

**SHEEP CREEK WATER COMPANY
SPECIAL MEETING OF THE SHAREHOLDERS
MINUTES OF
AUGUST 17, 2019**

I. Open Meeting

The Special Meeting of the Shareholders held on *August 17, 2019*, was called to order at 10:06 AM by Board President Andy Zody. The meeting was held at Pinon Mesa Middle School, located at 9298 Sheep Creek Road, Phelan, California. Mr. Zody thanked all those present for attending the meeting. The Proxy Committee announced that a quorum was met and the Special Meeting was officially called to order.

The *Pledge of Allegiance* was led by David Nilsen and the *Invocation* led by Bob Howard.

Board Members present were President Andy Zody, Vice President Bob Howard, Secretary/Treasurer Kellie Williams and Directors Luanne Uhl and David Nilsen.

The Past Board Members were recognized in appreciation for all that they have done for Sheep Creek Water Company.

The staff of Sheep Creek Water Company was introduced.

The Proxy Committee Members recognized were April Chaplin, Dorothy Zody, Donna Drover and Bonnie Howard. At this meeting, Shareholder Mary Watson (Inspector of the Ballots) was recognized for overseeing the counting of the Ballots.

The company Attorney, Ernest Riffenburgh was introduced. Mr. Zody thanked Mr. Riffenburgh for being present at today's Special Meeting of the Shareholders.

II. Old Business

a. **Annual Meeting Minutes of May 11, 2019:** Shareholder, *Maisey Parker* moved to approve and accept the Annual Meeting Minutes of May 11, 2019, as presented. Shareholder, *Jim Watson* seconded the motion. Motion carried.

b. **System Update:**

1. **Production:** Total production for the year 2018 is 624 acre feet (62 AF less than the previous year. Average through the summer months is 62 acre feet (6 months). Average through winter months is 42.5 acre feet (6 months).

c. **CRWA Technical Assistance:** In 2016, Sheep Creek Water Company requested Technical Assistance from CRWA to help acquire Grant Funding for system improvements and additional water source. Under a Grant Agreement of the Proposition 1 Technical Assistance Program, an engineering report was completed for the Sheep Creek Water Company system. CRWA worked with Sheep Creek, staff through records, inspections and staff recommendations to complete a comprehensive report. There are three alternatives were proposed for improvements for Sheep Creek Water. CRWA has continued moving forward to complete a final engineering report and continue to pursue grant funding assistance.

III. Public Forum

Shareholder George Sims, spoke about Sheep Creek Water, said that he hoped that Sheep Creek Water would stay the same and that consolidating with the PPHCSD would be a big mistake.

Shareholder Janet Tomblin, asked about water per share and how we going to define ourselves?

Shareholder Charles O'Leary, said that Sheep Creek Water Company prices are high compared to its neighboring water companies.

Guest Karen Hardy, stated that she thought Sheep Creek Water Company should merge with the CSD.

Shareholder Robert Righetti, stated that the Shareholders run the company and if the company gives in to the State, we will lose control completely.

Shareholder Kathy Everhart, stated that Sheep Creek is not able to provide water for its customers. Drilling wells sounds unaffordable. She stated that the Base Fee is too high. She requested voting information of today's meeting along with vote count. Mr. Zody told Mrs. Everhart that the "vote count" would be posted today as soon as the results are in.

Shareholder Randy Weber, spoke respectfully of the Board, and shared that he felt that the Board has done a great job, considering the obstacles in the way.

Shareholder Lloyd Newell, shared his concerns of the three wells that are to be drilled. Mr. Zody stated that based on the output of the water, determines how many wells need to be drilled. Mr. Newell asked about the price of water meters, and asked what would happen if the State takes over?

Shareholder Roger Fortier, stated that he still has shares, but doesn't live in Phelan anymore.

Shareholder Ken Barralle, thanked the Board of Directors for all that they do for the company and stated that no one should be complaining about your bill.

Shareholder Lora Steinmann, asked how many more wells did the CSD have? She also thanked the Board for all that they do for the company, and stated that "the CSD can't do it better".

Shareholder Richard Trower, stated that the water cost affects "low income" older people. He suggested that Sheep Creek think about all the low income people.

Shareholder Eliana Bobadilla, asked how long it would take to get the wells on line? Mr. Zody answered that the company is up against the State and all that goes with it. The State wants either a consolidation or drill wells. Ms. Bobadilla shared her concern about not being able to build and that this needs to be resolved. Mr. Zody explained that after today's meeting we will know what we are going to do.

Shareholder Janet Tomblin, asked if there would only be one assessment per year?

Shareholder Bob English, asked if the Tunnel was taken into consideration? Mr. Nilsen answered that the state will not allow us into the Tunnel. Mr. Newell stated that the Company would be paying on the loans for a long time.

Shareholder Bob Tolliver, stated that the State is not going to do us any favors. Zone L was paid for by us. We are a private company.

IV. New Business

a. Well #11 Loan Repayment - Re-vote is required

- 1) Assessment - \$15.00 per share for 5 years.
- 2) \$8.00 Base Rate Increase per month per meter service for 5 years.
- 3) \$5.00 Base Rate Increase per month per meter service for 5 years plus Tier 3

Mr. Zody explained that this item had to have a revote from the Annual Shareholders Meeting. Mr. Zody discussed the 3 payment options to repay the loan for the completion of Well #11.

b. Updated Allotment Plans - Re-vote Required

Mr. Zody explained that this item had to have a revote from the Annual Shareholders Meeting. Mr. Zody discussed the update allotment plan with lower allotments if necessary and that the changes in the allotment would be posted on the company website.

c. State Water Resources Control Board - Source Capacity Compliance - Vote Required

- 1) Alternative #1- Remain Independent -Drill Additional Wells for Source Capacity Compliance
- 2) Alternative #2 - Consolidate Sheep Creek Water Company with Phelan Pion Hills Community Services District

Mr. Zody spoke on the Compliance Order and also a possible merge with the PPHCSD. He reported that the Board sent a consolidation plan and meet with the PPHCSD regarding the possible merge. The PPHCSD Board of Directors stated that the CSD will not pay for the shares, and has no desire to merge. Mr. Zody thanked those who have made a difference in conserving water. He stated that the company needs to drill 4 wells to meet the daily demand. "We are also looking into property for the wells." Mr. Riffenburgh added that he had gone over some of the rules for merging, the only option this company has, is to comply with the State. Mr. Riffenburgh explained that based on PPHCSD rejection of the proposed Consolidation Plan and no proposed plan in return, there will be no vote on the merger issue, and SCWC must now proceed with well drilling, in order to meet SWRCB source compliance requirements. However, SCWC By-Laws §7.01 provides that "Expenditures for capital improvements exceeding \$10,000.00 shall require approval from the Shareholders". So, a Shareholder Vote will be taken to authorize such well drilling. Failure to authorize such well drilling will cause SCWC to be in violation of SWRCB requirements. The ballot item will be either a Yes or No vote to comply with the SWRCB and drill additional wells. Merging may be an option at a later date. Mr. Zody reported that at this time, the Board is looking into low interest loans.

V. Procedures for Voting - Mr. Riffenburgh went over the procedures for voting. At this time Ballots were handed out. (12:00 PM)

Voting Results

Well 11 Loan Repayment 1.) Assessment - 1,264
2.) \$8 Base Rate Increase – 755
3.) \$5 Base Rate Increase & Tier 3 Funds - 2,281. *

Updated Allotment Plan **1.) Yes Votes - 4,183 ***
2.) No Votes - 156

Drill Additional Wells **1.) Yes Votes - 3,304. ***
2.) No Votes - 1,036

VI. Director Luanne Uhl moved to adjourn the meeting. Jim Watson seconded the motion. Motion carried. The August 17, 2019 Special Meeting of the Shareholders adjourned at 1:01 PM.

Thank you to Snowline School District for the Use of Facilities & to Hole n One for the Doughnuts!

Respectfully Submitted,

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

