

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER
ASSOCIATION
March 24, 2007**

PRESENT

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

ABSENT

Ellen Michaels, President

WELCOME

Frank Williams called the meeting to order at 10:00 AM, March 24, 2007 at the Monterey Dunes Colony Clubhouse.

MINUTES

The Board reviewed the minutes of the February 3, 2007 Directors meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Marty Deggeller presented his written report for January and February 2007. This report is attached to and made part of these minutes. 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.

INSURANCE COMMITTEE REPORT

Marty Deggeller, Committee Chair, reported that he and the General Manager recently attended a CAI luncheon in Pleasant Hill where the topic of the meeting was earthquake insurance. Marty briefly described the discussion as follows: During a two year period, calendar years 2004 and 2005, hurricanes and other storms in the South and Midwest generated multiple insurance claims to insurance companies. As a result of these claims, the insurance industry changed their model used for establishing the cost of insurance and increased the amount of reserves they keep on hand to pay claims. The new model carries with it an expectation to pay larger claims, as well as

paying multiple claims for different catastrophic events in a given year. Marty explained that in addition to this new model, there are now new state-imposed restrictions placed on the insurance carriers as to how much insurance they can offer a client based on the company's ability to pay out the proceeds of a claim. Previously, companies could offer insurance equal to 10 times the company's assets. New restrictions now allow insurance carriers to sell insurance equal to only 5 times their assets, reducing the available insurance in California to 50 percent of what was available in previous years. Rather than comply, many major insurance carriers, decided to leave the California market, further reducing the available insurance for purchase in the state.

Marty stated that due to the present state of the insurance market where demand is greater than available insurance, premiums have increased considerably. Many associations have discontinued DIC coverage and risk, not only the possibility of a peril with no coverage, but also the possibility of not being able to purchase DIC coverage in the future as most companies are not writing new policies in California. Marty concluded that there is a bright side to our dilemma as we move forward a couple of years when insurance reserves build back up to acceptable levels, and companies start to move back into the California market. Until that time, the advice of the insurance industry is to purchase as much DIC coverage as we can afford, and not allow the policy to lapse.

FINANCE COMMITTEE REPORT

John Gentry, Chair of the Finance Committee, gave a verbal report. John stated that the committee had met the previous day to review the finances of the colony from July 1, 2006 through February 28, 2007. The committee also completed final adjustments to the proposed 2007-2008 operating budget. John stated that as a result of this meeting, the committee had three recommendations to present to the board:

1. That the colony establish a policy to use TREX decking material for all future replacement decking. Current policy calls for either TREX or redwood. John stated that redwood is almost 2 times the cost of TREX and the cost of redwood is continuing to increase as the wood gets harder to find. John also stated that it is the opinion of the committee that not only is TREX more cost efficient than redwood, it will also outlast redwood and extend the life of the deck.

After discussion, the board asked Tom to research and if necessary, draft wording that reflects the primary decking material used by the association as TREX. The board also decided to require homeowners who wish to have a deck made of material other than TREX, to process this request through the ECC as an exception to policy. This is an action item for the next directors meeting.

2. That the FY 2006-2007 audits, for both MDCA and MDCMWA, be conducted by Joelyn Carr Fingerle, CPA, and the board sign and return letters of engagement for the audits to Mrs. Carr Fingerle.

The board M/S/C to sign and return both letters of engagement, one for MDCA and one for MDCMWA, to Joelyn Carr Fingerle, CPA, for the FY 2006-2007 audits.

3. That the board approve the FY 2007-2008 proforma budget as submitted. This budget

includes an increase in monthly homeowner dues of \$35 (from \$705 to \$740), mainly due to increases in insurance premiums for both fiscal years 2006-2007 and 2007-2008.

After discussion, the board M/S/C to approve the proposed FY 2007-2008 proforma budget as submitted.

The committee also wanted to remind homeowners that there is an annual reserve special assessment due July 1, 2007 in the amount of \$5,100.

ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT

Mary Jansing Balgooyen, Committee Chair, reported that the committee had met that morning, immediately prior to the Board meeting. The committee reviewed 8 requests, as summarized below:

1. Unit #188 requested to install a HD 5-LNB Direct Satellite Dish on unit. The committee tabled this request until they could confer with a Direct TV technician as to where would be the best site for this satellite dish.
2. Unit #188 requested to increase the height of his courtyard fence by 12 inches, from 5-1/2" high to 6-1/2" high. The Committee approved this request with stipulations.
3. Unit #156 requested to install an owner-deck in the courtyard of their unit. The committee approved this request with stipulations.
4. Unit #164 requested to build an ADA compliant entry ramp in the courtyard of their unit and to realign the eastern courtyard boundary fence and associated gate along the property line to accommodate the proposed ramp. The committee approved this request with stipulations.
5. Unit #292 requested that they be permitted to complete a bench on the southern edge of the owner installed Oceanside deck. The committee denied this request pending proper documentation for ECC review and processing.
6. Unit #292 requested that they be permitted to install an additional crawl space entry door on the western exposure of the unit. The committee denied this request pending proper documentation for ECC review and processing.
7. Unit #300 requested to install a seasonal Plexiglas wind break on the Oceanside deck of his unit. The committee denied this request pending a drawing for ECC review and processing.
8. Unit #134 requested to remove and/or tile over existing concrete patio in their courtyard. The committee approved this request with stipulations.

GENERAL MANAGERS REPORT

Deck and Fence Replacements

The Association replaced all 15-scheduled unit decks identified for replacement this fiscal year, (July 1, 2006 through June 30, 2007). Association carpenters rebuilt 2 additional decks that were in need of replacement that were owner-responsible decks as a *charge to owner*. Decks completed this fiscal year are associated with units 120, 128, 162, 170, 172, 174, 182, 186 (x3), 246 (x2), 254 (x2), 290, and 298 (x2). There are still decks that require replacement; however, due to the shortage of funds in this line, we are stabilizing the decks in need of replacement to ensure that they are safe until we receive additional funding on July 1, 2007.

The Association has replaced courtyard fences at units 120, 172, 174, 298 and 310. We are scheduled to replace up to 2000 lf of fencing this fiscal year with associated gates and hardware, however, due to winter storm damage, we have over 200 lf of fence to replace around the perimeter of the swimming pool @ approximately \$45.00 lf. This unscheduled replacement will cause a delay in the replacement of some of the courtyard fences until the next fiscal year. The Association will continue to temporarily repair or stabilize courtyard fences that are pending replacement.

In February, association carpenters replaced the mailbox cluster for units 288 through 298 as per our reserve schedule.

Window and Entry Door Replacement

The Association has completed 96 of the 145 scheduled window replacements projected for this fiscal year. Independent contractors completed the replacement of 23 additional windows in units under remodel. Management continues to repair rotted framing and deck tie-ins as they are identified during window and deck replacements. Association work crews have installed 8 entry doors since the start of the fiscal year.

The board asked Tom to identify those units that have taken responsibility for their own decks, windows, and/or doors because of a change in the configuration of their unit due to remodel.

Re-siding

Since July 1, 2006, association carpenters have completed, or are now residing units 120, 162, 164, 166, 168, 172, 186, 246, 248, 252, 254, 264, 266, 288, 290, 298 and 340. Garages at units 288-292, 300-304, 306-310 and 294-298 have also been resided.

On February 23, 2007, management received a direct shipment of 220 squares of premium-grade cedar sidewall shingles from Frazer Cedar Products, BC. This shipment cost \$42,900.00 or \$195.00 a square, (10' x 10' section). The total cost of this shipment will be slightly higher adding in the rental cost of the forklift and applicable taxes. The cost of cedar continues to escalate with increased consumer demand. Winter storms and shortages of logs have inflated the market and we are already tracking significant increases for the next shipment.

Mailbox Clusters

Association carpenters have completed the replacement of 2 mailbox clusters scheduled this year.

Electrical Panel Replacements

Management continues to work with electricians on the property who are replacing faulty electrical sub-panels in the units. Panels, scheduled for replacement through the association office, (regardless of the electrician selected to do the work), are monitored by management and construction permits are checked with a copy of these permits filed in unit files. One electrician, (the only sole-proprietor working on the property), is having difficulty meeting the demands of the workload and has caused some concern to several homeowners. The electrician continues to

coordinate his work with the association office and is slowly catching up with his heavy work schedule.

Front Gate Card Reader and Telephone Pad

The colony is budgeted approximately \$10,500 for a new card reader and telephone pad at the front gate this year. The existing telephone pad and computer system is failing and in need of major repairs that will cost far more than the system is worth. There are also additional requests for entry keys, outside the capacity of the existing gate card reader. In the near future, management will be sending information to homeowners explaining the new system, dates for the transition to the new system, and how the association will make this transition with the least amount of inconvenience to homeowners and guests. The new system has the capacity for 2000 users, it is PC monitored and controlled at the association office and has several new security features that will help control unauthorized access to the property.

New Sauna Heaters

New sauna heaters, (both wet and dry heat) were installed this past month. The saunas are operational but continue to pose a liability for the association. The sauna heaters have been vandalized on several occasions over the past few years and pose a significant threat to children who might attempt to use the facility. The manager has asked the board for guidance on how to control the use of this facility to benefit only responsible parties.

After discussion, the board directed the manager as follows:

- 1. To keep the saunas locked and to allow homeowner guests access to the saunas only if accompanied by the homeowner.*
- 2. To not allow access to any person under the age of 18 regardless of status, unless the homeowner is present.*
- 3. To instruct all users on the proper use of the saunas as they receive access to the facility.*

The board decided to try these procedures for 90 days, and asked the manager for an update on this policy at the next directors meeting.

Computer Failure

One of the two desktops in the association office has failed and is beyond repair. The unit is corroded and rusted (components inside the casing) and the unit has numerous other issues. This computer was purchased in 2002. Our other desktop is 2 years old and functioning well. Tom stated that he was forced to replace the computer earlier than he had wanted.

Request for Exclusive use of the Clubhouse

A homeowner has requested exclusive use of the clubhouse on July 28, 2007, the fourth Saturday of that month. Due to a possible conflict, management would like confirmation from the board that they do not intend to meet on that Saturday.

After discussion, the board agreed to meet on the July 21, 2007.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the February billing period, there was 1 unit that exceeded the Tier 1 conservation zone. This owner had a water incident and has requested that the board waive the tier 2 charges and will be heard in executive session.

OLD BUSINESS

Satellite Dish Upgrades

The board discussed recent requests from homeowners to upgrade the basic satellite TV service equipment, maintained by the association on each residential building. The board also discussed an industry trend of using oversized satellite dishes to receive High Definition Television signals. The discussion included the cost of upgrades, equipment needed to upgrade both Dish and Direct TV services, the placement of these larger dishes on and around the buildings, framing supports for any dishes that are installed on the roofs of the units and alternative site locations in the event the dishes were too large to be supported on the roofs. After discussion, the board reaffirmed the MDCA Satellite Siting policy for the placement of Satellite dishes on the buildings or lots. The board also directed Tom to ask Dale Christenson and Jim Forster, (both who served previously on the Ad-hoc high-speed internet committee), to meet and research options for upgrading the satellite dish infrastructure for the 41 residential buildings. Tom asked that Tom Little from American Satellite be included in the meetings. The board concurred with this request and tabled the discussion until after the committee reports on their research. This is an action item for the next director's meeting.

Tsunami Alert Notification Program

Tom reported for Jim McFeeters, Onsite Emergency Coordinator, that the association has purchased three National Weather Alert Radios for the colony, one of which is in the association administrative office, the other in the residence of the onsite emergency coordinator, (and the third to be decided). These radios are hooked into the NOAA emergency notification system and (in theory), should give us advanced notification of an impending Tsunami. Upon approval of the board, management will set up the system where key personnel who are alerted of an emergency situation, can call this service, record an alert, which will immediately auto-dial the primary and secondary phone numbers of all homeowners that are on file in the office. The cost of the emergency service is approximately \$1,415, (this includes a one time set up/configuration fee of \$1,200, and the purchase of phone calls for two events for this calendar year).

The board M/S/C that the emergency calling system be purchased. Additionally, the board instructed management to place information in the colony newsletter on how homeowners can purchase Weather Alert Radios for their units.

SPCA Handling of Feral Cats from MDCA

This is an action item from the last director's meeting. Tom reported that he visited the director of the animal shelter on Hitchcock Road and discussed her request for MDCA to authorize the shelter to euthanize feral cats immediately upon arrival at the shelter, rather than have the animals in a holding area for 3-business days at the clinic as defined by law. Upon the conclusion of the meeting, all parties agreed that the manager, (or board of directors), cannot give the shelter permission (as agents) when they do not have specific knowledge that the captured animal is feral, and has been loose on the property for at least 30 days prior to capture.

Directors Meeting Schedule

The board decided that a meeting in April was unnecessary, so the next director's meeting will be on May 19, 2007. The board also scheduled a meeting on Saturday, July 21 2007.

NEW BUSINESS

None.

WATER COMPANY BUSINESS

Addressed in the managers report.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:35 p.m. The next meeting of the board of Directors will be May 19, 2007 at 10:00 A.M.

EXECUTIVE SESSION

- Member request to waive an assessment late fee
- Member request to waive a tier 2 water charge

FOR THE BOARD OF DIRECTORS:

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

Treasurer's Report November and December

This report covers our fiscal year budget status through December 31, 2006.

Account Balances as of November 30 and December 31, 2006 are:

	<u>Nov</u>	<u>Dec</u>
Union Bank Reserve	\$345,388.72	\$284,334.65
Union Bank Operating	\$ 37,997.17	\$ 60,006.91
Union Bank Investment Acct	\$ 7,851.86	\$ 7,856.85
Community Bank Petty Cash	\$ 1,231.21	\$ 468.38
Union Bank Water Operating	\$ 20,269.45	\$ 18,998.74
Union Bank Water Reserve	\$ 77,412.66	\$ 80,255.49

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