

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
January 22, 2005**

PRESENT

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

ABSENT

Ellen Michaels, Vice-President
Marty Deggeller, Treasurer

WELCOME

Mary Jansing Balgooyen called the meeting to order at 10:00 AM, January 22, 2005 at the Monterey Dunes Colony Clubhouse. Before proceeding to the next agenda item, Mary announced that a long-time Association member, Mr. Keith Fraser, passed away on December 6, 2004. On behalf of the Colony, the Board would like to extend their sympathies to his wife, Marilyn.

MINUTES

The Board reviewed the minutes of the November 20, 2004 meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Mary Jansing Balgooyen reported for Marty Deggeller, Treasurer. In lieu of reading the account balances from the treasurer's report, Mary stated that the financial report for both November and December is attached to the minutes. Mary told the homeowners that 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.

FINANCE COMMITTEE REPORT

Frank Williams reported for John Gentry, Chair. The Committee reviewed the financial statements of MDCA for the first 6 months of FY 2004-2005. Frank reported that this

fiscal year is the last year of a 5-year reserve budget that was prepared in 1999. He noted that over the past 5 years, requirements changed and budget lines were shifted to meet these requirements. In the last year of the 5-year plan, it looks somewhat different than it did in 1999. Some of the line items such as deck and fence replacements were over-budget due to material increases, while other lines such as windows were under-budget. Overall, it seems we will finish the 5-year plan close to budget with most of the programmed work completed.

Frank reported that long-time Finance Committee member, John Magee, has resigned his position as of today. John purchased a home in Philadelphia and will be moving back there to be closer to his relatives. Frank asked the Board President to consider filling the vacancy in the near future. Mary thanked John for all his hard work on the committee and noted that he is one of the original owners in the colony, as well as its first president.

The Board requested that Tom prepare a 5-year report comparing actual expenses for each reserve line to budgeted expenses and work projected to work completed after the end of this fiscal year.

ADHOC WATER CONSERVATION COMMITTEE

John Steinhart, Chair, presented a report that proposed that the Association charge water conservation fees for excessive water use by individual homeowners. John explained how the committee collected data and studied local water service fee schedules, and ultimately selected a model close to what Castroville uses. These conservation fees would be billed monthly, directly to homeowners who exceed reasonable water use in their units. John went on to explain that the Committee and Board felt that promoting water conservation was not only the right thing to do, but also a legal responsibility of the Water Company Board. The proposed fee structure is based on 3 tiers of water use:

- ⇒ Tier 1 Up to 125 gallons of water per day (GPD). Fees covered in homeowner's dues, \$31.25 per month, operating and reserve.
- ⇒ Tier 2 Households using more than 125 GPD but less than 250 GPD will be charged \$.005 per gallon for the overage.
- ⇒ Tier 3 Households using more than 250 GPD will be charged \$.005 per gallon for usage between 125 GPD and 250 GPD *and* \$.03 per gallon for water use in excess of 250 GPD.

Revenues collected will be deposited in the Water Company Reserve account in an income line titled "Life of Project", and will be used to offset those expenses that we do not budget for such as: water wells, water distribution lines, sewer lines and tanks, and septic leaching fields.

After a lengthy discussion of available options, the Board M/S/C the committee's proposal with an effective date of March 1, 2005. The Board instructed Tom to send out a detailed information letter to each unit owner notifying them of the implementation of this water conservation program.

ENVIRONMENTAL CONTROL COMMITTEE REPORT

Tom Bugary reported for Ellen Michaels, Chair. Tom reported that the ECC had met on January 20, 2005 and the following actions were taken. The committee:

- reviewed a revised application from #172 to “replace their fireplace; extend their dining room under the existing balcony with a sliding glass door entrance; and, to add a skylight.” The committee approved the revised application.
- reviewed a landscaping application from #182. The committee approved the application as submitted.
- reviewed an application from #340 for a main entrance screen door. The committee approved the application as submitted.

GENERAL MANAGER’S REPORT

Deck and Fence Replacements

We have replaced 17 of the 25 decks identified as unserviceable this fiscal year, (July 1, 2004 through June 30, 2005). We continue to combine deck replacements with other major construction projects when possible. Decks were inspected and re-prioritized by management in December, 2004. Decks scheduled for replacement in the near term are at units 128, 142, 148, 162, 168, (172 x 2), 174, 178, 182, (190 x 2), (196 x 2), 198, 202, (204 x 3), (212 x 2), 240, 246, 266, 274, 276, 292, 306, 320, and 330. We are also scheduled to replace the windwall on the west side of the clubhouse in the last quarter of this fiscal year. I have recommended additional funding for the deck replacement reserve line this year to meet replacement priorities. I have recommended to the finance committee that we reduce the window line by \$100K (approximately 40-50 replacements) this year, and “plus up” the deck line. Once caught up, we can reverse the process and emphasize on windows in a future reserve budget.

We have replaced over 3500 feet of courtyard fencing and gates since July 1st, and are well over our estimated amount of replacements for this fiscal year. Management has reevaluated the fence replacement schedule for the remainder of the year and will require additional funding for the remainder of the year. I will be presenting an adjusted schedule to the finance committee with a recommendation to shift funds from other programs to cover additional fence replacements still pending this year.

Window Replacement Project

We have replaced or reset 63 windows since July 1, 2004. Scheduling issues, inclement weather and priority deck and fence replacements have reduced the number of windows replaced this year. We have identified all replacement windows for this fiscal year.

MDCA Common Trash Bin

There has been an increased amount of large disposable items placed in the common area trash bin such as washing machines, dryers, televisions, microwave ovens, construction debris, and even a kitchen sink. There is considerable cost for getting rid of these items at the local trash point. Consequently, our landfill and disposal line is over budget and continuing to escalate. I have locked the trash bin in an attempt to keep the large items out and request that homeowners refrain from using this bin as a dumping service.

2005/6 through 2009/10 Reserve Special Assessment

The deadline for returning ballots for the 5-year Reserve Assessment was on January 18, 2005. The ballots were cast as follows:

101 units turned in ballots or 84.2% of the units.

92 votes for the assessments or 76.6% of the colony.

9 votes against the assessments or 7.5% of the colony.

The assessment was voted in and will start on July 1, 2005.

Winter Storms

Over the past few weeks we have experienced considerable storm damage throughout the colony, most consisting of leaks through doors and windows due to horizontal rain and blocked weep holes in windows and door sills. Some of the buildings were stripped of sidewall shingles and there were downed fences due to high winds. I diverted reserve manpower to help repair most of the damage with numerous window, door, and siding repairs still pending. There are many instances where the 1994 through 1999 installed vinyl replacement windows are not holding up to winter coastal weather. Milgard continues to honor their warranty with repair teams frequently on the property.

Monterey County Planning Department

Monterey County Planning issued a requirement to obtain permits to install sidewall shingles on Association buildings. After several meetings with County Planners and Inspection Department officials, the Association was issued an annual "Blanket Permit" to install new sidewall with the inspection schedule under development at this time.

Reduction in Workers Compensation for 2005

We recently were notified that our 2005 Workers Compensation policy premium was reduced from \$53,000 in 2004 to \$41,164 in 2005. This reduction is due to a combination of WC reforms at the state-level, as well as to another reduction in our safety modification factor from 87% of the policy premium to 85%. A letter from our agent is in the Director's Board Books.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

New Well Testing

We continue to monitor well #4, our new deep-water well, which showed elevated chloride levels in June, July, August and September of 2004. The levels have decreased considerably since that time and over the past three months and are now almost insignificant, registering chlorides between 40 and 60 PPM.

(Minimum elevated levels are considered at, or above 250 PPM and restricted levels, at or above 500 PPM).

One theory as to why the levels rose to as much as 160 PPM and then dropped back down was due to the proximity and destruction of the south well with possible cross connection and a temporary disturbance to the lower aquifer when the old well casing was destroyed with explosives last spring.

Plumbing Issue

Homeowners are requested to be careful of what they put in the sewer system as the colony is on 9 separate septic systems. We recently had a major block in the system, serving unit 264 through 286. When clearing the block, the plumbers found a mass of hardened grease packed in the common disposal pipe equaling about 8" in diameter and over 10' long. Grease should never be flushed down the pipes as it almost always cools before it reaches the tank and causes major blockages. Again, homeowners and their guests are reminded to be careful of what is disposed of through the septic system even if garbage is ground up through an under the sink disposal.

OLD BUSINESS

None.

NEW BUSINESS

Finance Committee Vacancy

Mary stated that in addition to thanking John Magee for working long and hard on the Finance Committee, she has had a few homeowners volunteer to fill the committee seat, and, effective immediately, was appointing Dick Love to the Finance Committee.

Homeowner's recommendation to have a financial expert review the restrictions on commercial use of association facilities.

A homeowner of unit #116, asked that the Association consider augmenting the annual operating budget by charging for some services relating to common facility use. He recommended bringing in an expert to evaluate the status of the Association and assist in

recommending those services that could legally generate income for the Association. Bill Hoisington, a long time resident, past board president and attorney, involved in the litigation concerning the prohibition of commercial activities at MDCA commented that the Association was under a court order not to operate any commercial activity or enterprise on the premises. Because the unit owner requesting the evaluation was not present at the meeting, the Board tabled any further discussion until such time that he could attend and present any specific recommendations at a Board meeting. Bill Hoisington volunteered to speak directly with the homeowner, informally, if he were to call him. The Board felt, given Bill's experience in this matter, it would be appropriate for him to talk to the homeowner "offline".

Homeowners interested in high-speed Internet capability at MDCA

Mary stated that several homeowners have expressed an interest in having high-speed internet capability here at the colony. She further stated that even though we are not DSL-compatible in this area, there are still a couple of options to obtain high speed service:

1. Redshift may be able to install a satellite dish to receive wireless high-speed Internet capability. A homeowner is looking into this possibility.
2. Mary has installed a T-1 phone line to her unit that provides her almost instantaneous access to the Internet. This line could probably be used to service the entire Colony (those interested) via antennas, (line of sight), and then hard wiring those units participating in the service. Two companies have submitted proposals regarding T-1 expansion throughout the colony.

Mary told the Board that she felt that it would be in the best interests of the colony to form an AdHoc Committee, which could work on all these issues and said she will contact Jim Forster, unit #336, and ask him to chair this committee. Jim did a great job on the satellite committee and she felt he was familiar with the different systems and options available to the colony.

Tennis Court Committee

Mary stated that there have been many suggestions from unit owners concerning the conversion of two of our unserviceable tennis courts for other uses. Some recommendations, or examples, are: Bocci Ball, Basketball, picnic area, fenced in animal run area, golf driving range, and a Shuffle Board Court. Mary informed the Board she was forming a committee to deal with the issue and appointed Jeff Schwartz to chair the committee with Bill Michaels and Ralph Briskin as committee members. The committee will consider all suggestions and make recommendations to the Board.

Elkhorn Slough Donation

Historically, the Association makes an annual contribution to the Elkhorn Slough of \$100. Elkhorn Slough has requested that we make an annual contribution for this year. It was M/S/C to make the \$100 contribution this year.

WATER COMPANY BUSINESS

Addressed in the General Manager's report.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:50 a.m. The next Board meeting will be on March 19, 2005 at 10:00 a.m. The following Board meeting will be on April 23, 2003 at 10:00 a.m.

EXECUTIVE SESSION

Following the adjournment of the Board meeting, the Board reconvened in an executive session to discuss three employee issues and two owner discipline issues.

FOR THE BOARD OF DIRECTORS:

Respectfully Submitted,

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

Treasurer's Report
November, December 2004

This report covers our fiscal year budget status through December 31, 2004.

November 30, 2004 account balances are:

Union Bank Reserve	\$ 487,540.63
Union Bank Operating	\$ 106,689.63
Union Bank Investment Acct.	\$ 7,754.04
Community Bank Petty Cash	\$ 1,078.13
Union Bank Water Operating	\$ 17,919.57
Union Bank Water Reserve	\$ 62,073.42

December 31, 2004 account balances are:

Union Bank Reserve	\$ 414,617.68
Union Bank Operating	\$ 121,336.16
Union Bank Investment Acct.	\$ 7,757.11
Community Bank Petty Cash	\$ 249.33
Union Bank Water Operating	\$ 18,771.64
Union Bank Water Reserve	\$ 63,433.42

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,

Martin E Deggeller

**Martin E. Deggeller,
Treasurer**