

**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](mailto:sheepcreek@verizon.net) / [www.sheepcreekwater.com](http://www.sheepcreekwater.com)*

**ANNUAL MEETING OF SHAREHOLDERS MINUTES**

NOTICE IS HEREBY GIVEN, that the Annual Meeting of the Shareholders of Sheep Creek Water Company, a California corporation, will be held at **Pinon Mesa Middle School**, located at **9298 Sheep Creek Road, Phelan, California**, on **May 2, 2026, at 10:00 a.m.**, local time, for the following purpose:

**I. Open Meeting 10:01 AM**

- a. Salute & Invocation
- b. Introductions:
  - i. Board Members: Andy Zody, Kellie Williams, Luanne Uhl, David Nilsen, and Eric York.
  - ii. Past Board Members: Jim Watson and Bob Howard. A moment of silence was observed for Bob English.
  - iii. Sheep Creek Water Company Staff
    1. General Manager: Joseph Tapia
    2. Executive Manager: Therese Rodriguez
    3. Administrative Secretary: Christina Garland, Maria Peralta
    4. Field Staff: Mike Siaz, Paul Pollard, Joseph J. Tapia, David Donegan
  - iv. Proxy Committee
    1. Proxy Committee: Maria Peralta, Christina Garland, Dorthy Zody
    2. Inspector of Election: Mary Watson
- c. **Open Forum/Public Comment-** Under this item any member of the Board or the Public may address the Board on any item relating to the company not listed on this agenda. Each person requesting to speak will complete a request to speak form and bring it up to the Secretary of the Board. At the conclusion of the Annual Meeting Agenda, prior to selection of Board members, Shareholders can speak about the items on their submitted form. Please note 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.

Open Forum / Public Comment: The Board will receive public comments at the end of the meeting. Individuals may address questions related to agenda items or matters discussed during the meeting at that time.

**II. Financial Update**

- a. Approval of 2025 Financial Statement
  - i. Zody presented the 2025 Financial Statement, including details of the existing loan and expenses for ongoing projects. A question was raised regarding the tiers and whether Tier 3 would continue to be used to pay towards the upgrades in the Master Plan. The Board confirmed that Tier 3 will continue to be used for this purpose.

Approval of the 2025 Financial Statements: Motion to approve was made by Jim Watson and seconded by Mazie Parker. Motion passed by verbal yea vote.

### III. Old Business

#### a. Approval of Annual Meeting Minutes of 2025

Motion to approve was made by Jim Watson and seconded by Adolph Juarez. No further discussion.

Motion passed by verbal yea vote.

#### b. System Update

- i. Zody provided a system update, reporting completion of a 48-meter upgrade, identification of 12 mainline leaks, installation of 1,680 feet of 8-inch and 6-inch pipe, multiple valve installations, two new hydrants, elimination of three deadlines, and installation of 25 new meter services, and much more. Additional details were referenced from the meeting packet.

Zody reported that recent severe weather, including the December 2025 storm conditions with hurricane-level rainfall, that impacted the region. The system infrastructure remained operational with no line failures and continued to provide clean and safe drinking water.

Zody acknowledged field staff, office staff, and management for coordinating with the community and neighboring water districts during the storm. Assistance was provided to neighboring areas, including support requested by CSD, with crews and material responding as needed. Cleanup efforts were completed, and service continuity was maintained for both district customers and surrounding residents.

### IV. New Business

**Action Items will be voted by shareholders.**

**The Board of Directors recommends the approval of the Action Item below**

#### a. Strategies for Funding Future Wells

David Nilsen presented strategies for funding future wells. He recommended allocating meter installation fees collected in upcoming years to reimburse the general fund for costs associated with connecting Well #13. He further recommended that water users be charged appropriately for company maintenance in alignment with shareholder directives.

Nilsen proposed depositing revenue from new meter installation fees into a dedicated, interest-bearing account to build reserves for future well or water tank projects, with annual review and adjustments for inflation.

- \$10,000 from each 1-inch meter fee
- \$15,000 from each 2-inch meter fee

Nilsen stated that fees from approximately 200 new meters are projected to provide sufficient funds to drill additional wells or install new water tanks, based on current cost estimates, ensuring that new customers contribute to system expansion and support of the existing system. He also noted that the dedicated account may be used for essential company upgrades, including water lines, well rehabilitation, tunnel repairs, and tank maintenance. If funds are borrowed from this account, repayment must occur within five years through the regular budgeting process, including interest.

Nilsen motioned for approval of future funding as presented. Motion to approve was made and seconded by Dolores Payne. Motion passed by unanimous verbal vote.

## **V. Election of SCWC Board of Directors**

### **Action Items will be voted on by shareholders.**

- a. Nominations for Board of Directors
- b. Nominees will have three minutes each to provide background, experience etc.

## **VI. Procedures for Voting**

Motion to maintain the existing Board of Directors was made by Jim Watson and seconded by Alan Parker. Motion passed by unanimous vote.

## **VII. Open Forum/Public Comment**

- a. Lorraine Frost inquired about the strategy to replace or upgrade existing meters to digital meters. Zody responded that the company will follow its master plan and noted the high cost of digital meter implementation. He stated that crews will continue to replace broken meters as needed; however, a full transition to digital meters is not considered feasible at this time due to reported reliability issues observed by other companies. The company will continue to research the technology and engage in discussions with other water providers while prioritizing other projects.

Mike Siaz added that manual meter reading allows crews to identify leaks and damaged meters during inspections. He also noted that other companies report approximately 80% accuracy with digital systems at this time.

- b. Dolores Payne asked about the cost of a digital meter compared to a standard meter costing approximately \$12,000, and why replacement with a digital meter is not being pursued. Williams explained that implementation would require a system-wide replacement rather than individual upgrades and noted that, while the suggestion was considered, replacement would be an all-or-nothing approach. As long as existing meters remain operational, replacement with digital meters for working meters is a tough decision. The option remains under consideration, and the Board will continue to research and evaluate future improvements to digital meters before making a commitment.

Zody added that, in addition to the cost of the meters, there are associated expenses for software and equipment required to read digital meters. He stated that this represents a significant financial investment, and the Board will continue to research this option.

- c. Bob Howard stated that the company should thank the good Lord, noting that while the company may not be the largest or have the most water, it is a strong company and that faith is part of its good fortune. Watson agreed and added that the company, through its shareholders, owns its water, noting that water in California is a valuable resource. He stated that shareholders are collective owners of both the water and the company. Nilsen added that, in addition to faith, sound decisions contribute to the company's position and confirmed that these decisions, including the master plan, have been approved by the shareholders. He stated that shareholder voices are heard in the decision-making process.

Robert Tolliver asked about the increase in data centers in the county and whether the company is prepared to meet potential high water demand. Zody stated that if a large company enters the service area, it would be the responsibility of that company to fund any necessary infrastructure upgrades, including new lines, meters, and fire flow requirements.

Tolliver asked whether there is a limit on available water supply. Nilsen stated that the company has 8,000 shares, which represents the cap. He further explained that the company's water allotment is regulated by the state, including requirements related to maximum day demand. This standard is based on historical production over a 10-year period, requiring the system to demonstrate the ability to produce that same volume of water daily over that timeframe.

Nilsen further explained that during the drought, production levels decreased, which lowered the company's maximum day demand benchmark for a short period and resulted in a corrective order. He clarified that the company did not run out of water but operated slightly below its maximum day demand. For the past six years, the company has been able to meet the maximum day demand.

In response to a follow-up question regarding share value, Nilsen stated that shares are currently listed at approximately \$1,000 each, as posted at the office; however, as private property, they may be sold at any negotiated price. He also noted that the estimated value of the water company is approximately \$30 million.

#### **VIII. VII. Adjournment 10:45 AM**

The organization meeting following the elections was called to order at 10:45 AM. Nilsen moved to retain the current roles of the Board of Directors and water company staff, including the accountant, attorney, and staff. York seconded the motion. Motion passed.

Adjournment: Nilsen moved to adjourn the meeting, and Uhl seconded the motion. The meeting was adjourned at 10:55 AM.

Respectfully Submitted,

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