

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***