

SHEEP CREEK WATER COMPANY
Regular Board of Directors Meeting
July 11, 2019 ~ 6:30 PM
Snowline Joint Unified School District ~ Board Room
4075 Nielson Road, Phelan, CA 92371

The Regular Board of Directors Meeting of July 11, 2019 was called to order at 6:31 PM by President Andy Zody. David Nilsen led in the Pledge of Allegiance and Bob Howard led the Invocation. Mr. Zody reminded those present that tonight's meeting was being recorded in order to prepare accurate meeting minutes.

Directors Present: The Directors present at tonight's meeting were Andy Zody, Luanne Uhl, Kellie Williams, David Nilsen, and Bob Howard.

Staff Present: The Staff present at tonight's meeting was General Manager Chris Cummings and Administrative Secretary April Chaplin.

Guests Present: Some of the guests present at tonight's meeting were Dane & Jeanna Mills, Don Fish Jr., Deborah Philips, Kathy Everhart, Diane Hayball, Kathy Hoffman, Charlie Johnson, and Don Bartz.

Consent Motions: *Minutes:* Regular Board of Directors Meeting June 18, 2019

Bills: June 18, 2019 through July 11, 2019

Manager's Report

Mr. Howard moved to approve the Consent Motions as presented. Mr. Nilsen seconded the motion. Motion carried.

Open Forum: Mr. Zody reminded those present that under this item, any member of the Board or Public may address the Board on items that are not on the meeting agenda, but, the Board is prohibited on taking any action on an item not appearing on the current agenda.

Mr. Howard reported that the Board has not had a response from the CSD regarding the Consolidation Plan.

Shareholder Diane Hayball asked if there was clarification from the Company's Lawyer on whether or not someone can observe the proxy committee as they count votes. The General Manager told Mrs. Hayball that he has the company's lawyer working on several items at this time, regarding Sheep Creek's legal situation. Mr. Cummings has been working on this question with the Lawyer, but at this time Mr. Cummings did not have an answer. Mr. Zody voiced his own concerns regarding remarks that were stated at the previous Board of Directors Meeting and on social media. There was discussion between Mr. Zody and Mrs. Hayball.

Shareholder Kathy Everhart asked about updating the Master Plan. Chris agreed that it was time to update it. Mrs. Everhart asked how many Assessments have been billed in the last ten years, including project names and the amounts of each assessment. She also requested all dates and amounts of Rate changes within the last ten years. Mr. Cummings told Mrs. Everhart that he has the requested information at the Company office waiting for her to view. Mrs. Everhart stated she wants the consolidation with the CSD. She stated that Sheep Creek Water is not viable.

Mr. Nilsen suggested to Mr. Cummings that all previous Annual Meeting Minutes should be available to view on the Company's web site.

Mrs. Everhart asked about "Renting" water shares. Mr. Nilsen explained that there is no "Renting" shares. If people need to "Borrow", they sign a form stating that they will pay current

Assessments per each share "Borrowed". The agreement is made between the Lender and the Borrower.

Mrs. Hayball asked why we could not vote per meter, instead of "per share". She also asked if the Directors get anything, being on the Board. Mr. Zody stated that he does not get reimbursed for being on the Board. Bob Howard stated that he receives a stipend for medical insurance. Mrs. Hayball added "For what it's worth, that's not a bad thing."

Mr. Nilsen explained that in order to change from voting Shares verses Water Meters, California Law would have to change.

Mrs. Hayball said that she and some of the other people at the Annual Meeting were led to believe that Sheep Creek's water problem is because of the tree farms, and come to find out Sheep Creek only services a few of them. Chris Cummings reported that Sheep Creek has about forty accounts listed as farms in the system. Mr. Cummings also remarked that over the last few years, the farm accounts have cut back quite a bit.

Mrs. Hayball asked "Do we have a loan or a Grant for the new wells? Mr. Cummings reported that the State will give the CSD up to five million dollars for the consolidation of Sheep Creek Water Company. It will not go towards water shares. Mr. Cummings has had discussions with a consultant for funding. We have had a conference call with a co-op bank. They seemed very confident about loaning Sheep Creek the funding to provide enough money for several wells. They also can do grant writing. Low interest or forgivable. A grant will take some time though and a low interest loan may be the way to go.

Shareholder Richard Trower expressed his concerns with the continued lower allotments. There was discussion on why the allotments are low and have remained low even with rain this past winter.

Kellie Williams mentioned that she has talked with several Shareholders that do not want to consolidate. She stated that the Board is listening. Whether someone wants to consolidate or stay private, the Board is listening. A proposal was brought forward to pay for Well 11. She asked if the Manager could look at this proposal and crunch numbers, so everyone will have a better understanding on what they are voting for. Mrs. Williams also suggested that the company add more to the 'Frequently Asked Questions' on the Sheep Creek web site.

Mr. Howard suggested that the company go back to the State and see if the moratorium could be restated as only new meters not be installed and not inhibit the people that only want to add an addition to their home.

Old Business:

a.) System Update

Chris Cummings reported that inspections of the system immediately following both earthquakes last week. There were no issues with any of the facilities or water mains. Static water levels have remained consistent for the past week. Water levels are higher than last year. Current pumping capacity as of July 10, 2019 is 1284 gallons per minute. The Tunnel is averaging 119 gallons per minute as of today. Current usage is averaging 650,000 gallons per day. All wells are available for production if needed. Well 11 is pumping 7 days a week, and averaging 9 hours a day, maintaining flow north of Yucca Terrace. Special Meeting agenda packets were sent out yesterday. A second mailing should be sent in early August with updated information and estimated cost for the 2 alternative options for voting.

b.) *SWRCB Compliance Order Update*

There has been 2 revised compliance plans that were submitted the SWRCB. The revised plan includes both alternatives of compliance into one plan with estimated dates of completion. The 1st alternative is to drill 3 to 4 additional wells with similar characteristics and production as Well 11. Alternative 2 is to consolidate SCWC with the PPHCSD.

c.) *PPHCSD Consolidation Update*

The Phelan Pinon Hills Community Service District has received the consolidation plan that has been presented by Sheep Creek Water. In their discussion, the CSD stated that they will not purchase or reimburse the Shareholders for their shares if there is a consolidation.

New Business:

a.) *Special Meeting of the Shareholders – Ballot*

- Well #11 Loan Repayment ~ Revote
- Updated Allotment Plan ~ Revote
- SWRCB Source Capacity Compliance

David Nilsen moved to accept the Ballots for the Special Meeting August 17, 2019 as presented. Luanne Uhl seconded the motion. Motion carried.

b.) *Phelan Pinon Hills CSD ~ Request to Service*

General Manager Don Bartz with The PPHCSD has asked if they could service parcels 3066-261-08, and 10 which is the existing office, the park, the Community Center and the Senior Center. The CSD has also purchased a piece of property (3066-251-14) next to the existing properties for future parks. At this time, PPHCSD is building a new administration office. The Board agreed to the CSD's request to service their parcels only. The PPHCSD will be responsible to run water main to the parcels and all fire flow for the parcels.

Next Scheduled Meetings

Originally, the next scheduled meeting was for August 1, 2019. Mr. Nilsen moved to change the date to August 8, 2019 at 6:30 PM.

Adjournment: David Nilsen moved to adjourn the meeting. Kellie Williams seconded the motion. Motion carried. The Regular Board of Directors Meeting of July 11, 2019, adjourned at 8:01 PM.

Closed Session: Closed session started at 8:10 PM.

Respectfully Submitted,

Kellie Williams

Secretary/Treasurer

Sheep Creek Water Board of Directors