

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

January 16, 2016

Present

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

Absent

George Maciag, President

WELCOME

Jeff Schwartz, Vice President, called the meeting to order at 10:00 A.M. on January 16, 2016 at the Monterey Dunes Colony Clubhouse. Jeff welcomed the homeowner that had called-in to the meeting using our new telephone call-in system.

MINUTES

The Board reviewed the draft minutes of the 11-21-15 Board meeting and it was M/S/C to approve the minutes as presented.

TREASURER REPORT

Ted Adams gave a verbal report for November and December 2015. 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 regarding the meeting that the committee had the previous day. They discussed the renewal rates on the five insurance policies that renew in February: 1) Earthquake; 2) Boiler & Machinery; 3) Property (commercial); 4) Liability (umbrella); and, 5) Automobile. All insurance renewals were proposed at their current coverage levels. It was noted that there was a small decline in the cost of the earthquake insurance that will offset the slight increase in the other policies mentioned. The committee recommended that the Board renew the insurance policies at their proposed rates. The Board made M/S/C to renew the policies as recommended.

In closing, Ted announced that the Finance Committee is still looking for members – they currently have

three members and they would like to have five members. If anyone is interested in being on the committee, please contact Ted or the office.

GENERAL MANAGER'S REPORT

MONTEREY DUNES COLONY ASSOCIATION

This is a cumulative report covering reserve projects and other work as completed in fiscal year 2015-2016, (July 1, 2015 through June 30, 2016).

Windows, Doors, Fences, Roofs, Decks and Skylights

Association carpenters are in the process of replacing windows and sliding glass doors in unit 290. Units 232 and 294 are pending replacement Windows/Sliding Glass Doors this year.

Three skylights were replaced on unit 210.

A sliding glass door was replaced at unit 254.

Due to significant termite damage, a good portion of the roof at Unit 316 is scheduled to be replaced as soon as the weather permits.

Association Carpenters are replacing an owner responsible, ground-level deck at unit 288 as a Charge to Owner.

Painting

Association staff has completed painting the exterior trim on units 206 to 210, 212 to 216, 258 to 262, 264 to 268 and garage trim at units 132 to 148, 150 to 194, 196 to 208 and 242 to 340. Units 150 to 154 and 184 through 188 are sealed and prepped for painting as soon as weather permits.

Landside Boardwalk Replacement

Landside boardwalks have been replaced between units 130 to 132, 160 to 162, (long run), 204 entry, 254 through 258 and we replaced the Oceanside boardwalk between 324 and 328 with a reinforced, wider boardwalk that can support the weight of the wave run-up barriers.

Storm Damage, 2015/16

Fallen Trees due to winter storms:

- 1 Monterey Cypress near unit 248
- 1 Monterey Cypress near unit 160
- 1 Monterey Cypress near unit 290

All were cleared to landfill.

Terminix Maintenance Program Update

Building 312-314-316 fumigations scheduled for drywood termites January 27, 28, and 29, 2016.

Building Local Treatments for drywood termites:

August 3, 2015	Unit 222 Unit 222 garage. Unit 312 garage Unit 314 garage Unit 316 garage Unit 326 garage
October 9, 2015	Unit 208 garage Unit 250
October 20, 2015	Unit 328 garage Unit 206 oceanside deck area Unit 214 deck area
November 6, 2015	Unit 216 entry, stairs and courtyard fence Unit 294
January 6, 2016	Unit 148 garage Unit 196 Unit 294

Terminix is scheduled to conduct roof inspections on all the buildings within the colony on January 20 and 21, 2016.

Coastal Projects

On October 17th, the board authorized the purchase of 150 additional wave run-up water barriers. These barriers can be quickly deployed near the houses in the event the foredunes are breached anywhere on the property.

The Oceanside boardwalk was reinforced between units 324 and 328 in order to withstand the weight of the wave run-up barriers.

David Shonman gave a 30 minute presentation after the annual meeting concerning the upcoming El Niño and what this could mean for the colony. He also gave a brief history of those years where the colony experienced severe weather and shared some of ways we have countered the storms in the past.

The regulatory agencies met at the colony on November 17th to discuss the Salinas River Lagoon, breaching the river as well as emergency, short term and long term permitting of the breaching process. Represented at the meeting and subsequent site visit to the river mouth were representatives from; Monterey County Water Resources Agency, U.S. Department of Fish and Wildlife, California Department of Fish and Wildlife, Point Blue Conservation, California State Parks, California State Water Resources Control Board, California Coastal Commission, Trout Unlimited, NOAA Fisheries, Sea Mist Farms, Scattini Ranch, U.S. Army Corp of Engineers, Private Land Owners, and the Monterey Dunes Colony. After the meeting, key stakeholders stayed and worked on developing timelines and milestones for the different permits that had to be processed.

Current progress on breaking the Salinas River out to the Ocean are on hold as there is not enough water in the river to warrant artificial breaching.

During the 2d week of January, 2016, winter storm indicators almost triggered deploying the barriers in the southern end of the colony. Rain, wind, swells over 20 feet and tides over 6 feet were key indicators that the colony could be subject to significant wave run-up. After consulting with John Kasunich, a coastal engineer who has worked with the colony in past years, he advised not to put the barriers out as he felt the wave run-up would be minimal with this particular storm. John explained that the winds, while significant, were WNW and therefore not producing the energy needed to cause run-up. Based on John Kasunich's

recommendation, I did not apply for emergency permits or deploy the barriers. After the storm subsided, the colony had minor run-up between Units 318 through 324 and heavier, traveling 30-40 feet inland between 140 through 148 and 258 through 264. I have asked for a site visit with John Kasunich to do an after action assessment to help us strategize in preparation of stronger weather events expected this winter.

NOAA weather updates are now predicting that there may be a weakening in this year's El Niño weather pattern. "According to Global Weather Oscillations (GWO): As of 06 January 2016, warm surface ocean water associated with a mature El Niño continues over the Central and Eastern Tropical Pacific, but is now entering a cooling stage. Cold subsurface water has now propagated east from 160 degrees west longitude to near 125 longitude during the past 7 weeks. This is the initial phase signaling a weakening El Niño is coming. The El Niño will weaken once the cooling subsurface water spreads east all the way to the South America coast. As it reaches this point, the El Niño will fade as the cooler water begins moving upward (upwelling) to the surface layers of the ocean." This could be good news from the standpoint of storms, but the loss of needed rain could set the state back years due to the existing drought. Additional information can be found at: <http://www.globalweatheroscillations.com/#/el-nino-and-enso-predictions-by-gwo/c1mhc>

On Thursday January 14th I talked with Brent Buche, A/GM of the Monterey County Water Resources Agency concerning the Salinas River to get their predictions for breaking the river this fiscal year. Brent stated that all permits were in place with the responsible regulatory agencies, (DFWS, NMFS, CSPS, ACOE, and the CCC), in the event that an emergency required the river to be breached. Brent also stated that at this time, there is no flow in the Salinas River, however, wash-over from the ocean has caused the lagoon to rise somewhat causing the agency to open the slide gate allowing the excess water to flow through the Old Salinas River, (OSR) down to Moss Landing Harbor. Brent believes that with more rain, the flow will start down from the Arroyo Seco River and they will eventually have to open the river.

Reserve Study and Annual Budgets

I will be starting the 2016 Reserve Update next month at the same time I start the annual budgets for the Association and the Water Company. At that time I will be adding the solar farm, as well as the security camera system to the study as new components with future funding coming from the reserves.

Fire Pump Building Repair

Invitations to bid on the re-roofing and re-siding of the fire pump building were sent out on November 5, 2015 to three perspective bidders; Carl Black Construction, (CBC), Knox Roofing and Scudder Construction. While all three agreed to bid, only two returned bids by the deadline of close of business, November 27, 2015. After reviewing the data sheets, I awarded the bid to Black Construction. In addition, CBC fabricated the extended exhaust system for the emergency firepump with stainless steel and resealed it through the building at the time resided the building.

Additionally, the ECC has authorized the roof replaced with composite material, rather than wood. The reason the pump building was chosen for using this different material is because of its location and the committee wants to see if the composite roof compliments the other materials used on the buildings. The building will be reviewed by the ECC at a scheduled meeting to determine if the type of composite material is what they want to recommend for future re-roofing's throughout the colony.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the November 2015 billing period, there were 7 units that exceeded the Tier 1 water conservation zone. Four units were under the \$5.00 billing limit. One unit was in Tier 2 and 2 units were in Tier 3.

During the December 2015 billing period, there were 13 units that exceeded the Tier 1 water conservation zone. Six units were under the \$5.00 billing limit. Three units were in Tier 2 and 4 units were 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

Vote on new Environmental Control Committee (ECC) member

Jeff Schwartz, ECC Chair, recommended Fran Gentry as a new ECC member. The Board M/S/C this recommendation.

Discuss/Define the Association's position as it pertains to government regulatory agencies and short-term rentals

After a lengthy discussion, it was the Board's position to stay neutral on getting involved in any enforcement action within the colony concerning short-term rentals in the coastal zone. The Board did decide, however, to form a Rules Committee with the charter to make sure our rules and our governing documents are compatible, well-defined and enforceable. The Board appointed the following members to the Rules Committee: Frank Williams, chair; Todd Davis, member; John Steinhart, member; Biff Jelavich, member; Harley McAdams, member.

Discuss Association duties and responsibilities to follow the Covenants, Conditions & Restrictions (CCR's)

John Steinhart commented that even though our CCR's state that no businesses shall be conducted on the Association premises, an argument could be made that renting your unit is not one of those disallowed businesses. Our attorney has advised that we don't have an obligation to enforce a law that isn't being enforced by the authorities. Additionally, our attorneys have told us that there is no liability on the part of the Association for remaining neutral, even though the Association is aware of short-term rentals within the colony. John also stated that we are under no obligation to inform homeowners, even potential homeowners of the laws regarding rentals in the coastal zone. It is the realtors who are responsible to provide rental laws and pertinent information to potential homeowners.

OLD BUSINESS

There was no old business.

OWNER'S STATEMENTS

A homeowner from the audience would like the rules committee to search for ways to interact better with the renters and homeowners on issues of trash, noise, dogs and walking on the dunes.

Another homeowner pointed out a lot of homeowners have passed away recently and recognized Ted Swanson, unit #114; Ann Busterud, unit #106; John Busterud (8 months after his wife, Ann), unit #106; and,

Hollis Elliot, unit #136. She felt that all these people contributed a great deal to the community and should be recognized by the Association.

WATER COMPANY BUSINESS

Water Conservation reports for November and December 2015

Addressed in Managers Report.

ADJOURNMENT

The meeting was adjourned at 11:00 a.m. The next meeting is scheduled for March 19, 2016 at 10:00 a.m.

Respectfully Submitted

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Thomas J. Bugary, CCAM
General Manager and Secretary

EXECUTIVE SESSION

A hearing was scheduled for a homeowner whose guests parked a vehicle up on the sand dunes, the possible fine was upheld. Additionally, personnel matters were discussed.

Treasurer's Report Nov and Dec 2015

This report covers our fiscal year budget status through December 31, 2015.

Account Balances as of November 30, 2015 and December 31, 2015 are:

	<u>Nov</u>	<u>Dec</u>
Total MDCA Reserve Funds	\$2,573,721.55	\$2,633,913.98
+ <i>Comm Assoc Banc (CAB) Reserve</i>	\$ ---	\$ ---
+ <i>ICS Reserve (Bank Acct)</i>	\$ 764,426.39	\$ 825,662.13
+ <i>CDARS (CD Due 2/4/16)</i>	\$ 600,651.46	\$ 600,590.25
+ <i>CDARS (CD Due 3/31/16)</i>	\$ 300,789.24	\$ 300,699.83
+ <i>CDARS (CD Due 3/30/17)</i>	\$ 301,422.11	\$ 301,260.87 + <i>CDARS</i>
<i>(CD Due 3/29/18)</i>	\$ 302,351.25	\$ 302,084.31
+ <i>CDARS (CD Due 3/26/20)</i>	\$ 304,081.10	\$ 303,616.59
CAB Operating	\$ 126,779.73	\$ 103,796.59
RABOBANK Petty Cash	\$ 686.53	\$ 1,043.91 CAB Water
Operating	\$ 18,466.64	\$ 17,746.48 Total Water
Reserve Funds	\$ 86,862.06	\$ 92,247.17
+ <i>CAB Water Reserve</i>	\$ ---	\$ ---
+ <i>ICS Water Reserve (Bank Acct)</i>	\$ 86,862.06	\$ 92,247.17

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

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