

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
March 27, 2004**

PRESENT

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

ABSENT

None

WELCOME

Mary Jansing-Balگوoyen called the meeting to order at 10:00 AM, March 27, 2004 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA. 95012.

MINUTES

The Board reviewed the minutes of the January 10, 2004 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 report for February 2004 was attached to these minutes. He noted that the Well #4 Special Assessment funds (\$420K) have been transferred to the Water Reserve account and that, as of 2/28/04, approximately \$300K has been transferred from the Water Reserve account to the Water Operating account to fund the development of Well #4. In addition, Marty stated that the payments to the Capital Replacement Fund of \$16,320.00 per month and \$3,577.20 per month to the Mutual Water Association are current.

CC&R/POLICY REVISION COMMITTEE REPORT

Marty Deggeller reported that the CC&R Revision Committee had been working on updating the Association's governing documents for over two years. Since the last meeting, there were several recommended changes to the draft documents that the Committee had considered and included in the final draft documents that the Board had in front of them. Some of these changes were:

1. Retained cumulative voting. In the October document, the Committee did not recommend retaining cumulative voting as many communities drop cumulative voting when they undertake major revisions of their documents. In the case of the Colony, the feedback we received shows that our members wish to retain the right to cumulate votes in director elections.
2. Retained the 2/3 majority-voting requirement to change future CC&Rs, versus the recommended simple majority.
3. The section in the CC&R's concerning party walls was eliminated. This section was considered redundant with other parts of the documents and the consensus was that prevailing law would best suit any disputes concerning party walls.
4. Clarified "owner" and "member" definitions to help with the understanding of our voting mechanism.
5. Changed requirements so that Directors of the Board must be members of the Association.
6. Adjusted the Water Company's quorum requirements to be the same as those of the Association, from 25% to a majority of the members.

A Homeowner questioned if the Committee had increased the amount of review time for ECC remodel requests to allow neighboring units more time to object or comment. Mary stated that this was not a CC&R issue, but a policy issue that the ECC needed to address. Mary asked Ellen Michaels to look into this as a possible change to association policy.

It was M/S/C that this version of the governing documents be sent to the Homeowners for a vote.

FINANCE COMMITTEE REPORT

John Gentry, Chair of the Finance Committee, stated that the Committee had met the previous day for a little over 4 hours to review the proposed FY 2004-05 budgets.

After reviewing the operating budget line-by-line, and discussing any variances, the Committee proposed that the operating budget for 2004-2005 be increased by 4.5%, or from \$636 to \$665 per month, an overall increase of \$29 per month. John stated that this increase was primarily caused by insurance premium increases. Workers Compensation increased from \$19K in 2002-03, to \$55K in 2004 with another projected increase next February. Health insurance is up from \$36K in 2002-03 to \$50K in 2004, and our master association package is up from \$86K to \$99K in 2004. The Committee noted that \$17.57 of the proposed \$29. per month raise in dues (60% of the total increase) was directly caused by the increase in workers compensation insurance.

John stated that the Committee feels that in order to maintain the level of operating repairs and services we currently offer, the increase of \$29. is necessary and the Committee recommends that the Board pass the proposed operating budget for 2004-2005 authorizing this increase.

The Board M/S/C the Committee's recommendation to adopt the 2004-05 operating budget as submitted. The Board also thanked management for preparing an easy-to-read, comprehensive budget packet with supporting documents and thanked the Committee for the time and effort in

reviewing the documents, line by line, to insure that all the MDCA Homeowners receive maximum benefit for their monthly dues.

ADHOC RESERVE PROJECT COMMITTEE

Before the Committee gave their report, Mary stated that it was the initial intent of the Board to ask management to send out a facilities survey concerning the repair or replacement of the tennis courts. However, after hearing the comments from some of the owners concerning their expectations on how the property should be maintained, the Board did not ask management to send out this survey. Instead, the issue was put on the agenda for discussion today. Mary said that she felt there was merit to what some owners presented as an obligation by the Association to rebuild, at least some of the courts, as originally constructed and she solicited the Board and members present for comment. After discussion, the Board felt that replacing at least part of the courts as originally designed helped retain the value of the homes in the community.

Bill Michaels, Chair of the Reserve Project Committee, reported that the Committee had presented a plan at the last Board meeting on 1/10/04 that smoothed out special reserve assessment peaks over the 2005-2010 fiscal years at or slightly over \$5K per unit, per year for those five years. The actual numbers were closer to \$5,200 when the spreadsheet was completed. Bill went on to say that the Committee had to adjust the work, the materials, and some of the labor in order to come up with a way of smoothing out the spikes in some of the years. Bill told the Board that the Committee had to deviate from the Barrera and Company reserve study and the Barrera recommended funding plan, in order to spread out these assessments.

As an additional point of information the Board had asked the Committee to look at adding the cost of completely rebuilding two of the six tennis courts into the 5-year budget and to come back to the Board with this information as a separate plan, for discussion. Bill explained that two of the tennis courts have surface problems and are closed until they can be repaired. The Committee recommends that these surfaces be remodeled into basketball courts where the surfaces can be filled and painted. He also stated that the Committee recommended that the two courts on the northern end of the complex be completely rebuilt, while the center two courts remain with the sport court surface. Both of the modified plans call for the two tennis courts closest to the pool to be converted into basketball courts in the 2005-06 budget cycle for cost-saving and usage reasons.

Bill stated that the Board had, in front of them, two reserve budget plans for the 2005-10 fiscal years. The price difference in the two plans is approximately \$60K (\$50K for 2 sport courts vs. \$110K to completely rebuild the two northern courts). Bill stated that the Committee recommends rebuilding the two courts on the north end of the tennis complex, putting a sport court surface on court #4, and converting the two southern courts into basketball, or some other sport that won't require an excessive cost to convert from tennis.

The original funding plan and the two Committee recommendations are:

1. Current Reserve Study and Barrera & Co Funding Plan, approximately \$4,585 in 7/05, \$9,718 in 7/06, \$8,690 in 7/07, \$8,558 in 7/08, and \$4,877 in 7/09. (2004 updates and adjustments pending).
2. Committee Plan #1 would require an assessment of \$5,200 beginning in 7/05 and ending at \$5,100 on 7/09. (Purchase 3-more sport court surfaces and convert two courts to other sports, not requiring specialized surfaces such as basketball).
3. Committee Plan #2 would require an assessment of \$6,000 in 7/05, \$5,000 in 7/06, \$5,100 in 7/07 and 7/08, and \$5,200 in 7/09. (Purchase 1-more sport court for Court 4, convert two courts to other sports not requiring specialized surfaces such as basketball, and completely rebuild the northern courts 4 and 5).

Mary Balgooyen commented that the purpose of this Reserve Committee, from the onset, was to take the Barrera Reserve Report, which reflects recommended annual assessments in varying amounts, and try to smooth out the peaks and valleys, keeping expenses at a minimum, while at the same time, maintaining quality replacement standards. She stated that they have done this with the plans submitted.

A Homeowner from the audience expressed concern that this Committee's overriding philosophy should not be how to lessen expenses, but that things should be replaced when they need replacing, and not delayed because of cost. The Homeowner stated that he would rather pay a \$9,000 spike in one year and \$3,000 the next, vs. \$6,000 each year to get things done when they need to be done. On the other hand, the same Homeowner stated that we shouldn't make any scheduled repairs unless they are absolutely necessary, and if the component can be deferred, we should spread the cost out. Tom told the Homeowner that he felt that the Committee had this same goal when developing these plans. Many of the components deferred will have to be inspected twice as much during each year to insure we continue to replace defective items as they become unserviceable.

John Steinhart stated that there are many residents here at the dunes on fixed incomes and he was concerned that the cost to maintain the colony might increase to a point where these Homeowners are driven out and we lose this valuable cross section of the community. John said that this was one reason that smoothing out the spikes in the annual assessments appeals to him. He stated, however, that the work needed to be done to maintain the quality of the colony.

Another Homeowner from the audience stated that we are part of a community and all the amenities are part of that same community. If any Homeowner didn't want to be part of the community, why purchase a home here and not a single-family home outside of a community development? The Homeowner felt we should not be as concerned with the expense as we should be to maintain the community to the expected standard.

The Board M/S/C to approve Committee Plan 2, which calls for completely rebuilding courts 4 and 5 and adding a sport court surface on to court 4. The two southern most courts would be converted to basketball, or another sport that does not require a specialized surface. Tom was

instructed to send the proposed plan to the membership along with the Barrera Reserve Update showing the 30-year plan and 30 year funding plan. This would give Homeowners a point from which to understand the differences between the original funding plan and the Board approved plan and why it is recommending these changes to our reserve replacement strategy. The Board would discuss any Homeowner input at the next two meetings before putting the reserve plan out to the members for a vote.

ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT

Ellen Michaels reported that the ECC has met twice since she last reported at the 1-10-04 meeting. At the first meeting the following action was taken:

- ♦ Hot tub replacement at #136 – Approved
- ♦ Deck alteration at #136 - Not Approved
- ♦ Window Installation and Wall modification at #310 – Approved
- ♦ Remodel at #172 – Approved with stipulations. Initially not approved, however after a follow-up meeting with the Homeowner's architect, the request was approved with minor modifications.
- ♦ Removal of one windblown tree in front of units 206/208 and trimming of the other existing tree - Approved.
- ♦ Removal of a snow fence between #282 and #284 blocking a pedestrian shortcut to unit 284 - Not Approved. The snow fence was determined not to be a safety hazard.

GENERAL MANAGER'S REPORT

ASSOCIATION

Deck and Fence Replacements

The Association has replaced 18 of the 25 allocated decks for this fiscal year, (July 1, 2003 through June 30, 2004). We have identified and are scheduling the additional 7 decks for replacement between now and June 30th. All 25 decks requiring replacement this year will be completed by June 30th. We remain over budget in this line due to material cost increases.

Fence replacements are back on schedule and I anticipate completing all fence replacements this year. We have identified and scheduled another 600 linear feet of fencing that will require replacement before the end of the fiscal year.

Window Replacement Project

The Association has replaced 171 out of an allocated 218 windows since July 1, 2003. We are on schedule to complete 218 replacements before the end of the fiscal year. Due to heavy winter rains, we have received numerous trouble calls regarding window and sliding glass door leaks. In some cases, we have made necessary repairs to window installations, but for the most part, cleaned out weep holes in the window frames allowing water to run out. There were a few situations where the wall coverings were opened and repairs to the actual window installation were necessary.

Houses scheduled for replacement windows in the near term are units 156, and 114, and 150, 194 and 210.

Sidewall Shingle Project Update

On February 5, 2004, MDCA received 3,375 bundles of 16" Premium Grade Sidewall (B rated) fire retardant shingles from Clarke Group Marketing, Cedar Plus, shipped direct from Canada at a cost of \$178 a square, or about \$35.60 a bundle. These shingles are stored in the corporation yard and are being used this year to resurface some of our buildings. Management is coordinating with unit owners as repairs are scheduled for their respective units.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Well Number 4

Well Number 4 was completed this month, ahead of schedule. Rottman Drilling drilled into a regional water zone near 1350 feet, and the well is screened into what is considered an excellent quality water source. The well was test pumped at 500 GPM for 24 hours after which samples were taken for title 22 constituent testing. Some of the test results are back from the laboratory:

○ Total Dissolved Solids	340 PPM	Maximum Limit is 1000 PPM
○ Chloride	39 PPM	250 PPM
○ Nitrates	< 1 PPM	45 PPM
○ Sulfates	39 PPM	250 PPM

Rottman Drilling is now in the process of having the wellhead installed and the well put on line. The well project is on budget and the construction continues ahead of schedule.

South Well Destruction

Based on recommendations from Rottman Drilling and our consulting Hydrologist, Environmental Health Services issued a permit to destroy the South Well on March 15, 2004 using a modified destruction plan without the services of Halliburton or Slumberger. This plan eliminated certain oil field cementing procedures deemed unnecessary by the Driller, our Geologist and finally on March 15th by the County Health Department. The

savings to the Association with this modified plan was estimated at approximately \$117K. The Health department ordered the well perforated in the lower, more vulnerable zones and left the upper area of the casing intact to be filled with a local 'neat' cement, and the well head, cut 4 feet below the surface. The destruction was a success and the well destroyed. The project was completed within budget.

North Well Destruction

The request for permit to destroy the north well, along with the proposed (modified) destruction plan have been submitted to the Health Department and pending issue. The County offices, (Environmental Health and Water Resources Agency) are in disagreement concerning the areas of the North Well that need to be perforated before sealing. Our hydro Geologist anticipates a permit within the next week and pending final coordination with Scattini Farms to move equipment into their artichoke fields, the well should be destroyed by early April.

End of Report

OLD BUSINESS

None.

NEW BUSINESS

Homeowner Complaint regarding Issue of Gate Openers

A Homeowner lodged a complaint that her unit was issued only one gate entrance opener, and upon request, could not get a second because the openers were all issued out to other owners. The Board asked Tom to explain the system for issuing the openers. Tom stated that he didn't know as he couldn't find anything in the Association's files that showed the method by which these openers were issued. Tom stated that there are 600 slots in the system and some owners were issued many openers while others were issued only one or two each. Tom stated that he had an unlimited amount of gate 'clickers' that would open the gate but these cost \$25. each, as opposed to \$20. each for the computer chip key chain opener. The Homeowner's complaint stated that she felt it was unfair that her family had one opener while others had multiple copies. She did not want a clicker, and requested that the openers be issued on a more equitable basis.

After discussion, the Board directed management:

1. To ask Homeowners, issued multiple transmitters, of the possibility of purchasing back some of those transmitters to redistribute to other owners.
2. To allow persons with transmitters to trade up (transmitters to clickers for an addition cost of \$5.00 each). (Advertise the offer in the next Dunescape).

Homeowner Complaint regarding Missing Parking Tags on Vehicles and Parking in the Parking Lots vs. Parking in the Garages

There is currently no rule that requires Homeowners, guests, or renters to park their vehicles in garages. It has been requested in the past that persons staying at the Colony park at least one car in the garage, but we have no way of enforcing that as long as the vehicles are parked legally, in designated parking areas.

The purpose of the parking tags in cars is to identify the location of the driver in the event that it is necessary to find the driver because the car is parked illegally, emergencies, etc. The Board decided that as long as Tom is aware of the location of the driver, he is to continue to diplomatically enforce the car-tag rule, and not necessarily cite for Board action and possible fines every time someone forgets to hang a parking tag in a vehicle. The Board felt that citing vehicles was only necessary when vehicle owners are abusing the rights of others, disturbing the dunes, or damaging personal property.

Homeowner Request to Modify Dog Rules

A Homeowner requested that the Board modify the rules regarding dogs; to allow guests of owners, (not short-term renters), to have dogs at the Colony with the owner's permission. At present, the rule is that only owners and their immediate family members can have dogs at the Colony and all dogs must be registered with the office.

Some members of the Board felt that if the rule was modified in the way that this Homeowner was requesting, that some Homeowners who rent would allow dogs and simply say that the renter was their guest. These members felt that short-term renters are not as responsible as Homeowners and that there would be numerous rule infractions changing the environment at the Colony. On the other hand, some members of the Board felt that Homeowners should be able to do what they want with their own homes, to include allowing dogs of guests at their home. They felt that if the rules were enforced, the problems created by the dogs would be minimal.

After considerable discussion, the topic was tabled by the Board until the next meeting to allow for more discussion.

Homeowner Request for Association Responsibility in the Maintenance for a Remodeled Portion of their Unit

The Board received a request from the owner of unit 248 to repair a door and frame to a remodeled area of their unit. This portion of the home is not original construction and according to current MDCA policy, is not the Association's responsibility to repair. In addition, the concrete slab in front of the door had experienced some lifting. Management corrected this lifting by grinding the concrete pad level at the edges. The Homeowner felt that grinded edges of the concrete slab looked bad and requested that the Association break out the old slab and pour a new one in its place. The Board declined because grinding the edges of cement slabs is considered an acceptable safety practice and the slab is functional as a surface. The Board asked Tom if there were other areas on the property where the Association had ground down uneven cement. Tom stated that there were.

The Board suggested that the Homeowner take up the issue of responsibility for the maintenance and repair of the remodeled portion of his unit with the previous owner of the unit through the real estate agent that sold him the home. This is a disclosure issue and the responsibility of the previous owner. The Association is not responsible for areas that have been remodeled, nor is it responsible for the permits or inspections. The owner who remodeled the unit, as well as successors in interest, are ultimately responsible for the repairs and maintenance to that portion of the home.

The Board asked Tom if there were any records concerning the remodel of unit 248. Tom stated that there were none on file at the Association.

After discussion between the Homeowner of 248 and the Board, the Homeowner stated that he did not agree with the Board's assessment as to who should repair the structure but asked if management could make the repairs on a reimbursable basis. The Board asked Tom if he could do that and Tom felt we could get it done this summer. In a verbal agreement, the Homeowner and Association agreed to have onsite carpenters repair the door and slab, and to charge this work directly to the Homeowner.

WATER COMPANY BUSINESS

Addressed in the Manager's Report

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:10 p.m. By Board resolution, the next Board meeting will be at 10:00 a.m. on May 29, 2004.

FOR THE BOARD OF DIRECTORS:

Respectfully Submitted,

//s//

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

EXECUTIVE SESSION

Following the adjournment of the Board meeting, the Board held an executive session to discuss potential litigation and Homeowner discipline.