

Sheep Creek Water Company
Regular Board of Directors Meeting
April 18, 2019 ~ 6:30 PM
Snowline Joint Unified School District ~ Board Room
4075 Nielson Road, Phelan, CA 92371

The Regular Board of Directors Meeting of April 18, 2019 was called to order at 6:31 PM by Board President Andy Zody. Chris Cummings led in the Pledge of Allegiance and David Nilsen led in the Invocation. Mr. Zody reminded everyone present that tonight's meeting was being recorded for the accuracy of the Meeting Minutes.

Directors Present: Directors present were President Andy Zody, Vice President Bob Howard, Secretary/Treasurer Kellie Williams, and Director David Nilsen.

Staff Present: Staff present was General Manager Chris Cummings and Administrative Secretary April Chaplin.

Guest Present: Guests present at tonight's meeting were Michelle Hannon, Michael Palecki, Bernadette Bucnis, Robert Walker, Richard Dawson, Diane Hayball, Karie LaFever, Don Fish and Harry Wright. Thank you all for being present!

Consent Motions: *Minutes – March 21, 2019*

Bills – March 21, 2019 through April 18, 2019

Manager Report

David Nilsen moved to accept the Consent Motions as presented. Bob Howard seconded the motion. Motion carried.

Open Forum: Mr. Zody explained to those present at tonight's meeting, that under AB240, the public may address the Board on any item relating to water company business, but the Board is prohibited from taking any action on anything not appearing on the current agenda. There was no business brought up in Open Forum.

Old Business

System – Update: Chris Cummings reported that static water levels have increased between 2 – 7 feet. The water levels compared to one year ago have increased between 2 and 5 feet. Well 5 level is the same as last year.

Current pumping capacity for April 2019 is 1,281 gallons per minutes. The Tunnel is averaging 119 gallons per minute.

Current usage is averaging 400,000 – 500,000 gallons per day.

Material has been ordered for the Tunnel Flow Meter Project.

The CLA-VAL for Smoketree Road is almost ready for installation, we are waiting for a spool and the road permit.

The electric panel has been delivered for Well 11 and the Edison Easements are waiting for the property owner signatures.

SWRCB Compliance Order Update: Two Corrective Action Plans have been submitted to the State Water Board for their review. The Water Board will hold Sheep Creek to whichever alternative the Shareholders vote as the path for compliance.

Mr. Nilsen shared his concern that there may not be enough information to give to the Shareholders to make an educated decision or vote by the Annual Meeting. There will probably have to be a Special Meeting of the Shareholders at a later date.

Some of the concerning issues are the water shares. The Shareholders will be expecting fair market price for their shares. Any existing debts owed at this time will need to be satisfied. The current Sheep Creek Water Company employees need to be taken into consideration, and the existing water users need to be treated fairly with the water charges. Mr. Nilsen is concerned that not enough critical information will be available to the shareholders by the time of the Annual Meeting.

Diane Hayball asked who would pay for shares that would essentially be worthless if the companies were to consolidate. Mr. Nilsen said that whenever a government agency wants to buy you out, they have to pay you fair market value. The state will give us 5 million dollars grant money for the consolidation which cannot be used for the purchase of shares. Sheep Creek does not have a lot of debt, but will need to pay all outstanding loans. Mr. Nilsen is concerned that Sheep Creek customers will have to pay a different rate schedule than CSD customers. Sheep Creek customers will need to know the plans that the CSD has for them if consolidation is chosen. We will need an appraiser who will be able to determine how much the water company is worth, because Sheep Creek Water has substantial assets that must be taken into consideration. Kellie Williams stated that the Sheep Creek Water Company is still in business. We have just been given a choice of drilling additional wells or consolidation. It is agreed by all Directors that they want what's best for the Shareholders. They deserve to have an informed decision.

Harry Wright reminded everyone how much money Sheep Creek Water Company's water rights are worth. It is an adjudicated water right, which is part of this companies assets.

Regarding consolidation, Diane Hayball asked if voting at the Annual May meeting might be premature due to lack of information and discussion.

The Board asked Chris to postpone the vote for consolidation, since not enough information can be presented in a timely matter. Chris will send a letter to the SWRCB requesting an extension of time for the vote.

Consolidation Committee: The committee will be meeting with the PPHCSD on Monday, April 29, 2019. The State Water Board will be in attendance by phone.

Annual Meeting: The Annual Meeting Packets were sent out last Thursday, April 11, 2019. Proxies are already being sent in.

New Business:

Annual Meeting Ballots: The Directors need to know how many of the Shareholders want to keep Sheep Creek or do they want to consolidate. Mr. Nilsen did not agree with the Ballot Agenda Item IVb, regarding Sheep Creek Water and/or consolidation, because of lack of information at this time. There was discussion to remove the ballot items IVb State Water Resources Control Board- Source Capacity Violation and item IVd Well #12.

Next Scheduled Meetings

April 29, 2019 - PPHCSD/SCWC Special Engineering Committee

May 2, 2019 – Board Workshop

May 11, 2019 – Annual Shareholders Meeting

May 16, 2019 – Regular Board of Directors Meeting

Adjournment: David Nilsen moved to adjourn the meeting. Kellie Williams seconded the motion. Motion carried. The Regular Board of Directors Meeting of April 18, 2019, adjourned at 7:30 PM.

Respectfully Submitted,

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