

**COMBINED MEETING OF THE BOARDS OF DIRECTORS  
MONTEREY DUNES COLONY ASSOCIATION  
AND  
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION  
July 20, 2002**

Dick Love called the meeting to order at 10:00 AM, July 20, 2002 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA 95012.

**PRESENT**

Dick Love, President  
Mary Jansing-Balgooyen, Treasurer  
Marty Deggeller, Director  
Tom Bugary, Secretary and General Manager

**ABSENT**

Ellen Michaels, Director

**WELCOME**

Prior to the commencement of the meeting, Dick announced that Burke Critchfield had resigned from the Board due to health problems. Dick also announced that two of our long-time homeowners had recently deceased – Shirley Elliot, a part owner of unit 136, and Jean Schmidt, a full-time resident of unit 298. A moment of silence was observed for our deceased members.

**APPOINTMENT OF A DIRECTOR**

The Board elected to not appoint a director to replace Burke at this time since the election of directors is in October, with only one meeting scheduled between now and the annual meeting.

**MINUTES**

The Board reviewed the minutes from the May 25, 2002 meeting. It was M/S/C to approve the minutes as written.

**TREASURER'S REPORT**

Mary Jansing-Balgooyen prepared a written report and presented it as follows: "This report covers our fiscal year budget status as of June 30, 2002. The June 30, 2002 account balances are: Union Bank Reserve \$621,190.77; Union Bank Operating \$106,965.53; Union Bank Investment Account \$7,678.35; Union Bank CD \$115,000.00; Community Bank Petty Cash \$1,187.72; Union Bank Water Operating \$11,764.81; Union Bank Water Reserve \$58,779.29. 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 CD will mature on 12/6/02."

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

Mary Jansing-Balgooyen reported that the CC&R Revision Committee has been working on proposed amendments to our CC&Rs that will bring our governing documents more in line with current working policies. Mary said that the committee just finished a draft insurance amendment with our insurance broker and our attorneys. This amendment revises the language in our CC&R's concerning the distribution of insurance proceeds in the event of partial and full destruction of the Colony. There was a discussion concerning insurance with many questions from homeowners present at the meeting. Mary introduced Jeff Kane, our insurance broker who was present at the meeting and took an active role in the discussion.

### **2002-2003 INSURANCE PROPOSAL FROM KBK INSURANCE**

The Board reviewed the 2002-2003 insurance proposal from KBK Insurance Agency. Mary commented that in the proposal was a recommendation to increase insurance deductible from \$5,000 to \$25,000 primarily because the Association has to shift some of the liability for water and other small claims over to the homeowners HO6 policies. After one or two small claims, Associations are not being renewed without agreeing to these larger deductibles. Jeff Kane, (KBK Insurance Agency) explained that approximately 90% of claims against Association master policies are from small water claims. These claims need to be shifted over to HO/HO6 policies to allow the Association to remain insurable and to keep the master policy costs down. Mary commented that our homeowner's need to ensure that they obtain additional insurance for claims up to the Associations master policy deductible. In addition, Mary stated that the committee recommends, in the insurance proposal this year, that the Association raise the insurance limits from \$16.5M, to \$21.9M, which has been determined by our broker, and the insurance carrier as a more realistic dollar amount in terms of replacement value. Mary explained that these limits are important because there are no policies being written at this time that guarantee actual replacement value to rebuild the homes in the event of a total destruction, only coverage up to the limits of the policy issued.

After a lengthy discussion, it was M/S/C to accept the KBK insurance proposal to include increasing the deductible from \$5,000 to \$25,000 with an effective start date of 9/1/02. The effective date was adjusted to 9/1/02 and not on the policy renewal date (8/1/02) because the Board felt that homeowners needed to have an extra months' notice so that they can obtain additional HO/HO6 insurance to cover this increased deductible.

Jeff Kane told the Board that he will be sending out a letter to homeowners notifying them of the Association's current coverage, and of the increased deductible, and what the individual homeowner's will need to do to insure adequate coverage regarding their HO/HO6 policies. In addition to the flyers or letters that KBK Insurance will be sending out, they will also be requesting loan information from homeowners so that they can send the lending institutions the information that they require regarding the Association's master policy insurance coverage.

## **SHORT-TERM BORROWING FROM THE RESERVE ACCOUNT TO PREPAY INSURANCE PREMIUMS**

After review of the insurance policies, interest and overall costs, it was M/S/C to prepay the 2002-2003 (8/02-8/03) insurance by borrowing the money from our Reserve Account, to be paid back in ten equal, monthly payments from our Operating Account starting from September 2002 and ending in June 2003.

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

Tom Bugary gave the ECC report for Ellen Michaels. He reported that the committee had met on July 3, 2002 and approved ECC requests for the following units:

- o #150 – Ocean side deck expansion, conditional upon County approval
- o #208 – Amended application to approve a non-standard entry door. The owner took future responsibility for the door and agreed to refinish the outside of the door in a similar fashion as the standard Colony doors.
- o #148 – Amended application to add three skylights to the roofline and change three windows on the patio side of the unit. The amendment application with addition requested information was approved.
- o #328 – Change the entrance deck on the patio side of the unit and add a room outside of the deck footprint (south-facing similar to #124). Approval contingent upon County approval.

The committee did not approve a request from unit #170 to replace a screen door that was reportedly installed by the Colony many years ago, and had been removed and replaced again about three years ago during a painting project.

MaryAnn Hoisington commented on the amount of time neighbors have to respond to an ECC request. Currently four neighbors to either side of the owner requesting ECC action are sent notification of the request and have two weeks to respond with any concerns. However, Mary Ann believes that neighbors should be allowed more than two weeks to respond to ECC requests. The Board responded to Mary Ann by stating they would definitely evaluate the policy and make reasonable revisions. (Action item).

## **ECC POLICY CONCERNING THE INSTALLATION OF SATELLITE DISHES WITHIN THE CONFINES OF THE COLONY**

The ECC has developed a draft policy with a siting plan for the installation of satellite dishes within the confines of the Colony. These sites are prioritized in appendix A of the policy as follows:

1. Behind the exterior chimney chase. The wiring or cabling will penetrate the exterior of the chase above the roof-level, travel down the interior of the respective chase, through the sub floor, into a crawl space under the unit, to a distribution panel and then split out to the individual units. If this is not feasible, then,

2. Eastside courtyard below the perimeter fence line. All wiring from the satellite dish to the unit will travel from the satellite dish down into the crawl space under the unit, to a distribution panel and then split out to the individual units. If this is not feasible, then,
3. Eastside courtyard above the fence line. All wiring from the satellite dish to the respective unit connections will travel down the wall and then into the crawl space under the unit, to a distribution panel and then split out to the individual units.

After a lengthy discussion, it was M/S/C to adopt the proposed ECC policy concerning the installation of satellite dishes within the Colony. In addition to the policy, the ECC has developed a siting form to be completed by the homeowner requesting any satellite installation on the property. The policy and request form are attached to these minutes.

### **FINANCE COMMITTEE REPORT**

John Gentry reported that the Finance Committee had met that morning and reviewed the operations for the 2001-02 fiscal year. On a preliminary basis, there is a net income over operating expense of approximately \$34K, however we will get the final audited numbers on August 16 from our CPA. John stated that there is no Board meeting in August, and invited all interested members to attend a Finance Committee meeting with our auditor on August 16 at 2:00 p.m.

### **SATELLITE CABLE COMMITTEE REPORT**

#### **PROPOSAL FOR THE INSTALLATION OF SATELLITE DISHES AND INFRASTRUCTURE ON EACH BUILDING**

Dale Christenson presented a recap of the previous cable committee's Board reports leading up to a request by the Board for Dale to pursue the possibility of obtaining a bulk-packaging program with Interactive Solutions for less than 100% of homes participating. They declined this proposal citing a requirement from DirecTV for exclusivity. At the same time as Dale was pursuing the MDU bulk option, the Board directed Tom to pursue a residential/residential package with Superior Satellite, another company offering satellite services to the Colony.

Tom presented a proposal for residential/residential service from Superior Satellite. Superior Satellite proposes to install two satellite dishes and one off-the-air Terk 42 antenna with all necessary hardware for DirecTV, Dish Network and local signals on each of the 41 buildings. Homeowners can then choose between the two major satellite providers for their satellite television services, or they can choose to have only local channels via the Terk antenna. In the event that a homeowner elects a different satellite company, the ECC policy on the installation of satellite dishes provides the necessary guidance for the placement of these satellite dishes.

Superior Satellite has submitted a proposal to install the base infrastructure on each of the 41 buildings for \$23,550. This cost is comparable to the proposal from Interactive Solutions.

The entire installation of the base infrastructure would take approximately 3 months, at which time the Board could elect a date in which we would cut off the existing underground system, saving operating programming and repair dollars.

After discussion, it was M/S/C to contract with Superior Satellite to install the basic infrastructure, and to allow them to act as both the DirecTV and Dish Network service provider to our homeowners. The Board also directed management to discontinue our present cable system no-later-than December 16, 2002.

Tom explained different cost options for residential hookups from DirecTV and Dish Network from recent promotional flyers. These costs will change as each system adds new promotional incentives, or others that will expire. Homeowners will have to deal with the installers for the most recent promotional packages. Information on these packages will be sent to homeowners as the installation of the base satellite dish infrastructure is finalized with the contractor.

## **GENERAL MANAGER'S REPORT**

### **MONTEREY DUNES COLONY**

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

Association carpenter teams replaced 29 decks this fiscal year. This is 4 over the total amount of budgeted decks scheduled for replacement through June 30, 2002. In addition, we exceeded the amount of linear footage of fencing programmed through June 30, 2002. Both the fence and deck replacement projects remain over budget due to major increases in materials over the past two budget cycles along with an accelerated program replacement schedule.

#### **Window Replacement Project**

As of June 30, 2002 the Association completed all 218 window allocations for fiscal year 01-02. Some of those allocations were through Carl Black and Starritt Construction, however, the majority of these replacements were completed in-house, by Association carpenters.

Management is now resetting some Milgard block frame windows installed between 1995 and 1999. When installed, these windows may not have been sealed adequately and, in many cases, the frames have now warped with changes in temperature, pulling the windows away from the interior wood trim and out of square. When these block-frame windows were first installed, the original redwood window trim (both exterior and interior trim) was re-used in these installations. This trim has now deteriorated to the point that it has to be replaced and in many cases adds significantly to the failed condition of the window. Milgard does not recommend block frame installation in our constantly changing, coastal weather environment. At the time these block-frame windows were installed, block frame installation was the cheaper solution to a full, new-construction type of window installation. The cost to the Association to *reset* and *re-trim* a Milgard block frame window is approximately \$400 - \$500 a window.

The Window Replacement Project finished the fiscal year, under budget, for the second straight year.

### **Boardwalk Replacement Project**

The boardwalk project continues to slowly move northward, however, remains well behind schedule and slightly over budget. We are currently installing Boardwalk near unit 170. I have hired another carpenter and added a laborer to this project in order to pick up the pace. The boardwalk project was expected to last two years but due to numerous turnovers in the labor force, it will need an addition 6 months for completion. I believe that this project can be completed, close to its two-year allocated budget, and by the end of this calendar year.

### **Insurance**

Covered in the CC&R Committee Report.

August 2, 2002 through August 1, 2003 insurance premium quotes.

Property and General Liability	\$32,337.00
Fidelity	\$ 984.00
Automobile	\$ 1,849.00
Umbrella, Excess Liability	\$ 6,895.00
Difference in Conditions	
Primary and Excess	\$41,698.47
Employee Practices Liability	\$ 325.00
Boiler and Machinery (Included in Package Policy)	
Directors and Officers	<u>\$ 1,913.00</u>
<b>Total Premiums</b>	<b>\$86,001.47</b>

The Insurance/CCR Revision Committee is also recommending a \$25,000 deductible for Property and General Liability Insurance to help defer future small water claims from the master policy to the individual homeowner's personal HO/HO6 insurance line. This type of high deductible causes the Association to self-insure in the event that there is a loss within the common area, and where there is no personal loss coverage to offset this high deductible.

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

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

Our consulting geologist has submitted a proposal from Halliburton Energy Services outlining our south well repair project to the Monterey County Health Department and County Water Resources Agency. Taking into consideration that the Health Department will not allow another sleeve, or retrofit casing liner to be sealed in the well, Halliburton is recommending perforating 8 specific zones, or suspected areas where there are probable leaks in the existing steel casing. After perforating these selected zones, Halliburton

further proposes squeezing the well with an ultra-fine cement particle slurry. I do not have well drillers selected to work with Halliburton as yet but plan to solicit for bids as soon as the County approves the technical side of both projects.

Halliburton submitted an estimate of \$58,429.34 for their portion of the south well repair project and another estimate for \$36,196.23 for perforation work to the north well in preparation for sealing. Again, I do not have the figures for the drilling rigs, nor do I have the final consulting costs from Geo-consultants, Inc., however, we still look to be within the estimated costs for both projects. There should be some cost savings for consolidating the two projects.

### **Water waste disposal and excess water usage**

With only one well currently in operation, water consumption and water management are important issues here at the Colony. Each year, I submit a water consumption report to the Water Resources Agency and have to justify our annual water usage. During the past two annual reports our water consumption has been noted as “high” with each of our 120 units averaging 225-250 gallons a day. This figure accounts for almost 100 percent of our allowable wastewater disposal into our 9 leaching fields without taking into account peak usage months such as July through September.

Each year when we service the septic tanks, we observe an inordinate amount of water discharging into the tanks from the service wastewater lines, regardless of the occupancy of the serviced units at that time. In past years we have conducted manual searches of, as many as 1/3 of the units on the property in an attempt to determine leaking toilets, water faucets, and showers that may be adding to this excessive water runoff. Repairing the leaks in the units helps the problem, but only until the reported water sources start to leak again. Once an unoccupied unit starts discharging water from a leaking service connection, it can remain undetected until the next wastewater inspection or such time as management has reason to enter a home for specific maintenance purposes.

I feel that it is necessary to start some sort of program of inspection where the Association can monitor the homes for leaks, on a routine basis; however, this can be costly in terms of being labor intensive, especially with management coordinating for any plumbing repairs to the individual units.

A less costly method of monitoring a unit for leaks is to install an above ground water meter in the courtyard of each home where maintenance can monitor water usage for leaks. Co-located with this meter would be a water cut-off valve where homeowners can shut off the water main to their home when they vacate the unit for long periods of time. The cost of metering all 120 homes on the property is approximately \$250.00 per home or about \$27,250 to complete the project.

Since this is a capitol improvement, and not a reserve expense, I have recommended to the Finance Committee that approximately \$30,000 of the 2001 – 2002 Operating budget be deferred to fund this capitol improvement. The project could be supervised and partially staffed in-house with some assistance from local plumbers as necessary. Without the necessary tools to monitor and control water usage here at MDCA, we will soon run our

remaining water source dry, and will then be forced to rely on a standby source (South Well) that has proven to be only marginally reliable in past years.

## **OLD BUSINESS**

### **GATE CODE CHANGE**

As reported in the last Board meeting minutes, several non-association affiliated persons, (past contractors, subcontractors, vendors and others), have the emergency gate code to the MDCA main gate. The Board authorized management to change the emergency gate code. ***The new emergency gate code is***

**#1776.**

***This code is only for homeowners, immediate family, and emergency services; please do not give this code to contractors, subcontractors, vendors, etc.***

## **NEW BUSINESS**

### **APPOINTMENT OF A NOMINATING COMMITTEE/COMMITTEE CHAIR**

Dick appointed Mary Balgooyen and Jim McFeeters as members of the Nominating Committee to identify potential candidates as Board members for the upcoming year.

### **REVIEW TWO REQUESTS FOR EXCLUSIVE USE OF CLUBHOUSE FACILITIES**

There were two requests for exclusive use of the clubhouse presented at the meeting – one on 8/12/02 and the other on 9/7/02. Both applications were approved. The Board M/S/C to allow Tom to approve requests for exclusive use of the clubhouse where there are no obvious conflicts. An example of a conflict situation would be somebody wanting three days at Christmas time, etc. Tom will defer and possible exception to policy for Board decision.

### **NEW STATE RESTRICTIONS ON PETS ON STATE BEACH PROPERTY**

**Effective August 1, 2002, dogs are not permitted on State Beaches leashed, or unleashed.**

The State Parks has informed us that there will be patrols, and if a person is caught with their dog on the beach, (whether on a leash or not), they will be cited. Citations will require court appearances where the judge will decide on the amount of the fine. This is a year-round rule and not just seasonal during Snowy Plover breeding season. It was noted that horses have not been banned from the beach. The official reason given for horses being allowed and not dogs is given that dogs are predatory animals while horses are not.



## **ELKHORN SLOUGH MEMBERSHIP**

The Colony has been contributing \$100 to the Elkhorn Slough each year making us “Marsh Stewards” in the membership hierarchy. Membership renewal for the new fiscal year is due if the Colony wishes to continue the sponsorship. After a brief discussion the Board made M/S/C a proposal that we continue our membership as “Marsh Stewards”. The Board also directed that literature concerning membership be forwarded to the members so that they can contribute to the society if they desired to do so. Different forms of membership in the Elkhorn Slough and prices for the membership are attached to these minutes.

Bill and Mary Ann Hoisington presented to the Colony a book titled *Wildflowers of the County* that they had purchased at the Elkhorn Slough’s Annual Meeting. Dick thanked them for the contribution and asked Tom to keep the Book in the Clubhouse with a do-not-remove sign on it for all to enjoy.

Beach clean-up day will be on September 21, 2002. Flyers will be sent out with the minutes to all homeowners.

Jim McFeeters announced that a Castroville Library and Community Center is now in the planning stages after  $\approx 50$  years of fund raising, however, they still need to raise more money before the library can be started. The city plans to break ground in about a year or so. Attached to the minutes is a pamphlet explaining fund-raising options for the library and community center.

## **WATER COMPANY BUSINESS**

### **SOUTH WELL REPAIR AND NORTH WELL DESTRUCTION UPDATES**

Included in the Management Summary.

## **ADJOURNMENT**

With no other business, the meeting was adjourned at 11:55 A.M. The next Board Meeting will be on September 14, 2002 at 10:00 A.M.

There was an Executive Session of the Board of Directors immediately following the Directors Meeting. In compliance with a recent change to California Civil Code Section 1363.05 the topic discussed in this Executive Session was concerning Member Discipline. There was a hearing and a decision to implement a fine for a violation to Association Ground Rules.

Respectfully Submitted,

*Thomas J. Bugary*

Thomas J. Bugary, CCAM  
Secretary