

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
September 17, 2005**

PRESENT

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

ABSENT

None

WELCOME

Mary Jansing Balgooyen called the meeting to order at 10:00 AM, September 17, 2005 at the Monterey Dunes Colony Clubhouse.

MINUTES

The Board reviewed the minutes of the July 28, 2005 meeting which was held via telephone conference. It was M/S/C to approve the minutes as written.

INSURANCE REPORT FOR FY 05-06

Jeff Kane, the Association's insurance broker and agent, gave a presentation regarding the MDCA insurance package for 2005-2006 that was approved by the Board of Directors on July 28, 2005. During a question and answer period Jeff was asked how our DIC, (Earthquake) coverage is calculated. There was concern that the Probable Maximum Loss (PML) for an earthquake would not be the same as for a flood loss and that the Association might not be adequately covered for flood insurance. Jeff explained that our DIC coverage is under the same policy as our flood insurance, with the same deductibles and amounts of coverage for both. As the policy is currently written, there was no way to change the limits of one coverage without equally changing the limits on the other. After considerable discussion, Mary appointed an Ad-hoc Insurance Committee, chaired by Marty Deggeller, to review the current MDCA DIC and Flood insurance coverage limits and make recommendations to the Board. Some of the questions Marty was asked to research:

1. Separating the two insurance coverages, how much coverage is needed for DIC coverage based on a current PML, and how much for flood?
2. Should these two coverages be separate?
3. What is the added expense for separating these two insurance categories?
4. Would homeowners want to pay the additional expense for additional flood insurance or should this expense be a decision of the homeowner, if they wish additional insurance.

TREASURER'S REPORT

Marty Deggeller, Treasurer, gave a verbal report. In lieu of reading the account balances from the treasurer's report, Marty stated that the financial report for July and August is attached to the minutes. Marty told the homeowners that payments to the Capital Replacement Fund of \$16,320.00 per month and \$3,750 per month to the Mutual Water Association are current.

FINANCE COMMITTEE REPORT

Frank Williams (reported for John Gentry, Committee Chair) that the committee had met with the auditor, Joelyn Carr-Fingerle the day before to review the fiscal year 2004-2005 Year End Report and Management Letter. The Committee recommended that the Board accept the FY 2004-2005 audit as written. After a short discussion, the Board M/S/C to accept the FY 2004-2005 audit.

Frank also reported that the Committee reviewed a 5-year reserve expenditures versus completed work report (July 2000 through June 2005) that Tom was tasked to prepare. The report showed that overall, the actual expenses were 2.6% less than the budgeted amounts (\$3.5 Million vs. \$3.6 Million) with all projected work completed.

ENVIRONMENTAL CONTROL COMMITTEE (ECC) REPORT

Ellen Michaels, Committee Chair, reported that the ECC had met on July 8, 2005, via teleconference. Three items were presented to the Committee for approval.

- The owners of unit #206 submitted an application to install a 4'x6' picture window in their dining room. The committee approved the application with stipulations.
- The owners of unit #266 submitted an application to change the existing flu pipe in their chimney chase from a 6" diameter to a 12" diameter. The committee approved the application with stipulations.
- The owners of unit #262 submitted an application to remove all old growth trees and brush on the east side of their courtyard fence. The committee approved the application with stipulations.

ADHOC TENNIS COURT COMMITTEE REPORT

Tom Bugary reported that the Committee had a meeting via teleconference on August 23, 2005 where it reviewed the bids from the contractors for the three projects, (1). The tennis court replacement, (2) Capital improvements, (putting green, basketball, and driving range installation), and (3). Chip seal, and asphalt repair project. After considerable discussion and review, the Committee recommended that the contract for all three projects be awarded to the Don Chapin Company.

After the Board fielded questions on the different projects, and reviewed the recommendations from an independent engineer who reviewed the job specifications on behalf of the colony, it M/S/C that all three projects be awarded to the Don Chapin Company.

The Board made note that the tennis court and chip seal/asphalt repair projects are budgeted for 2005-2006 out of the Association Reserve account, and any necessary funds exceeding the budgeted amounts would come from the reserve contingency line.

The contracts were accepted as follows:

Asphalt Repair and Chip Seal.	\$ 90,000.	Reserve
Tennis Court, (demolition x 4 and replacement x 2).	\$171,480.	Reserve
Basketball Court, Putting Green, and Mini driving range.	\$ 65,020.	Operating
<u>Total Projected Expenditures</u>	<u>\$326,500.</u>	

To fund the Basketball Court and Golf project, the Board authorized the use of remaining funds from the FY 2004-05 operating budget, (\$32,697), and proceeds from positive ending balances in 2002 through 2004 (operating).

The Board asked Tom if he knew what impact the funding of the capital improvement project might have on the operating (cash) account, especially when there will be months with large operating expenditures (such as insurance) that could have a considerable impact on the operating account. Tom stated there could be challenges but we have the ability to move money from the reserve to operating for short periods of time to cover any large expenditures out of operating.

GENERAL MANAGERS REPORT

Deck and Fence Replacements

We have replaced 6 of the 15 decks identified as unserviceable this fiscal year, (July 1, 2005 through June 30, 2006). We continue to combine deck replacements with other major construction projects when possible.

We have replaced courtyard fences at 264, 258, 260, and 204. In addition, we have replaced refuse fence enclosures at units 120, 126, 128, 130, 184, 186, 188, 190, 194, 230, 234, 264, 266, 270, and 312. As of this report, we have completed over 75% of fence allocations in the first 2-1/2 months of the fiscal year with many more scheduled for replacement.

Window Replacement Project

We have only replaced 3 of the 147 windows scheduled for the 2005-2006 budget year. The start of this year's window project was delayed pending completion of the restroom work and will resume by the end of this month at units 154 and 192.

Re-siding Project

Units at 196, and 204.

Exclusive-Use-Common-Area garages at units (120,122,124), (126,128,130), (176,178,180,182), (184,186,188), (190,192,194), (230,232,234) and currently working on (264,266,and 268).

Fumigation Warranty Work

Management is working up a schedule for Terminix to fumigate units 102-104-106 as warranty work in the near future.

Terminix will also be fumigating the clubhouse, office and Restrooms due to the discovery of a re-infestation of Drywood termites in the office substructure. The clubhouse is also still under warranty.

High Speed Internet Update

Redshift is in the process of installing high-speed Internet access at Monterey Dunes in both private residences and the Association Office. A roster of all interested homeowners has been given to the Redshift Office for contact purposes, however, it is recommended that interested homeowners call Redshift and set up a schedule for their unit installation as soon as possible.

Clubhouse Changing Room Updates

The Association was budgeted \$10,000 to refurbish the two changing rooms at the clubhouse in fiscal year 2004-2005. After opening up the project and repairing water and termite damage, we expect the cost of the project to exceed \$35,000.00, plus ADA improvements of another \$6,000.00. This additional work on the restrooms has caused management to divert a carpenter and his assistant away from scheduled projects such as windows, doors, and decks for the past 3-months and has caused a backlog in some scheduled projects. Once the restrooms are complete, we will resume work on the scheduled projects hoping to make up some of the work with contract labor.

We are currently relocating the vending machines out of the breezeway to the east side of the clubhouse. Moving these machines was required by the county to allow a 36" wide clearance through the breezeway.

Fire Place Inspections 2005-2006 Season

Six fireplace systems have been red-tagged this year for various safety issues. Management has sent out notices via certified mail to the affected homeowners along with the inspection sheet.

Mailbox Accident

The mailbox cluster near the parking area for units 210 – 216 was hit, (presumably, by a vehicle) causing the mailbox extensive damage. Repairing the structure is not cost effective, as the vertical posts are deteriorated. We intend to replace the mailbox cluster ahead of the reserve schedule. We have not determined who hit the Mailbox.

Cameras at Front Gate and in Corporation Yard

With the amount of bulk materials stored in the corporation yard, as well as periodic damages to the front gate system, guard house and light poles, I am recommending leasing a camera system from First Alarm for a One-Time fee of \$1,999.00 and a monthly add-on fee of \$128.00 to our existing account. We have 2 existing accounts with First Alarm, one for monitoring the Shop and Water Company buildings in the yard, heat detectors, as well as the water company distribution system, and low-pressure alarms. The second account is for the office. The plan would be to monitor both the entrance and exit gates with two cameras, and two additional cameras would be strategically located in the corporation yard with both camera sets feeding through telephone lines to a monitor at the office, into a DVR recorder. The Cameras would be motion activated and record all activity on disk (with a recommended hard disk capacity for about 2-3 weeks of recording time). After filling the hard drive, unless copied to external DVDs, the disk would overwrite itself with the most recent activity overwriting the oldest images.

It is the practice of the association to purchase building materials in bulk, realizing sizeable savings with each purchase, however, because of this practice, some materials remain in the yard for extended periods. While we maintain a very strict inventory, there are still opportunities for materials to disappear. With a camera system, we can better account for our property and if there is a theft or even damage to the monitoring system, the act/s will be recorded and will be on file at the Association Office for review and copy. I recommend that the funds for this system come 50% out of the reserve contingency line, (the system in the yard would be to safeguard reserve materials), and 50% out of operating contingency funds for the two camera's at the front gate.

The Board M/S/C Tom's recommendation for a monitoring system and to use funds for this system of 50% out of the reserve contingency funds and 50% from the operating contingency funds.

Tree Removal at Units 178, 234, and 244

Two trees located in the common area were removed in September. The tree near unit 178 was removed because a portion of the tree had split off and had fallen, causing damage to two vehicles in the parking area. The remainder of the tree was leaning to such a degree that it posed a threat. The tree near unit 234 was causing root damage to boardwalk and cement slabs for both the garage and disposal areas. Once we had cut through the roots that were causing the damage, the remainder of the tree was unstable and needed to be removed.

Water Damage to Vacant Unit.

Homeowners are reminded to turn off the outside water to their units when leaving them vacant for lengthy periods. Recently one of our units had a washing machine hose break and flooded a good portion of the house causing considerable damage.

Annual Meeting Notice and Proxies

The Annual Meeting Notices went out to homeowners on September 10, 2005. Homeowners are asked to return both proxies as soon as possible to ensure we have a quorum for the Annual Meeting.

SB 61, recently passed by the State Senate and pending signature by the Governor will radically change the election process next year. The Inspector/Inspectors of elections will take on a major accountability role under this new law. Alternative options would be for the Association to hire an outside office that will be set up to act as Inspectors.

MUTUAL WATER ASSOCIATION

Water Conservation – Oriented Billing

During the July and August billing period, there was only one unit in July that exceeded the Tier 2, or Tier 3 zones.

Water Company Health Department Inspection

The MDCA Water Company was inspected by the Monterey County Health Department on August 29, 2005. There were no shortcomings or deficiencies noted and the County Inspector commended our water system operator on having the best municipal water system she has inspected in the past 4 years.

Areas and procedures inspected were:

1. Water acquisition, testing and treatment, distribution and discharge.

2. Safety.
3. Security.
4. Conservation.
5. Overall Administration, (quality control reports and record keeping).

Annual Discharger Report

The Annual Waste Water Discharger Report was sent to the Water Resources Agency on 8-5-05. The 2004 – 2005 calendar year report showed an average of 29,600 gallons a month discharged into the leaching fields. The maximum limit of discharge per month is 36,000 gallons.

OLD BUSINESS

ADA Ramps on Common Property.

John Steinhart reported that the Association needs to clarify how it handles future requests for ADA ramps from the homes, out onto Association Common Property. John summarized from the attorney's opinion letter:

1. The Association is obligated to allow reasonable modifications to existing homes in order to accommodate handicapped homeowners.
2. Any accommodation from the homes out onto Association common property should be completed by Association Staff, and subsequently billed back to the homeowner on a time and materials basis at prevailing rates.
3. The Association should be able to remove any existing ramp and return the property back to its original configuration, after there is no longer a need for the accommodation.

There was discussion on how best to modify the ECC Policy to make these accommodations. Mary asked Ellen to put this subject on the ECC agenda and to make committee recommendations on how best to modify the ECC policy. Ellen suggested that the ECC policy should also be modified to include language on how the Association intends to handle fences, built out onto Association property, once the homeowner who was allowed the exception, sells or transfers his/her unit.

Homeowner Request to Research the feasibility of installing a Defibrillator at the Clubhouse for Emergency Use by Association Staff

This was an action item from the June Directors Meeting. After discussion, and a review of a legal opinion concerning maintaining defibrillators in the common areas of Homeowner's Associations, (including staff training and equipment calibrating requirements), the Board decided against purchasing and maintaining the device in the common area with homeowner funds. The Board did urge any homeowner who felt they needed to have a defibrillator available, to maintain one in their residence for emergency use.

NEW BUSINESS

Appoint Inspector Of Elections for the Annual Meeting

Mary appointed Jim McFeeters as Inspector of Elections for the 2005 Annual Meeting.

Sale of Utility Vehicle for Parts

The Association purchased a “Gator” Utility Vehicle in 1993 for landscaping and maintenance. It became unrepairable in 2003 and has sat in the yard for the last couple of years. The vehicle had deteriorated to a point where the frame was rotted out and was designated for salvage. One of our staff offered to buy the Gator, as is, for \$200 with the intent to use it for parts. Tom has prepared a bill of sale for the vehicle to be used as salvage. The Board M/S/C that we sell the vehicle for \$200.

Resetting Boardwalks over the Sand Dunes

A homeowner suggested that, rather than periodically clearing the sand from the boardwalks, (as is the current practice), which eventually builds up sand on either side of the boardwalk, we cut, lift up and reset the boardwalk back on top of the sand, over the top of the dunes. After discussion, the Board decided that since the sands, and the dunes were constantly shifting and changing with each winter season, resetting the boardwalks would be too labor intensive and cost prohibitive.

Snowy Plover Update

A homeowner asked for an update on the snowy plover restrictions on State Beaches. Frank Williams had information on current initiatives to remove some of the restrictions for pets on the beach. Mary asked Frank to give the Homeowners an update on the plover situation at the next Directors meeting.

Homeowners Annual Meeting and Barbeque

The Annual Meeting of the Members will be at 10:00 A.M. on Saturday, October 22, 2005, followed by the annual barbeque at 12:30 P.M.

Ellen Michaels volunteered to organize the annual BBQ.

WATER COMPANY BUSINESS

Addressed in the Manager’s Report.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:15 p.m.

FOR THE BOARD OF DIRECTORS:

Respectfully Submitted,

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

**Treasurer's Report
July and August 2005**

This report covers our fiscal year budget status through August 31, 2005.

July 31, 2005 and August 31, 2005 account balances are:

	<u>July</u>	<u>August</u>
Union Bank Reserve	\$ 813,147.77	\$725,312.48
Union Bank Operating	\$ 157,338.25	\$ 64,718.77
Union Bank Investment Acct.	\$ 7,778.96	\$ 7,783.15
Community Bank Petty Cash	\$ 1,150.36	\$ 829.69
Union Bank Water Operating	\$ 19,357.94	\$ 16,774.87
Union Bank Water Reserve	\$ 62,769.49	\$ 64,158.69

**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**