

SHEEP CREEK WATER COMPANY
Regular Board of Directors Meeting Minutes
December 13, 2022, ~ 6:00 PM
4200 Sunnyslope Rd., Phelan, CA 92371 ~ Board Room

1) Open Meeting

- a. The Regular Board of Directors Meeting of December 13, 2022, was called to order at 6:00 PM by President Andy Zody. General Manager Joseph Tapia led the Pledge of Allegiance. Director Eric York led the Invocation. President Andy Zody reminded all present and listening that all meetings are recorded for the accuracy of the minutes.
- b. Directors Present: Andy Zody is in attendance as President, Kellie Williams is in attendance as Secretary/Treasurer, Luanne Uhl is in attendance as Vice President, and David Nilsen and Eric York is in attendance as presiding Directors.
- c. Guests Present: Shareholders Peter Barnes attended tonight's Regular Board of Directors meeting via Zoom.
- d. Staff Present: General Manager Joseph Tapia and Therese Rodriguez, General Manager Assistant, were present.

2) Consent Motions:

- a. **Minutes:** *Regular Board of Directors Meeting Minutes of November 15, 2022*
- b. **Bills:** *November 15, 2022, through December 13, 2022*
- c. **Manager's Report:** *December 13, 2022: Included in Board Packet*

David Nilsen moved to accept all Consent Motions on the Minutes of December 13, 2022. Eric York seconded the motion. Motion carried.

- 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 acting on an item not appearing on the agenda. The board president will call on each participant, and you have three (3) minutes to speak.*

Speaker 1: David Nilsen

David Nilsen read a letter he wrote regarding new meters. The state has permitted us to sell 30 meters. Nilsen feels that we can put in more meters as the new wells go in. However, Mr. Barnes states that we should not sell new meters, considering the water shortage.

Speaker 2: Peter Barnes

Speaker Barnes discussed meters and shareholders' use of water and allotments for each share; a discussion followed.

4) Old Business

- a. **System Update – detailed numbers and information are in board packets.**

Tapia reported for the month of November 2022:

- Static Water Levels are up for all Wells.

- **Well 2A** static level is down 4.62 ft; it ran an average of X hours for X days.
- **Well 3A** static level no change; ran an average of X hours for X days.
- **Well 4A** static level no change; did no run.
- **Well 5** static level is down 4.62 ft; ran an average of X hour for X day.
- **Well 8** static level is down 9.24 ft; ran an average of X hours for days.
- **Well 11** static level no change; ran an average of X hour for sampling.
- **Tunnel flow** is currently averaging 142 gallons per minute.
- Production was 38.8 acre-feet of water was produced.
- Total production for Year-to-Date was 554.47 acre-feet.
- Total water usage for November is 36.25 acre-feet.
- Year-to-Date Total Consumption was 468.81 acre-feet.
- Total Pumping capacity is 2,137 gallons per minute (60 hertz).

Work completed for the month of November 2022

Work completed by the Field Crew as noted by the Office Work Orders, Well Soundings, Samples, 2 Meter Upgrades, Repaired a broken hydrant. They installed 2 new meters. A purged line was completed on Well 4A and zero line leaks.

5) New Business

Information Items:

a. *World Ag Expo – February 14-16, 2023*

In Tulare, a considerable farm show with tractors, backhoes, and prominent vendors will be there, and Joey is asking to attend. Zody is concerned about purchasing tractors because our budgets for drilling new wells are tight. Zody asked who should go. Tapia stated that a few board members and two staff members attended in the past. Discussion followed of what will be at the show. Nilsen and Zody would like to attend—suggestion from the board to attend; Mikey, Chris, Nilsen, Zody. Williams suggested that Tapia identify who would go, and we'll figure out a board member to attend.

Action Items:

b. *New Meter*

Motion:

Nilsen moved to approve the two new meters. Uhl seconded the motion.

Discussion:

A community member in Phelan wants to purchase a new meter. Nilsen confirmed they would need to start paying for an active meter even if he is not using it. Rodriguez confirmed that the company has the paperwork. Another community member needs to run 300 feet of pipe. Zody asked questions about a dead-end and a hydro blow-off because this property is at the end of the road. Zody noted that if there are any extra expenses, the community member will need to pay for those expenses. We will finish our half, and the community member will need to pay the other half so we can finish our line.

Vote: Motion carried 5 yes, 0 no's

c. *Water Funder/Grant Management*

Motion:

Nilsen moved to approve that we reached out to Arrdura and got an estimate and if her company will work with us to update our Master Plan (no conflict of interest from the State and the consolidation project). Williams seconded the motion.

Discussion:

Nilsen, Tapia, and Rodriquez had a phone call with her, and it was with Kristen. Nilsen stated that there are federal grants out there. We have the engineering from the consolidation project. We need to address a few issues in our company: upgrading all our water lines, upgrading all our water tanks to be seismically sound, and re-lining all the tanks. It's several million dollars to do those projects. They [engineers who worked on the consolidation project] have all the costs. But, again, they have all the information completed from the consolidation. Nilsen suggests we return to the engineers who worked on the consolidation plan to apply for the grants mentioned in the report. Nilsen suggests we update our master plan. Why not use the engineer who used to work for our company, now works for the state of California, and was part of the consolidation process? Nilsen stated there is possibly \$8 to \$10 million we can apply for [we don't know if we can get the money, but why not ask]. Zody thinks this is a great idea to investigate this estimate further.

Vote: Motion carried 5 yes, 0 no's

6) **Next Scheduled Meeting**

The next meeting was on January 17th, 2023.

Nilsen wanted to discuss the Budget in Open Session, but Zody said we couldn't because it's not on the agenda. Nilsen said, no, I want to go back to Open Session. Nilsen was persistent in reading the budget in Open Session. Discussion followed if the board should go to the close session and then return to the open session. Nilsen was determined to read and discuss the budget before Zody could close the meeting into a close session. Nilsen read the following in the open session:

Nilsen: The proposed budget water rates were increased by 10% for inflation. Water is sold at cost. Tier 3 water provides \$200,000 annually to repay the loan for drilling the new wells. Additionally, \$350,000 is being generated from Tier 3 to upgrade our water system. That is \$3.5 million over the next 10 years. If you take the prices we were talking about, and we must upgrade our water lines without a grant, it's going be about 40% of that cost because we're not paying prevailing wages. We're using our crews. And we can do all that work if the grants are unavailable with that \$350,000 from Tier 3. And remember, Tier 3 is the water used above the users' allotted allotment. And if you stay in your allotment or 800 cubic feet a month [Zoom dropped, but we got Barnes back on Zoom and continued]

There's \$350,000 in that budget to upgrade our water company yearly. That's \$3.5 million over the next 10 years. Customers who stay within the 800 cubic feet are not paying in Tier 3. The

people in Tier 3 use more water than they're entitled to, and I think they need to pay their fair share.

A new meter will cost \$10,700 plus any additional cost for installation. As we mentioned earlier, if they have to put in a pop-off valve or a fire hydrant, they will pay for it. And the new water users are going to be paying their fair share. \$10,000 of that needs to be set aside for new wells so that the new people moving into the community pay their fair share and reduce the burden on the rest of the people.

The new budget will also include costs to update our master plan. Our new budget includes the cost of research and federal grants to upgrade our system at no cost to our water users or shareholders. We don't have to pay a grant back if we get a grant. It saves our shareholders a ton of money, and no assessments are included in the 2023 budget.

Nilsen wanted to ensure everyone was aware of the new changes in the proposed budget discussed in the close session. If the new budget is approved when we return to Open Session, the new budget will be posted on the website.

Barnes asked a question about Water Shares in a close session. Nilsen confirmed the budget in Open Session and told Barnes we would approve the budget in Open Session. Regarding the Water Shares, it's regarding the PPHCSD shares and buying them. We need to check our bylaws to make sure we can purchase them. Nilsen and Zody agreed it would be to our advantage to purchase those shares. Williams confirmed with Barnes that we would go to Close Session, then return to Open Session to vote on the budget.

- 7) **Closed Session:** The meeting went to Closed Session from 6:05 pm *through* 7:05 pm
 - a. *2023 Operating Budget Review*
 - b. *2023 Procurement of Water Shares*
 - c. *2023 Summer Help*

- 8) **Open Session: 7:35**
 - a. 2023 Operating Budget Shares discussion – **NO VOTE**
 - b. 2023 Procurement of Water Shares
 - c. 2023 Bereavement of Water shares when customers pass.
 - d. 2023 Summer Help
 - e. Barnes suggested we discuss the Water Shares with the company lawyer; he disagrees with purchasing the shares. Zody confirmed that we must check further with our lawyer and bylaws. Barnes read Chapter 5, section 7.03 B and C shares held by the issuing corporation in a fiduciary capacity and shares of an issuing corporation, health by subsidiary shall not be entitled to vote on any matter except as follows, to the extent that they're voting, uh, for the owner of the shares. Still, they're not allowed to vote for the corporation. Zody confirmed we couldn't vote for them, but it doesn't say we can't buy them.

9) **Adjournment**

Zody moved to adjourn the meeting. The board seconded the motion. Motion carried. The Regular Board of Directors meeting of February 21, 2023, was adjourned at 7:37 pm.

Respectfully Submitted,

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