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SUNNY SLOPE WATER COMPANY
ANNUAL MEETING OF SHAREHOLDERS

PASADENA, CALIFORNIA
MONDAY, MARCH 21, 2022

REPORTED BY:
AMBER DAWN CASTANEDA, RPR, CRR
CSR NO. 7640

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COMPANY REPRESENTATIVES PRESENT AT MEETING

DIRECTORS:

- JOHN L. SHAW, PRESIDENT
- STEVEN R. SEILER, VICE PRESIDENT
- LAP T. NG, SECRETARY
- MARK J. SEDLACEK, TREASURER
- PETER C. JEONG, ASSISTANT SECRETARY/TREASURER

OTHER SUNNY SLOPE REPRESENTATIVES:

- KEN TCHENG, VICE PRESIDENT AND GENERAL MANAGER
- TROY HOLLAND, SUPERINTENDENT
- NACHO MAGALLON, IT AND FACILITIES
- KAREN MAAS, OFFICE LEAD AND HR
- MEL ALBERTO, ACCOUNTING
- JOHN LANGMAN, PROJECT AND BUSINESS MANAGEMENT
- PAUL KAYMARK, CPA, NIGRO & NIGRO, PC
- JOHN L. SHAW, ATTORNEY AT LAW

- KAREN MAAS, INSPECTOR OF ELECTION
- PATTIE ANN DALESSANDRO, ANNUAL MEETING COORDINATOR
- MATT HSU

1 PASADENA, CALIFORNIA

2 MONDAY, MARCH 15, 2021

3 10:00 A.M.

4
5 MR. JOHN L. SHAW: So we're starting the
6 meeting.

7 So I would like to welcome you all here.

8 First thing we need to do is to appoint Amber
9 Castaneda as our court reporter.

10 And we would like to welcome all of the
11 shareholders in attendance, both of you.

12 And I would like to introduce our board.

13 I'm John Shaw, the president this year, my last
14 meeting. To my left here is Steve Seiler, who is the
15 first vice-president. He'll be president next year, if
16 all goes well.

17 MR. STEVEN R. SEILER: Maybe.

18 MR. JOHN L. SHAW: Next one is Peter Jeong.

19 And then on the end is Mark Sedlacek, board member,
20 currently treasurer. And Lap Ng is our secretary. Ken
21 Tcheng is our manager.

22 And then we have Mel Alberto as our accounting.
23 And also, behind him -- or no, next to him is Matt
24 Shaw -- Hsu, sorry. I got your name mixed up with mine.

25 And then we have Troy in the back. Troy

1 Holland. And Nacho Magallon. And then Karen Maas.

2 And I would like to go ahead at this time and
3 appoint Karen Maas as the inspector of elections.

4 Okay. Well, all right. So we would like to
5 have the secretary, Lap Ng, make the announcement of the
6 official notice of the elections.

7 MR. LAP T. NG: Okay. Notice is hereby given
8 that the Annual Meeting of the Shareholders of the Sunny
9 Slope Water Company, a California corporation, will be
10 held at the office of the company, located at
11 1040 El Campo Drive, Pasadena, California 91107, in the
12 County of Los Angeles, the State of California, on
13 Monday, the 21st day of March, 2022, at 10:00 a.m.

14 The purpose of this meeting is for the election
15 of the directors and the transaction of such other
16 business as may come before said meeting, and the
17 determination of any matters postponed for hearing at
18 said meeting from the previous meeting of the
19 shareholders.

20 And this was published at the publisher Temple
21 City Life.

22 Okay. Go ahead.

23 MR. JOHN L. SHAW: Okay. So the -- did I get
24 all of the employees?

25 MR. KEN TCHENG: John Langman.

1 MR. JOHN L. SHAW: John Langman behind Mel,
2 yeah. Okay.

3 And I think that's -- that's it. We don't have
4 any of our business partners here.

5 MR. KEN TCHENG: You have Paul Kaymark on the
6 phone, auditor.

7 MR. JOHN L. SHAW: Okay. Paul.

8 MR. KEN TCHENG: He's on the phone.

9 MR. JOHN L. SHAW: Okay. We would ask Karen
10 to -- I've appointed Karen as the inspector of election.
11 Inspector of elections announces the shares that have
12 been returned.

13 MS. KAREN MAAS: There's 2,660.

14 MR. LAP T. NG: Okay. Mr. President, we have
15 determined we do have a quorum with 2,660. It's
16 official.

17 MR. JOHN L. SHAW: Okay. Thank you.

18 And Mr. Secretary, Lap, will you read the
19 minutes of the 2021 annual meeting?

20 MR. LAP T. NG: Mr. President, I request to
21 waive the reading at this time.

22 MR. JOHN L. SHAW: Okay. Do we have a motion
23 to --

24 MR. STEVEN R. SEILER: You have to ask for any
25 objections.

1 MR. JOHN L. SHAW: Does anybody object to
2 waiving the reading of the minutes of the last annual
3 shareholders meeting?

4 MR. LAP T. NG: Okay. Then I move to approve
5 the 2021st annual meeting minutes.

6 MR. PETER C. JEONG: I second.

7 MR. JOHN L. SHAW: Okay. It's been moved and
8 seconded. We approve the minutes of the 2021 meeting.
9 All in favor, say aye.

10 THE AUDIENCE: Aye.

11 MR. JOHN L. SHAW: Any opposed?

12 Okay. Motion carries.

13 Okay. We'll request the Manager's Report.

14 MR. KEN TCHENG: Thank you, Mr. President.

15 Good morning, everyone. I would like to
16 welcome you all back to our face-to-face meeting this
17 morning.

18 As seen when you walked through this morning,
19 our staff is really happy to be back in the office.
20 It's, you know, this remodel that we took a while to
21 finish, and it's really nice, and we're happy to have
22 it.

23 We're also fortunate and thankful to our
24 shareholders and employees for their patience and
25 understanding during the interruption that we had. Not

1 only COVID, but also the remodeling activity of the
2 offices, shareholders can't come into the office to do
3 business transactions. So we thank you for your
4 patience on that.

5 As far as what happened last year, I kind of
6 want to report the standard information.

7 Water production for 2021 reflected a 1.85
8 percent decrease from the previous year. So we -- as
9 you know, we didn't have a lot of rain this last year,
10 and we encourage you to continue with conservation. Two
11 percent reduction from the previous year is not enough,
12 I think. As you read in the paper lately, we anticipate
13 the State is going to mandate some mandatory
14 conservation, so just be prepared for that. We
15 encourage conservation.

16 And water quality samples are taken throughout
17 the year. All sampling met Federal and State health
18 standards.

19 And costs for the Basin Watermaster costs is
20 one point -- just under 1.2 million dollars from last
21 year. So, as you know, the scarcity of water supply and
22 the higher the water costs, 1.2 million is quite a sum
23 for us to purchase.

24 We do monitor the water table, because we pump
25 100 percent of our water from two ground basins. And

1 the key well that we monitor is called Baldwin Park Key
2 Well. And with a small amount of rainfall in 2019/2020,
3 the water table is at 197.5 feet as of March this year.
4 That's about 11 feet lower than the previous year.

5 So that's kind of our health of our water
6 supply. Anything below 200 feet is a concern. So we
7 need to manage that going forward. So summer months is
8 coming, so we would anticipate it to drop more.

9 Property tax. Because we are a not-for-profit
10 organization, we don't get taxed on Federal tax. We do
11 pay State tax, and that was just under \$18,000 last
12 year.

13 Insurance costs is \$250,000, just under that.
14 So all of the business liability, compensation, the life
15 insurance, auto insurance, and all that accumulated to
16 \$250,000.

17 Power costs for 2021 were \$551,000.

18 So these are the costs of operation for us.
19 And labor, power, water supplies are the three largest
20 costs that we have.

21 I just want to kind of note some
22 accomplishments that we did last year.

23 We replaced a main at Avon Avenue. That's
24 about 1,500 linear feet of pipe. Again, the more we
25 replace our infrastructure pipe, the less service

1 interruption and leaks that we would get.

2 I don't know if you drove down the street here,
3 you'll see activities going on reservoir one. So we
4 have begun rehabilitation of that reservoir last year.
5 As part of that renovation, we replaced a booster, which
6 is the motor, the pump that's ensures that we have
7 adequate pressure to distribute the water to the
8 residents; and also procured a spare unit, in case that
9 there is any kind of failure that we have backup for our
10 critical activities.

11 Now, while we continued business operation
12 under COVID conditions, we focused on improving our
13 business operating efficiencies.

14 As you know, we have 14 acres of landscape at
15 Sunny Slope, and we've been maintaining that with
16 internal resources. Last year we outsourced that to a
17 landscape maintenance company, and that is a cost
18 savings to us of \$100,000 annually. So that's what we
19 did.

20 With the office building remodel, we replaced
21 our old phone system, resulting in about \$5,000 annual
22 cost. This new system gives us improved reliability,
23 availability, and resiliency.

24 So we also successfully completed a mandate by
25 the EPA on risk and resiliency certification

1 requirements. So I really wanted to express my
2 gratitude to the staff for doing this internally.
3 Consultant costs for doing that project could have been
4 \$150,000. So internal staff took on the task to do it
5 internally. Now, this was a mandate by the EPA that we
6 have to submit that compliance.

7 Some of you, our shareholders, opted to receive
8 an electronic proxy this year. This resulted in
9 approximately 800 shares processed at a cost savings of
10 just under \$1,000. So if you have email or you have
11 access to our company portal, you know, we send you the
12 proxy electronically, save postage, you save printing
13 costs, postage both ways, sending and receiving it back.

14 So word of mouth, I hope you can share with
15 other shareholders to participate in the electronic
16 proxy, that would be great.

17 With this remodeling of this building, our
18 office on this first floor was, basically, shut down.
19 The alternative was to lease an office space. We didn't
20 do that. We had our staff work from home. So thanks to
21 them for being flexible and working remotely, we avoided
22 having to lease an office space at around \$50,000.

23 So overall, last year we did a lot of process
24 improvement to kind of save us cost of operation for the
25 company.

1 In 2022, this year, I just want to share some
2 of the major projects that we are engaged with.

3 The continuation of reservoir one rehab to
4 complete by the third quarter of this year.

5 And we are just about to start the Burton main
6 replacement, which is about 3,000 linear feet. We are
7 replacing 12-inch and eight-inch pipes, so that's --
8 we've been waiting on the County to give us the permit
9 and the City to give us the permit. We finally got it,
10 and it should start pretty soon.

11 After that replacement project, we had the Reno
12 main pipe replacement. And that entails about 2,500
13 linear feet and replacing eight-inch pipe.

14 As part of our water treatment, we do have
15 equipment that analyzes contaminants, so we are
16 replacing what we call a chemical scan analyzer. And so
17 we're going to be procuring that to replace the existing
18 unit.

19 To hedge on rising water costs, we are pursuing
20 the purchase of 1,000 acre-feet of cyclic water for
21 storage. So, basically, we're buying water at today's
22 price, and we'll use it in the future.

23 The Metropolitan Water District has already
24 declared the next ten years of water rates, and it's 12
25 percent this year, ten percent next year, and five

1 percent each of the last eight years. So we know the
2 cost of water is going to go up. Where we can afford to
3 buy water at a lower cost ahead of time, we're doing
4 that. And that's what we're doing.

5 So that's my report for this year.

6 MR. JOHN L. SHAW: Okay. Thank you.

7 Do we have a motion to approve the Manager's
8 Report?

9 MR. LAP T. NG: I move to approve the Manager's
10 Report.

11 MR. STEVEN R. SEILER: I'll second that.

12 MR. JOHN L. SHAW: It's been moved and
13 seconded. We approve the Manager's Report.

14 All in favor, say aye.

15 THE AUDIENCE: Aye.

16 MR. JOHN L. SHAW: Any opposed?

17 Okay. Motion carries.

18 Treasurer.

19 MR. MARK J. SEDLACEK: We have the Annual
20 Report, the 2021 Annual Report available electronically.
21 Go on our website and look at it. Or if you want a hard
22 copy, you can go to our annual meeting coordinator or
23 Karen.

24 MS. KAREN MAAS: Sure.

25 MR. MARK J. SEDLACEK: So if you want a copy,

1 we can provide this.

2 MR. JOHN L. SHAW: Do we have a motion to
3 approve the Annual Report?

4 MR. PETER C. JEONG: So moved.

5 MR. STEVEN R. SEILER: Seconded.

6 MR. JOHN L. SHAW: Okay. Moved and seconded.

7 Any discussion?

8 All in favor, say aye.

9 THE AUDIENCE: Aye.

10 MR. JOHN L. SHAW: Any opposed?

11 Motion carries.

12 Okay. Nominations are now in order for
13 directors for the ensuing year. The qualifications for
14 members of the board of directors are as follows:

15 Each member of the board of directors shall, A,
16 be a shareholder of Sunny Slope Water Company; B, shall
17 own in the name of said director one or more shares of
18 stock in the Sunny Slope Water Company; two, shall -- or
19 C, shall for two years prior to the beginning of and
20 throughout his or her term of office own and occupy
21 property or premises within the territory serviced and
22 supplied by Sunny Slope Water Company, and shall be a
23 purchaser of water of said company for use of said
24 property or premises; and D, shall not be an officer,
25 agent, or employee, or otherwise receiving compensation

1 from said corporation, except as set forth in Article 3,
2 Section 19.

3 Chairman of the proxy committee nominates --

4 MR. LAP T. NG: I am chairman of the proxy
5 committee. I hereby nominate the incumbent directors,
6 Pete C. Jeong, Lap T. Ng, Mark J. Sedlacek, Steven R.
7 Seiler, and John L. Shaw.

8 MR. JOHN L. SHAW: Okay. So those are
9 individuals who are nominated.

10 Are there any additional nominations from the
11 floor?

12 Hearing none -- are the people listed on the
13 screen?

14 MR. KEN TCHENG: Yes.

15 MR. JOHN L. SHAW: All right. So now, those
16 are the people who are nominated. We now close the
17 nominations and request that the shareholders present
18 vote their shares on the ballots provided. They will be
19 collected by the inspector of elections, tabulated in
20 the front office.

21 Okay. Thank you.

22 And now we have a time, while those are being
23 tabulated, to answer any questions that anybody in the
24 audience has.

25 MS. BEVERLY FALK: Yes. Beverly Falk.

1 I wanted to just hear why we remodeled and what
2 were the objectives?

3 And I noticed that you have some areas where
4 there are no plants, but rocks, and things like that.
5 So is there some sort of environmental consideration
6 outside?

7 MR. JOHN L. SHAW: Well, certainly that was
8 part of it. Water savings on the outside, so on.

9 Do you want to take that?

10 MR. KEN TCHENG: So the office building that we
11 had was built in 1962. And we had some growth in the
12 company of employees. But two of the main objectives
13 that we have, one was to bring it up to ADA compliance,
14 Code. That's happening. And then, we have asbestos on
15 our ceiling and floor, so we replaced, eliminated those.
16 But the key is to modernize our building for the future
17 years, as we stay in this location.

18 The landscape we purposely chose to just be
19 kind of like a desert scene, that we don't have plants,
20 we don't have grass, so that we don't necessarily use
21 water to maintain them. And we do it internal. And
22 it's not the most fanciest of designs, but it's kind of
23 our attempt to save water as part of the conservation.

24 MS. BEVERLY FALK: Thank you.

25 MR. JOHN L. SHAW: Okay. Thank you.

1 And we will have another time for additional
2 questions. We do have the determination from the
3 inspector of elections.

4 The total shares outstanding are 12,998. A
5 majority would be 6,500. And a quorum, which is
6 required by law, is 2,600. The proxy committee shares
7 had 2,660. The shareholders present were 18. The total
8 represented at the meeting of 2,678.

9 And the results are up there.

10 MR. KEN TCHENG: Yes.

11 MR. JOHN L. SHAW: So the results are on the
12 board.

13 Are there any challenges to the results of the
14 election?

15 Okay. Entertain a motion to approve the
16 official acts of the election.

17 If there is no challenges, I say that the
18 election is approved by the shareholders present. And
19 now I entertain another motion to approve the acts of
20 the board of directors and the general manager for this
21 last year. Calling for the question at this time.

22 Do we have a motion?

23 MR. STEVEN R. SEILER: I move that we approve.

24 MR. JOHN L. SHAW: It's been moved.

25 MR. STEVEN R. SEILER: Yes.

1 MR. JOHN L. SHAW: Do we have a second?

2 MR. MARK J. SEDLACEK: Second.

3 MR. JOHN L. SHAW: Moved and seconded.

4 We approve the actions of the board of
5 directors and the general manager for this last year.

6 All in favor, say aye.

7 THE AUDIENCE: Aye.

8 MR. JOHN L. SHAW: Any opposed?

9 Okay. No opposition, so the motion carries.

10 All right. Now is another time for any other
11 questions or additional insight, as far as the
12 shareholders are concerned.

13 Any concerns?

14 MS. MARGARET HASKIN: I have a question.

15 Is there any projection as to how many more
16 housing units this water company could support for water
17 use, on the idea that there could be many possible,
18 potentially a lot more lot splits and more development?

19 MR. KEN TCHENG: Yes. So every five years, we
20 are required to update what they call the Urban Water
21 Management Plan. Within that plan, it projects how much
22 occupancy that we can support, because we have to
23 guarantee water supply for 30 years. So we kind of
24 leverage the Urban Water Management Plan on providing
25 water through new units, and so forth. And that's why

1 we monitor the water, the key wells and the water
2 supply, to make sure that we have adequate supply for
3 that.

4 MR. JOHN L. SHAW: Yes. There has been a lot
5 of new construction and multiple units on Rosemead.
6 There is some apartments being built just on Emperor.
7 There's also a number of, 200-and-some units I think
8 that are going to be constructed on the east side of
9 Rosemead Boulevard between Broadway and Rosemead.

10 MR. KEN TCHENG: The old Sears building.

11 MS. MARGARET HASKIN: Do you supply water that
12 far down?

13 MR. KEN TCHENG: Yes.

14 MR. JOHN L. SHAW: All the way down to
15 Broadway.

16 MS. MARGARET HASKIN: Okay.

17 MR. JOHN L. SHAW: But not all of the way
18 across. I think it's through Encinita. It's over to
19 Encinita, and then it goes up to Live Oak, and across
20 Live Oak to Baldwin, up Baldwin to Garibaldi, across
21 Garibaldi to Oak Avenue. So it's a little bit of a
22 different configuration there. But yes, we do supply.

23 MR. STEVEN R. SEILER: And we also have to take
24 into consideration SB8 which allows people to divide
25 their lots, and they're called ADUs.

1 MS. MARGARET HASKIN: Yeah. I know. I've got
2 one across from me.

3 MR. JOHN L. SHAW: Any other questions or
4 comments from the board or from the shareholders?

5 All right. Well, we've completed the business.
6 I would now entertain a motion to adjourn.

7 MR. LAP T. NG: Mr. President, I move to
8 adjourn.

9 MR. MARK J. SEDLACEK: Second.

10 MR. JOHN L. SHAW: Moved and seconded that we
11 adjourn this meeting.

12 All in favor, say aye.

13 THE AUDIENCE: Aye.

14 MR. JOHN L. SHAW: Any opposed?

15 Hearing none, the motion carries.

16 We are adjourned now.

17

18 (Whereupon, the proceedings

19 concluded at 10:27 a.m.)

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