

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

March 17, 2018

Present

Bill McGowan, President
Todd Davis, Vice President, via telephone
Allen Rudolph, Treasurer, via telephone
George Maciag, Director
Biff Jelavich, Director, via telephone
Tom Bugary, Secretary and General Manager

Absent

None

WELCOME

Bill McGowan called the meeting to order at 10:00 a.m. on March 17, 2018 at the Monterey Dunes Colony Clubhouse. Bill announced that, in honor of St. Patrick's Day (today), we are serving Rueben sandwiches and green beer after the meeting, compliments of the board president.

MINUTES

The board reviewed the draft minutes of the January 20, 2018 board meeting. It was M/S/C to approve the minutes as presented.

TREASURER REPORT

In the (physical) absence of Allen Rudolph, treasurer, Tom Bugary, general manager, gave the treasurer's report for January and February 2018. Tom noted that the payments to the Capital Reserve Replacement Fund and to the Mutual Water Association were current. Additionally, Tom stated that all our account balances could be seen in the written report, which has been attached to and made part of these minutes.

FINANCE COMMITTEE REPORT

Because Allen Rudolph, the chair of the finance committee, was not able to attend the finance committee the previous day, Rick Crowley, finance committee member, gave a verbal report. Rick reported that the committee had reviewed the proposed FY 2018-19 operating and reserve budgets for both the Colony and the Water Company and was recommending that the board approve it as presented. There was no change to the monthly or annual assessments, but the rental fee will increase by \$4 per night effective July 1, 2018. After discussion, the board M/S/C the recommendation to approve the 2018-19 budget.

Additionally, Rick reported that the committee recommended that the board approve the FY 2018-19 reserve updates for both the association and the water company. After discussion, the board M/S/C the

recommendation to approve the Update.

ENVIRONMENTAL CONTROL COMMITTEE (ECC)

Fran Gentry, Acting Chair of the ECC, gave a verbal report. She stated that the committee had met on-site January 19, 2018, to discuss a request from unit #226 for an Electric Vehicle Charging Station next to their assigned parking space. This request was approved with stipulations.

Fran also said that the committee had met via teleconference on two dates - February 5 and February 28, 2018 - to review a total of four requests as outlined below:

- February 5, 2018, unit #304 requested a hot tub inside her courtyard. The request was approved with stipulations.
- February 5, 2018, unit #304 requested a fountain outside her courtyard. Because the area outside of the gate is common area, the request was not approved.
- February 5, 2018, unit #226 requested to install a “barrel sauna” in his court yard. The request was approved with stipulations.
- February 28, 2018, unit #198 requested to replace three oceanside picture windows with one fixed frame window and an adjacent southern exposure window. This request was approved with stipulations.

GENERAL MANAGER'S REPORT

MONTEREY DUNES COLONY ASSOCIATION

This is a cumulative report covering reserve projects and other work as completed in fiscal year 2017-2018, (July 1, 2017 through June 30, 2018). It also includes management topics associated with the March 17, 2018 director's meeting.

Windows, Doors, Fences, Roofs, Decks, Skylights and Signage

Partial replacements/repairs were made to courtyard fences at units 204 and 216.

A light pole near the main gate was replaced due to severe termite damage.

The reroofing of residential units (114, 116 and 118), (138, 140 and 142), and (224, 226 and 228) are complete, inspected, permits signed off on and 5-star warranties issued, as well as garage units (112, 114, 116 and 118), (138, 140 and 142), (224, 226 and 228). We are inspecting roofs to determine which three buildings will have roofs replaced in the 2018-2019 budget cycle.

Three skylights were replaced on the sloped roof section of unit 142.

Units 182 and 184 Oceanside decks were replaced. A damaged deck was repaired at unit 212. Association carpenters replaced the decking in the swimming pool area, completed the last week of January, 2018.

An ADA ramp was installed at unit 228 as additional work and billed to the unit owner.

All cul-de-sac identification signs are in the process of being removed and refinished. Temporary plywood, (stenciled) signs have been erected to insure guests can locate the units they are staying in. The temporary signs will be removed and replaced with the refurbished signage as they are restored.

Boardwalk Replacement

Association staff replaced the boardwalk in the common area between units 204 and 218.

On March 14th I ordered an additional 2,880 linear feet of brown and 8,640 feet of grey Trex from the Trex plant in Reno Nevada. This will be a direct shipment from the plant to MDCA where we will offload the Trex for storage in the yard. The paperwork will be handled through Economy Lumber Company in Campbell, CA. With this shipment, we should complete the replacement of any remaining wood boardwalk. After June 30th of this year, we are next scheduled to replace existing Trex in the southern portion of the colony in the 2024 reserve schedule.

Garage Repair

On January 30, 2018 a person renting a unit on the property backed into the 156 garage with his vehicle punching a hole through the garage door. Association staff replaced the damaged material and charged the responsible person the cost of the repairs (\$321.51), which he immediately paid in full.

Painting and Weatherproofing

Association staff has completed sealing and re-painting the exterior trim on units; 130, 138, 140, 142, 160, 162, 170, 174, 176, 212, 214, 216, 230, 232, 234, 252, 254, 256, 270, 272, 274, 276, 278, 280, 282, 284, 286, 288, 290, 292, 294, 304, 306, 308, 310, 330 and garages from 102 through 130. Units 178, 180 and 182 are partially complete as of the date of this report.

Side Wall Shingles

The wind wall at unit 282 was re-shingled.

Chip Seal and Asphalt Repair

I have delayed the bidding for the chip seal and asphalt repair scheduled for this spring due to complaints from our neighbor, Mike Scattini that rain runoff from the cul-de-sac at units 102-130 combined with runoff from the guardhouse area is flooding the farm fields adjacent to the colony property. He has asked that the colony participate in installing catch basins and drainage systems he has installed on his property. After inspection, consideration and collaboration with the members of the board, I am researching the possibility of installing a new curb system and a drainage field near the guardhouse. I have asked a local engineer and a couple of contractors to evaluate the drainage field possibility and determine the feasibility of this type of repair. I plan on tying this drainage repair into the chip seal and asphalt repair work which was scheduled for this spring. This additional work will put those projects over budget but with some cost savings over contracting these projects separately. Additionally, we are tasked to maintain the road accessing the property from the entrance of the Salinas State Beach parking area to the entrance of the colony. Although this road belongs to the State Parks, historically the colony has been charged with making any repairs to the road which we use exclusively as an easement over state park property. This will add an additional 10-15% onto the contract price for the chip seal and road repair.

I met with Frank Campo, C3 Engineering on January 30th for a site inspection at the front gate area of the property to talk over options to remedy our drainage issues. After surveying the area, he offered a proposal, (not to exceed \$2,400) to draw up the necessary plans to obtain the county permits and install a drainage field near the front gate. The plans should be completed during the week of 19-23 March when we will start looking for a contractor who can do the work. With this work completed, we will then take bids for the asphalt repair and chip seal project which should be completed by the end of this calendar year.

Swimming Pool

We are preparing the swimming pool to open for the season. The pool was emptied and surface cleaned, the heater has been replaced and tested, the circulation system inspected and repaired and the childproof gate latches and signage brought up to date. We also replaced all the wood decking with Trex material. The pool is scheduled to open on April 1, 2018.

Hot Tub

We have removed all the jets from the hot tub, cleaned them and found a contractor to repair the surface tiles of the hot tub this year. It is my plan to phase out this type of in-ground tub and replace it with a commercial above ground tub in the next few years.

Security Camera System

The camera system in the colony was installed in 2015 and set up by a company out of San Jose. The software used in the system when installed was proprietary to that company and most adjustments and repairs to the system were completed remotely. In late 2017, the company went out of business and would not respond to service calls or requests to reset the system passwords. With the system down, we contacted a technician at Potters Electric in Seaside who is helping us reestablish the system with new software. This software is less proprietary and has a centralized collection point for video playback. All existing equipment is serviceable and will continue to be used with the new software operating the system.

Street Lights

As an enhanced preventive maintenance schedule, we are disassembling the streetlights that are showing signs of deterioration, sandblasting the shell, repainting them and rebuilding the LED inserts. We have completed 6 lights as of the date of this report.

CC&R Amendment

In 2004 we updated an existing maintenance policy, articulating maintenance responsibilities of the association and those of the individual owner. The original policy dated back in the early 1980's and had been updated as needed throughout the years. In that document it was clearly states that the individual homeowners were responsible for the cleaning of decks servicing their units even though the association had replacement and repair responsibilities for all original "developer" decks on the property. During the last update of the CC&Rs filed in 2015 a boilerplate paragraph defining maintenance included the word, "cleaning". This word in the maintenance section of the CC&R's is being used to argue in an ongoing lawsuit that the association is responsible to clean all decks on the property, regardless of past written policies and practices to the contrary. After discussing this with the association's counsel she drafted the necessary documents to amend that oversight in the CC&Rs. The amendment will clear up any possible conflict between our CC&Rs and our policy documents. As discussed with counsel, the only other remedy to this discrepancy would be an addition to the staff with the sole purpose of cleaning decks every day and

adding that payroll expense to the monthly dues. Considering this alternative, an amendment is less costly and brings the CC&R's in line with our policies. I will be sending the letter and proposed ballot to the board for review and will put it on the agenda for the May 19, 2018 board meeting for discussion. If approved by the board, I plan on sending the ballots to the homeowners for a vote via secret ballot on May 21, 2018. This amendment would require a super majority, 2/3^{rds} in the affirmative to pass.

Risk Control Inspection, Traveler's Insurance

On January 30, 2018, the colony had a risk control inspection by our insurance carrier. The inspector, Randall Woodley specifically wanted to look at the colony's safety and risk management programs, review maintenance and inspection records for the buildings, survey selected areas within the development including recreational areas, the maintenance/service yard, water company buildings, hazmat storage and the site of an accident currently in litigation at unit 186. After the inspection we discussed potential exposures and upon conclusion the inspector did not have recommendations for changes in the way we do business. I received a follow up letter on February 2, 2018 confirming his findings.

Coastal Projects

I recently received (hardcopy) of the completed topo map with timeline study overlays from Central Coast Surveyors. A copy of the map was sent to Haro-Kasunich and associates for analysis and comment. I asked for a timeline from which I could expect them to update management with their analysis. Mark Fox one of the engineers working on the project gave me the following answer:

"It will be a significant effort to do the tasks identified in our letter to Monterey Dunes Colony dated 17 October 2017. That work involves:

Comparison of the 10-27-1970 topographic map, used as a base map by Rogers Johnson and Associates (REJA) in 1983 (by me) and later revised in 1995 and 2008 by REJA, with the current map Central Coast Surveyors has prepared; which we received today but have not reviewed yet. The same scale and contour interval as used in 1970, with a rectified color aerial photo overlay. Comparison of ground surface profiles (cross sections) through the new topographic map in the same locations as the 1983 REJA sections, and the 2009-2011 Coastal Conservancy LiDAR topographic map and the and 2016 West Coast LiDAR topographic map will allow mathematical comparison of the recent site conditions and quantification of the threat to the septic leach fields and homes from additional coastal erosion that is expected to eventually occur at MDC.

Through the additional scientific study and engineering analysis, we are hoping to be able to assess the level of risk based on quantitative evidence of past conditions and the trends and rates of change that are discovered, quantified and projected into the future.

We will evaluate the best way to accomplish this and get back to you."

Given the above response, management anticipates it may be several weeks before we receive a finished product from Haro-Kasunich.

Cypress Coast Fence installed a 20 foot gate to the predator fence at the south end of the property on Thursday January 18, 2018. This fence now allows us access to the river mouth through the Scattini farm road and will allow the Monterey County Water Resources Agency (MCWRA) to transport sand from the river mouth to the colony's stockpiles. The MCWRA was notified and they are moving forward with relocating the excess sand out of the Old Salinas River slide gate to the colony's holding area.

During a meeting with Brent Buche, Deputy General Manager, MCWRA we learned that the WRA dumped over 192,000 acre feet of fresh water into the ocean last winter via the Salinas River. To put this into perspective, the Monterey Peninsula uses approximately 12,000 acre feet a year of fresh water for commercial and residential applications. The tunnel project between Lake Nacimiento and Lake San Antonio that was supposed to ensure additional water was retained in the two reservoirs during the winter rains has been stalled for the past two years because of a species of fish, (white bass), introduced to Lake Nacimiento in the late 1960's by the California Department of Fish and Game. State environmentalists are now concerned that this fish population will spread to Lake San Antonio through the tunnel and then go over the spill way during releases into the Salinas

River if this project is completed as designed. These environmental groups want solutions incorporated into the tunnel design to mitigate this threat. At this point, the cost of these fish screens and other blocking devices proposed has been cost prohibitive thus the project is now at a standstill.

On 22 and 23 February 2018 the Monterey County Water Resources Agency trucked in 140 yards of sand excavated from around the Old Salinas River slide gates. The colony is storing this sand in the southern end of the colony for future restoration projects.

The western snowy plover breeding season began on March 1, 2018. State Parks has already given me a heads up that they will be installing the barrier fencing soon; however, they are short on labor so this may take a little time.

I discussed the ongoing map project with Mark Foxx with Haro-Kasunich and Associates and he has looked over the completed survey and map presented by the Dave Edson. He will be presenting a proposal to the colony for conducting an analysis and an estimate of the work which I will present to the board and talk more about in the next management report.

Terminix Maintenance Program Update

Local Treatments: (Terminix International)

Units 222 and 246 garages, units 106, 118, 136, 148, 196, 222, 248 and 250 living areas.

After receiving several proposals for a drywood termite maintenance contract for our garage buildings, we selected a local termite company to use to tent infected garages. Wheeler Termite Company located in Salinas proposed a 5 year warranty for any buildings they treat to remain free of drywood termites. The cost per garage building will be between \$1,500 to \$1,700 depending on volume of area to be treated. The association controls the schedule and can inspect treated garages and report warranty work directly to Wheeler, up until each building warranty expires. This warranty is not prorated so if there is a re-infestation during the 5-year warranty period, he will re-tent the building. There is no ongoing contract, nor money spent up front. We will tent garages as needed. This type of program can be easily managed in the reserve schedule at around \$7,500 - \$8,500 a year. In years needing fewer treatments, unused funds are returned to the reserves.

Pending Fumigation: (Wheeler Termite Company)

Garages: 156-158-160, 218-220-222, 294-296-298, 312-314-316 and 324-326-328 on March 20-21 and finished on March 22, 2018.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation Billing

During the January 2018 billing period, there was 1 unit that exceeded the Tier 1 water conservation limit. There were no units that were under the \$5.00 billing limit. There were no units in Tier 2 and 1 unit in Tier 3.

During the February 2018 billing period, there were 7 units that exceeded the Tier 1 water conservation limit. Five were under the \$5.00 billing limit. There were no units in Tier 2 and 2 units 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.

During the month of February, we received several onsite inspections by the North Monterey County Fire District. While there were no deficiencies in his reporting, he did advise additional hydrant maintenance including the sandblasting and repainting of all the hydrants. There were other recommendations made to ease access to the hydrants by the fire department and to ensure that increased pressure was available in the event of a fire. The association has complied with his recommendations.

The repairs to the main water tank are complete.

OLD BUSINESS

Decision on resurfacing the putting green

The colony solicited comments from the homeowners about eliminating the putting green and what to do with the area. The comments that were received overwhelmingly supported eliminating the putting green. The board M/S/C the elimination of the putting green.

NEW BUSINESS

Appoint a clubhouse upgrade committee

We have a \$27K budget line to upgrade the clubhouse. The board appointed a 3-person committee to make recommendations on how best to upgrade the clubhouse. The committee consists of Karen Matteis, #324, Monica Gentry, #184, Amy Sung, and Sumerle Davis, #340.

Update on Rental Committee

George Maciag reported that the report from the Rental Committee is not ready for presentation. The board tabled this report until the next director's meeting.

Recommendation to contribute to the Elkhorn Slough Foundation

As a long-standing practice, it was M/S/C to contribute \$100.00 to the Elkhorn Slough Foundation, (annual contribution and membership).

Recommendation to change Electric Vehicle Charging (EVC) Policy

The existing EVC policy specifies that the charging stations should be put in the requesting homeowner's assigned parking space. When the EVC policy was written, the only assigned parking spaces for homeowners were in the garages. Now that assigned parking spaces include an additional space close to the units, the association needs to specify that charging stations should be put in the garage, when possible.

Travelers Insurance risk assessment and litigation site visit

Addressed in Manager's Report.

OWNER'S STATEMENTS

Homeowner requests revision to 2-day minimum rental rule

The board discussed the rule and why the 2-day rule was in place. The 2-day minimum rental rule was enacted due to 1-night rentals being a source of ongoing negative issues such as graduation or bachelor parties where houses were damaged and local law enforcement had to be brought in to control these situations. After discussion, it was decided not to revise the rule.

Service and emotional animal support access to property

California law allows persons with disabilities to bring trained service animals and psychiatric service animals, but not emotional support animals, to all public places (anywhere a person can go). Service animals are not considered pets; therefore, a “no pets” policy does not preclude service animals. It was noted that you cannot require advance notice of a service animal and you cannot charge a deposit or fee for the animal; however, you can charge for any damages that the animal causes.

If you see a renter with an animal, the only two questions you may ask are 1) is the animal a service animal required because of a disability? and 2) what work or task has the animal been trained to perform? Since no proof is required for either question (not even proof of a disability), a renter can simply lie and say their animal is a service animal and you have to take their word for it. It has been noted that many disabled people who really need a service animal are getting angry with people who lie about their pet being a service animal because they are “breaking the system”.

Hot tub locations

A homeowner complained that hot tubs on patios or porches cause disturbances because the units are so close together, even if the person(s) in the hot tub are trying to be quiet. She would like to see hot tubs not allowed on patios or porches and she believes there should be a time limitations as to when hot tubs can be operated because they make so much noise. Fran Gentry, ECC acting chair, volunteered to contact the homeowner and discuss available remedies.

WATER COMPANY BUSINESS

Water Conservation reports for January and February 2018

Addressed in Managers Report.

ADJOURNMENT

The meeting was adjourned at 11:30 p.m. The next regular board meeting is scheduled for May 19, 2018 at 10:00 a.m.

Respectfully Submitted

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Thomas J. Bugary CMCA, CCAM
General Manager and Secretary

EXECUTIVE SESSION

The Board had two hearings and two discussion items (detailed below).

- Both hearings were for a homeowner that failed to notice the association of rental activity in advance (repeat violation). The owner was fined \$375 per violation.
- A homeowner made a request to pay their fine to the association in installments.
- Lien update on APN 229-081-023.

Treasurer's Report January and February 2018

This report covers our fiscal year budget status through February 28, 2018.

Account Balances as of January 31, 2018 and February 28, 2018 are:

	<u>Jan</u>	<u>Feb</u>
Total MDCA Reserve Funds	\$3,190,039.43	\$ 3,205,765.41
+ <i>Comm Assoc Banc (CAB) Reserve</i>	\$ ---	\$ ---
+ <i>ICS Reserve (Bank Acct)</i>	\$1,348,271.25	\$1,362,846.41
+ <i>CDARS (CD Due 3/28/19)</i>	\$ 305,077.80	\$ 305,194.84
+ <i>CDARS (CD Due 3/29/18)</i>	\$ 308,987.47	\$ 309,234.08
+ <i>CDARS (CD Due 1/31/19)</i>	\$ 609,772.16	\$ 610,123.08
+ <i>CDARS (CD Due 3/26/20)</i>	\$ 315,724.96	\$ 316,161.21
+ <i>Wealth Mgmt Trust Acct</i>	\$ 2205.79	\$ 2,205.79
+ <i>WM CD (Due 7/7/21)</i>	\$ 150,000.00	\$ 150,000.00
+ <i>WM CD (Due 7/8/21)</i>	\$ 150,000.00	\$ 150,000.00
CAB Operating	\$ 38,950.98	\$ 45,322.87
RABOBANK Petty Cash	\$ 1,016.21	\$ 315.89
CAB Water Operating	\$ 28,871.98	\$ 30,478.92
Total Water Reserve Funds	\$ 155,798.66	\$ 157,136.60
+ <i>CAB Water Reserve</i>	\$ ---	\$ ---
+ <i>ICS Water Reserve (Bank Acct)</i>	\$ 155,798.66	\$ 157,136.60

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,

Allen Rudolph

Allen Rudolph