

**COMBINED MEETING OF THE BOARDS OF DIRECTORS  
MONTEREY DUNES COLONY ASSOCIATION  
AND  
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION**  
March 22, 2008

**PRESENT**

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

**ABSENT**

George Maciag, Director

**WELCOME**

Ellen Michaels called the meeting to order at 10:00 AM, March 22, 2008 at the Monterey Dunes Colony Clubhouse.

**MINUTES**

The Board reviewed the minutes of the January 26, 2008, 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 January and February 2008 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 reported that the ECC had met on February 15, 2008 and reviewed a resubmitted ECC application from unit 306. After discussing the remodel with the unit owner's architect, the application for remodel was approved with stipulations.

**FINANCE COMMITTEE**

Marty Deggeller reported on behalf of John Gentry, committee chair. Marty reported that the committee met on March 3, 2008 to work on the draft 2008-2009 operating budget that the general manager had prepared. After an extensive review, the committee recommended a modest increase in monthly dues of 2.7% or \$20 per unit per month, (from \$740 to \$760 per unit

per month). The recommended increase in dues is primarily due to increases in insurance premiums.

Marty reported that with two major insurance claims this year, we have lost our no-claims status with Travelers and can expect an increase of up to 20% in next years insurance premiums.

The board M/S/C to approve an increase in the monthly homeowner dues from \$740 per month to \$760 per month as recommended by the finance committee. The new monthly dues will take effect July 1, 2008.

Marty explained that \$136.00 of owner monthly dues is applied to the reserve budget; this figure has not changed in the last 9 years and is insufficient to fund the reserve budget with the necessary funds to maintain all the replacement projects; therefore, it is reasonable to expect that we, (the homeowners), will continue to pay annual reserve assessments to adequately fund the reserve accounts.

## **GENERAL MANAGERS REPORT**

### **Deck and Fence Replacements**

This report covers the 2007-2008 fiscal year, July 1, 2007 to date. Association carpenters have completed 11 of the 15 scheduled replacement decks this year, (5-Oceanside, 2-Master Bedroom, and 4-Landside Entry Decks).

There were no fences replaced since the January 26, 2008 report, however, courtyard fences were replaced at units 132, 134, 178, 180, 212, 252, 270, 314 and a partial replacement at 126 and 254 this fiscal year. 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. I project that we will replace approximately 1,600 linear feet of fencing with associated supports, gates and hardware before the end of the fiscal year.

### **Window and Entry Door Replacement**

The Association has completed 81 of the 145 window replacements scheduled in the 2007-2008 reserve budget. We have also replaced 6 vinyl warranty replacement windows with fiberglass Ultra Windows. Defective vinyl windows are replaced by Milgard with their fiberglass product-line and our labor to replace these windows 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.

### **Re-siding , Side Wall Shingle Order**

Completed this fiscal year: Units 126, 132, 134, (minus owner trellis area on north courtyard wall), 136 partial, 178 partial, 224 partial, 298 southern exposure, units 212, 250, 312, 314 and

316, unit 206, (all but north face complete), and the oceanside of units 220 and 324. Unit 104 is in progress. Garages assigned to building 37, units 312, 314, and 316 as well as repairs to the garage at 224, 226 and 228.

### **Smoke Detector/Battery Replacement Program**

This program is still in progress. All units are not complete and some are being re-inspected. I will report the results of this inspection at the next board meeting.

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

Since my last report, Starritt Construction Company has completed rebuilding the garages but has not turned over control of the garages to the association as of this date. A breakdown of the payments made and insurance proceeds are as follows:

Payments made:

09-07-07	\$ 7,669.00	(Richard Rhodes - Architect Fees)
10-01-07	\$ 422.29	(Building Plan Check Fees)
10-01-07	\$ 4,212.69	(Richard Rhodes - Architect Fees)
01-17-08	\$49,116.00	(Starritt Construction)
02-14-08	\$ 1,593.75	(Richard Rhodes - Architect Fees)
02-14-08	\$ 531.25	(Richard Rhodes - Architect Fees)
03-14-08	\$42,843.72	(Starritt Construction)

(Pending, Retention Payments)

Total paid to date: \$106,388.70

Collected from Insurance to date:

07-16-07	\$31,772.50	(Fire Damage to Garage)
08-01-07	\$31,640.30	(Revised Estimate, Includes Asphalt, Concrete and Trees)
09-12-07	\$ 7,669.40	(Richard Rhodes - Interim Billing)
10-18-07	\$ 4,634.98	(Building and Building Plan Check Fee)

Total received to date: \$75,717.18

Total Contract:	\$103,986.00
Estimate of Architect Fees:	\$ 13,200.00
Change Order 1-14-08.	
Building and Contracting Fee:	\$ 787.88

We are working with the insurance company to reconcile our account and make any additional payments due the association.

## **Water Damage (Unit 166)**

On February 9, 2008 the homeowner of Unit 166 discovered that her water heater had leaked, causing considerable damage to her unit. Water damage and restoration crews were called and the association's insurance carrier was notified of this accident. Damage estimates indicate that this claim will exceed the \$25,000 deductible. This insurance claim is in progress.

**There was considerable discussion by all present at the meeting as to whether the colony's insurance should be responsible for a homeowners' unit damage due to the failure of appliances in the unit. Marty Deggeller noted that the buildings are insured under the colony's master insurance policy and the policy is first to pay in any claim, however, there is a \$25,000 deductible. Marty further commented that if the deductible was \$50,000 instead of \$25,000, claims such as the recent water damage would be within the deductible and not a claim on the master insurance policy. Regardless of which insurance is first, Marty recommended that the association research the average increase/cost to homeowner's HO6 policies if the deductible was \$50,000 versus \$25,000. If it was cheaper for the owners to purchase the additional reimbursable assessment coverage than it would be to absorb the increases of our master policy from claims, then we should probably look at raising the deductible. Tom was asked to meet with our insurance broker and find out if \$50,000 in loss assessment coverage is available for homeowners under an HO6 policy, and what the average cost would be. The board agreed that this needs to be an agenda item for discussion and possible vote at the next director's meeting.**

**The board M/S/C will require the association maintenance staff to check all unit water heaters throughout the Colony, (once a year, as they do with the electrical panels and smoke alarms), and to recommend to homeowners that they replace those heaters not in good working order, or which are past their recommended replacement date.**

## **Reserve Study**

On March 19, 2008 management met with Chris Sanders, president of the Barrera and Company Reserve Analysts to complete an inspection of Reserve Component items and to work on the 30-year Reserve Study. This study is in compliance with Civil Code Section 1365.5 which states in part:

“At least once every three years, the board of directors shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components that the association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the common interest development”. The study includes at a minimum:

- (1) To identify the major components the association is obligated to repair, replace, restore, or maintain.
- (2) To establish/identify the probable remaining useful life of the components.
- (3) To estimate of the cost of repair, replacement, restoration, or maintenance of the components.
- (4) To estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components.
- (5) To establish/validate a reserve funding plan that indicates how the association plans to fund these annual contributions to meet the association's obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less.

The 2008 Reserve Study and funding plan will be included in the 2008 budget and disclosure packet scheduled to be mailed to association members during the first week of May 2008.

### **Warranty Fumigation**

During fiscal year 2007-2008, Terminix tented and fumigated units 246, 248, 250, 252, 254, 256, 318, 320, 322, 330-332-334 and garages at units 252, 258, 260 and 262 under our extended warranty contract.

Units 312-314-316 are scheduled for warranty fumigation April 2-4, 2008.

Units 324-326-328 are scheduled for warranty fumigation April 14-16, 2008.

Units 144-146-148 are scheduled for warranty fumigation April 14-16, 2008.

Units 132-134-136 are scheduled for warranty fumigation April 21-23, 2008.

Our contract with Terminix states that they must re-treat a building within six months of identifying a re-infestation of dry-wood termites. We have had some difficulties getting the local Terminix offices to re-treat our buildings in a timely manner; however, with the help of Terminix Regional Quality Control Representatives, as well as from Terminix International, the local branch office has scheduled the fumigations according to the provisions of our warranty.

### **Storm Damage**

Due to strong winter storms in January and February, the colony experienced damage to the fore-dunes, with tons of sand and debris thrown up onto the property, covering existing vegetation and destroying sections of our dune plants and shrubs.

During the week of March 17 through the 21<sup>st</sup> management augmented the association staff with laborers from a local manpower agency and repositioned much of the debris back in the area of the washed out dunes. The cleanup is expected to be quite extensive and may take as much as two to three additional weeks to complete. State Parks Rangers stopped our work on Tuesday, March 18<sup>th</sup> claiming that we were encroaching on state property. After reviewing the survey markers, it was determined that the association could redeposit the driftwood back in the washed out areas as long as we stayed on our property. I expect that we will again receive a “stop work” order from the state once the PRBO (Point Reyes Bird Observatory) workers start to wire off the beach for the upcoming snowy plover nesting season. Until then, and without a current survey, we are positioning the debris as close to within our property lines as we can estimate. I anticipate that the State Parks will be surveying the property line sometime this year as a result of our cleanup efforts.

There was no structural damage to any of the residences due to winter storms, however, the association sustained damage to boardwalks, some that will have to be cut and reset on top of the new layer of sand.

The Association 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, all of which has been repaired and is operational.

The golf driving cage was damaged in the storms and we have since repaired the facility and it is again open for use.

### **Tennis Court Resurfacing**

Over the past few months, management has received several recommendations from homeowners that the association explore other uses for the 4<sup>th</sup> tennis court which is hardly ever used. The court is due resurfacing in 2008 under our Reserve Replacement Program at an estimated cost of \$28K. During a recent finance committee meeting, the committee recommended that management bring this up in the manager's report to the board for possible recreation committee review as to the best use for the facility.

**Ellen Michaels asked that the Adhoc recreation committee, consisting of Bill Michaels, Ted Swanson, and Tom Bugary (non-voting member and secretary), research and make suggestions regarding the best use of the 4<sup>th</sup> tennis court.**

### **MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION**

#### **Water Company Inspection**

On March 6, 2008 we received notification that our water system would be inspected that same morning by the Monterey County Health Department.

We knew the inspection went well as there were no deficiencies communicated during the inspection and no on-the-spot corrections required by the inspector. Later that day I received an email from the inspector which read:

“Mr. Bugary,

I conducted a routine inspection of the water system today with the assistance of Ed Downie and I must say that I am very impressed with the maintenance and operation of this water system. When I was out 3 years ago your water system was the first one in my 5 years of working in this department that had no deficiencies and still to this date I have not seen such a well maintained water system. Three years later I still could not find any deficiencies and this is a testament to the diligence and commitment of Mr. Downie and his team. Good Work and Thank You!

Sandy Ayala REHS  
Registered Environmental Health Specialist  
Monterey County Health Department  
Division of Environmental Health  
Drinking Water Protection Services”

After receiving this email from the inspector, I assume we passed the inspection.

#### **Water Conservation – Oriented Billing**

During the February billing period, there were 4 units that exceeded the Tier 1 conservation zone. All homeowners were notified of their monthly and gallon-per-day consumption.

One of the 4 units that exceeded tier 1 limits had a major water leak from the hot water heater, dumping 6,800 gallons of water inside the unit and flooding 90% of the structure.

Another unit had an intermittent leak in one of their toilets and one is still being monitored at the request of the absentee homeowner.

In almost every case, I have found where there is excessive water use, there is a reason within the unit for the high reading. Many owners believe that the meters are faulty but that has not proven to be the case when we test the meters for accuracy.

**After discussion, the Board M/S/C that, beginning June 1, 2008, homeowners will be billed for excess water use exceeding the Tier I conservation limits of 200 gallon per day. Charges amounting to less than \$5 during each billing period will not be billed. Homeowners who dispute their water use or who experience extraordinary circumstances that cause excessive water use above the 200 gallon per day limit can appeal this billing directly to the board.**

## **OLD BUSINESS**

### **Contractor/Vendor Insurance Requirement Rule.**

Jeff Kane, the MDCA insurance broker, recommended that all people doing business on association property be required to carry liability insurance and name the association as an additional insured while they are on association property. He recommended the following limits:

- ◆ Domestic employees, housekeepers, and health care workers: Not less than \$100,000 per occurrence
- ◆ Rental agencies, realtors, and property managers: Not less than \$1,000,000 per occurrence and a \$2,000,000 aggregate
- ◆ All contractors including general contractors and subcontractors (this includes artisan contractors such as window washers, landscapers, plumbers, handymen, etc.): Not less than 1,000,000 per occurrence with a \$2,000,000 aggregate.

**After discussion, the Board M/S/C to adopt the rule as written except that window washers are to be categorized at the same coverage requirements as domestic employees.**

**Management was instructed to mail a copy of the updated rules to all homeowners.**

### **Satellite Equipment Upgrade Draft Policy.**

At the January 26, 2008, Board meeting, the Satellite Committee made recommendations regarding high definition television upgrades. At the board's request, Tom wrote these recommendations into the existing satellite installation policy.

**The Board M/S/C adopted the revised satellite policy as written. Management will mail a copy of the updated policy to all homeowners.**

## **NEW BUSINESS**

### **Appoint Nominating Committee.**

The Board appointed a nominating committee consisting of Mary Jansing Balgooyen and Jim McFeeters for the 2008-2009 Election of Directors to be held in October 2008.

## **WATER COMPANY BUSINESS**

Addressed in Manager's Report.

## **ADJOURNMENT**

There being no further business, the meeting was adjourned at 11:45 a.m. The next Board meeting will be on May 10, 2007 at 10:00 a.m. in the Clubhouse.

## **EXECUTIVE SESSION**

1. Water Damage to Unit.
2. Fire Damage to Garage.

FOR THE BOARD OF DIRECTORS:

//s//

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

## **Treasurer's Report January and February**

This report covers our fiscal year budget status through February 29, 2008.

Account Balances as of January 31 and February 29, 2008 are:

	<u>Jan</u>	<u>Feb</u>
Union Bank Reserve	\$319,654.60	\$306,831.60
Union Bank Operating	\$154,580.32	\$120,417.82
Union Bank Investment Acct	\$ 7,925.35	\$ 7,929.41
Community Bank Petty Cash	\$ 782.91	\$ 531.33
Union Bank Water Operating	\$ 19,557.55	\$ 18,922.61
Union Bank Water Reserve	\$ 86,861.03	\$ 88,266.79

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