

**MINUTES OF THE  
MOULTON NIGUEL WATER DISTRICT  
FINANCE & INFORMATION TECHNOLOGY  
BOARD OF DIRECTORS' MEETING**

**AUGUST 17, 2011**

The regular meeting of the Finance & Information Technology Board of Directors was held at the District office, 27500 La Paz Road, Laguna Niguel, California, at 9:00 a.m. on Wednesday, August 17, 2011. There were present and participating:

**DIRECTORS**

BRIAN PROBOLSKY	Chairman
SCOTT COLTON	Director
RICHARD S. FIORE	Director
DON FROELICH	Vice President
GARY R. KURTZ	Director
LARRY R. LIZOTTE	Director
LARRY MCKENNEY	President

Also present and participating were:

**STAFF MEMBERS**

ROBERT C. GUMERMAN	General Manager
DAVID D. CAIN	Director of Finance/Treasurer
MATT COLLINGS	Director of Engineering & Operations
CHARLES J. ROY	Director of Customer Service
JANE NGUYEN	MNWD
NANCY DESAI	MNWD
LESLIE GRAY	Board Secretary
KARREN MADDOX	MNWD
KELLY WINSOR	MNWD
FRANI BAILEY	Recording Secretary

**DISTRICT CONSULTANTS**

SEAN SWE	Red Oak Consulting
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Absent was:

There were no absences.

President Larry McKenney called the meeting to order and Frani Bailey recorded the minutes thereof.

APPROVAL OF MINUTES OF JULY 20, 2011 FINANCE & INFORMATION  
TECHNOLOGY BOARD OF DIRECTORS MEETING

President McKenney requested approval of the minutes of the July 20, 2011 Finance & Information Technology Board of Directors meeting.

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR KURTZ AND SECONDED BY DIRECTOR FROELICH, THE MINUTES OF THE JULY 20, 2011 FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS MEETING WERE UNANIMOUSLY APPROVED AS PRESENTED.

PUBLIC COMMENTS

President McKenney opened the Public Comments portion of the meeting. Hearing no public comments he closed the Public Comments portion of the meeting.

PRESENTATION ITEMS

Ten-Year Cash Flow – Mr. Sea Swe, Red Oak Consulting

Dr. Bob Gumerman introduced Mr. Sean Swe from Red Oak Consulting, who has been working closely with Mr. David Cain on the Ten-Year Cash Flow. He reported that in the future Ms. Nancy Desai will be in charge of the Ten-Year Cash Flow. Dr. Gumerman commented that as Mr. Swe and Mr. Cain present the Ten-Year Cash Flow he would like the Board to keep in mind that this is a long-term prospective and they should focus on the “big ticket” items that will influence the cash flow, such as the importance of maintaining the infrastructure and the fact that it will take consistent rate increases to do that. He reported that he proposes to bring an update of the Ten-Year Cash Flow to the Board twice a year, in January and July.

Mr. David Cain reported that Mr. Swe was involved in the rate modeling the District did for the WBBRS and previously made several presentations to the Board. He reported that Mr. Swe would give the Board an overview of the assumptions built into the model, present a demonstration of the model in action, and present three specific scenarios to give the Board an idea of the ability and comprehensiveness of the Ten-Year Cash Flow model and the types of things staff will be able to do internally. Mr. Cain commented that Ms. Desai wants to accept the responsibility for the Ten-Year Cash Flow, which means that she will need to be relieved of

some of her current duties. He reported that at the Personnel & Salary Board meeting tomorrow he will bring a request for an additional position to share some of Ms. Desai's workload so she can take on the responsibility for the Ten-Year Cash Flow.

Mr. Sean Swe discussed the scope of work, including the development of financial planning assumptions, the preparation of the financial planning model, the development of the Ten-Year financial plan, and the document process and results. He discussed the model functionality and presented financial planning scenarios to the Board.

Chairman Probolsky arrived at 9:20 a.m.

A discussion ensued and Mr. Swe, Mr. Cain, and Dr. Gumerman answered the Board members' questions. Dr. Gumerman reiterated that staff plans to make presentations on the Ten-Year Cash Flow twice a year, in January and July. Mr. Cain commented that as the Board looks at some of the big picture policy items and wants to see additional scenarios before making policy decisions he would be comfortable providing them to the Board as long as the lead time is sufficient for staff to prepare the scenarios. Director Froelich requested a copy of the assumptions sheet showing the detailed information on the water sales.

#### DISCUSSION ITEMS

##### 457 Deferred Compensation Plan Investment Option Modification

Mr. Cain reported that Mr. John Boorne from Nationwide, the District's 457 Plan Administrator, previously made a presentation to the Finance & IT Board regarding Nationwide's administration of the 457 Plan, specifically, the "MNWD Investment Option." He reported that Ms. Pat Giannone drafted a resolution rescinding the original resolution establishing the Moulton Option (MNWD Option). Mr. Cain reported that the new resolution will be brought before the Board for approval at the Board meeting on Thursday.

Mr. Cain reported that Bob Gumerman and Ms. Amber Cutler met with the Board of the MNWD Employees' Association (MNWDEA) regarding the MNWD Option and will have a follow-up meeting with Nationwide the week of August 29, 2011. He reported that before Nationwide makes the change to the Nationwide Fixed Account a meeting will be held with all of the employees to explain the options available to them, which will include the full selection of options provided by Nationwide in addition to the Fixed Account option. Mr. Cain reported that staff will communicate to the employees that the options are now available and on a date certain August 17, 2011

have them select the option they want. He reported that Mr. Boorne recommended that the Board give staff direction to automatically map the funds in the MNWD Option to the Fixed Account and the employees could immediately thereafter move the funds to whatever fund they choose. Director Fiore commented that automatically mapping the funds into the Fixed Account is the only thing that makes sense, because if the MNWD Option is terminated and the funds are not mapped, the accounts could end up in a money market account.

Further discussion ensued and Mr. Cain answered the Board's questions regarding the Fixed Account. Dr. Gumerman reiterated that he and Ms. Cutler met with the Board of the MNWDEA and representatives from OCEA and the MNWDEA Board was amenable to making the switch to the Fixed Account and did not feel it was necessary to take it back to their membership.

Mr. Cain recommended that the verbiage in the title of the resolution be modified to read "MNWD Option" rather than "MNWD Investment Option," because the original resolution refers to the "MNWD Option" rather than the "MNWD Investment Option." The Board concurred with Mr. Cain's recommendation. Director Froelich asked if the Board members would have the opportunity to hear Nationwide's presentation to the employees and Chairman Probolsky suggested that the Board be notified as to when Nationwide will meet with the employees so that the Board members could attend if they wanted to. Dr. Gumerman reported that this item is on the Consent Calendar for tomorrow night. Mr. Cain reported that the meeting with the employees would probably occur on October 1, 2011 so the cash can be withdrawn from the Chandler account and transferred to Nationwide's trust account.

President McKenney left at 10:20 a.m.

#### General Manager/Staff Approval Limits

Ms. Desai reported that as staff was reviewing and revising the Purchasing Policy she noted that Resolution No. 08-27 requires some minor changes to clarify what is done in practice but not set forth as policy in the Resolution. She explained that the language regarding the approval amounts in Resolution No. 08-27 uses the term "less than" when discussing the amount of purchases or contracts that may be approved by the parties set forth in the Resolution. Ms. Desai reported that she and Ms. Giannone are suggesting that the language be revised to "less than or equal to" in order to be consistent with the District's current practice.

Ms. Desai reported that Ms. Giannone revised the verbiage in the first paragraph to read "...delegating certain authority to the General Manager of MNWD, including expenditure authorization for the purchase of supplies, equipment and material, *services, and other District contracts;*" Ms. Desai reported that in item 5 Ms. Giannone added Administrative Assistants to the list of positions authorized to approve purchases of equal to or less than \$1,000. Director Fiore asked how many Administrative Assistants the District has and Ms. Desai reported that there are five.

Dr. Gumerman explained that the District will begin using purchasing cards for the Administrative Assistants who will be making travel arrangements within their divisions, as currently Ms. Gray is making all of the travel arrangements using Mr. Cain's credit card. He explained that there are many constraints on the purchasing cards, such as frequency of use, types of travel, and purchases limits. Mr. Cain reported that the purchasing cards will also allow the approved employees to make small dollar purchases as authorized based on a daily or monthly dollar limit. He reported that the purchasing card program also has rebates based on the dollar amount of the transaction.

#### ERP Hardware/Software Procurement

Mr. Cain reported that last month staff presented the contracts for Denovo and NexLevel, and the next phase is the purchase of related software and hardware necessary to load the J.D. Edwards software on the District's system. He reported that this will require some expansion of the network and updating various Microsoft licensing so everyone is using the same standard platform.

Mr. Cain reported that he is asking for an expense authorization request in the Hardware/Software Document Management line item of \$200,000. This represents small dollar purchases, most of which will be well below the \$45,000 threshold; however, staff needs expense authorization to move forward with the purchases and installation. Mr. Cain reported that the project cost is \$450,000, there is \$350,000 in the current year's budget, and he is asking for an expense authorization of \$200,000. A discussion ensued and Mr. Cain answered the Board members' questions.

Summary of Disbursements for the Period Ended July 31, 2011

Ms. Desai reviewed the Summary of Disbursements for the month of July 2011 and reported that the majority of the costs will be allocated back to June, as they are June 30, 2011 expenditures. She noted that the major expenditures for July 2011 are listed on the Summary of Disbursements. A discussion ensued and Ms. Desai answered the Board members' questions.

INFORMATION ITEMS

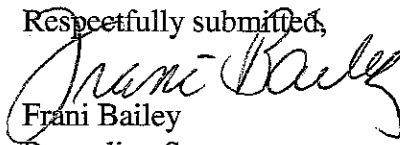
Purchasing Policy

Mr. Cain reported that Tona Nelson wrote a draft Purchasing Policy and Matt, Eva, Nancy, Tona, and he reviewed it and made suggested revisions and recommendations. He reported that staff feels it is premature to bring the Purchasing Policy before the Board at this time and is continuing to work on it, and the goal is to bring it to the Board at a special workshop sometime in September. Dr. Gumerman commented that Ms. Gray would work on setting up the workshop for the end of September or the first part of October.

ADJOURNMENT

THEREAFTER, UPON A MOTION DULY MADE AND SECONDED, THE MEETING WAS ADJOURNED AT 10:40 A.M.

Respectfully submitted,

  
Frani Bailey  
Recording Secretary