

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

March 15, 2014

PRESENT

Frank Williams, President
Bob Dickinson, Vice President
Jeff Schwartz, Director
Bill Michaels, Director
Tom Bugary, Secretary and General Manager

ABSENT

Ted Swanson, Treasurer

WELCOME

Frank Williams called the meeting to order at 10:00 AM, March 15, 2014 at the Monterey Dunes Colony Clubhouse.

MINUTES

The Board reviewed the draft minutes of the 1-18-14 directors meeting. It was M/S/C to approve the minutes as presented.

TREASURER'S REPORT

In lieu of Ted Swanson, Tom Bugary, General Manager, gave the Treasurer's Report for January and February 2014. Tom noted that the payments to the Capital Reserve Replacement Fund and to the Mutual Water Association were current. Additionally, Tom 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.

NEW BUSINESS

Proposal for Fiber Optic Internet and Request for Board Action

Before introducing Mark Morgenthaler, President of Surfnet, Frank gave some background information leading up to this proposal. About a year and a half ago, a company called Surfnet, a small internet company based in the Santa Cruz area, contacted us and told us that, if they receive all the necessary approvals, they would be running fiber optic down Molera Road and

asked if we would be interested in connecting the Colony. The Board responded and said that they would be interested, contingent on whether Surfnet, and the consortium they belong to, received all the necessary approvals.

Mr. Mark Morgenthaler, (Surfnet Inc.) gave a verbal presentation to the homeowners. His Powerpoint presentation, complete with slides, had technical difficulties and was unavailable at the meeting. In summary, assuming that Surfnet gets all the necessary approvals from the regulatory agencies involved, the colony can sign up with Surfnet for fiber optic high speed internet for a base installation cost of \$36,000 or \$300 per unit, paid for by the Association. This installation price was contingent on the Association assisting in the installation within the confines of the colony, (entry gate to the individual units). Mark stated that they are hopeful they could begin service by Christmas time this year. Homeowners could sign up for the basic price of \$65 per month, (guaranteed for two years), for a 100 Mbps speed. This speed would allow additional services for very low cost, including VOIP (voice over internet protocol) telephone, streaming video and live TV, as well as other options. Mark also pointed out that by taking advantage of these additional services, homeowners could save money by bundling. For example, if you have cable service at your primary residence, you can, in all probability, access your service via your computer; for about \$30 you can get a device that would allow your smart TV to stream what your computer is playing. Alternatively, you could subscribe to Netflix or Hulu for a small monthly fee and with the same \$30 device you can play programs via your TV (in other words, whatever can be played on your computer, can be streamed to your TV). In addition to the 100 Mbps basic service, Surfnet would offer a more limited speed service, with fewer capabilities, for a lower price. In closing, Mr. Morgenthaler stated that in order for Surfnet to break even, they would need 60 homes to subscribe to the \$65 service or 80 homes at the lower rate of \$39.95 per month at a much reduced speed. There is a great deal of change going on in the field of streaming video – for example, in the few weeks since the meeting, Amazon has introduced a new product, and some cable networks are consolidating.

The Board voted to support this new service by 1) sending a letter of support to Surfnet for the project; 2) committing to assist Surfnet in the installation of the fiber from the front gate to every unit in the colony up to a maximum of \$300 per unit, (the definition of “assist” needs to be worked out between Surfnet and the General Manager and will be based on availability of staff and other resources), and 3) make a reasonable effort to communicate the advantages of the new service to homeowners. When Surfnet gets the final approval from the PUC, we will distribute detailed information from Surfnet to all homeowners, together with an opportunity to indicate your interest in the service (about 15 homeowners indicated interest at the meeting).

FINANCE COMMITTEE REPORT

Bob Dickinson, Finance Committee chair, reported that the committee had met the previous day and had reviewed the first 8 months (July - Feb) of the fiscal year. The Colony financials reflect that the actual operating expenses through February are approximately \$54K less than what was

budgeted. There are several reasons for the budget surplus, however the main reason was simply a timing issue. The current expectation is that we will end the fiscal year only \$20K less than what was budgeted.

The reserve expenses are approximately \$40K more than budgeted through February, mostly due to early replacement of boardwalks; however, the budget forecast predicts that, by the end of the fiscal year, the actual expenses will be approximately \$120K less than budgeted. This surplus would mean that our reserve account will increase to 34% funded.

The Water Co. operating expenses, through February, are approximately \$2K under budget; however, expenses are projected to be \$5-\$6K over budget at the end the fiscal year. Reserve expenses for the Water Co., through February, are approximately \$16K over budget due, mainly, to refurbishing the water tank (instead of replacing the water tank at a much higher cost); however, expenses will even out a little bit and end the fiscal year at \$13K over budget. The reserve account will decrease to 29% funded.

The LED lighting and common area solar projects were discussed and it was noted that Ted Swanson and Tom Bugary are working to get these projects off the ground, but no concrete proposals have yet to be made. The LED lighting project consists of replacing some/all of our common area fixtures/light bulbs with LED fixtures/bulbs. The common area solar project consists of solar panels being placed in an unused tennis court (a “solar farm”) and then selling any produced energy to PG&E to offset our common area electric bills. It is expected that there will be concrete proposals by the next Finance meeting on May 16, 2014, and pertinent findings/recommendations will be made to the Board on the following day.

Immediately before the Finance committee meeting the previous day, the committee met with the ECC (Environmental Control Committee) to discuss residential solar. At this point, three alternatives were discussed:

- 1) Panels on the unit roofs. There is an aesthetic concern – visual roof panels would negatively affect the appearance of the Colony and possibly have an adverse effect on selling prices. There is also the disadvantage in that when the roof needs to be replaced, the owner would have to pay to remove the solar panels and then re-install them. Additionally, any repairs to the roof, deemed necessary because of the panels, would be the owner’s responsibility.
- 2) Panels on garage roofs. There were a couple of benefits with this option – a) an efficiency benefit due to the various pitches of the roofs; and, b) the aesthetic concern noted in 1) is lessened with this option. There is also a large disadvantage with this option in that utility lines would have to be trenched from the garage to the unit. By law, the homeowner can’t be charged in excess of \$2000 for additional installation charges for aesthetics purposes; therefore, the Association might, in some cases, have to pay a portion of the trenching.
- 3) “Solar farms”. Similar to the common area solar plan, we would create a “solar farm” – grouped panels that generate energy - and the energy would be sold to PG&E to offset

homeowner utility costs or reduce assessments. This option depends on a process called “virtual net metering” and virtual net metering has only been approved for specific categories or clusters of dwellings, but is expected to be approved in the near future for multi-family dwellings where the lots are owned by individual members and the common property by the association. (This is the category we seem to be in at this point).

The Finance committee reviewed the FY2014-15 draft budget at their meeting the previous day and they recommend to the Board that they adopt the proposed budget as presented. This budget includes a \$7 (.8%) increase in monthly homeowner assessments. The Board M/S/C the recommendation.

The committee also reviewed the draft copy of the reserve study and for the next 10 years (approximately), we will be basically be in the area of 40% funded (a goal that had previously been set by the Board) without increasing the annual reserve assessment. The committee made a recommendation to the Board that they reaffirm a \$5000 annual reserve assessment (no change from last year) due on July 1, 2014. The Board M/S/C this recommendation.

Lastly, the committee received a request from a homeowner that the pool open and close on set dates (currently the pool opens Easter weekend and closes the weekend of the annual BBQ). After discussion, the committee made a recommendation to the Board that they adopt a pool opening date of April 1 and a closing date of October 31. The Board M/S/C this recommendation.

ENVIRONMENTAL COMMITTEE REPORT

Jeff Schwartz, ECC chair, reported that there was an ECC teleconference on 2/24/14 to discuss two ECC applications:

- Unit #190 requested some landscaping to both their front and back patios; and,
- Unit #308 requested to replace their garage door with a roll up garage door.

The request from unit #190 was approved contingent upon using approved plants and the request from #308 was approved contingent upon the unit owner(s) assuming responsibility for repairs/replacement to the garage door.

AD HOC WAVE RUN-UP COMMITTEE

Addressed in the Manager’s Report

GENERAL MANAGER’S REPORT

MONTEREY DUNES COLONY ASSOCIATION

Windows, Doors, Fences, and Skylights

Association Carpenters replaced 43 windows/sliding glass doors at units 156, 176, 238, 262, 278, and 328. In addition, carpenters reset 3 existing windows at 176 after completing extensive repairs to the building due to drywood termite damage. Units waiting for windows and sliding glass doors due replacement this year are units 232, 290 and 298.

Carpenters also replaced wood fencing near the recycle area along the tennis courts and courtyard fencing at units 158, 160 and 302.

Association Maintenance replaced a large double-pane skylight at unit 156 and 2 small skylights at units 250 and 318. Unit 262 is scheduled for a new oceanside large double-pane skylight this fiscal year.

Garage Door Replacement/Repairs

Contractors replaced 2 garage doors at unit 124 and 302 and replaced the door jams at unit 120. The existing garage door at unit 126 was repaired and the door at unit 210 received new springs and hardware. Third party contractors are scheduled to replace the garage door and hardware at unit 200 within the next couple of weeks.

Painting

Association staff has completed painting the exterior trim on units 102, 104, 106, 108, 110, 112, 114, 116, 118, 120, 122, 124, 126, 128, 130, 234, 290 and 308. The next phase of exterior trim painting starts in July 2014 with the new fiscal year budget.

Association maintenance has sand-blasted, repaired and repainted the equipment, (hazmat) shed located in the corporation yard.

Archiving Project Update

We are making good progress with the new employee. We are approximately 40% complete with archiving existing documents.

Landside Boardwalk Replacement

Landside boardwalks have been replaced near units 110, 132, 136, 162, 166, 168, 234, 238, 242, 244, 246, 310, 314, 316 and 318.

We are over-budget in the boardwalk replacement reserve line because I have accelerated the replacement of some of the landside 20-year-old Douglas fir boardwalk, much of which is termite ridden and failing.

In December, last year I purchased a truckload of Trex from the Nevada plant at a cost of \$41K, at \$2.96 per linear foot, an increase of 14 cents a foot over last year's bulk pricing.

Fumigation Update

One garage unit, 112-114-116-118, and an Association-storage-area were fumigated on 7-24-13. One building, units 178-180 and 182 was tented on 7-24-13 as well as one additional unit, (250) received a local treatment on 8-23-13. Unit 218 had a local treatment for drywood termites on 10-10-13. Unit 250 was retreated with a local application on 10-10-13 for an infestation in a different location than was found on 8-23-13. Unit 176 and unit 284 received local treatments on 12-27-13. Unit 262 received a local treatment for drywood termites on March 6, 2014. On March 11, 2014 Terminix provided a local treatment for the second time to units 238 and 262.

Coastal Projects

Information in italics has been previously reported.

The work towards obtaining CCC approval for our MOU with the State Parks system is still ongoing.

On Friday, December 13, 2013 the ad hoc Wave Run up Committee met and discussed the barrier test. The committee also discussed septic system issues and ongoing technologies available in the event the colony were to need a different type of system in the future. David Shonman, our contract coastal biologist was in attendance for the first part of the meeting as the committee discussed strategy with the ongoing memorandum of understanding, (MOU), being negotiated with State Parks.

On Monday December 16, 2013 Ted Swanson had an impromptu meeting with Mike Watson from the Coastal Commission in Santa Cruz. Ted discussed the results of the barrier testing with him, offered pictures of the barriers during the test and discussed the possibility of sand nourishment, (sand replacement), out in the voids in the foredunes on the south end of the property.

On Friday, December 20, 2013 David Shonman sent a complete report of the barrier test to Mike Watson, CCC. He concluded the report by explaining the advantages of using the barriers over sandbags and advised the Commission that MDCA would be using these barriers to abate storm run-up in the future.

David Shonman met with Steve Bachman, CA State Parks on Friday, December 27, 2013 to review the barrier run-up report that David had sent to the Coastal Commission. Steve Bachman was impressed with the results of the report and asked a lot of questions concerning placement, configuration and anchoring. After reviewing the K-rail report, David and Steve discussed moving forward with the MOU between the colony and State Parks which included a sand nourishment project. Steve cautioned that we would have to deal with Jacob Martin at US Fish & Wildlife and get his permission to work on the sand dunes regardless of what agreement the State Parks and the colony were to have. Steve said that he recently had a difficult experience with Martin. State Parks had developed a plan to restore some damaged and unstable dunes just north of the Moss Landing Harbor entrance. The plan had strong support from the Coastal Commission, but ran into opposition from Jacob Martin. Steve said that the proposed site had only minimal Snowy Plover nesting activity, but Martin still opposed the project and there was

discord between the agencies. David mentioned that all sand nourishment work at the Dunes Colony would take place during the months when there were no nesting plovers, but Steve said Jacob Martin might still have concerns.

On Monday December 30, 2013 David Shonman sent an email to Mike Watson at the California Coastal Commission requesting information on what type of sand analysis the CCC needed in the event we were permitted to hand carry sand for placement into the voids on the southern end of the colony. Watson answered on January 8, 2014 with a one line response stating, "Needs to be same/similar grain size and color, and "clean" sand". Greg Easton, a geologist who took over for Rogers Johnson, who retired from a consulting Engineering Geologist firm we have used in past projects, has agreed to test the sand we have on site for compatibility with the sand in the foredunes.

Ted Swanson researched and queried a large soils analysis company, Earth Systems Pacific, and obtained a quote for a sand analysis for considerable less than that obtained from Greg Easton. Subsequent to that bid, Ted offered to do much of the leg-work associated with the collection and delivery of the sample for a Sieve Analysis. We received the analysis within a couple of weeks which identified the sand particles close to identical in composition, color, and size. David Shonman was asked to communicate these findings with the Coastal Commission as he navigates the process for obtaining approval for the association to carry sand out to the foredunes in the southern portion of the colony. Our focus is on conducting this "sand nourishment" operation shortly after the Snowy Plover nesting season which ends on 1 October each year.

During the week of March 10 through the 14th, the California State Parks and Point Reyes Bird Observatory Staff will be installing the symbolic wire fencing on the beach, identifying the snowy plover nesting areas. Association Staff is monitoring the install to ensure proper access to the beach from association boardwalks.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the January, 2014 billing period, there were 3 units that exceeded the Tier 1 water conservation zone. 1 was under the \$5.00 billing limit and therefore not billed. 1 unit was in Tier 2 and there was 1 unit in Tier 3.

During the February, 2014 billing period, there were 2 units that exceeded the Tier 1 conservation zone. 0 units were under the \$5.00 billing limit and therefore not billed. There was 1 unit in Tier 2 and 1 unit in Tier 3.

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 System Update

The water tank project was completed in September but showed a small leak in the liner as we were filling the tank. The contractor returned to repair the liner on 8 separate occasions, the latest being on 2-27-14. After resurfacing the suspected areas we started refilling the tank on 3-5-14. The tank is at 6 feet, or approximately 80,000 gallons of water without a leak in the suspected areas. Hopefully this ends our issues with the liner and we can revert to normal operation in the near future.

The Cla valve, (hydraulic control pressure reducing valve) assigned to well 3 was replaced, adjusted and functioning but the well has developed air in the main column. Until this is resolved, the water system is operating on one well and the Cla valve disconnected. After consultation with 3 water system contractors, we have decided to install an isolation valve off of the Well 3 feed line before it ties in with the Well 4 feed on its way to the main tank. This will allow us to isolate Well 3 and test it for leaks in the feed line. If there are leaks, we will excavate and repair the pipe. If not, then the suspect will be with existing back flow valves or air release valves at the booster pumps. It is difficult to diagnose any water system leaks or anomalies when the system is in on a standby hookup. Hopefully, we will be able to report more success in this repair by the next board meeting when we get the system off of standby and back into main operation.

The emergency backup fire pump continues to have issues with the high pressure governor. Once the water system is back on line, technicians from HyDEC Corporation will repair and adjust the pressure valve on the fire pump.

OLD BUSINESS

Common Area Solar Initiatives

Addressed in the Finance Committee Report

Solar for Private Residences

Addressed in the Finance Committee Report

OWNER'S STATEMENTS

A homeowner stated that he would like to make sure that all homeowners are aware that our staff can help them with small jobs at their unit as a "charge to owner".

WATER COMPANY BUSINESS

Addressed in the Managers Report.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:30 p.m. The next Board meeting will be on May 17, 2014 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
January and February 2014

This report covers our fiscal year budget status through February 28, 2014.

Account Balances as of January 31 and February 28, 2014 are:

	<u>January</u>	<u>February</u>
Total MDCA Reserve Funds	\$1,929,626.13	\$1,852,925.69
+ <i>Comm Assoc Banc (CAB) Reserve</i>	---	---
+ <i>ICS Reserve (Bank Acct)</i>	\$ 822,814.21	\$ 745,901.51
+ <i>CDARS (CD Placement)</i>	\$ 601,246.41	\$ 601,361.72
+ <i>CDARS (CD Placement)</i>	\$ 505,565.51	\$ 505,662.46
CAB Operating	\$ 57,325.93	\$ 97,216.03
RABOBANK Petty Cash	\$ 407.73	\$ 1,376.97
CAB Water Operating	\$ 15,318.37	\$ 11,073.96 Total
Water Reserve Funds	\$ 74,331.61	\$ 67,825.45
+ <i>CAB Water Reserve</i>	---	---
+ <i>ICS Water Reserve (Bank Acct)</i>	\$ 74,331.61	\$ 67,825.45

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