

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
December 7, 2002**

PRESENT

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

WELCOME

Dick Love called the meeting to order at 10:05 AM, December 7, 2002 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA. 95012

MINUTES

The Board reviewed the minutes from the September 14, 2002 meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Marty Deggeller prepared a written report and presented it as follows: "As of November 30, 2002, we have seven different accounts and the balances are: Union Bank reserve account \$618,580.84; Union Bank operating account \$118,343.01; Union Bank investment account \$6,193.62; Union Bank CD reserve account \$115,000.00; Community Bank petty cash account \$1454.38; Union Bank water operating account \$5,821.36; and, Union Bank water reserve account \$59,748.32."

AD-HOC CC&R/POLICY REVISION COMMITTEE

Mary Jansing-Balگوoyen reported that the Insurance Amendment to the CC&Rs was approved by 79% of the homeowners. The amendment passed and has been filed at the County Recorder's Office.

FINANCE COMMITTEE REPORT

John Gentry, Chairman, reported that the Finance Committee met earlier that morning. John stated that our operating and reserve accounts look good. He also stated that expenses to-date are somewhat less than budgeted due in large part to personnel turnovers. Personnel turnovers are also responsible for some backlog in our reserve project schedule.

The next big project for the Finance Committee is preparing the FY2003-04 operating budget. This budget needs to be completed, approved by the Board, and disseminated to the homeowners by the middle of May 2003.

ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT

Ellen Michaels reported that the ECC had met on September 27, 2002. The committee took action on the following requests:

1. #202 made a request for an exterior sliding glass door replacement. Action-approved.
2. #282 made a request for a hot tub replacement. Action-approved.

Ellen said that the ECC needed to be advised by the Board on a certain matter. Ellen explained that the exterior O/S deck at unit 210 was worn out and needed to be replaced. The deck is currently scheduled to be replaced, at Association expense, however the deck had been modified in the late 1970's by the homeowner with ECC approval. Under current policy, the responsibility for the repair, maintenance and/or replacement of the deck would belong to the current owner, however, there was no provision in 1978 for homeowners who made authorized improvements to the exterior of their homes to take over the maintenance and replacement responsibility for improved portions of their homes. In the case of unit 210, the home was sold in the early 1980's with the understanding that the deck maintenance was still the responsibility of the Association even after the improvement. Ellen explained that any unit modified prior to 1986 did not require homeowners to accept responsibility for the maintenance of the improved areas. This included windows, doors and/or any other portion of the exterior of the buildings.

After a lengthy discussion, the Board concluded that the Association should be responsible for the maintenance of those approved external modifications prior to 1986, providing that the improvement had ECC approval and that all regulatory requirements were met, (permits and inspections on file). However, once the property is sold, after the date of the revised policy (September 13, 1986), the responsibility for the maintenance of any improved section of the home would revert back to the homeowner, as is current Association Policy. The Association remains responsible for the maintenance and repairs of buildings as originally constructed. Upon sale or transfer of any unit, all approved modifications to the exterior of the building, regardless of when they were approved, would become the responsibility of the new homeowner. The Board directed that the ECC prepare a draft policy on this decision and present it to the Board for review at a future meeting. It was M/S/C to replace the modified deck at #210 and to rebuild it 'like in kind' as improved.

GENERAL MANAGER'S REPORT

Deck and Fence Replacements

Since the beginning of the new fiscal year on 7/1/02, we have replaced 10 of the 25 allocated decks for this year.

We continue to experience budget overruns with our oceanside deck replacements due to increased costs for decking materials and deteriorated wind walls. We are repairing these wind walls as an unbudgeted expense funded out of the deck replacement line.

All remaining decks to be replaced this fiscal year have been identified.

Window Replacement Project

As of December 7, 2002 the Association has installed 74 of the 218 allocated window replacements for this fiscal year.

Window replacements are still as slow as they were in July, August and September due to personnel shortages, scheduling conflicts, and existing block-frame vinyl window repairs. Window replacements should increase at the start of the new calendar year and we should complete this year's allocation by the end of this fiscal year.

We continue to reset and reseal Milgard block frame vinyl windows and sliding glass doors installed between 1995 and 1999. The cost to the Association to *reset* and *re-trim* a Milgard block frame window is approximately \$400 - \$500 a window, an unbudgeted expense funded out of the window replacement line.

Chimney Chase Cover Replacements

We have accelerated the replacement of approximately 20 chimney chase covers at a cost of \$300 - \$700 each, (depending on size and configuration). These covers have experienced excessive corrosion with metal-to-metal contact of the galvanized chimneystacks and the copper roof jacks, (the copper is deteriorating first because it is the softer of the two metals). In the replacement process, we have adopted a two-part chase cover system consisting of a copper shell cap with a welded (mounted) stainless steel roof jack, verses the previous all-copper chase cap. The stainless roof jack is neutral to all metals and will preclude any electrolysis or future premature corrosion of metals. These chase cover replacements are an unbudgeted expense and are currently funded out of our reserve contingency fund line.

Annual Chimney Inspections and Cleanings 2002 Season

Cypress Chimney Sweeps has inspected over 95% of the fireplace units on the property since July of this year. At this point in the inspection, he has identified 5 fireplace units as unserviceable for various reasons and has red-tagged these units until they are repaired or replaced. Many homeowners have asked management for recommendations for contractors to replace the units once they are red tagged. The Association does not recommend any one contractor over another, however, cautions homeowners that fireplace replacements need to be completed by a licensed contractor and permitted/inspected by the County Building Department. A copy of this permit must be on file in the Association Office. Any fireplace replacement must receive ECC approval prior to installation.

Swimming Pool Resurfacing

Earl Adams Pool Solutions resurfaced our swimming pool last month. In addition to being resurfaced, we replaced the swimming pool heater, our two corroded propane tanks, lines, fittings, and gas valves, and replaced some of the old water circulation pipes. We operated

the pool for two weeks, testing the new equipment, and when doing so, opened it over the Thanksgiving Holiday. Since all tests are complete, we have shut the pool down for the season. The pool will reopen in April.

Boardwalk Replacement Project

The Boardwalk replacement project is now in front of the final building, Units 102, 104 and 106. It will be completed within the next two weeks ending a reserve project that spanned 2-1/2 years at a cost of more than \$250,000. I will be giving a final report on this project to the Finance Committee at the next committee meeting.

The landside Boardwalk, an equally extensive project, is not scheduled for replacement for many years, however we will be required to continue to replace the galvanized fasteners used to secure the landside decking to the underside runners. These fasteners continue to fail due to the acid-level in the preservative of the wood used in the Boardwalk. Outside of the additional cost of refastening the decking to the runners with stainless steel, the decking material should come close to meeting the life expectancy estimates of our current Reserve Study.

Satellite Installation Update

Superior Satellite has completed the installation of the base infrastructure on all 41 buildings. The Association is currently inspecting the work and will release the final payment to Superior Satellite and Sutherland Enterprises upon completion of our building inspections.

Homeowners are cautioned about entering into verbal contracts with any cable installation company. Cable installation is an unregulated business and it is very difficult to determine how reputable an installer is without working with them over a period of time.

The old MDCA in-ground cable system is still scheduled to be disconnected on December 31, 2002.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Tank Maintenance and Repair

We were scheduled to spot paint and repair the water and compression tanks this year. After sandblasting and prepping some of the rusted areas of the tank for spot painting, we found that we needed to move up the painting schedule and switch paints to a thicker, more protective enamel epoxy primer and topcoat. At this point we have almost completed resurfacing both tanks. This adjustment is an unbudgeted reserve expense.

South Well Repair and North Well Destruction Update

I have received one of two bid proposals back from well drilling companies. Most drillers will only bid the project on a time and materials basis, as there are too many unknowns for them to put a figure on the project. Some concerns that drillers have given are; time on station given the nature of Halliburton's work, new environmental disposal requirements for wastewater and green cement, and other new environmental restrictions that may cause the contractor to sit on site waiting for a bureaucratic process. In our specific contract, drillers are the general contractors but are not in charge of the subcontractors working with them, (in this case Halliburton Energy Services), nor do they control their costs, (This means that they cannot add overhead to subcontractor service fees). Therefore, most drillers are reluctant to bid on a project.

Halliburton Energy Services submitted an estimate of \$58,429.34 for their portion of the south well repair project and another estimate for \$36,196.23 for perforation work to the north well in preparation for sealing.

End of Report

OLD BUSINESS

CABLE SYSTEM SHUTDOWN 12/31/02

Included in the Management Summary.

NEW BUSINESS

MDCA REVISED ASSESSMENT COLLECTION POLICY

Tom explained that our current Assessment Collection Policy has to be revised due to the recent passing of Assembly Bill 2289. AB2289 precludes Homeowners Associations from collecting on past due assessments until 30 days after certain lock step notices and procedures are satisfied. In addition, there were other requirements in AB2289 that needed to be included in our collection policy, such as mandatory disclosures and timelines as well as some procedural changes. In the new law, creditors may place a lien on a home to guarantee the payment of a debt, 30-days ahead of the parent Homeowners Association. Tom briefly explained the history of the bill and some of the organizations that were involved in pushing the bill through the legislature. Tom presented a proposed policy that has been reviewed and approved for content by our attorneys. This draft policy is in compliance with both our CC&R's and AB2289. The proposed new MDCA Assessment Collection Policy reduces the timelines for some of our required lockstep procedures and increases the ability of the Association to compete for the collection of funds due through the non-payment of dues and/or assessments. After a lengthy discussion, it was M/S/C to ratify the proposed policy update as presented.

ELKHORN SLOUGH

The Colony received a 20-year anniversary report from the Elkhorn Slough Association, which has been placed in the clubhouse for review by any homeowner wishing to do so. In addition to the report, they also sent us a thank-you for participating in the Elkhorn Slough Foundation.

MEETING SCHEDULE

The Board of Directors meeting schedule for 2003 was discussed. It was decided that the Board would meet in **February, April, June, August, September, and November on the third Saturday of the month.** In addition the Annual Meeting will continue to be on the third Saturday in October.

MISCELLANEOUS

Marty Deggeller made an announcement that a former homeowner and Board member, Phil Nelson, passed away two weeks ago.

A homeowner questioned whether Trex could be used as the decking material for our ocean-side decks since it is considerably cheaper and more durable than redwood. Tom responded that it was slightly cheaper, stronger, and more slip-resistant than redwood however the underpinning needed to be stronger because the material is much more pliable than wood. The Board discussed the cost of decks using Trex material versus redwood. After a lengthy discussion, the Board directed Tom to work up an estimate of the difference between a deck using Trex decking material and one using redwood decking.

John Steinhart wanted to pass-on something that he learned about his water heater to other homeowners that might be sharing a similar experience. A while back, John noticed that his tap water had developed a stagnant smell. He stated that he talked to the Association office about the problem of which didn't seem to be with our water system, so he called a local plumber. He was told by the plumber to flush his water heater with chlorine to kill an odor-causing bacteria in the water and the smell would then go away. The recommended remedy didn't work. John then called Topline Plumbing in Castroville and was told that he needed to change the 'anode' on his water heater in order to get rid of the smell. Topline Plumbing came out, changed the anode, and as of this point, remedied the problem.

WATER COMPANY BUSINESS

SOUTH WELL REPAIR AND NORTH WELL DESTRUCTION UPDATES

The statuses for these projects are discussed in the Management Summary.

John Steinhart requested that the Board re-look the South Well repair project as it now seems to have developed into a repair that offers little hope of being the long-term solution the Association had hoped for. The County Environmental Health Division has made major changes to the repair project and it seems that we would be accomplishing little to repair the well as permitted. John felt that repairing the well as modified could just be a waste of money with few guarantees. After a lengthy discussion concerning the South Well repair, and the restrictions for

this repair imposed by the county, the Board decided that it was in the best financial interest of the Colony to elect not to repair the South Well at this time.

With the suspension of repairs to the South Well, and the election to destroy the well rather than repair it, the two options remaining to the Association to obtain a second water source are: 1. Drill a new well, or 2. Negotiate a waterline hookup with an inland water source. The Board directed Tom to arrange a meeting with, Mark Del Piero (a local land-use attorney) to discuss the possibility of connecting to a local water system at Moss Landing. ALCO water currently runs this water system pumping from inland wells, however the company is currently in receivership, and the ownership of this water company will quite probably transfer in the near future. Tom reported that after a preliminary discussion with Mr. Del Piero, the attorney expressed the possibility of an opportunity to connect with an inland water source without the huge price tag that was associated with this type of hookup when we last negotiated running a line to Castroville, years ago. John Steinhart volunteered to assist in the meetings and be the Board's representative in these discussions. The Board also instructed Tom to notify our Consultant, Jeremy Wire of Geoconsultants, of the Boards decision to suspend operations on repairing the South Well, and on acquiring information on the cost for drilling another deep water well in the vicinity of the South Well.

ADJOURNMENT

With no other business, the meeting was adjourned at 12:15 P.M. The next Board Meeting will be on February 15, 2002 at 10:00 A.M.

Respectfully Submitted,

Thomas J. Bugary

Thomas J. Bugary, CMCA, CCAM
Secretary