

WALLACE COMMUNITY SERVICES DISTRICT

P.O. BOX 398
Wallace, CA 95254

MINUTES

Special Meeting of the Board of Directors

August 29, 2006

Meeting Place:

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

1. **ROLL CALL.** President, Charles Cantoni called the meeting to order at 6:33 PM. Directors present were Charles Cantoni, Mark Fusselman, Rick Guantone, Cathryn Jackson, and Bill Pugh. Also present were General Manager, Gary DeJesus and Jackie Neill, Administrative Assistant.

2. **PUBLIC COMMENT.**
The question of proper drainage on Turnstone Ct. was discussed. Director Pugh reported the drainage issues would be addressed when the cracks were sealed in the roads. Trammell Construction has also committed to re-dig the drainage ditch in front of the home he built on Turnstone.

3. **ACTION ITEMS.**
 - A. **DHS Meeting of August 23, 2006.**
Directors Cantoni and Pugh attended a meeting with DHS in Sacramento, attended by DHS personnel and West Yost consultants. The meeting came about because of the letter DHS sent to Calaveras County Planning Commission concerning water quality, District management, and District finances. Consultants from West Yost put forth the view that there is adequate water at Wallace to support further development. DHS stressed that water quality is an issue and is pushing for a 10% of MCL for iron and manganese. DHS stated that Well # 3 is much higher in iron and manganese than well # 2 and treating water from Well # 3 will require a different treatment plan and that they would like proof that we can process the water. Director Cantoni pointed out that the Board commissioned a study by Insite on the sewer system improvements but not on the water system improvements. Mr. Cantoni stated that the end result is that DHS does not have jurisdiction for the tract map but that they want the water treatment aspect addressed before they will issue permits. If Well # 3 is declared an emergency water supply it can only be used 15 days a year. Well # 2 pumps 140 gallons per minute which is enough for 140 homes and the District has committed to 162 connections.
General Manager, Gary DeJesus, reported the permit amendment has been submitted. Mr. DeJesus stated the District does monitoring on both wells as we use them. The reason we can use Well # 3 is because we add more potassium permanganate to deal with the iron problem.
An audience member asked what proof the District has that going to Well # 3 won't cause more copper pipe problems. Director Jackson stated that the Board needed to be aware of possible liability because the last time we went to Well # 3 several homes had pin hole problems with copper pipes.

B. LAFCO Service Review Update.

Director Cantoni reported that LAFCO will want another service review if the Remainder Parcel is not approved. The question will be addressed as to whether we should merge with another District or not.

C. Finance Committee Report.

The Finance Committee met on Monday August 28, 2006. At the last Board meeting the Board authorized the Committee to look into Plan B. In the process of preparing for the Financial Committee meeting Director Cantoni prepared a possible hand-out. Finance Committee Chairman, Cathryn Jackson previewed the numbers and stated the Finance Committee did not call the Special Meeting. Ms Jackson stated that the Board President was acting as the Chief Financial Officer.

Director Cantoni reviewed the possible hand-out with the Directors. Director Cantoni stated it was a different way of looking at the Capital Improvement Plan. The CIP was put together with \$2,000,000 contribution from the Developer. Director Cantoni stated that this hand-out takes a look at what would happen without the Remainder Parcel and said "our" part would be almost \$1,000,000.

General Manager, Gary DeJesus asked about several items in the hand-out, including bringing up Well # 1 and he stated "We have not completely taken out the Developer." Mr. DeJesus went on to say that several items on the list could be pushed out to a later date.

Director Cantoni qualified the presentation by stating that he included things that were in the original CIP, feeling that there was a need to start with that assumption. Mr. DeJesus stated there are still several things that are tied to the Developer. Director Cantoni stated, he believes, based on the DHS meeting, that the District will be required to do these things.

Mr. DeJesus stated we should be lobbying DHS for an exemption. Director Jackson stated she thought the CEQA was related to the Remainder Parcel. Mr. DeJesus said, "There would be no need to replace an entire sewer plant. We would replace the component that failed."

Director Pugh stated he felt that DHS has the District squarely in their sights. Director Guantone stated, looking at the expense, if the expansion does not take place, the majority of these costs will be born by 162 customers.

Director Cantoni reviewed the road repair and replacement aspect of the hand-out. Mr. Cantoni stated if we cannot spread that cost (at least \$250,000) over a larger amount of homes the District will have to go back and look at the Rate Structure and other ways to raise money.

Director Fusselman stated there are so many things that need to be done, he thinks this analysis is right on.

Director Jackson expressed concern about "what if" scenarios. A lot of what the Developer is "going to pay" is not in the contract. This analysis was put together by Director Cantoni and the Board will need to have more meetings to firm up these figures.

Director Cantoni stated he felt it was the consensus of the board to use the hand-outs he had prepared and he passed them out to the audience members.

4. PUBLIC FORUM – DISTRICT FINANCES AND THE REMAINDER PARCEL

An audience member asked when FY 2006 audit would be available and suggested that the audit report should be the base point for the District to project financial plans. Director Jackson stated she would put pressure on the auditor to return the audited finances as soon as possible. Director Cantoni stated it is reasonable to use un-audited finances to prepare the budget. Mr. Cantoni stated the District will negotiate to have some things paid for by John Reynen. Director Cantoni said the contract says Mr. Reynen will add 728 units of sewer capacity, the minimum we want is 400. An audience member asked, "If the contract states 728 units why would we settle for 400?" Mr. Cantoni stated that the 728 unit capacity may not be the type of sewer the District wants.

An audience member asked about liability after the sewer plant is built. Director Cantoni said the liability will be the District's. Mr. Cantoni said the contract is vague on who gets charged the capacity charge but that no one pays until Mr. Reynen gets his final map. Director Guantone stated those already in the District should not pay the capacity charge. Director Cantoni stated he has asked that question of Jim Johnston and Larry Howen, the people who negotiated the contract. There will be no capacity charge for Wallace Lake Estates Unit 1.

An audience member questioned why no consideration was being given to the fact that a previous board president has violated the law and owns property not declared on form 700. Director Cantoni stated the Board has no knowledge of that issue at all. "It is just a rumor", he said

Director Cantoni stated if our assumptions are correct the District will be spending about \$750,000 and with connection fees we should have about \$1,000,000 in reserves. Mr. Cantoni said, "No way short of doubling the rates can we have the appropriate reserves."

An audience member stated that road repair is constantly passed up and questioned when road repair was going to begin and what are we looking to the Developer to do in terms of roads. Director Cantoni responded there is \$25,000 ready for road repair and the District is moving to a higher standard for main roads from the Developer. Mr. Cantoni added that the District's Engineer was working with Mr. Boyd on road repair issues. Mr. Boyd would pay \$12,000 which is half the cost of road repairs on the road in front of his project.

An audience member pointed out there is a Developer who has ruined Wallace Lake Drive S. and the District is not forcing that Developer to do any road repairs. Another audience member questioned where the road repair money has gone since two years has passed since any road work at all had been done.

Director Cantoni stated the District collects assessments which are supposed to go to road repairs but when you look at the numbers, more than 50% of that money went to Sewer and Water. Director Pugh added that in every instance all the cracks would need to be sealed first.

An audience member read a statement in which she questioned the knowledge, experience and stamina of previous board members referring to the delay in charging assessments and water/sewer rates and the fact that no money had been put away for reserves. She pointed out how much money has been lost since the "appearance of the developer" and questioned the need for special meetings. Attorney fees Engineering fees and gate and lake repairs were questioned while the General Manager was discouraged from properly fixing and maintaining our sewer and water systems. She also stated there

appeared to be irregularities with respect to past Board Members and the Developer. She added, "Combining our District with CCWD may be the solution to the problem."

An audience member questioned the plans for the open space and the viability of two separate sets of CC&R's in one community with shared Open-Space. Director Cantoni reported that the Developer's representative, Murray Lind, has asked the Architectural Committee for input. The audience member reminded the Board about the petition that had been circulated asking the Developer to build the sewer plant first, build homes of equal value to those in Unit 1 to protect out home values and to agree to our CC&R's.

The Chairman of the Architectural Committee clarified that the owner of the Remainder Parcel has stated that they will have their own CC&R's and that it is critical that the District get the deed to the Open Space before the Developer creates their own CC&R's or there may be jurisdictional problems.

Director Cantoni reminded the audience that the District has asked for security fencing to keep people from going around the rear gate and the Developer has committed to rear gate access for construction. Mr. Cantoni stated the Developer will have water trucks for dust abatement and other items will be dealt with as part of the Plan Check process.

An audience member reported that she had gone to lunch with Mr. Lind, at his request, and Mr. Lind said, "There is no way we are going to build a sewer plant before we build and sell 40 homes." Director Cantoni stated that the Will Serve Agreement does not allow that to happen.

In response to a question as to why this special meeting was being held, Director Cantoni said, "I had a specific reason for this meeting. Yes, there is a hearing coming up, and it is my feeling that there is a big difference with and without the Developer. I felt the public should be aware of this difference"

An audience member suggested that the Board should tackle the rate structure and reminded the Board that the Ad-Hoc Committee had done a great deal of work on a consumption based rate structure to promote conservation.

Mr. DeJesus asked the Board when they planned to adopt an increase in the connection fees. Director Cantoni stated it would not be until October because the Board had gotten sidetracked.

An audience member stated he would highly recommend to the board when dealing with the potential conflict of interest issues that they consult their legal counsel. He stated that he was fearful that this issue may create a liability for the Board or individuals. Director Cantoni responded that he had spoken to the Board's Attorney about the issue and the Board did not have the authority to take any action.

Director Jackson stated it is easy to see that we need at least a half time General Manager as a Director cannot be the Financial Officer. She questioned why LAFCO would put a small district in the position to have the responsibility of growth. Director Cantoni stated one of the nice things about the process is that LAFCO will steer and they may require districts to merge.

5. DIRECTORS COMMENTS.

Director Cantoni stated the ECO:LOGIC study we asked for did not give us the exact numbers and values that were requested. He read some of the report and stated that the numbers could be used to arrive at the conclusions the Board needed. Mr. DeJesus stated he was having a hard time remembering it that way. Mr. DeJesus reminded Mr. Cantoni he had said the District needed to "draw a line in the sand" and know exactly how many

units we have. Director Cantoni pointed out that ECO:LOGIC, in a meeting with Cantoni and DeJesus, that the task was to analyze data only, and not sewer plant capacity. Mr. DeJesus agreed.

Director Guantone stated the sewer plant has a capacity of 45,000 gallons per day and the General Manager has stated he does not want to run the plant over 80% capacity. Mr. Guantone asked about the numbers for the water plant and said that the figures could be used to find the bottom line number of units available. Mr. DeJesus reminded the Directors the wells should be run only twelve hours per day.

Director Cantoni stated that independent of Developer money the District will need to bring up another well.

Director Pugh stated that he believed the District needed to bring up Well # 1. Director Cantoni stated the District's Engineer needed to be involved in need assessments and Director Cantoni and Mr. DeJesus will speak to the Developer about the baseline assessment being incomplete.

Director Cantoni reported he has asked Lynn Smith about renting the trailer until Mr. Smith is ready to build. Mr. Smith suggested the trailer could be moved and used by the District. Mr. DeJesus stated it was important to decide where the final office will be built as the trailer will need water, septic, and electricity.

Director Cantoni read the response from Jerry Zedlitz, Chairman of the Architectural Committee, declining the offer to co-chair the Special Meeting. Mr. Cantoni also read the announcement of the Special District training class in Lake Tahoe and stated he would be attending. There was also a discussion of testing equipment that could measure the 10% MCL requirement for iron and the cost of the equipment.

Director Jackson expressed some confusion as to the purpose of the special meeting and stated she would like more expertise on the Financial Committee especially someone who was trained in risk management.

Director Guantone reported on on-going discussions concerning LPG and stated he and Director Fusselman would be ready to meet with Campora soon.

Director Jackson expressed concern about the District's inaction regarding enforcing Ordinances and questioned the advisability of keeping Ordinances the District was unwilling to enforce.

Director Guantone referred to the previous discussion about CC&R's and the Open Space and said the deeding should be done as soon as possible and CC&R's concerning the Open Space should be clarified.

Director Pugh asked the chairman of the Architectural Committee to take to heart the Developer's request for input into the CC&R's being drafted for the Remainder Parcel.

6. ADJOURNMENT TO THE REGULAR MEETING September 14, 2006

The meeting was adjourned at 10:00 PM

Respectfully submitted,
FINAL MINUTES

Jackie Neill, Administrative Assistant

Charles Cantoni, President, WCSD