

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
February 15, 2003**

PRESENT

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

ABSENT

Marty Deggeller, Treasurer

WELCOME

Dick Love called the meeting to order at 10:05 AM, February 15, 2003 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA. 95012

MINUTES

The Board reviewed the minutes from the December 7, 2002 meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Marty Deggeller prepared a written report and in his absence Mary Jansing-Balگوoyen presented the report as follows: "As of January 31, 2003, our account balances are: Union Bank reserve account \$546,616.57; Union Bank operating account \$137,500.43; Union Bank investment account \$6,209.69; Union Bank CD reserve account \$115,000.00; Community Bank petty cash account \$739.79; Union Bank water operating account \$7,809.57; and, Union Bank water reserve account \$62,440.17. Payments to the Capital Replacement Fund of \$16,320 per month are current and the payments to the Mutual Water Association of \$3,316.80 per month are current."

AD-HOC CC&R/POLICY REVISION COMMITTEE

Mary Jansing-Balگوoyen, in the absence of Marty Deggeller, the Committee Chair, reported that the Committee has met several times and developed preliminary suggestions for

changing/updating our CC&R's. It will take one more meeting to complete the review process of our documents prior to meeting with our attorneys in a working session to go over these suggested changes sometime in the near future. After this session, our attorneys will take committee suggestions back to their office and develop a draft update of our CC&R's. It was M/S/C to approve the expenditure of having the attorneys meet with the Committee.

Mary also reported that the Committee is still reviewing the Water Company and Association By-laws and hoped to have these document updated and in draft format to be sent to the homeowners in the near future for comment/vote.

Bill Hoisington inquired as to what suggested changes the Committee has on record as of this point. Mary responded that there were quite a few changes, most of which were regulatory but others where the committee was looking at cost-saving or liability issues. Mary further stated that because of the volume of work the committee has already put into the project, it would be easier if homeowners waited and read these draft changes when they are sent to them, after legal review.

John Steinhart said that he had some comments on the preliminary suggestions that were posted in his Board Book, and asked Mary to whom should he address those comments. Mary replied that he could send these comments to her or any of the other members of the CC&R Committee and gave John their names.

FINANCE COMMITTEE REPORT

John Gentry, Finance Committee Chair, reported that the Finance Committee met earlier that morning to review the first seven months of expenses in the current fiscal year. John stated that our operating and reserve accounts look good and will hopefully remain so throughout the remainder of the fiscal year. John further commented that there had been several storms during the month of December 2002, where extraordinary expenses had been incurred, that were directly attributable to the storms. The committee was in the process of determining where to expense the expended funds, both in material and labor for these storm-related repairs.

The next big project for the Finance Committee is to prepare the fiscal year 2003-2004 Operating Budget. There is a budget meeting scheduled for April 2, 2003 starting at 10 AM. Any interested homeowner is welcome to attend the meeting. It is mandated that this year's budget be completed, approved by the Board, and sent to homeowners by the middle of May 2003.

ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT

Ellen Michaels reported that the ECC had met the previous day and looked at 4 issues:

1. Unit 258 submitted a request for Architectural Change to:
 - (1) add a bedroom on the west deck footprint.
 - (2) build an addition on the east side of residence.

The committee denied this request due to a lack of detail on the submitted plans, and in their inability to understand some of the changes proposed by the architect.

2. Unit 254 made a request to remove a dead tree from his courtyard and replace it with an approved Coastal Oak.

The committee approved this request.

3. The ECC requested that a unit being remodeled stop construction due to the fact that the contractor was making changes outside of the scope of the ECC approved remodel. The homeowner, in attendance at the meeting with his general contractor, ultimately agreed to correct any changes to the remodel upon notice of exception by any of his neighbors. The ECC felt that this was an acceptable solution to these unauthorized changes.
4. A homeowner made improvements to his unit, approved by the ECC Circa 1985, however, it was recently discovered that these changes were not made in accordance with then current building codes. Since that time, the unit was sold to its current owner who now has the responsibility for bringing the unit up to current code. After a discussion on this topic, the Board's made clear its position on this issue defining this as a problem between the current and previous homeowners, covered under real estate law and related disclosure requirements at the time of sale. The ECC's role in the remodel-approval process is only to ensure that the remodel is aesthetically acceptable and that the improvement conforms to the design of the colony and has nothing to do with the permit or construction portion of the project.

GENERAL MANAGER'S REPORT

Deck and Fence Replacements

Since the beginning of the new fiscal year on 7/1/02, we have replaced 15 of the 25 allocated decks for this year. There are currently 33 decks on the priority list for replacement.

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.

Management has identified all decks, scheduled for replacement this fiscal year.

Window Replacement Project

As of February 15, 2003 the Association has installed 115 of the 218 allocated window replacements for this fiscal year.

We remain behind schedule on new window replacements as we continue to reset and reseal Milgard block frame vinyl windows and sliding glass doors installed between 1995 and 1999.

Reserve Study Fiscal Year 2003 – 2004

A field representative from Barrera and Company, Reserve Specialists, is scheduled to be at Monterey Dunes Colony during the first week of March 2003. He will be revalidating each component item in the Reserve Study and verifying the replacement cost of these items. This Reserve Study, conducted every three years, is a requirement under the Davis Stirling Common Interest Development Act. Since the Associations Reserve Budget is already set for the next two years, changes in the Reserve Study will not be reflected in this year's reserve budget, but will be reflected in any new reserve budget that is contemplated for fiscal year 2005 - 2006. Homeowners can expect to see data from this year's reserve study in their Proforma Budget and Annual Disclosure Packet that will be sent to them in mid May of this year.

Clubhouse Heater-System

The in-floor heater system in the clubhouse has shorted out and cannot be repaired or replaced. The heater will be upgraded this year when other clubhouse modifications and repairs are completed.

Annual Operating Budget, Fiscal Year 2003 – 2004.

The target date for the completion of the 1st Rough Draft of the Budget is the end of the first week of March. The committee is scheduled to have a budget workshop on April 2.

Annual Chimney Inspections and Cleanings 2002 Season

Cypress Chimney Sweeps has completed this year's inspection cycle with 9 units red-tagged, and identified for replacement. There were several other repairs identified to individual units, some requiring the services of general contractors.

Boardwalk Replacement Project

The Boardwalk replacement project is now complete with only a few repair issues remaining, mostly due to recent storm damage.

Satellite Installation Update

Superior Satellite has completed the installation of the base infrastructure on all 41 buildings. Management inspected the project and upon satisfactory completion of the contract, finalized payment to Superior Satellite and Sutherland Enterprises in accordance with our contract documents.

The old MDCA in-ground cable system was disconnected and disassembled on December 31, 2002.

Termite Re-infestation

The garages for units 156,158 and 160 have been identified as having re-infestations of Drywood termites by Terminix International. These buildings are currently being scheduled for tenting and fumigation as part of our existing warranty with Terminix.

Storm Damage

MDCA experienced heavy storm damage the last week of December 2002. High tides and heavy surf conditions were responsible for displacing large concentrations of driftwood inland. The Colony sustained damage to many of our dunes, as well as to light poles, mailbox centers, boardwalks, roofs, fences, windows, doors, and exterior siding. Due to high winds and heavy rains, there were many reported leaks through weep holes in the thresholds of many sliding glass doors. The estimated cost of damage to the Association from these storms exceeded \$20K in labor and materials.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

South and North Well Destruction Update

We have good numbers for the destruction of both wells from Halliburton Energy Services for their portion of capping the wells. Our well consultant, Jeremy Wire of Geoconsultants, advised that we do not include work for the destruction of the North and South Wells in any bid to drill a new well. He felt that combining the three projects could detract from receiving good competitive bids for the drilling project. Jeremy advised that we first select a contractor for drilling, and then discuss the destruction of the other two wells using Halliburton numbers. We have already received one bid back from Martell Water Services to drill a new well. Martell quoted a figure of \$261,946.00 with Disposal and Treatment Costs on a time and material basis. Martell stated in his proposal that these disposal costs could possibly exceed \$130K but was unsure of the exact amount. In packets to five Drilling Companies, we requested all preliminary bids be received no later than February 20, 2003. According to our geologist, Salinas Pump and Landino Drilling have recently declined to submit a bid. The remaining 2 drillers are expected to meet the February 20th submittal date. It is the intent of management to have bids for Board review no later than the first week of March 2003.

(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 the well). Halliburton's actual cost to seal the south well should be less than \$58K as they will not be required to drill out any green cement or make the well operational after gun perforating the casing.

Short-Term Water Outages

Due to the ongoing Water Meter Installation Project, there will continue to be numerous intermittent short-term water outages of 20-40 minute durations for the next two months in different sections of the Colony. Management will attempt to contact affected residents ahead of these interruptions in service.

Regarding the Satellite Installations, Dick pointed out that there were seven owners who received only partial equipment delivery or no equipment delivery from the installer to date. Dick said that it would be prudent for homeowners who have not had any satellite equipment installed to first contact the General Manager before they contact local installers for service. Tom reported that he is in the process of trying to file a complaint with the District Attorney's Office on behalf of these affected owners, however, he cautioned that his first impression of this process is that the District Attorney will probably not pursue this matter as vigorously as we would like because there is not a substantial amount of money involved.

Regarding the water meter installation project, Dick suggested that we leave a notice at the homes where meters are installed, explaining how the water cutoffs work and to encourage homeowners to turn off their water when leaving the unit for extended periods of time.

OLD BUSINESS

ECC DRAFT POLICY REGARDING IMPROVEMENTS MADE PRIOR TO 11-17-85

This item was tabled until a later meeting date.

TREX DECKS VS. REDWOOD DECKS

At the last Board meeting, the Board tasked Tom to work up a cost comparison (per square foot), between a finished Trex deck and a finished Redwood deck. Tom reported that the difference came to approximately \$1.01 per square foot in favor of Redwood decks. Tom further stated that although the Trex decks were slightly more expensive, there were definite advantages to TREX decking over Redwood, such as a reduced buildup of algae or fungus, longevity, a slip-resistant surface, and no requirement for wood treatments or preservatives. After discussion, the Board reaffirmed its decision to allow Trex decks in the courtyard areas and redwood decks on the oceanside of the property.

SNOWY PLOVERS VS. DOGS

Parm Williams asked if we have any recourse to the CA State Parks law that does not allow dogs out on the beach due to the Snowy Plover. The answer, as understood by the Board, was that there is no recourse at this time.

Announcements

Dick made the following announcements at the meeting:

The Police Activities League is requesting a donation from the Association for charitable purposes. After discussion, it was agreed that donations should be sought from individual homeowners and not the Association with the exception of things which would effect the environment at MDCA.

We received a thank you letter from the Elkhorn Slough for our donation and membership dues. An annual report from the Slough is available in the clubhouse.

The Board authorized a \$100 donation to the Contra Costa Hospice in memory of Gene Stokes, a longtime homeowner and member of the Association. Dick read aloud a thank-you note from Norma Stokes and acknowledged a thank-you letter from the Hospice of the Contra Costa Foundation.

NEW BUSINESS

WATER RESOURCES AGENCY INITIATIVE/BALLOT (Salinas Valley Water Project)

A ballot for the Salinas Valley Water Project (SVWP) has been sent to all landowners in the district. Homeowners have, or will receive ballots for their individual properties; however, the Board received the ballot for the 103 acres of common area land within the Association and is required to vote on the issue on behalf of the members. These votes are weighted therefore the one vote cast by the Association is very important. Dick stated that any homeowner that had not received a ballot as yet should contact the Monterey County Water Resources Agency at 831-755-4700. Dick explained to homeowners present at the meeting that a yes vote for the Salinas Valley Water Project initiative, on behalf of the Board, means an additional property tax to fund the initiative. The common area tax would equate to approximately \$21 per homeowner or an additional \$2,500.00 in operating expense each year.

In 1993, the Castroville Seawater Intrusion Project was initiated, constructing a maze of pipelines from the Salinas Water Treatment Plant to area growers. This pipeline was fed mixing (blending) water from inland “deep wells” with “tertiary”, (treated sewage water), used exclusively for irrigating 12,000 acres of agriculture. This procedure has reduced seawater intrusion in the deep aquifer by an estimated 50%, in this area. This Seawater Intrusion Project is considered Phase I, of a two-part plan to reduce area water consumption, reduce pressure on the deep aquifer, and while doing so, still meet the needs of for local area growers.

The purpose of the Salinas Valley Water Project is to reoperate two major dams near King City, Lake Nacimiento and Lake San Antonio, raising the levels of the dams, and subsequently the river, maintaining these higher river levels in the summer (dry) months by building a “rubber” dam near the Marina landfill. The proposed dam is defined as a structure with a huge bladder and a control gate. The gate is lifted when the bladder fills with air and when the bladder is deflated the gate lowers down to a level below the height of the actual riverbed. During the

summer months, when the river is normally dry, the gate will slowly raise so that there is enough water in the river to use for agriculture, instead of pumping local groundwater. During the winter months, the gate will be slowly lowered so that the level of the river does not exceed normal levels and the river can break through to the ocean. There was a discussion concerning sand deposits, and the effect changes in the river might have on normal winter deposits of sand needed for the stability of our coastline. During the discussion, the point was made that if approved, the Salinas Valley Water Project will essentially stop all ground water pumping from the deep aquifer. This will mean that there is no further competition to the Colony for water out of the deep zone.

After an extensive discussion, it was M/S/C to vote “yes” for the Salinas Valley Water Project initiative. All homeowners should vote as they see fit concerning their individual lots within the common property. Tom commented that this additional tax would be an unbudgeted item and would have to be added into the operating budget projections for next fiscal year.

SNOW FENCES

Bill Hoisington stressed the importance of sand dunes at MDCA, and the need to continue to help build up these dunes, which, in turn, provides a certain amount of protection to the Colony. After discussion, it was M/S/C to install snow fencing in the low lying areas as needed in order to maximize the amount of sand that we can capture to build up our sand dunes during the spring and summer months. Tom stated that he would start installing these fences in the low lying areas as soon as he was sure that the winter storms were over for the year. Dick asked the Finance Committee to explore ways of funding this project since it was not budgeted this year.

WATER COMPANY BUSINESS

SOUTH WELL REPAIR AND NORTH WELL DESTRUCTION UPDATES

These issues are addressed in the management report.

SECOND SOURCE OF WATER

Perry McCarty, unit #218, was introduced. Perry has volunteered to work on the Water Committee dealing with our water issues. Perry teaches Environmental Engineering at Stanford University and is extremely knowledgeable on water acquisition and the water issues we are facing.

John Steinhart reported that at the last Board meeting, the Board agreed that repairing the south well was not an option because of the uncertainty that the repair would be successful, and the overall cost of the repair project. That left us with two choices – 1) drill a new well or 2) connect to an existing water district. John reported to the Board that he and the General Manager had met with Joe Rosa from the Pajaro / Sunny Mesa Community Services District and Mr. Marc Del Piero, the district’s counsel, and discussed the possibility of hooking up to an inland water source. John reported that after a lengthy meeting with this group, and exploring all the options

available, both he and Tom were not impressed with the presentation and the offers from Del Mesa. Their proposition in general was extremely expensive. Initially, after acquiring the permits, franchises and access over the private properties inland, we would be required to install a pipeline at our own expense, after which we could expect to lose control of our water supply. Finally, the price for our water would increase dramatically without financial benefit from our existing infrastructure to include our now operational deep well.

After a lengthy discussion by the members present, the Board decided not to pursue connecting to an existing inland water district and to pursue the drilling and development of a new well. It was M/S/C to proceed with the preliminary work necessary to drill a replacement well. Tom was directed to get estimates from Jeremy Wire for consulting and management services, and to proceed with getting the bids for the project, working through our consultant.

The Board discussed how to fund the well development project, and the destruction of the South Well. It was the consensus of the Board to alert the membership in the minutes that a new well will cost the members between \$3K and 4K each in a special assessment. The exact amount would be based on the actual cost of the project.

ADJOURNMENT

With no other business, the meeting was adjourned at 12:50 P.M. The next Board Meeting will be on April 19, 2003 at 10:00 A.M.

EXECUTIVE SESSION

After the Board meeting was adjourned, the Board held an executive session. The topics of the executive sessions were *member discipline* and *personnel matters*.

Respectfully Submitted,

Thomas J Bugary

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