

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
July 19, 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, July 19, 2008 at the Monterey Dunes Colony Clubhouse.

MINUTES

The Board reviewed the minutes of the May 10, 2008, Directors meeting. It was M/S/C to approve the minutes as written.

TREASURER'S REPORT

Marty Deggeller gave the Treasurer's Report. Marty stated that in lieu of reading the account balances from the Treasurer's Report, the financial report for May and June 2008 was attached to these minutes. Additionally, Tom noted 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.

FINANCE COMMITTEE

John Gentry, Chair, reported that the Finance Committee had met that morning prior to the Board meeting to review the financials for the 2007-2008 fiscal year. John stated that the association ended the year with an approximate \$29,000 operating gain. There were several reasons for this positive end-of-year balance, most of which were one-time gains due to a reduction in expected work or because our labor was outsourced to reimbursable projects.

ANNUAL AUDITOR'S REPORT

Joelyn Carr-Fingerle, CPA, reported to the Board that she had completed the audit. Frank asked Joelyn if there were any material weaknesses found in our accounting system, Joelyn responded

that she did not believe there were any. Frank also asked Joelyn if she had come across any activities in the course of her audit that would be a cause for concern. Joelyn responded that there were none, however, since we are a small organization and cannot segregate duties as much as a large organization, potential problems could exist in the future.

MDCA Audit

As John Gentry previously reported, Joelyn reiterated that the Colony had an operating net income of \$29,163 and a reserve net income of \$168,049 for FY 2007-08 due to unexpected maintenance work caused by a garage fire and rebuild as well as severe storm damage, which diverted maintenance staff and reserve work scheduled for the 2007-2008 fiscal year.

Frank asked Joelyn who determined the inflation factor that the reserve specialist uses when they prepare our reserve studies years in advance. Joelyn responded that they use a standard 3% inflation rate.

The board discussed whether an annual review would suffice in lieu of an annual audit. The difference between the review and the audit is the degree of detail, thoroughness, and with the higher degree of detail, a higher cost. **The Board M/S/C that the Finance Committee research whether an annual review or an audit would best serve the association and to report these findings to the board at the next directors meeting.**

MDCMWA Audit

An audit of the Water Company showed a combined net income loss of \$36,887. This is due to a \$35,184 adjustment in depreciation expense made by the auditor but this adjustment does not affect cash flow, it simply reduces the net worth of well number 4.

RECREATION COMMITTEE REPORT

Bill Michaels, Chairman of the committee, reported that the committee had met on June 19, 2008, and had developed a survey regarding the options for the repair or replacement of the far-corner tennis court to maximize its use. The survey was sent out to all homeowners and roughly half of the colony responded. **These results will be discussed at a future committee meeting and a recommendation will be made to the Board regarding what to do with the court at the next board meeting.**

GENERAL MANAGERS REPORT

Deck and Fence Replacements

This report covers the 2007-2008 fiscal year, July 1, 2007 to date. Association carpenters have completed all scheduled replacement decks this year, (6-Oceanside, 2-Master Bedroom, 1 Balcony and 6-Landside Entry Decks).

Courtyard fences were replaced at units 118, 132, 134, 178, 180, 212, 224, 226, 238, 252, 270, 314, 332, 334, 340 and a partial replacement at 126, 230 and 254 this fiscal year as well as partial replacements at Units 288 and 290. Refuse enclosures were replaced at units 312, 314-

316 and 336-338-340, as well as the master bedroom deck fence at unit 228. We replaced over 1,700 linear feet of fencing with associated supports, gates and hardware in fiscal year 2007-2008.

Window and Entry Door Replacement

The Association replaced 116 of the 145 windows and sliding glass doors scheduled in the 2007-2008 reserve budget. This includes 12 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 is subsidized by Milgard.

Re-siding , Side Wall Shingle Order

2007-2008

Completed Units: 104, 106, 126, 132, 134, 206, 212, 220, 230, 250, 280, 312, 314, 316, 324, 336, 338, and 340.

Partial: 136, 178, 224, 298, 164, 208, 230, 236, 238 and 334.

Garages: 312, 314, 316, 224, 226, 228

On April 24, 2008 we received a shipment of sidewall shingles from Fraser Cedar in BC. One half of that order was shipped in a joint purchase with Pajaro Dunes North Association. The cost of shingles dropped from \$290. a square, (10x10, or 100 square foot coverage) in November of last year to \$258 a square with that load. Supply and demand continues to cause the cost of siding to remain high, but it has eased somewhat as least in the short term. We are currently negotiating an additional load of shingles for August delivery at a cost of around \$230. per square.

Smoke Detector/Battery Replacement Program

We have completed all smoke alarm inspections and battery replacements for 119 units. The one remaining unit will have it's alarms repaired/tested by the security company that installed the system.

Electric Panel / Water Heater Inspections

We have identified the type of electric sub panels that are installed in each unit, as well as the type and (in some cases), the age of installed hot water heaters. A completed report is in each director's book for review. There are 39 original construction FPE Electric Panels still installed in MDCA units. Many hot water heaters are without date stamps and the actual age is hard to determine. Others are not installed without catch pans, or plumbing that would displace water outside the unit in the event of a leak.

The board made M/S/C to send homeowners with an original construction FPE panel a letter stating that they have six months to replace their electric panel by a licensed electrician. If the owner does not comply by correcting this safety deficiency, the Colony will have it replaced at the homeowner's expense.

Storm Damage

Previously reported:

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 damaging common area boardwalks and one of our 9 sewer systems.

During the week of March 17 through the 21st and on March 24th, 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. State Parks Rangers stopped our work on Tuesday, March 18th claiming that we were encroaching on state property. After reviewing the survey markers, it was determined that we were working on our own property and we continued to re-deposit the driftwood back in the washed out areas staying within our property lines. Repositioning the driftwood back to the foredunes was the recommended method of repairing the dunes by Dr. David Shonman, a coastal biologist the association had hired as a consultant in 1983 during a "50-year" storm that destroyed much of the foredunes on the southern half of the colony. Much of the dunes were restored after completing his recommended repairs.

On Tuesday, March 25th, management was given a stop-work order by the coastal commission. Officials from the State Parks had informed the San Francisco office of the Cal Coastal Commission that we were "re-developing the fore-dune area. After explaining to the investigator what we were actually doing, the officer said that she "needed to acquire more information" in order to determine if a permit was necessary to repair our fore-dune area.

Within a week of that stop work order, 90% of the state beach area adjacent to the fore-dunes was partitioned off and identified as a federally protected refuge for the western snowy plover nesting season. At this point, all work stopped.

At the direction of the Board, management solicited the assistance from a coastal biologist in an attempt to schedule some repairs to the fore-dunes, or at least try and re-vegetate some of the washed out areas, however, after consulting with the State Parks on our behalf, the biologist stated that the repair model for repositioning the driftwood in the washed out areas (made in 1983), was written before the snowy plovers were declared endangered. Therefore, any repositioning of wood back to the washed out areas had to be coordinated through the state parks system.

David Shonman contacted the Coastal Commission and explained our situation to the enforcement officer who had issued our stop order. The enforcement officer requested from David Shonman that I, as managing agent, discuss the circumstances surrounding the repairs to our foredunes directly with him rather than through the biologist. On March 23, 2008 I made contact with Mr. Sharif Traylor, from the Coastal Commission and had a lengthy discussion concerning our repairs to the fore-dunes. At the end of our conversation Mr. Traylor stated that he had been misinformed as to the scope of the dune repair and rather than conducting a re-development of the fore-dune area, we were enacting a "soft repair". He asked that MDCA work with the State Parks and with the Point Reyes Bird Observatory, (PRBO) biologists in an attempt to work out an agreement to repair our fore-dunes in future years keeping in context the federal protections placed on the snowy plover. He then asked that I come back to him with a plan that has been agreed upon by all players.

After developing a position paper, David Shonman coordinated a meeting on June 30, 2008 between the MDCA, State Parks District Ranger, PRBO, and State Parks Permits, (the Coastal Commission declined to participate). The meeting included a site visit of the fore-dune area, a lengthy discussion of past repairs, right of access, and Western Snowy Plover protection issues. While the meeting was productive, it showed caution and concern on the part of the PRBO biologists to assist the colony with future repairs to our dunes outside of a very narrow window each year. At the end of the meeting all parties agreed that MDCA would develop and submit a

proposal/plan (for staffing and comment) by all state agencies involved, as well as by the Federal Department of Fish and Wildlife.

MDCA submitted a proposal to State Parks on June 30, 2008. As a courtesy, MDCA kept the Coastal Commission informed of the submittal. David Shonman, dealing directly with Mr. Ken Gray in the State Parks, (permits and records) informed me that the State would like to see a property line where they could determine any lost beach property due to erosion. At my request, David Shonman contacted Rogers E. Johnson and Associates and obtained an estimate to resurvey the 12 reference points on our beach, first surveyed in 1983 and again in 1995. These surveys show the historical changes in the beach and fore-dunes as compared to past records. In addition, David Shonman advised that we also hire a licensed surveyor to determine our actual "legal" north-south property line with the State. Rogers E. Johnson and Associates do not determine legal property lines; however their survey lines are very accurate. They survey reference points using geographical data as opposed to county recorded deeds.

With the Right of Access proposal submitted to the State for staffing, we can reasonably expect some sort of an answer within the next few months. The process is slow and I can only assume that the document submitted will be adjusted several times before an actual agreement is reached and a permit secured.

Recommendation: To approve up to \$6,740 for Rogers E Johnson & Associates to survey the 12 beach reference points and prepare a report in accordance with the Cost Estimate provided.

The Board M/S/C to approve the above recommendation.

Insurance Package

The finance committee directed a change to the insurance-year start date in order to more effectively budget the cost of insurance from year to year. This year's insurance proposal reflects an adjustment for Directors and Officers, Automobile, Umbrella, and Earthquake Insurance from 8-1-08 to the new insurance date of 2-1-09. At this point, the 2-1-09 through 8-1-09 estimated costs for insurance remain within the 2008-2009 budget allocation.

Fireplace Inspections

The Association has again contracted with Cypress Chimney Sweeps for annual fireplace inspections. The inspections started on June 24, 2008 with a projected completion date of November 30, 2008. Cypress Chimney Sweeps did increase inspection and cleaning fees approximately \$10. an inspection for the 2008 season. As of this date, there have been 4 red tags issued by the inspector, all for unserviceable chimney caps and exterior pipe sections. Of the 4 red tags, 3 have already been corrected with the one remaining repair awaiting parts.

A homeowner from the audience wanted to know why the homeowners were responsible for the cost of replacing a chimney cap and not the Association. Tom responded that in 2001 the fireplace/chimney policy of the Association was changed by the Board to reflect that all parts relating to the fireplace/chimney were the responsibility of the homeowner because it was felt that even an exterior chimney was connected to an interior fireplace making it one unit. However, the Association is responsible for painting and sealing the new chimney caps.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing (Agenda Item)

During the May billing period, there were 12 units that exceeded the Tier 1 conservation zone and 4 that exceeded Tier 2. Unit owners were notified of their monthly and gallon-per-day consumption.

During the June billing period, there were 14 units that exceeded the Tier 1 conservation zone and 6 that exceeded Tier 2. Unit owners were notified of their monthly and gallon-per-day consumption. Those owners who exceeded Tier 1 and Tier 2 water use limits were billed for their usage in accordance with Association Policy. All other homeowners were notified of their monthly and gallon-per-day consumption.

Marty stated that the homeowner's should have been aware of their water usage since we have been sending them reports on a monthly basis since the beginning of the year; however, once we started billing this past month for excess water usage, some of the homeowner's who exceeded their allocation thought that the associations policy and 3-tier conservation billing structure was unfair. Marty suggested that the Colony reexamine the tier and pricing structure of the policy and possibly allow those with exterior landscaping additional water allocations since their gardens were on common property. After considerable discussion with many owners present at the meeting who felt that gardens outside the courtyard area are in contrast to the natural coastal desert landscape, the Board agreed to review the policy, but not until after the policy was in place for a six month period.

Water Storage Tank Inspection/Maintenance/Repair (Agenda Item)

Over the past few weeks, we have observed a leak in the 220,000 gallon water storage tank associated with our municipal water system. After discussing this leak with outside consulting services and water system experts, I had scheduled a 1-day outage for the purposes of determining the severity of the leak and to plan for repairs. This required draining the tank, entering the tank to determine the extent of the problem, and disinfecting the tank before putting the system back on line. After experiencing a high volume of objections for this scheduled outage, I have rescheduled it for a later date when the occupancy of the colony is somewhat less than it is at this time. This inspection and any subsequent repairs are critical to the overall serviceability of the colony's water distribution system and the repair of this tank essential. Owners are advised that this outage will be scheduled in the late fall timeframe and any major repairs, hopefully in the winter months.

Consumer Confidence Report (Agenda Item)

The annual water quality report, (Consumer Confidence Report) was sent to the members on June 18, 2008. This report covers our water quality from January 1, 2007 through December 31, 2007. There were no discrepancies associated with the quality of the water at Monterey Dunes during the 2007 calendar year.

NOMINATING COMMITTEE

Ellen Michaels reported for Mary Balgooyen, Chair of the Committee. Ellen stated that the committee had five very good nominations; however, additional nominations can be made up to August 21, 2008.

OLD BUSINESS

None.

NEW BUSINESS

Deadline for Receipt of Nominations for Directors for the 2008-2009 Term

As stated above, the nomination deadline for 2008-2009 Board members is August 21, 2008.

Set Record Date for Voting

Ellen Michaels explained that the record date of voting is August 22, 2008, All members in good standing with the association on that date will be eligible to vote in the upcoming election of directors in October. Those who are not in good standing on that date, for whatever the reason, are not eligible to vote in the October election, even if their status changes between August 22d and the date of the annual meeting.

Appoint Inspector of Elections for the 2008 Election of Directors

Bill Hoisington graciously accepted the position of Inspector of Elections for the 2008 Election of Directors.

WATER COMPANY BUSINESS

May and June Water Conservation Report

Addressed in Manager's Report.

Water Storage Tank Inspection/Maintenance/Repair

Addressed in Manager's Report.

Consumer Confidence Report, June 2008

Addressed in Manager's Report.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:00 p.m. The next Board meeting will be on September 20, 2008 at 10:00 a.m. in the Clubhouse.

GUEST SPEAKER

Rob de Bree, Managing Director of the Elkhorn Native Plant Nursery, was the guest speaker immediately following the meeting.

FOR THE BOARD OF DIRECTORS:

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

Treasurer's Report March 2008

This report covers our fiscal year budget status through March 31, 2008

Account Balances as of March 31, 2008 are:

| | <u>March</u> |
|----------------------------|--------------|
| Union Bank Reserve | \$306,958.18 |
| Union Bank Operating | \$ 62,896.01 |
| Union Bank Investment Acct | \$ 7,933.40 |
| Community Bank Petty Cash | \$ 599.22 |
| Union Bank Water Operating | \$ 19,894.66 |
| Union Bank Water Reserve | \$ 89,675.84 |

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