

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION**

March 17, 2012

PRESENT

Bill Michaels, President
Ted Swanson, Treasurer
Bob Dickinson, Director
George Maciag, Vice President
Jeff Schwartz, Director
Tom Bugary, Secretary and General Manager

ABSENT

None

WELCOME

Bill Michaels, Board President, called the meeting of the board to order at 10:00 AM, March 17, 2012 at the Monterey Dunes Colony Clubhouse and established that there was a quorum.

MINUTES

The Board reviewed both the draft minutes of the January 21, 2012 directors meeting and of the February 1, 2012 board teleconference. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Ted Swanson, Treasurer, gave the Treasurer's Report for January and February 2012. Ted noted that the payments to the Capital Reserve Replacement Fund and to the Mutual Water Association were current. Additionally, Ted stated that all of our account balances could be seen in the written report, which has been attached to and made part of these minutes.

FINANCE COMMITTEE REPORT

Bob Dickinson, committee chair, reported that the committee had met the previous day to 1) review the FY 2012-13 Operating Budgets for both the Colony and the Water Co.; 2) to review the reserve study updates and adjustments for both the Colony and the Water Co.; and 3) to review the finances of the Colony and the Water Co. from July 1, 2011 to February 29, 2012 and discuss any old and/or new business.

Bob reported that the Colony operating account is forecast to finish the year well under budget. At yesterday's Finance Committee Meeting, Tom presented a proposed FY 2012-13 operating budget that leaves the homeowners monthly assessments at \$831. After considerable discussion,

the committee voted unanimously to recommend to the Board that both the Colony and Water Co. operating budgets be approved. ***The Board M/S/C the recommendation that the FY 2012-13 operating budgets for the Colony and the Water Co. be approved.***

Under old business, the committee readdressed the security of the wireless LAN in the clubhouse. Management has installed a second router in the office and with it a separate homeowner's network. There was no additional monthly cost for this service. The homeowner's network still has a limited range and will only reach to the clubhouse or immediate deck space surrounding the clubhouse and a password (only for homeowners) is necessary to access the network.

The committee discussed adjusting the Water Company Reserve contributions so that the percent funded would be more in line with that of the Association's Reserves. The FY 2012-13 budget reflects a \$20K increase in the amount that is transferred from the Colony to the Water Co. Over the next 10 years, the percent-funded of the Water Co. will vary from 30%-50% funded.

Bob reported that this year's Reserve Study reflects that there will be no increase in the annual reserve assessment for the next 10 years and that our percent-funded will rise annually reaching 38% in seven years. After that, it is difficult to see where we will be as adjustments are made annually which affect the study that far out. The committee recommends that both the Colony and the Water Co. Reserve Studies be approved. ***The recommendation was M/S/C.***

In conclusion to his report, Bob informed the Board that a homeowner had requested to become a finance committee member. Bob did not feel that it was necessary at this time to make any additions or deletions to the committee and that the membership would be reviewed at the annual homeowner's meeting on October 20, 2012. The Board ratified this position.

ADHOC WAVE RUN-UP COMMITTEE

Ted Swanson, committee chair, reported that there was a committee meeting on February 10, 2012. He also recommended that Allen Rudolph, unit #232, be added to the committee. ***This recommendation was M/S/C.***

Ted stated that the committee's objective is to define proposed solutions to the problem of aggressive erosion on the beach in front of our homes. The immediate solution to safeguarding lives and property is our water barriers which are considered a temporary deterrent to wave and debris run-up. The committee is now focusing on long-term solutions; more specifically directed our efforts towards "beach nourishment" protocols.

The committee's current approach is to put the maximum emphasis on building up our natural barriers (dunes) with things like snow fencing, sand replacement, and possible binding vegetation, (ice plant has already been rejected).

The final thing the committee discussed was a scenario in which a part of the Colony's septic system failed. The committee is trying to devise a way that they would not have to shut down the entire septic system, but still have a back-up plan for that portion of the system that fails. One topic of discussion was a gray-water system in order to reduce stress on the existing leach fields and the demands on our wells.

WEBSITE COMMITTEE

Due to the absence of the committee chair, the Website Committee report will be tabled until the next meeting.

GENERAL MANAGERS REPORT***MONTEREY DUNES COLONY ASSOCIATION***

This report covers work completed this fiscal year, July 1, 2011 to date.

Deck, Fence and Sidewall Shingle Replacements

Association carpenters have replaced 8 decks this fiscal year. Decks replaced: Unit 134 Entry, 134 Landside Bedroom, 176 Entry, 182 Entry, 256 Entry 256 O/S Ground, 270 Entry, 298 Entry, 312 Oceanside and 338 Entry. (Major repairs to 122 O/S deck, pending replacement). The Courtyard Trellis was replaced at Unit 270.

Unit courtyard fences completed all or in part from July 1, 2011 to date were at units 176, 292 and 338. (Modification to the courtyard fence at unit 148, ECC Action).

Shingles were replaced on the north-face of unit 326 and on the Oceanside of 124.

Landside Boardwalk Replacement

Landside boardwalks have been replaced near units 134, 172, 298, 300, 302, 316, 322, 324, 332, 334, 336 and 338. Boardwalk is replaced as determined necessary and many times, ahead of the current reserve schedule. Our landside boardwalk system is deteriorating in some places to a point where once reported, immediate replacement is required to avoid homeowner/guest accidents.

Window and Entry Door Replacement

Contractors have replaced the oceanside sliding glass door on unit 286 and a picture window. Phase 1, (original aluminum window replacements), of the window project is complete and we are now deferring many replacement windows (Milgard extruded vinyl and 2d generation aluminum), that are determined to still be serviceable to future-year-replacements in the reserve study. This adjustment is done annually and money saved by replacing reserve components only when absolutely necessary boosts our reserve fund posture.

Utility Light Pole Replacement

Light poles were replaced near units 106, 202, 300 and 306, along the walkway between the Clubhouse and the Pool and at the main entrance/exit gate; all are out-of-cycle ahead of the reserve schedule.

Built-up Roof Replacements

An invitation to bid on replacing 10 flat Built-up Roofs was sent out to 4 perspective bidders on 3-6-12 with a closing date of 3-23-12. We will select a contractor after that date and schedule the roofs for replacement prior to June 30, 2012. Units where flat roofs will be replaced are 130, 154, 160, 168, 170, 202, 204, 242, 244 and 340

Bad Debt and Unit 242

The association continues to rent unit 242 (month-to-month) for a reduced rate in order to realize some income rather than let the unit sit empty until it is foreclosed on. The lease stipulates that the tenants may have to vacate the unit in as little as 60 days after the unit sells.

On August 18, 2010, after over 18 months of Lockstep Foreclosure proceedings, the colony became the legal owner of unit 242; however, while the colony owns the unit, Bank of America retains foreclosure rights on its secured loan. Although no cash was exchanged for the unit, the Association effectively bought the unit for \$29,934.11, (the amount owed the Association for unpaid assessments, late fees, interest, legal costs and other miscellaneous charges). After taking over the unit, it became an asset on our balance sheet and effectively absorbed the unit's bad debt. Management tried to contact Bank of America several times regarding foreclosure schedules, bank rights and association caretaker responsibilities and after several months without a response, decided to rent the property on a specialized lease agreement. The property was rented in June 2011 for \$1,800 a month. By expensing the entire \$1,800, the Association applies \$416 to the annual reserve assessment; \$831 to the monthly assessment and \$553, (or the remainder of the monthly rent plus expenses) is applied towards recapturing the bad debt. As we recapture the previously owed amounts, we reduce the value of our asset by the same amount until the debt is paid in full.

Attached is the explanation of how we can own a property we foreclosed on but not be able to sell it.

Fumigations

Management has verified additional warranty funds due to extend the second Terminix Fumigation Contract. The cost due for an additional year of warranty is \$4,500. The first contract was completed in 1997-98, while the second in 1998-99. The colony's buildings were originally fumigated under two separate contracts covering 28 months.

Units 256 and 296 have recently received local treatments for re-infestations of drywood termites under our extended contract with Terminix. Unit 144 is pending treatment at this time.

Coastal Projects

From last report:

Association carpenters and staff completed rerouting the boardwalk on the southern portion of the property between units 312 and 322. The boardwalk was positioned as identified by a written report prepared by coastal biologist (Joey Canepa), detailing the new route of the boardwalk and certifying that there would be no damage to sensitive habitat. David Shonman submitted a report on behalf of the colony to the Monterey County Coastal Planning Division detailing the project as promised in our meeting with the planners on November 16, 2011.

I discussed the Salinas River initiatives for this year with Brent Buche, Assistant General Manager of the Monterey County Water Resources Agency on 1-19-12 who stated that even with rain in the forecast; there will probably not be enough flow to require the river be broken through to the ocean. Brent didn't know at what point they will make the decision to breach the river but stated the only action being taken at this point is to release water through the OSR, (Old Salinas River) keeping the river below flood level.

The Monterey Water Resources Agency continues to monitor the river for Steelhead Trout by using a "River Watcher" system. This system is a plastic blockade stretched across the width of the river that funnels the fish through a narrow channel where any movement activates a motion sensor camera. As of this date, the camera has observed many ducks passing through the gate and other local river dwellers, but no Steelhead. Brent did say that upon direction of NOAA Fisheries, they did dragnet the entire lagoon and found 1 Steelhead in the lagoon. These environmental programs are charged directly to the local farmers as a condition for allowing them to pull off the river for watering their crops. Brent Buche disclosed that these programs cost about \$650K per year. There have, however, been about 150 Steelhead Trout located up in the Arroyo Seca River, (which connects to the Salinas River), but little is known about their migration routes. When suggested by the farmers that they "stock" the river with sufficient fingerling Steelhead to "jump start" the population, NOAA fisheries stated that they desire a pure DNA stamp on fish in the Arroyo Seca and Salinas Rivers, therefore, they have not considered stocking the rivers.

At the direction of the Wave Run-up committee, David Shonman was tasked to pursue the beach snow fencing permit. After setbacks with the State Parks, Coastal Commission and DFWS on the beach nourishment project, the committee felt that by simultaneously directing all permit correspondence to all three agencies involved in the approval process we would avoid an agency directing the correspondence to one of the other agencies for approval/comment and the project ultimately being stalled or disapproved for unrealistic reasons. Management will also search for cases where snow fencing has worked well in harmony with snowy plover nesting sites.

On 3-13-12, Brent Buche gave me the following update on the lagoon, river and breaching projections for this year. The Water Resources Agency expects a significant amount of rain starting on 3-13-12 and on into the next week. They expect the Arroyo Seca River to flow down into the Salinas River causing the river to rise a few feet and create some flow. In preparation, the Water Resources Agency has opened the gates to the OSR and allowed a significant amount of water to drain out of the lagoon following the OSR out to Moss Landing. As the water in the river rises, they will continue to release it through the OSR and try and not break the River out to the Ocean. Brent states that he would have to get an emergency work permit to work out at the river mouth because of snowy plover season but, states he is ready to do so if the need arises.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the January billing period, there were 2 units that exceeded the Tier 1 water conservation zone, 1 was under the \$5.00 billing limit and therefore not billed. There were no units exceeded Tier 2.

During the February billing period, there were 6 units that exceeded the Tier 1 conservation zone. 4 were under the \$5.00 billing limit and therefore not billed. There were no units exceeded Tier 2.

Owners who exceeded Tier 1, or are in Tier 2 or 3 water use zone are billed for their usage in accordance with Association Policy.

Water Storage Tank

We are still working on repair strategies for the 212,000 gallon water storage tank.

OLD BUSINESS

Homeowner Access to Clubhouse Network

Addressed in the Finance Committee Report.

NEW BUSINESS

Establish Postal Address Change Committee

Bill recommended a Postal Address Change Committee to research the feasibility of changing the Post Office serving the colony from Castroville to Moss Landing. This committee will consist of two members: Ted Swanson, Unit #114, Committee Chair, and Don Tenenbaum, Unit #118, Member. *The Board M/S/C the recommended Committee Members.*

OWNER'S STATEMENTS

George Maciag stated that a draft survey may be presented to the Board for final approval and distribution; however, since he will be gone during the month of April, he may not have enough time to finalize the presentation and it might be delayed.

George also announced that he had attended a Director's Forum offered by Communities Associations Institute designed to educate attendees about new legislation regarding Board Meetings. He summarized by stating it was quite informative and defined when and how boards can meet and discuss Association business.

Bill reported that he had a request from a homeowner who could not physically attend today's Board meeting to attend via telephone, (speakerphone). Bill told the homeowner that this was a Board decision so he could not approve his request; however, the homeowner was welcome to listen to the tape of the meeting (available until the typed minutes are approved, usually at the next Board meeting) and that he would bring his request up for discussion. After discussion, Bill tabled the topic until the next Board meeting and asked Tom to talk to our legal counsel about the request.

A homeowner questioned the Colony's (For Sale) Open House policy which not only sets rules for an Open House in the Colony but also the rules for the "for sale" signs. The homeowner stated that his preference was for no "for sale" signs in the Colony.

WATER COMPANY BUSINESS

Addressed in the managers report.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:30 a.m. The next meeting will be on May 19, 2012 at 10:00 a.m.

FOR THE BOARD OF DIRECTORS:

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Thomas J. Bugary, CMCA, CCAM
General Manager and Secretary

DRAFT

Treasurer's Report January and February 2012

This report covers our fiscal year budget status through February 29, 2012.

Account Balances as of January 31 and February 29, 2012
are:

	<u>Jan</u>	<u>Feb</u>
Comm Assoc Banc (CAB) Reserve	\$ ---	\$ ---
ICS Reserve (CDARS Acct)	\$ 907,777.61	\$ 859,226.98
CDARS (CD Placement)	\$ 502,052.09	\$ 502,311.43
CAB Operating	\$ 175,571.54	\$ 213,414.75
RABOBANK Petty Cash	\$ 1,030.44	\$ 1,070.44
CAB Water Operating	\$ 13,347.56	\$ 14,069.86
CAB Water Reserve	\$ ---	\$ ---
ICS Water Reserve (CDARS Acct)	\$ 109,402.83	\$ 110,768.09

Payments to the Capital Replacement Fund (\$16,320.00 per month) are current.

Payments to the Mutual Water Association (\$3,750.00 per month) are current.

Respectfully Submitted,

Ted Swanson

Ted Swanson