

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

July 16, 2016

Present

George Maciag, President
Jeff Schwartz, Vice President
John Steinhart, Treasurer
Todd Davis, Director
Tom Bugary, Secretary and General Manager

Absent

Art Testani, Director

WELCOME

George Maciag, President, called the meeting to order at 10:00 A.M. on July 16, 2016 at the Monterey Dunes Colony Clubhouse.

MINUTES

The Board reviewed the draft minutes of both the May 21, 2016 Board meeting and the June 7, 2016 Board teleconference. It was M/S/C to approve both sets of minutes as presented.

TREASURER REPORT

Ted Adams gave a verbal report for May and June 2016. 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 Adams, committee chair, gave a verbal report on the finance committee meeting held the day prior to review the FY 2015-16 finances. The actual finances were on par with what had been presented throughout the year with no big surprises. Although the fiscal year-end audit has not been completed, we expect to end the year with a net gain of approximately \$100K over budget.

ECC (ENVIRONMENTAL CONTROL COMMITTEE) REPORT

The committee held a teleconference on June 13 to discuss a revised request:

- 1) The homeowner of unit 234 had previously requested to landscape his courtyard. The committee had conditionally approved the request pending the recommendations of Patti Kreiberg, the owner of Sunset Coast Nursery after she received a revised list of the plants the owner wanted to use. Patti is an area

plant expert and was used in the development of our original ECC landscaping plan. Patti approved the substituted plant list that was submitted and the ECC approved the unit 234 ECC request.

RULES COMMITTEE REPORT

Frank Williams, committee chair, could not be at the meeting in person; however, he gave a verbal report via telephone. The first thing Frank spoke about was the overall objective of the committee: to have MDC remain a retreat and not become a resort. Frank further elaborated on what had already been accomplished by the committee, such as the ban on one-night rentals and approval of the assigned parking spaces to include garages, and the painting of stripes, unit numbers, and visitor signs in the parking areas. The committee had also made a previous recommendation that gate entry codes be deleted and this recommendation will become reality when we upgrade our front gate system as noted in the general manager's report.

One of the biggest issues the committee has attempted to clarify is the issue of prohibited businesses as stated in the CC&R's. The committee proposed the following CC&R amendment *concept*:

As rental of multiple units is a "prohibited business" under CC&R § 5.6.1, no current or future owner may purchase more than one unit that may be rented or leased. Current owners of multiple units may rent only one unit at a time on a given date and shall not re-title the ownership to avoid application of this rule.

Due to a plethora of rentals (40) in the Colony, the committee proposed the following CC&R amendment *concept*:

Homeowners that purchase or receive a unit through gifts or transfers, after the date of this amendment, will not be allowed to rent their unit until the number of currently rented units falls below 30. Once the number of rented units falls below 30, it will not exceed 30 again. A waiting list would be kept for owners who would like to rent, and owners on the top of the waiting list would be eligible to rent each time the total number of authorized rental units fell below 30. Owners who do not rent for six consecutive months will be removed from the "allowed to rent" list and placed at the bottom of the waiting list. All current owners, whether or not they currently rent, would be exempt (i.e. "grandfathered") under this CC&R amendment.

After a lengthy discussion between the committee, board, and the homeowners in attendance, the Board M/S/C the proposed concepts as presented and that these CC&R amendments will be reviewed by legal counsel for the exact wording and final approval will be subject to a vote of the homeowners.

The last proposal by the committee concerned additions and changes to the Association Rules and Schedule of Fines. These rule changes and increased fines will, hopefully, eliminate unwanted behavior of renters and guests and increase the responsibility of homeowners. The Board M/S/C that the addition and changes to the rules and fines as recommended by the Rental Committee, with some minor adjustments by the Board, be adopted, subject to a 30-day notification and comment period of the homeowners. A final vote on the rule changes will be held at the September Board meeting.

GENERAL MANAGER'S REPORT

MONTEREY DUNES COLONY ASSOCIATION

This is a cumulative report covering reserve projects and other work as completed in fiscal year 2016-2017, (July 1, 2016 through June 30, 2017).

Windows, Doors, Fences, Roofs, Decks and Skylights

Due to significant termite damage and deteriorated chimney flashing, unit 156-158-160 is pending a roof replacement using composite triple laminate shingles. I am working with Dominick Askew, a coastal architect with Justin Pauly Architects to validate a product as best for our coastal environment and to write the specification sheet for the bid packet. The product I am most interested in is a Certainteed, Landmark TL triple laminate shingle (or a triple laminate shingle of a like kind as recommended by industry professionals). Certainteed Landmark TL shingles are made from asphalt or bitumen base, limestone crushed and mixed in with the asphalt creating a fill coating, the "base" of the shingle material. Fiberglass sheets are manufactured in long continuous sheets or "glass mats". These "mats" are coated, top and bottom with the "base" using extreme heat. Colored rock granules are pressed into the heated product for coloring and texture of the roofing shingle material. The product is then cooled and a sealer is applied to ensure wind resistance rigidity and stability. The shingles are then cut and packed. The Landmark TL shingles have a lifetime "limited" warranty and a 130 MPH wind warranty. These shingles or like-in-kind should have a 25-30 year life span (in this environment), especially when an extra underlayment is applied. The cost to repair unit 158 roof is approximately \$20-25K, the same cost that is estimated to replace the entire roof on 158 with composite shingles. Since the buildings are joined, it will be about \$60-70K to complete the building, (estimate). Composite roofing has several solar options from custom solar fitted shingles to panels that fit over the shingled roofing, however when engineered, a solar system without the needed southern exposure will be of limited output.

I sent out four invitations to bid 9 Built-up Roofs. These are hot mopped small flat roofs and the spec sheets are the same as the last group. Of the four bids, I received two back by the June 30, 2016 deadline but have not had time to compare them. I should be able to select a contractor in the next couple of weeks. Affected homeowners will be contacted by the office manager to schedule these replacements.

Unit 188 oceanside deck is pending replacement and will be completed at the same time as the owner has his owner-installed sliding glass doors replaced/reset by a local contractor.

Trellises were replaced and painted at units 108, 124 and 168. The trellis at unit 200 is being scheduled for replacement and should be completed at the same time as the flat roof is replaced.

Association staff installed handrails at unit 114 entry deck, 114 landside boardwalk and on the 142 oceanside deck.

Meter Enclosures

Meter Enclosures were replaced at units 234, 236 (garage), 276, 304, 310 (garage), 312, 324, 326, 330 and the guardhouse.

Painting

Association staff has completed painting the exterior trim on units 236 through 240. During last fiscal year reserve maintenance staff exceeded the budget and painted 25% more surface trim as needed on many of the units. The trim is cedar, which is used because of its resistance to termites, however, the cedar is not holding up as well as some of the harder more rigid wood types.

Association staff measured out and striped the parking areas throughout the colony. I only made the spaces 4' in length because I felt it looked better than 10-12 foot stripes. I will be numbering the spaces over the next couple of weeks as soon as I find the right stencils.

Clubhouse Upgrades

On 3-19-2016 the ECC approved a vinyl plank commercial-grade floor to replace the existing carpet in the clubhouse and office area. The project was completed the week of 5-23-16.

The television in the clubhouse has been replaced as well as the DVR.

Gate System Upgrade

We were scheduled to upgrade the existing gate system last fiscal year as the old system requires constant maintenance and is due to be replaced. Due to delays in receiving all the replacement electronic components, the gate entry system should be replaced sometime the week of July 18 through July 22, 2016. The new system will be more secure as it will be minus gate codes and will require a card or clicker for normal access to the colony. Homeowners are reminded that the gate is monitored 24/7 by the office, guards, or the answering service. Renters and guests can gain initial access to the colony by dialing 195. The office, guard and the off-site answering service maintains a guest roster from which to control gate access. Please let the office know when you have guests so we can add them to the access roster.

Terminix Maintenance Program Update

I met with Oswaldo Lopez, the new service manager for the Terminix Salinas branch office on Wednesday, July 6, 2016. We discussed our issues concerning the lack of service with his company and ways in which he needed to expedite treatment to our buildings. He surveyed the affected area and said he would get back to us with the results of his analysis and proposed remedies. We received an email stating he proposed local treatments for all outstanding infestations minus the roof issues. We sent a letter of disagreement and asked that a couple of the buildings with repeated infestations be fumigated. After a phone call with Terminix on July 13, 2016, Mr. Lopez sent the association a follow up email reaffirming the following policy be continued: "After we do two local treats in the same area of a building and that area is still having termite issues we will fumigate that building". He has also reaffirmed the following local treatments on July 21, 2016: unit 318 (garage), unit 118 (bedroom window/fence/siding), unit 160 (deck also wind wall at roof), unit 236 (garage), unit 124 (garage), unit 296 (garage/ 2nd story bedroom window/fence), unit 328 (garage), unit 334 (deck), and unit 136 (garage).

Vandalism of Association Property and Theft of Private Property

I received a call on the morning of Thursday, July 7, 2016 I was notified that the auto of one of the owners in the garage had been entered by an unknown person(s) who took the papers out of the glove box and a set of jumper cables. After inspecting the property, we found miscellaneous mail had been thrown down the ravine near the front gate some dated over a month previous. There was a chair in front of the hot tub gate where someone had entered the hot tub area. There was evidence that someone had tried to light a fire on the decking material near the hot tub. I called the sheriff's office and reported the incident but with so little to go on, they acknowledged it would be futile to pursue.

Coastal Projects

I met with Amy Palkovic (State Parks), Chris Newman (Point Blue) and David Shonman on May 24, 2016 for a site visit concerning beach erosion here at the dunes. After looking at the damage caused by the winter storms I asked them to consider a small section of snow fencing at two of the beach accessways in order to see if we can build up the washed out areas with wind-blown sand. After discussion, both State Parks and Point Blue agreed to the proposal as an experiment. Chris Newman also asked if we knew anything about a process called biomimicry, (copying mother-nature), where rather than snow fence to catch the wind-blown sand and deposit it

at the base of the fence to help rebuild the dunes, shims are stuck in the sand in an irregular pattern also to capture wind-blown sand. We agreed to research the process and maybe set up an experimental site on two accessways. In discussions over the next few days, I agreed to hold off setting up the experimental sites until the birds, nesting in the area, were old enough to fly. On Monday, June 27, 2016 all parties met on the beach and set up snow fencing in one area and shims in the other. State Parks asked that we keep the accessways closed to see if the experiment works. We have rerouted foot traffic through the 176-178 boardwalk from the parking area. Out of the meeting came a suggestion from State Parks that we consider building boardwalks horizontal to the beach and combine several boardwalk systems similar to what we were allowed to do in the southern section of the colony. We will be looking at this in future planning as we repair existing boardwalks, washed out by the winter storms.

On June 1, 2016 there was a Salinas River lagoon stakeholders meeting at the Monterey County Water Resources Agency (MCWRA) boardroom in Salinas. I was invited to attend and to give a presentation on how and when breaking the river affects the Monterey Dunes Colony. David Shonman attended the meeting with me and he talked about sediment transport down the river to the ocean, the effects of barriers/dams in the river and the needed sand deposits from the river which migrate north and stabilizes the sand bar that protects the colony during winter storms. Elizabeth Krafft, senior hydrologist for the MCWRA chaired the meeting. Participants were private land owners, regulatory agencies, and interest groups, in person or via video teleconferencing, (VTC). Ms. Krafft stated that coastal erosion in the southern monterey bay is reported as the highest in the state. The discussion shifted to the 2008 approach of slowing the river down by cutting it to the north, hoping to give the steelhead trout in the lagoon a chance to slowly migrate from fresh-water to the ocean. Those of us that witnessed that disaster strongly opposed any repeat of that type of manipulation of the breaching process. The new approach that most seemed to agree upon was if we had to manipulate the breach, it should migrate south into the conservatory rather than north towards the colony. Brent Buche, assistant general manager for the MCWRA talked about additional work scheduled for the Old Salinas River, (OSR) and the slide gate which allows some emptying of the lagoon without the need to breach the river. This did not make the NOAA Marine Fisheries Service, (NMFS) group happy as they want to breach to allow the exodus of the steelhead but did make the Fish and Wildlife Services, (FWS) happy as the Plovers nesting along the lagoon would remain undisturbed. The landowners were concerned about potential for flooding in their fields if the OSR slide gate malfunctioned and the MCWRA did not have a permit in place from the California Coastal Commission, (CCC). Ms. Krafft stated that the current stumbling block in the permitting process is with the Army Corps of Engineers, (ACOE) in that they need to determine if they have jurisdiction for issuing the permit or is it the CCC who has jurisdiction. She also stated that the Zone 2C Fund did not have any money budgeted for the permit process and she estimated approximately \$300K needed to obtain the necessary permits to breach the river. Dale Huss, Sea Mist Farms had a very strong opinion directed at the resources agency and FWS concerning his fields getting flooded because the county was not doing its job. He reminded them that he had been flooded out many times in past years. After an intense discussion with the ACOE concerning the actual "Mean High Water Line" and what measurement constituted ACOE jurisdiction verses CCC jurisdiction, the agencies agreed to relook the mean high water line and see if they can eliminate the ACOE from the permitting process and if so, renegotiate the permit with the FWS, NMFS, the Regional Water Board and the CCC. A big issue here is both the steelhead and the plovers are listed and one of the agencies will have to give in to the other as both are claiming that unless their plans are accepted, their protected species will be subject to "take" or the loss of some of a protected species by the actions of the other. An alternative to breaching voiced by the MCWRA was to build a levy east, out on the public lands. Another was to run the river south and flood the wildlife refuge. The environmentalists were okay with this idea but stated that in all probability, this would create a mosquito issue that would have to be abated shortly thereafter. The last topic brought up was how to get funding for the permit to breach the river when necessary. There was discussion to outsource ownership or partnerships. Comments from the MCWRA staff were that they felt that the stakeholders most effected by not breaching should pay for the permit. (That would mean that Scattini Farms, Sea Mist Farms, Monterey Dunes Colony and the Balones, (the older couple that own Mulligan Hill at the river mouth would bear the cost of the permit). MCWRA countered that those upstream of the river are not as responsible as those most affected by

potential flooding. We four all disagreed suggesting there may be legal ramifications if we were disproportionately saddled with this expense. The discussion ended there without resolution. The discussion went back to dealing with the technicality of the mean water line and whose plan would cause less “take”. The meeting closed with statements from Ms. Krafft that there was no funding yet identified for the Salinas River Lagoon Management Plan, (SRLM Plan) for fiscal year 16-17. She advised that there was some potential “grant” money available and she told everyone in the conference room that the MCWRA needed assistance to move forward with the plan.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the May 2016 billing period, there were 10 units that exceeded the Tier 1 water conservation limit. Five units were under the \$5.00 billing limit. There was 1 unit in Tier 2 and 4 units in Tier 3.

During the June 2016 billing period, there were 26 units that exceeded the Tier 1 water conservation limit. Seven units were under the \$5.00 billing limit. There were 3 units in Tier 2 and 16 units in Tier 3.

Owners who are in the Tier 2 or 3 water use zones are billed for their usage in accordance with Association Policy.

NEW BUSINESS

Board vote to impose lien on APN 229-081-023 for non-payment of dues

Due to new information, discussion of this item was moved to executive session.

OLD BUSINESS

There was no old business.

OWNER'S STATEMENTS

There were no owner's statements.

WATER COMPANY BUSINESS

Addressed in Managers Report.

ADJOURNMENT

The meeting was adjourned at 11:50 a.m. The next Board meeting is scheduled for September 17, 2016 at 10:00 a.m.

Respectfully Submitted

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Thomas J. Bugary, CCAM
General Manager and Secretary

EXECUTIVE SESSION

Six hearings were scheduled for violations to Association ground rules. In addition, the lien referenced above was discussed.

Treasurer's Report March and April 2016

This report covers our fiscal year budget status through April 30, 2016.

Account Balances as of March 31, 2016 and April 30, 2016 are:

	<u>March</u>	<u>April</u>
Total MDCA Reserve Funds	\$2,578,780.68	\$2,598,344.65
+ <i>Comm Assoc Banc (CAB) Reserve</i>	\$ ---	\$ ---
+ <i>ICS Reserve (Bank Acct)</i>	\$ 765,820.08	\$1,061,277.12
+ <i>CDARS (CD Due 3/31/16)</i>	\$ 301,048.94	\$ ---
+ <i>CDARS (CD Due 3/30/17)</i>	\$ 301,895.89	\$ 302,052.25
+ <i>CDARS (CD Due 3/30/17)</i>	\$ 8.24	\$ ---
+ <i>CDARS (CD Due 3/29/18)</i>	\$ 303,136.20	\$ 303,395.43
+ <i>CDARS (CD Due 1/31/19)</i>	\$ 601,422.59	\$ 601,793.44
+ <i>CDARS (CD Due 3/26/20)</i>	\$ 305,448.74	\$ 305,900.95
CAB Operating	\$ 15,284.36	\$ 21,281.99
RABOBANK Petty Cash	\$ 2,122.99	\$ 1,723.30
CAB Water Operating	\$ 19,355.65	\$ 19,441.32
Total Water Reserve Funds	\$ 107,121.81	\$ 111,175.68
+ <i>CAB Water Reserve</i>	\$ ---	\$ ---
+ <i>ICS Water Reserve (Bank Acct)</i>	\$ 107,121.81	\$ 111,175.68

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,

John Steinhart

John Steinhart