

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
December 6, 2003**

PRESENT

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

WELCOME

Mary Jansing-Balگوoyen called the meeting to order at 10:00 AM, December 6, 2003 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA. 95012.

MINUTES

The Board reviewed the minutes of the August 23, 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, Marty Deggeller stated that the reports for both October and November were attached to these minutes. In addition, Marty stated that the payments to the Capital Replacement Fund of \$16,320.00 per month and \$3,316.80 per month to the Mutual Water Association are current.

CC&R/POLICY REVISION COMMITTEE REPORT

Marty Deggeller, Chair, prepared a written report regarding homeowner comments to the proposed CC&R's, a copy attached to these minutes for record. He then verbalized the comments to allow discussion among the homeowners who were present.

The discussion was mainly about cumulative voting used in the past for electing members to the Board of Directors. Cumulative voting means that each unit is entitled to the same number of votes as there are Directors to be elected. (In our case, this is (5) directors per year). If cumulative voting is called, each unit can use their 5 votes as they please, one each for each of the 5 directors, all 5 votes for one director, or any combination thereof. It was noted that there were strong opinions in support of cumulative voting as well as those who opposed the continuation of this type of voting. Marty stated that our attorney, handling the rewrite of our

CC&Rs, recommended that we omit cumulative voting from our documents as it was not the “norm” written into newer Association documents. Marty further stated that the committee agreed with this and was inclined to support the removal of cumulative voting from the documents. In homeowner comments to the committee, the support for the removal of cumulative voting was about the same as the support to keep it. Marty also stated that the Committee, or for that matter the Board had no strong feelings either way and were just trying to simplify our voting system. He continued by stating that the committee would meet again in the next week or so and review comments from this discussion and send any recommended adjustments to our attorney again for review and comment. After that, the committee would make a final recommendation to the Board and ask that the revision be sent to the homeowners for a vote.

FINANCE COMMITTEE REPORT

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

At the last Committee meeting, held in August 2003, the Committee met with representatives of two different banks and heard proposals for banking services. Subsequent to that meeting, the Committee recommended to the Board that we begin a banking relationship with San Jose National Bank (SJNB). SJNB has since reorganized and cannot offer us any type of insurance on our deposited funds, other than to guarantee through FDIC the first \$100K in deposited funds. In light of this fact, the Committee has reversed their recommendation on moving to SJNB and now recommends that we continue our current banking relationship with Union Bank of California (UBOC), at least in the short term.

Upon notification of our intent to change banks, UBOC has assigned a new Relationship Manager to our accounts, who has worked very hard to repair its relationship with MDCA. After discussion, the Board M/S/C to keep our relationship with UBOC for the time being while we continue to review all banking options available.

ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT

Ellen Michaels, Chair of the ECC reported that there had been two ECC meetings since the last Board meeting. There were three requests that were reviewed at these meetings:

- Unit 248 - Replacement of three small windows with a large window – Approved.
- Unit 136 - Hot tub replacement – Approved
- Unit 222 - Landscaping of Common Area outside of unit courtyard. – Approved.

Ellen reported that Barbara Floyd had resigned from the Committee. Barbara was on the Committee for approximately 8 years and her hard work in support of the Colony was much appreciated. Ellen thanked Barbara for her contribution. Ellen recommended that Ted Swanson,

Unit 114, replace Barbara on the committee. The Board M/S/C that Ted Swanson, a permanent resident of the Colony, be appointed as a new Environmental Control Committee member.

ADHOC RESERVE PROJECT COMMITTEE

Bill Michaels, Chair, reported that the Committee is working on a revised 5-year reserve replacement plan starting in 2006 through 2011. Bill reported that in this revised plan, the Committee had smoothed out the peaks in the Special Assessments and by adjusting our reserve replacement plan, assessments will range between \$5,000 to \$5,200 per year, over those 5-years. Bill stated that the Committee's plan uses revised reserve repair/replacement schedules, in-house labor, and extends the timeframe of projects such as windows, sidewall shingles, and decks.

A homeowner from the audience questioned how long the new replacement shingles would last. Tom could not give a definitive answer, however it was noted that the current shingles are made of cedar and have lasted 30 years. The replacement shingles are also cedar and they have been pressure treated with a fire retardant preservative material and should last just as long.

Currently, two of the tennis courts are unusable due to cracked and peeling surfaces. The main tennis court, #3, is surfaced with a *sportcourt* surface. Our current reserve plan calls for resurfacing three additional tennis courts with the *sportcourt* surface because *sportcourt* is much less expensive than replacing the tennis court with new base and asphalt surfaces. Our reserve plan also calls for converting two existing tennis courts into basketball courts, which will save on resurfacing costs. It was noted that there was opposition from some of the homeowners to the *sportcourt* surface. Bill stated that the committee was working the numbers to show the difference between a new asphalt surface for two of the courts and sport court surfaces, and if this additional cost is what the homeowners want, they would make the adjustments to the proposed assessments. The next step is to meet with the finance committee and go over the proposed changes to the reserve plan.

GENERAL MANAGER'S REPORT

Deck and Fence Replacements

We have replaced 10 of the 25 allocated decks for this fiscal year, (July 1, 2003 through June 30, 2004). This puts us on schedule in deck replacements, which are balanced with other major projects throughout the year. There are currently 45 decks on the priority list for replacement and we have already identified and are scheduling the additional 15 decks for replacement between now and June 30th next year.

We will be accelerating annual fence replacements starting in January. Fence replacements are good fill-projects and scheduled replacements can be completed in inclement weather during the winter, rain season. We have identified over 250 linear feet of fencing that will require replacement this fiscal year.

Window Replacement Project

We have replaced 99 out of an allocated 218 windows since July 1, 2003 and have completed extensive repairs to the east and southern faces of the clubhouse, replacing 23 windows and sliders to date. During repairs, we encountered active termite infestations and wall-framing damage from water leaks and dryrot, and were forced to reinforce or replace much of the buildings vertical framing. We also separated the deck structure from the building and set the decking on its own foundation rather than leaving it on hangers or cantilevered out from the building. These repairs made the building watertight but were unbudgeted causing the Association to go significantly over budget in the window replacement line. We anticipate an equal, if not greater amount of damage when we start replacing the west-facing windows in the clubhouse and office. In addition, most wind walls near the clubhouse are damaged and deteriorated to the point that they are at the end of their useful life, and in most cases will require a complete rebuild.

Houses scheduled for replacement windows in the near term are units 116, 112, 266 and 156.

Policy concerning Association Staff Off-Duty Conduct and Employment

Covered under New Business

Revised Rules and Schedule of Fines for Violations to Ground Rules, Dated 12-6-03

Covered under New Business

Sidewall Shingle Project Update

MDCA has purchased approximately 660 squares of 16" 5X Premium sidewall shingles from Clarke Group Marketing in Canada. The Association bought these premium-grade shingles in bulk and saved approximately 15% off the wholesale cost of repair-grade shingles, purchasing them at \$178.00 a square. The shingles will be delivered on three flatbed trucks in January and 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 Association staff. Management will coordinate with unit owners as repairs are scheduled to their respective units.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Progress Report, Well #4

- The initial bid from Rottman Drilling was accepted on 2/20/03 and amended after discussions on ways of reducing the cost of the project on 3/20/03.
- The drilling contract between MDCA and Rottman Drilling was negotiated and finalized on 4/15/03 using the bid figures from the amended bid dated 3/20/03.

- Rottman Drilling and Geoconsultants Inc. attended technical meetings with County Environmental Health Services and the Water Resources Agency to work through discrepancies in the work plan and adjustments to the specialized cements and resins used in the drilling process.
- On 5/29/03, MDCA submitted a request for permit to drill well number 4 on the southern section of the MDCA property.
- On 6/9/03, Environmental Health Services responded to MDCA denying a drilling permit and requiring that MDCA apply for, and obtain a Coastal Development Permit before they could issue a drilling permit, (approximately a two-year process).
- On 6/13/03, MDCA submitted an application to the County Planning Division for a Coastal Development Permit. At the same time, MDCA requested a waiver for the Coastal Development Permit since the replacement well was required, (as a second water source), under the State Health and Safety Code.
- On 6/16/03, the Environmental Health Services denied a request from MDCA for a letter declaring the replacement well an emergency well for the purposes of obtaining an exemption to the Coastal Development Permit process.
- MDCA elevated the permit process to Environmental Health Services management on 6/18/03 seeking an exemption for the Coastal Development Permit for emergency health and safety issues, quoting a state law requirement for two potable water sources in the water system.
- EHS management denied the emergency permit and recommended we seek the replacement of our water source through the normal Coastal Development Process while placing the south well on standby status for emergency use only.
- On 8/18/03, the Water Resources Agency overruled the Environmental Health recommendation and required that the South Well be destroyed. (After meetings with the Environmental Health Services Division concerning our well project, the Water Resources Agency declined to state that directive in writing).
- On 10/16/03, the Association submitted a packet to the Monterey County Planning Division requesting a waiver for a Coastal Development Permit due to replacement well status. Two of the many conditions for consideration of this waiver, were to clear an existing pendency on the common property dating back to 1992, and to submit a positive Biological Impact Statement from a county-approved Biologist, (exclusive for Zone 6 construction).
- On 11/07/03, Monterey County Planning Department waived the Coastal Permit requirement for our replacement well.
- On 11/18/03, MDCA received a permit to Drill a replacement well from the Monterey County Environmental Health Services Division. The permit had 18 conditions attached to it including the mandatory destruction of our existing south well and registering our deep wells with the Water Resources Agency for monitoring purposes.
- On 11-26-03, Rottman Drilling submitted an itemized revised bid reflecting a 6.18% increase above his amended figures back in 3-03. These increases were due to labor, increased administrative costs, insurance and some material increases while waiting approximately 10 months for the Monterey County regulatory agencies to issue the drilling permit. A part of these increases were

because Halliburton Energy Services have now declined to perform the technical work on the MDCA drilling project and Rottman Drilling was forced to secure the services of BJ Services, Inc., a Houston Texas based firm to perform the technical work.

Management is in the preparatory phase of the well project, capping the feed lines from the existing south well and clearing the well site of trees and vegetation. The preparation of the site will take place in December and January while the actual well drilling operations will start in late January - early February 2004, with around-the-clock drilling operations projected in February, March and part of April 2004.

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

End of Report

OLD BUSINESS

None

NEW BUSINESS

CLAC (California Legislative Action Committee) Annual 'Buck a Door' Request

The CLAC is an advocacy branch of the Community Association Institute (CAI) that represents Homeowner Associations in Sacramento. CAI has made their annual request of one dollar per home to help finance CLAC's various lobbying activities. The Board M/S/C to approve the donation.

Revised Rules and Schedule of Fines

The Board reviewed two rules for addition to our current schedule.

The first revised rule reads: "The sand dunes are a sanctuary with many ecosystems supporting a natural coastal dune environment. The Monterey Dunes Colony has invested much time and money in insuring the survival of this natural environment for all to enjoy. Homeowners or their guests are restricted from removing any plant, driftwood, or any other naturally deposited item from the Monterey Dunes Colony common property without the direct, written permission of the Association". The Board has established a \$100 fine for violations to this rule.

The second revised rule reads: "Normally, contractors may work on the property from 8:00 A.M. to 5:00 P.M. Mon-Sat. However, there will be no scheduled construction activity or noise-producing trade work on the exterior or interior of the buildings on Saturdays, Sundays, or Holidays without advance written permission from management. Examples of noise producing trade work is defined as hammering, use of electric, hydraulic, or gas-powered tools, generators, power washers, or any tool or device that disturbs the peace and tranquility of surrounding units

occupied by other members or their guests. Exceptions to this policy will be made on a case-by-case basis and affected homeowners will be notified of any exceptions in advance of the scheduled work. In the event of an emergency, after-hours contractor-related-services, that may cause considerable noise, the General Manager will be notified of the specific situation by on-site staff and will monitor this emergency repair as an exception to policy. Contractors are subject to obey the same ground rules as their sponsors. Homeowners who employ contractors are responsible to insure that these workers are aware of, and abide by all Association ground rules. The Board has established a \$100 fine for violations to this rule. In addition, there will be incremental fines of \$100 for each hour construction work continues after the initial *Stop Work* order is issued by management or Association staff.”

A homeowner in the audience questioned what procedure was in place to notify owners when “guests renting units were fined”. Tom answered that ultimately, the homeowner who rents the unit to the renter is responsible for the fine, not the guest. However, management notifies the homeowner as soon as possible so that the homeowner can retain the amount of the fine from the rent deposit. After the Board reviews the offense, and the hearing is complete, the homeowner is notified of the outcome by letter.

Tom was instructed to send out a letter to the homeowners notifying them of the changes to the rules with a copy enclosed. The two new rules take effect 30 days from the date of the letter.

Association Staff Off-Duty Conduct and Employment Policy

There was already an established policy regarding Association Staff Off-Duty Employment, (moonlighting). However, the policy was interim and is modified stating employees are prohibited from performing additional employment which would normally require a specialized skill or license. A copy of the policy is on the Association Website, or on file at the Association Business Office.

WATER COMPANY BUSINESS

Status on Well #4

Addressed in the Manager’s Report

Revised Bid from Rottman Drilling Company.

Tom prepared a spreadsheet detailing an increase in the driller rates for the well due to delays credited to county regulatory agencies over the past 10 months. The overall increase in the cost of labor and materials is \$19,710 or approximately 6% over the original bid. After discussion, the Board M/S/C a resolution to allow for this increase in drilling costs.

Other Water Company Business

None.

ADJOURNMENT

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

Respectfully Submitted,

Thomas J. Bugary

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