

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

January 15, 2011

PRESENT

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

ABSENT

George Maciag, President

WELCOME

Bill Michaels, Vice President, called the meeting to order at 10:00 AM, January 15, 2011 at the Monterey Dunes Colony Clubhouse and established that there was a quorum of board members present.

MINUTES

The Board reviewed the draft minutes of the November 20, 2010 directors meeting. It was M/S/C to approve both the directors meeting minutes and annual homeowners meeting minutes as written.

TREASURER'S REPORT

Jim McFeeters, Treasurer, gave the Treasurer's Report for November and December 2010. Jim noted that the payments to the Capital Replacement Fund of \$16,320.00 per month and \$3,750.00 per month to the Mutual Water Association were current. Jim stated that the shift from Union Bank to Mutual of Omaha, Community Association Banc (CAB) is going smoothly with few exceptions. Additionally, Jim stated that all eight 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, (for Bob Dickinson, Committee Chair), reported that the committee had met the previous day to review the finances of the colony covering the first six months of the fiscal year (July-Dec) and to discuss upcoming meeting schedules as well as important issues they will be addressing during the remainder of the fiscal year.

Ted stated that the colony expenses to-date are pretty-much in line with the budgeted expenses with only minor deviations. Ted also stated that the bank transition is going smoothly and should be completed within a month or so.

The five topics the committee discussed for future meetings were:

1. An ongoing strategic oversight of our reserve expenditures in order to reach our goal of being 40% funded by 2020.
2. An understanding of the master insurance policy – what exactly is the coverage and deductible? What are the risks involved (risk assessment), with some of the coverages. Can we make improvements in our coverages?
3. A more in-depth understanding of the annual audit. Should the audit be more detailed? Is a random sampling of each audited procedure sufficient?
4. Investment options, to include safety and liquidity of investments.
5. A white-paper that would explain why the monthly assessments are at the current level and what monthly and annual assessment pay for. (Frank Williams will create an initial draft of this one page white-paper).

ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT

The ECC had a teleconference on 12-13-10 to discuss one ECC request:

- Unit #234 requested that they be allowed to landscape around their unit to include the west-facing oceanside area using association approved native plants. In anticipation of an approval, the homeowners had their contractor remove the existing vegetation before committee approval was given. The units are on a scenic easement and approval to replant, or manicure the oceanside of the units is rarely given due to state restrictions. Ellen Michaels, committee chair, stated that in this case the request was approved because the existing vegetation had already been removed. The replanting scheme was approved and the owners were given a strongly worded letter concerning this infringement of association policy.

AD HOC WAVE RUN-UP COMMITTEE REPORT

Ted Swanson, Committee Chair gave a verbal update on our current wave run-up protection strategies. He began his report by giving an opinion as to our dealings with the Coastal Commission concerning the wave run-up barriers, stating that “a broad overview of the dilemma that we’re in can be mostly associated with the irreverence and non-logic of the Coastal Commission. The wave run-up committee, and even the Board, has made decisions based on a one page document that is only a little over one year old and is typed on their letterhead and is available on their website. This document allows us to do what we have done and what we want to do in the future”.

We finally made contact with our Coastal Commission (CCC) representative in December and followed up by an email to the representative, Mike Watson concerning our plans on how to best protect the southern end of the colony. He replied, sending a return email to our coastal biologist, David Shonman and copy furnished to our key contacts in Salinas (Coastal Planners, Monterey County). The letter stated “from the Commission’s perspective, the emergency wave

run-up barriers constitute shore-line armoring”. The email also stated that; “Regardless of where MDC is proposing to install them, and regardless of where they will be deployed, it is armoring which needs to be purpose-driven.” Ted continued his report by explaining that armoring is normally associated with rocks, concrete and sheet-pile construction. It is something that is there permanently and is a barrier meant to stop the waves, as opposed to our barrier system enacted to control wave run-up and debris. Shortly after receipt of the email from the CCC, Tom and I (Ted) had a lengthy meeting with our engineers (John Kasunich and Mark Foxx) and coastal biologist, (David Shonman) to review the meanings and ramifications of the letter. All participants concluded that no County agency will take positive action (for emergency permitting in our favor) as long as that letter is not addressed and contents clarified. Ted stated that the CCC seems to pick and choose which documents they wish to follow and those to ignore depending on who they are dealing with, with very little structure in their permitting procedures.

Ted continued stating there are “triggers” (or conditions) identified that, when present, would let us know that a dangerous storm is imminent and that the barriers should be put out westward of the houses. These triggers are 1) a minimum six foot high tide (a few every year) in conjunction with 2) a NOAA storm surge alert (swell height and frequency). We will need to submit for an emergency permit while at the same time placing the barriers. During discussion, Tom requested board approval to implement emergency procedures including placing the water barriers on our property in front of the houses if these triggers indicate an impending storm and then apply for an emergency permit. After discussion, the Board M/S/C Tom’s request.

Ted also suggested to the board that we apply for an annual non-emergency permit to put the water barriers out on our property on a yearly basis, if necessary. After much discussion, the Board felt that the County would not grant us a permit at this time due to the Coastal Commission’s email and advised Ted to apply for the permit only after the coastal biologist had a chance to “smooth the waters” with the County and work on positive communications with the coastal committee through meetings or other personal contacts.

In conclusion, Ted spoke about the need to develop a long-term plan that would address the following two issues:

- 1) The natural sand dune buildup. We are still working with our coastal biologist to allow snow fencing.
- 2) Building an infrastructure that would support a heavier barrier against wave run-up. We are exploring the idea of expanding our boardwalk system in such a way that we can start putting the barriers, as well as other heavy-duty protection, directly on a boardwalk system.

The committee will work on developing this plan.

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 7 of the 15 projected replacement decks this fiscal year. Decks were replaced at units 140, 196, 230, 232, 240, 286 and 336.

Unit courtyard fences completed all or in part since July 1, 2010, were at units 196, 202, 232, 296, 320, and 336.

Landside Boardwalk Replacement

Landside boardwalks have been replaced near units 140, 196, 198, 200, 202, 230, 244, 248, 288, 272, 304 and 340. I anticipate approximately 400 additional feet of boardwalk will need to be replaced this fiscal year, ahead of the reserve schedule.

Built Up Roof Replacement Project.

Carl Black Construction completed replacing the flat roofs with associated repairs to units 222, 336 and 148. I am scheduling 3 additional roofs for replacement at units 276, 282 and 322.

Window and Entry Door Replacement

Association Carpenters have replaced five entry doors this year at units 124, 140, 202, 248 and 334.

Bad Debt and Foreclosures

Unit 242 remains clear for bank foreclosure. Management has attempted to contact the bank to expedite any foreclosure proceedings as well as offer to work with them on finding clients to possibly purchase the unit. As of this point we have met with limited success but will continue to push the bank to “move” on the disposition of the property. We have also taken possession of the unit and have exclusivity on egress. We have discussed our inability to get the bank to respond with inspectors from Cen-Cal Inspect Techs, the company given the task of monitoring the unit by the lender. Judging from what I know so far, the transition of this unit may well be a long process.

Re-siding

Association staff has replaced sidewall shingles on unit 140, 240, 286, 330, 332 and 334. We continue to wind-down the sidewall project and are doubling back to many small walls and surfaces previously skipped, (for many reasons), throughout the colony. We are projected to complete the sidewall project by the end of this fiscal year.

Banking Update

We are still in the process of changing our bank from Union Bank to Mutual of Omaha. New Coupons have been sent out to those owners making monthly assessment payments via mail. ACH payments are now set up to initiate through the administrative office. About half of the Reserve Accounts have been transferred and the remaining accounts will follow over the course of the month. The bank change should be completed by the end of this month.

Coastal Projects

From last report:

During September and October, our coastal biologist continued to communicate with Mike Watson, California Coastal Commission in the attempt to lock down a date for his visit to the colony. Mr. Watson continued to delay this visit due to his busy schedule.

Brent Buche, Monterey County Water Resources Agency informed me of a meeting at the Salinas River Mouth on October 21, 2010 between the NOAA Marine Fishery Service, (NMFS), Department of Fish and Wildlife, (DFWS), County Water Resources Agencies, (MCWRA), and the California Coastal Commission, (CCC), to discuss Salinas River breaching protocols for the upcoming winter. At this meeting, all agencies present were of the agreement that the Water Resources Agency should manually breach the river early this year in order to manage the flow and not wait for an emergency, (flooding), before it could breach, (as has been the protocol in the past). MDCA was represented by me and David Shonman, our contracted Coastal Biologist. We were hoping to discuss our wave run-up barrier project with Mr. Watson at the end of the meeting. Upon arrival we found that the Coastal Commission had cancelled their attendance because of a heavy work schedule. All agencies in attendance were disappointed as any change to the breaching protocol would have ideally been coordinated (and permitted) with the CCC. The group decided to elevate the urgency of meeting with the CCC to their superiors in the hopes they could secure an onsite meeting no-later-than the end of November before the rainy season began.

On November 8, 2010 Mike Watson, Senior Planner from the CCC entered the colony (without notice) for the purpose of parking at the south end of the property and then walking down to the mouth of the Salinas River for a site visit. I intercepted him at the river mouth and after introductions, discussed some of the concerns of the agencies, local farmers and the residents at MDCA for breaching the river this coming winter. He told me that the agency (CCC) was extremely busy and he would not be able to make a special meeting scheduled for the next day at the river, so he was out taking pictures of the area so he could better understand everyone's concerns. He made it clear to me that the CCC's position on manually breaching the river was that the MCWRA didn't have a viable plan in place to best manage the Salinas River. I accompanied him back to the colony and gave him a briefing on our own emergency run-up plan, showed him the barriers and the proposed location of the barriers in the event of a storm and expected wave run-up. He suggested that we place the barriers closer to the units and not out on the property line. I explained that putting the barriers out on the property line would stop the driftwood out nearer the scarp and help rebuild the dunes. I also explained that we were going to place a line of barriers up close to the houses in addition to our primary placements, both locations being off of our leaching fields. In a follow up email to David Shonman after his visit, he continued to advocate putting the barriers close to the houses citing less damage to the dune area. Mike Watson also offers that the colony needs to develop a long-term plan for wave run-up protection and included in his memo the possibility of moving the endangered units. David is working with the engineers to establish the best positioning for the barriers to protect the homes and retain the wood out westward of our property line.

Upon returning to the office after my meeting with the CCC, I received a call from Brent Buche, MCWRA concerning a meeting scheduled the next day between members of NMFS, DFWS, local land owners and with invited representation from the colony. Mr. Buche was under the impression that they would all meet with the CCC the next day and resolve this year's breaching issues and was disturbed that the CCC had again opted out of the meeting, but had found the time to show up for a site visit the day before.

Members of NMFS, (steelhead), DFWS, (snowy plover), Department of Fish and Game, (DFG), Scattini property and Sea Mist Farms, (landowners) and MDCA met at 9AM on November 9, 2010 at the clubhouse and then proceeded out to the Salinas River mouth. All agreed that the river needed to be manually breached straight out to the ocean early in the season to preclude any emergency flooding and felt that they needed to proceed with or without the permission of the CCC. Breaching the river early would allow the steelhead a continuous flow of water to access the ocean, would be less disturbing for the plover population, and less dangerous for county workers who would not have to breach the river in adverse weather under the threat of flooding. Brent Buche stated that he would elevate the consensus to his superiors in the hopes they could breach the river sometime in early December, before the seasonal rains.

As of November 17th, David Shonman is drafting a response to the email from Mike Watson, CCC concerning the placement of our vertical wave run-up barriers citing the provisions of the CCC emergency permit process. This response will be coordinated with engineers, Haro, Kasunich and Associates and will cite reasons for the placement of the barriers out westward of the leaching fields as well as further inland next to the buildings.

Joey Dorrell-Canepa, the local biologist who will be reseeding the areas affected by the placement of the wave run-up barriers will be submitting a proposed contract to me next week. Reseeding the damaged dune areas is a requirement of any permit issued by the County Coastal Planners or the CCC.

On Thursday December 2, 2010 the County Water Resources Agency, in collaboration with National Marine Fisheries Service, (NMFS), Department of Fish and Wildlife Service, (DFWS), California State Parks, (CSP) and California Department of Fish and Game, (DFG) initiated sandbar management activities at the Salinas River Lagoon. The work consisted of lowering a section of the sandbar to elevation 5.5' (vertical control datum 1929). The goal for breaching was to minimize negative impacts to the environment, adjacent farms and other property as well as preclude the need for manual breaching operations during inclement weather. Since the lagoon shape is sinusoidal, breaking the river allowed for the system to become a "tidal lagoon". As the tide comes up water flowed into the lagoon, and as the tide decreased, water flowed out of the lagoon, thus preventing immediate evacuation, allowing for any steelhead present to adjust from fresh to salt water. This breaching action was conducted even though the California Coastal Commission denied the County Resources Agency a permit to breach the river prior to an actual emergency situation.

On Friday December 24, Ted Swanson and I met with Coastal Engineers John Kasunich and Mark Foxx and Coastal Biologist David Shonman to discuss the most recent comments from the California Coastal Commission, (CCC), regarding our use of water filled barriers as emergency protection against wave run-up. The meeting was followed by another site visit to the southern end of the colony and a discussion on how best to place the barriers in the event of a contingency. The discussion centered around the opposition by the CCC to our putting the barriers out on the property line and in the event we submitted for an emergency permit, their insistence for having jurisdiction as to their placement. Ted argued that the barriers fit the CCC requirements for temporary protection in the event of wave run-up and the group agreed that the recent email from Mike Watson at the CCC to David Shonman describing the barriers as "armoring" was inconsistent with published criteria on how to protect lives and property during a coastal storm. The consensus of the group was that in the event of an emergency, we should still move forward with submitting for an emergency permit and at the same time, place the barriers out on the property line to abate run-up and debris. John Kasunich stated that it looked promising that we might not need to use the barriers this year as there were no storms forecast that would be associated with high tides and surges. Both engineers, however, thought that it would be prudent to apply for an "annual" permit to place the barriers out on the property, as opposed to relying on an emergency situation to justify what we know can happen in any given winter. Both John Kasunich and Mark Foxx explained they had experiences with "stipulations" the CCC can put on emergency permits and feel that they could cost the association a lot of money if they were to require an action as a condition of issuing an emergency permit. John exemplified this with saying they could require that we move a leaching field, or even require planning to eventually relocate some of our units. He felt by applying for an annual permit and going through the process, we could avoid this type of manipulation by the CCC.

On December 24, after heavy rains elevated the Salinas River, it broke straight out to the ocean, flushing the lagoon into the ocean.

At the request of Devin Best, Project Manager for NMFS, the colony will host a meeting of the government agencies, local landowners and interested parties at the MDCA Clubhouse on January 19th at 9:00 AM. NMFS will prepare the agenda, however, the discussion will focus on

“lessons learned” from this year’s river and lagoon management practices. The CCC has been invited, but according to the opinion of a couple of government sources, not likely to participate.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Well 4 Electrical failure

During seasonal storms, the electrical breaker box servicing well #4 was completely destroyed by an outside electrical source on the evening of December 3, 2010. The servicing electrician states it must have been lightning however, lightning storms are rare and none were noted during the 1st week of December. The box and associated breakers all were replaced. There was no damage to the transformer or well pump and motor.

Water Conservation – Oriented Billing

During the November billing period, there were 10 units that exceeded the Tier 1 conservation zone, 5 of which were under the \$5.00 billing limit and not billed. Three units were noted to be in the Tier 3 billing zone but also not billed as their water was used extensively for a building fumigation.

During the December billing period, there were 2 units that exceeded Tier 3 and these units were 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

NEW BUSINESS

INTERNET

As of this date, the internet has been down for a week. It has been established the problem is with the T-1 line and is an AT&T problem. Tom spoke with Karl Val Leer from Redshift and he stated that regardless of AT&T, the internet would be working again this coming week since they now have a tower set up in Castroville. Initially, the tower will provide power, not the T-1 line, to the station set up at unit #210. As a result, we will be able to bypass AT&T, internet speed will be faster, and more people will be able to use the internet at the same time. Shortly, homeowners will be able to connect directly to the tower in Castroville simply by having their equipment upgraded. The office will be the first to be upgraded and that will occur within the next few weeks.

WATER COMPANY BUSINESS

Addressed in Manager’s 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 March 19, 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 November and December

This report covers our fiscal year budget status through December 31, 2010.

Account Balances as of November 30 and December 31, 2010 are:

	<u>Nov</u>	<u>Dec</u>
Union Bank Reserve	\$ 409,404.67	\$362,829.11
Comm Assoc Banc (CAB) Reserve	\$ 815,861.80	\$816,346.98
Union Bank Operating	\$ 105,061.67	\$ 79,521.54
CAB Operating	\$ 2,334.67	\$ 17,887.43
Union Bank Investment Acct	\$ 8,009.42	\$ 8,009.76
Community Bank Petty Cash	\$ 1,334.69	\$ 1,010.61
Union Bank Water Operating	\$ 22,425.85	\$ 22,242.27
Union Bank Water Reserve	\$ 101,126.48	\$102,465.48

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