

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

May 19, 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, May 19, 2012 at the Monterey Dunes Colony Clubhouse and established that there was a quorum.

MINUTES

The Board reviewed the draft minutes of the March 17, 2012 directors meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Ted Swanson, Treasurer, gave the Treasurer's Report for March and April 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 review the FY 2012-13 Operating Budgets for both the Colony and the Water Company for the first ten months of the fiscal year (Jul-Apr). Although the Colony's actual expenses to-date are below their budgeted amounts for both operating and reserve accounts, it was noted that some one-time unforeseen operating expenses will decrease the surplus by the end of the fiscal year on the operating side. We are, however, still projected to end the year in the black in both the operating and reserve accounts.

A committee member has asked the question; if the annual reserve assessments could be added to the cost basis of their home. Tom queried Joelyn Carr-Fingerle, CPA, whether homeowners could do this. Joelyn responded that there were different ways to handle this situation, it was, in some cases possible, but homeowners should seek the advice of their own tax professionals.

ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT

Tom Bugary gave the ECC report for Ellen Michaels, chair. Tom reported that there had been one ECC meeting since the last board meeting, a teleconference on 4/6/12 to discuss new County requirements concerning a remodel to unit #222. The ECC had approved an extended deck addition to the unit with a sliding door entrance. The County denied the change because they would not allow the footprint to be extended as requested in the plans. The homeowner then changed her plans to not add a deck and slider, but add a window over the extension instead. This changed a stipulation of the committee that the boundary fence height had to be increased because there was no deck to walk out on. The County also denied other changes to the owner's plans of which we have yet to figure out why. Tom explained that it might be due to new code requirements, policy changes or just that the county has decided to start enforcing existing policies and/or codes.

ADHOC WAVE RUN-UP COMMITTEE

Ted Swanson, committee chair, reported that there has not been a formal meeting since the last Directors meeting. However, he has met twice with David Shonman and has had several informal meetings with Tom. Ted went on to say that he wants to present this report in three parts: 1) sand nourishment, 2) barrier testing, and 3) committee agenda.

I – Sand Nourishment:

a) Direct sand replacement is the most logical approach to dune restoration and the plan that the Coastal Commission is most likely to support. We have approximately 500 yards of sand that we have stockpiled on the property. The sand needs to go from the stockpile, into three breaches in the foredunes made during the 2008 winter storms. Ted stated that he hopes that after the Snowy Plover Nesting season is over in October, we will have the necessary permits in place and commence filling in the breaches.

b) Sand Fencing. Ted continued by stating that he would like to establish a test area for short runs of slatted snow fence that would be no more than 12"- 18" high (similar to the height of beach debris or a piece of driftwood) and have 4-5 short sections staggered so that the birds could navigate the structures. David Shonman took this idea and presented it to some of the regulatory agencies involved in the protection of the bird and the idea was not well received. The committee is now focused on finding an expert in Snowy Plover nesting and habits, separate from the regulatory biologists to give us an unbiased opinion as to the bird's ability to interaction with the proposed fencing.

II – Barrier Testing.

Ted would like to stress test 6-8 of our water barriers in the near future. We could do this by placing the barriers into a low-tide zone, securing the barriers, and monitor the barriers as the ocean goes from low-tide to high-tide (or close). In this way, we can see how the barriers will

perform during a mild wash-up all the way to a full un-broken wave. Because of the sensitive nature of the beach with State Parks and PRBO, Ted and Tom think that the testing should be coordinated for after the Plover nesting season. After discussion, the board concurred with the tests in collaboration with the beach owners, State Parks.

III – Committee Agenda

Ted asked the Board for guidance as to what issues and project areas they would like the committee to focus on. After a short discussion, the Board agreed that the Wave Run-Up Committee should stay focused on the short-term goals of snow fencing and sand/beach nourishment.

Lastly, Ted noted that Tom had obtained the name of a person in Santa Cruz who could offer assistance to us in case we have a future issue with our septic system by designing a filtering method where “black water” can be turned to “grey water” and injected directly into the ground. He stated that as time permits, we planned on meeting with this engineer and going over different systems that might be effective here at the colony if we ever needed an alternate method of dealing with septic effluent.

WEBSITE COMMITTEE

The committee chair, Harley McAdams, could not be at the Board meeting; however, he prepared a written report that Bill Michaels distributed to the rest of the Board members and will be discussed at the next Board meeting. Bill also instructed management to post the Website Committee report on our website.

POSTAL ADDRESS CHANGE COMMITTEE REPORT

Bill Michaels stated that Ted Swanson, Committee Chair, had sent him an email and asked him to send out a letter asking members if they wanted to change their address from Castroville to Moss Landing. Bill sent out that letter and the response has been positive – 70 for and 0 against as of the date of the board meeting. The committee would like to hear from more than 70 out of 120 members, so they will send out an additional letter asking those people who have not responded to please do so by June 15.

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 18 decks this fiscal year, more than originally scheduled for replacement this year. Decks replaced include Unit 134 Entry; 134 Landside Bedroom, 134 Oceanside Ground, 146 Landside Bedroom, 248 Entry, 176 Entry, 176 Landside Bedroom, 182 Entry, 200 Entry, 226 Entry, 234 Entry, 256 Entry, 256 O/S Ground, 270 Entry, 298 Entry, 312 Oceanside, 316 Entry, and 338 Entry. The Courtyard Trellis was replaced at Unit 270. Contractors replaced a previously modified deck at unit 122, fitting it around an existing hot tub.

Unit courtyard fences completed all or in part from July 1, 2011 to date were at units 176, 238, 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.

Painting

Unit trim was repainted at units 234, 264, 266, 268, 270, 272, 294, 312, 314 and 316.

Landside Boardwalk Replacement

Landside boardwalks have been replaced near units 134, 172, 238, 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.

Carbon Monoxide Detector Requirements for Units

In May 2010, California enacted a law requiring homeowners to install carbon monoxide detectors in their homes. According to the California Air Resources Board, 30 to 40 people die each year from carbon monoxide poisoning. The senate bill, also known as the Carbon Monoxide Poisoning Prevention Act, states that carbon monoxide deaths are avoidable with installation of carbon monoxide detection devices in individual homes. Although the law mandates the detectors be in place by July, 2011, the law requires a 30-day notice be sent to a homeowner before any fines or penalties can be imposed. The method of enforcing this new law is by requiring the devices to be installed before any permits can be finalized for improvements or maintenance such as roof replacements, remodeling, or electrical upgrades. The association is complying with this new law, on behalf of the homeowners, as maintenance permits are needed. Homeowners are reminded that the installation of carbon monoxide detectors is not a normal function of the maintenance staff; however, in order to get permits finalized, we will install the detectors and bill the homeowner as a charge-to-owner expense.

Association Maintenance Vehicle Repairs

The Association's two maintenance vehicles are used interchangeably from 7 AM to 12:30 AM seven days a week for maintenance and security. Due to constant exposure to salt air and inclement weather, the vehicles deteriorate about 3 times as fast as with vehicles inland. We recently were faced with extensive body repairs and undercoating expenses in repairing one of the two maintenance vehicles and are faced with doing the same for the other in the near future.

Window and Entry Door Replacement

Contractors have replaced the oceanside sliding glass door and a fixed frame window on unit 286. In addition, the garage door at unit 340 was replaced. Management has focused on deck and fencing replacement over windows this year and will continue to monitor the vinyl block frame and single pane aluminum windows which will require replacement in the near future.

Tree Maintenance

Brian Jacobson, Arborist with Smith's Tree Service visited the colony to inspect some of the Association's Monterey Cypress trees. Recently we have observed trees that are being damaged by insects as well as other trees with the same canker-type disease we experienced on many of the trees about 10 years ago. Brian Jacobson recommended that several trees be thinned out, others, more heavily trimmed or pruned.

Built-up Roof Replacements

The association contracted with Ross Roofing to replace 10 built-up roofs at units 130, 154, 160, 168, 170, 202, 204, 242, 244 and 340. The project is ongoing and should be completed within the next week or so. We will release any contingency after final inspection and release of any Mechanic's liens.

Septic Tank Repair

Each year the nine septic systems located on the property are inspected along with mandated state and county reports that measure the discharge of sewage into the leeching fields. During this year's inspection, inspectors again noted that hydrogen sulfide gas continues to erode the upper portion of eight of the tanks as noted in reports from the last two inspection cycles, (2009 and 2010). We have scheduled the damaged tanks for repair this year and consequently, will be over-budget in the septic repair line. This is a sensitive project because of its proximity out near the foredune area. There were also issues with 2 of the distribution valves that operate the disposal of the effluent in two of the systems. They are being dug up by hand, lines vacuumed and valves replaced.

Owners are reminded that fresh vegetables do not completely decompose when put through the garbage disposal and flushed into the septic tanks. While this type of waste sits in the tank until pumping, it also creates a hydrogen-sulfide gas which destroys the inner lining of cement septic holding tanks.

Coastal Projects

From last report:

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.

Due to an inordinate amount of rain during the first part of April, the Monterey County Water Resources Agency, in collaboration with NOAA National Marine Fisheries Service, US Fish and Wildlife Service, California State Parks, and local landowners, initiated sandbar management activities at the Salinas River Lagoon on Friday April 13, 2012. The work consisted of lowering a section of the sandbar to allow potential flood waters to enter the Ocean. The goal was to minimize impacts to the environment, personal property, and wildlife. This was done even though objected to by the Department of Fish and Wildlife Service, (USDFWS) and the other Snowy Plover Protection Groups.

On Tuesday May 15, 2012 MDCA hosted a meeting with the regulatory agencies concerning the Salinas River and ongoing sandbar management requirements. The meeting was attended by California State Parks, Owners of Mulligan Hill, Ocean Mist and Scattini Farms, Department of Fish and Wildlife, NOAA Fisheries, Point Reyes Bird Observatory, California Fish and Game, Monterey County Water Resources Agency, and MDCA. The main topic was the probable need (under emergency proclamation) to breach the sandbar within the next few days for the second time this year and the impacts this would have on the nesting Snowy Plover. The Water Resources Agency reported the Lagoon at 4.8 feet and rising and the Old Salinas River, (OSR) could not handle accepting any more water through the diversion gates without flooding the farmland. With objection from the Plover groups, the Water Resources Agency made it clear that in the event they could not divert more water from the river and lower the lagoon, they would be breaching the river by emergency proclamation. This caused intense discussion as there are many Plover Nests in the area that would be affected by the Equipment and breaching process. On the other hand, the flooding and expanding of the lagoon area already claimed one Plover nest this season. After lengthy discussion, the DFWS agreed to a plan of breaching by hand (shovel), if absolutely necessary, and with the assistance of the PRBO, labor from the Landowners as well as from the Water Resources Agency. Brent Buche said he would keep all agencies advised as to the level of the lagoon, and when/if it would be necessary to breach the river.

To date, intense control of river levels and flows through additional pumping of the river to the farmer's fields, curtailing water from the Marina Reclamation Facility, and continued dumping of river water through the OSR diversion facility has kept the river at safe levels. We are still on standby to assist the Water Resources Agency if breaching the river becomes necessary.

We are still working on beach nourishment initiatives and the use of snow fencing out on the foredunes.

Electrical Brownout 318 through 340

On Friday May 11, 2012 there was a major electrical power failure where PG&E equipment caused extensive damage to power appliances from units 318 through 340. More specifically the garage door openers between 318 and 340 were burned out, street lights and many appliances were damaged inside units 330-332 and 334. The association is taking the lead on replacing the garage door openers on behalf of the homeowners and submitting the claim forms to PG&E for reimbursement. Garage door openers will be replaced by MDCA upon an agreement with the

unit owners to pay the costs and wait for the reimbursement from PG&E if/when they pay for the damages. Claims for appliances inside the individual units must be submitted by the homeowners themselves.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the March billing period, there were four units that exceeded the Tier 1 water conservation zone, none were under the \$5.00 billing limit. There was one unit exceeded Tier 2 and has requested a maintenance waiver.

During the April billing period, there were five units that exceeded the Tier 1 conservation zone. Three were under the \$5.00 billing limit and therefore not billed. There were two units that exceeded Tier 2 and both have requested maintenance waivers.

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. I have scheduled site visits with Carlson Storage Tanks to visit areas where the company has installed the liner material. I will be heading up north next week and should have some preliminary recommendations for repairs to our tank in the next couple of months.

OLD BUSINESS

Homeowner Survey Update

A final draft of the survey was unanimously approved and will be posted on Survey Monkey by management and all homeowners will be invited to participate.

Homeowner Request for Telephone Participation at Board Meetings

At the last Board meeting it was noted that a homeowner had made a request to participate in the Board meetings via telephone. Management was directed to check with our attorney to find out the legal ramifications of granting this request. After discussion, a motion was made to further investigate the feasibility of having a conference call where the callers have listening capability only; the motion was seconded, and carried.

NEW BUSINESS

Request for Clubhouse Use

The homeowner of #284 is a teacher at a local university and has requested the use of the clubhouse to hold a one-time class for about 13 students. The Board approved this request.

Request for Access to Monterey Dunes Colony

For the last few years, MDCA has allowed vans to access our property to pick up adult hikers at the end of day two (of three) during an annual Bay Walk from Capitola to Monterey; this same group is requesting access to our property this year. The Board approved this request.

Appoint Nominating Committee Chair

Jim McFeeters was appointed the Nominating Committee Chair. There was discussion among the audience and the Board as to whether a Nominating Committee should endorse five candidates among the candidate pool for the five Board seats or whether the Nominating Committee should simply ensure that all candidates are qualified to sit on the Board. After discussion, it was determined that it is the prerogative of the Nominating Committee whether to endorse specific candidates or not.

Set Deadline to Receive Nominations for Board of Director Positions

A deadline of July 6, 2012, was set as the cutoff date for receiving nominations for Board of Director positions. The Annual Meeting of the Members will be on October 20, 2012 at 10 AM.

OWNER'S STATEMENTS

It was noted that some GPS devices do not locate the colony using the Castroville address, but, rather, the address city needs to be Moss Landing.

WATER COMPANY BUSINESS

Addressed in the managers report.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:20 p.m. The next meeting will be on July 21, 2012 at 10:00 a.m.

EXECUTIVE SESSION

Three homeowners requested waivers of their water bills due to the excessive water usage. All three requests for waivers were approved.

FOR THE BOARD OF DIRECTORS:

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

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