

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION**
September 11, 2010

PRESENT

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

ABSENT

Jeff Schwartz, Director

WELCOME

George Maciag, President, called the meeting to order at 10:00 AM, September 11, 2010 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 July 17, 2010, directors meeting. It was M/S/C to approve the minutes as written.

PRESENTATION FROM WASTE MANAGEMENT

Michael La Russa, Waste Management's (WM) Contract Compliance and Municipal Relations Manager, gave a presentation to the Board and members in attendance. Mr. La Russa stated that effective November 1, 2010, WM has entered into a new contract for collection services with Monterey County. Under the terms of this contract, most residences will receive three colored refuse containers; black for garbage, blue for recyclables, and green for yard waste.

Mr. La Russa noted that the Colony has opted to use their own steel garbage cans in lieu of these plastic cans for very appropriate reasons and that the only remaining question was whether the residents wanted individual recycle bins placed at each unit, or retain the recycle collection point near the clubhouse. After a lengthy discussion, the board thanked Mr. La Russa and informed him that the GM would be in touch with him in the near future concerning any changes to the recycle area.

During his presentation, Mr. La Russa pointed out (in supplementary literature) that WM will begin offering additional services to Monterey County residents at no additional cost. Homeowners can call WM customer service to arrange any of these services at 831-796-2200.

1. One on-call collection per year. Historically, WM has had clean-up weeks in which you could set out extra material for pickup. Now you don't have to wait to get that extra material picked up on a predetermined date set by WM. Extra material includes up to 5 cubic yards for large items, in example; mattress, sofas, chairs or other like sized items as well as half a cubic yard of universal waste, (waste that doesn't belong in your trash can such as electronics). Mr. La Russa noted that that paint is not included in the list of materials that WM will pick up, unless there is only a small amount of paint left in the paint can and you have allowed the paint to dry.
2. Holiday tree collection through the end of January.
3. Used motor oil and filter collection. Waste Management will provide residents a container for the oil and filter, after filling the container, set it out on a regular collection day and WM will pick it up and replace it with a new container. If residents do not have a container and need one, call WM customer service at the phone number above and one will be dropped off.

2009-2010 AUDITOR'S REPORT TO THE BOARD

Joelyn Carr-Fingerle, CPA, reported that our accounts receivable are very good with very few outstanding accounts and that our accounts payable are in the normal range. We earned approximately \$14K in interest this year, which is roughly equivalent to what we earned last year; as compared to most other associations Joelyn audits who are only earning about half of what they made last year. Joelyn stated that the colony is [pretty-much] living within its operating and reserve budgets, but stressed that the colony needs to raise the amount of money we keep on hand in our reserve account. Increasing the "percent funded" of our reserve account will allow us to be prepared for major replacement projects in the future.

A homeowner questioned Joelyn as to whether a Board of Directors can borrow an unlimited amount of funds from the Reserve Account for a project, even though the reserve funds were not intended to be used for that purpose and without a vote of the membership. Joelyn answered that the funds can be borrowed, but certain procedures must be followed concerning the notification of the members as well as in paying the loan back.

TREASURER'S REPORT

Jim McFeeters, Treasurer, gave the Treasurer's Report for July and August 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. Additionally, Jim stated that the 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 reported that the Finance Committee had met the previous afternoon to review the FY 2010-2011 year-end finances and this years budget to date. The committee also discussed a new (draft) investment policy and several reserve funding scenarios. The committee also discussed changing banks from Union Bank to Community Association Banc (CAB), a subsidiary of Mutual of Omaha.

Ted stated that as of 8-31-10, the actual operating and reserve expenses were less than or close to the budgeted amounts. He also reported that Jim McFeeters had prepared a draft of an updated investment policy in which the committee discussed in length, but not yet finalized for presentation to the board. In addition, the committee had tasked the general manager to work with our reserve analyst and prepare different “funding scenarios” that would change the level of our reserve funds on hand, or change the percent in which we fund our reserve account as compared to funds on hand today. These scenarios are the current focus of the committee and Ted reported that they will have a recommendation for the board on how to get to the goal of a 50% funded reserve at the next board meeting.

Ted stated that the committee recommends to the Board that the Colony change banks from Union Bank of California to Mutual of Omaha. This recommendation was made due to several issues with Union Bank, i.e. lessening of insured funds, email concerns, communication and response issues. Ted further stated that the committee had a very good presentation by a regional representative from Mutual of Omaha outlining their services to associations such as ours. As a result, the finance committee feels that there are more benefits associated with Mutual of Omaha as compared to Union Bank.

After discussion, the Board M/S/C to change banks from Union Bank to Mutual of Omaha.

AD HOC WAVE RUN-UP COMMITTEE REPORT

Ted Swanson, Committee Chair gave a verbal update. He reported that the goal of the committee was to find the most cost-effective and efficient way of protecting the homes and occupants. At this time, the committee would like to make the following four-point recommendation.

1. Table the geotube program (in case we need it at a later time).
2. Purchase 250-300 polyurethane water-filled barriers (discussed at the last meeting) to give us approximately 250-300 yards of double-row structure protection. The double-row structure would produce a “debris trap” if debris made it over the first row.
3. Place structures in front of threatened buildings. Each structure is made of these linked water barriers placed in a double-row (up to 26 barriers wide). All structures would be placed at the property line and would be on the seaward side of our septic system, (not on our leeching fields).
4. Put the barriers up in November (or at the first sign of seasonal storms), and take them down before the 1st of March, (snowy plover mating season). We will have enough barriers that if extra protection is needed, they can be placed at the foundation of threatened buildings (along with sandbags).

If additional protection is needed due to severe erosion, then screw anchors can be purchased to anchor the barriers to the ground and would still have the ability to be removed. Another layer of protection is found in placing sandbags between the rows of barriers (saddle bagging) to reduce buoyancy. The sand that Tom acquired from the County will be used for sand bag operations.

Ted explained the different bids he had received concerning the cost of the barriers and told the board he would need approximately \$80K for the barriers, accessories, a motorized

carrier, and a camera to place on a building to watch the storm activity to determine the effectiveness of the barriers.

After much discussion, it was M/S/C to borrow up to \$80K from the Reserve Account in order to purchase 250-300 of these polyurethane barriers and related equipment as stated in a board resolution, read at the meeting and permanently attached to these minutes.

GENERAL MANAGERS REPORT

Deck and Fence Replacements

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

Association carpenters have completed 3 of the 15 projected replacement decks this fiscal year. Decks were replaced at units 336, 286 and 230.

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

Landside Boardwalk Replacement

Landside boardwalks were replaced near units 272, 340, 198, 200, 202 and 230. Landside Boardwalk replacements have been partially moved up on the reserve replacement schedule for those areas where the walkways have become deteriorated and have the potential of becoming a safety issue.

Built Up Roof Replacement Project.

Management is extending the contract with Carl Black Construction to replace 3 additional built up roofs within the next 30-45 days. Units in need of flat roof repair are 222, 336 and 148. Management will work with homeowners to schedule these flat roof (tar and gravel) replacements.

Window and Entry Door Replacement

Association Carpenters have replaced one entry door this year in unit 202.

Bad Debt and Foreclosures

One Association unit defaulted, was taken over by the bank, and sold. Association fees and costs were recovered outside of our attorney fees. A second unit was taken over by the association pending foreclosure by the lender. The unit is currently in a 90 day right-of-retention period before the association can push the lender to foreclose on the unit. The association is owed approximately \$30K in operating/reserve, penalties, interest, and foreclosure fees. As with the first unit that defaulted, the association will be working with our attorney to secure as much of this debt as possible.

Re-siding

Since the 2010-11 budget cycle started on 7-1-10, association staff have replaced sidewall shingles on unit 286. We are winding down the sidewall project and doubling back to many small walls and surfaces previously skipped, (for many reasons), throughout the colony. We will complete the sidewall project by the end of this fiscal year.

Fumigations

Units 258-260-262 are pending fumigation and will be tented after resident cliff swallows with young vacate a nest in the building. The swallows are federally protected.

Smoke Alarm Inspection

The 2010 CY Smoke Alarm and Battery Replacement Project started in April and is close to completion. Management is working with the five remaining units to coordinate inspection times/dates to complete this annual project.

Annual Fireplace System Inspection

Annual fireplace inspections started on July 1, 2010 and have a projected completion date of November 30, 2010. As of this report, there have been 3 red tags issued by the inspector. All three fireplace systems have been repaired. Eighteen units remain to be inspected in this years report.

Coastal Projects

From last report:

On June 24, 2010 the Monterey Dunes Colony hosted a second meeting of federal, state, and local agencies as well as selected experts and private land owners to discuss the river mouth and lagoon issues affected by proposed changes in breaching the lagoon. Issues relating to the discussion on how/when to breach were steelhead migration, snowy plover nesting, soil and sand distribution, agriculture and flood concerns and how best to manage the use of the river by all agencies to promote their specific projects and charters. It was clear by the end of the meeting that the best solution to the problem of breaching the river was better management practices and less restrictive and timely breaching permits from the Army Corps of Engineers, however given the conflicting agendas from each of the major players; it became clear that getting any consensus would be difficult. In many cases the agencies only agreed to disagree with the two largest players, the Department of Fish and Wildlife, (plover) and the NOAA Fisheries, (Steelhead), having conflicting Biological Impact Studies concerning the lagoon and river breaching protocols. Some good that did come out of the meeting was that most issues, be they fish, bird, flooding, or private residential concerns were now clearly articulated, so the process of river and lagoon management will not be something one agency controls, nor will decisions be made in the dark. Representing MDCA were Directors Bill Michaels, Ted Swanson, and Jim McFeeters and myself as the Association's Managing Agent.

At the direction of the board, John Kasunich from Haro, Kasunich and Associates, was asked to work up wave run-up data concerning the use of plastic water filled temporary barriers. The association received the requested data on June 23, 2010 in a letter with attached data sheets explaining his analysis. Ted Swanson evaluated the data, researched the materials and called a meeting of the ADHOC Wave Run-up Committee on Friday July 2, 2010. Members present were Ted Swanson, Bob Dickenson, and Tom Bugary. Ted agreed to research bulk cost for the barriers out of a company in San Clemente, Ca. Tom was tasked with working through the County Coastal Planners and Coastal Commission with a presentation to them on the type of barriers, positioning and what weather conditions would trigger the association to position the barriers out on the dunes, (at present), in the southern end of the property. While this type of advanced notice to the commission is not necessary, having the Coastal

Commission acknowledge our emergency plan, before the emergency, will lessen the tension with State Parks when we actually put the barriers out on the property line. The barriers would be removed at the end of the “emergency”, or storm season, prior to the snowy plover nesting season. David Shonman, a Coastal Biologist who has assisted MDCA with coastal projects in the past, has written an opinion to the California Coastal Commission concerning our Emergency Plan using wave run-up barriers to support the modified geo-tube permanent barrier plan which is scheduled to start on October 1, 2010. This opinion will be submitted to the Commission the week of July 19th and should secure their support for the plan.

David Shonman has also been working with the Department of Fish and Wildlife Service to gain permission for the colony to use snow fencing on the state owned beach to capture the wind blown sand and help rebuild the foredunes in the eroded areas. David has secured meetings between the State Parks, the DFWS, and the Point Reyes Bird Observatory, (contracted agents for managing the snowy plover). The goal of these meetings is to put up test fences in wind blown areas this coming year so that the biologists can study the effects of the fencing on the plovers and more specifically their nesting practices.

I have received a request from a State Parks Environmental Scientist requesting a meeting to discuss the wave run-up project, and other environmental issues affecting us as neighbors. This meeting is tentatively set for July 28, 2010.

On July 21, 2010 David Shonman sent a narrative to the Coastal Commission requesting guidance on the colony’s emergency plans and preparations for the (possible) use of modular barriers to protect people and property during storm surges. The planner, (Mike Watson), responded to the narrative stating he found the MDCA plan “interesting” but wanted to visit MDCA and get a better understanding of the project. Mike Watson has tentatively scheduled a visit to MDCA this month. He will be the first member of the Coastal Commission to visit MDCA.

On July 28, 2010 the colony hosted members of the California State Parks for a meeting concerning Property Boundaries, Park Rules and Regulations, Snowy Plover management and seasonal symbolic fencing, predator control and feral cats and a request for a briefing and update on the colony’s wave run-up project. Attendees were Amy Palkovic, Dave Dixon and Tom Moss (California State Parks Environmental Scientists), Sean James, (Resident Park Ranger) and Ken Gray, Administrative Supervisor. Ted Swanson represented the MDCA Board of Directors; David Shonman was there as our consulting biologist and I attended as the facilitator. Most of the meeting centered on issues concerning dunes and beach rules, how to educate visitors who come to the dunes so they don’t disrupt the plovers, predator control policies, plover habitat, and an overview of our wave run-up project. While the meeting kept lines of communication open between MDCA and it’s neighbor, there wasn’t a lot of new material to the exchange of information.

On August 18, 2010 David Shonman and John Kasunich met at MDCA to develop an addendum to our emergency action plan. For the purposes of a “trigger” to activate the plan to install wave run-up barriers on the property, an “emergency” was defined as ***“a condition when threats to residents or damage to property within the colony is likely to occur unless protective measures are taken within a reasonable period of time.”*** It was also noted that there are 4 distinct forces that cause coastal erosion at MDCA: (1) storm waves, (2) breaks in the offshore sand bar, (3) changes in the flow of the Salinas River and (4) sub-aerial (wind) damage to un-vegetated dunes. We are still waiting for the final report from Kasunich in order to complete the addendum to our emergency manual.

Annual Meeting and Association BBQ.

The Annual Meeting of the Members is on October 16, 2010 at 10:00 AM. Management will be sending the official notice of the meeting next week, 30 days prior to the meeting. The annual BBQ lunch will be at 12:30 PM following the meeting.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Main Water Storage Tank Repairs

Over the past two years our 212,000 gallon main water storage tank has developed several leaks in the bolted seams of the tank walls. Management has engaged a specialized tank repair firm to repair the tank by sealing the interior of the seams with special caulking. We have contacted Superior Tank, the company that manufactured the tank in 1993 and sent them the diver's video of the interior of the tank for them to analyze. We are scheduling a meeting with them in the near future as well as with a company that deals with tank corrosion and electrolysis issues. To date, we have spent \$3,175 in repair in 2009 and \$2,325 in 2010.

Water Conservation – Oriented Billing

During the July billing period, there were 32 units that exceeded the Tier 1 conservation zone, 10 of which were under the \$5.00 billing limit and not billed. Fourteen units were noted to be in the Tier 3 billing zone. Unit owners were notified of their monthly and gallon-per-day consumption.

During the August billing period, there were 11 units that exceeded the Tier 1 conservation zone, 5 of which were under the \$5.00 billing limit and not billed. Two units were noted to be in the Tier 3 billing zone. Unit owners were notified of their monthly and gallon-per-day consumption.

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

Member Request to Re-survey Owners to Collect Reserve Assessments Monthly versus Annually

There has been limited discussion on this issue and it was decided that individual homeowners can set aside 1/12 of the annual assessment every month and then pay it in one lump sum.

George stated that he would be assigning a committee to create a survey about the use and maintenance of common-area facilities and that he will ask for volunteers at the annual homeowners meeting on 10/16/10.

NEW BUSINESS

Approve/Disapprove Lien and Foreclosure Proceedings re: Unit #104

It was noted that the homeowners of unit #104 had been sent to collections for being in arrears \$5,685. A pre-lien notice has already been sent to the homeowners and it was M/S/C that if the debt was not paid within the allotted time, a lien would be placed on the unit and foreclosure proceedings would begin.

Appoint Finance Committee Chair

George Maciag, Board President, acknowledged the resignation of John Gentry from the position as Finance Committee Chair and he thanked John for all his years serving in that position. George appointed Bob Dickinson, (unit #214) as the new Finance Committee Chair.

Appoint Finance Committee Member

George Maciag, Board President, appointed Ted Adams, (unit #162), as a new member to the Finance Committee.

New One-year Resident

Frank Williams announced that his brother-in-law and the brother-in-law's wife, Steve and Cheryl Dunn, will be living at his unit, unit #190, for one year beginning October 1, 2010.

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 an organizational meeting to be held at the annual homeowners meeting on October 16, 2010 beginning at 10:00 a.m. The following regularly scheduled meeting will be on November 20 at 10:00 a.m.

FOR THE BOARD OF DIRECTORS:

//s//

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

Treasurer's Report July and August

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

Account Balances as of July 31 and August 31, 2010 are:

	<u>July</u>	<u>Aug</u>
Union Bank Reserve	\$ 551,849.60	\$556,434.34
Mutual of Omaha Reserve	\$ 812,761.68	\$813,956.73
Union Bank Operating	\$ 49,476.57	\$ 54,007.68
Union Bank Investment Acct	\$ 8,006.81	\$ 8007.51
Community Bank Petty Cash	\$ 812.41	\$ 497.84
Union Bank Water Operating	\$ 23,195.69	\$ 22,911.47
Union Bank Water Reserve	\$ 95,772.77	\$ 97,111.44

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.

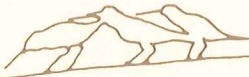
Respectfully Submitted,

Jim McFeeters

Jim McFeeters, Treasurer



MONTEREY DUNES COLONY



Resolution to Borrow from the Reserve Fund

Whereas, the Association is responsible for maintenance and repair of common areas within the Monterey Dunes development;

Whereas, erosion of common area resulting from wave run-up has and, according to geotechnical and coastal engineers Haro, Kasunich and Associates, Inc. ("Experts") will (along with the hazard of driftwood) continue to pose a risk to buildings and infrastructure within the development;

Whereas, a threat to buildings and infrastructure also poses a risk to member safety if homes or utility lines or walkways are damaged or destroyed;

Whereas, experts recommend a barrier system westward of the residences to minimize or eliminate further erosion and to protect buildings from damage;

Whereas, several dune repair options were considered; however, after extensive research, it was determined that the purchase and seasonal installation of polyurethane barriers was the best option based on government restrictions, weight, cost, and rigidity;

Whereas, the Association has obtained a bid to purchase, polyurethane barriers, a soft tire motorized carrier, sand bags, and supporting equipment at a cost of approximately \$75,000;

Whereas, Section 1365.5 of the California Civil Code permits the Board to transfer money from the reserve fund to the Association's general operating fund to meet short-term cash flow requirements or for other expenses;

Whereas, there is a shortage in the Association's cash flow, impairing the Association's ability to purchase the polyurethane barriers and related equipment as these expenses were not anticipated in the annual budget;

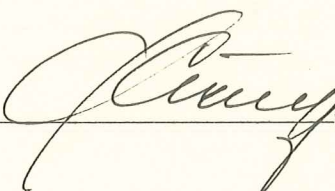
Whereas, the Board has determined that it will be in the best interest of the Association to temporarily transfer money from the reserve fund to the general operating account;

Be it Resolved that the Board of Directors is hereby authorized to transfer the amount of ~~\$75,000.00~~ ^{\$ 80,000 .} (Seventy Five Thousand Dollars) from the Monterey Dunes Colony Reserve Account to the Monterey Dunes Colony Operating Account. The money transferred and expended, pursuant to this Resolution, shall be restored to the Association's reserve fund within one year from the initial date of the transfer unless, consistent with prudent business operations, the transfer period is extended based on decisions made at a duly noticed board meeting and shall be repaid through increases in association dues, or a special assessment, or a combination of both.

This Resolution was adopted by the Board of Directors at a meeting at which a quorum was present on September 11, 2010.

Executed this 11th day of September, 2010

MONTEREY DUNES COLONY ASSOCIATION

By:  President

