

WALLACE COMMUNITY SERVICES DISTRICT

P.O. BOX 398
Wallace, CA 95254

MINUTES

Regular Meeting of the Board of Directors

July 13, 2006

Meeting Place:

Mark Fusselman's Barn, 9500 Wallace Lake Drive, Wallace, Ca 95254

- 1. ROLL CALL.** Interim President, Charles Cantoni called the meeting to order at 7:00 P M. Directors present were Charles Cantoni, Mark Fusselman, Rick Guantone, Cathryn Jackson, and Bill Pugh. Also present were General Manager Gary DeJesus, District Legal Counsel Michael McGrew, District Engineer Roark Weber, and Administrative Assistant Jackie Neill.

- 2. APPROVAL OF MINUTES**

The Minutes of the June 12, 2006 Regular Meeting of the Board of Directors were approved as written.

Motion: Bill Pugh Second: Cathryn Jackson Unanimous

The Minutes of the June 26, 2006 Special Meeting were approved as amended, striking the remark made by Director Fusselman, "That these properties now owned by him may be coming up for sale, and that the ideal situation would be for the Developer to purchase the land and facilities and deed the appropriate parts to the District." Director Fusselman stated that this was an "off the cuff" remark and that he was not in any negotiations with the Developer.

Motion: Bill Pugh Second: Rick Guantone Approved 4-1

- 3. PUBLIC COMMENT**

Steve Dahlhauser spoke about the shrubs overgrowing the path on the Developer's side of the lake and asked if there was money in the Budget to clear the path. General Manager, Gary DeJesus stated he would investigate the situation and remedy it if possible.

Several audience members spoke about sub-contractors leaving debris on the streets and in the easements and in the open-space. Director Cantoni stated that letters to the offenders would be triggered by complaints from residents. There was discussion about no warning lights around building materials and portable toilets left in the streets and Director Cantoni clarified that the Calaveras County Building Department policy is to not police building sites.

A builder in the audience suggested that the District charge a cleaning deposit to cover any District expense involved in cleaning up after builders. Director Cantoni said that would require that the District pass an Ordinance.

- 4. GENERAL MANAGER'S REPORT**

General Manager, Gary DeJesus reported on the progress of the potassium permanganate additive to our water system. Mr. DeJesus reported that although the addition of this additive was more

work it clearly improves the iron and manganese levels in the water. Mr. DeJesus plans to apply for the permit amendment at the end of July.

Mr. DeJesus reported that the summer weeds had been sprayed and that the District was working with Sierra Pest Control to alter the Weed spraying contract to include the spraying of the summer weeds.

With regard to back-flow devices, Mike Whalen Construction completed work on the Wallace Gas& Go and the Calaveras Grill. Mike Whalen has been asked to furnish Mr. DeJesus with an itemized bill for these services. Mr. DeJesus was advised that Mr. Whalen is on vacation.

Reynen & Bardis has provided reports prepared by West Yost Associates evaluating the water tanks and the electrical system at the Water Treatment Plant. Mr. DeJesus reviewed the estimated costs of recoating the interior and exterior of the tanks and also stated that the interior recoating was not possible until valves were installed to bypass the tanks. He reported that there may be a need for pumping equipment to supply water if the elevated tank was to be taken out of service. Mr. DeJesus said the District Engineer should research the most cost effective method for the tank by-pass. The total repair costs were estimated to be \$154,000-\$181,000.

Mr. DeJesus reported on the problems at the Waste Water Treatment Plant. He feels that an air line is broken and stated that specialized equipment was needed to enter the tank. Mr. DeJesus is in the process of finding someone with the correct equipment and expertise to do this job.

5. COMMITTEE REPORTS

Gates/Roads Committee

Director Bill Pugh reported he is attempting to get someone to fix the problems at the front gate. Mr. Pugh said the District will be getting two invoices from companies that have attempted to fix the gate. The second vendor has identified the problem and parts are on order.

Director Pugh stated that the new signs approved previously have been installed.

Lake and Open Space Committee

Director Mark Fusselman reported on the Lake and Open Space Committee meeting. He also stated the application to the State for dam repairs seems to be in order. Mr. Fusselman reported that the Committee has compiled a list of improvements for Wallace Lake Estates that includes raising the walking trail on the south side of the lake and paving it, construction of a park, and construction of a dog park. Mr. Fusselman suggested that the Committee could be involved in work days to complete specific projects around the lake.

Finance Committee

Financial committee end of Fiscal Year results were reviewed by Mr. Cantoni who presented an overview of how the District did relative to the Budget. Total water and sewer Revenue was projected to be \$136,208; the actual revenue was \$145,423. Total water and sewer expense was projected at \$151,163,000; actual expense was \$155,115.

Road revenue was projected at \$34,436 and actual revenue was \$34,452. Actual expense for roads was \$11,265 while \$17,878 was the projected expense.

The District achieved a positive cash flow by not spending all of the original road budget.

R&B representative, Murray Lind stated that photographic reports had been sent to the District and that the District will soon have a totally complete baseline assessment of the water capacity.

Director Cantoni stated that a study of historical data with regard to water usage is under way. Roark Weber, the District Engineer, has contracted with ECO:LOGIC to do a base line system study. Director Jackson questioned the Developer being charged for this study and asked if it did not defeat the purpose of having an independent analysis of the water and sewer capacity if the Developer paid for the study. Directors asked for clarification from District legal counsel. Mr. Mc Grew said it was not uncommon to bill the Developer for additional independent studies to evaluate the baseline water capabilities of the system.

The next item for District consideration was the 11% increase requested by the District's Engineer. The Directors approved the new contract amount.

Motion: Bill Pugh Second: Mark Fusselman Unanimous

Ad-Hoc Security Committee

The committee had nothing to report.

6. CONSENT TO APPROVE BILLS FOR PAYMENT

Bills for payment in the amount of \$22,085.52, check numbers 3429-3453 were presented. The expense for District insurance was pointed out to the Directors and approval for the fee for the DHS permit modification will be added.

Motion: Rick Guantone Second: Bill Pugh Unanimous

7. ACTION ITEMS

A. Tobar Agreement

Director Cantoni presented the history of the Tobar bond and requested the Directors authorize Mr. Cantoni to work with Legal Counsel to process the release of the bond and return of Mr. Tobar's deposit.

Motion: Bill Pugh Second: Rick Guantone Unanimous

B. LPG Planning

Director Cantoni stated that with the new developments the District will need to clarify ownership of the new gas lines. He requested Director volunteers to interact with Campora and assure that all developments meet District standards. Rick Guantone and Mark Fusselman volunteered. Audience member, Larry Howen expressed a desire to be part of that Committee. Director Cantoni appointed Rick Guantone the chairman of the Committee and suggested that Mr. Howen speak to Mr. Guantone.

C. Boyd Project Approved by the Calaveras County Planning Commission

The Boyd Project was approved by the Planning Commission with all three of the recommendations that were forwarded by the District. Infrastructure will be in

accordance with the contract and District Standards. The road will be resurfaced after completion of infrastructure additions and the Storm Drain and erosion problems will be fixed per agreement with WCSD. Director Cantoni asked for advise from the District Engineer and Legal Counsel as to the process. Roark Weber said he will bring the improvements to the Board Meeting for the Directors to review. The road is to be repaired and resurfaced from Lot 1 South. An audience member asked about parody when other builders who were not required to repair road damage. Mr Cantoni stated that this was inside a Will-Serve Agreement and was not the same issue.

Mr. Cantoni stated that the District Engineer is looking at upgrading the road construction standards because of the damage done to existing roads by building equipment. General Manager, Gary DeJesus stated that the Improvement Standards alone will not be sufficient - that Boyd will need a Main-Line Extension Agreement. Boyd must strike an agreement with the District Engineer as part of the conditions of the Will-Serve Letter. The Plan Check process will trigger the encroachment permit process as well as the Main-Line Extension process. The District Engineer was asked to begin the process.

Motion: Bill Pugh Second: Mark Fusselman Unanimous

D. Proposed Connection Fee Increases

Director Cantoni presented a memo to the Board explaining the process for increasing the CICF. Mr. Cantoni said there will be a hearing at the August Meeting to start the process. Director Cantoni said that if there is some problem with the County approval of the Remainder Parcel the District may want to further consider the amount of increase.

8. DISCUSSION ITEMS

A. Presentation of Remainder Parcel Development-Murray Lind of Reynen & Bardis Communities

Director Cantoni stated that the District has received a letter requesting assignment of the contract signed by John D. Reynen LLC to Reynen & Bardis Communities. Mr. Cantoni then introduced Murray Lind.

Mr. Lind stated that the proposed project totaled 124 single family lots with the North Gate as the primary access for construction of the first 44 lots. Mr. Lind stated that his hope is to begin grading in September and paving in Spring. The homes will be 2400 to 3600 square feet and will sell from \$450,000 to \$750,000. He stated that there are 4 models and each model has three different elevations.

The smallest lot is 80 x 140 and some of the lots are ¾ acre. There will be building envelopes on every lot, compaction and surveying will be done by certified individuals, and street lights will be focused downward. Mr. Lind also indicated that Reynen & Bardis would live up to commitments made by Jim Johnston in fixing the dam.

Mr. Lind stated that their development will have their own set of CC&R's that will be compatible with the CC&R's in Unit 1 but updated to reflect the changes in the law and

the changes in lifestyles. When asked about fencing he said he could not speak to fencing.

Mr. Lind addressed street parking and said that except for visitors that issue could be covered in CC&R's. Mr. Lind said that he would be glad to send a copy of Unit 2 CC&R's to the District to distribute to Unit 1 residents.

Mr. Lind discussed tree removal mitigation areas and open space habitat structures. He also informed the audience about some of the procedures in deeding the Lake and Open-Space back to the District.

When asked about building a road over the dam Mr. Lind stated that the State would control any road construction over the dam. He also stated that dust control would be per State requirements. "We will do as much as we can to minimize disruption to the current residents," he said.

When asked about roofing materials Mr. Lind responded that every house will have a tile roof. Gary DeJesus asked about the access road to the Water Treatment Plant and Well #2.

The subject of hookups to the current sewer plant was discussed. Mr. DeJesus questioned the reasoning for 40 homes in the initial phase. Director Cantoni indicated that the Developer has requested service from current capacity, before completion of the new sewer plant. He pointed out that the Will Serve Letter requires the plant to be completed before service is provided. If the District were to provide service from existing capacity, it must be careful to not over-commit. DHS regulations require the District to notify DHS when predicted load reaches 90% of capacity four years out, and that notification must explain how the capacity will be increased.

Gary DeJesus asked the reason for dividing the project into two phases and also why it was divided into 40 and 84 and not more evenly. Mr. Lind said that the current configuration of phases was what they felt worked best.

There was a discussion about the type of sewer system that would be built and Mr. Lind stated that Reynen & Bardis was not locked into the BESST system and a step system may be built.

When asked about the lake and the trails Mr. Lind said that they have not committed to improving the trail. Mr. DeJesus asked if the infrastructure for both phases could be done first and Mr. Lind stated that it would cost an additional \$8,000,000 and that they would not do that until the market was tested.

Director Jackson said she was uncomfortable jumping to this point so quickly. She stated that the heart of the contract is that the new sewer plant and the water system improvements be done first. "It seems we are jumping many steps forward. The existing contract provides for a 724 unit sewer system. If they are putting 40 units on line first that will require a modification of the contract which will require a renegotiation with the District."

Ms Jackson asked, “What is the benefit of the change to Reynen & Bardis Communities?” and “Are you willing to re-negotiate the contract?” Mr. Lind stated that the studies will be performed and a plan will be put before the District.

“The Will-Serve Agreement states that things can be run in parallel but no final inspection can be requested before the sewer plant is completed and on-line and the improvements to the water system have been made,” stated Director Cantoni.

An Audience member asked about regulating of the CC&R’s. Mr. Lind stated “We are going to build all the houses and all the fences and all the porches. We will be in charge of the CC&R’s.

An audience member stated that she did not know if Mr. Lind or Mr. Reynen was aware of the problems in Unit 1, and what has happened in the name of John Reynen.

Another audience member stated that the community at large still wants the CC&R’s of Unit 2 incorporated into the CC&R’s of Unit 1.

A builder in the audience asked for clarification about the 40 units being available before the sewer plant was built. Director Cantoni stated they have the perfect right to attempt to renegotiate. Mr. Al-Ruosan also asked if Mr. Lind intended to sell any lots to other builders. Mr. Lind said that there was a possibility that lots would be sold.

Mr. Lind told the audience that he would attempt to answer any further questions and that questions could be sent to him. Director Cantoni stated that any questions should be directed through him.

9. ACTION ITEMS (Continued)

A. Remainder Parcel Development

The board discussed with the District Legal Counsel and the District Engineer umerous issues that have been brought up by individual Board Members and the General Manager. Director Cantoni stated that he would be the District spokesperson at the County Planning Commission hearing. Director Jackson asked if the District Engineer could also be present at the hearing.

The District Engineer pointed out that Mr. DeJesus had done a very thorough job reviewing the submitted material for Plan Check. The following is the consensus of the Board and the District Staff in identifying the category for each item listed.

Items identified as issues for Tentative Map

- Lot numbering system
- Extend the paved road to Well #3
- All weather road to well #2
- All weather road to Water Treatment Plant
- Ornamental Iron Security Fencing
- Deeding of well #'s 1, 2, 3 and Parcel B

Items identified as issues for the Plan Check process

- Plans to meet District Standards
- Rear Gate details
- Plans for power and Water to the area next to Lot 26
- Sewer line sizing
- Step sewer system
- No overhead utilities
- Gate at Emergency Access road
- Rear Gate Turn around design
- Designated sample taps
- Fire hydrant placement
- Butterfly Valves
- Placement of water main (plans show main inside easement)
- Tracker Wire for Water and Sewer Lines
- Septic tanks
- Sewer Plans
- Sewer lines
- Bonding for Sewer System
- Construction Access

Items identified as negotiation issues

- Office for the District on Lot 98
- Expand all services to Lot 98
- Paving road to WTP
- Paving at wells
- Add on EDU's
- Pedestrian Walkways

The District's Legal Counsel, Michael McGrew advised the Board of the language for the Tentative Map Hearing; "Prior to approval of the Final Map, the Developer shall."

Director Cantoni stated West Yost Associates has prepared a letter to the County Planning Department and Tom Jeffries is going to meet with Bob Sellman of the Planning Department and attempt to have the Planning Commission hearing put back to the original July 20, 2006 date.

The letter from DHS criticizing the District finances, etc. was discussed. Director Cantoni clarified that the DHS complaints are against the District, not the Developer. Mr. DeJesus offered the opinion that although the letter did criticize the District, it does not need to respond; a response would be for the benefit of the Developer. Mr. Cantoni pointed out that the District does need to respond, or growth in the District will come to a halt.

Mr. DeJesus offered the opinion that any letter from the District should be growth neutral. The Board did not agree. The District's Legal Counsel stated that the Directors could meet with DHS but that the General Manager should attend the meeting.

10. DIRECTOR’S COMMENTS

Director Mark Fusselman stated that for the record he was not in any negotiations with the Developer. He stated that his property was listed with an agent but he was not dealing with the Developer in any way. Mr. Fusselman went on to say that he felt that employees of the District need to support the Board’s position and be in the best interest of the Community.

Director Cathryn Jackson stated that that the Board needs to decide where to spend the money. Water vs sewer vs roads. She stated that all directors were committed to doing the right thing.

Director Rick Guantone, commenting on a meeting he attended at CCWD on surface water, stated that CCWD will only work through the District with regard to Surface Water.

Director Bill Pugh stated that he hopes people will find it in their hearts to approach what is going to happen with an open mind.

11. CORRESPONDENCE

Phone service to Dwayne Bechtel will go underground and AT&T has submitted plans on the Encroachment form.

The lot 116 owner has requested that the District have the construction material removed from that lot.

Resident Jerry Zedlitz has requested copies of the WCSD Board Meeting minutes 2003 -2006

12. ADJOURNMENT TO THE NEXT REGULAR MEETING, AUGUST 14, 2006

A motion to adjourn 11:11 P M

Motion: Bill Pugh

Second: Mark Fusselman

Unanimous

Respectfully submitted,
FINAL MINUTES

Jackie Neill, Administrative Assistant

Charles Cantoni, President, WCSD