

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION**
November 20, 2010

PRESENT

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

ABSENT

None

WELCOME

George Maciag, President, called the meeting to order at 10:00 AM, November 20, 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 September 11, 2010 directors meeting and the October 16, 2010 Annual Meeting of the Members. It was M/S/C to approve both the directors meeting minutes and annual homeowners meeting minutes as written.

TREASURER'S REPORT

Jim McFeeters, Treasurer, gave the Treasurer's Report for September and October 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

Bob Dickinson, Finance Committee Chair, reported that the committee had last met on October 29th and that they had two recommendations to make to the Board. Before going into detail about the recommendations, Bob addressed the financial health of the association saying that income and expenses were at the expected level at this time. Bob further reported that the only major change in the finances of the colony at this time was that we were changing banks effective January 1, 2011 and that the transition was going smoothly.

Bob made a recommendation to the board that the association revise its investment policy. He explained that with the completion of many major projects this year, and the anticipated decrease in reserve expenditures for the next few years before other major projects become due, the association will have the opportunity to increase our reserves, or the percent we fund the reserve account while making investments with this money to improve the fiscal solvency of the association. Bob stated that Jim McFeeters had drafted a revision to the existing investment policy a few months ago which in turn has been fine-tuned by the committee and is now being presented to the Board in draft form for approval. *The board reviewed the proposed policy and after discussion it was M/S/C to accept the policy as written.* A copy of this policy is attached to the official minutes and posted on the web site.

Bob continued by explaining that his second recommendation the committee was making to the board had to do with the level of funds the association maintains in the reserve accounts, or percent-funded. The finance committee recommended to the Board that it adopt a resolution stating that the goal of the association be to fund the reserve account to a level of not less than 40% of the funds needed to repair or replace all components due for replacement at any given time. Getting to the 40% mark would take time so the committee also recommended that the association get there over a period of approximately 10 years by leaving the current reserve assessments, (both monthly and annual), in place at their current levels. By leaving the reserve assessments at their current levels, we will slowly acquire this level of funding, depending on investment yields. Bob made reference to supporting charts that showed the different funding scenarios the committee had worked on, noting that his recommended funding level was the least painful and had the greatest chance of reaching the funding goal of 40% by 2020. *After discussion, the board M/S/C to adopt the goal of funding the reserve at a level of 40% and reaching this goal over the period of 10 years.*

On a final note, Bob stated that the CY 2011 Finance Committee meetings would no longer be the same morning as the Board meetings, but would be the day prior at 3:00 p.m.

ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT

The ECC had a teleconference on 9-20-10 to discuss two ECC requests:

- Unit #200 requested that the association plant a tree between their unit and the neighboring unit (#202). This request to plant a tree was approved with stipulations.
- Unit #234 requested the installation of a hot tub built through their Oceanside deck. This request was approved with stipulations.

AD HOC WAVE RUN-UP COMMITTEE REPORT

Ted Swanson, Committee Chair gave a verbal update. Ted reported that the Colony has purchased almost 300 (Traffic) wave run-up barriers, the equivalent of 3 football fields of double barriers, to be used to abate wave run-up in the event our buildings were threatened or they are needed for other safety reasons. Ted stated that the committee, with input from various experts, has devised a plan for when to put out the wave run-up barriers. The indicators that would “trigger” the association staff to put the barriers out westward of the homes are 1) a minimum six foot high tide (a few every year) in conjunction with 2) a NOAA storm surge alert (swell height and frequency).

Upon notice that the inclement weather indicators met the requirements for stationing the barriers, association staff would hand carry the barriers out on the forward areas, set them up and fill them with water. The south end of the property has been selected for placement of the barriers this year based on three major breaches in the foredunes. Ted continued, stating that the committee plans to position a string of barriers in a convex or curve near each of the breached foredunes to deflect run-up and debris. If necessary, depending on the severity of the storm, we intend to place some of the barriers next to the houses as a second line of defense in case some debris does not get stopped by the first line of barriers due to overtopping.

GENERAL MANAGERS REPORT

MONTEREY DUNES COLONY ASSOCIATION

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

Deck and Fence Replacements

Association carpenters have completed 6 of the 15 projected replacement decks this fiscal year. Decks were replaced at units 140, 230, 232, 240, 286 and 336.

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

Landside Boardwalk Replacement

Landside boardwalks were replaced near units 140, 198, 200, 202, 230, 248, 288, 272 and 340. 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 has extended the contract with Carl Black Construction to replace 3 additional built up roofs at units 222, 336 and 148. These roofs were replaced this past week, with extensive repairs being made to the courtyard trellis, roof overhang, drainage system and skylights of unit 148.

Window and Entry Door Replacement

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

Bad Debt and Foreclosures

Unit 242 has ended its 90 day right-of-retention and now is cleared for bank foreclosure. Management has attempted to contact the bank to expedite any foreclosure proceedings as well as offer to work with them on finding clients to possibly purchase the unit. As of this point we have met with limited success but will continue to push the bank to “move” on the disposition of the property.

Re-siding

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

Fumigations

Units 258-260-262 were fumigated on November 1-3. The fumigation of these units was delayed due to transient cliff swallows with young nesting in the eaves of one of the units in the building. The birds have now vacated the nest and the fumigation completed.

Annual Fireplace System Inspection

Annual fireplace inspections started on July 1, 2010 and are complete. As of this report, there have been 3 red tags issued by the inspector. All three fireplace systems have been repaired.

Coastal Projects

From last report:

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.

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

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

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

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

Members of NMFS, (steelhead), DFWS, (snowy plover), Department of Fish and Game, (DFG), Scattini property and Sea Mist Farms, (landowners) and MDCA met at 9AM on November 9, 2010 at the clubhouse and then proceeded out to the Salinas River mouth. All agreed that the

river needed to be manually breached straight out to the ocean early in the season to preclude any emergency flooding and felt that they needed to proceed with or without the permission of the CCC. Breaching the river early would allow the steelhead a continuous flow of water to access the ocean, would be less disturbing for the plover population, and less dangerous for county workers who would not have to breach the river in adverse weather under the threat of flooding. Brent Buche stated that he would elevate the consensus to his superiors in the hopes they could breach the river sometime in early December, before the seasonal rains.

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

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

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the September billing period, there were 10 units that exceeded the Tier 1 conservation zone, 6 of which were under the \$5.00 billing limit and not billed. Three units were noted to be in the Tier 3 billing zone.

During the October billing period, there were 4 units that exceeded the Tier 1 conservation zone, 2 of which were under the \$5.00 billing limit and not billed. One unit was noted to be in the Tier 3 billing zone.

Owners who exceeded Tier 1, or are in Tier 2 or 3 water use zone are billed for their usage in accordance with Association Policy. All homeowners are notified of their monthly and gallon-per-day consumption rates.

OLD BUSINESS

None

NEW BUSINESS

None

WATER COMPANY BUSINESS

Addressed in Manager's Report.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:15 p.m. The next meeting of the Board will be on January 15, 2011 at 10:00 a.m.

FOR THE BOARD OF DIRECTORS:

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

EXECUTIVE SESSION

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

Treasurer's Report September and October

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

Account Balances as of September 30 and October 31, 2010 are:

	<u>Sept</u>	<u>Oct</u>
Union Bank Reserve	\$ 470,748.20	\$426,953.16
Mutual of Omaha Reserve	\$ 814,907.92	\$815,392.54
Union Bank Operating	\$ 67,974.17	\$ 88,616.14
Union Bank Investment Acct	\$ 8,008.14	\$ 8,008.75
Community Bank Petty Cash	\$ 1,130.51	\$ 1,520.28
Union Bank Water Operating	\$ 19,507.97	\$ 20,952.32
Union Bank Water Reserve	\$ 98,449.46	\$ 99,787.28

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