

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

May 18, 2013

PRESENT

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

ABSENT

Bob Dickinson, Director

WELCOME

Frank Williams, Board President, called the meeting to order at 10:00 AM, May 18, 2013 at the Monterey Dunes Colony Clubhouse.

MINUTES

The Board reviewed the draft minutes of the March 16, 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 March and April 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

Ted Swanson gave the report for Bob Dickenson. Ted reported that the committee had met the previous day to review the finances of the colony and the water company for the first 10 months of the fiscal year (July-April). The committee also reviewed upcoming insurance renewals due in August. In addition, the committee reviewed Joelyn Carr-Fingerle's engagement letters for the upcoming (colony and water company) audits and recommended that the board engage her services again this year. However, since the engagement of an auditor was not on the agenda, the board opted to take action on it at a later board meeting.

ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT

Jeff Schwartz, ECC Chair, reported that the ECC was meeting immediately after the Director's meeting to discuss a remodel request from unit 308.

AD HOC WAVE RUN-UP COMMITTEE

Ted Swanson, committee chair reported that the committee is in a holding pattern waiting for the coastal commission to respond to our application for permit regarding wave run-up barrier testing.

Ted also stated that he has been in communication with the manager of the Farallon National Wildlife Refuge regarding their state-of-the-art septic systems. Being that this agency is located on the coast, Ted was searching for information as to regulatory issues they had experienced when they installed the systems. Ted explained that the committee has discussed using something similar in the event of a contingency here at the Dunes.

AD HOC POSTAL ADDRESS CHANGE COMMITTEE REPORT

Ted Swanson reported that "It looks as though the address change is a done deal pending a few minor hiccups" that should be cleared up by the end of June.

GENERAL MANAGER'S REPORT

MONTEREY DUNES COLONY ASSOCIATION

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

Windows, Doors, Fences and Sidewall Shingle Replacement

Association Carpenters completed 15 window replacements at unit 236, Reset four Sliding Glass doors at unit 300 and unit 140, 19 Window Replacements at unit 310 and 11 more at 324 for a total of 49 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. Replacement windows are on site for unit 308 and will probably be replaced under contract with the homeowner's general contractor.

(After meetings with the Milgard sales representatives and our glass dealer on April 8th and also on April 25th, we negotiated a proposed 5% increase in window sales prices and a site delivery charge of \$150 per delivery down to a 2.5 % increase in windows and the delivery charges were cut in half of what was noticed by the company. All parties absorbed a share of the across-the-board cost increase. MDCA still maintains a 39% factor on new window purchases from Milgard).

Unit courtyard fences completed all or in part this fiscal year are at units 120, 122, 148, 150, 174, 186, 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 unit 300.

Skylights

The Association replaced 4 roof skylights at unit 246 and a large Oceanside skylight on unit 224. Six skylights were replaced at unit 268, 1 at unit 206 and 5 at unit 256. Units 268 and 256 are charge-to-owner or contractor replacements.

Front Gate Accident and Repairs

On 4-26-13 the colony took a truckload of Trex from the Reno Plant carried by First Class Service Trucking Company. The driver scraped the center divide of the main gate and knocked the structure over. After inspection, I could see that the main posts, (original) were redwood and rotted at the ground level. After discussing with the trucking company foreman, we agreed to cost share on the replacement of the divider.

Terminix Warranty Treatments and Fumigation

Units 190, 192 and 194 were fumigated for Drywood Termites on 12-12 through 12-14-2012. Units 108, 110 and 112 were fumigated on 2-6 through 2-8-13 and Garages at 120-122 and 124 were fumigated on Wednesday 3-13 through Friday 3-15-13. Unit 154 received a local treatment in December, 2012 and unit 324 a local treatment in March, 2013. Units 324, 326 and 328 were fumigated on 4-10 through 4-12-13 and 150-152 and 154 were fumigated on 4-30 through 5-2-13, a total of 12 units and 3 garages fumigated, (5 buildings), this fiscal year and 2 units receiving local treatments.

Recreational Facilities Update

The replacement Golf Driving Range was installed in February, 2013 in the unused Tennis Court area, (Court #4). It is open for use at this time. The two main Tennis Courts as well as the Multi-Purpose Court were repaired and resurfaced with a specialized Plexi-pave surface 4-22 through 4-26-13 and were open for use on Saturday 4-27-13.

Archiving Project Update

The archiving project is again moving forward as the second part-time employee we have hired quit due to family conflicts. We have again hired another person to fill the position.

Landside Boardwalk Replacement

Landside boardwalks have been replaced near units 122, 126, 128, 130, 148, 150, 152, 154, 156, 186, 218, 220, 222, 224, 232, 234, 250, 252, 256, 258, 264, 266, 268, 270, 276, 292, 294, 296, 300 and 322. Boardwalk is replaced as determined necessary and in many cases, ahead of the current reserve schedule.

Annual Budget and Disclosure Packets

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. The name of the packet as well as content is transitional this year and goes into law in January 2014. I have completed this year’s packet and sent the required disclosures out to homeowners on May 9th.

Built-up Roofs

Carl Black Construction has been awarded a contract to replace 9 of the 48 built-up roofs within the colony that are scheduled for replacement this year. They will also re-slope 2 roofs and replace two trellises tied into the Built-up roof systems. This contract should be completed no-later-than 6-30-13.

Coastal Projects

From last report:

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 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.

After meetings with Mike Watson from the California Coastal Commission, (CCC), we submitted an application for a Coastal Development Permit, (CDP) # 3-13-020. The application was for testing the wave run-up barriers after the snowy plover season next winter. We asked to be exempt from a coastal development permit fee for Residential Development by asking for a de minimis waiver. The cost of the application was \$531.00.

We are preparing the application for CDP requesting that the CCC approve the Memorandum of Understanding, (MOU), between the California State Parks Service and the Colony which was signed by both parties last year. This memorandum allows MDCA to perform routine shoreline maintenance activities without a separate permit every time we work in the vicinity of the beach. The duration of this MOU is 5 years.

There is no update on the Salinas River and Lagoon Working Group since its last meeting on February 5, 2013.

Governing Documents Update

The board asked for a ballpark cost to revise our Articles of Incorporation, Bylaws and CC&Rs to incorporate the New Davis-Stirling Act, changes and statutory references. Ms. Aaron (Berding & Weil) estimated \$1,800 to \$2,500. A copy of the proposal is in the Board Books. Our attorney also recommends updating and integrating the Voting and Election Rules, as necessary, into the Bylaws, including Berding & Weil's current "best practices" for Association governing documents. Ms. Aaron believes these additional changes, if selected would require a membership vote. A membership vote would result in additional costs and attorney time. Ms. Aaron estimates that these additional changes would cause the fees for the project to be in the range of \$2500 to \$3500.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water System Annual Inspection by the Monterey County Health Department.

On Monday, May 6th the County Health Department conducted a complete inspection of the MDCA Water System. The inspection covered the physical plant, testing compliance and reporting results, maintenance extraction and discharge. The colony received a commendable rating with no noted shortcomings or deficiencies in any area. After the inspection, I discussed the upcoming water tank project with the health department inspector and were informed by her that we did not need permits to repair the existing tank.

Water Conservation – Oriented Billing

During the March billing period, there were 10 units that exceeded the Tier 1 water conservation zone, 2 were under the \$5.00 billing limit and therefore not billed. 6 units were in Tier 2 and 2 units were in Tier 3. One of the units in Tier 3 was due to fumigation and was excused from excess water usage fees.

During the April billing period, there were 7 units that exceeded the Tier 1 conservation zone. 4 were under the \$5.00 billing limit and therefore not billed. 1 unit was in Tier 2 and 2 were in Tier 3 due to the tenting and fumigation of their building.

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 starting on September 16, 2013. Tentative timelines and work scheduled are as follows:

1. According to the Health Department, there are no permits required for the repair to the water tank, (per meeting with Environmental Health Department on 5-6-13).
2. Plumbing in two temporary water tanks, 10,000 gallon each. 9-16-13
3. Repair the tank, (new hold down plates and vents, sandblast interior and paint with a NSF 61 approved 2-part epoxy specifically used in drinking water storage tanks). 9-16 through 9-29-13.
4. Install liner per approved bid from Carson Mfg. 9-30 through 10-7-13.
5. Re-plumb the system back to its original configuration. 10-7-13

We have received only one of three solicited bids back from local well plumbing companies for plumbing in the temporary water distribution system. Salinas Pump and Dougherty Pump both, declined to bid the project and any remaining specialized pump companies would have to travel from outlying areas at additional expense. Two companies contacted did not feel they could be competitive due to mobilization, fuel, per diem and overtime issues.

Carson Manufacturing is scheduled to manufacture and install new hold-downs and to install additional vents in the roof of the tank. I will acquire the necessary paint from a local distributor of “Amerlock 2” and arrange for the sandblasting and painting of the inside, (as well as the exterior) of the tank. Carson Manufacturing will then install the lining in accordance with their approved bid.

OLD BUSINESS

Discussion on Classes of Occupants and Use of Common Facilities

A proposed “Authorization Agreement” was presented; the agreement basically says that an individual owner who has a guest at or using their unit (not a renter) who would like the guest to be able to use the facilities without the owner having to be present will accept liability for any damage the guest may cause. Tom Nolan stated that this agreement was unnecessary as homeowners are liable for their guests in any event, but that he had no objections to this agreement because it served as a reminder to the homeowner that they are liable for their guests. It also lets the office know who the guests are that are using the facilities. The Board M/S/C that this agreement be accepted as presented and that any signed agreements will go on file in the office.

Horses on the Foredunes

This item has again been tabled until the next directors meeting so that Bob Dickinson can participate in the discussion.

NEW BUSINESS

Appoint Nominating Committee Chair & Members and Set Election Timelines

The election timelines are attached to, and made part of, these minutes. The annual homeowners meeting is on October 26, 2013. The 2013-2014 Board members are elected at this meeting and will hold office until the following annual meeting. At this meeting, a nominating committee consisting of Jeff Schwartz, chair, Jim McFeeters, member, and John Steinhart, member was appointed.

Extend Repayment of Remaining Loan from Reserves made on 9-11-10

As of today, there is a \$50,000 balance owing on the initial 9-11-10 loan of \$80,000 from the Reserve to the Operating. It is the goal of the board to repay this loan from any efficiencies we have each year in the year-end operating account balance. The Board M/S/C to extend the repayment of the loan to 9-11-14.

Changes to Ground Rules; Dog, Clubhouse Hours, & Access Rule Changes & Clarification

A copy of the proposed rule changes are attached to, and made part of, these minutes. In addition, the proposed rule changes will be distributed to all homeowners and they will have at

least 30 days, until the next Board meeting (July 20), to make comments. At the Board meeting on July 20, the Board will review and discuss any homeowner comments and a final rule change will be implemented.

Tom Nolan made the comment that he did not think that the clubhouse doors should be locked on weekends, or if they are locked that we use a special combination lock so that each homeowner can obtain an individual code to enter. Frank Williams, Board President, asked if any board member would like to make a motion that they investigate the issue of a special combination lock on the clubhouse. The board did not elect to act on this issue for the second time for lack of a motion.

Service & Companion Dog Classifications and Rules Clarification for Short-Term Rentals

A homeowner has requested that the Board allow a long-time renter of his unit be allowed to bring his “service dog” to his unit as an exception to policy. It was noted that service dogs are trained to perform tasks for people with disabilities such as guiding people who are blind, alerting people who are deaf, pulling wheelchairs, alerting and protecting a person who is having a seizure, or performing other special tasks. It was noted that this dog does not meet the definition of a service animal and is clearly a companion dog per the renter’s physician’s statement, in part, that the renter meets the definition of disabled under ADA criteria and that his trained “**companion**” dog helps enhance his ability to live independently and with comfort. After discussion, the board M/S/C to approve this request as a one-time exception to policy.

Study for Alternative Energy for Heating Pool, Hot Tub, and Common Area Lighting

Several homeowner’s noted on their 2012 homeowner’s survey that they would like management to study alternative energy (i.e. solar and wind) for use at the Colony. Frank directed Tom to research alternative energy sources and Ted Swanson volunteered to assist. Tom stated that he would report at the next board meeting with pertinent information. It was suggested that the days the pool is kept open should be expanded if an alternative energy source were found.

Appoint Internal Dispute Resolution Facilitators

Frank noted that the board had approved an Internal Dispute Resolution policy which requires facilitators; therefore, he nominated two facilitators – Craig Nordlund, unit #250 and Todd Davis, unit #340. The board M/S/C the nominations.

OWNER’S STATEMENTS

Elkhorn Slough Donations

A homeowner stated that the Colony has always donated to the Elkhorn Slough on an annual basis; however, she did not see our name in a list of contributors to the Slough and was worried that we had overlooked a request from the Slough for a donation. Tom was tasked to check out why we had not contributed to the foundation.

Fracking

A homeowner voiced her concern that committees in California are considering allowing fracking - creating fractures in rocks and rock formations by injecting fluid into cracks to force them further open in order to allow more oil and gas to flow out of the formation. The homeowner continued that she is concerned because she does not feel that Monterey County has enough water to support “fracking” and that our water supply will be negatively affected through depletion and contamination. She distributed an article on the subject and requested that the board take a stand on the issue. Bill Michaels thought that it would be a good idea to have a “fracking” expert address the board at a future board meeting and disseminate the information to other homeowners.

Board Minutes

Tom Nolan, unit 148, wanted a statement put forth for record that “he looks forward to listening to the board meeting(s) on the telephone and also to accessing the recording on the web site before it is typed into minutes”. He further stated that “some of us want to have our opportunity to participate to be more flexible.” Frank informed Mr. Nolan that the board had previously discussed the minutes issue and made decisions on how the minutes were completed. However, the topic can be re-visited in the future.

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 July 20, 2013 at 10:00 a.m.

FOR THE BOARD OF DIRECTORS:

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

Treasurer's Report
March and April 2013

This report covers our fiscal year budget status through April 30, 2013.

Account Balances as of March 31 and April 30, 2013 are:

	<u>Mar</u>	<u>Apr</u>
Total MDCA Reserve Funds	\$1,606,079.09	\$1,574,492.20
+ Comm Assoc Banc (CAB) Reserve	---	---
+ ICS Reserve (Bank Acct)	\$ 501,622.49	\$ 469,800.26
+ MDCA Cash held by Water Co.	\$ 600,000.00	\$
+ CDARS (CD Placement)	\$ 504,456.60	\$1,104,691.94
CAB Operating	\$ 132,638.18	\$ 170,398.61
RABOBANK Petty Cash	\$ 594.41	\$ 400.72
CAB Water Operating	\$ 11,927.82	\$ 13,491.99
Total Water Reserve Funds	\$ 125,365.94	\$ 114,178.28
+ CAB Water Reserve	\$ ---	\$ ---
+ ICS Water Reserve (Bank Acct)	\$ 725,365.94	\$ 114,178.28
- MDCA Cash held by Water Co.	\$ 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