

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
January 10, 2004**

PRESENT

Mary Jansing-Balگوoyen, President
Jeff Schwartz, Director
John Steinhart, Director
Tom Bugary, Secretary and General Manager

ABSENT

Ellen Michaels, Vice-President
Marty Deggeller, Treasurer

WELCOME

Mary Jansing-Balگوoyen called the meeting to order at 10:00 AM, January 10, 2004 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA. 95012.

MINUTES

The Board reviewed the minutes of the December 6, 2003 meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

In lieu of reading the account balances from the treasurer's report, Mary Jansing-Balگوoyen, reporting for Marty Deggeller, stated that the report for December 2003 was attached to these minutes. In addition, Mary stated that the payments to the Capital Replacement Fund of \$16,320.00 per month and \$3,577.20 per month to the Mutual Water Association are current.

CC&R/POLICY REVISION COMMITTEE REPORT

Mary Jansing-Balگوoyen, reporting for Marty Deggeller, stated that the Committee has been working on updating the Association's CC&Rs for over two years and were getting close to finishing the draft revision. The Committee had planned to present a report to the Board at today's meeting, but decided to have this meeting as an opportunity for additional homeowner discussion and comment. After reviewing all comments, hearing all the

discussion and a final attorney review, the revised draft will be presented to the Board and subsequently to the homeowners for approval.

The Committee considered several issues expressed by homeowners over the past few weeks, through email messages, letters, and at Director meetings. In light of these homeowner comments, the Committee has amended the draft documents to retain the current quorum requirement of a 2/3-affirmative vote by the membership to amend the CC&R's, and to retain the system of cumulative voting. There are a few other homeowner comments recommending changes in wording, definitions, and verbiage that still needed to be addressed, some with the assistance of Jim Crafts and Bill Hoisington. The committee will meet again next week to address these recommended adjustments. At this point, Mary asked if anyone from the homeowner audience had any additional concerns.

Mary Ann Hoisington stated that at a prior Director's meeting, she had asked if the proposed CC&R's would extend the amount of time that a homeowner had to review neighboring plans from an Environmental Control Committee (ECC) request. Currently, homeowners are sent a letter informing them of the request and given 10 days to review to the plans and to comment. Mary Ann felt that it would be appropriate to allow more time to examine any ECC plans or drawings in the Clubhouse. Mary Ann went on to say that she did not see this change in the proposed CC&R's. Another homeowner commented that the time limit was a policy, and not in the CC&R's. Mary stated that the Committee would address the issue and make sure the extended time for ECC issues is addressed. Mary Ann also had an issue with hanging banners on the property. Mary responded that she would also look into this. Tom stated that there were new laws governing banners and non-commercial signs, which give homeowners the right to have them on their personal lots, regardless of what our governing documents might say.

Dick Wishner stated that he would like to see a preamble to the CC&R's that states "the CC&R's are for the greater good of Monterey Dunes Colony Association...Maintaining or enhancing the current level of quality...". Mary responded that there will be a preamble and that it was already in the works. The preamble was secondary to getting the actual CC&R's going out to the homeowner for review and comment.

FINANCE COMMITTEE REPORT

Frank Williams reporting for John Gentry, Chair of the Finance Committee, stated that the Committee had met this morning before the Board meeting. The Committee reviewed the financials for the Association through December 31, 2003. There were no anomalies in the financials that needed Board attention at this time.

Additionally, Frank reported that the relationship between MDCA and Union Bank of California has shown marked improvement. We now have better service, internet access, and lower fees.

ADHOC RESERVE PROJECT COMMITTEE

Bill Michaels, Chair, reported that the Committee, consisting of himself, Jim McFeeters, and Jeff Schwartz, was created to adjust and modify the “peak years” in the Barrera and Co. Reserve Study for years 6 through 10, and then work with the Finance Committee to develop a draft Reserve Budget for those years.

Bill said that the Committee has met several times and completed a Draft Reserve Plan for years 6 thru 10 [July 2005 through July 2010] that would require a special assessment of approximately \$5,040 per unit per year to fund the reserve. The three largest expenses on this budget are Windows, Siding, and Decks. The Window and Sliding Glass Door Project, Decks, and Sidewall Shingles were all extended out past their projected lifecycles in the hopes that through increased inspections, careful selection criteria and use of in-house labor we could extend the projects out a few years. In some cases such as sidewall shingles, we doubled the amount of time for the project from four years [as depicted in the Barrera Reserve Study], to eight years.

Bill clarified that although the siding project will be an 8-year project, only 5 of the 8 years will be funded under the current plan. The remaining 3 years cannot be calculated until we get closer to the time to develop a new budget. Bill did note that there would be additional requirements for special assessments after years 6 thru 10 [June 2005 through July 2010].

Bill stated that another considerable expense during this budget was the repair of the tennis courts. Of the six courts in the Colony, the two closest to the swimming pool are currently locked and unusable due to severe damage to the surface, and with deep structural cracks. Under the proposed budget plan, these two tennis courts would be repaired and then converted into basketball courts. Of the four remaining tennis courts in use, one of the main courts, court #3, has been resurfaced with a sportcourt overlay. The Reserve Study, and Committee budget plan calls for the other three courts to be resurfaced with sportcourt. Bill said that the committee is aware that a group of homeowners oppose the use of sportcourt to resurface the remaining three courts. The Committee has discussed the sportcourt surface verses a conventional asphalt surface and understands that there is a difference in the two types of playing surfaces. Tom has been tasked by the committee with obtaining costs for both sportcourt overlay and to rebuild the courts to original specifications. These costs will be calculated into an alternate plan and presented with the other draft budget to the Board by the next Board meeting.

A homeowner suggested that the Board send out a Survey to find out how much money the homeowners are willing to spend on tennis courts. Another homeowner objected to this survey stating that it was very likely that the majority of the homeowners would go the cheaper route of sportcourt verses a quality repair. The owner felt that he purchased his home with the expectation that the facilities would be maintained to the original quality and not downgraded, or cheapened because of budget constraints. Mary stated that she understood his concern and stated that the Board would consider his views before taking action or recommending either budget.

Jim Crafts stated that in order to change the configuration of the facilities in the Colony, the homeowners may need to approve the change with a 2/3 vote of the membership, and not through a simply survey, or board action. Mary responded that she did not see anything in the CC&R's precluding the conversion of common area facilities but would explore it further.

The Board of Directors M/S/C a motion to accept the report prepared by the Reserve Committee and could expect to compare costs in two versions at the Board meeting in March. At this point, Mary opened up discussion regarding the report.

Dick Wishner commented that, in his opinion, the Colony has an obligation to maintain the original amenities that were built, and to improve upon them. Dick stated that the sportcourt is not an improvement. Therefore, the Colony should at least meet the original standards of the tennis courts, just as we meet or improve the original standards of the swimming pool, sauna, hot tub, etc. Dick further stated that he did not believe that the Association should ask homeowners their opinion on the expense of maintaining the courts as originally built, but instead, should ask them if the principle of maintaining or enhancing the Colony amenities should be our overriding goal and, whether the tennis courts are a Colony amenity that should be maintained to original standards. In other words, the tennis courts are a part of what each homeowner purchased and there is an expectation that the tennis courts would remain as good as they were when each owner purchased his/her homes.

A homeowner brought up a point that the tennis courts are used less and less each year, and asked; "wouldn't it be better to enhance an amenity that a larger percentage of homeowner's would enjoy, instead of an amenity that only a few homeowners use"? The homeowner also stated that "since it is the homeowner's money we are talking about, shouldn't they make the decisions as to how their money is spent."

After hearing all arguments, the Board M/S/C to send out a non-binding survey regarding the use of the tennis courts with all information available, including arguments and related expenses. The general manager will draft the survey after he receives the costs for the tennis court rebuild from the contractors.

GENERAL MANAGER'S REPORT

Deck and Fence Replacements

We have replaced 12 of the 25 allocated decks for this fiscal year, (July 1, 2003 through June 30, 2004). We have identified and are scheduling the additional 13 decks for replacement between now and June 30th.

We have not yet started fence replacements and intend to accelerate annual fence replacements starting in this month. We have identified over 700 linear feet of fencing that will require replacement this fiscal year.

Window Replacement Project

We have replaced 127 out of an allocated 218 windows since July 1, 2003. In addition, we have repaired extensive termite and water damage in units 298, 244 and in the clubhouse. We also continue to reset vinyl block frame windows and reseal these windows as they are identified. Houses scheduled for replacement windows in the near term are units 116, 266 and 156, and 114.

This month I am conducting my annual re-evaluation of all windows, decks and fences on the property in order to update the reserve study for next year. These inspections are necessary in order to get valid counts on replacements and to project expenses out past the 2004-05 reserve budget cycle.

Sidewall Shingle Project Update

MDCA is scheduled to receive 3,300 bundles of sidewall shingles late this month. These shingles will be used in Calendar year 2004 to resurface some of the buildings. This purchase is the start of approximately 8-years of an in-house sidewall shingle replacement project. The shingles will be covered and stored in the back corners of designated residential parking lots until used by the Association staff. Management will coordinate with unit owners as repairs are scheduled for their respective units.

Progress Report, Well #4

We have capped off the south well from the main feed lines, and disconnected the well from the southern end of the distribution line in preparation for the drilling teams to arrive late this month. We will begin cutting away the brush and trees near the drill site next week 1-12 through 1-16-04, and should have the site prepared for the drillers by the time they arrive. The first construction crews will level the well site and lay a hard base rock surface for the equipment to operate on. Upon completion of the drilling, and development of the wellhead, this base rock overlay will be removed allowing for the restoration of the dune area around the well site.

The wellhead will be developed in April 2004 and the site will be restored this summer, and will look similar to the well site of our existing well near units 170, 172 and 174.

OLD BUSINESS

None

NEW BUSINESS

None

WATER COMPANY BUSINESS

Status on Well #4

Addressed in the Manager's Report

Other Water Company Business

None.

ADJOURNMENT

There being no further business, the meeting was adjourned at 1:00 p.m. The next Board meeting will be at 10:00 a.m. on March 27, 2004.

FOR THE BOARD OF DIRECTORS:

Respectfully Submitted,

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

EXECUTIVE SESSION

Following the adjournment of the Board meeting, the Board held an executive session to discuss personnel matters.