

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
September 14, 2002**

PRESENT

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

ABSENT

Ellen Michaels, Director

WELCOME

Dick Love called the meeting to order at 10:11 AM, September 14, 2002 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA 95012

MINUTES

The Board reviewed the minutes from the July 20, 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 August 31, 2002. The August 31, 2002 account balances are: Union Bank Reserve \$691,963.02; Union Bank Operating \$136,043.07; Union Bank Investment Account \$6,183.43; Union Bank CD \$115,000.00; Community Bank Petty Cash \$904.56; Union Bank Water Operating \$7,340.56; Union Bank Water Reserve \$61,556.89. Our payments to the Capital Replacement Fund of \$16,320.00 per month are current and the payments to the Mutual Water Association of \$3,316.80 are current."

AD-HOC CC&R/POLICY REVISION COMMITTEE

Mary Jansing-Balگوoyen reported that the CC&R Revision Committee has prepared a final draft of the third amendment to the CC&R's. This amendment addresses the colony's insurance policies and required coverages. There was a lengthy discussion concerning some of the language in the insurance amendment, the coverages, how the HO and HO6 policy interfaces with the master policies, and the master policy deductibles. It was M/S/C to approve the amendment as presented and send it to the membership for a vote. The amendment and ballots will be sent out to all the homeowners within the next few weeks.

FINANCE COMMITTEE REPORT

John Gentry reported that the Finance Committee met last month with the CPA who presented the results of her audits for the Association and Water Company for fiscal year 2001-2002. The Finance Committee recommended that the Board approve these final reports to the members, already sent to the homeowners. It was M/S/C to approve the 2001-2002 audit as presented.

In addition, the committee recommended the approval for the expenditure of funds for a capitol improvement to the Water Company to install above ground water cutoffs, backflow prevention devices and water meters on each unit. The cost for this project will be approximately \$30K. This installation will allow management to quickly identify leaks and to shut down vacant houses where water may be running inside. This installation could also encourage homeowners to participate in turning off their water outside of their units when they leave their homes for extended periods. Completing this project would bring MDCA in compliance with our 3-year water conservation plan submitted to the county in early 2000. The funding for the project will come from uncommitted operating funds remaining in the reserve account from the sale of unit 206 over two years ago.

The Finance Committee also reviewed the finances of the colony at that meeting. John noted that although we appear to be well below budget in the area of payroll, it is because the auditor reclassified a week of payroll from this fiscal year, back to last years books. In addition, management is at approximately 60% staffing which means that a few of the reserve projects are behind schedule. Tom will be working to catch-up on some of these projects as resources become available.

The committee discussed the satellite television installation contract, and when the existing system can be terminated. The committee feels that there will be at least 6 months of revenue available in the cable expense line that will not be used this year. Committee members discussed several options on how to allocate/reallocate these funds to include rebating the excess money to each homeowner, reducing dues in this year's operating budget, offsetting future dues and/or saving this money in an operating account contingency line. Committee did not have a recommendation for the Board at this point because they did not know how much money they were dealing with. If everything went according to plan, they should have about \$6K in unused funds, (about \$50.00 per unit). John feels that the committee will be prepared to make a recommendation to the Board at the November 2002 meeting.

As an addendum, Dick noted that the installation of these water meters would increase water efficiency and would also help prevent water damage claims. Dick further stated that water damage claims account for approximately 80% of all insurance claims in general.

GENERAL MANAGER'S REPORT

MONTEREY DUNES COLONY ASSOCIATION

Deck and Fence Replacements

Since the beginning of the new fiscal year on 7/1/02, we have replaced 5 of the 25 allocated decks for this year.

We have experienced some budget overruns with recent oceanside deck replacements due to deteriorated wind walls that are attached to the deck framing. We are repairing these wind walls as an unbudgeted expense out of the deck replacement line and can anticipate about \$1000.00 to \$2,500.00 in increased costs each time we face this type of wall rebuild or repair.

I have identified 17 of the remaining 20 decks to be replaced this fiscal year and I am in the process of scheduling these replacements with the affected homeowners.

Window Replacement Project

As of September 13, 2002 the Association has installed 24 of the 218 allocated window replacements for this fiscal year.

Window replacements were slow in July and August due to personnel shortages and scheduling conflicts. Window replacements should increase over the next couple of months and we should be back on track by the end of the calendar year.

Management continues to reset and reseal Milgard block frame vinyl 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, and are pulling away from the wood framing. 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 \$400.00 - \$500.00 a window.

Personnel Turnovers

Over the past few months, management has experienced an increased number of personnel turnovers. These turnovers are for numerous reasons and have caused some backlog in services, as well as the additional expenses related to bringing on new employees, training, and overtime costs for existing employees. The staff is at approximately 60% strength overall.

Swimming Pool Resurfacing

Our swimming pool is due for major resurfacing this year and was scheduled sometime in early November for this construction. However, the pool surface has now deteriorated to such a point that I will have to start this project earlier than anticipated. Keeping the pool chemicals in check is becoming difficult as the surface is disintegrating and increasing the total dissolved solids in the water. I intend to close the pool for repairs as soon as I can finalize the contract with Adams Pool Solutions.

Boardwalk Replacement Project

The boardwalk project continues to slowly move northward. While this project remains well behind schedule, it is only slightly over budget. At this point, we are installing Boardwalk near unit 130. The carpenter that I hired and reported on at the last meeting has, since that report, walked off the job and I am in the process of again filling that position. I still have one person working on this project and remain confident that I can complete it by the end of the calendar year.

Satellite Installation Update

Superior Satellite has completed the installation of the base infrastructure on 12 buildings. After the initial learning curve, installers have gained speed on the project and now plan to have all 41 buildings completed by the middle of October. Due to unanticipated siting difficulties, and problems with chimney chase accesses, we have had to make some adjustments to our original contract with the mounting locations of the satellite dish hardware.

I have received calls from some homeowners who are upset with (what they perceive to be) bad advertising practices on the part of Superior Satellite. These complaints are based around promotional offers claiming free installation of a TV satellite system and some free programming for purchasing activation and contract with them for at least one year or more. When these homeowners placed their order, they were notified of hidden costs and fees, which conflict with the spirit of the literature distributed by Superior Satellite. I talked with the installer, DirecTV and Dish Network and found that regardless of how openly misleading these offers are, they are put out by the Satellite Companies and are considered by them to be legitimate promotional offers. Terms such as *basic installation* and *limits* for parts or free materials such as lengths of cable, *difficult cabling conditions*, or *added required materials* are all charged directly to the customer. Homeowners are urged to treat these installations as any other contract where they are negotiating the best price for services rendered.

Re-infestation of Termites

Over the past two months, we have identified termite activity in some of the buildings on the property. All MDCA structures were fumigated with Vicane Gas Fumigant between late 1998, and early 2000. At the completion of the fumigation project, we purchased a warranty from Terminix International covering any future re-treatment for re-infestations of Drywood termites for a period of ten years from the date of fumigation. All re-infestations of Drywood termites are being treated as warranty work and re-fumigating the buildings is at no cost to the Colony. In July Terminix fumigated units 324, 326, 328, 330, 332, and 334. Units 162, 164, and 166 are scheduled to be fumigated during the week of September 23rd through the 27th. Management continues to inspect units for re-infestations as time permits.

Annual Audit

Management mailed the MDCA and Water Company Annual Financial Report to the homeowners on August 23, 2002. Homeowners who did not receive this report should contact the Administrative Office for a copy.

MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION

South Well Repair and North Well Destruction Update

Management has sent a bid package to our attorney for review. This bid package contains (1) a proposal, (2) Contract, (3) General Conditions, (4) Exhibit A [Technical Provisions and Estimate of Work], (5) Exhibit B [Halliburton Energy Services Proposal and Description of Intermediate Work, South Well Rehabilitation and North Well Destruction]. After review, I will solicit bids to hire a driller.

Halliburton Energy Services 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 a bid covering consulting costs from Geo-consultants, Inc., however, we still expect to be near the estimated costs for both projects. There should be some cost savings for consolidating the two projects, however what those savings might be are unknown at this time.

Positive Water Tests for Coliforms

We recently had two successive positive coliform readings out of the main water storage tank. We conducted all the follow-up testing; upstream, at the wellhead, and also downstream into the main water system, all with negative readings. After the second successive positive test we disinfected the 200,000 gallons of water in the tank and resubmitted a sample for testing. The test was negative. After discussing the situation with the Monterey County Health Department, we feel that coliforms present in the tank must have originated at the tank, either through a foreign substance entering up through the filtered vent pipes or by some other unconventional means. The threat of contaminated water entering the distribution system was always minimal as we, (as a matter of policy); chlorinate all water in the system to a very low, but still protective level. Homeowners were sent notices concerning these positive test results on 9/13/02.

OLD BUSINESS

At a previous Board meeting, the Board approved a \$100 contribution to the Elkhorn Slough Foundation. We have recently received a letter thanking us for our donation. One of the reasons that they were seeking donations is that they wanted to expand their activities. They state in their letter that they have already completed the purchase of a 200 acre parcel and they are in the process of completing the purchase of another 350 acre piece of property.

NEW BUSINESS

Dick noted that the Board receives a report at every meeting on the work orders that are outstanding and/or completed. Four years ago there were well over 100 jobs pending each month. Currently, there are only 32 jobs pending. This is an indicator that management is effectively dealing with homeowner requests for maintenance.

NOMINATION BY BOARD OF MEMBERS TO SERVE AS DIRECTORS FOR THE 2002-2003 TERM

Mary Jansing-Balگوoyen, chair of the Nominating Committee stated that the Committee proposed a slate of five nominees for the 2002-2003 Board of Directors to include the current four Board members and a new nominee, John Steinhart, homeowner, unit 160. Due to the timing of the Board meeting, the requirement to fulfill quorum requirements, and the need for disclosure, the annual meeting packets and proxies were sent to homeowners. It was MSC to ratify the slate as presented by the Nominating Committee.

MOTION TO APPROVE THE ANNUAL REPORT

Dick stated that along with the audit every year is a management report submitted by the auditor, which evaluates the efficiency of Tom and his staff. In this year's report, management was credited with instituting all of the internal control recommendations made by the auditor in previous years. Dick also stated that the Colony should feel very confident that we have a very good accounting system for our money with solid "checks and balances" in place. Due to timing requirements in our CC&Rs, management released the annual report after committee approval but prior to Board approval of the document. It was MSC to approve the annual report submitted by Joelyn Carr-Fingerle as written. Dick said that once the CC&Rs are updated, the Association will bring its documents in line with current civil code requirements. Our documents call for the release of the report to the homeowner's no-later-than 60 days from the end of the fiscal year, or by the end of August each year, while current civil code requirements allow Associations 120 days from the end of each fiscal year to make its report to the members.

BEACH CLEAN-UP

Tom announced that Beach Clean-Up is scheduled for the following Saturday from 9:00 a.m. to 12:00 A.M.

REQUEST FROM COMMUNITY ASSOCIATION INSTITUTE (CAI)

The CAICLAC is an advocacy organization that represents homeowner associations in Sacramento. CAI recently requested a donation of one dollar per home to help finance their various lobbying activities. In the packet, CAI provided a list of accomplishments that they have made through their California Legislative Action Committee (CLAC). Dick made a motion that the Board approve the requested donation of a dollar per home (\$120). After discussion it was S/C to approve the donation.

BOARD APPEALATE AUTHORITY FOR ENVIRONMENTAL CONTROL COMMITTEE DECISIONS (ECC)

According to our current CC&R's, the MDCA ECC functions as an independent decision making organization. In the event that a homeowner wishes to appeal an ECC decision, there are no provisions in our CC&R's for this appeal. This situation can be a problem in that only an elected Board can make final policy decisions, spend Association funds, or have final jurisdiction over disputes. The Associations attorneys have highly recommended that this

portion of our CC&Rs be amended to bring our governing documents in line with current Civil Code. Dick said that this is an area that the ADHOC CCR/Policy Revision Committee will be addressing in the near future.

Recently a homeowner requested that the Board review an ECC decision concerning his unit. The Board, upon the advice of management, and with the consent of the committee reviewed the decision as an agenda item. This request involves a screen door that was removed during a painting process more than three and one half years ago, during Andrew Smith's tenure as General Manager of the Colony. According to the homeowner, the GM removed, and subsequently could not then relocate the removed screen door to reinstall after the painting was complete. The GM then allegedly replaced the owner-installed screen door with another less-expensive and unattractive screen door. The homeowners requested that the ECC approve a replacement to this unattractive screen door and asked that the colony also paint and install the replacement screen door. The ECC denied their request based on the amount of time that had elapsed since the old manager had left. The homeowners stated that they only come to the Colony about once a year and the issue of replacing the screen door had slipped their minds until now. They felt that the ECC denial of their request was unreasonable and requested to appeal this decision to the Board. After discussion by the Board members, it was M/S/C that the homeowner, subject to ECC approval, purchase a new screen door and the Association would install and paint the approved door. The Board noted, for the record, that the decision to have the door painted and installed was not an ECC issue and that the request for such should not have been made to the ECC, but should have been in the form of a request to the Board.

STAINLESS STEEL CLEANER

Parm Williams reported that she had found two cleaners which will work on water spots, etc. that are on stainless steel; these products are: 1) Barkeeper's Friend and 2) Amaze. Parm noted that Barkeeper's Friend is available at almost all hardware stores but Amaze is available only through Trader Joe's.

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 11:25 A.M. The next Board Meeting will be the Annual Board Meeting on October 19, 2002 at 10:00 A.M.

EXECUTIVE SESSION

There was an Executive Session of the Board of Directors immediately following the Directors Meeting. In compliance with California Civil Code Section 1363.05 the topic discussed in this Executive Session was 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, CMCA, CCAM
Secretary