

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

July 16, 2011

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 called the meeting to order at 10:00 AM, July 16, 2011 at the Monterey Dunes Colony Clubhouse and established that there was a quorum.

MINUTES

The Board reviewed the draft minutes of the May 28, 2011 directors meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Jim McFeeters, Treasurer, gave the Treasurer's Report for May and June 2011. Jim noted that the payments to the Capital Reserve Replacement Fund and to the Mutual Water Association were current. Additionally, Jim 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, Committee Chair, reported that the committee had met the previous day to review both the water company's and the colony's unaudited finances for FY 10-11. The unaudited operating income for the colony is \$34K+, however we anticipate adjustments in the audit that will bring the income to the mid \$20's. The colony's reserve spending was underbudget by more than a quarter of a million dollars. About \$35K of that was due to a delay in the Asphalt project (re-paving the colony street and parking areas) from FY 10-11 to FY 11-12. This delay was due to a lack of bidders to complete the project. Most other reserve savings came from deferments and will contribute to the reserve funding increase plan.

Most of the finance meeting was devoted to cyber security. The first topic was network security – a network is just a name for two or more computers that can share commands, data, and other hardware. The only two management computers that are networked together are in the office. The safety protocols for this network include a firewall, regular virus updates from McAfee, and Microsoft updates for both window explorer and the office suite. The only recommendation the committee made to management for additional network security is copying ACH files containing bank account and routing numbers to a flash drive and then destroying the original file on the hard drive. As far as operational procedures are concerned, management consistently changes passwords every 60 days; copies and pastes passwords when possible (to avoid keystroke logger programs); and all physical security devices, including flash drive backups, are kept in a locked safety deposit box. There is no way to protect yourself 100% from cyber theft, you can only make it less likely; the committee believes that management has taken all of the necessary measures to make it less likely.

The second topic under cyber security was bank transactions. Management was given a fob, a small mechanical device that provides a unique number, by our bank. Both parties have access to this unique number and it is used to provide authorization every time we initiate a monthly ACH deposit. Inter-bank transfers exceeding \$100,000 requires telephone authorization, and any bank transfer to an account outside the bank requires telephone authorization.

The third topic was a recommendation to the Board that they add an additional layer of security to our website by subscribing to an SSL (Socket Security Layer) service provided by our web host. This SSL makes it virtually impossible for anyone to intercept a message from a remote user to our website. The cost for the SSL service is a one- time set-up fee of \$150 and an annual fee of \$180 less a 10% discount for paying in a lump sum rather than monthly. The committee also recommended that management send a letter to the homeowners explaining phishing and alerting homeowners to be vigilant. The Board M/S/C both recommendations.

Finally, the committee reviewed the insurance policies that with effective dates of Aug 1 – July 31, specifically flood insurance, directors and officers (D&O) insurance, and fidelity & dishonesty insurance. It was noted that the Colony's Fidelity and Dishonesty insurance policy does cover both cyber theft and cyber crime up to \$800,000 which seemed an appropriate coverage. Tom will check on the amount of D&O coverage we have to verify that it is an appropriate amount given the ever-increasing net worth of the association

ADHOC WAVE RUN-UP COMMITTEE

Ted Swanson, committee chair, gave a verbal report stating that the committee had an impromptu meeting on Sunday, July 3, to review the events that have happened since we received an infamous letter from the County stating that our barriers were unacceptable armoring. We were successful in having a face-to-face meeting with the author of that letter, Mike Watson. That event has led to a number of positive events in regards to protecting our colony. Yesterday, a meeting was held with our assigned County planner (previously assigned to us) and she was brought up-to-speed on the events leading up to the purchase of barriers and the implementation plan. The focal point is a request for permit in two modes - one mode will be an amendment to our old permit (which is still viable) letting us fill our dune voids with sand immediately. The second mode will be a long-term approach for a perpetual permit allowing us to fill-in voids in the dunes with sand on an as-needed basis. We also discussed how to best use a 2005 report from a marine sanctuary group that highlights the importance of sand to our system

from both the wind and the river. The report also provides historical data on where coastal erosion has been from downtown Monterey up to the Salinas River. The zone of greatest erosion is an area in Fort Ord. Alternatively, we are in a zone where erosion is quite minimal due to an offshore sandbar that mitigates the waves.

ADHOC SURVEY COMMITTEE

George Maciag, Board president, made a suggestion that the survey be deferred until after the Board election in October due to numerous activities going on. It was noted that Harley McAdams volunteered to put the survey onto Survey Monkey when it was ready to be beta tested by 5-6 homeowners before it is released to all homeowners.

NOMINATING COMMITTEE

Jim McFeeters, committee chair, gave a verbal report. Jim reported that the committee – Dick McKelvey, Marty Deggeller, and Jim McFeeters – met on July 15 and July 16. The primary charter was to review the documentation from six association members who have put in their bid to run for the five Board positions. The committee reviewed all documents to ensure compliance with MDC and state requirements related to association elections. The six candidates are Bob Dickinson, George Maciag, Bill Michaels, Tom Nolan, Jeff Schwartz, and Ted Swanson. The committee determined that all six candidates are qualified to run for election. Ballot packages will be sent to the association members by August 22, 2011 from a third party election company and will include statements from all candidates.

GENERAL MANAGERS REPORT

This report covers work completed in last fiscal year 2010-2011, July 1, 2010 to June 30, 2011.

Deck and Fence Replacements

Association carpenters completed 17 decks last fiscal year, 2 more than projected and budgeted but all necessary replacements. Decks were replaced at units 136, 140, 142, 144, 146, 180 (x2), 192, 194, 196, 230, 232, 240, 278, 286, 304 and 336.

Unit courtyard fences completed all or in part from July 1, 2010 to June 30, 2011 are at units 152, 160 (garage area), 194, 196, 202, 206, 208, 232, 242, 296, 306, 308, 318, 320, and 336. Fence replacements are determined based on age and degree of deterioration.

Landside Boardwalk Replacement

Landside boardwalks have been replaced near units 140, 142, 144, 146, 160, 190, 192, 194, 196, 198, 200, 202, 230, 242, 244, 248, 288, 272, 274, 276 (garage area boardwalk), 278, 280, 282, 304, 306, 308, 320 and 340. Boardwalk is replaced as necessary and, at times, ahead of the current reserve schedule. Our landside boardwalk system is deteriorating in some places to a point where once reported, immediate replacement is required to avoid homeowner/guest accidents. I am over budget in this line this year; however, the money spent is commensurate with completed work.

Built Up Roof Replacement Project.

Carl Black Construction completed replacing the flat roofs with associated skylights and repairs to units 222, 336, 148, 228, 276, 322, 242 and 244. While several of these flat roofs needed replacement earlier than scheduled, I continue to defer the remaining 42 flat roofs and replace as needed and will continue to adjust the reserve replacement schedule accordingly.

Window and Entry Door Replacement

Association carpenters replaced 15 windows/sliding glass doors and 10 entry doors this fiscal year. Because we were able to defer many replacement windows out a year or more, this line finished well under budget. Unit 256 received new windows while entry doors were replaced at 124, 136, 140, 202, 248, 252, 278, 284, 304, 334 and a charge-to-owner replacement door at the garage of unit 220.

The association has entered into an agreement with Milgard whereas they will supply full-casement window hardware and the association will replace the hardware in-house using our existing maintenance crew. Window/Sliding Glass Door hardware deteriorates quickly in our coastal environment and requires replacement twice as fast as with normal wear and tear.

Chimney Chase Covers

During the course of the fiscal year, association vendors installed 7 new chimney chase covers at units 112, 136, 260, 262, 276, 330 and 334. These are high-value components costing about \$500 or more each. Chase Caps are made of a combination of copper base-plate with a welded stainless steel riser to preclude electrolysis when contacting the galvanized outer shell of the flue pipe.

Bad Debt and Unit 242

The association has rented unit 242 (month-to-month) to a couple for a reduced price in order to realize some income rather than let the unit sit empty until it is foreclosed on. The lease stipulates that the tenants may have to vacate the unit in as little as 60 days after the unit sells. However, as of the 15th of June, the mortgagee's have not been given a notice of default. Creative Property Management marketed the unit and secured the tenants for a one-time fee of \$1,800. Management of the unit is the responsibility of the association.

Asphalt/Road Repair Project

On April 26, 2011 management sent out bid packets to 4 asphalt companies, 2 local (union) companies, one local sole proprietor and one (union) company in the San Jose area. To date I have received three responses, one from the sole proprietor who was unqualified to do the work, another from a local large paving and construction company, and the third a decline to bid from a company out of San Jose. I extended the dates to accept bids until July 15, 2011 and met with three other asphalt repair companies at the ECHO Conference on June 18th. All three expressed interest in the contract but only one has come out to go over the project. I expect their bid shortly. I have informed the finance committee that the \$35K in reserve funds programmed for this project will have to be pushed out into the next fiscal year. Contractors cite fuel costs as the main reason they want to stay local and not travel for work.

Ted Swanson, Board Director, was elected to review the two bids that management has in their possession and choose a final contractor.

Smoke Detector Upgrade Requirement

Monterey county has recently started requiring assurances from either Roofing Contractors or homeowners that:

“In addition to the general roofing requirements, the 2007 California Building Code requires the installation of smoke detectors per Section 907.2.10.5.2 when the valuation of the issued permit is \$1,000.00 or more.” The code calls for upgrade from having a smoke detector in each hallway, (1993), to having smoke detectors in each bedroom and in the hallway. As homeowners require reroofing, they will be notified of this requirement and asked to comply before the contractor can start his work.

The Board discussed this new smoke detector requirement and felt that it would be appropriate to put an article in the next Dunescape explaining this requirement to homeowners.

Consumer Confidence Report

Management sent homeowners the 2009-2010, (Calendar year), Consumer Confidence Report on June 29, 2011. This report is compiled after the end of the year with a suspense date of June 30 the following year for distribution. Homeowners can always obtain up-to-date water information by calling the office or by sending the General Manager an email/mail with your request

Coastal Projects

From last report:

On April 1, 2011, management met with Amy Palkovic and David Dixon, environmental scientists from California State Parks concerning their request to block off a public access boardwalk to the beach for Plover nesting concerns. This beach access way, between units 316 and 318 has historically been an area for heavy nesting. After discussing this request with members of the board, I offered to permanently reroute the boardwalk in a fashion where the redirected boardwalk serves two purposes; 1, to accommodate public access to the beach and 2, to serve as a foundation for wave run-up protection barriers in the event of an emergency. Both State Parks and the California Coastal Commission (Mike Watson) are aware of this informal adjustment through meetings and email correspondence. Joey Dorrell-Canepa, a local coastal biologist, inspected the proposed site for endangered plants reaffirming and marking the proposed route. This boardwalk access to the beach is scheduled to reopen in October.

On March 22, 2011, the US Fish and Wildlife Service published a proposal to revise the designated Critical Habitat for the Snowy Plover under the Endangered Species Act of 1973. One of the proposed sites to re-designate is the shoreline adjacent to the Monterey Dunes Colony, (CA 22). Management became aware of this proposal in early April and we began to understand the possible implications of the proposed rule change. Upon receiving approval from the board president, David Shonman (our contract Coastal Biologist) and I researched and developed a comment for submission before the public comment cut-off date of May 23, 2011. The board president approved the comment on May 23, 2011 and the colony's comment was accepted by the USFWS and recorded on that same date. It is available for any future actions we may need to take in order to secure both federal and state permits to protect the homes and property in the colony. The link that contains the proposed rule is:

http://www.fws.gov/arcata/es/birds/WSP/documents/WSPCH_March2011/FWS_FRDOC_0001-0558.pdf

A copy of the association's response, submitted before the established deadline for public response is attached to these minutes for record.

On May 11, 2011 the colony accepted an additional 18 truck loads of sand from the county's river mouth dredging project. This brings the colony's stockpile to approximately 450 yards of sand. This sand will be extremely valuable when the association is permitted to dump local sand out on the foredunes to fill the voids. At the recommendation from Mike Watson, California Coastal Commission, MDCA is submitting a request for a Beach Nourishment Permit to the local county coastal planner for approval. Once approved, this project will be scheduled during the winter season to avoid any disturbance of the snowy plovers.

On April 21, 2011, we received a preliminary report from Native Solutions, Joey Dorrell-Canepa (Dune Biologist), mapping out the proposed rerouting of the boardwalk between units 316 and 318, scheduled for October of this year. The final report was received on 6-30-2011 along with the route, identified on an existing map of the southern end of the property.

On June 28th, David Shonman sent a letter on behalf of the colony to Ms. Laura Lawrence, the Planning Services Officer for the Monterey County Planning Department. The letter provided background information concerning dune erosion, beach and dune maintenance and requested information concerning types of permits needed and/or possible waivers for ongoing annual soft fixes to our breached foredunes. Ms. Lawrence responded by assigning Liz Gonzalez to the project. Liz was the coastal planner who worked with us during the developmental stages of the geotube permitting process. She has scheduled a site visit for Friday July 15, 2011. David Shonman, Ted Swanson, and I will escort Liz and discuss how to replace acquired sand out in the breached areas.

On 7-20-2011, the colony will again host a meeting between Federal and State Government Agencies, local landowners and other interested parties at the Monterey Dunes Clubhouse. The meeting is scheduled to last for about 2 hours.

Agenda items are:

- Update on Current lagoon conditions; breaching, river flows, protected species, stakeholder update, management concerns.
- Lagoon Management Recommendations Review; review of the 23 management and enhancement recommendations from the 1992 Salinas River Lagoon Management and Enhancement Plan.
- Development of a Task Force to carry-out highest priority/feasible recommendations.

We are working on the letter to Congressman Farr (*action item*), seeking his support for our response to the USDFW concerning the proposed rule change of classifying the beach westward of the colony as critical habitat for the Western Snowy Plover. I should have the letter finished and for board review sometime next week.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the May billing period, there were 10 units that exceeded the Tier 1 conservation zone, 5 were under the \$5.00 billing limit and therefore not billed. Three units exceeded Tier 2 and were billed for excess water use.

During the June billing period, there were 12 units that exceeded the Tier 1 conservation zone, 5 were under the \$5.00 billing limit and therefore not billed. Three units exceeded Tier 2 and were billed for excess water use.

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.

The 212,000 gallon water storage tank located in the maintenance area was sand blasted and repainted with a 2-part epoxy paint. The tank has recently been identified as a component for early replacement in the reserve schedule. The finance committee will be evaluating the impact replacing this tank will have on our Water Company Reserves.

OLD BUSINESS

None

OWNER'S STATEMENTS

#206 Wedding

George Maciag stated that a child of unit #206 homeowners would like to get married at the colony. The #206 homeowners approached George about making a presentation to the Board in order to obtain approval for their wedding plans. George suggested to the Board that the homeowners be referred to the ECC as he felt it was a more appropriate approval venue and the rest of the Board concurred.

Internet Usage

There were several homeowner statements, all focusing on internet usage at MDC. Currently, the only hi-speed internet provider at MDC is Redshift. There were several complaints about Redshift because the internet is either sluggish a large percentage of the time or is not working the rest of the time. Management will look into other internet options as they become aware of any.

NEW BUSINESS

Review Bids for outsourcing election of Directors

This year, for the first time, MDC has more candidates running for the Board than available positions. Therefore, MDC will hire a third party election company to oversee the elections. At today's meeting, the Board will review three bids and determine a final election company. After discussion it was agreed to hire **The Inspectors of Election (TIE)**.

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 meeting of the Board will be on September 17, 2011 at 10:00 a.m.

FOR THE BOARD OF DIRECTORS:

//s//

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

Treasurer's Report March and April 2011

This report covers our fiscal year budget status through April 30, 2011.

Account Balances as of March 31 and April 30, 2011 are:

	<u>Mar</u>	<u>Apr</u>
Comm Assoc Banc (CAB) Reserve	\$ 805,614.15	\$779,020.64
CAB Operating	\$ 66,301.14	\$ 81,581.12
RABOBANK Petty Cash	\$ 784.71	\$ 166.27
CAB Water Operating	\$ 25,145.52	\$ 26,568.68
CAB Water Reserve	\$ 406,793.88	\$408,287.46

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