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

January 26, 2008

PRESENT

Ellen Michaels, President
Frank Williams, Vice President (VIA Speaker-phone)
Marty Deggeller, Treasurer
George Maciag, Director
Jeff Schwartz, Director
Tom Bugary, Secretary and General Manager

ABSENT

None

WELCOME

Ellen Michaels called the meeting to order at 10:00 AM, January 26, 2008 at the Monterey Dunes Colony Clubhouse.

MINUTES

The Board reviewed the minutes of the November 17, 2007 Directors meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Marty Deggeller, Treasurer, stated that in lieu of reading the account balances from the Treasurer's Report, the financial report for both November and December 2007 are attached to these minutes. Additionally, Marty stated that the payments to the Capital Replacement Fund of $16,320.00 per month and $3,750.00 per month to the Mutual Water Association were current.

ENVIRONMENTAL CONTROL COMMITTEE (ECC)

Mary Jansing Balgooyen, chair of the ECC, gave a verbal report. Mary reported that the ECC had met on January 25, 2008:

- #334 – Submitted an application requesting an ADA ramp in her courtyard. The request was approved with stipulations.
- #292 – Submitted an application to plant native plants on the Oceanside of their home. This request, as well as any other requests to plant on the Oceanside frontage were put on hold pending an evaluation of the sand dunes after the winter storms.
- #306 – Submitted an application to remodel their home. This request was denied as submitted.

GENERAL MANAGERS REPORT

Deck and Fence Replacements

This report covers the July 1, 2007 through June 30, 2008 fiscal year. Association carpenters completed 9 of the 15 scheduled replacement decks this year, (4-Oceanside, 2-Master Bedroom, and 3-Landside Entry Decks).

The Association has replaced courtyard fences at units 132, 134, 178, 180, 212, 252, 270, 314 and a partial replacement at 126 and 254. Association staff has also replaced damaged fencing at Units 288 and 290, (due to the garage fire last July) and billed the insurance company for those two replacements. In addition, 2 refuse enclosures were replaced at units 312 and 314-316 as well as a master bedroom deck fence at unit 228. We are close to completing our allocation for this fiscal year and I anticipate replacing approximately 1,500 linear feet of fencing with associated supports, gates and hardware before the end of the fiscal year @ approximately $45.00 - $60.00 a linear foot.

Smoke Detector/Battery Replacement Program

Association Staff are in the process of entering every unit in the association, replacing batteries and testing each smoke alarm in the unit. Owners will be billed for the batteries and approximately 15 minutes of staff time for this service.

A homeowner asked what the cost would be to the homeowner. Tom answered that the batteries were about $2.00 each and the 15-20 minutes of labor equated to about $8 to $10 dollars per unit.

Window and Entry Door Replacement

The Association has completed 51 of the 145 window replacements scheduled in the 2007-2008 reserve budget. Vinyl warranty replacement windows will significantly increase these numbers. Defective vinyl windows are replaced by Milgard with their fiberglass product-line while our labor to replace these windows is heavily subsidized by Milgard. Association carpenters have replaced 10 defective vinyl windows/sliding glass doors to date. Management continues to repair rotted framing and deck tie-ins as they are identified during window and deck replacements.

Storm Damage

On January 5, 2008 a major storm hit the Monterey Coast causing severe damage to the coastline and coastal property. Storm surges, high winds and debris destroyed dunes and vegetation and exposed buried driftwood, throwing this debris up on the ocean front of the homes. Waves breached the dunes and washed inland as much as to the parking area of units 318-320-322, and heavy debris made contact with unit 318. There was no structural damage to residences; however the association sustained severe damage to the dunes and boardwalks. The colony experienced several downed trees and broken branches. Several common-area light fixtures blew down and the main Monterey Dunes Colony sign located at the intersection of Molera Road and Monterey Dunes Way was blown over, with both vertical posts breaking off at ground level. The colony also sustained considerable damage to the leaching fields servicing units 318 through 340. Waves running up on the property submerged the north and south leaching fields of Septic System #9 causing the main inlet valve to the first tank (encapsulated in a cement anchor), to break under the weight of the water and compacting sand. During the course of the week following the break, the system backed up until is was releasing effluent at the catch basins on each end of the system. Contract plumbers and association staff dug up the system inlet, cleared the break and replaced the valve. As of this time the system is working properly and service has been restored to the 12 units affected by the break. I have cleaned up some of the dune area, dug out and restored the walkways and am ready to start (next month) the task of returning some of the driftwood to the breached areas so that the spring sands can again restore the integrity of the dunes.

Re-siding

Completed since July 1, 2007: Units 126, 132, 134, (minus owner trellis area on north courtyard wall), 136 partial, 178 partial, 224 partial, 298 southern exposure, units 212, 250, building 37 all (units 312, 314 and 316). Garages assigned to building 37, units 312, 314, and 316 as well as repairs to the garage at 224, 226 and 228.

Fire Damage Report for Garages 288-290-292 (Update)

Since my last report, the contract to rebuild the garage was awarded to Starritt Construction Company. They have since completed the demolition, foundation and most of the framing. A breakdown of the cost of the garage is as follows:

In from Insurance Company to date:	$68,047.78
Out for Services to date:	$67,289.74
Balance of Account	$ 758.04

The total contract price of the rebuild is $103,986.00. Minus the $25,000.00 deductible, this leaves $10,938.22 that needs to be resolved with the insurance company before the completion of the project.

Fireplace Inspections

Cypress Chimney Sweeps has completed all 121 chimney inspections for the 2007 calendar year. 31 of 121 fireplace units red-tagged and/or needing of repair:

24 for chimney caps and/or replacement flue pipe sections – (completed).
2 for spark screen replacement/hearth repair – (completed).
3 for hearth repair – (completed).
1 for cold air intake replacement – (completed).
1 rusted through at damper plate and flue connection – (replaced).

Approval of Annual Meeting Minutes

Recent changes in the election procedures governing homeowner associations have made it difficult to obtain a membership quorum in order to approve minutes from the previous year at the annual meetings. This problem is not unique to MDCA, but a dilemma to many associations struggling with the new election procedures. A recent article from Adrian Adams, esq. who puts out a web-based monthly newsletter (http://davis-stirling.com) states that due to the new election procedures, the Board of Directors can approve the minutes in the absence of a quorum of the members. His interpretation of the corporations code is "minutes that do not come up for review within a quarterly time interval, may be approved by the board. Allowing the board to approve minutes has the added benefit of posting *approved* meeting minutes within thirty days of the meeting, rather than waiting a year for the next annual meeting". This new procedure deletes the requirement of sending out proxies to homeowners who would then collectively give their authority to the board to approve minutes already over a year old. Current procedure provides that minutes are distributed to the membership and posted on the web site within 30 days of the meeting.

Warranty Fumigation

This fiscal year Terminix tented and fumigated units 252, 254, 256, 318, 320, 322, 246, 248, 250 and garages at units 252, 258, 260 and 262 under our extended warranty contract.

Units 330-332-334 were fumigation on November 28, 2007.
Units (132, 134, 136), (312, 314, 316), (324, 326, 328) are pending fumigation re-treatment.

Homeowners will be notified once we receive available dates for fumigation from the Salinas Terminix office.

Terminix has committed to one refumigation per month but has asked that they not complete any fumigation in December and January. They will resume warranty work in February and continue through 2010 when our warranty contract will expire. Our contract with Terminix states that they must re-treat a building within six months of identifying a building as being re-infested. We continue to monitor the re-treatment process to insure warranty compliance.

Water Conservation – Oriented Billing

During the August, September and October billing periods, there were 29 units that exceeded the Tier 1 conservation zone. There is a report in the Board Books explaining how this happened and this report is an agenda item under New Business.

<u>FINANCE COMMITTEE</u>

John Gentry, Chair of the Finance committee, gave a verbal report. John stated that the committee had met at 9:00 a.m. that morning to review the finances of the colony from July 1, 2007 to December 31, 2007. The actual expenses closely matched the forecasted amounts prepared by the General Manager.

John reported that the committee discussed the $25,000 insurance deductible, which is payable in order to finish rebuilding the 288-290-292 garage building. The Finance Committee made a recommendation to the Board that management be allowed to temporarily borrow up to $25,000 from the Reserve Account in order to pay for services connected in rebuilding the complex, until such time as it is determined who is responsible for the $25,000 deductible. The borrowed funds must be repaid to the reserve within one-year from the date it was borrowed.

The Board M/S/C the recommendation of the Finance Committee to borrow from the reserve account, at the discretion of the General Manager, up to $25,000 in order to pay for services rendered in the replacement of the 288-290-292 garage complex. The loan will be paid back to the reserve account as soon as funds are available to reimburse the account, but repayment to the reserves will not to exceed 1 year from the date of the loan.

Additionally, John noted that the next meeting of the Finance Committee will be on Monday, March 3, 2008 to review the draft fiscal year 2008-2009 operating budget.

OLD BUSINESS

Ad-hoc Insurance Committee

Marty Deggeller, chair, reported that the committee members were he and Mary Balgooyen, with Tom and our insurance agent Jeff Kane as non-voting members. The two issues that the committee researched and is reporting on are:

1. Should the Association carry flood insurance on common area buildings? A year ago, the Association obtained flood insurance for all the homes in the Colony through FEMA, but did not insure garages or other common area buildings, just the 41 residential buildings.

After discussion, it was M/S/C by the Board that the Association not obtain flood insurance for the garages or other common area buildings.

2. Should the Association have a requirement that domestic employees, handymen, contractors and agents hired by individual homeowners carry liability insurance? Currently, all contractors hired by the association working on common property are required to carry liability insurance and name the association as an additional insured on their policy. In addition, any contractor used in conjunction with an ECC request is also required to carry liability insurance and name the association an insured party on the policy. At present, the association does not have a policy regarding contractors or individuals that work directly for a homeowner to carry liability insurance, (unless it is for an approved ECC project).

After a lengthy discussion, it was M/S/C by the Board, in a 3-2 vote, that all employees who perform work on the property have liability insurance, and must name the association as an additional insured on their policy. Tom was instructed to work with our insurance broker to determine what risk each type of employee would present to the association and to provide a recommendation to the board as to the appropriate level of liability coverage that should be required of each class of employee. The following is a copy of the Power Point presentation by Marty Deggeller:

Insurance Committee Report

MDCA Board of Directors Meeting

26 January 2008

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Two Issues to Review

- Flood insurance requirements for common area buildings
- Policy regarding liability insurance for homeowner employees

2

Common Area Flood Insurance

- Insurance will only cover buildings, not infrastructure
- Buildings under consideration include:
  - Garages
  - Office/Clubhouse
  - Shop
  - Pump Room
  - Backup Power Generator Room
  - Guardhouse
  - South Well House

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Common Area Flood Insurance

Buildings Other Than Garages

- **Argument For:**
  - Would provide coverage for flood losses
  - Relatively low cost even for $1,000 deductible policy - see next page for rates
  - Would enable loss assessment clause of HO6 to cover homeowner in case of assessment
- **Argument Against:**
  - Extremely low probability of tidal wave in Monterey Bay, let alone one large enough to reach buildings
  - Buildings protected by distance from ocean and elevation (in some cases)
  - Insurance Agent recommended only considering insuring office/clubhouse

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Common Area Flood Insurance

Buildings Other Than Garages

BUILDING	COVERAGE	DEDUCTIBLE	PREMIUM	COST/OWNER/YEAR
Office/Clubhouse	$402,200 - Building $50,000 - Contents	1,000	$3,311	$28
		5,000	$2,956	$25
		10,000	$2,666	$22
		25,000	$2,181	$18
Shop Building	$45,700 - Building	1,000	$370	$3
		5,000	$335	$3
		10,000	$302	$2
Pump Room	$72,400 - Building	1,000	$537	$4
		5,000	$480	$4
		10,000	$429	$4
Pwr. Generator Room	$28,400 - Building	1,000	$263	$2
		5,000	$240	$2
		10,000	$220	$2
Guardhouse	$30,600 - Building	1,000	$276	$2
		5,000	$252	$2
		10,000	$231	$2
South Well House	$28,400 - Building	1,000	$263	$2
		5,000	$240	$2
		10,000	$220	$2

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Common Area Flood Insurance

Garages

- **Argument For:**
  - Would provide coverage for flood losses
  - Moderately low cost for $50,000 deductible policy - see next page for rates
  - Would enable loss assessment clause of HO6 to cover homeowner in case of assessment
- **Argument Against:**
  - Extremely low probability of tidal wave is diminished further by protection from houses
  - While water from rogue waves entering garage is feasible, damage potential to structure is low
  - Water from rogue waves could damage contents, but contents are excluded from coverage

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Common Area Flood Insurance
Garages

C0VERAGE/BLDG	DEDUCT/BLDG	PREMIUM/BLDG	$/OWNER/YEAR
$100,000	500	638	213
$100,000	1000	623	208
$100,000	2000	602	200
$100,000	3000	584	195
$100,000	4000	566	189
$100,000	5000	547	182
$100,000	10,000	487	162
$100,000	15,000	442	147
$100,000	20,000	397	132
$100,000	25,000	366	122
$100,000	50,000	306	102

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Homeowner Employee Liability Insurance

- All contractors working for MDCA are required to carry liability insurance
- Currently have no policy on liability insurance requirements for homeowner employees on-site
- Exception is for remodels that involve ECC approval; contractor liability insurance is required
- Definitely need a policy so GM has guidelines for dealing with other contractors on-site
- Issue is whether all homeowner employees should be required to carry liability insurance

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Homeowner Employee Liability Insurance

- General agreement that anyone affecting the infrastructure of the Colony, working on common area grounds/buildings, or storing materials in common area buildings requires liability insurance
- This would include:
  - Plumbers
  - Electricians
  - Remodeling contractors
  - Gardeners
  - Others

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Homeowner Employee Liability Insurance

- Issue that provoked most discussion was "domestic" employees; e.g.,house cleaners and window washers
- Subsequent pages present arguments for and against requiring "domestics" to carry liability insurance

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Homeowner Employee Liability Insurance

Domestic Employee Insurance

- **Argument For:**
  - Any individual working on the property poses some risk; the risk increasing with the frequency of the work
  - Offers opportunity to subrogate any claim to the responsible individual
  - Good business practice for any business (including individual contractors) to carry liability insurance
  - The cost of low-level liability policies is relatively inexpensive (about $750 annually for $100,000 liability coverage
  - Costs could be covered through small increases in rates charged by employee
  - Offers a standard, consistent policy for all persons doing business on the property; does not discriminate in favor of any particular class of employee

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Homeowner Employee Liability Insurance

Domestic Employee Insurance

- **Argument Against:**
  - Risk posed by domestic employees to common property or other homeowners/property is very small; no incidents reported
  - Likeliest occurrence is employee injuring himself (e.g., window washer falling); their liability insurance would not apply
  - Car-related incident would be covered by individual's auto insurance - not liability insurance
  - Employee liability insurance does nothing to protect the Association from an incident arising from our negligence
  - Unfair to impose additional costs on "the little guy"
  - As pointed out by our attorney, we have authority to make such a rule, but not positive it would stand up to a challenge of it being "unreasonable' or, even, "discriminatory"

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Homeowner Employee Liability Insurance

Domestic Employee Insurance

- Possible Options
  - Establish policy that all homeowner employees must have liability insurance to work on the property
  - Establish policy that all homeowner employees except "domestic" employees require liability insurance
    - Inform homeowner that Association will hold owner liable for insurance deductible in the event of an "incident"
    - Or ask homeowner to sign waiver indemnifying Association against any loss due to Owner's employee

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Next Steps

- Board should discuss/vote on whether to carry flood insurance on common area buildings
- Board should discuss liability insurance issue and provide direction to GM regarding policy

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Ad-hoc Satellite committee

Dale Christenson, committee chair, gave the following report:

Homeowner upgrades to HDTV should require association consultation in order to make installers aware of the Association's policy concerning satellite installation and the existing equipment configuration for each building.

The association should, when possible, encourage homeowners to use American Satellite as the upgrade installer. American Satellite has competitive rates and understands the MDCA building configurations.

Individual homeowners' desiring an HD upgrade should pay for, (or receive incentive awards from the satellite company for free upgrades for HD). The association should manage these upgrades and maintain the equipment after the install.

The Association should provide additional (capacity) switches for installations subsequent to the primary upgrade installation on any given building. Subsequent upgrades to HD after the initial unit in the building is upgraded will require this type of expanded switches to accommodate the increase in connections. In exchange for the larger switch, the Association will keep the smaller switch provided with the standard installation for use in other installs as necessary.

The Association should maintain the dishes and all equipment from the roof down to, and including, the switches.

Homeowners' should be responsible for maintaining wiring out of the switch to their units, as well as their purchased in-home receivers, equipment, and wiring in their walls.

Dale explained that in some cases there is a need to install an "active switch" that would require electrical power. In that event, Dale recommended that the unit where the panel is located provide the power for the panel. Dale explained that the amount of power required by these switches is so small; the unit providing the power would not notice a difference on their electric bill. Any other option would be extremely expensive with the association running power from the common area to the distribution boards under the house.

Based on Dale's report, the Board asked the General Manager to write a draft satellite upgrade policy, incorporating Dale's suggestions and to present this draft policy to the Board at the next directors meeting on March 22, 2008 for discussion/comment/vote.

NEW BUSINESS

Elkhorn Slough Foundation Donation for 2008

After discussion, the Board M/S/C that the association contribute $100 to the Elkhorn Slough Foundation for the 2008 calendar year.

CAI Advocacy California Legislative Advocacy Committee, (CLAC) Donation

After discussing that the CLAC was requesting an increase in our annual donation of $1.00 per door, to $2.00 per door, the Board M/S/C that the association again donate $120 to the CLAC.

At this point, Frank Williams, who was participating via speaker phone, excused himself from the remainder of the meeting.

WATER COMPANY BUSINESS

Tom gave the following report concerning the Mutual Water Association:

The Monterey Dunes Colony Mutual Water Association is a State Controlled (small) Water System, under the jurisdiction of the Monterey County Water Resources Agency (MCWRA) and County Department of Environmental Health.

Each February, there is a <u>Water Extraction Data Report</u> that must be completed and sent to the county agencies. Elements of the report include:

1. All water used by the Units.
2. All water used by Commercial/Institutional sources such as our swimming pool, hot tub, clubhouse, restrooms, etc.
3. Water used by Industrial Projects on site that year.
4. Water used in Irrigation, (common area).
5. Any other water used such as for dead water bleed-off at the ends of the distribution lines, leaks in the system, testing, or water used when making repairs to the wells or distribution system.

Each August, there is a Water Discharger Data Report that must be completed and sent to the same county agencies. Elements of this report include:

1. All water dumped into the 9 leeching fields by the Units.
2. All water used by Commercial/Institutional sources such as; swimming pool, hot tub, clubhouse, restrooms, etc., either through metering or estimated.
3. Water used by Industrial Projects, (on site in that given year).
4. Landscape Irrigation, (common area or project irrigation, estimated).
5. Other, such as dead water bleed-off, leaks or repairs to system, etc.

Maximum allowable discharge of water into the 9 operating fields is 36,000 gallons-per-day. This is reported month-by-month and is not reported as an average use over the course of the year.

In September 1999, Well #3, was the only functional well on property. The houses were not metered. Most system cutoff and step down valves were frozen or inoperable because salt water intrusion into Well #4. Most cutoff valves at the individual units were inoperable. The entire water system was routinely shut down for leaks or faucet repairs to the individual units. Many chemicals were loosely monitored, (both primary and secondary constituents), and chlorine was not administered, (even to the mandatory minimum levels).

At that time, there was no way to monitor water in – or water out. All reports were "estimated". During that same time-frame, in order to give the Water Resources Agency a viable conservation program, my predecessor developed a toilet replacement program for the private homes to eliminate the old large-volume toilets and replace them with efficient up-to-code 1.6 gallon units. While this satisfied the requirements of a conservation program, it did nothing to improve the service side of the water system but did meet the criteria of a program that reduced water use.

Every year, in the reporting documents I have to justify to the county agencies why we did not "implement requirements that connections be metered and billed by volume of use". We also were asked why we did not implement conservation pricing policies.

In 2001, under continued pressure from the Water Resources Agency, we started the planning process to meter the individual units. We began the installation of the meters at the units in 2004 and completed making adjustments on the plumbing of these meters in 2006. We started keeping monthly records in mid 2005 but didn't finish connecting all the meters where owners had personal sprinklers set up in their courtyards or in manicured areas in the common area until early 2006. All that said, 2007 was the first year that we could actually measure the water in from the wells and water used and discharged to the leaching fields from the units. Up to this point we did know that each year we were using less water by measuring the total volume pumped in our reports to the county. We only guessed where it was all going in our annual discharger report.

When we set up the water conservation (3-Tier) system, the base-line daily consumption limits were similar to that of many other small water systems. However, at the same time we knew our conservation and billing methods would be very different from the way other municipalities bill their customers. Most water companies bill their customers based on the total amount of water used in any given month. In many cases, unless you ask for a breakdown in the cost of water used, you never see a tiered conservation billing system in place. Most just pay the bill and if it is high, the customer uses less water and sees this reflected on subsequent bills. Due to our private nature, and our governing documents, we bill a flat rate, (included in dues) for tier 1 usage, (the cost to operate the water system and to partially fund the water company reserves is $31.25 a month, inclusive in your dues), and then any water use in excess of the 125 gallon-per-day baseline allowance falls into tier 2, or tier 3 and is billed separately. These billing tiers, (tiers 2 and 3) were set up as a deterrent or a conservation tool and are billed at $.005 and $.03 per-gallon-per-day in excess of the base allocation. Tier 2 limits are for water use up to 250 gallons-per-day and Tier 3 anything over 250 gallons-per-day. Again, most water systems bill on actual volume of use with a small administrative fee tacked on to pay for the cost of the program. In this regard most customers pay their water bill without knowing what tier they are in. If the bill is high, they reduce their consumption and the bill is lower the next month.

When management started reading the meters in mid-2005, we immediately identified and corrected several anomalies such as sprinkler leaks, running toilets or faucets, and even some leaking water lines. Reading the meters each month allowed us to compare each unit from month-to-month with the goal that with every leak we fix, or with every abuse we identify, we save water. Since 2005, at the start of the monthly readings, the residences very seldom went over their allocation, (and when they did it was for an issue and not because of any identifiable abuse), and until recently, I felt comfortable with the practices we had in place.

This month I received the template for the 2007 Water Extraction Data Report, (due next month). I knew that with all the houses being metered correctly, I would now have a fairly precise figure as to how much water we were pumping and sending into the leaching fields. Water in-water out, minus irrigation, etc. However, when filling out the spreadsheets, the numbers from the units dumping into the leaching fields were very low. After going over the formulas and readings several times, we realized that the meters needed to be read in a multiple of 10, or in other words we needed to add a zero at the end of the reading for them to be accurate. After going back and adjusting the spreadsheets from 2007, the numbers were accurate and the report to the state again showed a reduced consumption for the 2007 calendar year and this time, based on precise readings from the meters.

The down side of this success was that by multiplying the readings in December by 10, this caused 29 units to be over their baseline usage limits as follows:

9 Units	used	125 to 150	gallons-per-day and were in	Tier 2
8 Units	used	151 to 175	gallons-per-day and were in	Tier 2
2 Units	used	176 to 200	gallons-per-day and were in	Tier 2
6 Units	used	201 to 225	gallons-per-day and were in	Tier 2

1 Unit	used	251 to 275	gallons-per-day and were in	Tier 3
1 Unit	used	276 to 300	gallons-per-day and were in	Tier 3
1 Unit	used	426 to 450	gallons-per-day and were in	Tier 3
1 Unit	used	476 to 500	gallons-per-day and were in	Tier 3

Of these 29 units, 15 have personal sprinkler systems installed, and most of these systems were still on when we inspected the plumbing of the unit. Unless directed otherwise, most of these systems, (in units with absentee owners), have now been turned off for the winter.

As of this date, we have never charged any MDCMWA member a water surcharge regardless of the reason for them exceeding the water use limits. Whenever we found an owner had gone over an allocation, it was usually substantial and for a reason. We used the monthly readings to identify problems and make the necessary repairs, or to notify the homeowner that they need to make repairs inside their units. Management reports any breaks, leaks, or water abuses at board meetings and the system, as set up, has saved hundreds of thousands of gallons of water each year. Now that we have a better feel for water use here at the colony, we need to focus on the baseline tier 1 authorization and make small adjustments as necessary to insure homeowners have plenty of water for daily use and where we can better identify those conservation challenges for the benefit of the Water System.

<u>Recommendation:</u>

Using the 9 permanent residents on the property as a benchmark, eliminating the two lowest users @ 108.4 gallons-per-day and 113.9 gallons-per-day for the 2007 calendar year, and eliminating the 2 highest users @ 554 gallons-per-day and 470.7 gallons-per-day, the average use of water by permanent residents in the colony is 171.3 gallons per day.

Based on this research, I would recommend that the board approve a tier 1 base-line increase from 125 gallons-per-day to 200 gallons per-unit-per day. The adjusted policy could read as follows:

<u>Tier 1</u>, (monthly use fee) - $31.25. This fee represents the member's share of the estimated cost to operate the water company on a monthly basis. This monthly use fee is derived from a combination of estimated operating expenses, as well as an estimate schedule of 30-year reserve requirements. In addition, this rate includes the use of up to 200 gallons of water per-unit-per day, or 6,000 gallons of water per 30-day billing period. The gallons-per-day are measured as an average over each 30 day period (ie. water meters are read once per month).

<u>Tier 2</u> is water use from 201 – 300 gallons-per-day or from 6,001 to 9,000 gallons of water per 30-day billing period. *Tier 2* is billed at a rate of .005 cents per gallon surcharge.

<u>Tier 3</u> is water use above 300 gallons-per-day, or above 9,000 gallons per 30-day billing period. Tier 3 is billed at a rate of .03 cents per gallon for usage above 300 gallons-per-day, and is designed to discourage any waste and abuse of our water resources.

After a lengthy discussion, the board M/S/C to adjust the Tiers as recommended by the general manager, and to monitor the next couple of billing cycles to see how the new limits are reflected before implementing the monthly conservation billing.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:00 a.m. The next Board meeting will be on March 22, 2007.

FOR THE BOARD OF DIRECTORS:

//s//

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

Treasurer's Report
November and December

This report covers our fiscal year budget status through December 31, 2007.

Account Balances as of November 30 and December 31, 2007 are:

	Nov	Dec
Union Bank Reserve	$341,418.20	$320,374.23
Union Bank Operating	$ 140,767.37	$155,844.98
Union Bank Investment Acct	$ 7,914.76	$ 7,920.12
Community Bank Petty Cash	$ 620.84	$ 275.78
Union Bank Water Operating	$ 17,413.12	$ 18,375.53
Union Bank Water Reserve	$ 84,006.93	$ 85,434.29

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