

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

July 19, 2014

PRESENT

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

ABSENT

Jeff Schwartz, Director

WELCOME

Frank Williams called the meeting to order at 10:00 AM, July 19, 2014 at the Monterey Dunes Colony Clubhouse. He announced that Jeff Schwartz was absent due to being out of the country and that Jeff sends his regrets. He also welcomed our newest (and a former) Board member, John Steinhart, who replaced Ted Swanson on the Board.

MINUTES

The Board reviewed the draft minutes of the 5-17-14 directors meeting and the following special working meeting regarding the governing documents, as well as the 6-26-14 teleconference. It was M/S/C to approve all minutes as presented.

SURFNET FIBER OPTIC UPDATE

The colony has been working with Surfnet for several months in an effort to install fiber optic cable throughout the Colony. Surfnet received CPUC approval to supply service for a fiber optic cable running past the colony along Molera Road earlier this year. The Board requested that Surfnet present a status report at the directors meeting because there is an apparent misunderstanding between the Board and Surfnet concerning the time-frame in which the fiber optic installation would be complete and the colony would enjoy up to a 100 Mbps in service for a prearranged price from Surfnet. During a maintenance planning session between Bob Fasulkey and Tom Bugary on June 26, 2014, Bob stated that the actual connection of the fiber optic would take approximately 2-3 years to run down Molera Road. During the update, neither Mark Morgenthaler nor Bob Fasulkey from Surfnet could give the audience a firm connection date for

the fiber optic. Surfnet did indicate that they could provide temporary internet service (not necessarily fiber) between now and the installation at a much faster rate than we are receiving now from Redshift; however, they could not provide specifics on that connection either. By the end of the presentation, the Board had made it clear to Surfnet that the homeowners would not support this project indefinitely and at this time, the board was unable to make a commitment without specifics, i.e. installation and completion dates as well as details pertaining to type of service offered. In turn, Surfnet promised to provide the exact degree of “backhaul” that they will deliver to the property by August 15 and a further written proposal, with specifics, within 3 months.

After discussion among the homeowners in the audience and the Board, an ad-hoc “Broadband Committee” was formed to review the colony’s internet status and make recommendations to the Board. The Broadband committee consists of:

1. Bob Dickinson, Chair;
2. Terry Opdendyk, Member; and,
3. Bill Michaels, Member

TREASURER’S REPORT

As the Board Treasurer position is unassigned since Ted Swanson resigned as a director, Frank Williams gave the report for May and June 2014. Frank noted that the payments to the Capital Reserve Replacement Fund and to the Mutual Water Association were current. Additionally, Frank stated that all of our account balances could be seen in the written report, which has been made part of these minutes.

Frank Williams recommended that Bill Michaels complete the 2013-14 term as Treasurer, the position that Ted Swanson held up until his resignation in July 2014. Bill accepted and the board agreed unanimously.

FINANCE COMMITTEE REPORT

The committee met the previous day to discuss the fiscal year finances for the Association and the Water Co. Regarding the Association operating budget, the Committee expects a net income of approximately \$30K on the FY 2013-2014 audit. It was noted that we expensed the first phase of the LED conversion in this fiscal year. Additionally, the committee expects that the Association reserve budget will end FY 2013-2014 with a net income of approximately \$92K.

The Association operating bank account has a balance of approximately \$202K as of 6/30/14. The Committee estimates that the FY 2013-2014 audit will reflect a break-even operating budget in the Water Company and that the reserve budget will have a net deficit of \$18K, primarily due to the refurbishment of the water tank.

Management has transferred \$300K from the Association reserve account to the Water Co. reserve account in order to keep the funds insured. After discussion, the Committee felt that these funds should be placed in a 6-month CDARS.

Common Area Solar Proposal

Bob introduced Dan Hopkins who attended the meeting so that he could be present to answer questions. Dan assisted the association in the power estimates and design of the solar field. The Association proposes to put a solar panel array in the area of the two northern most tennis courts, one unused with a cracked surface and the other with the sport court surface covering the damaged asphalt. The proposal calls for eight strings of panels with associated equipment, enough to generate approximately 77 Kilowatts (KW), of power. 77KW of power is the estimated power AMBAG Energy Watch, (the contractor who did our energy audit) identified that the association would need to produce in order to get close to supplying all the common-area power requirements minus the pool and hot tub. Additionally, the Finance Committee believes that the Association will need to maintain the fences around these converted courts to prevent pedestrians from entering the area and possibly becoming injured as well as for the general security of the panels and hardware. As an additional security measure, Tom will obtain quotes for Committee review to install security cameras, or other security systems to protect the solar farm.

The project will cost \$220K and we will maintain a \$10K contingency for miscellaneous expenses. The current common area electrical bills total approximately \$22K per year, therefore it is anticipated that we will have an eight-to-ten year payback (not including maintenance costs) before we start generating a profit. However, we can start saving money immediately by “freezing” our utilities budget; in other words, although real-world electricity prices increase, we will continue budgeting our electrical line at \$22K per year so homeowners will not experience any increases from the time we freeze the budget line for the common area.

The project will be financed from two sources:

- 1) \$90K will come from the operating budget (see above note);
- 2) The remaining necessary funds (\$130-\$140K) will come from a loan from the reserves. This loan will be paid back with the electrical funds budgeted (\$22K per year) less any payments made to PG&E and will take approximately eight to ten years to repay.

A homeowner in the audience questioned whether there were financial incentives, other than saving money on your electric bill, to install solar – i.e. rebates or depreciation. Bob responded that there were no tax credits or rebates for non-profit corporations such as ours and depreciation is not possible as we have minimal tax payable to offset any credits we may be eligible for.

The Committee recommended to the Board that they approve the common area solar plan as presented. After discussion, the Board M/S/C the common area solar plan – both implementation and financing as presented by the Finance Committee.

Private Residence Solar

The Committee would like to make a proposal for private residence solar; however, there is not enough information is available for a proposal at this time. The committee is following Single Point Distribution and Virtual Net Metering initiatives in Sacramento and hopes there will be enough information available in the near future.

ENVIRONMENTAL COMMITTEE REPORT

Due to the absence of Jeff Schwartz, ECC chair, Ted Swanson, ECC member, gave a verbal report. Ted reported that the ECC held a teleconference meeting on 6/26/14 to discuss the following application:

- Unit #140 requested that they install a hot tub on their L/S bedroom deck.

The request was approved with the stipulation that the homeowner is responsible for the deck being able to hold the weight of the hot tub, and for any damage the hot tub may cause the structure.

AD HOC WAVE RUN-UP COMMITTEE

Ted: What I really want to present is in-depth enough and sensitive enough that I want to do a preview right now and make a request that we might entertain another, either, executive session or another Board training session. What the specific issue is, is that at the last Board meeting I had a letter that I wanted to send to the Coastal Commission and, after my progress of doing dune nourishment in January and February, which would be the non-bird time, when that collapsed due to a management problem of my own the Board made the decision that a simple letter of advice asking for the Coastal Commission for their advice on whether we could now do sand nourishment on one of our breaches or more if we could prove to them that there is no bird activity there was rejected by the Board. I've had a lot of time now to think about that – it's been brewing and stewing and it has produced another session with anger management. I really am having a lot of issues with that. My objective at this stage and with this particular report is to bring up enough of the positives associated with not backing off of getting advice from the Coastal Commission and just simply taking what they say but to actually do constructive pressure with them. I have a number of ways and issues to do that. I believe that everything that has happened to date is a process where we are giving the Coastal Commission and other agencies an open ticket to simply say nourishment is not good, barriers are your number 3 resort, and retreat. I believe that with the responses we have been making and the actions that we have been taking are leading all of our agencies to simply say this organization here, this community, is preparing themselves for retreat which is exactly what agencies are prone- and easy-to-do at this stage. Anyway, rather than going through a lengthy process, I have multiple notes of why it would make sense to be more aggressive. If you recall the minutes report said that I really did want to take control of the rope rather than pushing on the rope, I believe that all of us are guilty, including myself, of management dysfunction right now. My objective right now is to say 'look, let's sit down and try to work out a way for us to communicate, to be more aggressive, and to get on the track of putting ourselves in a position of not retreating, of taking an aggressive approach of nourishing our dunes and protecting ourselves.' The final point in that is I resorted to writing

blind letters now rather than exposing us as an organization and just so you get an idea let me read this short letter so you get the feeling for the strength that I feel on this. It is addressed to the Coastal Commission headquarters in San Francisco:

Commission Members,

My family and I own beach front property near Santa Barbara as well as beach front property near Watsonville in Santa Cruz County. With the strong possibility of an El Nino condition during this year's storm season, we are concerned regarding the protection of our home and the surrounding dunes.

Your website, Shoreline Property Checklist for El Nino, seems to address many of the actions that can be taken prior to the storm season [that was a big issue at the last meeting]. Is this a current document, copyright 2012, and are there supporting documents with more detail and examples of past protection success relating to your checklist detail "adding to existing sand with an urgent project".

Thank you for your attention to this matter.

[and this is signed by my daughter, Heather Palmer out of Campbell].

I read that because I think, well let me go back to the beginning of my report here – for us as a Board to simply take a letter that was asking our current Coastal Commission, Mike Watson, for his advice as to whether we could carry sand to a non-bird area during bird time, for our Board to simply say ‘no, that’s too aggressive’ I believe is way out of line. That’s the conclusion of this report. I would like to make a request that we work this out in detail either in executive session or in a Board training session.

Frank: Okay. Let’s hear if you have any comments on this packet I have here.

Tom: It’s in my manager’s report. I mean we’ve already – I’m obviously tracking different than Ted and I worked with our coastal biologist and he has done his biological survey of the foredunes areas down in the southern end of the property and he suggested back a couple of months ago that we get our foot in the door with the sand nourishment process by picking a couple of the low-lying areas, surveying them, coming up with a revegetation report, and asking for a De Minimus waiver, and at the end of bird season, on our own property, fill in those voids. So we went through the process – we did the survey and I met with him out there two or three times. He submitted his report, I reviewed it; then the biologist that does the re-vegetation, the one I let come in and collect seeds, she has also developed a report and sent it in, I reviewed that also. We filled out a coastal development permit asking for a De Minimus waiver and it was submitted to the Coastal Commission at the request and guidance of Mike Watson, who has said that he will look at it with the intent of, after the bird season, because the Coastal Commission knows that you’re not going to do anything during bird season. Now, if the Board wants to send a letter I don’t have any problem with that. I just think that the process, this is a bureaucracy and the process is the process. I put the packet in your file so that you would have some knowledge of it as a read-ahead, I didn’t do it for the rest of the Board members, but it’s quite a lengthy

process. I think we're going to get the o.k. Is it going to be what Ted wants, but can we do it now – no, we're going to have to wait until that magic date when flags go up and the birds all fly off, which is after 1 October. Now, again, is that going to be smart on 1 October when they are expecting a lot of water during the winter? You might be throwing sand in the ocean. The beauty of this, and what we are looking at doing, is strengthening up our barrier system that we got because that's going to be our wave run-up protection right now. The 300 barriers we got, double stacked, bound together is going to cover us from #324 all the way down to #312 or #310 where the run-up is the worst – that to me is our first line of defense at this moment. Is it the best one? I would love to see big dunes down there, but getting your foot in the door with the these guys is a process and what I have found with the regulatory agencies is that if you get hardnosed with them, they shut down and there is nowhere to go once they shut down because there is no appellate authority. If Mike Watson gets nasty with me, who do I go to? So, the best way, and it bothers me sometimes to no end because I'm a "Type-A guy", but I also know that there are some things, if you do a certain action you're going to get a certain action back and to me this is the way that they want it, this is the guidance that we have from the Coastal Commission, and we are following through with it.

Frank: Let me see if I understand Ted on this one. What you are advocating is that we more aggressively agitate for action before October 1, which is 2 ½ months, on a dune nourishment issue?

Ted: And dune stabilization. Putting a dune out there at the beginning of El Nino is just a waste, not only of sand, but the money that we are spending to get there is also very...

Frank: Your issue is trying to compress the 2 ½ months between now and October 1.

Ted: Let me add a little footnote to give a quick preview to this. I brought our consultant, David Shonman, into our committee meeting in December. In December, we made a very specific objective that we were going to leverage our successful barrier test into getting our sand nourishment done in January and February. Once we got that going, I took these pictures into the Coastal Commission, showed them the breach, showed them our successful run-up test, and let it be known that in January and February, this is when, prior to bird season, we would like to get our dune nourished. I then took, after we got a very bogus report from our local sand lab, I went and pulled our own sand sample, drove it to Hollister, to a very well-known lab there and got the lapis report that was needed. That lapis report had to go into the Coastal Commission in January for them to approve either late January or February for us to do that nourishment, prior to bird season (again). Here's the mistake that was made. There's five basic principles in management; the last of those principles is called control. If you don't set up a feedback system that lets you know that your objective is off-track before it falls off, you've failed. I failed in that respect, I assumed that the report I did was going to be taken in. Those are the issues that I want to correct from a Board standpoint because there's no reason that should've happened over and beyond my own failure.

Frank: You're looking backwards and I'm looking forwards. What you're trying to do right now is trying to compress the time between now and October 1 when the birds magically fly away – is that correct?

Ted: Yes.

Frank: OK and the risk side of it is, as I understand from Tom, that the Plovers will be used by the existing authorities as an inevitable reason to say “no” if we do anything before October 1.

Ted: The impression I got and using Tom’s words today ‘if we push too hard on the Coastal Commission’ [which I don’t feel that a letter asking for advice does that] ‘and we get them angry, where do we go from there’ [I think there are plenty of places we can go from there, but that’s another subject.]

Frank: We apparently already have something into the Coastal Commission.

Tom: Well you have an application for a De Minimus Waiver...

Frank: Complete with a check and all that.

Tom: Exactly

Bill: Where would we go, without spending a ton of money on attorneys, where would we go if the Coastal Commission said no. You said there were plenty of places and I...

Ted: First off, one of the reasons for us, that the payback for being passive, is we have not through either our local guy – Shonman – or ourselves, that property that shows this breach is State property. Why isn’t the State taking responsibility for repairing their own property? Why does that whole process fall on us? So in direct answer to your question, why aren’t we putting pressure on State Parks as opposed to the Coastal Commission?

Frank: We have a permit in the Coastal Commission; are you suggesting that we do something different?

Ted: You know, that once the January-December thing fell apart, and that it was obvious that the Board didn’t want to get any more aggressive, and then David did what a natural businessman would do – there was no advantage for him to push during January and February because now he gets to do all the billing, and all the cycles, and all the issues associated with putting that permit out for us to do it after bird season. That’s also a real ...

Bob: Can I?

Frank: Please. I’m at a bit of a loss as to what to do here.

Bob: Yeah. We may have had a lost opportunity. I mean I understand that, although, having been at the meeting you were referencing, I think it seemed to me that it was a longshot to get

approval for January and February and most likely it was going to serve as a foundation for Fall.

Ted: Based on the meeting that I had with Watson, I don't feel it was a longshot for January or February.

Bob: I'm just telling you my recollection of the discussion, my personal take on it. Secondly, I mean at this point we are where we are and we've got something in motion that seems to me to be a reasonable approach because bureaucracies are, I mean you get people in there who have the power to say no and if you get them ticked off at you that is their recourse. I think if we look at El Nino, and by the way people thought there was a strong likelihood of a strong El Nino later this year, that's faded. The recent reports - there is still a 60% chance of an El Nino but there is no indication of how strong it will be but, quite likely, it won't be like it was when it was 87%. The other thing is that the, typically the worst storms are after the 1st of the year - January and February.

Ted: True

Bob: So if we can get going on dune nourishment after the virtual fences come down, we've got time to do what we can do and we will be in better shape if there are strong storms whether it's from an El Nino or not. So, I don't think that there is an urgent need to try and work around the system to get something done sooner when we can work with the system and get it done...

Tom: There's some things that are going through my mind on this El Nino thing and I spent a lot of time thinking about what if a pig had wings, what if we get this big - if all the right things come together and I am facing a major storm. My first thought is to get the barriers out there. Secondly, how do I best strengthen the barriers? And I've talked to Ted about this. I could easily lash them together so they don't- because they're going to move anywhere, somewhere - but we could get some stakes behind them to hold them even better, but more importantly, if I have to get them up in 3 to 4 to 5 hours, I am not going to do it with my existing well fire hydrant, so what my plan was, out of the budget this year, was to pick up a - and I'm not talking to the Coastal Commission, I am not asking permission, you got to remember when it really hits all I've got to do is send somebody down with an emergency permit and I just start putting stuff out. But what if I had a small pump that is run by gas and I just throw it right into the ocean and start filling from the other side. These are things that go through my head - how do I get the protection up now? Now, what does that mean for the northern end of the property? I'll have to rely on those dunes that are established to hold that and keep Jim McFeeters off of the front of them so I don't lose him, but other than that they're on their own down there but at the south end where it's really - those are things that are going on in my head. Now, this sand re-vegetation thing, we even decided to put "demonstration" in it so we can get our foot in the door. I can't take a bulldozer out there, even though Monterey does that. I am so inundated with the successes of the bird population out here that it has turned to our demise and that's our downfall

– we produce too many Snowy Plovers and for that you not only have the Point Reyes people involved in it, which influences State Parks, but the biggest nemesis we have is the Federalis that are supporting the program and they support... Honest, the Department of Fish and Wildlife are the biggest naysayers you ever have. Now, how do I get around them? I could fight them, I'm good at fighting people, but what's the end result? I've got to protect the homes. So I've got 260 something of those barriers are going to go out on that boardwalk which we've already put in and it's ready to go; I know how to get them out there. And then the rest of them are going to go in front of the line of houses and then lash them together and get stakes in the ground and get a pump and stand by and hope like hell nothing happens and that's where I'm at and in the meantime move forward with the sand nourishment project.

Bob: If I can just interject here Ted. I think we have to view sand nourishment not as a one-time thing but as an ongoing process. So, if you put sand out there and you get a storm, guess what? You're going to have to put more sand out there. So, we need to be looking at it as ...

Tom: And we want to integrate that as part of the MOU

Bob: Absolutely

Tom: It's in my manager's report – that's what we're doing at this point.

Bob: And my personal opinion is that you're going about it the right way right now.

Frank: It's a process, not a project.

Bob: Now, if they don't go along with what you submitted then we've got a different problem and then we start thinking about what you were alluding to which is how to gain some leverage. But it is by far easier to get them to support what you want to do...

Ted: Some of it is sand fencing. We've been working on sand fencing for 2 years and we have no ...

Tom: Honest to God, if I had sand fencing I'd have had those dunes re-built by now.

Bob: I understand. But, as my Dad used to say, if wishes were horses...

Tom: I got it. But you know the frustration is not only Ted's, I got it too.

Bob: Of course, but I think you're doing the right thing.

Ted: Here's the area that hasn't been spoken about enough, and that is when you talk about our

lines of defense, our primary #1 line of defense is the off-shore sandbar. That's something that we've made noises about in terms of that off-shore bar being degraded right now because of the rearrangement of the Salinas River, but that is #1. Our #2 line of defense is the primary dune. Our #3 line of defense are these barriers. Right now, we are putting all of the emphasis on the #3 line of defense where, indeed, the primary dune – and let me add to what's going here with reference to – if we get a breach in the offshore, nothing to do with the storm, just a breach in the offshore at the northern end like what happened once before and we start getting a dune wash away, are we going to stand there and watch because it is bird season? We have set a precedent by letting this whole process be dictated by the birds.

Bob: Well Ted, that's a different set of conditions than we've got today.

Ted: But, it's related – very related.

Frank: Can I point out that we're really running late on time and I think we've given Ted his ...

Bob: Fair enough.

Tom: I have one thing I'd like to say to sum it all up and it'll run right with what Ted is saying. You know, a few years ago – I would say about 10 years ago – the Water Resources Agency took on the Coastal Commission. These are two regulatory agencies and I remember Brent Buche, the assistant manager, telling Watson “when it's time to break that river, I'm not coming to you and I really don't care. I'm going to break that river – you can work with me and we can come to a solution or not work with me.” To this day, he still does not have a permit from the Coastal Commission, and to this day, if you mention Brent Buche's name to Watson, Watson's first thing is “he's never getting a permit”. Now, to me it would have been so much easier for Brent to say how can we break the river? What are your parameters? How can we go about breaking the river on a moment's notice? Than to say I'm breaking it and you can eat it because they're still at an impasse 10 years later.

Bill: But they're still breaking the river.

Tom: They're still breaking the river and they break the law every time.

Bill: And no one has gone to jail.

Tom: And no one has gone to jail. Well, yeah, they've lost a General Manager out of Water Resources already.

Frank: Because of that?

Tom: That was part of it. The point I am making is that it is much easier to – and it scares the hell out of me that we're going to have to be faced – but short of a bulldozer and rebuilding those dunes right now, I don't think we can be ready for a full-blown El Nino, no matter what we do.

Frank: Can I point out, it is 11:50 right now and we're way off target as far as schedule.

Ted: Will you entertain an education session where we can really go in depth ...

Frank: I think we can do that, offline and later and not violate any State rules – informal, how's that?

GENERAL MANAGER'S REPORT

MONTEREY DUNES COLONY ASSOCIATION

This is a cumulative report covering work completed in fiscal year 2013-2014, (July 1, 2013 through June 30, 2014).

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 and one exterior door at unit 238. Units scheduled for windows and sliding glass doors in the new fiscal year are units 232, 290 and 298.

Carpenters replaced wood fencing near the recycle area along the tennis courts and courtyard fencing at units 158, 160, 302 and the common fence separating the courtyards of 238 and 240. Fences were partially replaced at unit 174 and unit 240.

Association Maintenance replaced two large double-pane skylights at units 156 and 262. Two additional small skylights were replaced at units 250 and 318.

Garage Door Replacement/Repairs

Contractors replaced 2 garage doors at unit 124, 166, 204 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.

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 hazardous material shed located in the corporation yard.

We have completed sandblasting and painting the Water Storage Tank.

Archiving Project Update

We are approximately 60% complete with archiving existing documents into the efilecabinet system. Association documents are saved on a personal storage drive in the association office as well as off-site storage, (cloud).

Landside Boardwalk Replacement

Landside boardwalks have been replaced near units 110, 132, 136, 162, 166, 168, 174, 176, 178, 180, 182, 184, 206, 212, 234, 238, 242, 244, 246, 310, 314, 316 and 318 during the fiscal year. 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 2013, 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. Now that we are in the new fiscal year, I will be purchasing another truck load and continuing the landside boardwalk replacements as needed.

Electric Meter Enclosure Replacement

We have replaced all 10 meter enclosures scheduled for this year. Originally, the Reserve Study called for many more replacements than that but I deferred 30 of the enclosures to out years as I can still get more use out of the existing components. Enclosures replaced were at units 106, 156, 236, 238, 252, 282, 298, and 316. Units 286 and 288 as well as the enclosure at the guardhouse and maintenance shop area are scheduled for replacement before June 30, 2014.

LED Conversion of Common Area Lighting

At the May 2014 Directors meeting, the board authorized the expenditure of up to \$22K to replace all existing lighting in the common area with LED equivalents in preparation on converting to solar energy for the common area. I contracted with an Organization called AMBAG Energy Watch to do an Energy Audit of the common area and to see how much energy we could save by converting to LED. This audit was paid for by dollars collected on the energy bills of energy users in California and redistributed to help organizations such as ours reduce energy consumption. Our first conversion figure coming from Electrical Distributors was for approximately \$84K replacing most fixtures with their recommended line of LED products. After several months of working with AMBAG, and converting existing fixtures rather than buying new, we elected a two-phase program that converted the colony to LED. The first phase consisted of retrofitting the street lamps with LED modules that gave off similar light to our existing fixtures. The total cost of phase 1 was \$12,879.35. After completion and inspection

PG&E agreed to rebate us \$4,664.40 making the cost of phase 1 of the project \$7,623.78. We have completed this phase and are waiting an inspection of the work. Phase 2 of the project calls for bulb replacements for all fixtures on the property with LED equivalents. The cost of this phase will be \$5,787.16 with an expected rebate of \$969.87, making the cost of phase 2 of the project \$4,817.29. The cost to the association for the LED conversion will be \$12,441.01. I should complete phase 2 before the September Director's Meeting.

Fumigation Update

Fumigations July 1, 2013 to June 30, 2014: Garages assigned to 112-114-116 and 118. Units 178-180-182, 236-238-240 and 172-174-176.

Local Treatments: Units 176, 198, 218, 238, 250, 262, 284 and the maintenance and generator building.

Coastal Projects

From previous report:

On April 25, 2014 I met with David Shonman to go over his charter to move forward with the sand nourishment project with the focus of beginning the project at the end of the snowy plover season on October 1, 2014. He advised that he had met with Steve Bachman, the State Parks Services manager on March 24th to discuss the Colony's Sand Nourishment (Demonstration) proposal. He stated that Steve Bachman was very supportive; however, he reiterated that the project will need approval from State Parks, the Coastal Commission and the U.S. Fish and Wildlife Service and suggested that the permit process would be simpler if we moved all the sand onto Dunes Colony property. Carrying out the project on State Parks land will increase the reviews and permits that we will need, but Bachman thought this was a good project and pledged to help us navigate through Park system bureaucracy. I instructed David to stay the course and to contact Mike Watson with the information he had received from State Parks.

I received a call from David Shonman on 5-13-14 informing me that Mike Watson from the CCC had returned David's call concerning the sand nourishment project. David stated that Mike was receptive of the plan and advised David he would need to submit an application for a Coastal Development Permit, a copy of the sand analysis report (sieve analysis), conduct an inspection of the area for sensitive habitat as well as a plan to re-vegetate the disturbed area. David also reported that Mike Watson told him he has a source for clean sand that he would discuss this with us if we needed more than the 400 yards of sand on hand.

I had several meetings with David Shonman in June and July putting together the application for a coastal permit. I also sent a letter to the Planning Services Manager at the Monterey County Planning Department to bring her up to date on our proposed Sand Nourishment Project. The colony had applied for a permit at the Planning Department in 2011 to restore some of our foredunes in the southern section of the property. The permit was put on hold because the colony pursued a Memorandum of Understanding (MOU), with California State Parks as a

quicker and more efficient way to restore the foredune area. This MOU ran into a lot of opposition from some of the regulatory agencies and while the MOU is not out of consideration, it took second seat to our current plan to seek a de minimis waiver to a coastal permit to at least start the process of putting sand out in the foredunes. We are following the same procedures as when we applied for a waiver to test the water barrier. The application was turned in on July 15, 2014. Our goal is to be ready to move sand out into two areas of the foredunes, (identified in the application), by the 1st of October 2014.

Theft of Association Property from the Maintenance Yard

The association experienced a theft of property in the early morning hours of Sunday, July 13, 2014. Thieves took 4 chain saws, two back-pack blowers, a pole-trimmer with an extension, two hedge trimmers and a weedwacker, all Stihl model equipment valued at over \$3K. Thieves cut the high security lock on the Flam-shed where the equipment is stored and selectively took equipment, leaving the cases in the building, exiting over the dunes out to the main road. The case is being investigated by the sheriff's office, report pending. We have since welded a piece of steel over the door hasp making it more difficult to access the lock with anything other than a key. I am again recommending the association install security cameras in the maintenance yard and the front gate with video recorders.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the May 2014 billing period, there were 10 units that exceeded the Tier 1 water conservation zone. Two were under the \$5.00 billing limit and therefore not billed. Water in 3 units was used in the preparation for fumigation and those units were not billed. There were 4 units in Tier 2 and 1 unit in Tier 3.

During the June 2014 billing period, there were 17 units that exceeded the Tier 1 conservation zone. Three units were under the \$5.00 billing limit and therefore not billed. There were 11 units in Tier 2 and 3 units 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 11 separate occasions, the latest being on 6-23-14. After they resurfaced suspected areas we started refilling the tank on 6-26-14. At 3 feet, the tank, again, started to seep water in the area of the original leak.

The contractor continues to assure me that this has never happened before and thinks there must be a pin-hole in the material from the factory. Regardless, he has assumed all payments for the temporary storage tanks and intends to honor his warranty made to the colony.

As of 7-18-14 the contractor has ordered new liner material for the tank. He stated he intends to reinforce the padding and replace the liner as a warranty issue as soon as it comes in.

We still have synchronization issues between wells 3 and 4. Contractors have ordered the necessary conversion materials and will reprogram the control panels once well 3 is retrofitted with a new backflow prevention valve.

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.

NEW BUSINESS

2014-2015 Board of Directors, Election by Acclamation

Frank announced that the five directors recommended by the Nominating Committee chaired by Bill Michaels, the 2014-15 were elected by acclamation. The 2014-15 Board members will be incumbents Frank Williams, Bob Dickinson, Jeff Schwartz, John Steinhart, and newly elected Todd Davis.

Request for exclusive use of clubhouse on 9-20-14

A homeowner has requested to use the clubhouse on 9-20-14 for a party. The reason that this request was brought to the Board for approval is that this date is on the next Board meeting day. After discussion, it was M/S/C that the request be approved with the understanding that her set-up could not begin until 1:00 p.m.

Re-designate unused tennis courts 3 and 4 to accommodate solar farm

After discussion it was M/S/C to re-designate the unused tennis courts 3 and 4 to accommodate a solar farm.

OLD BUSINESS

Update on LED conversion for the common area

Addressed in the Finance Committee Report.

Update on solar for private residences

Addressed in the Finance Committee Report.

Governing Documents review and vote to send to the members for a vote

Frank stated that we have just received an updated version of the governing documents from the attorneys based on all the changes made at previous meetings. However, Bob Dickinson has reviewed the documents and found several more significant corrections that need to be made. After discussion, it was M/S/C that once the corrections have been made by the attorneys and verified, the documents will be sent to the homeowners for approval.

OWNER'S STATEMENTS

A homeowner, Marcia Adams, expressed her concern that a non-homeowner (the solar contractor) was sitting through the meeting and listening to potentially sensitive financial information and it could be a conflict of interest since he is selling us a solar system. After discussion, it was felt that suppliers could either sign a confidentiality agreement or only attend that portion of the meeting relating to their presentation.

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 September 20, 2014 at 10:00 a.m.

EXECUTIVE SESSION

A homeowner request for a late fee waiver was discussed and approved.

FOR THE BOARD OF DIRECTORS:

//s//

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