

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
May 25, 2001**

Dick Love called the meeting to order at 10:00 AM, May 25, 2002 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA 95012.

PRESENT

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

MINUTES

The Board reviewed the minutes from the April 27, 2002 meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Mary Jansing-Balگوoyen prepared a written report and presented it as follows: "This report covers our fiscal year budget status as of April 30, 2002. The April 30, 2002 account balances are: Union Bank Reserve \$370,323.30; Union Bank Operating \$93,451.31; Union Bank Investment Account \$7,657.85; Union Bank T-Bill \$114,572.02; Community Bank Petty Cash \$553.21; Union Bank Water Operating \$10,217.06; Union Bank Water Reserve \$56,010.49. Our payments to the Capitol Replacement Fund of \$16,320 per month are current and the payments to the Mutual Water Association of \$3,316.80 are current. Our existing T-Bill will mature at \$115,000 on 5/30/02."

AD-HOC CC&R/POLICY REVISION COMMITTEE

Mary Jansing-Balگوoyen reported that the CC&R Revision Committee has met on numerous occasions to discuss the issue of property insurance coverage limits, cost per square foot to rebuild buildings in the event of both partial and total destruction and are working with our attorney to present a recommendation to the Board to amend our CC&Rs in the area of property insurance coverage. Mary stated that the way the CC&Rs are currently written, the Association is responsible to provide a broader insurance package with higher limits than currently imposed. The Committee is looking for ways to reduce the cost of insurance by means of shifting some of the costs for insurance to the HO/HO6 policies, and by raising deductibles thus reducing the master policy premiums. Mary stated that the proposed insurance amendment is being reviewed by our attorney and that she should have more to report by the next Board meeting.

Mary went on to say that she felt it was noteworthy to mention that she and Tom attended a meeting regarding the rising cost of insurance due, in large part, to 9-11 events, as well as due to the rising cost of re-insurance and high-yield investment markets since March 2000. Mary advised the Board that due to the events of 9-11 and its impact on the insurance industry, along with the fact that our carrier has already advised us that they intend to raise the cost-per-square-foot insured dollar amount to rebuild the colony in the event of partial or total destruction from \$72.50 to a more realistic figure, the committee anticipates a much larger-than-budgeted insurance expense for the next budget cycle. Dick added that we have already been notified by DIC and property insurance carriers to expect that our insurance premiums will increase significantly over that of last year. Tom commented that this will also affect the Workers Compensation Insurance, as well as many of our lesser dollar value policies.

ENVIRONMENTAL CONTROL COMMITTEE REPORT

Ellen Michaels reported that the committee had met the previous day and approved ECC requests for the following units:

- o #204 - Remodel with building expansion on the south and western walls,
- o #328 - Remodel with building expansion on the south and western walls,

The committee disapproved the following ECC requests:

- o #208 - Installation of an unapproved front entry door
- o #208 – Reducing the height of a wind wall between unit 208 and 206 for the purposes of obtaining a better view from their Oceanside deck.

The committee did not approve a request from unit #148 because they felt that they needed further clarification from the architect concerning the submitted plans.

Ellen stated that management has replaced a few entry decks using Trex decking material instead of the traditional redwood. Ellen stated that the homeowners that had received these decks were very pleased with them. Trex is less expensive than B-grade redwood and this type of material has additional advantages over redwood in that it is less expensive, should last longer, is somewhat fade-resistant, algae-resistant and skid resistant. The committee does not recommend, at this time, that the ocean-side decks be replaced with Trex (for aesthetics), but they do recommend that any inland deck be replaced with this material.

OLD BUSINESS

Legal Review of Interactive Solutions' Proposal and Contract

At the last meeting, the Board, based on numerous discussions and a majority of votes from a homeowner questionnaire, elected to pursue a contract with Interactive Solutions Satellite (ISS) for bulk Satellite Television programming. After our attorneys reviewed the proposed contract they had the following comments:

1. It is against FCC regulations to deprive a homeowner of his or her right to choose the satellite system of their choice (e.g. some people may want to choose certain

programming that is not available through the DirecTV system currently being considered). Freedom of choice in satellite systems is protected by the FCC.

2. The Association will need 2/3 approval of the homeowners in order to amend the CC&Rs to give the association the authority to install the system (access to the interior of their homes, wires run in and out of the walls, floors, ceilings, without homeowner consent, etc. (Forced Entry issues)).
3. Even if the Association clears the hurdles of Paragraph 1 and 2, our attorneys believe that dissenters would strongly object.
4. The Association will have to negotiate with Interactive Solutions for a non-exclusive agreement. The current agreement, as phrased, is exclusive (against FCC regulations). The attorneys felt that once the Association raises the issue of exclusivity with Interactive Solutions, they would not want to move forward with the proposed contract. If ISS loses exclusivity, they lose profitability, and are not normally inclined to install the necessary infrastructure.

Due to the attorney's input, the Board directed Tom to investigate a Residential-Residential satellite plan instead of the MDU bulk plan as stated above. The Board asked Dale Christenson to continue working with ISS and investigate the possibility of receiving satellite at a discounted rate for only a majority of the colony, a non-exclusive or limited exclusive type of contract.

The Board also discussed the option of doing nothing, selecting a cut-off date for our current cable system, and then letting homeowners install their own satellite and/or local antennas with the Environmental Control Committee having siting approval only. It was noted that with this option the ECC would need to have a strong policy relating to the size and location of the satellite dish and/or antenna. The Board asked Tom to work with Ellen and draft up an ECC policy regarding the placement of satellite dishes on the property and present it at the next Board meeting for review/discussion.

FINANCE COMMITTEE REPORT

Mary Balgooyen reported for John Gentry, Finance Committee Chair that the Finance Committee had met that morning and reviewed the budget to-date. She reported that the Colony is at, or below most budget lines and will complete the year close to a balanced budget. The bank statements and investments were reviewed without comment or question.

Resolution to Modify the 2002-03 Operating Budget

Mary reported that in light of the attorney's recommendation concerning Bulk-Rate programming at MDCA, the Committee is recommending that the Board adjust the operating budget approved at the April 27th meeting from \$621.00 monthly homeowner dues to \$615.00. After discussion by the Board and homeowners present, it was M/S/C to adjust the 2002-2003 Operating Budget per attached resolution from \$621.00 per unit per month to \$615.00 per unit per month. Dick Love read the resolution and after the vote, signed the resolution.

Resolution to employ the services of Joelyn Carr-Fingerle, CPA to perform 2001-02 Audit

The Finance Committee discussed the employment of Joelyn Carr-Fingerle, CPA, to perform our 2001-2002 year-end audit. She performed the audit last year and for the year prior to that. Mary said that it was the recommendation of the Finance Committee that the Board of Directors resolve to employ Joelyn for the 2002-2003 audit this year.

After discussion, it was M/S/C to employ Joelyn Carr-Fingerle, CPA to conduct the 2001-2002 year-end audit.

GENERAL MANAGER'S REPORT

Deck and Fence Replacements

Association carpenter teams have completed the 25 decks allocated for this fiscal year. In addition, we have exceeded the amount of linear footage of fencing allocated through July 1, 2002. Four of the completed decks were courtyard entryway decks where TREX decking material was substituted in the place of B-grade redwood decking. TREX decking material is about 20% cheaper than traditional redwood decking. In addition, TREX is considered to be more durable than redwood, slip resistant, and has a longer lifespan than most traditional woods. The four completed courtyard entryway decks are at units 224, 258, 262, and 266 and will be used to determine whether or not this composite material is a good substitute for the more expensive redwood. The color selected for the decking is darker than the Boardwalks and is called Woodland Brown. Both the fence and deck replacement projects remain over budget due to unexpected increases in materials over the past two budget cycles.

Window Replacement Project

As of May 25, 2002 the Association has completed 195 of 218 allocated windows with one month remaining in the fiscal year. Some of these allocations were through Carl Black and Starritt Construction, however, the majority of these replacements were assigned to in-house carpenter teams. We have 35 windows scheduled for replacement in June, which will exceed our allocation for this fiscal year and put us into next year's allotment, ahead of schedule. The window replacement project will finish the year under budget for the second straight year.

Boardwalk Replacement Project

The boardwalk project continues to slowly move forward, however, remains well behind schedule and slightly over budget. We are currently installing Boardwalk between units 194 and 196. I have lost another carpenter from this project but hope to fill his position soon, and to pick up the pace with this new hire. Even though we are behind schedule, I am still optimistic that we can complete this project in this calendar year.

Insurance Broker of Record

The Board of Directors has elected to award a Broker-of-Record letter to Mr. Jeff Kane of KBK Insurance Company to bid on this year's insurance package. Mr. Kane has been our independent

insurance consultant for the past 2+ years and has helped the Association develop its internal insurance policy. The Association insurance package is due renewal in August.

Mary Balgooyen and I attended an ECHO (Executive Counsel of Homeowner Associations) sponsored luncheon where the topic was insurance. The speaker was very informative but painted a pretty bleak picture on the current state of the insurance industry due to 9/11 and other negative influences on the market. On the bright side, the experts are expecting the industry to pull out of its current slump in the next few years where increases in the cost of insurance should ease somewhat. At present, the cost of insurance is predicted to increase dramatically and with fewer and fewer companies selling these policies in the state as a result. Bidding for insurance packages is rarely the case any more and most insurance packages are sold on the basis of *what is available and who will take you*, verses the competitive bid process.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

South Well Update

Management had a meeting with the Monterey County Division of Environmental Health and the County Water Resources Agency on Wednesday May 15, 2002. Attending on behalf of MDCA were Mary Balgooyen, myself, Jeremy Wire from Geoconsultants, and Dave Landino, a well-known local driller and well expert. It was clear from the start that the county did not have all the facts concerning our well and our proposed repair strategy. It was equally apparent to all attending the meeting that both agencies did not want us to install a third-layer of casing down the well shaft. Environmental Health claimed that installing another layer of steel down the existing casing may or may not seal the well as presented, but would definitely complicate the eventual destruction of the well. They claimed that the age of the well, its location, along with the stress of two previous repairs over the years had taken its toll on the integrity of the existing casing and the sanitary seal. After considerable discussion, we came away from the meeting knowing:

~ It is very likely that the county *will disapprove* any attempts on our part to get approval to repair the well using a casing (liner).

~ It is equally as likely that the county *will favorably consider*, as a temporary repair, the “*shooting and squeezing*” of cement into the affected areas of the casing as an interim solution thus, possibly, restoring the well to a useable condition. This is the same repair technique used in 1994 during the well rehabilitation where the Association stopped short of installing a 6-inch liner because the “*shoot and squeeze*” method had repaired the well without the need for a new retrofit casing.

~ Both county regulatory agencies highly recommend that we enter into discussions with local water districts such as Moss Landing and Castroville, research low interest money or available grants, and determine how we might hook up to these systems in the near future.

It was our feeling after the meeting that if the well repair works, we could buy quite a bite of time to negotiate and eventually hook-up to an inland water system. Based on this meeting, our

geologist is currently preparing a specification sheet that would accompany a request for a well repair permit with the Health Department and the Water Resources Agency.

North Well Destruction Update

The timing for the destruction of the North Well is still being planned in conjunction with having the well equipment on site for the repair of the South Well. The county is currently reviewing the plan for the North Well destruction and has requested additional information from us due to the length of time that the North Well has been abandoned and in disrepair.

NEW BUSINESS

Gate Code Change Effective 6/3/02

Several non-association personnel, (contractors, subcontractors, and other vendors), have the emergency gate code to the MDCA main gate. Management recommends that the gate code be changed during the month of June in order to better control unauthorized or unidentified traffic through the gate. After the new code is distributed, homeowners are asked to not give the code to any non-association personnel and are reminded that vendors can call the office or the answering service from the gate for access 24 hours a day.

WATER COMPANY BUSINESS

South Well Repairs and North Well Destruction Progress Report

Included in Management Summary

ADJOURNMENT

With no other business, the meeting was adjourned at 11:35 A.M. The next Board Meeting will be on July 20, 2002 at 10:00 A.M.

Respectfully Submitted,

Thomas J. Bugary

Thomas J. Bugary, CCAM
Secretary