

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

May 17, 2014

PRESENT

Frank Williams, President
Bob Dickinson, Vice President
Jeff Schwartz, Director
Bill Michaels, Director
Ted Swanson, Treasurer
Tom Bugary, Secretary and General Manager

ABSENT

None

WELCOME

Frank Williams called the meeting to order at 10:00 AM, May 17, 2014 at the Monterey Dunes Colony Clubhouse.

MINUTES

The Board reviewed both the draft minutes of the 3-15-14 directors meeting and the following special working meeting regarding the bylaws. It was M/S/C to approve both sets of minutes as presented.

TREASURER'S REPORT

Ted Swanson gave the Treasurer's Report for March and April 2014. 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

Bob Dickinson, Finance Committee chair, reported that the committee had met the previous day and had reviewed the first 10 months (July - April) of the fiscal year. The Colony financials reflect that the actual operating expenses through April are approximately \$63K less than the budgeted amount – this is mostly due to timing issues and Tom's expectation is that the actual

expenses will end the fiscal year between \$20K-\$30K less than budgeted.

In the reserve budget, we are now reflecting a surplus of approximately \$17K; however, based on deferrals of a number of budget items, a surplus of approximately \$100K is expected.

Regarding the Water Company operating budget, the actual and budgeted expenses are pretty close, but there are things happening in the Water Company (i.e. water valves) which are expected to increase our actual expenses to between \$4K-\$5K over budget.

The Water Company reserve expenses we are approximately \$20K over budget and are expected to be the same at the end of the year. The overage is primarily due to the storage tank and associated (unanticipated) costs.

The conversions of the Association common areas to LED lighting and using solar power were discussed. The committee recommends that the Board approve expenditures of up to \$22K (net of \$4K rebate) for installation expenses related to the LED lighting conversion project. The Board M/S/C this recommendation. The committee then discussed residential solar; however, they found that there were many issues concerning net metering and single point distribution pending at the state regulatory level and tabled any recommendations until after the next committee meeting.

The committee recommended that PG&E expenses be budgeted at their current rate even when we have solar and are using LED lights so that way we can see the how much we are saving by utilizing these energy efficient measures; the savings will be used to payback related expenses (on an annual basis per resolution). The Board concurred with this recommendation.

The committee also discussed flood insurance; our insurance broker expects a 10% increase when we renew in August, however, Bob stated that from what he has been reading, a 25% increase is more likely. Tom is scheduling a conference call with our broker to clarify this difference.

Finally, after much discussion, the Committee recommended to continue using Joelyn Carr-Fingerle, CPA, and the company she merged with - Young, Craig, and Company – to conduct our annual audits. The Board agreed with this recommendation.

ENVIRONMENTAL COMMITTEE REPORT

Jeff Schwartz, ECC chair, reported that there was an ECC teleconference on 3/20/14 to discuss the following application:

- Unit #284 requested to install a digital lock on their entry door

The request was approved; however it was noted that the homeowner(s), and their successors in interest, will be responsible for future maintenance and the replacement of the nonstandard digital entry system.

AD HOC WAVE RUN-UP COMMITTEE

Ted Swanson, Committee Chair, gave a verbal report that no significant activity has taken place in recent months. Ted described the lack of activity as a “rut” which he stated is the result of trying to deal with issues while not being able to define or measure the responses received. Ted further stated that some responses we received from agencies seem to contradict their own general written policies. Ted felt we need to be more forceful in our positions with them, taking “control of the rope” instead of “pushing on the rope”. The board understood his frustration and thanked him for his efforts in dealing with the various agencies.

GENERAL MANAGER’S REPORT

MONTEREY DUNES COLONY ASSOCIATION

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 waiting for windows and sliding glass doors due replacement this 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.

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 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. Third party contractors are scheduled to replace the garage door and hardware at unit 200 within the next couple of weeks.

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 equipment, (hazmat) shed located in the corporation yard.

We have completed sandblasting and painting the Water Tank and will complete this project before the end of the fiscal year.

Archiving Project Update

We are approximately 50% 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, 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, last year 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.

Electric Meter Enclosure Replacement

We have replaced 6 of the 10 meter enclosures we ordered for this year. Originally, the Reserve Study called for many more replacements than that but I deferred 30 additional enclosures to out years as I can still get more use out of the existing. Enclosures replaced were at units 106, 236, 238, 252, 282 and 298. Units 286 and 288 as well as the enclosure at the guardhouse and maintenance shop area are scheduled for replacement before June 30, 2014.

Travelers Risk Assessment Inspection

The colony was visited by a risk control inspector from Travelers Insurance on April 17, 2014. The purpose of the visit was to:

1. Review our operations and identify any changes that could affect our insurance coverage.
2. Review our safety and risk management programs.
3. Identify and analyze potential exposures to loss.

His inspection included a walk-through of the colony and an inspection of the buildings, grounds, facilities and recreational areas. He noted no issues of concern in his report.

Fumigation Update

One garage unit, 112-114-116-118, and an Association-storage-area were fumigated on 7-24-13. One building, units 178-180 and 182 was tented on 7-24-13 as well as one additional unit, (250) received a local treatment on 8-23-13. Unit 218 had a local treatment for drywood termites on 10-10-13. Unit 250 was retreated with a local application on 10-10-13 for an infestation in a different location than was found on 8-23-13. Unit 176 and unit 284 received local treatments on 12-27-13. Unit 262 received a local treatment for drywood termites on March 6, 2014. On March 11, 2014 Terminix provided a local treatment for the second time to units 238 and 262.

Units 236-238 and 240 were fumigated 4-21-14. Units 172-174 and 176 are scheduled for fumigation on 6-2-14 as well as units 198 and 218 pending local treatments. The maintenance generator building is also pending treatment, however, the type of treatment and date has not yet been set.

Coastal Projects

From previous report:

Ted Swanson researched and queried a large soils analysis company, Earth Systems Pacific, and obtained a quote for a sand analysis for considerable less than that obtained from Greg Easton. Subsequent to that bid, Ted offered to do much of the leg-work associated with the collection and delivery of the sample for a Sieve Analysis. We received the analysis within a couple of weeks which identified the sand particles close to identical in composition, color, and size. David Shonman was asked to communicate these findings with the Coastal Commission as he navigates the process for obtaining approval for the association to carry sand out to the foredunes in the southern portion of the colony. Our focus is on conducting this "sand nourishment" operation shortly after the Snowy Plover nesting season which ends on 1 October each year.

During the week of March 10 through the 14th, the California State Parks and Point Reyes Bird Observatory Staff will be installing the symbolic wire fencing on the beach, identifying the snowy plover nesting areas. Association Staff is monitoring the install to ensure proper access to the beach from association boardwalks.

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.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the March 2014 billing period, there were 2 units that exceeded the Tier 1 water conservation zone. Both were under the \$5.00 billing limit and therefore not billed. There were no units in Tier 2 or in Tier 3.

During the April 2014 billing period, there were 9 units that exceeded the Tier 1 conservation zone. Three of these were due to fumigation and not billed. Three units were under the \$5.00 billing limit and therefore not billed. There were 3 units in Tier 2 and 0 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 9 separate occasions, the latest being on 3-18-14. After the resurfaced the suspected areas we started refilling the tank on 3-20-14. The tank is at capacity, or approximately 210,000 gallons of water, however there is a suspected pin-hole leak in the liner. The leak was so minute that we initially thought the leak might be condensation from the inside of the tank seeping behind the liner, but upon adding food-grade chlorine to the tank, the residue outside the tank showed a chlorine read when tested a couple of days later.

The contractor has assured 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 use air pumped in behind the liner to locate this leak from the inside, if possible. If this doesn't work, he has assured me that he will start from scratch and redo the project at his cost.

The Cla valve, (hydraulic control pressure reducing valve) assigned to well 3 was replaced, adjusted and functioning but the well has developed air in the main column. Until this is resolved, the water system is operating on one well and the Cla valve disconnected. After consultation with 3 water system contractors, we installed an isolation valve off of the Well 3 feed line before it ties in with the Well 4 feed on its way to the main tank. This allowed us to isolate Well 3 and test it for leaks in the feed line. At this point we are consulting with water system contractors to relocate a backflow prevention device to allow (backflow) water to keep pressure on the Cla valve assigned to well 3. It is difficult to diagnose a water system leak or anomaly when the system is on a standby hookup. Hopefully, we will repair the leak in the liner and bring the main tank on line, reconnect both wells and correct these issues.

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

Appoint Nominating Committee

Frank Williams, Board President, appointed a Nominating Committee consisting of Bill Michaels, Chair, and members: Lois Anderson, Jim McFeeters, and George Maciag. The Committee was tasked with actively developing a slate of five nominees for the five Board positions. If a member chooses to run for election to the Board and is not included in the slate of nominees developed by the Committee, they may self-nominate by July 7, 2014.

OLD BUSINESS

Update on LED conversion for the common area

Addressed in the Finance Committee Report.

Update on common area solar initiatives

Addressed in the Finance Committee Report.

Update on solar for private residences

Addressed in the Finance Committee Report

Surfnet Proposal for Fiber Optic Installation at MDCA

Frank reported that we currently have a proposal on the table that Surfnet would provide high-speed fiber optic (for internet) to the entire community from the property line up to each individual unit. The CPUC has accepted Surfnet's proposal to provide internet access to certain communities. The path of the fiber will be along Molera Road heading towards Santa Cruz. If a majority of the Colony (60+) sign up for this service, Surfnet would bring the cable up to our entry gate and we would help them take it from the gate to each individual house using Association labor – we would be saving money using our own labor force but some services would diminish while the installation was in progress. The most optimistic estimate is that the system would be ready to be turned on around Christmas, this year. Frank stated that the association has sent out two letters to homeowners regarding this project in an effort to solicit homeowners to sign up for their service; but as of now, we only have approximately 30 confirmed units who wish to participate. The Marketing and Communication Director of Surfnet, Dave Bookholt, was at the meeting to answer questions about the options, prices, installation procedure, or any other questions. Dave began his presentation by stating that Surfnet was offering 100 Mbps for a \$65 monthly cost and there will be a 2 Mbps option offered for \$40 per month. Both services are being offered at introductory prices and require a 2-year contract, and there are no set-up fees. Interaction between the Board and Dave was as follows:

Bill: “Who pays for running the fiber from Molera Road to here (our entry gate)?”

Dave: "We do that and there is also a matching grant from the State and that's how we're able to ah..."

Bill: "So the Colony doesn't have to pay anything for the cable from Molera Road to here?"

Dave: "Correct, besides the work on the individual homes, putting in the coupler or what not to set up the connection".

Bill: "And what about from the gate to the individual homes – who pays for that?"

Dave: "Surfnet"

Frank: "We are committing to pay up to \$300 per home (total \$36K) on Surfnet's behalf to help install it and the labor, so we can begin the digging of the trenches, etc."

It was emphasized that the Association pays the \$36K mentioned above and it is not an additional cost to the homeowner. The benefits of the Surfnet offer (100 Mbps via fiber optic cable) were discussed, i.e. more reliability and more bandwidth that can be used for things such as VOIP telephone service and ROKU TV.

In conclusion, Frank stated that we made a commitment to Surfnet to use reasonable efforts to publicize/market their offer and he feels that we should send out a final letter from the Board with assistance from at least two "techie" homeowners who have volunteered their services to give testimonials and sales pitches. After discussion, the Board felt that this type of letter would get the sixty sign-ups needed to bring in the service. If the letter fails to provide enough customers, the Board members will start calling individuals who have not responded.

Tom brought up the fact that a lot of homeowners don't know how to set up any ancillary services that the bandwidth that will be provided by Surfnet and asked if they will offer technical assistance for these services. Dave responded that they will try to find out specific homeowner interests when they are doing the basic install and will help try to facilitate that interest.

OWNER'S STATEMENTS

There were no owner's statements.

WATER COMPANY BUSINESS

Addressed in the Managers Report.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:40 a.m. The next Board meeting will be on July 19, 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:

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

Treasurer's Report

January and February 2014

This report covers our fiscal year budget status through February 28, 2014.

Account Balances as of January 31 and February 28, 2014 are:

	<u>January</u>	<u>February</u>
Total MDCA Reserve Funds	\$1,929,626.13	\$1,852,925.69
+ <i>Comm Assoc Banc (CAB) Reserve</i>	---	---
+ <i>ICS Reserve (Bank Acct)</i>	\$ 822,814.21	\$ 745,901.51
+ <i>CDARS (CD Placement)</i>	\$ 601,246.41	\$ 601,361.72
+ <i>CDARS (CD Placement)</i>	\$ 505,565.51	\$ 505,662.46
CAB Operating	\$ 57,325.93	\$ 97,216.03
RABOBANK Petty Cash	\$ 407.73	\$ 1,376.97
CAB Water Operating	\$ 15,318.37	\$ 11,073.96
Water Reserve Funds	\$ 74,331.61	\$ 67,825.45
+ <i>CAB Water Reserve</i>	---	---
+ <i>ICS Water Reserve (Bank Acct)</i>	\$ 74,331.61	\$ 67,825.45

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,

Ted Swanson

Ted Swanson