

WALLACE COMMUNITY SERVICES DISTRICT

P.O. Box 398, Wallace, CA 95254 209 763-2882

REGULAR MEETING, Board of Directors

Minutes

Thursday, August 14, 2008

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

Last minute documents were available at the meeting room entrance at 6:30 PM to allow members of the public to review.

CALL TO ORDER AND ROLL CALL

President Charles Cantoni called the meeting to order at 7:02 PM. Present were Directors Charles Cantoni, Rick Guantone, Mark Fusselman, William Pugh and Floran Schneider. Also present were General Manager David Edwards, Legal Counsel Michael McGrew and District Engineer Gary Ghio.

CONSENT AGENDA

1. APPROVAL OF MINUTES

The minutes of the Regular Meeting of the Board of Directors of July 10, 2008 were approved with one correction on public comments.

Motion: Guantone

Second: Pugh

Passed: 5-0-0-0

The minutes of the Special Meeting of July 23, 2008 were approved as written..

Motion: Pugh

Second: Schneider

Passed: 5-0-0-0

2. APPROVAL OF BILLS FOR PAYMENT

Check numbers 4003 through 4031 were approved for payment in the total amount of \$19,267.84, as recommended by the General Manager.

Motion: Pugh

Second: Rick Guantone

Passed: 5-0-0-0

REGULAR AGENDA

3. PUBLIC COMMENTS

The following comments were made by members of the public. Ms. Jackie Neill commented on the community planning effort and that Valley Springs mailings are being made absent the Wallace area, per the request of Mr. Cantoni. Ms. Cathryn Jackson requested that she be included in propane discussions of the ad hoc propane committee. Mr. Jerry Zedlitz requested backup information on the \$60,000 savings mentioned in the last District Newsletter. Ms. Neill opined that there are water problems in Wallace and that we should not be running well #3 at this time.

4. GENERAL MANAGER'S REPORT

GM David Edwards reported on activities for the month. He reviewed water system costs and charges, differentiating between fixed costs and variable costs for the District. He pointed out that during the effort to show proof of treatment for water from Well #3 that a number of repairs and improvements were made to the water treatment plant. He also pointed out that in warm weather,

with higher water production, there is considerable water being produced in the water plant backwash cycles that must be handled by the wastewater treatment plant.

He Edwards went on to explain the need for the Equalization Tank at the Wastewater Treatment plant. This tank is necessary in order to operate the present plant at its permitted capacity. He also pointed out that having the wastewater plant handle the water plant backwash water is really a design error, as it effectively reduces the usable capacity of the wastewater plant. This problem should be corrected – the fix is described in the Capital improvements Plan.

5. PRESIDENT’S REPORT

Mr. Cantoni gave his President’s report. He explained that financials for the year end and month of July should be available at the next regular board meeting.

Mr. Cantoni discussed the Tres Lagos development, commenting that the developer is very close to having a final map in place, but that contractual matters are delaying the process.

He stated that he has provided a sample will-serve agreement to the Crestview Estates developer, and that they are doing an engineering study on the cost to the developer for putting in the infrastructure required to utilize the water and sewer services of WCSD.

Mr. Cantoni reported on the General Plan meeting held by the Board of Supervisors recently, during which a joint session with CCWD was held. The joint session concluded that the General Plan should have a separate Water Element.

6. COMMITTEE REPORTS

a. Finance - Nothing to report.

b. Open Space - Nothing to report

c. Ad Hoc Propane - Bill Pugh reported that he had met with Mr. Al Ruosan on the propane pricing issue. They met with a supplier of propane that will provide the gas at less than half of that charged to residents by Campora. They will also provide a storage tank. After lengthy discussion, it was concluded that the board should first get a firm understanding from the legal viewpoint, before proceeding explore alternatives. The current contract provides them with the exclusive right to provide gas services, unless pricing is not reasonable. There have been questions raising about the validity of the contract regarding assignment from Mr. Winchell. Mr. McGrew will research the issue.

d. Gates & Roads - Nothing new to report as the gates have been working well for the past several months.

7. REMAINDER PARCEL WILL SERVE AGREEMENT

The Remainder Parcel Will Serve Agreement that expired on April 14, 2008 was discussed. Mr. Cantoni first reviewed the negotiating point objectives previously discussed with the Board. He then reviewed the resulting negotiated “Wallace Community Services District Extension of Will Serve Agreement No. 2005-1, with an effective date of August 14, 2008, extending the will serve agreement to April 14, 2010. A copy of the agreement is attached as Exhibit A. Director Cantoni noted that the developer has agreed to deed over certain properties to the District within 6 months, to include the wells, the water treatment plant and the remainder of the dam and lake. He pointed out that in addition to the extension, the developer was requesting that the Board approve assignment of the agreement to Pinnacle Land Ventures, LLC, a Delaware limited liability company owned by John Reynen.

After lengthy discussion by the Board, public comments were heard. They included concern over the quality of homes built by Reynen & Bardis, concern over the financial strength of Reynen and Bardis (and the personal bankruptcy filing by Mr. Reynen), and worries about the county ability to judge the appropriateness of the development. Mr. Scotty Reiswig provided background on the problems that were encountered by Mr. Johnson and others in building homes in Wallace Lake Estates that were financed by Mr. Reynen. He pointed out that Mr. Reynen spent his own money to correct these problems, and that they have been corrected.

After further discussion, the Board concluded, and legal counsel agreed, that the District's mission is to serve those within the District, with reasonable terms to be included in any will serve agreements, and that other factors are a matter for the County to resolve. A motion was made to approve the will serve extension. Upon second, the motion passed.

Motion: Guantone

Second: Pugh

Passed: 5-0-0-0

8. WWTP EQUALIZATION TANK CONSTRUCTION

The bid opening for construction of the sewer plant equalization tank was July 31, 2008. Mr. Cantoni reported on the results. Eight bids were received. Teichert Construction was the low bidder at \$183,675. The high bid was \$274,571.

Mr. Cantoni also reported that CEQA compliance has been addressed by District Engineer Gary Ghio, and that a grading permit has been received from the County. He also reported that financing in the amount of \$150,000 has been tentatively approved by CSDA Financial.

Public comments were generally concerned with the need to spend this money now, and worries that installation of the tank would be growth inducing. Mr. Cantoni and Mr. Ghio explained that the tank is needed now to protect against sewer spills and that the fix does not increase the design capacity (permitted by the State), but allows the District to achieve this capacity. Mr. Edwards pointed out that the fix is badly needed to allow maintenance and repair on this continuously running plant.

Mr. Cantoni then presented Resolution 2008-05, Approval of Construction and award of Contract for Wastewater Treatment Plant Equalization Tank, for approval by the board. Upon motion made and seconded, the resolution (attached as Exhibit B) was approved as follows.

Motion: Guantone

Second: Pugh

Passed: 3-2-0-0

Directors Fusselman and Schneider were opposed.

Mr. Cantoni then presented Resolution 2008-06, Authorizing the Execution and Delivery of an Installment Sale Agreement, and Authorizing and Directing Certain Actions in Connection with the Acquisition and Construction of Wastewater Treatment Plant Improvements, for approval by the Board. Upon motion made and seconded, the resolution (attached as Exhibit C) was approved as follows.

Motion: Cantoni

Second: Guantone

Passed: 3-2-0-0

Directors Fusselman and Schneider were opposed.

9. WATER CODE AND RATE CHANGES

Continued to a future meeting.

10. WELL NUMBER 3 TEST RESULTS

Continued to a future meeting.

11. CSDA VOTING MATTER

The District has a vote to elect a representative to the CSDA Board of Directors in Region 2, Seat C. The Board voted for Mr. Peter Kampa.

Motion: Pugh

Second: Fusselman

Passed: 5-0-0-0

12. BOARD SELF EVALUATION

Continued to a future meeting.

13. DISTRICT POLICIES

Continued to a future meeting.

Policy #	Description	New	Modify
7020	Water Reserve	X	
7030	Sewer Reserve	X	
7040	Repair & Maintenance Reserve		X
7050	Special Assessments	X	
2270	Cell Phone Use	X	

14. ADJOURNMENT TO A SPECIAL MEETING, DATE TO BE DETERMINED

The meeting was adjourned at 10:35 pm.

Motion: Pugh

Second: Guantone

Passed: 5-0-0-0

Respectfully Submitted:

David Edwards, Secretary

Charles Cantoni, President

Exhibit A

Remainder Parcel Will-Serve Agreement Extension

WALLACE COMMUNITY SERVICES DISTRICT EXTENSION OF WILL SERVE AGREEMENT NO. 2005-1

Wallace Community Service District (the "District" or "WCSD") and Pinnacle Land Ventures, LLC a Delaware limited liability company, (the "Developer"), the successor-by-assignment of John D. Reynen, enter into this Extension of Will Serve Agreement No. 2005-1, dated April 14, 2005, between the District and John D. Reynen (the "Extension").

RECITALS

A. On April 14, 2005 the District and John D. Reynen entered into Will Serve Agreement No. 2005-1 for approximately 155.46 acres identified as the Remainder Parcel on the Final Map of Wallace Lake Estates, Tract 434, Unit 1 ("Will Serve Agreement").

B. John D. Reynen assigned the Will Serve Agreement to Reynen and Bardis Communities who in turn assigned it to Pinnacle Land Ventures, LLC.

C. By its terms, the Will Serve Agreement terminated on April 14, 2008.

D. The District and the Developer desire to reinstate and extend Will Serve Agreement No. 2005-1 to expire on April 14, 2010.

E. Will Serve Agreement No. 2005-1 requires the Developer to increase the sewer capacity to 724 EDUs and to increase the water capacity by at least 164 EDUs.

F. The parties desire to reinstate and amend Will Serve Agreement No. 2005-1 to increase the sewer and water capacity to at least 400 EDUs each.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained in this Extension, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, District and Developer hereby reinstate the Will Serve Agreement as amended in accordance with the terms of this Extension:

The parties agree to extend Will Serve Agreement No. 2005-1 until midnight April 14, 2010 with an Effective Date of August 14, 2008 and to modify it as follows:

1. The District consents to the assignment of Will Serve Agreement No. 2005-1 from John D. Reynen to Reynen & Bardis Communities and the assignment to Pinnacle Land Ventures, LLC.

2. The District will provide domestic water and wastewater treatment services to the 124 homes in Remainder Parcel plus, for planning purposes, the 40 homes in now expired Mokelumne Oaks Will Serve Agreement. Service to these homes (both developments) will be provided by the District only after the new Wastewater Treatment plant and Domestic Water

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System improvements are operational. Service to Mokelumne Oaks will be provided only after the area is annexed to the District and a renewal of the expired Will Serve Agreement is agreed to, provided however such renewal of the expired Mokelumne Oaks Will Serve Agreement shall not contain any conditions that require capacity in excess of the provisions of this Extension.

3. Contrary to the existing requirement to have Developer build a 724 EDU BESST Sewer Plant, Developer is to build a new wastewater system, such that the combined capacity of the new system and existing 200 EDU system is adequate to serve 400 EDU's, plus an additional 25 percent (practical wastewater capacity). The additional 25 percent capacity is over-sizing to meet the needs of the District to serve 400 EDU's under its State permit provisions. If improved tertiary treatment is required, Developer may recommend the type of tertiary treatment after appropriate study, but the District Board of Directors has final right of approval. Provision of practical wastewater treatment capacity for at least 400 EDU's fulfills the Developer's obligations under Will Serve Agreement No. 2005-1 and for planning purposes includes the 40 EDU need of the expired Mokelumne Oaks Will Serve Agreement.

4. Developer will improve the Domestic Water System such that the final configuration of the plant will serve at least 400 EDU's. These improvements include correcting original design and implementation errors of the WCSD Water Treatment Plant. Developer is to conduct a Baseline Assessment of the Water System, and improvements to the system made as part of the Assessment will be considered part of the required Improvements to the overall system, subject to reimbursement via capacity charges. Developer may recommend the type of improvements, but the District Board of Directors has the final right of approval. Water system capacity will be determined based, in part, on historical usage factors compiled by the District, Fire Flows and Redundancy needs. Improvement to the water system to accommodate at least 400 EDU's fulfills the Developer's obligations under the Will Serve Agreement No. 2005-1 and for planning purposes includes the 40 EDU need of the expired Mokelumne Oaks Will Serve Agreement.

5. The Developer will cooperate in establishing a property assessment for each lot which is estimated to be \$800 per year. The assessment shall be established prior to the filing of a final map for the first phase of the development and shall be assessed on each lot prior to the next tax levee after the filing of a final map for each phase.

6. Developer is to deed to the District by Grant Deed certain properties. The following will be deeded to the District within 180 days from the signing of this Extension to the Will Serve Agreement. If the property is not deeded to WCSD within the 180 days, WCSD will notify the Developer and Calaveras County that this Extension has terminated.

- Wells 1, 2, 3 and 4 (Mokelumne Oaks) with sufficient surrounding land to conduct maintenance.
- The Water Treatment Plant, including an expanded area for required Improvements, and truck turn-around.
- The remaining portion of Wallace Lake and the dam (APN 048-061-018).

7. Developer shall grant easements to the District for access to the above deeded parcels, said easements to be granted at the time of deeding of the above properties provided

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however, the parties acknowledge that the final easement alignments may be subject to change and the District agrees to quitclaim all easements granted by Developer upon the acceptance of dedication of easements on the final map to the District if the final easement alignments change. Easements include connecting water and power lines and road access for maintenance.

8. Developer shall install the LPG distribution system, per specifications of the District and Campora, Inc., and deed said distribution system to the District.

9. The Will Serve Agreement remains in full force and effect as modified by this Extension and is hereby reinstated, ratified and confirmed in all respects. In the event of a conflict between the terms and provisions of this Extension and the Will Serve Agreement the terms and provisions of this Extension shall control.

10. This Extension may be executed in multiple counterparts, each of which shall constitute an original hereof and all of which shall constitute one and the same document.

11. The Will Serve, as amended by this Extension, embodies the entire agreement and understanding that exists between the District and Developer with respect to the subject matter described herein, and supersedes all prior and contemporaneous agreements, representations and understandings.

12. If Developer fails to satisfy any of the terms and conditions as set forth herein, the Will Serve Agreement and this Extension shall terminate and be of no further force or effect, the parties shall have no further rights or obligations hereunder and WCSD will notify the Developer and Calaveras County that this Extension has terminated.

IN WITNESS WHEREOF, the Parties hereto have executed this Extension to Will Serve Agreement No. 2005-1 as of the Effective Date stated above.

WALLACE COMMUNITY SERVICES DISTRICT

By: _____

Name: Charles W. Cantoni

Pinnacle Land Ventures, LLC

By:  _____

Name: John D. Reynen

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Exhibit B

WALLACE COMMUNITY SERVICES DISTRICT

RESOLUTION NO. 2008-05

APPROVAL OF CONSTRUCTION AND AWARD OF CONTRACT FOR WASTEWATER TREATMENT PLANT EQUALIZATION BASIN

WHEREAS, the Board of Directors of WALLACE COMMUNITY SERVICES DISTRICT (“WCSD”) hereby finds and determines as follows:

1. In 2006 the Board of Directors ordered a review of historical usage data at the wastewater treatment plant (WWTP) to determine the capacity of the plant; and
2. District Engineer Gary Ghio reported to the Board that the WWTP had capacity for 85 EDU’s based on peak flows encountered in the past; and
4. Mr. Ghio reported on February 8, 2007 that by including the most current year of historical data, the WWTP is reasonably estimated at 100 EDU’s; and
5. Based on these calculations, the Board of Directors, at the February 8, 2008 meeting voted to accept no more will serve applications until the problem could be corrected; and
6. At its March 13, 2008 meeting the Board of Directors directed the District Engineer to design an Equalization Basin, needed to correct the design problem at the WWTP, and to put the project out to bid; and
7. On August 4, 2008 the District Engineer announced the results of the bidding and recommended that the contract be awarded to Teichert Construction in the amount of \$183,675.00.

NOW THEREFORE, IT IS RESOLVED, that the District hereby:

1. Approves the construction of an Equalization Basin for the Wastewater Treatment Plant, construction to begin as soon as possible, under the supervision of the District Engineer; and
2. Awards the construction contract to Teichert Construction in the amount of \$183,675.00; and
3. Recognizes the need for a contingency fund of approximately 10% of the contract value (\$18,367.50); and
4. Authorizes the expenditure of up to \$15,000 by the District Engineer for associated engineering and administrative services.

PASSED AND ADOPTED by the Board of Directors of the Wallace Community Services District, at their regular meeting thereof, held on July 14, 2008, by the following vote:

AYES: Cantoni, Pugh, Guantone

NOES: Fusselman, Schneider

ABSTENTIONS: 0

ABSENT: 0

Approved: _____
President of the Board

Attest: _____
Secretary of the Board

Exhibit C

WALLACE COMMUNITY SERVICES DISTRICT

RESOLUTION NO. 2008-06

AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT SALE AGREEMENT, AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS IN CONNECTION WITH THE ACQUISITION AND CONSTRUCTION OF WASTEWATER TREATMENT PLANT IMPROVEMENTS

WHEREAS, the Wallace Community Services District (the "District") is a community services district duly organized and existing under and pursuant to the laws of the State of California; and

WHEREAS, the District desires to provide for financing in the approximate amount of \$150,000 for the acquisition and construction of a Wastewater Equalization Tank (the "Project"); and

WHEREAS, Municipal Finance Corporation (the "Corporation") has proposed a cost-effective fifteen year installment sale financing arrangement at a 5.50% interest rate;

NOW, THEREFORE, it is resolved by the Board of Directors of the Wallace Community Services District as follows:

SECTION 1. Installment Sale Agreement. The President of the Board of Directors or a designee in writing is hereby authorized to enter into an Installment Sale Agreement (the "Installment Sale") with the Corporation to finance the Project, subject to approval as to form by the District's legal counsel.

SECTION 2. Attestations. The Secretary of the Board or other appropriate District officer is hereby authorized and directed to attest the signature of the President of the Board of Directors or of such other person or persons as may have been designated by the President of the Board of Directors, and to affix and attest the seal of the District, as may be required or appropriate in connection with the execution and delivery of the Installment Sale.

SECTION 3. Authorization to Establish Project Fund. The Board of Directors hereby authorizes and directs the President of the Board or a designee in writing to make appropriate arrangements to establish a special fund into which the proceeds of the financing are deposited for the purpose of paying the costs of the Project.

SECTION 4. Other Actions. The President of the Board of Directors and other officers of the District are each hereby authorized and directed, jointly and severally, to take any and all actions and to execute and deliver any and all documents, agreements and certificates which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms of this Resolution and the Installment Sale. Such actions are hereby ratified, confirmed and approved.

SECTION 5. Qualified Tax-Exempt Obligations. The Installment Sale is hereby designated as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The District, together with all subordinate entities of the District, do not reasonably expect to issue during the calendar year in which the Installment Sale is issued more than \$10,000,000 of obligations which it could designate as "qualified tax-exempt obligations" under Section 265(b) of the Code.

SECTION 6. Reimbursement of Prior Expenditures. The District declares its official intent to be reimbursed from the proceeds of the Installment Sale approved hereby for a maximum principal amount of \$150,000 of Project expenditures occurring no earlier than sixty days prior to the adoption of this Resolution. All reimbursed expenditures will be capital expenditures as defined in Section 1.150-1(b) of the Federal Income Tax Regulations.

SECTION 7. Effect. This Resolution shall take effect immediately upon its passage.

PASSED, APPROVED AND ADOPTED this 14th day of August, 2008, by the following vote:

AYES: Cantoni, Pugh, Guantone

NOES: Fusselman, Schneider

ABSTENTIONS: 0

ABSENT: 0

Approved: _____
 President of the Board

Attest: _____
 Secretary of the Board