

**COMBINED MEETING OF THE BOARDS OF DIRECTORS  
MONTEREY DUNES COLONY ASSOCIATION  
AND  
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION  
April 19, 2003**

**PRESENT**

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

**ABSENT**

None

**WELCOME**

Dick Love called the meeting to order at 10:05 AM, April 19, 2003 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA. 95012

**MINUTES**

The Board reviewed the minutes from the both the February 15, 2003 meeting and the March 14, 2003 meeting, (via conference call). It was M/S/C to approve both sets of minutes as written.

**TREASURER'S REPORT**

Marty Deggeller prepared a written report and presented it as follows: "As of March 31, 2003, our account balances are: Union Bank reserve account \$494,797.76; Union Bank operating account \$97,263.70; Union Bank investment account \$6,215.81; Union Bank CD reserve account \$115,000.00; Community Bank petty cash account \$611.60; Union Bank water operating account \$9,579.75; and, Union Bank water reserve account \$65,198.50. Payments to the Capital Replacement Fund of \$16,320 per month and \$3,316.80 per month to the Mutual Water Association are current."

**AD-HOC CC&R/POLICY REVISION COMMITTEE**

Marty Deggeller gave a verbal report regarding the Ad-Hoc CC&R/Policy Revision Committee. He stated that the committee had last met on March 10, 2003. At that meeting, they completed their review of all the CC&R's as well as the By-Laws for the Association and the Water

Company. They are now ready to have the Associations attorney review the changes that the Committee will be recommending. The Committee intends to recommend to the Board that our governing documents be completely rewritten as opposed to creating additional amendments, correcting our original documents. After the attorneys have worked up any proposed changes, these recommendations will be presented to the Board for review and discussion. They will then be sent to the homeowners for comment and vote. Marty stated that approximately 80% of the changes to our CCRs are administrative in nature bringing the documents into compliance with current law and eliminating references to the developer.

## **FINANCE COMMITTEE REPORT**

John Gentry, Finance Committee Chair, reported that the Finance Committee met earlier this morning to review the first nine months of expenses in the current fiscal year and was pleased to report that for the most part, the finances were still on track. John also reported that the Finance Committee recommends approval of the 2003-2004 Operating Budget as presented to the Board and included in their board books. This proposed budget includes a dues increase of 3.4%, to \$636.00 per unit per month for the 2003-2004 fiscal budget year. John stated that the committee met for over 3 hours looking at many different ways to possibly reduce this budget but couldn't do so without a significant degradation of services to the colony. The proposed budgeted amount also incorporates \$136 per unit per month collected to help fund the reserve account. John pointed out that this \$136 per month is not enough to fund the large ongoing reserve projects and is only a small contribution to the reserve, supplementing our annual reserve assessments. Dick Love commented that the Finance Committee had discussed the possibility of recommending reducing monthly homeowner dues by the \$136 reserve contribution and to collect all reserve money through annual special assessments. (There was a discussion concerning the pros and cons of moving this reserve allocation from monthly dues to annual assessments). Some homeowners commented that removing the reserve allocation from the monthly dues would make our monthly assessments purely operational and show a clearer picture of monthly operating expenses. Dick concluded by stating that although this might be a good thing to look at, it would be difficult to initiate this change, at this time, because the Association is in the middle of an approved 5-year budget. Dick asked the committee to include this in their planning process when working on the 2006 budget and beyond.

John distributed a one-page summary of some of the proposed 2003-2004 budget increases and told homeowners that the main point of him distributing this document was to show that almost all increases in this year's budget were what the committee viewed as non-discretionary, mostly related to increases in insurance premiums.

Ellen Michaels commented that after reviewing the budget she found it to be a "very lean budget" and that it did not appear that there were any contingency funds built into it. After discussion, it was concluded that the budget was a lean budget with only necessary services budgeted in at a minimal level. However, Tom stated that there were some contingencies worked into a couple of the categories for emergencies.

It was M/S/C to adopt the fiscal year 2003-2004 operating budget as recommended by the Finance Committee. Dick commented that the Association would be sending the budget packet, disclosures and reserve information to the homeowners around the first week of May.

### **ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT**

Ellen Michaels reported that the ECC had met on April 4, 2003 to review a second request by #258 to remodel their unit. The request was denied for the following reasons:

- Their proposed Oceanside deck would be constructed outside the existing building envelope.
- Their stairs to the Oceanside deck would be on the west face verses an existing northern exit.
- They eliminated a windwall from the original design.
- The height of their roof would be increased.
- Four of the new skylights proposed are on the west-face slope of their roof.
- Their design would create an overall “box” shape, significantly differing from any other building configuration on the property.

### **GENERAL MANAGER’S REPORT**

#### **Deck and Fence Replacements**

The Association has replaced 20 of the 25 allocated decks for this year with a little more than 2 months remaining in the fiscal year. There are currently 44 decks on the priority list for replacement and we have already identified most of those decks for replacement next fiscal year.

Management continues to experience budget overruns in our deck replacement program due to increased costs for redwood decking, stainless steel hardware, and the added cost of rebuilding most deteriorated wind walls associated with the oceanside deck structures.

#### **Window Replacement Project**

As of April 19, 2003 the Association has installed 141 of the 218 allocated window replacements for this fiscal year.

Management remains 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.

Milgard has replaced a few of these defective vinyl windows that are not of block frame construction with fiberglass-upgraded frames. Resetting vinyl windows by Association

staff takes labor away from the new window installation process and continues to put the Association behind schedule in this program.

### **Reserve Study Fiscal Year 2003 – 2004**

I met with a field representative from Barrera and Company on April 4, 2003 and started the Reserve Study inspection process for 2003. Current law requires Homeowner Associations to conduct a complete reserve analysis every three years with reserve updates during the interim years. Our last study was conducted in June of 2000, therefore, we were due a new full study in 2003. The study included a hands-on inspection of each reserve component. The Reserve Analyst made some adjustments and modifications to the component list, replacement schedules, the types of replacement materials designated, and ran financial projections showing a “snapshot” of the Associations reserve posture covering the next 30 years.

Data from the Reserve Study will be sent to homeowners in May with the annual disclosure packet.

### **New Laws Concerning Managing Agents and Disclosures**

There were many new laws enacted this year affecting the operation of Homeowner Associations. One of the laws, concerning managing agents, involves a required written notification to the agent’s respective Board of Directors as to the certification status of the manager in their employ, or with whom they are seeking management services from. Effective July 1, 2003, managing agents, regardless of their employment status, must notify their respective Boards of Directors, as a matter of record, in writing, of their certification status and from where this certification was issued. This disclosure letter is filed with the minutes of the association and defines the manager’s credentials in the industry, and at what level. The rationale for this new law is that uncertified managers can subject their respective Boards to increased liability. The California Association of Community Managers, Communities Associations Institute, and the Executive Counsel of Homeowners support this new law.

Dick asked Tom to state his current status for the record. Tom told the Board he was certified by both the California Association of Community Managers in California, and by the Community Associations Institute, National, with (NBCCAM).

### **Monterey County Water Resources Agency Inspection**

The Water Resources Agency conducted an on-site inspection of the MDCA waste water system and associated Leeching Fields on April 1, 2003. Our Waste Water Discharge Operating Order 87-175, or permit to dump wastewater on the property, issued by the Water Resources Agency is up for renewal this year. This inspection was to review items in the operating order such as volume of discharge, site maintenance compliance issues,

and environmental concerns such as an update on past problems with system number 9, located at the south end of the property.

### **Hot Tub Rehabilitation**

Due to a major winter storm, the hot tub area fencing enclosure required replacement this year. The fence blew down in the storm and caused extensive damage to the deck surrounding the hot tub. Before re-decking the area, we excavated the hot tub plumbing to check valves, electrical components, and to test the system for leaks. We found that the tub plumbing needed extensive repairs and upgrades prior to closing it up and installing the new decking material. Repairs and upgrades to the tub will cost between \$4k and \$6k, and will require additional unbudgeted funding.

Many guests were upset with the tub being down for maintenance, even after we were able to bring the Pool online a week ahead of schedule to somewhat compensate for the tub being down.

### **Gate Accident**

During the early morning hours of April 9, 2003 a guest of a homeowner hit the entrance gate to the Colony causing between \$2.2k and \$2.5k in damage. Upon notification of the accident, we called the County Sheriff's office and asked their assistance in conducting an investigation. The police responded, conducted a search of the property, located possible vehicles that could have hit the gate based on physical evidence, and tested these suspected vehicles for paint and proximity damage. The police were successful in identifying the vehicle that caused the damage. The responsible party was notified of the damages and denied any wrongdoing. The agent for the owner of the home where the guest was staying agreed to pay for damages to replace the gate.

### **Dunes Restoration**

During the February 15, 2003 Board meeting, management was tasked with installing snow fence material in low-lying areas of beachfront where there was damage to the fore-dunes from winter storms, and where snow fence could assist in the restoration of these dunes. Due to late winter storms, we have not yet installed this fencing material. In most areas where drift wood has been thrown up on the existing dunes, or where drift wood has been left deposited up near the property line, the sand is building up around this driftwood and the beginning of the Dune restoration cycle is evident. Management has identified, and intends to put out 11 sections of snow fence in predetermined areas as the winter storms subside.

After discussion, the Board instructed management to strategically place driftwood in the areas where snow fences were going to be placed in order to catch blowing sand, not only for aesthetic purposes, but in an attempt to preclude disturbing the nesting Snowy Plover.

### **Annual Operating Budget, Fiscal Year 2003 – 2004.**

The annual operating budget, as was approved today, is scheduled to be sent out to the membership in early May along with many other required disclosures and notices.

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

#### **Well Number 4**

The Board has selected Rottman Drilling Company as the contractor to develop well number 4. We have not yet secured a signed contract from the driller, as there have been many areas in the contract that required additional consideration and negotiation. I am confident that we will have a signed contract within the next couple of weeks. Given the signing of the contract with Rottman, cost estimates in the development and plumbing of the wellhead are as follows:

Well Development	\$318,822.00	[negotiated competitive bid]
Performance Bond	\$ 6,400.00	[recommended by counsel]
Hydrogeologist Consulting	\$ 33,500.00	[not to exceed \$45,000.00]
Plumbing and Well Head	\$ 26,363.85	[only one bid as of 4/19/03]
Electrical	<u>No bid as yet.</u>	[pending bids]

**Estimated Well Costs To Date                      \$385,085.00**

#### **South and North Well Destruction Update**

Rottman Drilling Company is reviewing the Halliburton Energy bids for the destruction of the North and South Wells. The company owner, Larry Rottman feels that he can under bid Halliburton for the destruction of these two wells using the same specifications. His proposal, if accepted by the Board, would have to be approved by the County Environmental Health Division and Water Resources Agency, and is being handled as a separate contract from that of the development of well number 4.

Management expects to see considerable savings from the driller in his bid because his equipment will already be onsite, and his crews will have already been selected and working on the well drilling project.

#### **Metering Project and Short-Term Water Outages**

Management is within 15 units of completing the project. There were many short-term outages associated with this metering installation process, and a few more outages can be anticipated prior to project completion.

### **OLD BUSINESS**

The Board discussed the funding of the upcoming well project. After a lengthy discussion with input from the floor, the Board determined that the only realistic way of funding this project was through a special assessment of the homeowners. Given the cost for the development of the new well as estimated in the manager's report, it was M/S/C to assess each homeowner a one-time assessment of \$3,500, for the development of Well #4, and to apply any additional amounts accrued above the final cost of drilling the well, to fund any shortfalls in funding for the required destruction of both the North and South Wells.

The Board was in receipt of an opinion letter from the Association's Attorney as to the requirement of submitting a special assessment for the well to the members for a vote. The Association's Attorney felt that since the County required two water sources for small water companies such as ours, and this requirement was a Monterey County Ordinance, the Board could choose to submit the assessment for a vote, however, if the vote failed to produce the minimum affirmative votes, the Association would still be required to develop the well regardless. The Board elected to assess the owners without a vote based on the fact that they would be required to drill the well, and assess the owners regardless of the outcome of the vote.

Tom reminded the Board that we currently have \$100k in the MDCA Reserve account, which is designated, by Board Resolution, for the repair of the South Well. We had planned to repair the well up until the County Environmental Health Division denied our management plan of inserting another sleeve inside the existing casing of the south well. Tom informed the Board that this money was in the MDCA Reserve Money Market Account pending disposition. After discussion, it was M/S/C to transfer the \$100k designated for the repair of the South Well, to the water company reserve account to be redesignated and used in the destruction of the South Well, with any remaining funds of this \$100k to augment the \$44,200 in the Water Company Reserve for the destruction of the North Well.

## **NEW BUSINESS**

### **MDCA and MDCMWA RESERVE STUDIES, effective JULY 1, 2003**

These studies are addressed in the management report. Additionally, Tom noted that the MDCA, and MDCMWA Reserve Study Financial Plans will be sent to the homeowners in early May, along with the fiscal year 2003-2004 operating budget and disclosures.

### **REQUEST FOR EXCLUSIVE USE OF THE CLUBHOUSE AS AN EXCEPTION TO POLICY**

A homeowner requested the use of the clubhouse on July 3, 2003 and either July 4 or July 5, 2003, two days over the same holiday weekend. Because the 4<sup>th</sup> of July is one of the busier holidays at the Association, the Board decided that the homeowner could only have exclusive use of the clubhouse on one day over that weekend, and not on the actual July 4<sup>th</sup> holiday.

### **BOARD SIGNATURES FOR IMPORTANT DOCUMENTS**

Dick made a motion that it be the policy of the Board that in the absence of the President of the Board, the succession for signatures for documents, including liens be as follows:

1. Vice President
2. Treasurer

The motion was seconded and carried.

## **HOMEOWNER LETTER**

Dick stated that the Board was in receipt of a homeowner letter voicing opposition to a recent contribution in the amount of \$100.00 that was made on behalf of the Homeowner Association to a hospice in the name of a deceased homeowner and past Board member. The letter questioned whether the board was being fair to all members, or possibly even showing favoritism if they did not contribute equally for any deceased homeowner, especially if the amount of the contributions differed. The homeowner making comment felt that this type of contribution was a personal issue and that homeowners should have the option of contributing more on a personal level, and not by the Association. After discussion, the Board's position was that the practice of making donations on behalf of deceased members, or family members of members started back in the late 1970's and ranged from sending flowers, to contributions of cash to foundations and charitable organizations. The Board's position is that it feels that it is appropriate to determine, on a case-by-case basis and given the situation at hand, the type of donation, if any, it donates on behalf of the Association.

## **REQUEST FROM CLAC FOR A CONTRIBUTION**

California Legislative Action Committee, (CLAC) is a lobbying Action Committee for the Communities Associations Institute, a National-Level Organization representing Homeowner Associations, of which MDCA is a member. We have contributed to this organization in the past and after a brief discussion, the Board decided to continue this support. It was M/S/C that MDCA contribute the recommended donation of a "buck a door" or \$120 to the organization.

## **WATER COMPANY BUSINESS**

### **BIDDING AND CONTRACT PROCESS ON WELL #4**

Addressed in the Managers Report.

### **OTHER WATER COMPANY BUSINESS**

None.

## **ADJOURNMENT**

With no other business, the meeting was adjourned at 12:05 P.M. The next Board Meeting will be on June 21, 2003 at 10:00 A.M.



## **EXECUTIVE SESSION**

After the Board meeting was adjourned, the Board held an executive session. The topic of the executive session was member discipline.

Respectfully Submitted,

*Thomas J. Bugary*

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