

***Sheep Creek Water Company
Regular Board of Directors Meeting
June 18, 2019 ~ 6:30 PM
Snowline Joint Unified School District ~ Board Room
4075 Nielson Road, Phelan, CA 92371***

The Regular Board of Directors Meeting of June 18, 2019 was called to order at 6:31p.m. by President Andy Zody. Chris Cumming led in the Pledge of Allegiance and David Nilsen led in the Invocation. Mr. Zody reminded everyone present that the meeting was being recorded to ensure accuracy of meeting minutes.

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

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

Guests Present: Guests Present were Ryan and Leanne Wong, Michael Palecki, Kathy Everhart, Deborah & Yasha Philips, Charlie Johnson, Don Fish Jr. and Diane Hayball.

Consent Motions:

a) Minutes: Regular Board of Directors Meeting-June 6, 2019

b) Bills: June 6, 2019 - June 18, 2019

c) Managers Report

Bob Howard moved to accept the Consent Motions as presented. David Nilsen seconded the motion. Motion carried.

Open Forum: Mr. Zody explained that under this item any member of the Board or public may address the Board on items not appearing on the agenda. However under AB-240 the Board is prohibited from taking any action on items not appearing on the agenda.

Kellie Williams and Bob Howard both thanked the Board and Shareholders for changing the meeting date.

Old Business:

System update: Manager Chris Cummings reported static water levels have had no change in the last 2 weeks. Static water levels are 16-20 feet higher than one year ago. Current pumping capacity as of June 17, 2019 is 1,332 GPM with the Tunnel averaging 119 gpm. Current usage has increased, we are producing approximately 650,000 gallons per day. All the production well and tank meters have been tested and calibrated. Well efficiency tests were completed last week. The new regulator station on Smoketree was installed last week and is online so additional water can flow to the east side of Johnson Rd. Chris also reported that we have meet with the engineer to discuss the upgrades needed for the Phelan Rd and Valle Vista Rd development.

SWRCB Compliance Order: With the help of Bob Howard we have been discussing with a consultant regarding various types of funding including low interest loans with various infrastructure banking lenders and possible private investors. Information from well 11 has been submitted to the consultant for review with the estimated project and cost. Andy asked if we provided the income survey or if they will be able to use it to get any low cost or zero interest loans. Chris said it was not included and unsure at this time if it could be used.

New Business:

Request to Recall Board Member: Mr. Zody stated that under California Corporation Code a Shareholder requesting removal of a Board member, unless there is legal ramifications, must have at least 10 percent of the outstanding shares either owned outright or through proxy. Or if a Board member feels it would be a good idea to send somebody up for a recall. Mr. Zody then asked David Nilsen and Kellie

Williams to step outside while the Board discussed the matter of recalling Director Nilsen. He then explained that the Shareholder who demanded the removal does not have the 10 percent needed therefore it was up to the Board. Luanne Uhl made the motion to not put the recall of Director Nilsen on the Special Shareholders Meeting Agenda. Bob Howard seconded the motion. Motion Carried.

Special Shareholder Meeting Agenda:

Well 11 Loan Repayment: Voting required.

- 1) Assessment- \$15 per share for 5 years
- 2) \$8 base rate increase per meter per month for 5 years
- 3) \$5 base rate increase per meter per month plus Tier 3 overage for 5 years

SWRCB Compliance Order: Voting required

- 1) Drill additional wells and remain private
- 2) Consolidate Sheep Creek Water Company with Phelan Pinon Hills CSD

Updated Allotment plan: Voting required

David Nilsen asked how the shareholders will get the information so they can make an informed vote. Chris stated that if we have the information by July 12th it can be mailed out with the agenda or it will at a later date. It will also be posted on our website and they can always call or come to the office for the information.

Shareholder Kathy Everhart presented to the Board a forth option for the Well 11 payment options. The option was to split the payment cost of the Well 11 loan with 50% to be paid by assessment and 50% to be paid by base rate. Unfortunately in order to put it on the agenda for the Special Shareholders Meeting it needed to be received 4 days before the regular board meeting. After some discussion Bob Howard made a motion to add it to the agenda. There was no second. The Board agreed it sounded like a good plan and might consider it in the future if we drill new wells. Thank you Kathy for your efforts.

Diane Hayball stated that she feels there was some mistrust concerning the counting of the votes at May 11, 2019 Shareholders Meeting. She asked if there could be “watchers” in the room when votes are being counted. Attorney Ernie Riffenburgh said he would look into the option of having someone sit in and watch the ballots being counted. Mr. Riffenburgh assured Diane that, in his 33 years of overseeing the ballots being counted, it’s a very detailed process and the Proxy Committee is extremely conscientious in what they do and that this has never been an issue. Luanne Uhl Moved to accept the agenda for the Special Meeting of the Shareholders. Kellie Williams seconded. Motion Carried.

Consolidation Committee: Andy stated the consolidation committee has put together a plan to take to the PPHCSD for consolidation consideration. Luanne Uhl made the motion to present the plan to the PPHSCD General Manager Don Bartz. Bob Howard Seconded the motion. Motion Carried. Chris Cummings explained that the company Evaluation and proposal plan will be posted on our website after it has been submitted. Mr. Zody explained that SCWC had an appraisal of the Sheep Creek Water Company and that the value of the company is \$23,720,000.

Next Scheduled Meetings:

July 11, 2019 - Regular Board of Directors Meeting

Closed Session: The Board of Directors went into closed session at 7:27 p.m.

Adjournment: Bob Howard moved to adjourn the meeting. Luanne Uhl seconded the motion. Motion carried.

Respectfully submitted,

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