

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
December 3, 2005**

PRESENT

Ellen Michaels, President
Frank Williams, Vice-President
Marty Deggeller, Treasurer
John Steinhart, Director
Jeff Schwartz, Director
Tom Bugary, Secretary and General Manager

ABSENT

None

WELCOME

Ellen Michaels called the meeting to order at 10:00 AM, December 3, 2005 at the Monterey Dunes Colony Clubhouse.

MINUTES

The Board reviewed both the minutes of the September 17, 2005 meeting and the October 21, 2005 organizational meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Marty Deggeller, Treasurer, gave a verbal report. In lieu of reading the account balances from the treasurer's report, Marty stated that the financial report for July and August is attached to the minutes. Marty told the homeowners that payments to the Capital Replacement Fund of \$16,320.00 per month and \$3,750 per month to the Mutual Water Association were current.

FINANCE COMMITTEE REPORT

Last Meeting 12-3-05 – 9:00 AM

John Gentry reported that the committee had met at 9:00 a.m. that morning to review the fiscal year finances through October (July – Oct). John said that all expense accounts seem

to be fine as compared to the operating budget. The next meeting of the Finance Committee will be on January 21, 2005, at 9:00 a.m. in the Clubhouse.

ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT

Last Meeting 9-23-05 – 3:30 PM

Ellen Michaels reported that the ECC had met on September 23, 2005, at the Monterey Dunes Clubhouse. Two items were presented to the Committee for approval.

- The owners of unit #292 submitted an application-requesting remodel.

The committee disapproved this application, as submitted, because newly designed windows on the southern exposure would allow for line of sight into the neighboring unit.

- The owners of unit #306 submitted an application-requesting remodel.

The committee disapproved this application because the Association requires that Oceanside decks remain uniform in design and be a minimum of 40 square feet. In addition, the Association does not allow the expansion of decks on the Oceanside of the unit.

The committee felt that these two homeowners would make the necessary changes and re-submit an ECC application for their desired remodels.

ECC Policy Amendment

The committee worked an action item by the Board to amend existing ECC policy defining the conditions for which the Association will allow structures in Association common areas for exclusive use. This includes the construction of handicapped ramps and other modifications.

After considerable discussion, the Board of Directors M/S/C the following modifications to the ECC policy.

Paragraph 1 changed as follows: “significant architectural modifications will generally not be approved. In particular, modifications that change the shape of individual units, enlarge the building size, extend the fence line, add a second story, add an additional room outside the building envelope or otherwise significantly increase the building profile will not be approved. As to fence lines which have been extended into common area, the Board reserves the right to relocate these fences to their original location or on the unit property line; such relocation (including removal and replacement as necessary) shall be made at the Associations expense and undertaken, if at all, at the time transfer of title to the property changes”.

Paragraph 6 changed as follows: “The Association will permit reasonable modifications to the Associations governing documents, policies and procedures when necessary to accommodate a request to modify any portion of the project based on a disability. Homeowners requesting accommodation for themselves, or members of their immediate family must complete the application process with the appropriate design drawings and submit this Request for Architectural Change to the ECC for consideration and approval. When approved, all ramps, handrails, boardwalks or landings, extending out onto common property from any unit must be constructed by the Association. The costs for any ramp, handrail, boardwalk, landing or other accommodation constructed by the Association will be billed to the homeowner on a time and materials basis at prevailing rates. Handrails, ramps, landings, and other accommodations located within the confines of the individual courtyard areas, (or individual lots), must be approved by the ECC for design, but construction and cost will be the sole responsibility of the homeowner. The Association reserves the right to remove any Association-constructed hand railing, ramp, landing, or other accommodation at its sole discretion and expense, and return the property to its original condition at a time when it is determined that the need for the accommodation, as originally approved, no longer exists”.

As the last order of ECC business, Ellen resigned as Chairperson of the ECC. Ellen stated that she felt being the ECC Chair was a conflict of interest with her new position as Board President. Ellen appointed Mary Jansing Balgooyen as the new Chairperson of the ECC. Mary accepted the appointment.

ADHOC INSURANCE COMMITTEE

Meetings 9-28-05, 10-12-05 and 11-28-05

Marty Deggeller, Committee Chair, explained that the committee was tasked to review the Association flood insurance package and to make recommendations to the Board as to the adequacy of our current insurance coverage. After three meetings with the MDCA insurance broker, extensive research, and email, the committee prepared a presentation with several options of insurance coverages for Board review.

Current flood (blanket) insurance coverage is \$15M per occurrence with a 7.5% deductible (\$18K per unit damaged). The deductible is based on 7.5% of the estimated total cost to rebuild the colony, currently estimated @ \$150 sf. or \$30M for all the homes.

The committee offered the following options for Board consideration:

- 1. Keep current coverage.** Current policy is \$15M in blanket coverage, 7.5% deductible, (based on the total rebuild estimated cost of \$150 sf, or \$30M for the 120 units). In the event of total destruction, units are insured up to approximately \$112K, minus an \$18K deductible. There would be no additional cost impact with keeping this option; however, the committee feels that our current amount of insurance coverage for the probable loss is inadequate. Also the committee feels that the 7.5% deductible is an extremely high deductible. Homeowners cannot

purchase effective “content” coverage, nor can they purchase additional supplemental insurance that would offset any shortfalls of the Travelers policy.

2. **Increase current blanket policy from \$15M to \$27M (blanket) per occurrence.** The cost impact would be an additional \$12,000 per year or \$100 per unit per year. This would provide for much better flood insurance coverage in the event more than 50% of the associations buildings were damaged in one occurrence. However, we would still have a high deductible @ \$18K per unit and homeowners would still be limited in their ability to buy additional building coverage and contents insurance.
3. **Drop current flood coverage and buy a master flood policy through the National Flood Insurance Program (NFIP).** The cost impact would be an additional \$36,000 per year, or a total annual premium of approximately \$50K. This coverage would provide \$30M in total coverage per occurrence with a deductible of \$5K per building. There is no content coverage offered with this master policy.
4. **Drop current flood coverage; recommend owners buy individual flood policies through the NFIP.** This plan would cost the individual homeowner \$317 per year, but save the Association \$118 per homeowner per year. MDCA CCR’s state that the Association **must** provide a master flood insurance policy for its members. Therefore, this option would only be feasible if the Association amended the CCRs.
5. **Drop current flood coverage with Travelers; have the Association purchase 120 individual policies through NFIP.** This option would cost homeowners an additional \$200 per year, (total premium is \$317 per unit). This option would provide each homeowner (unit) with \$250K building reconstruction coverage, \$100K contents coverage per occurrence, and a \$500 deductible per occurrence. The Homeowner would be listed as the owner of the policy, the Association would be added as an additional insured, the payor and the payee in the event of a claim. These administrative controls over the policy would qualify the policy as a master policy. The Association would have total administrative control over this policy.

After much discussion, the Board M/S/C (Option 5) to **Drop current flood coverage with Travelers and have the Association purchase 120 individual policies through NFIP.** Tom was instructed to work with Jeff Kane the Insurance Agent to set up a timeline for the transfer. Ellen asked Tom to put this on the Finance Committee Agenda for the next meeting so they can look for funding options.

GENERAL MANAGERS REPORT

Deck and Fence Replacements

We have replaced 13 of the 15 decks identified as unserviceable this fiscal year, (July 1, 2005 through June 30, 2006). We continue to combine deck replacements with other major construction projects when possible.

We have replaced courtyard fences (partial or all), at 118, 190, 204, 258, 260, and 264. In addition, we have replaced refuse fence enclosures at units 118, 120, 126, 128, 130, 184, 186, 188, 190, 194, 230, 234, 236, 264, 266, 270, and 312. As of this report, we have completed over 100% of fence allocations for this fiscal year with many more scheduled for replacement.

Window Replacement Project

We have replaced 51 of the 147 windows scheduled for the 2005-2006 budget year. Start of this year's window project was delayed pending completion of the restroom work and the focus will shift back to window replacement over the winter season. I anticipate completing the 147 projected replacements this year.

Re-siding Project

Completed units at 190, 192, 196, 204 and 274. Garages at units (120,122,124), (126,128,130), (176,178,180,182), (184,186,188), (190,192,194), (230,232,234), (264,266, and 268).

Fumigation Warranty Work

Terminix will be fumigating the clubhouse, office and Restrooms during the 1st quarter of the new calendar year. The clubhouse is still under a warranty plan with Terminix. The actual dates for this fumigation work will be noticed at least 30 days in advanced so that homeowners can plan for any inconveniences in their schedules to use common area facilities.

High Speed Internet Update

Redshift is still installing high-speed internet access at Monterey Dunes in the private residences. Redshift is setting up installation and service requests directly with interested homeowners.

Clubhouse Changing Room Updates

The association has completed repair of the two-restroom and shower facilities located at the clubhouse. We continue to have problems with the dry saunas (heating equipment) on both sides and will probably have to replace these units in the near future in order to keep this facility open to the homeowners.

We have relocated the vending machines out of the breezeway to the east side of the clubhouse.

Tennis Court Project

The Tennis Court Project was started on September 17, 2005 by the Don Chapin Company and is scheduled to continue through the New Year. The center courts will be completely rebuilt, like-in-kind with the previous courts while the third court will become a multi-purpose, basketball/volleyball/shuffleboard court. The fourth court (area) will be converted into a putting green, mini-driving range, and bocce ball court. The project is contracted for 4-months, however rain and weather delays could extend the completion date out past January 2006. Homeowners are reminded that due to safety and construction concerns, all existing courts are closed for the duration of the project. This is a contractual specification which management cannot ignore or violate.

Fire Place Inspections 2005-2006 Season

Fire Place Inspections are complete with nine fireplace systems red-tagged this year for various safety issues. Management has sent out notices via certified mail to the affected homeowners along with the inspection sheets.

Security Camera Update

We are still in the process of contracting for security cameras in the corporation yard, as well as at the front gate. The security company we have contracted with to install the system has had a few setbacks in acquiring necessary phone lines from SBC, but is still working the project.

Clubhouse Damage.

On November 27th, it appears vandals broke a window to the kitchen area of the clubhouse. The window was dual glazed and only one of the two panes in the window was broken. There were also several locks cut off garage door hasps, all-occurring around the same time frame. As best we have determined, nothing was taken from any of the garages and they were all been re-secured. Security reports reflect that the break-in must have happened during the graveyard shift, 12:30 AM to 7:30 AM. The Monterey County Sheriff's Office has been notified.

Flood Insurance.

Covered as an agenda item

ECC Policy Revision.

Covered as an Agenda

Item Water Conservation – Oriented Billing

During the October billing period, there was only one unit that exceeded the Tier 2 or Tier 3 zones.

END OF REPORT

OLD BUSINESS

None

NEW BUSINESS

Travelers Insurance (Risk Assessment Inspection) Recommendation Letter

Travelers Insurance, the insurance company for the master policy, recommends that all sleeping rooms in every unit at the Colony have smoke detectors that are continuously powered by the house electrical service. If the Colony does not comply with the recommendation, the premiums for the master policy will be dramatically increased.

Although individual homeowners will be responsible for paying for the work in their home, the Board believes that a contract price for all of the work in the Colony will be more inexpensive than a contract price for an individual home. The Board directed Tom to work with our insurance agent to develop a scope of required work, and obtain bids on installation of necessary smoke detectors as described above. The Board asked for an update at the next Board meeting.

WATER COMPANY BUSINESS

Addressed in the Manager's Report.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:18 p.m.

EXECUTIVE SESSION

1. Owner Discipline.
2. Late Fee Assessments.

FOR THE BOARD OF DIRECTORS:

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

Treasurer's Report

September and October 2005

This report covers our fiscal year budget status through October 31, 2005.

September 30, 2005 and October 31, 2005 account balances are:

	<u>September</u>	<u>October</u>
Union Bank Reserve	\$ 671,977.50	\$625,159.05
Union Bank Operating	\$ 70,763.39	\$ 95,531.32
Union Bank Investment Acct.	\$ 7,786.96	\$ 7,790.93
Community Bank Petty Cash	\$ 560.36	\$ 964.18
Union Bank Water Operating	\$ 17,068.09	\$ 18,296.28
Union Bank Water Reserve	\$ 65,543.44	\$ 66,931.51

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**