

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

PRESENT

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

ABSENT

Jeff Schwartz, Director

WELCOME

Mary Jansing-Balگوoyen called the meeting to order at 10:08 AM, July 24, 2004 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA. 95012.

MINUTES

The Board reviewed the minutes of the May 29, 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 reports for both May and June 2004 are attached to these minutes. 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, Co-Chair of the Committee, reported that the CC&Rs, as well as the Colony Bylaws and the Water Company Bylaws, were approved by a vote of 97-0 with 1 abstention. There were no changes to the last draft copy of the governing documents since they were last sent to the homeowners; however, a final version with filing stamp can be downloaded from our website at www.montereydunescolony.com, in the homeowners section under documents, or you can contact the office for a hardcopy.

Marty and Mary both thanked the members of the Committee: Russ Ryder, Ted Swanson, Jim McFeeters, Mary Jansing Balgooyen, and Tom Bugary for 2-1/2 years of hard work in revising these governing documents.

FINANCE COMMITTEE REPORT

John Gentry, Chair of the Finance Committee, stated that the Committee had met before the Board meeting at 9:00 A.M. and reviewed the Association and Water Company Financials through the end of June. This marks the end of fiscal year 2003-2004 for the MDCA documents and 11 months for the Water Company. A draft audit report has already been given to the Committee for preliminary review and will be discussed in detail at the next committee meeting with the auditor on August 30, 2004, at 11:00 a.m. All interested members are welcome to attend the meeting.

John noted that due in part to savings in several operating budget lines, particularly in Workers Compensation Insurance, there was a net income this year in the MDCA operating budget of \$32,192.30. John reported that the committee recommends that the net income be used to help prepay the MDCA insurance premiums of approximately \$98,000.00 out of the operating account this year, and that we not borrow from the reserve account as has been our practice for many years. In this way, we maximize the interest the money will earn in the Reserve Money-Market Account and, at the same time, a larger reserve balance will earn additional bank credits used to offset our monthly operating bank charges.

In addition, the Committee recommended that MDCA purchase the insurance package for 8/1/04-8/1/05 with consideration given to differences in the Directors and Officers liability coverage and an across-the-board increase in premiums of about 5%.

The Board looked at the insurance renewal proposal for the 2004-05 insurance year from our broker, Jeff Kane, KBK Insurance Company. After discussion, the Board M/S/C that the insurance proposal be accepted, with the condition that they would like to retain the \$5,000,000.00 in D&O coverage verses the \$3,000,000.00 limit offered under the new proposal. The Board asked Tom to work with Jeff Kane and see what type of excess line is available to ensure this continued level of insurance coverage.

The Board also M/S/C that we pay all prepaid insurance premiums out of the operating account each year, and only borrow from the reserves in the event of an emergency.

ENVIRONMENTAL CONTROL COMMITTEE REPORT

Ellen Michaels reported that the ECC had met on June 29, 2004 and the following actions were taken:

- ♦ The new owners of unit 102 have submitted several proposals for exterior change, most of which are focused around providing wheel chair access to and from their property on both the east and west accesses routes of the home. The ECC is working through each phase of the project to ensure they accommodate the needs of the member and at the same time retain the integrity of the MDC design.

- ♦ The owner of unit 248 requested permission to erect a portable gazebo in the courtyard of their unit. The ECC approved this request but requires that the owner lower the covering below the fence line when not being personally used for an event.
- ♦ A homeowner requested replacing 4 courtyard windows, reframing this wall to accommodate a remodel, and install 3 windows of different configuration. This action was approved with stipulations.

NOMINATING COMMITTEE REPORT

Jim McFeeters reported that the committee surveyed the Board to see if they intended to run again, and was happy to report that the existing board agreed to serve another year. Jim further stated that just because the board agreed to run another year, this did not close the nominating action. The nomination process allows for write-ins at the annual meeting and anyone interested in standing for this year's election is encouraged to be a write-in. Members can present nominations from the floor at the Annual Homeowners Meeting on October 16, 2004.

GENERAL MANAGER'S REPORT

Deck and Fence Replacements

We have replaced all 25 allocated decks for this fiscal year, (July 1, 2003 through June 30, 2004) at a cost of over \$156K. We continue to identify and schedule decks for replacement and coordinate these replacements with other major replacement projects when possible. We finished the fiscal year considerably over-budget in this line due to material changes and cost increases, made since the reserve budget was developed in May 2000. Decks on the short schedule for replacement this year are 188, 182, 142, 320, 324, 334, 320, 306, 190, and 266.

Fence replacements were very close to allocation, as well as close to budget. We can expect to be over-budget next year because of OSHA and county requirements to build a 5' enclosure around the propane tanks and rebuild the swimming pool fence to 5'.

Window Replacement Project

We have replaced 217 out of an allocated 218 windows since July 1, 2003, completing this year's window replacement cycle. Units already identified and/or scheduled for replacement windows this fiscal year are: 210, 146, 266, 194, and 296. The window replacement program finished the fiscal year on target and under-budget.

Revised CCR's, ByLaws, and Water Company ByLaws

The final vote for approving the new MDCA and Water Company Governing Documents was 97 affirmative votes, 0 nays, and 1 abstention. The documents were filed at the Monterey County Courthouse on 6/8/04. A copy of all three amended documents can be found in the homeowner section of the MDCA Web Site under "Documents".

MDCA and Water Company Audit 2004-05

Joelyn Carr-Fingerle has started the MDCA and Water Company audit for fiscal year 2003-2004. The audits will be completed and briefed to the Finance Committee on August 30, 2004 at 11:00 AM at the Association Clubhouse. All interested homeowners are invited to attend the committee meeting. Subsequent to this briefing, the auditor will issue the annual report to the members, which will be mailed out sometime in early September.

OSHA Inspection

The Association was inspected by a contingent of the Occupational Safety and Health Administration, (Pressure Vessel Unit) on 6/3/04. OSHA issued the colony a Compliance Notice, ordering the colony to replace a propane line from the main storage tanks to the swimming pool equipment building. The old line was of galvanized steel and had surface rust showing near the floor of the maintenance building where the pipe came out of the foundation. We replaced the line with a newer plastic line and new regulator, paid the compliance fee, and updated the permit. The old line was 30 years old, but still very much serviceable, but we still had to change it because it was a major finding in the inspection. There were also signage issues and a requirement to enclose the propane tanks in a fenced area. All mandatory compliance and recommended corrections have been completed.

Monterey County Health Department Inspection

The County Health Department inspected the common facilities on 6/21/04 and cited the colony for a deficiency in the height of the swimming pool fence and gate openings. The County requires a height of no less than 5 feet with associated gates and safety hardware. This fence has been in place for many years and I could not find any violation notices in previous years concerning the height of the fence. Regardless, I am replacing the old portion of the fence that did not meet current UBC height requirements and clearing the citation with the Health Department.

Trash Fee Increase

Over the past two months, I have received numerous complaints from homeowners concerning increases in waste management fees. Monthly costs increased from \$43.62 to \$81.42 a quarter for two cans picked up weekly. After several complaints, Jeff Schwartz asked if it was cost effective for the Association to handle all the trash removal on the property and asked me to work up numbers for discussion at this Board Meeting.

The Association has two operating budget lines associated with waste removal, 5600 (Dump Fees) \$3,334.00 budgeted per year or \$27.78 per owner per year, and 6320, (Vehicle Gas and Maintenance) \$5,145.00 per year or \$42.88 per owner per year.

My estimate is that to remove trash from the property each week it will take 2 men, 5 hours, including any dump runs associated with the removal. Payroll for these two men is estimated @ \$25.00 per hour, taxes, fees and insurance included. \$3,100 for a new trailer with adequate

storage and support sides for the transportation of trash to the dump. \$8.00 per dump run in fees, gas at \$20.00 per week, and \$10.00 in vehicle maintenance fees.

Line 5600	\$ 3,334.
Line 6320	<u>\$ 5,145.</u>
Subtotal	\$ 8,479.
Estimated additional annual labor	<u>\$13,000.</u>
Subtotal	\$21,479
Estimated One-Time Trailer Costs	\$ 3,100.
Subtotal	\$24,579.
Estimated Annual Gas/Maintenance Costs	\$ 2,392.
Subtotal	\$26,971.
Contingency	\$ 389.
Required annual income	\$27,360.
Association Cost per unit per quarter	\$ 57.00.
Waste Management Cost per unit per quarter	\$ 81.42
Savings to homeowner from current fees	\$ 24.42 per quarter
Savings to current budget	\$ 8,479. per year

Note Additional cost for excess garbage per bag/container
Assumptions: All 120 units participate to achieve savings.

These figures are all preliminary for research purposes only.

It was M/S, and after discussion, carried that the Association not enter the waste management business. The Board thanked Tom for working up the numbers.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

Well Number 4

The fencing enclosure around well #4 is complete and we are setting up the irrigation system for replanting the area. The re-landscaping should be completed by the end of September.

The well is on line and serving as our second water source.

End of Management Summary

OLD BUSINESS

2005-2010 Reserve Budget

Mary Balgooyen stated that the 2005-2010 draft Reserve Budget was the topic of discussion at the last Board meeting, and is on the agenda for discussion during this meeting and next Board

meeting on September 11. Mary asked for comments from the homeowners, and/or the Board. Hearing no homeowner comments, the discussion was tabled until the next Board meeting. The draft budget is scheduled to go out for a vote of the membership in November 2004.

NEW BUSINESS

Window Replacement costs between Aluminum-frame, single glazed and Fiberglass-frame, dual glazed windows

Mary asked Tom to make a special report on the window situation.

Tom reported that the current MDCA Window Replacement Policy states that, as windows and sliding glass doors wear out, they are replaced with the association standard window and/or slider, currently described as a single-pane, tinted glass, aluminum anodized frame, similar to that as originally installed in most of the units. Homeowners have had the option to choose to upgrade to an approved, fiberglass, dual-glazed, tinted window, if they agreed to pay the difference in cost between the two types of windows. Due to increases in the cost of aluminum, the variance between the costs of these two types of windows is rapidly closing.

Tom reported that the stock, anodized aluminum windows do not hold up well, given the adverse weather conditions here at the dunes and have an average lifespan of 5-7 years, unless treated with specialized “baked on” paint or other coverings to promote the longevity of the aluminum frame. In order to avoid the costs of replacing windows after 5-7 years it has become necessary for the Association to utilize these specialized coverings on the aluminum windows. These coverings greatly increase the life of the window frames, but the costs of applying these “anti-corrosion packages,” along with ordering specialized (thicker), commercial-grade aluminum frames, is no longer cost-effective for the Association. There is now no significant difference between the cost of the single-pane aluminum windows used by the Association and the fiberglass windows.

Mary called for a vote on the Association Window Replacement Policy. After an extended discussion, it was M/S/C that the window policy be adjusted so that the standard replacement window is now the Milgard dual-pane fiberglass window. Homeowners who wish to retain the look of the aluminum windows, with the larger viewing area, can elect to upgrade to a Blomberg dual-pane aluminum window with all the corrosion resistant packages and frame adjustments. The homeowner remains responsible to pay the difference in cost, estimated to be about 30% higher than the fiberglass frame, at this time. The motion carried unanimously.

WATER COMPANY BUSINESS

Addressed in the Manager’s Report

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:45 a.m. The next Board meeting has been changed to 10:00 a.m. on September 11, 2004. The Annual Homeowners Meeting will be on October 16, 2004 at 10:00 a.m.

EXECUTIVE SESSION

Following the adjournment of the Board meeting, the Board held an executive session to discuss member discipline.

FOR THE BOARD OF DIRECTORS:

Respectfully Submitted,

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