

***SHEEP CREEK WATER COMPANY
REGULAR BOARD OF DIRECTORS MEETING
July 16, 2020 ~ 6:30 PM
SHEEP CREEK WATER COMPANY – via Zoom
4200 Sunnyslope Rd., Phelan, CA 92371***

Due to the Covid-19 pandemic and required Social Distancing, The Sheep Creek Water Company Regular Board of Directors Meeting will be held via Zoom Meeting for Shareholder participation. Shareholders may access the meeting remotely with the following options.

Remote Participation Information:

Zoom

<https://us02web.zoom.us/j/82284852450?pwd=aVJ4UkExa0NSaU5ZRjJoWkR4djBOdz09>

Meeting ID: 822 8485 2450

Password: 286583

One tap mobile

16699006833,,82284852450#

Dial-In

(669) 900-6833

Meeting ID: 822 8485 2450

Password: 286583

AGENDA

- 1) **Open Meeting-** 6:30 PM
 - a. Flag Salute
 - b. Invocation
- 2) **Consent Motions**
 - a. Minutes:
 - i. *Regular Board of Directors Meeting- June 18, 2020*
 - b. Bills:
 - i. *June 18, 2020 through July 16, 2020*
 - c. Managers' Report: Included in Board Packet
- 3) **Open Forum/Public Comment-** Under this item any member of the Board or Public may address the Board on any item relating to the company not listed on this agenda. However, the Board is prohibited under AB 240 from taking any action on an item not appearing on the agenda. Board president will call on each participant and at that time you have three (3) minutes to speak.
- 4) **Old Business**

- a. System Update
- b. Source Capacity Project Update
- c. SWRCB Updated Compliance Order NO.05-13-18R-002A1
- d. Request for PPHCSD Water Service to APN 3066-251-05 & 06
- e. Annual Meeting

5) **New Business**

- a. Asset Management Plan

6) **Next Scheduled Meetings**

- a. August 13, 2020

7) **Adjournment**

Sheep Creek Water Company
4200 Sunnyslope Rd.
P.O. Box 291820
Phelan, CA 92329-1820
Office (760) 868-3755/Fax (760) 868-2174
Email sheepcreek@verizon.net / www.sheepcreekwater.com

Regular Board of Directors Meeting – Managers Report

July 16, 2020

PRODUCTION

- June Production- 63.193 AF- 13% increase from 2019 & 46% decrease from 2013
- June Usage- 52.833 AF sold- 18% increase from 2019 & 40% decrease from 2013

Well soundings & production for the past month:

- Static Water Levels at this time have had a minimal change.
 - Well 2A** Compared to 1 year ago, static level is the up 13.86 feet- 292 gpm
 - Well 3A** Compared to 1 year ago, static level is up 9.24 feet- 311 gpm
 - Well 4A** Compared to 1 year ago, static level is up 4.62 feet- 292 gpm
 - Well 5** Compared to 1 year ago, static level is up 13.86 feet- 302 gpm
 - Well 8** Compared to 1 year ago, static level is up 9.24 feet- 367 gpm
 - Tunnel** the Tunnel flow is currently averaging 133 gpm
- Well 5 & 8 are running an average of 12 hours a day along with Well 11
- Total Pumping capacity as of July 7, 2020 is 1,964 gpm.
- Well Field pumping capacity 1,713 gpm.
- Current usage is averaging 800,000 gpd
- **Allotment Tier 1 – First share on account remain 750 CF/Share and Remaining shares 150 CF/Share. \$0.50 per hcf**
- **Allotment Tier 2 – 150 CF/Share all shares after Tier 1 \$3.46 per hcf**
- **Tier 3 Overage- No Allotment \$6.32 per hcf**

Work Completed or in Progress

- Work orders as office requests
- Well Soundings- By-weekly
- System Weed Abatement
- Wells & Control Room pipework painting & maintenance- In progress
- Concrete pads around fire hydrants- In progress
- 5 Meter Upgrades/ 1 Service Line Replaced
- 1 Mainline Leaks/ 1- Service Leak
- Compliance notification sent to the SWRCB- updated compliance order received
 - Directive 2a- Financial Review by CPA- In progress
 - Directive 2b- Asset Management Plan- 1 Proposal received
 - Directive 2c- Well 11 Operational Cost- In Progress
 - Directive 2d- Financial Assessment Questionnaire- Completed
- Source Capacity Project-
 - CEQA Notice of Availability/Notice of Intent to adopt a Draft Initial Study/Mitigated Negative Declaration was circulated for the 30 day review period on July 2, 2020
 - Project Line of Credit- Completed and Available
 - Shareholder Loans Refinanced- Complete with Interest Rate of 2.40%
 - Prepare drilling plan- In progress

SHEEP CREEK WATER COMPANY
Regular Board of Directors Meeting
June 18, 2020 ~ 6:30pm
Sheep Creek Water Company ~ Board Room via Zoom
4200 Sunnyslope Road, Phelan, CA 92371

The Regular Board of Directors Meeting of June 18, 2020, was called to order at 6:30 PM by Board President Andy Zody. Chris Cummings led in the Pledge of Allegiance. The Invocation was led by Vice President Bob Howard. Mr. Zody reminded everyone that the meeting is being recorded.

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

Staff Present: General Manager Chris Cummings

Guests Present: Shareholders Diane Hayball and Kathy Everhart. Charlie Johnson, Deborah Phillips, and George Cardenas, representing PPHCSD & property owner Gary Van Dam.

Consent Motions:

Minutes of March 12, 2020

Bills of March 12, 2020 through June 18, 2020

Manager's Report- Included in Board Packet

Luanne Uhl moved to accept the Consent Motions as presented. Bob Howard 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 on the Agenda. However, under Ab 240 the Board is prohibited on taking any action on an item not appearing on the agenda. Participants were called on to speak. There were no comments at this time.

Old Business

a.) System Update: Static Water levels have had an average decrease of 1-5 feet which is normal for this time of year. Water levels compared to 1 year ago are an average of 9-32 feet higher than this time last year. Well 3A and 5 are running daily, averaging 10-16 hours a day. Water Usage is averaging .65-.7 MGD. The current pumping capacity with all sources is 1,960 GPM with the Tunnel averaging 130 GPM. At this time Well #11 is running on the hotter days and the Wrightwood well fields is keeping up with demand. A project to install 4 new fire hydrants and 6 system isolation valves was completed on Sunnyslope Rd. Two damaged fire hydrants were repaired within the system.

b.) State Water Resource Control Board:

c.) Source Capacity Project: Mr. Cummings reported that the property purchase for Well 13 that was approved at the previous meeting was finalized in April. The Initial Study was submitted to San Bernardino County for review. The County sent out an Initial Project Notice to the surrounding property owners, governmental agencies and the Tribes. The Project Notice did not include the Initial Study and had very little information attached to it. There were comments sent from the Lahontan Water Board, AQMD and Fish and Wildlife which are addressed in the Initial Study. The County has been working with the San Manuel Band of Mission Indians for AB52 compliance. Once the County finalizes AB52 Compliance and the Initial Study, notice will be sent out for the 30 day review. The Line of Credit which also includes the refinance of the Shareholder Loans should be closing before the end of the month. The attorney is finalizing the legal opinion and the title documents.

d) Annual Shareholders Meeting: Mr. Cummings reported that at this time there is only one new business item to be added to the agenda which is the loan repayment options for the Source

Capacity Project. The options have not changed at this time and are based on Sheep Creek borrowing the full \$4 million. Options are as follows:

- 1) Assessment-\$20 per Share 2 times per Year for 20 years
- 2) \$21 Base Rate Increase per month per meter service for 20 years
- 3) Water Rate Increase of \$1.85 per hcf for all Tiers for 20 Years
- 4) Split Assessment/Base Rate Increase- \$25 per Share per Year plus \$12 Monthly Base Rate Increase for 15 years.

Dave Nilsen made the Motion to approve the Agenda. Kellie Williams seconded the motion. Motion carried.

New Business

a). SWRCB Updated Compliance Order NO.05-13-18R-002A1: The SWRCB Division of Drinking Water sent an updated Compliance Order in March approving Sheep Creeks plan for Source Capacity compliance to maintain Sheep Creek as an independent water purveyor and drilling additional wells. The Division has stated that the system needs to assess financial risks that can result from the project and budget the project as to not cause financial hardships to the Shareholders and the Water System. The SWRCB adjusted the compliance dates that were submitted in the compliance plan from last August. Along with approval of Sheep Creeks Compliance Plan the new date of compliance is no later than December 2023. This date is based on the installation of up to four new wells. Included with the updated compliance order are four additional directives to be completed by Sheep Creek.

i). Directive 2a- Financial Review: An overall evaluation of the financial health of the system will be conducted by a CPA that is not affiliated with the company. The evaluation will include and take into consideration financial statements from the past 5 years, monthly revenue and expenses from the past 5 years, outstanding debt and impending debt that will be accrued as a result of the upcoming Source Capacity Project requirements outlined in the updated Compliance Order and from any other planned water system expenses. Documentation demonstrating how funding for the requirements outlined in this Order will be secured and financed, information on the expected increase in operational expenses due to the requirements outlined in this Order, management and status of the System's reserve funds, and information on the System's rate structure and any proposed rate increases that are anticipated. The evaluation will include a concluding statement on the System's overall current and anticipated financial health. The CPA has also been talking with Hector for guidance as to exactly what the State expects to have completed.

ii). Directive 2b- Asset Management Plan: An asset management plan (AMP) must be completed. The AMP must include an inventory of the System's infrastructure components, a description of the components' condition, age, service history, and useful life, criteria to determine when to repair, rehabilitate or replace assets, a prioritization of critical assets, long term funding strategies, and a timeline delineating the schedule for the System's asset management plan. Mr. Cummings has been working with ERSC in Redlands to put a plan together that will be acceptable by the State and useful to Sheep Creek. A conference call is scheduled next week to outline the project.

b). Request for PPHCSD Water Service to APN 3066-251-05 & 06: Property owner Mr. Gary Van Dam who owns two parcels of property within the Sheep Creek Water Company sent a letter requesting water service from Phelan Pinon Hills CSD. The first parcel is located on Sheep Creek Rd north of the future CSD Civic Center and the second parcel is located east of Sheep Creek Rd adjacent to the rear of Phelan Elementary and the future Phelan Park Expansion. Mr. Van Dam is working with the PPHCSD for easement on his properties for the Civic Center Project.

With the CSD moving forward with the frontage and road improvements, this will allow Mr. Van Dam to move forward with development of his properties. For Sheep Creek to service Mr. Van Dams east parcel, approximately 600 feet of water main plus fire hydrants and fire service will need to be installed, which this property will be the only property serviced by this water main due to Phelan Elementary being serviced from Phelan Rd and the park expansion property is served by PPHCSD. Due to the ongoing Service Connection Moratorium Mr. Van Dam will not be able to receive water service from Sheep Creek for several years.

With Mr. Van Dam's request and if approved, this will allow the Phelan Civic Center to continue to move forward for the community of Phelan. There was discussion and questions from the Board regarding the project.

Bob Howard moved to table the item until the next meeting when additional questions can be answered. Kellie Williams seconded the motion. Motion passed

c).Annual Shareholders Meeting: Due to the continued Health Orders and restrictions, the Annual Shareholders Meeting has not been rescheduled. Currently we are looking into options for holding virtual meeting through Zoom. One of the issues that has been brought up is the procedure for voting. The board discussed an option of drive through voting.

Next Scheduled Meetings:

a) August 16, 2020- Regular Board of Directors Meeting via Zoom Meeting

Adjournment: Vice President Bob Howard moved to adjourn. Luanne Uhl seconded the motion. Motion carried. The Regular Board of Directors Meeting of June 18, 2020 adjourned at 7:19pm.

Respectfully Submitted,

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



COUNTY OF SAN BERNARDINO
NOTICE OF AVAILABILITY (NOA) / NOTICE OF INTENT (NOI) TO ADOPT
AN INITIAL STUDY / MITIGATED NEGATIVE DECLARATION
FOR SHEEP CREEK WATER CO. SIX GROUNDWATER PRODUCTION WELLS

In accordance with the California Environmental Quality Act (CEQA) and the CEQA Guidelines, County Staff prepared a Draft Initial Study / Mitigated Negative Declaration (IS/MND) that identify and evaluate the environmental impacts of the Conditional Use Permit.

Project Title: Sheep Creek Water Company – Six Groundwater Production Wells (Phelan)

Project No.: PER-2020-000003

Project Location: 4200 Sunnyslope Road in Phelan; Northwest corner of Sheep Creek road and Nielson Road in Phelan; Southeast corner of Cambria Road and Mescalero Road in Phelan

Project Description: Environmental Review Unrelated to Planning Project for six (6) proposed groundwater production wells to increase Sheep Creek Water Company's (SCWC) potable water supply in compliance with the State Water Resources Control Board's Compliance Order No. 05-13-18R-002. The wells are to be located on three different parcels; four (4) wells will run concurrently while the other two (2) will serve as backup wells. The wells will each be equipped with an above ground pump motor on top of an approximate 10-foot x 10-foot concrete pad. At each new well, the new pumps will be enclosed with a masonry block building to minimize exterior noise levels at the nearest residences (about 200 feet from each well site). To minimize onsite water consumption no new landscaping will be installed at any of the three well sites. At each of the well locations, the closest connection to SCWC's system is within the adjacent roadways. Each well will be drilled to approximately 1,500 feet deep using a reverse rotary drill unit.

Environmental Review and Public Comment: The circulation of the Draft Initial Study/Mitigated Negative Declaration (IS/MND) is to encourage written public comments. Interested persons can review the Draft IS/MND at the following physical location:

Land Use Services Department - Planning Division
15900 Smoke Tree Street, Suite #131
Hesperia, CA 92345

You may obtain the document in electronic format at <http://cms.sbcounty.gov/lus/Planning/Environmental/Desert.aspx> or by emailing the Planner at magda.gonzalez@lus.sbcounty.gov. To request a PDF version of the document from the Land Use Services Department database, please reference the project number above.

The comment period on the IS/MND closes on **AUGUST 1, 2020 at 4:30 PM**. Please submit comments to magda.gonzalez@lusd.sbcounty.gov or to:

Magda Gonzalez, Senior Planner
(760) 995-8150
County of San Bernardino
High Desert Government Center
Land Use Services Department - Planning Division
15900 Smoke Tree Street, Suite #131
Hesperia, CA 92345

**SHEEP CREEK WATER COMPANY
MEMORANDUM**

TO: BOARD OF DIRECTORS
FROM: CHRIS CUMMINGS
SUBJECT: REQUEST FOR PPHCSD WATER SERVICE TO APN 3066-251-05 & 06
DATE: JULY 10, 2020

Dear Board of Directors


During the Regular Board of Directors Meeting of June 18, 2020 a letter was presented from Mr. Gary Van Dam who owns two parcels of property within the Sheep Creek Water Company. APN 3066-251-05 is located on Sheep Creek Rd north of the future Phelan Pinon Hills Community Service District (PPHCSD) Civic Center and APN 3066-251-06 is located east of Sheep Creek Rd adjacent to the rear of Phelan Elementary and the future Phelan Park Expansion. Mr. Van Dam is working with the PPHCSD for road easements on his properties for the Civic Center Project and has requested to receive water service from PPHCSD. With PPHCSD moving forward with the project, frontage and road improvements will be completed, road and foot traffic will increase to the area.

During the Board meeting, the Board had questions as to why Mr. Van Dam needed water from PPHCSD, questions regarding the easement and his desire to move forward with development. Vice President Bob Howard motioned to table the item until the next Board meeting to meet with PPHCSD to obtain additional information.

After meeting with PPHCSD there was additional information as to why an easement was requested and why Mr. Van Dam has requested water service and has plans to move forward with his project. With the Phelan Civic Center and the expansion of the parks moving forward, Sahara Road will be vacated to merge the parks and the civic center together to element the road in the center of the parks. Eliminating the road removes the safety concerns with the public crossing between the Civic Center and the parks. With vacating Sahara Road, a new entrance needs to be installed along with continuing the access to the rear of the elementary school. With the increase in traffic, this will allow Mr. Van Dam to develop the property to fit the need of the area. Mr. Van Dam wishes to receive a guaranty of water for the easement.

With Mr. Van Dam's request and if approved, this will allow the Phelan Civic Center to continue to move forward for the community of Phelan and allows Sarah Road to be vacated eliminating a safety issue with a road in the middle of the park project. I would recommend that the Board of Directors consider the request by Mr. Van Dam to have permission to allow PPHCSD to service the two parcels in question. If permission is granted and PPHCSD grants water service to Mr. Van Dam, PPHCSD will be responsible for all water service including any San Bernardino County fire flow requirements to APN's 3066-251-05 & 06. Conditions can be set as to when the Service Connection Moratorium is lifted water service can go back to Sheep Creek.

Thank you,

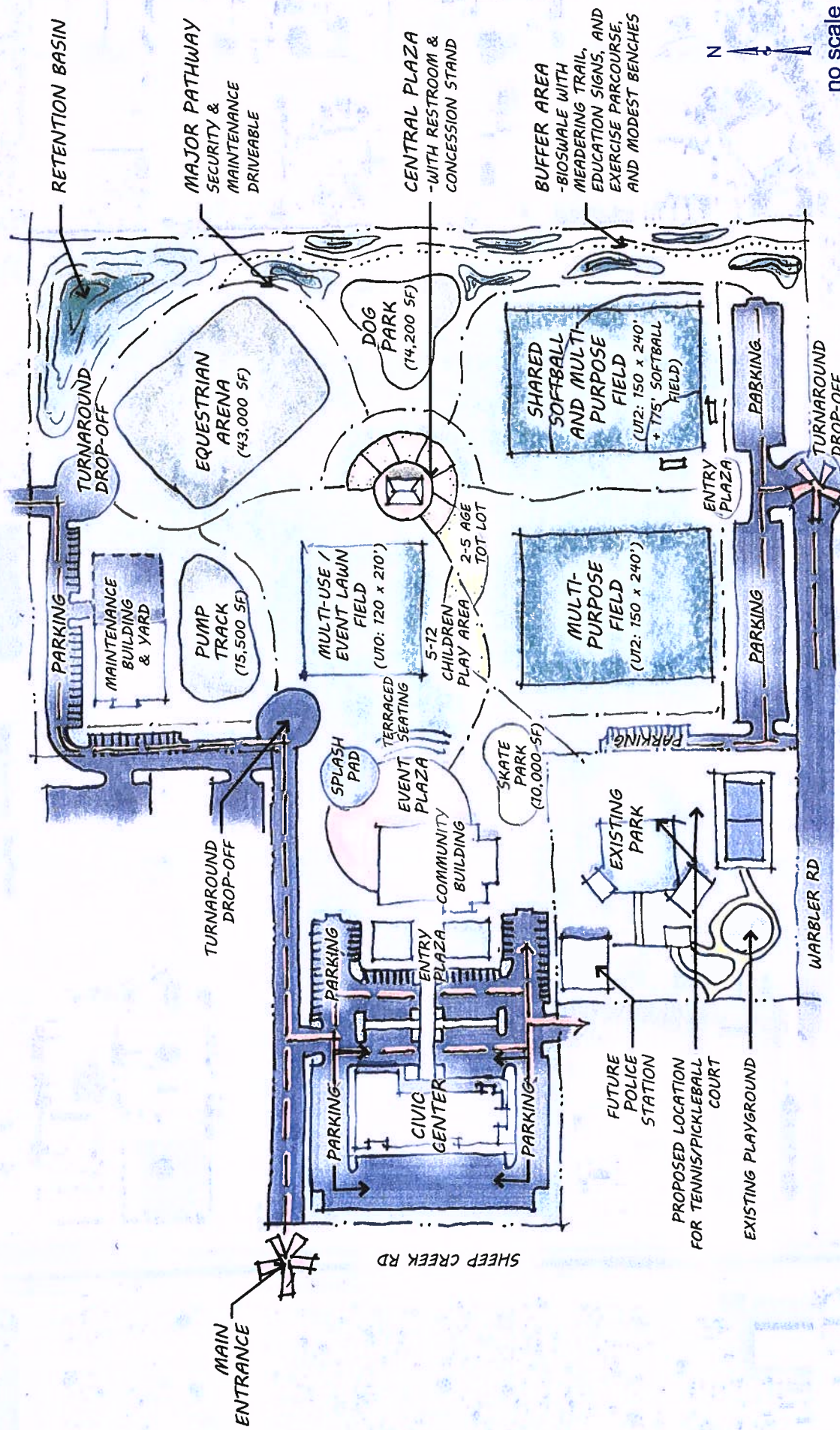

Chris Cummings
General Manager
Sheep Creek Water Company

PHELAN COMMUNITY PARK

BUBBLE DIAGRAM

REFINED HYBRID

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June 9, 2020

Van Dam Properties LLC
9711 East Avenue F-8
Lancaster, CA 93535
VanDamGary@gmail.com

Subject: Request permission to be served by PPHCSD for parcels 3066-251-05 and -06

Dear Mr. Cummings,

Van Dam Properties has been presented with an opportunity to develop properties along Sheep Creek Road, sooner than later, adjacent to the future Phelan Pinon Hills Community Services District (CSD) Civic Center Plaza project. The District proposes to improve the frontage of their project on Sheep Creek Road extending the sidewalk, curb and gutter north to the DeGarcias property along with access improvements from Sheep Creek Road to the future Phelan Park expansion on parcel 3066-251-14 and 3066-261-08 providing circulation access to the future park.

We are working with the CSD in providing a 35-foot easement on the south portion of our parcels 3066-251-05 (0.7 ac) and -06 (2.27 ac) opting them to move forward with completing their design plans for the construction of the Civic Center Plaza and preliminary planning for the future park. These improvements have given us a head start to begin planning stages of development of our properties.

Both properties are within the Sheep Creek Water Company's (SCWC) service boundary and currently do not have water service. We are aware of SCWC's moratorium on issuing new water service, at the earliest, could be in 2024. We would kindly request permission from Sheep Creek Water Company to be served by Phelan Pinon Hills Community Services District. If given permission, we will be required to request water service from the CSD. Our pre-planning of our properties along with the proposed Civic Center Plaza and the future Phelan Park expansion is an exciting for the community. If you have any questions, please feel free to reach me at 661-889-6802. Thank you for the consideration.

Best Regards,

Gary Van Dam



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**SHEEP CREEK WATER COMPANY
MEMORANDUM**

TO: BOARD OF DIRECTORS
FROM: CHRIS CUMMINGS
SUBJECT: UPDATED ANNUAL MEETING FORMAT
DATE: JULY 10, 2020

Dear Board of Directors

With the Covid-19 pandemic continuing and the local and state limits on gatherings, Sheep Creek will need to look at alternative options to hold the Shareholders Meeting. During the last Regular Board of Directors Meeting of June 18, 2020, there was discussion about holding the Shareholder Meeting via Zoom Meeting with options for voting. At this time, indoor venues are limited to 25% of capacity or 100 people, whichever is fewer.

During the discussion, it was suggested to hold the meeting via Zoom with voting to follow the next Business Day possibly in a drive thru style. With Drive thru style voting, this would limit Shareholder and staff contact. With having a Zoom only meeting, this may limit Shareholders who do not have the ability or understanding of attending through a virtual meeting.

Another suggestion was received to still have an in person meeting along with a Zoom Meeting. Due to the limitations of the gathering size at a location, in person meeting could possibly be held at 2 locations. One meeting can be held at Pinon Mesa with two directors and one meeting at Serrano with three Directors and would be held simultaneously along with Zoom Meeting. With holding the meeting in two locations, this can allow for proper social distancing. The Shareholders that are in attendance at the in person meetings would vote in person and those that attend via Zoom Meeting would vote at one of the locations via a drive thru style immediately following the meeting. Those voting via drive thru would be given a 1-2 hour window to vote. The meeting would be played live at each in person meeting site so attendees and board members would be live at each location. As suggested at the previous Board Meeting, Sheep Creek can contract with the Snowline IT Department who can help set up a camera for the board at each site, as well as a camera at the speaker microphone at each location. This way the participants at each site, as well as those attending from home, would be able to see and hear all Board Member and Shareholder comments.

Due to Covid-19, a Zoom Meeting is how the Shareholder Meeting will have to be held. I do believe that Shareholders will like the option of having an in person meeting and if we can get on or two locations at the School District and contract with the Snowline IT Department this option may work for many of the Shareholders. The locations would be limited to 25% of the room's capacity and would be on a first come first served basis. Tentative Shareholder Meeting dates can be September 19, 2020 or October 10, 2020.

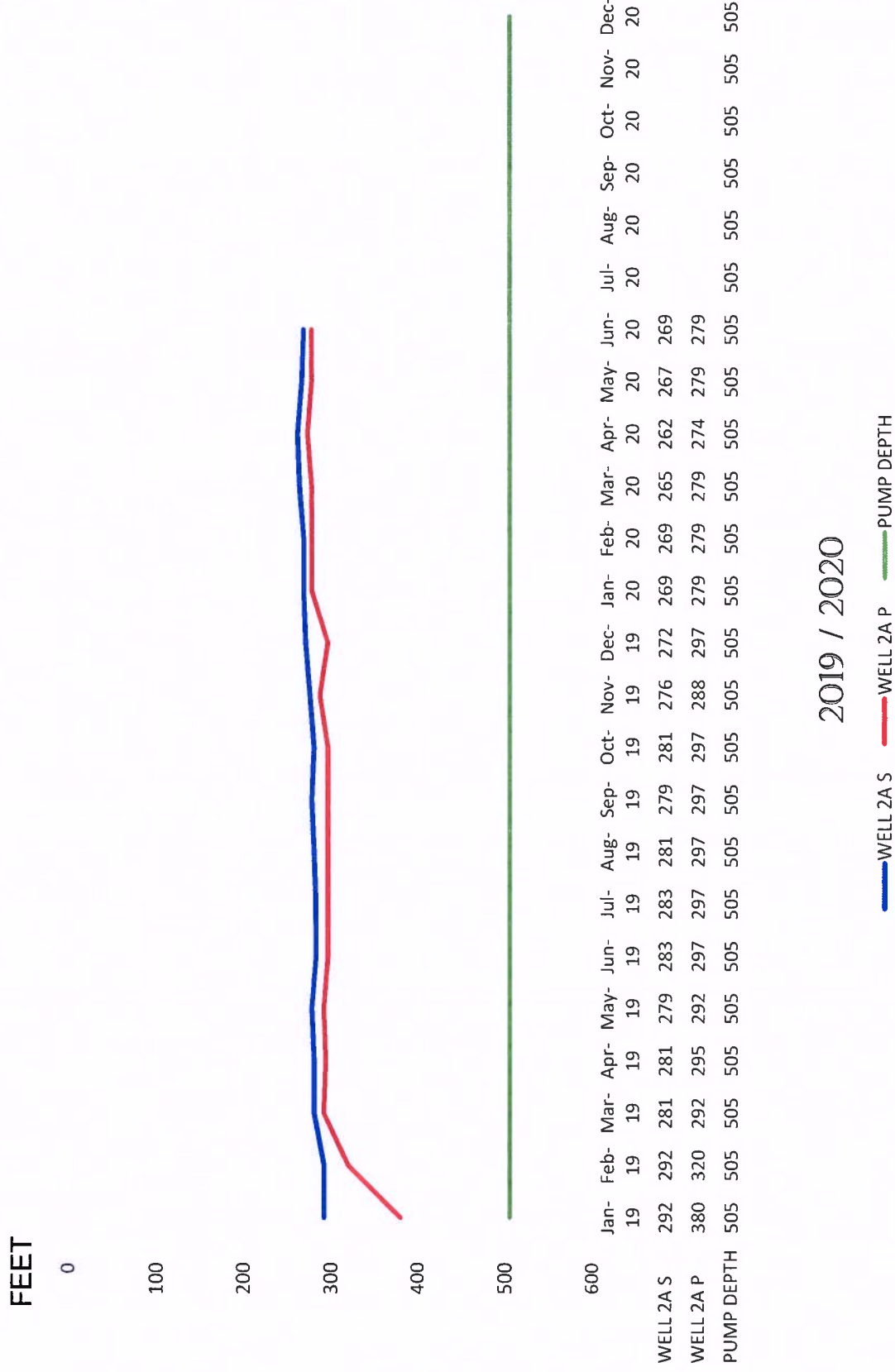
Thank you,



Chris Cummings
General Manager

SHEEP CREEK WATER COMPANY

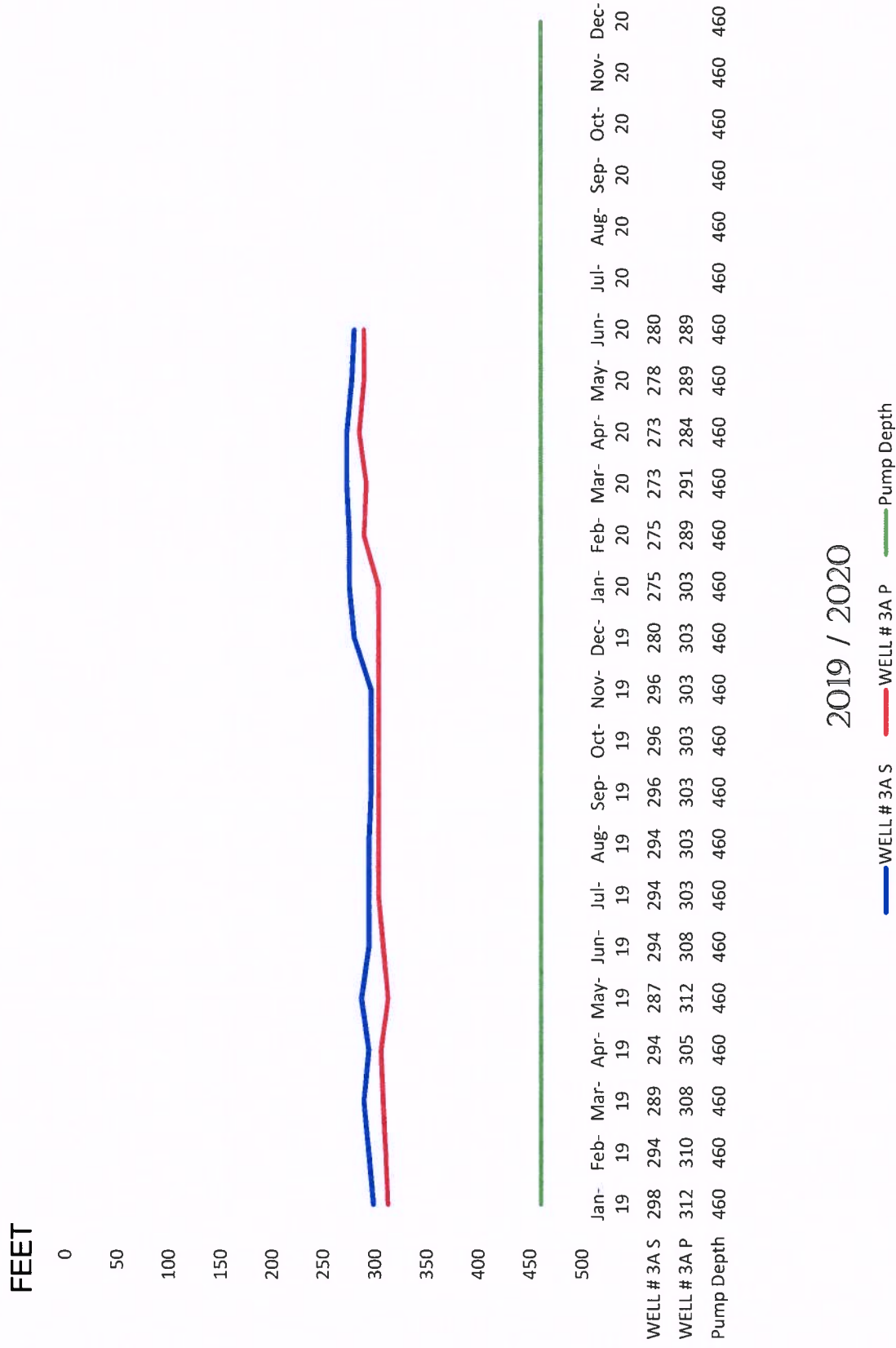
WELL #2A Monthly Water Levels / 2 years



2019 / 2020

SHEEP CREEK WATER COMPANY

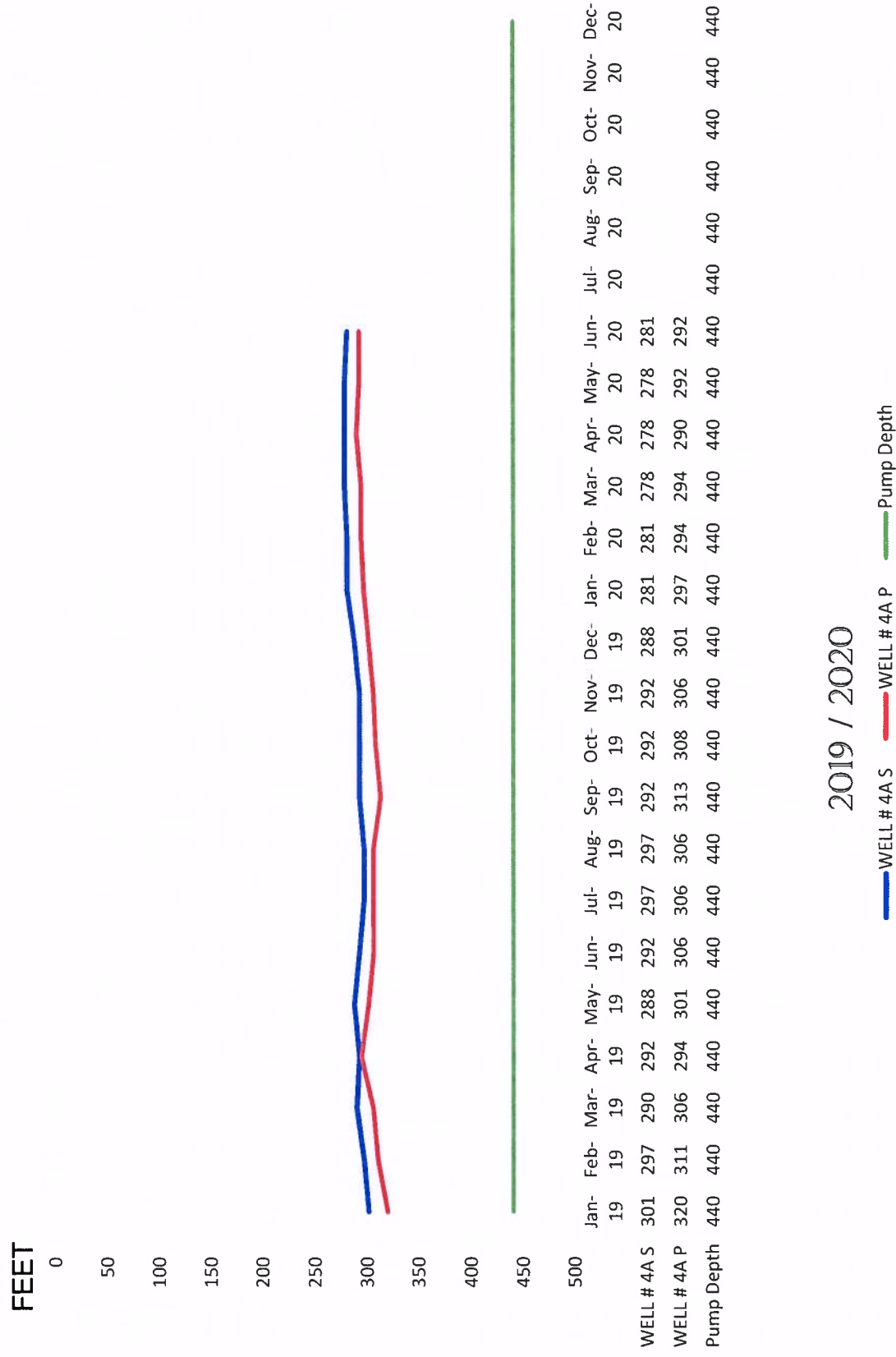
WELL #3A Monthly Water Levels / 2 years



2019 / 2020

SHEEP CREEK WATER COMPANY

WELL #4A Monthly Water Levels / 2 years

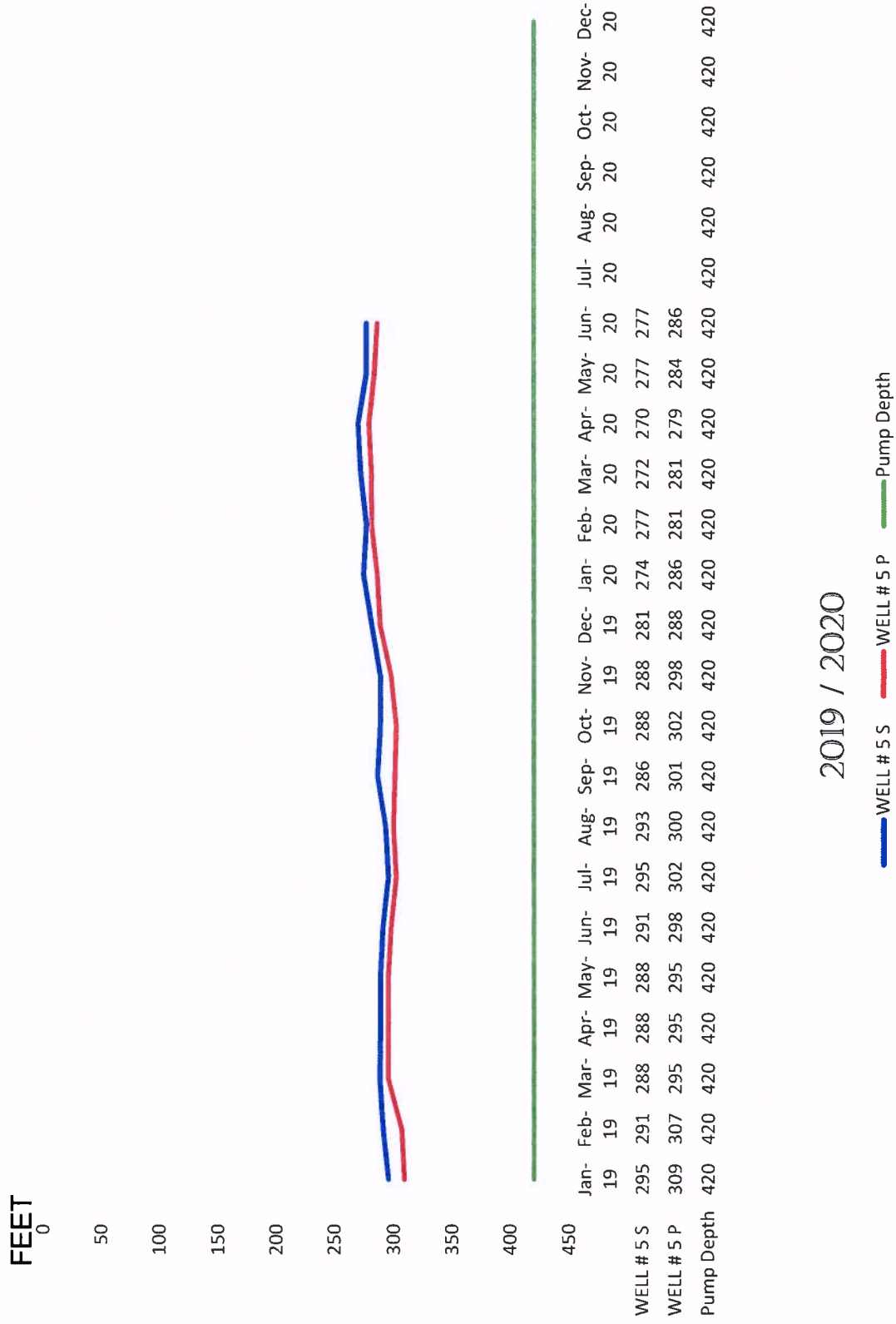


2019 / 2020

— WELL # 4A S — WELL # 4A P — Pump Depth

SHEEP CREEK WATER COMPANY

WELL #5 Monthly Water Levels / 2 years



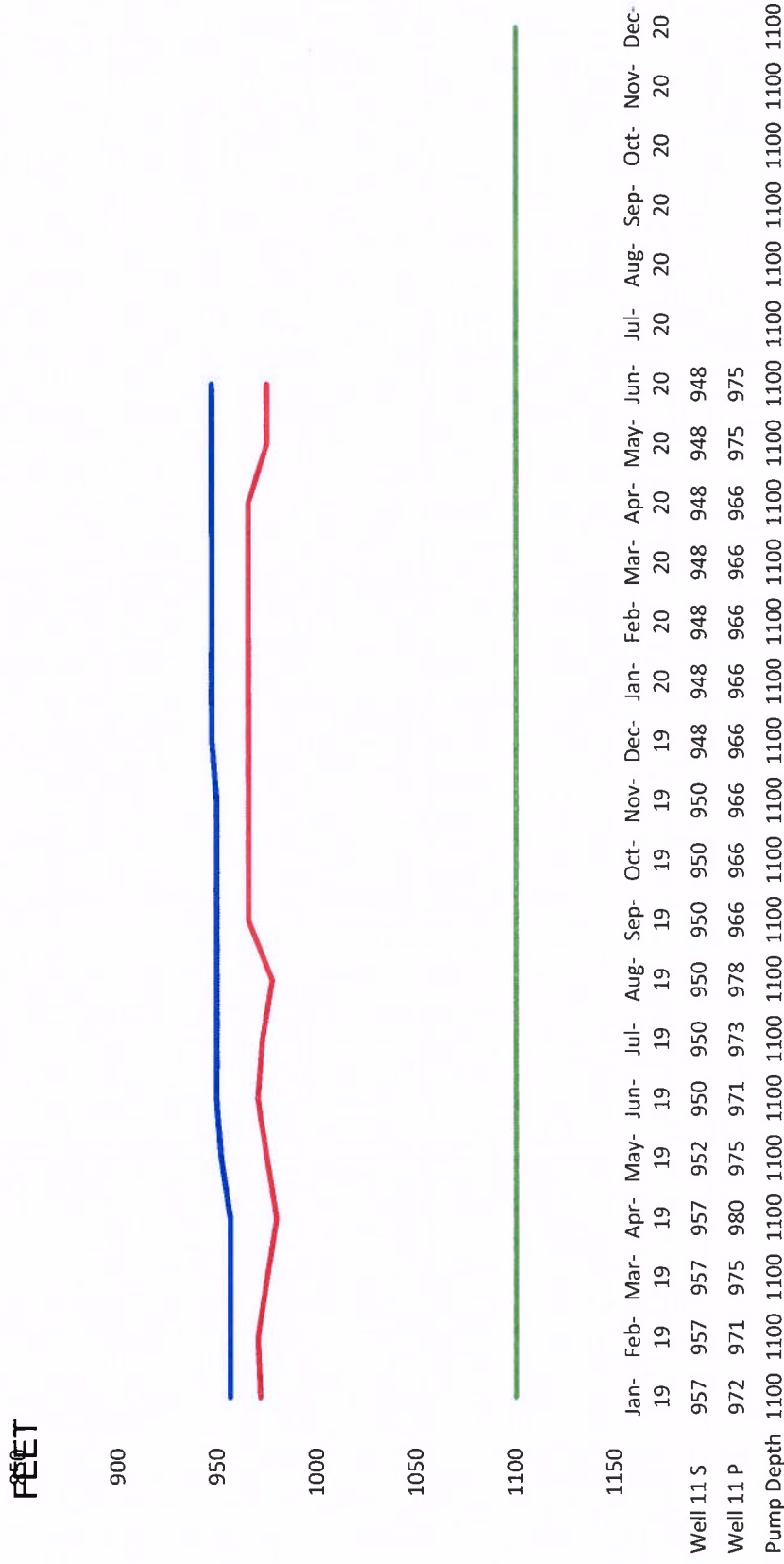
2019 / 2020

WELL #8 Monthly Water Levels / 2 years



SHEEP CREEK WATER COMPANY

WELL #11 Monthly Water Levels / 2 years

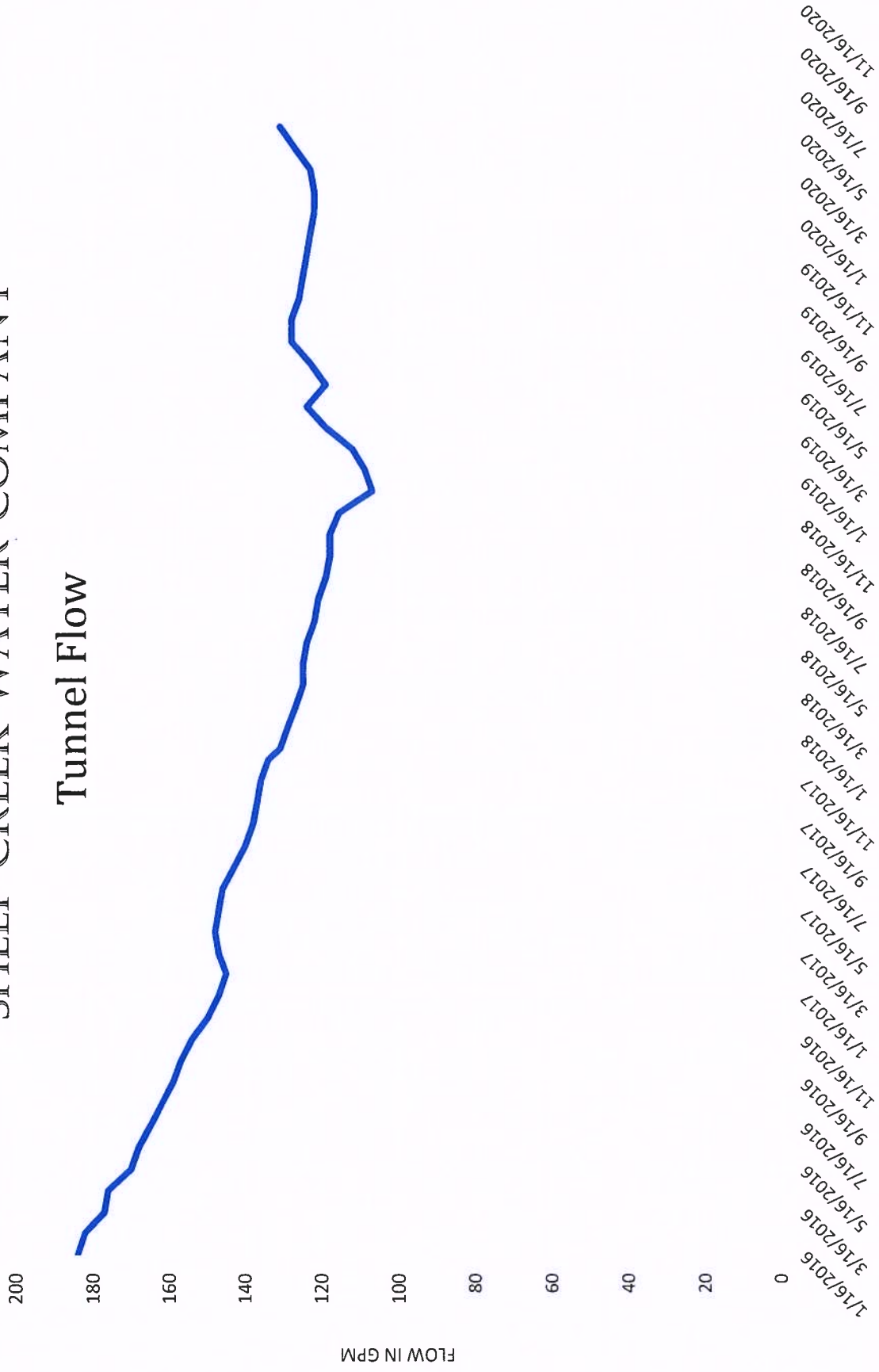


2019 / 2020

Well 11 S Well 11 P Pump Depth

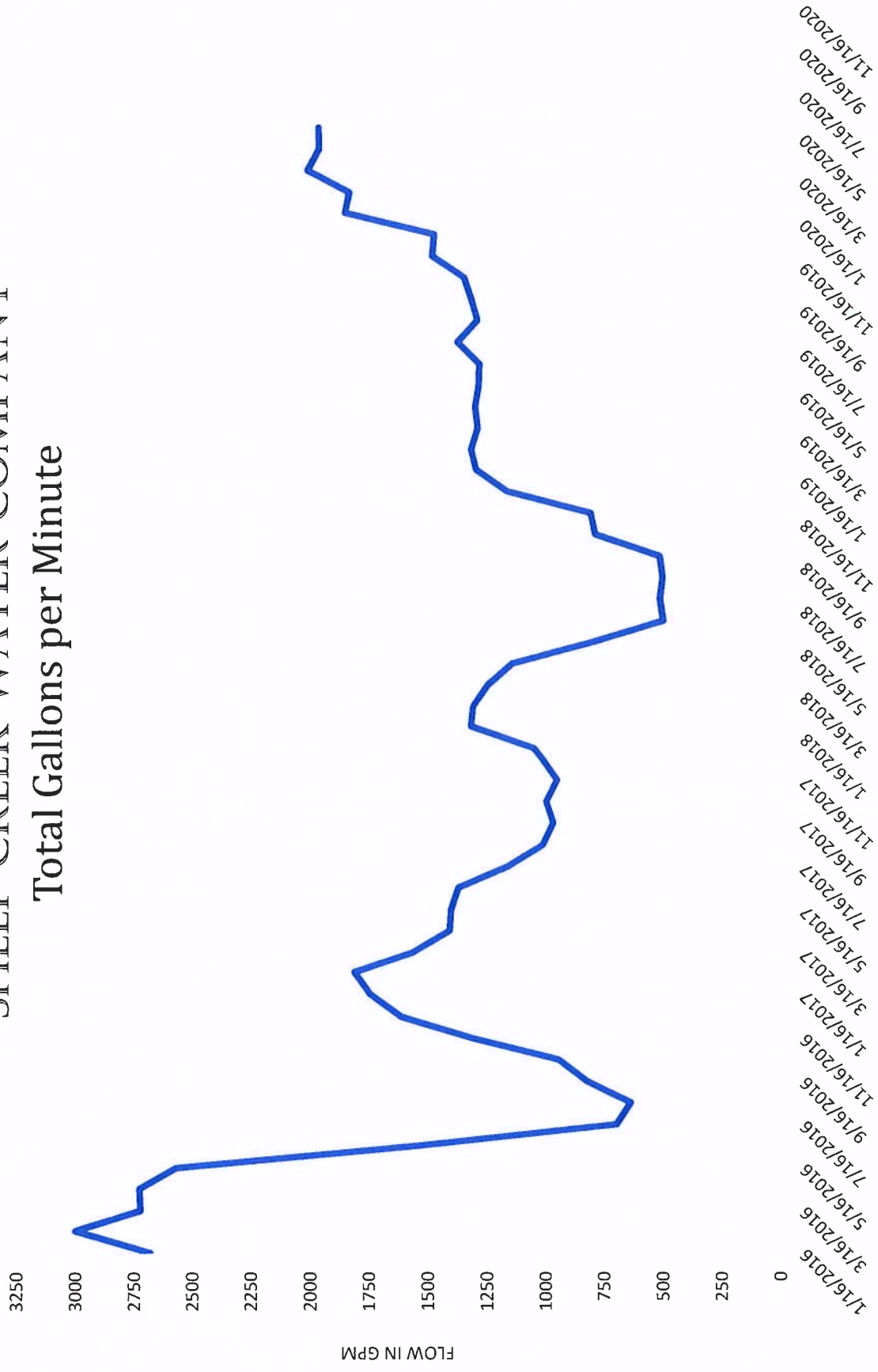
SHEEP CREEK WATER COMPANY

Tunnel Flow



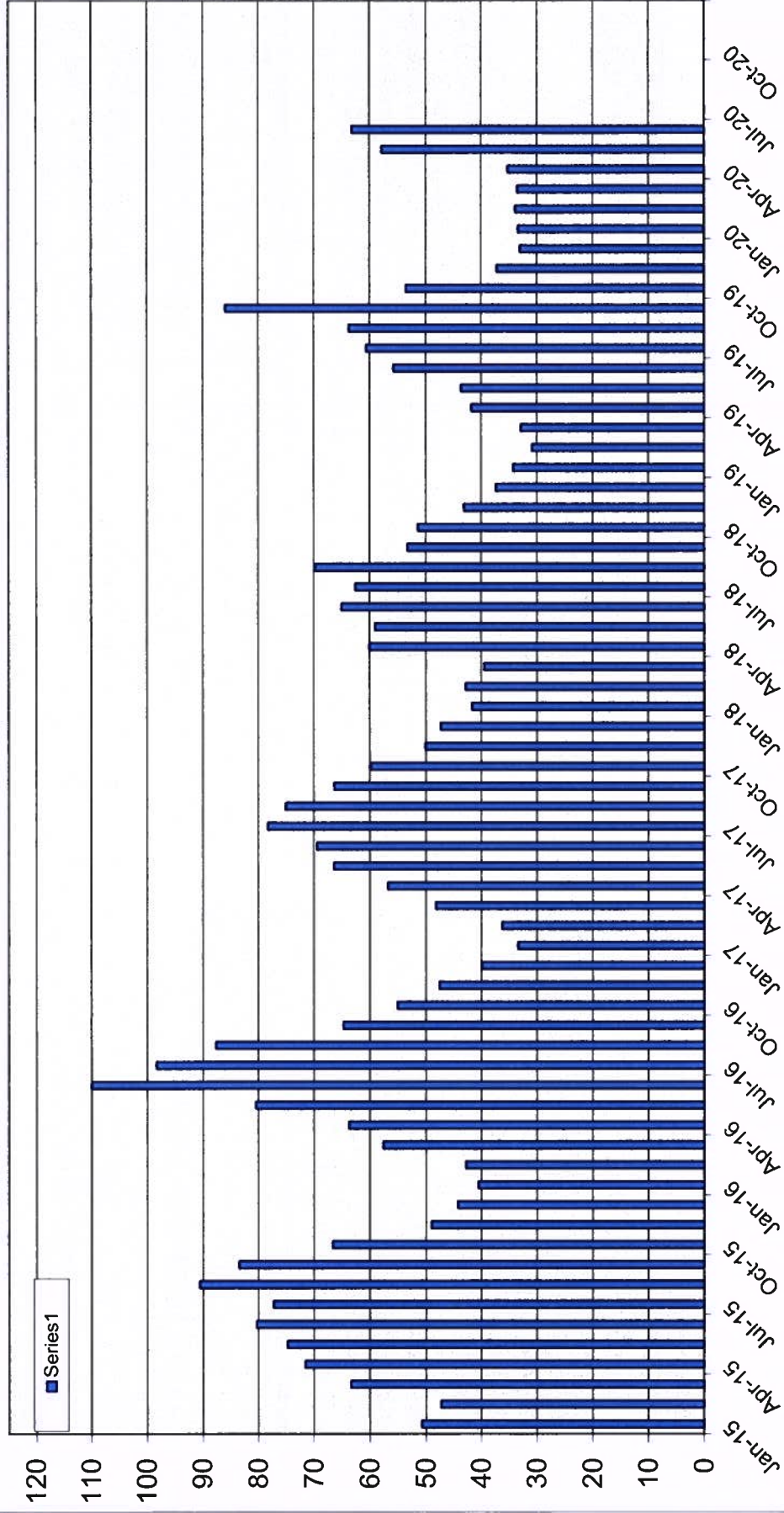
SHEEP CREEK WATER COMPANY

Total Gallons per Minute



SHEEP CREEK WATER COMPANY

WATER PRODUCTION ACRE FEET



2015- 2020