

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

May 28, 2011

PRESENT

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

ABSENT

Jim McFeeters, Treasurer

WELCOME

George Maciag called the meeting to order at 10:00 AM, May 28, 2011 at the Monterey Dunes Colony Clubhouse and established that there was a quorum.

George announced that a long-time member of the association and a former director, Milt Codioli, Unit #134, had passed away.

George stated that the U.S. Department of Fish and Wildlife Service (USDFWS) has proposed re-designating most beaches from Monterey to San Diego as critical habitat for the Western Snowy Plover. Once a beach has been designated as critical habitat, many recreational restrictions and stringent rules are likely to follow. Monterey Dunes Colony as well as many other localities were not notified of this proposed rule change. The USDFWS established a short suspense for public comment. The colony submitted a written response within the time allowed opposing the proposed rule change. A copy of the colony's response to the USDFWS will be attached to the minutes as an attachment. George also stated we will follow up with correspondence to local representatives who may be able to support us in our opposition to this proposed rule change.

MINUTES

The Board reviewed the draft minutes of the March 26, 2011 directors meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Ted Swanson gave the Treasurer's Report for March and April 2011 in the absence of Jim McFeeters, Treasurer. 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

In the absence of Bob Dickinson, Committee Chair, Ted Swanson reported that the committee had met the previous week and hosted two banking principles from the Mutual of Omaha Bank and the Community Association Banc (CAB). Committee members discussed investment strategies with the bankers, after which Allan Crandall, Sr. VP for Mutual of Omaha Bank gave a presentation on what cyber thieves were doing to Homeowner Associations all over the country and how to avoid falling victim to Cyber Theft. Ted broke the meeting down into 4 segments: Investment strategy, the upcoming audit, reserve loan repayment options and cyber theft.

Investment Strategy

The committee's goal is to optimize the return on our investments while staying fully insured and liquid enough to cover both expected and unexpected expenses. After much discussion, the committee recommended that the Board invest in the Community Association Banc, (CAB) Certificate of Deposit Account Registry Service (CDARS). The CDARS program is a program whereby CAB will place our investment funds in time deposits at other financial institutions in increments of not more than \$250,000 so that the funds stay FDIC insured. The committee made a recommendation to the Board that they invest \$500,000 in CDARS for 52 weeks and another \$500,000 investment for 26 weeks, allowing enough cash to meet our obligations and maintenance schedules with a small cushion in the event of a contingency. *After discussion, the board M/S/C the committee's recommendation.*

FY 10-11 Auditor

Ted reported that every year the Association has a full audit completed on the Colony and the Water Company. For the past 13 years, Joelyn Carr Fingerle, CPA, has been our contracted auditor. After reviewing her engagement letter, the finance committee is recommending to the Board that they, again, engage Joelyn Carr Fingerle to perform the audits this year. *The Board M/S/C the recommendation made by the finance committee and signed the engagement letters to hire Joelyn Carr-Fingerle, CPA, to perform the FY 10-11 audits for both the Colony and the Water Company.*

Reserve Loan Repayment

On September 11, 2010, the Board signed a resolution to borrow \$80,000 from the reserve account to fund the purchase of a wave run-up barrier system. The resolution stipulates that the funds are to be repaid within one year unless the repayment period is extended at a duly noticed Board meeting. After going over the options for repayment, the finance committee is recommending to the board that the repayment period be extended for one year since it would not be practical to assess homeowners for the \$80,000 during the current economic climate. *After discussion, the board M/S/C the recommendation to extend the repayment of an \$80,000 loan made from the reserve account for one year.* The new date for repayment of these funds back to the reserves is September 2012.

Cyber Theft

During Allan Crandall's presentation, committee members were made aware of a new type of crime threatening homeowner associations throughout the country. Allan talked about major cyber theft originating from cartels in Russia, China, Vietnam, and Brazil. The difference between past "hacks" or electronic cyber attacks targeting financial organizations and current low-level passive attacks targeting HOAs is that these organizations no longer try to just get past your firewalls or other security apparatus; they simply try to be "you". They place malware (which you unknowingly upload) on your computer that is a keystroke logger program and by monitoring your keystrokes and the web addresses you visit, they can obtain your logins and passwords. Once they are into your network, they can then become an electronic, "you". These groups then transfer association money into a holding account and in minutes, the money is gone and untraceable. An additional problem created with this type of cyber theft, is that most fidelity insurance policies currently in force only cover employee or volunteer theft and not employee-imposter theft. These cartels target a specific HOA after gaining the necessary information showing the association with a large sum of money in the bank. Allan stated that HOAs should maintain a low profile and not post financials on web sites or on the hard drives of their computers, especially if the computers are networked. The finance committee tasked Tom to develop a suggested list of things we can do to be more proactive in trying to prevent the possibility of a cyber attack while still maintaining transparency to homeowners. In addition, Tom was tasked to work with our insurance broker to insure we are adequately covered under our fidelity insurance policy to include imposter-scenarios. The committee will brief the board on any findings they have after they have studied the issue.

ECC COMMITTEE

The ECC met on 4-1-11, and evaluated two requests:

- Unit #222 requested that they add a new bedroom to their unit by extending out of their footprint on existing deck space, move their sliding glass door from a southern to a western exposure and build a new deck and stairs within their courtyard. The committee approved this request with stipulations on building materials, future maintenance responsibilities, and a requirement to raise the southern courtyard fence to 8' parallel to the proposed new deck, to cover the length of the deck and stairs.
- Unit #190 requested that they extend their master bedroom to cover the landside deck area, move their sliding glass door from a northern to a western exposure, and modify their steps to accommodate slider access. They also requested the addition of a second window on their northern exposure as an additional source of lighting. The Committee approved this request with stipulations on building materials and future maintenance responsibilities.

The ECC held a teleconference on 5-16-11 to review one ECC request:

- Unit #220 requested that they landscape the common area outside of their front gate. They had originally requested to use decorator rock, but later changed to only replanting the area with approved plants. Patti Kreiberg, owner of Sunset Coast Nursery and the author of our approved plant list, was contracted to develop and submit the landscaping

plan. The committee approved this request and due to the identification of additional plant species available and indigenous to this environment, asked Ms. Kreiberg to update our approved plant list.

ADHOC WAVE RUN-UP COMMITTEE

Ted Swanson, committee chair, gave a verbal report stating that our wave run-up barrier system should be ideal in a “normal” wave run-up situation, (i.e. white water runs up beyond the beach and is aggressive causing scouring and bringing in driftwood). Tom will be rerouting a boardwalk on the south end of the colony this fall and we should be able to easily set up the barriers in the event there is a need to protect people, buildings or infrastructure.

The committee is focused on obtaining a beach nourishment permit from the Monterey County Coastal Planning Department this year and at the same time we are looking at long-term strategies such as armoring in the event we do have a decline in our beach due to erosion.

Ted explained that the California Coastal Commission (CCC) recognizes three distinct defenses to coastal erosion:

- 1) **Beach Nourishment** – also referred to as beach replenishment describes a process by which sand, lost through erosion, is replaced from sources outside of the eroding beach. This can reduce storm damage to coastal structures or facilities by dissipating energy across the surf zone. This type of maintenance can also protect structures and infrastructure from storm surges, tsunamis and unusually high tides. The Association has stockpiled over 450 yards of local sand and hope to receive a permit this year to replace lost sand out on the beach.
- 2) **Armoring** – involves building revetments, seawalls, riprap or other vertical barriers to prevent erosion. While this protects structures, it doesn't protect the beach which is outside the wall. The beach disappears over a period that ranges from months to decades. This is not our first option nor is it our focus at this time, but the committee is looking at this type of protection as a possible long term option.
- 3) **Managed Retreat** - is our least favored option in that we would be required to move our threatened buildings and infrastructure inland as the shoreline erodes.

ADHOC SURVEY COMMITTEE

Bill Michaels, committee chair, gave a verbal report. He stated that he had distributed a sample copy of the survey to the Board at the last meeting and has received their input. The next step is to post the survey online using “surveymonkey” as the survey vehicle. After inputting the data, the committee will select 5 or 6 homeowners to “beta-test” the survey. If there are any final changes to be made after the sample testing, the committee will make the adjustments and make the final distribution to the homeowners. *The Board M/S/C to distribute the survey as planned.*

GENERAL MANAGERS REPORT

This report covers work completed in this fiscal year 2010-2011, July 1, 2010 to date.

Deck and Fence Replacements

Association carpenters have completed all 15 projected replacement decks this fiscal year. Decks were replaced at units 136, 140, 142, 144, 146, 180 (x2), 192, 194, 196, 230, 232, 240, 286 and 336. I will probably replace 2 more decks before the end of June, exceeding this budget line as we move into the new fiscal year.

Unit courtyard fences completed all or in part since July 1, 2010, were at units 160 (garage area), 194, 196, 202, 206, 208, 232, 242, 296, 318, 320, and 336.

Landside Boardwalk Replacement

Landside boardwalks have been replaced near units 140, 142, 144, 146, 160, 190, 192, 194, 196, 198, 200, 202, 230, 242, 244, 248, 288, 272, 304, 306, 320 and 340. Boardwalk is replaced as necessary and at 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. I will be over budget in this line this year; however, the money spent will be commensurate with completed work.

Built Up Roof Replacement Project.

Carl Black Construction completed replacing the flat roofs with associated repairs to units 222, 336, 148, and 228. Units 276, 322, 242 and 244 are pending flat roof replacement before June 30, 2011.

Window and Entry Door Replacement

At unit 256, independent contractors replaced 15 windows that were the responsibility of the association. These same contractors replace an additional six windows that were the homeowner's responsibility due to a remodel. All association-responsible work was reimbursed to the homeowner at association-rates.

Association carpenters have replaced eight entry doors this year at units 124, 136, 140, 202, 248, 252, 284, 334 and a charge-to-owner replacement at unit 220.

Bad Debt and Unit 242

The association has turned unit 242 over to Creative Property Management to advertise and rent on a short-term basis with special conditions drawn up in the lease to cover the requirement to vacate the property in the event of foreclosure by the bank. Upon investigation, Creative Properties claims that Bank of America, (who holds the first on the property), has not even processed a notice of default on the property, so the unit will probably not be foreclosed in the near future. Association staff have cleaned the unit and touched up paint where needed. The unit has been shown several times but has not yet rented. The rent schedule is set below market value, however, once occupied, will cover assessments and any rental fees.

Asphalt/Road Repair Project

On April 26, 2011 management sent out bid packets to 4 asphalt companies, 2 local (union) companies, one local sole proprietor and one (union) company in the San Jose area. To date I have received three responses, one from the sole proprietor who was unqualified to do the work, another from a local large paving and construction company, and the third a decline to bid from a company out of San Jose. I have extended the dates to accept bids until I have enough to make a decision on who will be awarded the contract. I have informed the finance committee that the \$35K in the reserve programmed for this project will have to be pushed out into the next fiscal year because I do not believe the project will be complete before June 30, 2011. Contractors cite fuel costs as the main reason they want to stay local and not travel for work.

Common Area Vandalism, (Restrooms)

On May 2, 2011 the men's changing room was vandalized. The liquid soap dispenser was torn out of the wall and chewing tobacco or something similar was used to smear on the interior walls of the room. Repairs were not expensive; however, security was re-focused with increased checks to common area facilities.

Annual Smoke Detector Inspection/Battery Replacement

One hundred eighteen units have been inspected, smoke detector batteries replaced, and tested with artificial smoke. Two units are still pending which have special systems installed that require an outside agency to inspect, or where owners have requested to outsource these inspections.

Annual Fireplace Chimney Inspections

Cypress Sweeps Chimney Service has quoted no change to inspection and cleaning rates again this year. With that assurance, I intend to contract with Cypress Sweeps for the 2011 fireplace system inspections. Homeowners may opt to select another licensed contractor for chimney inspections, cleaning or repairs by notifying the office of their intent to use a different sweep. All contractors are required to submit written inspection reports to the association office, certifying the condition of the fireplace system and what service had been performed.

Coastal Projects

From last report:

On 1-19-11, the colony hosted a meeting between Federal and State Government Agencies, local landowners and other interested parties at the Monterey Dunes Clubhouse. The meeting lasted for about 3 hours where the group discussed the process of a tidal lagoon, breaking the river, river management, impacts on endangered species, and ways of improving on this year's lagoon management operations.

On 3-15-11, State Parks installed the Symbolic Fencing screening off possible snowy plover nesting areas. Dave Dixon, State Parks Consultant and PRBO employee asked to reduce beach access ways by one access way due to a nesting concern. I am in the process of sending State Parks a letter asking that we reconnect the stranded access way into an adjacent access to accommodate foot and ADA traffic from the common area to the beach.

On 3-15-11, I received a call from our Coastal Biologist stating that a Coastal Commission Planner would be in or area on 3-17, and could accommodate a meeting with us at the colony. We accepted and I, David Shonman and Ted Swanson met with Mike Watson, California Coastal Commission (CCC), in the clubhouse to discuss wave run-up issues, driftwood, use of K-rails on the property line, permitting, (emergency and long-term, reoccurring annual permits) and jurisdiction for submission and approval. These topics were the subject of Ted Swanson's report today as the Chair of the Wave Run-up Committee Report so I will not be redundant, other than to document this meeting in my report.

We have suspended our attempts to gain approval for snow-fencing this year. The Symbolic Fencing (for the snowing plover) has already been installed by State Parks and they continue to show only cursory support for the test drift fencing project citing concerns over the safety of the plovers. Since all three organizations have to be in concert with the proposal and agree to the test, it seems impossible that any consensus could be reached this year. Per a recommendation from our visit with Mike Watson from the CCC, off-season permits can be obtained to mechanically replace sand out on the beach in October and November. These permits are granted in order to rapidly "nourish" the foredune area as opposed to something long-term as in drift fencing.

On April 1, 2011, management met with Amy Palkovic and David Dixon, environmental scientists from California State Parks concerning their request to block off a public access boardwalk to the beach for Plover nesting concerns. This beach access way, between units 316 and 318 has historically been an area for heavy nesting. After discussing this request with members of the board, I offered to permanently reroute the boardwalk in a fashion where the redirected boardwalk serves two purposes; 1, to accommodate public access to the beach and 2, to serve as a foundation for wave run-up protection barriers in the event of an emergency. Both State Parks and the California Coastal Commission (Mike Watson) are aware of this informal adjustment through meetings and email correspondence. Joey Dorrell-Canepa, a local coastal biologist, inspected the proposed site for endangered plants reaffirming and marking the proposed route. This boardwalk access to the beach is scheduled to reopen in October.

On March 22, 2011, the US Fish and Wildlife Service published a proposal to revise the designated Critical Habitat for the Snowy Plover under the Endangered Species Act of 1973. One of the proposed sites to re-designate is the shoreline adjacent to the Monterey Dunes Colony, (CA 22). Management became aware of this proposal in early April and we began to understand the possible implications of the proposed rule change. Upon receiving approval from the board president, David Shonman (our contract Coastal Biologist) and I researched and developed a comment for submission before the public comment cut-off date of May 23, 2011. The board president approved the comment on May 23, 2011 and the colony's comment was accepted by the USDFWS and recorded on that same date. It is available for any future actions we may need to take in order to secure both federal and state permits to protect the homes and property in the colony. The link that contains the proposed rule is: http://www.fws.gov/arcata/es/birds/WSP/documents/WSPCH_March2011/FWS_FRDOC_0001-0558.pdf. A copy of the association's response, submitted before the established deadline for public response is attached to these minutes for record.

On May 11, 2011 the colony accepted an additional 18 truck loads of sand from the county's river mouth dredging project. This brings the colony's stockpile to approximately 450 yards of sand. This sand will be extremely valuable when the association is permitted to dump local sand out on the foredunes to fill the voids. At the recommendation from Mike Watson, California Coastal Commission, MDCA is submitting a request for a Beach Nourishment Permit to the local county coastal planner for approval. Once approved, this project will be scheduled during the winter season to avoid any disturbance of the snowy plovers.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION**Water Conservation – Oriented Billing**

During the March billing period, there were 5 units that exceeded the Tier 1 conservation zone, 3 were under the \$5.00 billing limit and therefore not billed.

During the April billing period, there were 13 units that exceeded the Tier 1 conservation zone, 8 were under the \$5.00 billing limit, 1 unit exceeded Tier 2 and was billed for excess water use.

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. All homeowners are notified of their monthly and gallon-per-day consumption rates.

OLD BUSINESS

None

OWNER'S STATEMENTS

There were no homeowner statements.

NEW BUSINESS**Appoint Nominating Committee**

George Maciag appointed Jim McFeeters, an outgoing director as chair of the nominating committee. George stated that initially it was his intent to appoint a homeowner that was not on the board to chair of the committee; however, he was advised by the manager that if the board decided to have a nominating committee, our Bylaws state that the chair would be a director. Marty Deggeller and Dick McKelvey will assist Jim as members of the committee.

Set Deadline to Receive Nominations for Board of Director Positions

The deadline to receive nominations for the Board of Director positions is July 8, 2011.

FY 2011-2012 Proforma Budget and Disclosures

The monthly homeowner dues in the FY 2011-12 proforma budget have increased \$6 per unit per month or 0.7%, from \$825. to \$831 per unit per month. The budget and disclosure packet is in the process of being sent to all homeowners via email or U.S. mail.

WATER COMPANY BUSINESS

Addressed in the managers report.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:15 p.m. The next meeting of the Board will be on July 16, 2011 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 2011

This report covers our fiscal year budget status through April 30, 2011.

Account Balances as of March 31 and April 30, 2011 are:

	<u>Mar</u>	<u>Apr</u>
Comm Assoc Banc (CAB) Reserve	\$ 805,614.15	\$779,020.64
CAB Operating	\$ 66,301.14	\$ 81,581.12
RABOBANK Petty Cash	\$ 784.71	\$ 166.27
CAB Water Operating	\$ 25,145.52	\$ 26,568.68
CAB Water Reserve	\$ 406,793.88	\$408,287.46

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,

Jim McFeeters

Jim McFeeters, Treasurer