

SHEEP CREEK WATER COMPANY
Regular Board of Directors Meeting
August 8, 2019 ~ 6:30 PM
Snowline Joint Unified School District ~ Board Room
4075 Nielson Road, Phelan, CA 92371

The Regular Board of Directors Meeting of August 8, 2019 was called to order at 6:31 by Board President Andy Zody. General Manager Chris Cummings led in the Pledge of Allegiance and Vice President Bob Howard led the Invocation. Mr. Zody reminded all those present that the meeting was being recorded to ensure accurate meeting minutes.

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

Staff Present: Staff present at tonight's meeting were General Manager Chris Cummings and Administrative Secretary Dorothy Zody.

Guests Present: Tonight's guests were Charlie Johnson, Richard Trower, and Diane Hayball.

Consent Motions: *Minutes:* Regular Board of Directors Meeting July 11, 2019

Bills: July 11, 2019 through August 8, 2019

Manager's Report

Luanne Uhl made the motion to accept the Consent Motions as presented. David Nilsen seconded the motion. Motion carried.

Open Forum: Mr. Zody reminded everyone present that under this item any member of the Board or Public may address the Board on any item relating to the company that is not listed on the agenda, but, the Board is prohibited under AB 240 from taking any action on any item not appearing on the agenda.

Mr. Nilsen stated that he would like to put on the next agenda how we will move forward and start the CEQA process for new wells. Mr. Nilsen also thanked the PPHCSD Board Members for all their time and consideration on the Consolidation matter.

Mr. Howard stated that we also need to move forward with securing the properties we have in mind for drilling the wells.

Mrs. Hayball stated that she had been in touch with the State on the matter of voting per meter instead of per share. She stated that this person said "There is no State Laws in place that dictates how mutual water companies can manage their shares or votes. The votes can be changed internally by the Board and the Community". Mrs. Hayball further stated that 3 years ago she asked about tiered allotment and the Board told her that per the By-Laws that were in place at the time that the allotment can't be tiered. About a year ago they took it to our Legal Counsel then the Board and then to the Shareholders at the Annual Meeting and they said yes so we now have tiered allotment and the By-Law was changed. Mr. Zody also explained that the Board might be able to change the way votes are counted but you have to be careful of the California Code of Corporation but as of now we are in accordance of our Constitution and By-Laws that say "per share" and is what is reported to the Secretary of State of California. But it might be something to consider in the future.

Old Business:

a) System Update

Chris Cummings reported that static water levels have gone up and down a few feet for the past month. Water Levels are up 28-44 feet from this time last year. Pumping capacity as of August 8, 2019 is 1,352 gpm with the Tunnel flow averaging 123 gpm. It's not guaranteed that

we can sustain that if all sources were pumping together. Current usage is averaging 6-.7MGD. Chris also reported that we will be mailing out additional information for the special meeting tomorrow. Mr. Nilsen asked Chris what the new well is pumping and Chris stated that it is currently pumping up to 100,000 GPD.

b) SWRCB Compliance Update

No update at this time.

c) PPHCSD Consolidation Update

The consolidation plan proposed by SCWC was presented to PPHCSD Board on July 17, 2019. Three of the Directors in attendance stated that PPHCSD is not interested in purchasing the Sheep Creek Water Company and the consensus of the board was to reject the consolidation proposal.

d) Special Meeting of the Shareholders

The first item concerns the Updated Allotment Plan. Mr. Cummings recommended that, with further review of the by-laws, the Board needs to approve Allotment changes not the staff. The staff will make the recommendations with the Board approving any changes. Include in the plan, changes made to the allotments will be posted on the website which is faster than sending out letters.

The second item concerns the vote for Consolidation. In discussion with the Company's Attorney, Ernie believes that due to the CSD rejecting the current proposal there is no alternatives to vote on and in his opinion the only thing there should be to vote on is for the company to move forward with drilling new wells. Mr. Cummings voiced that he feels the Shareholders need to have the opportunity to vote but at this time the only option is to drill wells. Chris recommended revising the wording on the Ballot adding that consolidation would be without compensation for shares and possible unknown costs to Sheep Creek Shareholders. Kellie Williams asked if the PPHCSD would want to consolidate if the company was just handed over to them. Chris said that as of this time we have not heard back from PPHCSD so it is unknown. Bob Howard made the motion to accept Chris's revised Ballots. Luanne seconded the motion. Motion carried.

New Business:

a) Water Funder, LLC

Chris Cummings reported that he and some of the Board members have been in contact with a consultant with Water Funder LLC. They specialize in acquiring various types of funding for Government Agencies, farming, small districts, small utilities etc. We had a conference call with Cobank, they do infrastructure funding, and their interest rates right now are 4.5% and with Sheep Creek being a member of the California Rural Water Association, some of their lending fees maybe reduced. Sheep Creek would be in a contract with Water Funder for a fee of \$2,500 a month until their services are no longer needed. It is Chris's recommendation the Board approve using the services of Water Funder LLC to assist in acquiring infrastructure funding. Mr. Howard stated that she also had other ideas on how to obtain money. Mr. Zody reported that there was also 3 options for possible grant funding so we could get loans and maybe get a grant later to help offset some of the cost. Bob Howard made the motion to approve the proposal for Water Funder LLC. David Nilsen seconded the motion. Motion carried.

Next Scheduled Meetings:

- a) August 17, 2019 Special Meeting of the Shareholders
- b) August 29, 2019 Regular Board of Directors Meeting

Adjournment: Bob Howard made the motion to adjourn. Kellie Williams seconded the motion. Motion carried. The Regular Board of Directors Meeting of August 8, 2019 adjourned at 7:52 p.m.

Closed Session: The Board of Directors adjourned into closed session.

Respectfully Submitted,

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