

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

March 19, 2016

Present

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

Absent

Todd Davis, Director

WELCOME

George Maciag, President, called the meeting to order at 10:00 A.M. on March 19, 2016 at the Monterey Dunes Colony Clubhouse. George 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 January 16, 2016 Board meeting and it was M/S/C to approve the minutes as presented.

TREASURER REPORT

Ted Adams gave a verbal report for January and February 2016. 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 on the finance committee meeting earlier that morning. The primary purpose of the meeting was to review the proposed fiscal year 2016-17 budget. It was noted that the proposed budget includes an increase in monthly homeowner dues of \$25, (from \$865 to \$890), effective July 1, 2016. The primary driver of this increase is employee health insurance. Ted also noted that many small businesses are suffering even greater increases and management has worked hard to curtail costs as much as possible. The committee recommended that the Board approve the proposed FY 2016-17 budget. The Board M/S/C this recommendation.

ECC (ENVIRONMENTAL CONTROL COMMITTEE) REPORT

Recommendation for Clubhouse Replacement Flooring Material

The committee has looked at samples of a low slip, vinyl-plank flooring material for the clubhouse floor replacement and will be selecting a color by the end of the day.

Composite Roof Recommendation to Replace Roof Shakes

The committee is looking at a composite material to use when we replace the residential building roofs. We have reroofed the water company pump building in the maintenance yard with this material as a “sample roof” and homeowners are welcome to take a look at it and give their input. The composite material has a 20-30 year life, (in our coastal environment), is inexpensive, (as compared to wood shakes), and is termite resistant (a major issue with wood shakes).

RULES COMMITTEE REPORT

Frank Williams, Chair, couldn’t attend the meeting due to a medical issue. In lieu of Frank’s absence, John Steinhart, committee member, gave the report. John reported that besides Frank and himself, other members of the committee are: Todd Davis, Biff Jelavich, and Harley McAdams. The committee has a mix of owners who rent their units and those that do not. The charter of the committee is to update all rules and fines, paying particular attention to the CC&R’s and the Strategic Planning Committee’s recommendations that the colony is a retreat not resort.

The committee held its first meeting on Saturday, February 21, 2016, and there have been subsequent meetings with Tom Bugary, general manager, and Steve Weil, colony counsel, in order to identify the issues, gather information, review records and reports, evaluate alternatives/solutions and make recommendations. The committee agreed to make incremental recommendations to the board as they meet and discuss the issues rather than make a single report with several recommendations. The major issues identified were parking, overcrowding of rental units, and abuse of the dunes and facilities. In particular, John reported the committee will be discussing parking, use of garages, gate access, level of fines, enforcement/patrol staffing and notification procedures, limits on rental duration/frequency, impact of rentals on valuations and mortgage financing, and definition of “prohibited businesses” (per CC&Rs §5.6.1).

At this time, the committee is making one specific recommendation: to limit rental duration (as of July 1, 2016) to a 2-night minimum and an associated fine of \$500 per violation for those units that are rented for only 1-night. After discussion, the Board M/S/C to issue an explanatory letter to homeowners regarding this proposal and seek their input. A final vote on this proposal will take place at the next scheduled Board meeting (May 21, 2016).

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

Windows and sliding glass doors were replaced in unit 290. Units 232 and 294 are pending replacement Windows/Sliding Glass Doors this fiscal year. Unit 114 is pending replacement windows during the 2016-17 cycle.

Three skylights were replaced on unit 210 and a sliding glass door was replaced at unit 254.

Due to significant termite damage and deteriorated chimney flashing, large sections of oceanside sloped roofs were replaced at Units 106 and 316.

Unit garages for 312 - 314 and 316 were re-built and re-shingled due to termite damage and dry rot.

Association Carpenters replaced 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 190 to 194, 206 to 216, 258 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 106 oceanside (partial), 130 to 132, 160 to 162, (long run), 204 entry, 254 through 258, 284 and 286 entry, 286 to 288 (long run and work in progress) and 306 oceanside, (partial). In preparation for the winter storms, we recently 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

A Monterey Cypress fell and was removed near unit 248, 1 near 160, 1 near 290 and a large tree section was removed at the front guardhouse after falling and blocking the entrance to the colony. All were cleared to landfill.

Many trees throughout the colony have weakened root bases due to the drought and once the ground was saturated by the winter rains, strong storm winds easily blew them down. I have had to significantly trim many of the Monterey Cypress trees which were top heavy and slowly uprooting.

Due to major erosion and loss of foredunes, I contacted John Kasunich, a coastal engineer and had a site visit with him on Saturday, January 23, 2016 to discuss the upcoming pattern of storms and long-term forecast for the Salinas State Beach area. He admitted he had not seen erosion like we were experiencing in many years and we talked about the different weather combinations that would affect the safety of the homes and infrastructure. After a relatively calm February, I consulted with John Kasunich on March 3, 2016 about the upcoming weekend weather pattern and with his concurrence, I decided to deploy barriers in front of units 270 through 278 with an additional row of barriers in front of 276 to deflect water and debris from the septic system tanks. Over the next 2 weeks there has been considerable wave run-up, energized wave action and moderately high tides along with a deep scouring of the ocean floor between 270 and 278 as well as 180 through 194. There has been an extensive loss of foredunes, as much as 65-75 feet in front of 276.

We have conducted multiple inspections and have seen no sign that any of our 18 active leaching fields have been compromised.

We have closed several beach access ways because they have become dangerous, some of which may be closed for some time until we can replenish some of the beach sand and cut a new path to the beach.

Terminix Maintenance Program Update

Building Fumigations for drywood termites:

January 27, 28, and 29, 2016

Units 312-314-316

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
January 22, 2016	Unit 132 garage Unit 146 garage Unit 282 master bedroom Unit 196 fireplace area, (2nd treatment)
February 2, 2016	Unit 254 garage
February 4, 2016	Unit 184 oceanside deck and windwall Unit 188 oceanside deck
February 8, 2016	Unit 106 roof

Terminix still has over 25 unit roofs to inspect and are waiting for better weather to make these inspections.

Coastal Projects

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>

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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, CSPA, 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.

As of March 18, 2016, the MCWRA is not scheduled to break the Salinas River as flows have not accumulated from the Arroyo Seco down to the Salinas River. Point Blue has completed inspections of the lagoon area and reported no Plover nests at this time, (probably due to the severe weather we have had this month), in the event the MCWRA needs to break the river under emergency conditions.

Over the next few weeks I will be inviting a representative from the Army Corp of Engineers, (ACOE) for a site visit. I plan on including our coastal biologist and coastal engineer to this site visit. The purpose of this visit is to establish ties with the ACOE and to understand the options open to the colony during emergency conditions.

On Friday (Mar. 18), State Assembly member Mark Stone will be holding a special oversight hearing at the Moss Landing Marine Labs "to discuss beach erosion and declining sand supplies along the Central Coast and throughout California." Judging from a recent article in *Coast Weekly*, much of his focus will be on the Cemex

sand plant; some recent research concluded that the amount of sand eroded from the southern Monterey Bay shoreline is similar to the amount of sand mined by Cemex. I plan to attend and will have more on this meeting at the board meeting the next day.

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MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the January 2016 billing period, there were 6 units that exceeded the Tier 1 water conservation limit. Three units were under the \$5.00 billing limit. Two units were in Tier 2 and 1 unit in Tier 3.

During the February 2016 billing period, there were 4 units that exceeded the Tier 1 water conservation limit. Three units were under the \$5.00 billing limit. There were no units in Tier 2 and 1 unit was 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

Association Indemnification for Release of Information during Sale of Unit

When homeowners sell their homes, the Title Company issues a "demand" (a set of questions and a request for documents) when escrow begins. It is becoming more commonplace that there is also a set of questions from the borrower's lender. Escrow demands and lender's questions are becoming more and more complex, so much so that it is thought to be prudent to get an indemnification from the seller, in case any of the answers to the questions causes the sale to fall through. After discussion, the Board elected to take no action at this time.

OLD BUSINESS

There was no old business.

OWNER'S STATEMENTS

Water Billing

A homeowner in the audience suggested that the Colony water billing be based on the average usage of a period more than one month. After discussion, the Board chose not to change their policy of billing on a monthly basis; however, if an individual Board member feels that they would like to change the water billing policy, they can bring up the issue at the May 21 meeting.

Speaker Series

George Maciag said that years ago the Colony had a speaker series where guest speakers would address homeowners after the Board meetings. If there is enough homeowner interest, he would like to revive this program and the first guest speaker would be our coastal biologist, David Shonman, on May 21 after the Board meeting. After discussion, it was felt that there was sufficient interest to have Mr. Shonman speak to the homeowners on May 21 after the Board meeting.

WATER COMPANY BUSINESS

Addressed in Managers Report.

ADJOURNMENT

The meeting was adjourned at 11:20 a.m. The next meeting is scheduled for May 21, 2016 at 10:00 a.m.

Respectfully Submitted

//s//

Thomas J. Bugary, CCAM
General Manager and Secretary

EXECUTIVE SESSION

Five hearings were scheduled for violations to Association ground rules. Additionally, there were two homeowner requests to waive late fees for Association dues.

Treasurer's Report Jan and Feb 2016

This report covers our fiscal year budget status through February 29, 2016.

Account Balances as of January 31, 2016 and February 29, 2016 are:

	<u>Jan</u>	<u>Feb</u>
Total MDCA Reserve Funds	\$2,585,273.73	\$2,598,344.65
+ <i>Comm Assoc Banc (CAB) Reserve</i>	\$ ---	\$ ---
+ <i>ICS Reserve (Bank Acct)</i>	\$ 774,934.25	\$ 786,757.56
+ <i>CDARS (CD Due 2/4/16)</i>	\$ 600,712.69	\$ ---
+ <i>CDARS (CD Due 3/31/16)</i>	\$ 300,878.66	\$ 300,962.34
+ <i>CDARS (CD Due 3/30/17)</i>	\$ 301,583.41	\$ 301,734.40
+ <i>CDARS (CD Due 3/29/18)</i>	\$ 302,618.42	\$ 302,868.57
+ <i>CDARS (CD Due 1/31/19)</i>	\$ ---	\$ 601,039.63
+ <i>CDARS (CD Due 3/26/20)</i>	\$ 304,546.30	\$ 304,982.15
CAB Operating	\$ 119,402.63	\$ 65,863.43
RABOBANK Petty Cash	\$ 478.42	\$ 373.67
CAB Water Operating	\$ 17,620.30	\$ 19,266.47
Total Water Reserve Funds	\$ 99,011.37	\$ 103,063.77
+ <i>CAB Water Reserve</i>	\$ ---	\$ 2,718.53
+ <i>ICS Water Reserve (Bank Acct)</i>	\$ 99,011.37	\$ 100,345.24

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

John Steinhart