

***Sheep Creek Water Company  
Regular Board of Directors Meeting  
May 16, 2019 ~ 6:30 PM  
Snowline Joint Unified School District ~ Board Room  
4075 Nielson Road, Phelan, CA 92371***

The Regular Board of Directors Meeting of May 16, 2019 was called to order at 6:31 PM by Board President Andy Zody. Chris Cummings led in the Pledge of Allegiance and Bob Howard led in the Invocation. Mr. Zody reminded everyone present that tonight's meeting was being recorded for the accuracy of the Meeting Minutes.

**Directors Present:** Directors present were President Andy Zody, Vice President Bob Howard, Secretary/Treasurer Kellie Williams, and Director David Nilsen.

**Staff Present:** Staff present was General Manager Chris Cummings and Administrative Secretary Dorothy Zody.

**Guest Present:** Guests present tonight were Lisa Halas, Carmen Scherubel, Michael Palecki, Kathy Everhart, Don Fish Jr., Diane Hayball, George Cardenas, Robert Walker, Stephanie King, Ken Anderson, Chris Williams, Deborah Philips, and Yasha Philips. Thank you all for being present!

**Consent Motions:** *Minutes – April 18, 2019  
Bills – April 18, 2019 through May 16, 2019  
Manager Report*

Bob Howard moved to accept the Consent Motions as presented. Luanne Uhl seconded the motion. Motion carried.

**Open Forum:** Andy Zody explained that under this item any member of the Board or Public may address the Board on items not on the Agenda. However, under Ab 240 the Board is prohibited on taking any action on an item not appearing on the agenda.

Mr. Zody started began by stating that he made an error at the Annual Shareholders meeting on Saturday May 11, 2019. He had stated that the assets of the company equity was \$6.7 million and the total value of property and equipment is \$11,446,175. He had accidentally added the two together, that was wrong. The total value is \$11,446,175.

Bob Howard stated he feels the Board needs to be more accurate, or maybe put more in Layman terms, when describing what they are doing. Be it when talking about assessments, base rates or proxies.

Mr. Zody explained that our Attorney is reviewing Code and Case Law of Section 1600 regarding to the person's right to inspect the shareholders of a private mutual water company and there are 4 basic rights.

1. Shareholders with 5% (400 or more shares) have the right to inspect and copy names and address and amount of shares owned during regular business hours. Written demand must be given within 5 days of inspection, or they may obtain a list, from the corporation, of shareholders names, address, amount of shares, who's entitled to vote for Directors and so forth.
2. All Shareholders are granted the right to inspect and copy a list of Shareholders upon written demand during normal business hours, so long as the purpose of the inspection is reasonably related to the shareholders interest as a shareholder. The list cannot be used for outside pecuniary gain, but can be used to solicit proxy votes or to circulate information prior to a shareholders meeting.
3. Any inspection or copying authorized must be done in person by a Shareholder, Agent, or Attorney.
4. Right of inspection cannot be limited. The corporation is prohibited from limiting the rights granted under Section 1600 by amending the articles or By-laws of a Corporation.

A Corporation can reject a shareholders examination request if it can be shown a request was made with an improper purpose.

Diane Hayball stated her disappointment in our Attorney as she asked him at the Annual Shareholders Meeting about obtaining the list of Shareholders and he told her he wasn't aware of the legality and would get back with her. Diane said he never asked for her name or phone number. Chris explained that the attorney is researching several questions that came up at the meeting and will go through the water company with the information.

Kellie Williams agreed with Bob Howard that the Board needs to be more aware when giving out correct information and is very sorry and saddened that incorrect information was given to Diane but at the time the Board sincerely thought they were giving correct information. Mr. Zody agreed and also apologized to Diane. Kellie also addressed the social media issue. Kellie stated the fact that the Board was advised by legal counsel that they cannot respond to the Facebook page as they would have to have a quorum. She also said that she is going to try her best to do FAQ's on our website. We have to move forward, stop fighting with each other and figure out how to end this moratorium!

Luanne Uhl reminded everyone that the Board encourages everyone to come to the Board Meetings. The Board wants and needs input and she appreciates those that came.

Dave Nilsen said he wants and needs to know what the people want. If they want consolidation or to drill new wells or additional ideas. He's been working with the CSD to get information on consolidating and will bring all that information to the special Shareholders Meeting that we will be having probably sometime in August.

Lisa Halas stated that in her opinion we are in climate change and doesn't want to spend more money on water that may not be there so she is in favor of consolidation. Diane Hayball said she also favors consolidation. The Consolidation Committee is working on a plan that will benefit both companies. Mr. Nilsen also talked briefly about the option of drilling new wells.

Kathy Everhart said that she appreciates everything that the Board shared and especially appreciates Chris Cummings for all of his help. Kathy asked when the \$5 base rate increase will take effect and would like to requested that the increase in the revenue be adjusted in the budget as well as the Tier 3 revenue be adjusted to show what the new revenue will be used for. She also requested that the votes be read aloud. Kathy then offered to be on the next Proxy Committee. The Board thanked Kathy and told her that her name has been taken if we need her for the next voting meeting. The Board also stated that the counting of the votes has to be done in private per legal counsel. The increase in the Base Rate will be held off until the Special meeting in August as it may need to be adjusted.

Lisa Halas thinks the Board hasn't been upfront about getting information out and feels there is no trust. Lisa believes that Mr. Nilsen has a conflict of interest and demanded that he be removed from his position on the Board and demanded that there be a revote on the agenda items of the May 11, 2019 Shareholder Meeting. Mr. Nilsen responded and stated he will not resign his position on the Board, he will need to be voted off. Lisa also asked if it's true that when the state comes to test our wells that they will not take into account our biggest producing well. Chris explained that to calculate the Max Daily Demand (MDD) you take all your sources added together and with your highest producing source removed from the calculation so all your remaining sources have to produce your MDD.

## **Old Business**

**System Update:** Chris reported that Static water levels for this past month have had no change and when compared to 1 year ago, water levels have increased between 9 and 35 feet. Current pumping capacity for April 2019 was 1,286 gpm. The Tunnel is averaging 124 gpm which is an increase of 12 gpm over the past 6 weeks.

Over the past 2 weeks we've replaced 7 meter services, a total of 6 meters have been upgraded with several more scheduled. The road permit has been received for the new Smoketree CLA-VAL station that will be installed. We are still waiting for material for the tunnel flow meter project.

**SWRCB Compliance Order Update:** During the Regular Board of Directors Meeting on April 18, 2018 it was recommended by the Board and several Shareholders to postpone the voting at the Annual

Shareholders Meeting for additional wells or consolidation. On April 19<sup>th</sup> a letter was drafted and sent to the District Engineer of the State Water Board requesting an extension on the voting. The request was to have a special meeting in November 2019. On May 10 a reply was received from the SWRCB granting the extension until August 31, 2019. This will give the Board some time to meet with the SWRCB-DFA regarding funding and meet with the CSD regarding the consolidation plans. The SWRCB requested some revisions of the Corrective Action Plan, also to have the two plans combined into one along with milestone dates of completion. The updated Corrective Action Plan needs to be resubmitted by June 1, 2019.

#### **New Business:**

##### **Annual Shareholders Meeting:**

**i. Well 11 Loan Repayment Approval:** This item has been tabled pending legal consul review regarding the issue of denial to grant address information to Shareholders.

**ii. Allotment Schedule Approval:** This item has been tabled pending legal consul review regarding the issue of denial to grant address information to Shareholders.

**Special Shareholder Meeting:** Chris recommended that a Special Shareholders Meeting be held on August 17<sup>th</sup> or August 24<sup>th</sup> for the vote of the two alternatives for compliance along with the possible revote of the May 11, 2019 agenda items.

**Consolidation Committee Update:** The Committee will meet May 20<sup>th</sup> to discuss the consolidation plan that is being prepared to take to the next meeting with the CSD.

**Summer Field Help:** Since 1995, SCWC has hired summer help from the High School and there's a number of projects that are scheduled for the summer so we would like to continue with this program as it's a good opportunity for the student to receive some work experience. Bob Howard made the motion to approve. Dave Nilsen seconded the motion. Motion carried.

#### **Next Scheduled Meetings**

*June 6, 2019-Regular Board of Directors Meeting*

*June 20, 2019- Regular Board of Directors Meeting*

Carmen Scherubel asked the Board how we can get 3 wells drilled in 2 years as it was stated at the meeting. Chris replied that there was a brief discussion with the State that as we get new wells we can possibly petition them for some additional meters but we are looking at a possible 4 years to drill 3-4 new wells. If we get approval for funding we would do CEQA on at least 3 new wells. Carmen also asked if we were going to be inquiring about Lora Steinman's property and also stated that she has a client that owns several acres on Yucca Terrace. Kellie replied that we are looking at all options.

**Closed Session:** The adjourned into closed session for an Employee Evaluation

**Adjournment:** Luanne Uhl made the Motion to adjourn. Kellie Nilsen Seconded the Motion. Motion Carried. The Regular Board of Directors Meeting adjourned at 8:25 p.m.

Respectfully Submitted,

Kellie Williams – *Secretary/Treasurer*  
*Sheep Creek Water Company*  
*Board of Directors*