

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

March 16, 2013

PRESENT

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

ABSENT

Frank Williams, President

WELCOME

Due to Frank Williams' absence, Bill Michaels, Board Vice President, called the meeting of the board to order at 10:00 AM, March 16, 2013 at the Monterey Dunes Colony Clubhouse.

MINUTES

The Board reviewed the draft minutes of the January 19, 2013 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 January and February 2013. 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 gave a report that the committee had met the previous day to review the finances of the colony and the water company for the first 8 months of the fiscal year (July-Feb). The Committee recommended to the Board that they invest \$600K into a 52-week CDAR's. Further, the Committee recommended that the Board adopt a policy of investing reserve funds in excess of annual reserve spending requirements, with a reasonable contingency, in 52-week CDARs with the specific amounts and timing to be determined by the treasurer with the concurrence of the Committee. Both recommendations were M/S/C by the Board.

Additionally, the Committee recommended that the Board approve the proposed operating budgets for the Association and Water Company and a monthly assessment of \$847, an increase of 1.9%. This recommendation was M/S/C by the Board.

The final recommendation by the Committee to the Board was to keep the annual reserve assessment, due July 1, 2013, at \$5K. This recommendation was M/S/C by the Board.

To view a complete copy of the finance committee report, please click on the “easy” button. 

ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT

Jeff Schwartz, ECC Chair, reported that the committee had met on 2/22/13 to discuss a verbal accommodation request from #102 to expand his courtyard deck out onto common property. It was emphasized to the homeowner that even if the ECC recommended and the Board allowed this to happen, there would be several permits, agency approvals, and large expenses involved. Alan Rudolf, committee member and long-time commercial contractor was at the meeting and explained to the owner the process and the many of the pitfalls that accompany this type of project. Jeff reported that the ECC has not received a written request, as of this date and are still treating the proposed project as informal and informational.

AD HOC WAVE RUN-UP COMMITTEE

There was a meeting of the Ad Hoc Wave Run-Up Committee on February 22, 2013. The meeting focused on discussing possible replacement options to all or parts of our septic system in the event there was a vulnerability.

The backup plan of particular interest to the committee involves a filtration system which turns effluent into “gray” water that is suitable for reuse as irrigation. After discussion, the committee decided that we did not want to call attention to our functioning septic systems by applying for a permit to test this filtration system; however, Ted Swanson, chair, will visit a few sites that have this system in place in order to see if the system would work at the Colony.

AD HOC POSTAL ADDRESS CHANGE COMMITTEE REPORT

Ted Swanson reported that there has not been any progress on the address change for the Colony from Castroville to Moss Landing. The Address Management Society in San Jose is responsible for the final decision and they are in a holding pattern awaiting internal survey results.

GENERAL MANAGER’S REPORT

This report covers work completed from July 1, 2012 to date.

MONTEREY DUNES COLONY ASSOCIATION

Windows, Doors, Fences and Sidewall Shingle Replacement

Association Carpenters completed 15 window replacements at unit 236, Reset two Sliding Glass doors at unit 300, 19 Window Replacements at unit 310 and 11 more at 324 for a total of 45 replacements this fiscal year. Unit 308 is pending window replacements but the project is now on hold due to major remodeling plans by the homeowner.

Unit courtyard fences completed all or in part this fiscal year are at units 120, 148, 150, 222, 250, 312, and 324, as well as 2 trash enclosures.

The Association replaced the individual entry door at the garage at unit 312 as a Charge-to-Owner.

Shingles were replaced in the courtyard area of unit 236 and north facing wall of unit 286. These remaining smaller areas are pick-up work from the completed shingle project funded up until this fiscal year.

Decks

Decks were replaced, all or in part at units 154, 194, 274 and 300. While decks are not budgeted in this year's reserve schedule, significant repairs were required that were not anticipated when we were budgeting for this year's reserve schedule. I have since adjusted the reserve schedule to allow for a reserve repair line for re-skinning a couple of decks each year as the redwood becomes unserviceable and is replaced with Trex decking and some repairs to the framing or underpinning. The underpinning, (girders, beams and posts), of most association decks are rated for 50 years, however, signs of termite infestation have been found even in the ground-contact treated wood. I am researching possible treatment of the 354 association decks to see if there is an economical preventive maintenance procedure to better preserve the structures as they age, possibly a borate or some sort of equivalent.

Skylights

The Association replaced 4 roof skylights at unit 246. Unit 268, 206 and 256 are pending replacement skylights. Units 268 and 256 are Charge to Owner or Contractor replacements. Unit 224 is pending the replacement of the large oceanside skylight.

Terminix Warranty Treatments and Fumigation

Building #190-#194 was fumigated for dry wood termites on December 12-14, building #108-#112 was fumigated on February 6-8, and the garage building for #120-#124 was fumigated March 13-15. Unit #154 received a local treatment in December 2012 and unit #324 received a local treatment in March 2013. Building #324 - #328 has been identified for fumigation is scheduled for April 10-12. Building #150, #152, and #154 has also been identified for fumigation in May and is being scheduled with the homeowners.

Recreational Facilities Update

The replacement Golf Driving Range was installed in February, 2013 in the unused Tennis Court area. It is open for use at this time.

Archiving Project Update

The archiving project is starting to move forward again after we recently hired a part-time data entry person.

Landside Boardwalk Replacement

Landside boardwalks have been replaced near units 148, 150, 152, 154, 156, 218, 220, 222, 224, 232, 234, 250, 252, 256, 258, 292, 294, 296 and 300. Boardwalk is replaced as determined necessary and in many cases, ahead of the current reserve schedule.

Recent Items of Information from Management Conferences

Current law requires guards to grant access to Process Servers upon identifying to the guard the person or persons to be served and upon displaying a current driver's license or other identification and specified documentation to show the individual is either acting as a representative of a county sheriff, or is a registered process server. AB 1720 - Service of Process on HOA's now includes Private Investigators upon displaying evidence of license, (and adhering to the above stated criteria).

AB 2697 – Amends Civil Code 1363.05 which requires that the board of directors provide a place where members can attend and listen in on any board meeting via teleconference and where at least one director had to be present in that location. Subsequent to AB 2697, the board of directors can now designate a representative to be present at a designated place where members can listen in to the teleconference. There is no longer a requirement for a director to be physically at the place where the members can go to listen in to the meeting.

Title 24, (CA Code of Regulations) – New Signage Requirements for all pools within HOAs:

Keep Closed Sign – On exteriors of gates and doors leading to the pool area.

Diarrhea Sign – The sign must state that persons having currently active diarrhea or who have had active diarrhea within the previous 14 days shall not be allowed to enter the pool water.

Emergency Sign – In addition to the emergency 911 number, the phone number of the nearest emergency services and the name and street address of the pool facility must be posted adjacent to the pool.

Budget Issues

The Pro forma Budget and Annual Disclosure Packet has been replaced in the Davis Stirling Common Interest Development Act rewrite with the “Annual Budget Report” and Annual Policy Statements.

Coastal Projects

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From last report:

On November 26, 2012 Mike Watson, CCC stated in an email to David Shonman that “To the extent there were no resource issues or coastal act consistency problems, I could review a “completed” application and submit a recommendation for a CDP waiver to the Commission.” For the first time in a long time, this statement indicated a shift where the CCC would allow us to move forward with a multi-year MOU between MDCA and State Parks. Outside of the Department of Fish and Wildlife, all concerned parties agree that we should enact dune nourishment in the snowy plover off season. David Shonman is moving ahead with submitting for a Coastal Development Permit, (CDP) to compliment the proposed MOU with State Parks.

On December 4, 2012 The Monterey County Water Resources Agency sent out a notice via email stating that the Salinas River Lagoon was at 5.24 feet and rising causing flooding in the local fields and threatening structures. The OSR was full and couldn’t take any more water and flows were expected to increase through the Spreckels release point. With the Sandbar between the ocean and the lagoon in excess of five vertical feet above the waterline, The MCWRA elected to mechanically breach the river to the Ocean under an emergency proclamation.

After several discussions concerning how to move the CCC to approve our multi-year MOU with State Parks, David Shonman was asked to send the CCC a letter asking for a meeting. He was also asked to copy the Department of Fish and Wildlife hoping to bring them on board as the proponent for the Snowy Plover. To date we are in communication with the CCC but

have yet to receive a reply from the DFWS. We are in the process of submitting an application for a Coastal Development Permit to support our MOU with State Parks.

The Salinas River and Lagoon Working Group met on February 5, 2013 at 9 AM at the MDCA Clubhouse. Devin Best, NOAA Fisheries Service gave an update on the sandbar management project to date. Brent Buche, MCWRA provided an overview on the purpose and result of proper sandbar management. He talked about early rains this winter season in the upper watershed, connecting the Arroyo Seco to the Salinas River, ultimately affecting the lagoon and mechanical breaching requirements. Brent continued by stating that all this work, and the approval of the work is either given by the Federal or County Agencies, bypassing the Coastal Commission every year by waiting for and then declaring an emergency before breaching. Brent expressed his desire to bring the agencies together in agreement and come up with a permitting process easy to follow for all agencies involved. It was the consensus that the Coastal Commission did not want to work with the other agencies in resolving the Salinas River breaching issue. After discussion, Devin offered to schedule the next meeting of the agencies up in Santa Cruz in the CCC conference room and also invite several legislators to the meeting in hopes of bringing the CCC to the table. All agreed that was a positive step in getting CCC participation. Devin then presented a plan to modify slide gates (levees) within the lagoon inundation zone to allow more oxygenated water to enter the Old Salinas River along with other enhancements to the OSR to promote a better path for Steelhead to enter the ocean. It was restated that it is a goal of most agencies that manage critical habitat and endangered species to come up with sandbar management timelines and responsibilities, with input from all the stakeholders, leading to a timely, effective permitting process.

David Shonman has completed the Coastal Development Permit Application to test the K-Rail Wave Run-up Barriers. He has sent a letter to the Coastal Commission asking for a meeting via phone or in person where he can present the application to insure it gets submitted. With this filing, we are hoping to conduct the test at the end of this year's Snowy Plover nesting season, October 2013 through February 2014.

In a separate action, we are still pursuing a Coastal Permit to allow us to enter into a long-term agreement with California State Parks authorizing the colony conduct routine shoreline maintenance activities without pulling separate permits for each project. This Memorandum of Understanding (MOU) is complete and has been approved by both State Parks and the colony pending final concurrence by the Coastal Commission.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the January billing period, there were 3 units that exceeded the Tier 1 water conservation zone, 2 were under the \$5.00 billing limit and therefore not billed. 1 unit was in Tier 3 and the absentee homeowner has asked for a waiver of additional charges due to an irrigation leak.

During the February billing period, there were 4 units that exceeded the Tier 1 conservation zone. 1 unit was in Tier 2 and 3 in Tier 3 due to the tenting and fumigation of their building. The three in Tier 3 were not billed for excess water which was used to soak the sand around the building in order to get a good seal for the vikane gas.

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 Tank Update

I am still working on preparations for repairing the 212,000 gallon water storage tank in the June-July-August 2013 timeframe. There are 5 stages we need to go through in order to accomplish the repair.

1. Obtain the necessary Permits
2. Plumbing in (a) temporary Water Tank(s)
3. Repair and Paint the interior of the Tank and Prepare it for the Liner
4. Install the Liner
5. Re-plumb the System back to its original configuration.

We have received only one of three bids back for Plumbing in the system, one company, (Salinas Pump), declined to bid the project and we have no returned bids on repairs to the tank as of this date.

Liquivision Technologies repaired another leak in the water tank. Repairing the tank is an expensive process as it requires divers to suit up and enter the interior of the tank to identify and temporarily repair the leak.

Back-up 50 KW Generator Repairs

During routine maintenance, disassembly and overhaul, mechanics noted a faulty copper winding and unserviceable radiator core. While the generator is in relatively good shape, these repairs need to be addressed out-of-cycle and due to the age of the generator, repair parts are not readily available. Both the radiator and coil has to be sent out for rebuild. Costs to repair the generator are estimated at \$10K with the generator down for a 2-week period. We are in the middle of this repair, main generator disassembled and system connected to a backup generator source. As of this report, the backup system is function as expected.

OLD BUSINESS

Classes of Occupants and Use of Common Facilities

This item has been tabled until the following meeting when Frank Williams will be present as Frank is working on a release form that could allow any occupant equal use of all facilities based on homeowner responsibility.

Horses on the Foredunes

This item has been tabled until the next directors meeting.

NEW BUSINESS

None

OWNER'S STATEMENTS

None

WATER COMPANY BUSINESS

Addressed in the Managers Report.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:50 a.m. The next Board meeting will be on May 18, 2013 at 10:00 a.m.

EXECUTIVE SESSION

The topic was an excess water use waiver request; this request was 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 28, 2013.

Account Balances as of January 31 and February 28, 2013 are:

	<u>Jan</u>	<u>Feb</u>
Total MDCA Reserve Funds	\$1,638,696.80	\$1,618,587.16
+ <i>Comm Assoc Banc (CAB) Reserve</i>	\$ ---	\$ ---
+ <i>ICS Reserve (Bank Acct)</i>	\$ 534,484.76	\$ 514,259.07
+ <i>MDCA Cash held by Water Co.</i>	\$ 600,000.00	\$ 600,000.00
+ <i>CDARS (CD Placement)</i>	\$ 504,212.04	\$ 504,328.09
CAB Operating	\$ 152,113.23	\$ 116,223.20
RABOBANK Petty Cash	\$ 846.00	\$ 743.78
CAB Water Operating	\$ 11,638.62	\$ 14,482.14
Total Water Reserve Funds	\$ 129,796.71	\$ 123,916.84
+ <i>CAB Water Reserve</i>	\$ ---	\$ ---
+ <i>ICS Water Reserve (Bank Acct)</i>	\$ 729,796.71	\$ 723,916.84
- <i>MDCA Cash held by Water Co.</i>	\$ 600,000.00	\$ 600,000.00

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

FINANCE COMMITTEE REPORT

March 15, 2013

The Association is \$56K favorable to its year-to-date operating budget, not including depreciation, as of February. Tom Bugary projects that we will end the year favorable by \$27K, again not including depreciation. We are running about \$47K unfavorable to the year-to-date reserve budget, due to an unbudgeted \$20K transfer to the Water Company reserves, lower interest income than budgeted and higher spending, part of which will be offset by transfers from the reserve account to the operating account for labor materials between now and yearend. Tom projects a \$1.7 million reserve balance at yearend, including the \$600K in annual assessments for the next fiscal year.

The Water Company is relatively close to both its operating and reserve budgets year-to-date. This does not include the cost of the repairs being made to the windings and radiator on the backup generator, portions of which will hit both budgets.

The Committee reviewed how Association reserve funds are currently invested. We have a little over \$500K in 52 week CDARs, which mature in June. We also have about \$500K in the Association ICS account and \$600K in the Water Company ICS account, since only \$1 million in any one ICS account is FDIC insured.

The Committee recommends that the \$600K in the Water Company ICS account be moved into 52 week CDARs immediately and that when the current CDARs mature in June the funds be rolled over into new 52 week CDARs. This leaves sufficient room in the Association ICS account to accommodate the annual assessments for the next fiscal year, ensuring sufficient liquid funds for next year's reserve spending.

The Committee further recommends that the Board adopt a policy of investing reserve funds in excess of annual reserve spending requirements, with a reasonable contingency, in 52 week CDARs with the specific amounts and timing to be determined by the Treasurer with the concurrence of the Committee. If reserve balances or interest rates increase significantly in the future, this policy can be modified as appropriate at that time.

The Committee also reviewed the proposed operating and reserve budgets for the next fiscal year.

The Committee recommends that the Board approve the proposed operating budgets for the Association and the Water Company and a monthly assessment

of \$847. The recommended increase in the assessment is \$16 or 1.9%, in line with inflation.

The Committee also recommends approving the proposed reserve budgets for the Association and the Water Company and an annual assessment of \$5,000. The recommended annual assessment is the same as this year's.

The Committee will prepare a brief overview of the budgets and assessments for distribution to the homeowners, after review and approval by the Board.

Respectfully,

Bob Dickinson