the Annual Homeowners Meeting. A majority of residences needs to approve the resolution per our Covenants. (One vote per residence excluding any residence not current in paying assessments.)

The ICWHA Board will work with the Farnsworth Group to obtain bids for refurbishing the water tower and constructing a chemical processing building. The Board is investigating loan options which includes bank loans and government loans or loan support programs.

In the future, the water tower will be inspected every five years in order to have more up to date information regarding maintenance and capital needs. The Board is also pursuing having the well inspected to determine the condition of our well and when a backup well should be drilled (current estimated cost \$185 thousand).

Why a vote of all residences is needed to change our water system assessment:

The ICWHA Board recently asked our attorney to review the Indian Creek Covenants and Bylaws. One result of this review was a recommendation to have changes to our Indian Creek water assessment approved by a majority vote of Indian Creek residences. The water system assessment supports our water system operational costs, maintenance, insurance, replacement and needed improvements.

Cost estimates from the 2020 Farnsworth Group report:
Refurbishing the water tower -

The estimate for refurbishing the water tower is \$300 thousand. The water tower refurbishing cost estimate has significantly increased due to escalating repair costs, the need to strip the four previous coats of paint prior to refurbishing and more stringent EPA standards. The new coatings are expected to have a 20-year useful life. The water tower is expected to have a useful life of another 40-60 years with this refurbishment.

Chemical processing currently done in the tower base creates a caustic environment which results in additional maintenance expense and could shorten the tower life. The estimated cost of a chemical processing building is \$75 thousand.

Replacing the water tower with a ground level pressurized system -
An alternative not considered in previous studies is replacing the water tower with a ground level pressurized tank system with a backup generator. The estimated cost is \$1.1 million. This may be an option to consider when the water tower needs to be replaced.

Replacing the present water tower with a new or used water tower -
A used or new water tower is estimated to cost \$575 thousand to \$650 thousand. This option was not selected because refurbishing can be done at a much lower cost and the water tower's useful life is expected to be another 40-60 years.

Connecting to a Bloomington water supply -
Estimated costs for connecting to a Bloomington water supply range from \$1.3 million (Towanda) to \$1.8 million (Hudson). There are numerous complications and challenges associated with either option including obtaining approval of governmental agencies, requiring our water tower for pressure under the Hudson connection option or relying on the city of Towanda water tower and system if we purchased water through Towanda which buys water from Bloomington. Residents would be required to pay a usage-based fee for water in addition to maintaining remaining parts of our water system under either water source option. Water meters would need to be installed at each residence and monitored for billing. The Board does not feel these are viable options under

current conditions because of the very high cost and a number of other issues. This option would be reconsidered if a closer connection ever becomes available.

Backup well –

Most water systems of our size have a backup well. The estimated cost of drilling an additional well is \$185 thousand. The Board is pursuing having the well inspected to determine the condition of our well and when a backup well should be drilled (current estimated cost \$185 thousand).

Financial Illustration – Water Assessment Change

This exhibit illustrates the financial impacts of the estimated cost of refurbishing and constructing a chemical building based the current water system assessment rate (\$115 per quarter) and recommended assessment rate (\$200 per quarter). The assumptions listed are based on currently available information. They do not include future increases in normal operating expenses. Relatively moderate changes to the assumptions would not likely cause results that would significantly alter recommendations. For example, a 2% change in the loan rate changes the annual loan payment by about \$2 thousand.

Assumptions:

- The recommended assessment is implemented July 1, 2020.
- A 10-year loan is assumed because this is the likely term of a commercially available loan. The Board feels we should pay this loan off within a 5-10 year period in order to begin accumulating funds for future maintenance, a backup well and other capital needs.
- A loan interest rate of 5% is assumed.

(\$ in thousands)

	Recommended Assessment	No assessment
change		
Projected cash May 2021	\$185	\$215
Cash retained for contingencies	15	15
Cash available for project	\$170	\$200
Project cost		

estimate	\$375	\$375
Loan needed	\$205	\$1
75 Annual revenue over normal operating costs	\$15	\$ 45
Annual loan payment		\$
26	\$ 22	
Annual cash additions (shortages)		\$
(11)	\$ 23	

Note: If the water assessment rate is not increased there will not be sufficient funds to service the loan needed to refurbish the water tower and build the needed chemical processing building. Delaying this work until sufficient funds are available without an increase in the assessment would significantly risk damage to the water tower and higher future costs of completing the necessary work. It is also very important we add to our cash reserves for future increases in operating expenses and build capital reserves for future refurbishing work, potential improvements (such as a backup well) and eventual replacement of the water tower.

Indian Creek Homeowners and Water Association Annual Assessment Resolution

During the annual homeowners meeting on March 4, 2020, the Indian Creek Homeowners and Water Association (ICHWA) Board of Directors, as per the covenants, will vote on a resolution to increase the annual assessment payment from \$10 per quarter to \$25 per quarter beginning July 1, 2020.

Clarifying Information:

Your current ICHWA quarterly statement specifies two payments: the quarterly water billing and quarterly homeowners dues. After a closer reading of our covenants, the Board of Directors determined that the quarterly homeowners dues should have been specified as the annual assessment. Beginning July 1, 2020, this distinction will be made on your quarterly billing statement.

Annual Assessment Expenditures:

The current quarterly payment to the annual assessment (homeowners dues) fund is \$10. This payment covers the cost of trail maintenance, mowing, tractor expenditures, Indian Creek signage, and other related expenses to the common grounds. It has been determined, via the covenants, that a portion of the liability insurance premium, excluding the water tower and water system, and a portion of the postage and office supplies should be appropriated from the annual assessment fund.

Rationale for increasing the annual assessment payment:

The annual assessment payment has never been increased over the years and has not kept pace with the increased maintenance costs incurred by the upkeep of our 54.3 acres of common ground. With the added portion of the liability insurance premium and postage and office supplies it has become necessary to increase the annual assessment quarterly payment by \$15 per quarter.