

FINANCE & INFORMATION TECHNOLOGY
BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road, Laguna Niguel
August 17, 2011
9:00 a.m.

Approximate Meeting Time: 1-1/2 - 2 Hours

1. Call Meeting to Order
2. Approve the Minutes of the July 20, 2011 Finance & Information Technology Board of Directors' Meeting
3. Public Comments
Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

Those wishing to address the Board of Directors on any item listed on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.

PRESENTATION ITEMS

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

DISCUSSION ITEMS (Action will be taken when appropriate for certain items at the Thursday Board Meeting)

5. 457 Deferred Compensation Plan Investment Option Modification
6. General Manager/Staff Approval Limits
7. ERP Hardware/Software Procurement
8. Summary of Disbursements for the Period Ended July 31, 2011

INFORMATION ITEMS

9. Purchasing Policy
10. Late Items (Appropriate Findings to be Made)
 - a. Need to take immediate action; and
 - b. Need for action came to District's attention after Agenda posting
[Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 present]
11. Adjournment

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 643-2006 at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 27500 La Paz Road, Laguna Niguel, CA ("District Office"). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board meeting room.

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

JULY 20, 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, July 20, 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
FRANI BAILEY	Recording Secretary

DISTRICT CONSULTANTS

BRUCE ELLIOTT	SIRE
RON ENGLISH	Denovo
GARY FOX	Oracle
TERRY HACKELMAN	NexLevel
DAVID GOUGIS	NexLevel

Absent was:

There were no absences.

Chairman Brian Probolsky called the meeting to order and Frani Bailey recorded the minutes thereof.

APPROVAL OF MINUTES OF JUNE 15, 2011 FINANCE & INFORMATION

TECHNOLOGY BOARD OF DIRECTORS MEETING

Chairman Probolsky requested approval of the minutes of the June 15, 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 JUNE 15, 2011 FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS MEETING WERE UNANIMOUSLY APPROVED AS PRESENTED.

PUBLIC COMMENTS

Chairman Probolsky opened the Public Comments portion of the meeting. Hearing no public comments he closed the Public Comments portion of the meeting.

PRESENTATION ITEMS

Certificate of Achievement for Excellence in Financial Reporting Awarded by Government Finance Officers Association (GFOA) for the Comprehensive Annual Financial Report (CAFR)

Mr. David Cain reported that the District received the GFOA Award for Excellence in Financial Reporting for last year's CAFR financial statement. He reported that the District is one of only 205 special districts in the United States that received the award. Mr. Cain thanked the staff, the General Manager, and the Board for making this possible and gave special thanks to Ms. Nancy Desai for her hard work and dedication in putting the CAFR together and submitting all of the necessary requirements. The Board congratulated Ms. Desai and staff on her accomplishment and Chairman Probolsky commented that this would be an appropriate item for *WaterLines*.

DISCUSSION ITEMS

Enterprise Resource Planning (ERP) Vendor Selection, Project No. 2010.033

Mr. Cain introduced Mr. Terry Hackelman and Mr. David Gougis from NexLevel, Mr. Ron English, the CEO of Denovo, Mr. Gary fox from Oracle, and Mr. Bruce Elliott from SIRE Technology. He reported that the PowerPoint presentation provided to the Board in the Agenda packet includes a high level overview of the ERP objectives, drivers and selection approach,

timeline, and results. Mr. Cain reported that the current environment includes ten vendors and the ERP will narrow the environment down to four vendors. He reported that the unique District requirements were identified early in the process to make sure the proposed software would provide the required functionality. Mr. Cain reported that staff was very heavily involved in the ERP process at all levels of the organization to ensure staff buy-in early in the process.

Mr. Cain reported that staff developed a timeline, did a needs assessment, the RFP, the evaluation, and the selection. He reported that the selection process took longer than anticipated because the District ended up looking at two vendors during the Proof of Capabilities (POC) portion of the selection process, as opposed to one. Mr. Cain reported that through that process the District and Denovo gained a significant amount of knowledge and information. He turned the presentation over to Mr. Terry Hackelman from NexLevel, who explained the selection process.

Mr. Hackelman reported that the procurement selection approach focused on three key elements: find the best fit and solution, get it at the best price possible, and do it at an acceptable risk. Director Fiore asked Mr. Hackelman to define with the risks are. Mr. Hackelman reported that the most significant risk is the adaptation to change management for staff, because the ERP will change how the employees do their jobs, from time cards to how transactions are processed. He reported that converting the data from the legacy system to the new system and continuing accurate reporting is another significant risk.

Chairman Probolsky asked Mr. Hackelman if he has identified any risk in the process greater than not making the change to the ERP system and Mr. Hackelman reported that he has not. Further discussion ensued and Mr. Hackelman answered the Board members' questions.

Mr. Hackelman reported that the District received eight proposals, and as they came in a very formal process was followed. He described the review and evaluation process used to select the two finalists and answered the Board members' questions regarding the vendors. Mr. Hackelman reported that following the selection process the two finalists, Cogsdale and Denovo each presented a full day demonstration followed by an opportunity for staff to ask questions of the vendor. He reported that following the demonstrations clarification questions were sent to the two vendors and they were asked to submit a best and final offer.

Mr. Hackelman reported that based on Cogsdale's proposal and demonstration, it was identified as the preferred vendor to do a Proof of Capabilities (POC) using District data. While Cogsdale did a good job, the evaluators were concerned that Cogsdale's workflow solution was too complex, that it was not as robust a solution as initially thought for the money, that it required tight integration with Microsoft (Dynamics) and suite products and had less flexibility with future ERP enhancements, and that the vendor implementation resources and support base was in Charlottetown, PE, Canada. He reported that because of these concerns, the evaluators felt it would be prudent to ask Denovo to do a POC.

Mr. Cain reported that after seeing Denovo's POC, staff determined that Denovo would give the District strong, robust workflow capabilities, would provide application support, had the ability to integrate financial, CMMS, and GIS information for asset management, the ability to generate reports on demand, and had a Human Resources module to manage personnel. In addition, Denovo is a local company, and staff liked the JD Edwards Solution proposed by Denovo.

Mr. Cain discussed the additional implementation risks, i.e., the Water Budget Based Rate Structure, payroll-PERS integration, implementation success, MNWD staffing resources, the complexity of the Oracle solution, and Oracle ongoing support of JD Edwards One software solution. He reported that risk mitigation involves:

- staff buy-in to the JD Edwards solution, and active participation and decision-making in the selection and review process
- a time and materials approach to professional services allowing the District to monitor and manage proposed hours and related costs
- implementation support services from Nexlevel
- proven Denovo implementation methodology
- extending the implementation time period from 18 to 21 months and backfilling staff positions
- Oracle support of JD Edwards Enterprise One software.

Mr. Cain reported that AMX agreed to a 100% holdback via Denovo's best, last, and final offer, and agreed to waive the licensing cost for the first year. He reported there is also a 20% holdback on Payroll to address POC concerns, a 10% holdback on Finance and Phase 4, and a

5% overall holdback until the District accepts the total project. Chairman Probolsky asked if any part of the ERP would go live before another part and Mr. Cain reported that as the phases come online they will go live. Further discussion ensued and Mr. Cain answered the Board members' questions.

Mr. Cain reported that the Project Cost for FY 2011-12 is \$1,746,545, the Budget for FY 2011-12 is \$1,746,545, and the Expense Request is \$1,746,545. He reported that the total Project Cost is \$3,375,000, the budgeted amount for FY 2011-12 IS \$3,000,000, and the total Expense Request is \$3,000,000. He explained that the items above the yellow line on the table are the items staff will be asking the Board to approve at the Board meeting on Thursday. A discussion ensued regarding the project cost and Mr. Cain answered the Board members' questions.

Chairman Probolsky commented that according to the sales tax code if maintenance is a required part of purchasing the software it becomes taxable because it is deemed as part of the sale. However, if the agreement is written in such a way that the maintenance is separate and not part of the purchase and the maintenance can be delivered without any physical transfers of CD's, disks, etc., it is wholly un-taxable. Mr. Cain reported that staff and Legal Counsel have addressed this issue in the proposals and the contracts and Denovo has committed to providing the software by electronic means only. Further discussion ensued and Chairman Probolsky asked Mr. English to double check this with his finance staff to make sure the District is billed in such a manner that sales tax is not included.

A discussion ensued regarding the CMMS and GIS components of the ERP and Mr. Hackelman explained what the CMMS and GIS packages contain and how they would be integrated with the ERP. He commented that he is confident that JD Edwards can accomplish the level of integration the District decides on for the CMMS and GIS packages. Mr. Matt Collings commented that he and Ms. Desai are comfortable that they could get the true asset costing and reach into the financial system as it relates to a particular asset and get the information. He reported that staff anticipates integrating between the systems based on asset identification and is comfortable that JD Edwards can provide that integration through the asset identification system.

Mr. Cain reported that the overall project budget is \$3,375,000 and the proposed ERP 2012 budget is \$1,866, 833, which includes the Oracle software license, software implementation and conversion, and travel costs, all on a not-to-exceed basis. The AMX portion for the first year

maintenance fee is \$26,125, and implementation support services are \$566,000 over a 24-month period of time. The implementation support services include project management, change management, process re-engineering, validation and testing, conversion, and reporting by Nexlevel. A discussion ensued and Mr. Cain answered the Board members' questions with regard to the ERP 2010 project budget.

A discussion ensued regarding the implementation of the project and Mr. Cain explained that there are legally required items that must be included in the process, and those will be integrated automatically. He explained that Denovo is not trying to shoehorn how the District does business into the software; rather, it will determine how the District does business and offer suggestions as to the best business practices for more efficiently doing it. This will require changes in how the staff members currently do their jobs; however, Denovo and Nexlevel will work through the changes with the staff to ensure a smooth transition.

Chairman Probolsky asked if there is any reason to add on to Nexlevel's contract now and suggested that the Board review the progress in nine months and proceed from there. Mr. Cain explained that there is a 24-month implementation period and staff is assuming at this time that there will be full time support from Nexlevel; however, if the implementation does not require full time support Nexlevel will not provide it. A discussion ensued and Mr. Cain and Mr. Hackelman answered the Board's questions. Chairman Probolsky commented that he would like to see Mr. Cain come back to the Board in April with a status update and specifically ask for more Nexlevel money and is not comfortable moving on the way the recommendation is written. Further discussion ensued.

Director Lizotte left at 10:45 a.m.

Mr. Cain reported that the remaining ERP items going forward include the Gough contract for legacy conversion services, procurement of ERP hardware and software, upgrade of Microsoft server software and related Microsoft platforms, identifying staff backfill requirements, and establishing a training location and providing required hardware, furniture, etc. He reported that some of the areas in which course adjustments were made because of the POC include looking at document management with SIRE Technology, making sure that workflows are coordinated between JD Edwards and SIRE, and looking at the asset management component of the program.

Mr. Cain reported that the agreements that will need to be executed are a contract with Denovo, a user license and maintenance agreement with Oracle and AMX, and an amendment to the Nexlevel contract. He reported that included in the agenda package are the Professional Services Agreement, the scope and services for the deliverables, and several exhibits to the contract. A discussion ensued and the Directors gave Mr. Cain their comments on the Professional Services Agreement.

District Technology Enhancement – SIRE Technologies Contract Terms, Project Timeline and Deliverables

Mr. Cain commented that last month the Board asked that he bring back the SIRE contract and scope of services, both of which are included in the agenda package. He reported that the Board also asked if he had any discussions with other SIRE customers. Mr. Cain reported that he attended a SIRE training session two weeks ago and had the opportunity to meet with SIRE's staff and implementation team and 60 of SIRE's current clients, including representatives from Elsinore Valley Water District, the cities of Irvine and San Diego, and Sacramento County. He reported that all of the responses he received regarding their experience with SIRE were extremely positive.

Mr. Cain reported that the SIRE solution will improve internal workflow and allow paperless generation of meeting agendas; allow for increased transparency with customer web access to agendas, minutes, and meeting audio; centralize District documents and link to the ERP; improve meeting management; and provide cost savings and improved efficiency.

Mr. Cain reported that part of the funding for SIRE would come from the ERP project and part would come from the District transparency project. He reported that \$50,000 of the budget was included in the ERP budget and the \$151,000 for the implementation is a separate line item. He reviewed the FY2012 Budget/Expense Request and reported that he is requesting \$31,844 out of the ERP Project and \$101,264 from the Board Room enhancement project, for a total of \$133,108. Mr. Cain reported that tomorrow night his recommendation will be that the Board award a contract to SIRE Technology not-to-exceed \$123,108 for licensing, maintenance, implementation, training, and travel and authorize a project expenditure of \$133,108.

Director Froelich asked if hardware costs are included in the budget and Mr. Cain reported they are not. He commented that he has budgeted approximately \$40,000 for hardware,

which would include a dedicated computer for recording, a new microphone system, HP Slates for the Directors and staff, and replacing the current roll-down screen with LCD monitors, and \$20,000 for replacing the lighting in the Board Room. Director Fiore asked what the time frame for completion of the project is and Mr. Cain reported it is 16 weeks, plus lead time for purchasing and receiving the equipment, which would probably be another 30 days. A discussion ensued and the Directors provided Mr. Cain with their comments on the contract.

Review Financial Statements for the Period Ended June 30, 2011

Ms. Desai reviewed the Investment Activity Summary for the month of June 2011. She reported that there is nothing out of the ordinary. She reviewed the Budget Comparison for the 12 months ending June 30, 2011 and reported that the items in bold are significantly below budget and staff has adjusted for those items in the new fiscal year budget. Ms. Desai estimated that the District will be under budget by approximately 9%. A discussion ensued and Ms. Desai answered the Board members' questions.

Ms. Desai reported that the Income Statement and the Balance Sheet will change after the audit has been completed.

Ratification of JPA Budgets (SOCWA, SJBA, JRWSS)

Chairman Probolsky reported that this item would be deferred to the Board meeting on Thursday.

Review of Acreage Assessments (Standby Charges)

Ms. Desai reported that on an annual basis the District collects acreage fees of \$3,000 per acre for undeveloped properties over an acre within the District boundaries. She reported that in reviewing the acreage fees it was determined that many of the properties are either landscaped properties or properties that cannot be developed, such as a slope, and it is not prudent for the District to continue charging an assessment on the properties.

Ms. Desai reported that in June 2003 Mr. David Hawley, the previous Director of Finance, recommended that the District discontinue the assessment of acreage fees for the undeveloped properties in the District; however, his recommendation was never implemented. She explained that the revenue to the District is approximately \$20,000 annually. Dr. Gumerman reported that Mr. Collings did a sample of the properties and found that the majority of the ones on which the District has been collecting fees are actually developed.

Ms. Desai reported that staff recommends that the District discontinue the assessment of acreage fees on undeveloped properties in the District and the Board concurred.

Review Gann Appropriations Limit Resolution

Ms. Desai explained that in November of 1979 the voters of the State of California approved Proposition 4, commonly known as the "Gann Initiative." The proposition created Article XIII-B of the State Constitution placing limits on the amount of tax revenue which can be received and allocated within a year by public agencies, including many special districts. Division 9 of Title 1, beginning with Section 7900 of the Government Code, was then added to the law to specify the process for calculating state and local government appropriation limits and appropriations subject to limitation under Article XIII-B of the Constitution.

Ms. Desai reported that the District cannot spend more than \$6 million for District expenses, and the money is used primarily for capital projects. Anything above the amount collected must be returned to the taxpayers in some form. She reported that the District collects approximately \$22 million and uses the additional funds to supplement the O&M costs and provide lower rates. A discussion ensued and Mr. Cain and Ms. Desai answered the Board members' questions. Ms. Desai reported that at the Board meeting tomorrow night staff will request that the Board approve this year's Gann limit of \$6 million.

Review Conservation Fund (Efficiency Fund) for WBBRS Penalty Revenues

Ms. Desai reported that staff is asking for Board approval to change the name of the Conservation Fund to Water Efficiency Fund and to transfer \$47,600 collected from the Water Conservation Penalties account in the General Fund to the Water Efficiency Fund for uses as stated in the resolution referenced in her staff report. Dr. Gumerman explained that subsequently the Tier 4 and Tier 5 money, minus the Tier 2 costs, will go into the Water Efficiency Fund.

A lengthy discussion ensued and the Board agreed to approve changing the name of the fund to the Water Efficiency Fund and leave the \$47,600 in the General Fund at this time.

Overview of Orange County Teeter Plan – MNWD Option

Dr. Gumerman reported that he asked Mr. Cain to provide an overview of the Teeter Plan for the Board's information, since the Orange County Register recently had an article on several large agencies that participate in the Teeter Plan. Mr. Cain offered to answer any questions and

reported that the bottom line is that the District is not a Teeter agency and does receive penalties and interest.

INFORMATION ITEMS

Semi-Annual Purchase Order Approvals by General Manager

Dr. Gumerman reported that included in the agenda materials is a summary of the contracts he has authorized within his authorization of \$25,000 to \$45,000 from January 1, 2011 through June 30, 2011, with the exception of two emergency projects which he subsequently brought before the Board. A discussion ensued and Dr. Gumerman answered the Board members' questions.

Ten-Year Cash Flow Presentation (August Meeting)

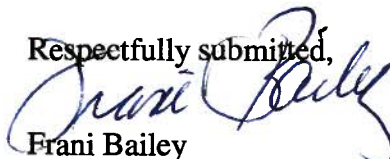
Mr. Cain reported that he would present the Ten-Year Cash Flow at the August Finance & IT Board meeting.

Purchasing Policy Workshop

Mr. Cain reported that the Board members indicated that they would prefer to add the Purchasing Policy Workshop to the agenda for the August Finance & IT Board meeting.

ADJOURNMENT

THEREAFTER, UPON A MOTION DULY MADE AND SECONDED, THE MEETING WAS ADJOURNED AT 12:05 P.M.

Respectfully submitted,

Frani Bailey
Recording Secretary

10-Year Financial Outlook

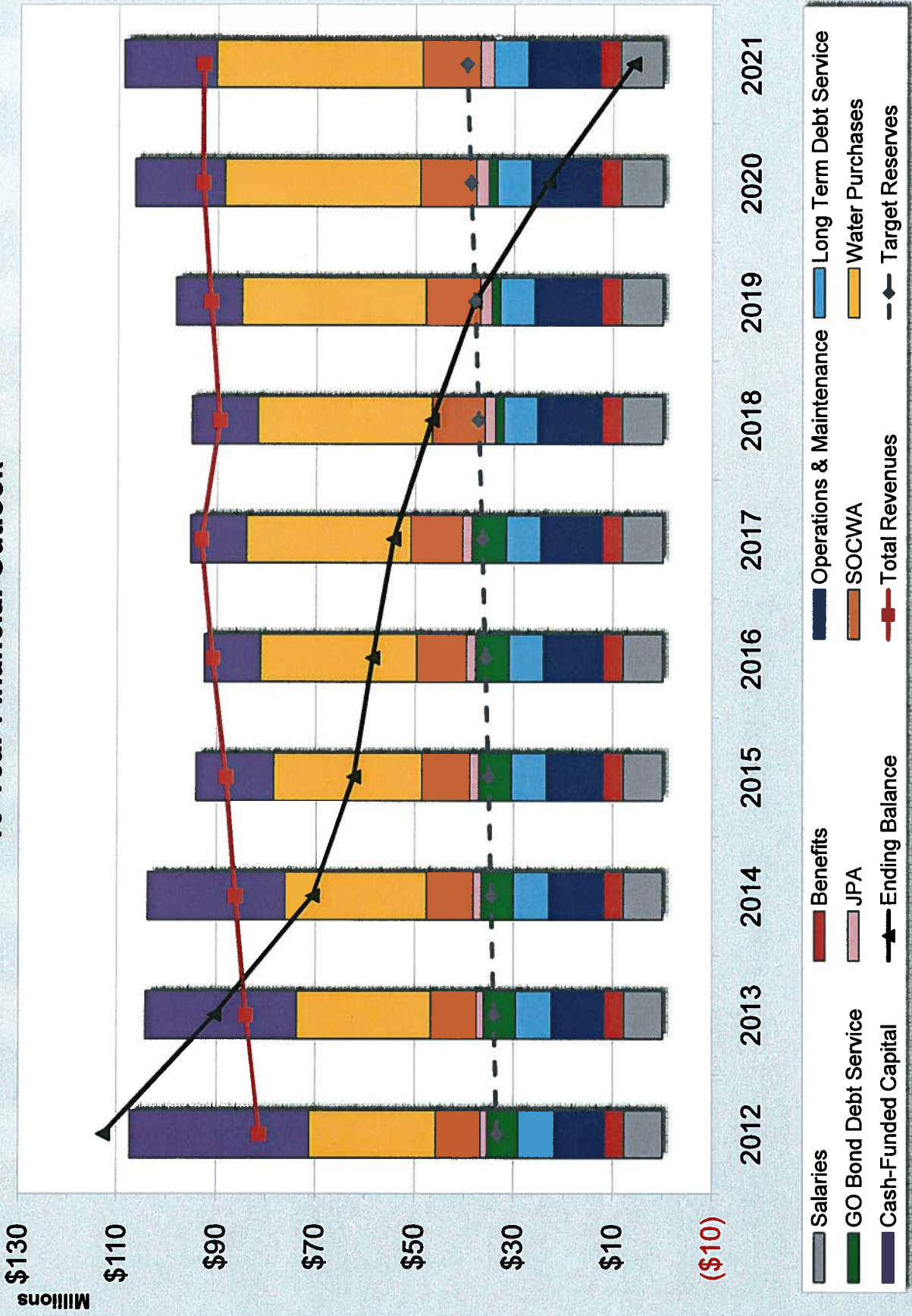


Table 1
Moulton Niguel Water District
Water, Recycled Water, and Sewer
Combined System

Line No.	Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Rate Revenue Increases											
1	Potable Water Sales	16.2%	6.0%	6.0%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%
2	Sewer Sales	16.2%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%
3	Recycled Water Sales	16.2%	6.0%	6.0%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%
Revenues											
4	Potable Water Sales	\$ 26,947,832	\$ 28,564,702	\$ 30,278,584	\$ 31,489,728	\$ 32,749,317	\$ 34,059,289	\$ 35,081,068	\$ 36,133,500	\$ 37,217,505	\$ 38,334,030
5	Sewer Sales	16,850,232	17,355,739	17,876,411	18,412,703	18,965,084	19,534,037	19,924,718	20,323,212	20,729,676	21,144,270
6	Recycled Water Sales	3,644,800	3,863,488	4,095,297	4,259,109	4,429,474	4,606,652	4,744,852	4,897,198	5,033,814	5,184,828
7	Connection Fees	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
8	Ad Valorem Property Tax	21,000,000	21,210,000	21,422,100	21,636,321	21,852,684	22,071,211	22,512,635	22,962,888	23,422,146	23,890,589
9	General Obligation Bond Property Tax	5,657,632	6,416,000	6,466,700	6,572,375	6,697,750	6,836,500	1,585,375	1,618,000	1,650,250	-
10	Investment Income	3,620,000	2,980,092	2,390,755	1,993,670	2,415,952	2,256,318	2,018,749	1,691,820	1,221,759	579,491
11	Tax Credit Subsidy	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642
12	Cellular Tower Lease	1,522,160	1,567,825	1,614,860	1,663,305	1,713,204	1,764,601	1,817,539	1,872,065	1,928,227	1,986,074
13	AMP RPOI	206,846	209,057	211,940	214,884	218,505	221,525	-	-	-	-
14	Other Income	355,400	355,400	355,400	355,400	355,400	355,400	355,400	355,400	355,400	355,400
15	Total Revenues	\$ 81,259,543	\$ 83,976,944	\$ 86,166,688	\$ 88,052,137	\$ 90,862,012	\$ 93,160,174	\$ 93,494,977	\$ 91,298,724	\$ 93,013,417	\$ 92,929,322
Revenue Requirements											
16	Salaries	\$ 7,707,032	\$ 7,784,102	\$ 7,861,943	\$ 7,940,563	\$ 8,019,968	\$ 8,100,168	\$ 8,181,170	\$ 8,262,981	\$ 8,345,611	\$ 8,429,067
17	Benefits	3,880,019	3,918,819	3,958,007	3,997,587	4,037,563	4,077,939	4,118,718	4,159,905	4,201,504	4,243,519
18	Water Purchases	25,570,680	27,104,406	28,473,200	29,958,006	31,542,799	33,328,726	35,228,925	37,263,862	39,574,751	41,783,490
19	Operations & Maintenance	8,202,215	10,610,304	11,034,716	11,476,104	11,935,147	12,412,554	12,909,057	13,425,419	13,962,436	14,520,933
20	SOCWA	9,022,380	9,169,451	9,448,535	9,727,871	10,019,707	10,320,298	10,629,907	10,948,805	11,277,269	11,615,587
21	JPA	1,409,392	1,522,143	1,643,915	1,775,428	1,917,462	2,070,859	2,236,528	2,415,450	2,608,686	2,817,381
Debt Service											
22	Existing GO Bond Debt Service	\$ 6,279,306	\$ 6,416,000	\$ 6,486,700	\$ 6,572,375	\$ 6,697,750	\$ 6,836,500	\$ 1,585,375	\$ 1,618,000	\$ 1,650,250	\$ -
23	COPs	7,263,739	7,263,902	7,215,003	7,079,019	7,030,880	6,994,860	6,952,149	7,032,452	6,998,185	6,973,658
24	Loans	2,096,573	2,137,410	2,178,909	2,221,293	2,110,605	1,994,988	2,032,109	1,572,589	1,283,260	1,307,912
25	New Long Term Debt Service	-	-	-	-	-	-	-	-	-	-
26	Total Debt Service	15,639,618	15,817,312	15,860,612	15,872,687	15,839,235	15,826,358	10,569,633	10,223,041	9,931,695	8,281,570
Capital Projects											
27	Rehabilitation & Replacement	\$ 18,878,964	\$ 12,574,240	\$ 15,583,560	\$ 14,363,896	\$ 10,887,047	\$ 10,744,152	\$ 12,837,256	\$ 12,759,941	\$ 15,674,374	\$ 16,144,605
28	Water Service Reliability	14,746,345	13,439,772	6,577,580	273,182	-	-	-	-	-	-
29	Planning & Construction	2,471,300	4,403,250	5,516,680	983,454	450,204	463,710	477,621	491,950	2,287,518	2,356,143
30	Not Designated	-	-	-	-	-	-	-	-	-	-
31	Total Capital Projects	36,096,609	30,417,262	27,677,820	15,620,532	11,337,250	11,207,862	13,314,877	13,251,891	17,961,891	18,500,748
32	Total Revenue Requirements	\$ 109,407,945	\$ 106,343,800	\$ 105,954,748	\$ 96,366,779	\$ 94,649,133	\$ 97,344,766	\$ 97,188,814	\$ 99,951,355	\$ 107,863,844	\$ 110,192,296
33	Revenues Over (Under) Expenses	\$ (28,148,402)	\$ (22,366,856)	\$ (19,788,060)	\$ (9,316,642)	\$ (3,797,122)	\$ (4,184,690)	\$ (7,693,837)	\$ (8,652,631)	\$ (14,850,427)	\$ (17,262,974)
34	Beginning Balance	140,917,317	112,768,915	90,402,059	70,614,000	62,297,358	58,500,236	54,315,646	46,621,808	37,969,178	23,118,751
35	Revenues Over (Under) Expenses	(28,148,402)	(22,366,856)	(19,788,060)	(9,316,642)	(3,797,122)	(4,184,690)	(7,693,837)	(8,652,631)	(14,850,427)	(17,262,974)
36	Ending Balance	112,768,915	90,402,059	70,614,000	62,297,358	58,500,236	54,315,646	46,621,808	37,969,178	23,118,751	5,855,777
37	Debt Service Coverage	1.92	1.83	1.84	1.79	1.83	1.78	1.63	1.54	1.38	1.15

MOULTON NIGUEL WATER DISTRICT
TEN-YEAR CASH FLOW FORECAST

	M	N	O	P	Q	R	S	T	U	V
	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21
	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
	GENERAL	CAPITAL	GENERAL	CAPITAL	GENERAL	CAPITAL	GENERAL	CAPITAL	GENERAL	CAPITAL
	RESERVES	RESERVES	RESERVES	RESERVES	RESERVES	RESERVES	RESERVES	RESERVES	RESERVES	RESERVES
1	\$38,900,236	\$0	\$54,315,645	\$0	\$46,621,808	\$0	\$37,969,177	\$0	\$23,118,750	\$1
2	93,160,174	0	89,484,977	0	91,286,724	0	83,013,417	0	92,028,322	0
3	0	0	0	0	0	0	0	0	0	0
4	\$151,660,410	\$0	\$143,810,623	\$0	\$137,920,532	\$0	\$130,982,595	\$0	\$118,046,072	\$1
5	8,100,168		8,161,170		8,262,961		8,346,611		8,429,067	
6	4,077,639		4,118,718		4,159,805		4,201,504		4,243,519	
7	33,328,726		35,228,925		37,263,862		39,574,751		41,783,480	
8	12,412,554		12,906,057		13,426,419		13,992,436		14,520,833	
9	10,320,298		10,628,907		10,946,895		11,277,269		11,615,587	
10	2,070,659		2,236,528		2,415,460		2,608,986		2,817,361	
11		0		0		0		0		0
12		463,710		477,621		491,950		2,287,518		2,356,143
13		3,312,783		5,657,412		4,779,051		6,553,636		8,750,451
14		7,431,389		7,179,644		7,980,890		9,120,539		9,384,154
15	15,626,358		10,596,633		10,223,041		9,831,695		8,281,570	
16	\$86,136,903	\$11,207,862	\$83,973,937	\$13,314,877	\$86,666,464	\$13,251,891	\$89,907,953	\$17,961,891	\$97,981,648	\$16,960,748
17	65,523,507	(11,207,862)	59,696,665	(13,314,877)	51,221,068	(13,251,891)	41,060,642	(17,961,891)	24,356,524	(18,500,747)
18	(17,627,636)		(18,576,076)		(19,369,109)		(20,242,594)		(21,102,494)	
19	(10,000,000)		(10,000,000)		(10,000,000)		(10,000,000)		(10,000,000)	
20	(11,207,862)		(13,314,877)		(13,251,891)		(17,961,892)		(18,500,748)	
21	\$26,468,009	\$0	\$18,046,732	\$0	\$8,600,072	\$0	\$7,125,814	\$1	\$25,246,719	\$1
22	\$27,427,636		\$28,576,076		\$29,266,106		\$30,242,564		\$31,102,494	
23	\$54,116,645	\$0	\$46,621,608	\$0	\$37,989,177	\$0	\$33,118,750	\$1	\$5,855,776	\$1

Moulton Niguel Water District



MEMORANDUM

TO: Finance Board Members **MEETING DATE:** August 17, 2011
FROM: David D. Cain, Director of Finance/Treasurer
SUBJECT: 457 Deferred Compensation Plan Investment Option Modification

SUMMARY

Issue: Resolution 92-37 establishing the "MNWD Investment Option" under the authorized existing 457 Plan needs to be rescinded.

Recommendation: Approve Resolution 11- __, A Resolution of the Board of Directors of Moulton Niguel Water District Eliminating "MNWD Investment Option" Under Section 457 Deferred Compensation Plan.

Fiscal Impact: None

Previously Related Action: A presentation was made to the Finance Board by John Boorne from Nationwide, the District's 457 Plan Administrator, regarding their administration of the 457 Plan and specifically the "MNWD Investment Option".

DISCUSSION

On December 16, 1982 the District established an employee Deferred Compensation Plan. Since that time, the Plan has been updated or modifications have been made, as required, to meet current legal or IRS requirements. On October 15, 1992, the District adopted Resolution 92-37 establishing a "MNWD Investment Option" under the District's current Deferred Compensation Plan and implemented its terms and conditions. On July 17, 1997, Resolution 97-24 was adopted amending the Deferred Compensation Plan to further comply with changes to the Internal Revenue Tax Code.

The authorized "MNWD Investment Option" calculation is a manual process and is very labor intensive for both District staff and for the Plan Administrator, Nationwide. Recently, Nationwide informed the District that they were in the process of upgrading their software and would require all "manual" processes for any plan they administer to be eliminated. Nationwide presented an investment option that would be added to the District's existing investment options, called the "Nationwide Fixed Account". The objective of this fund is to provide a low-risk, reasonably high yield investment for participants. See attached exhibit for more detail on this investment option.

The adopted Plan authorizes the District (Employer) to adopt or modify various investment options. The "Employer" may, at any time, terminate the Plan or may amend or modify or suspend the provisions of the Plan.

HR staff has met with the MNWDEA Board Members. A meeting with the same group and Nationwide staff is pending for the week of August 29. After this meeting has been concluded, the HR staff will meet with all MNWD employees to explain the new investment option that will be available in the MNWD Nationwide 457 Plan. Staff will work with Nationwide to help insure a smooth transition for all Nationwide participants that have funds in the eliminated "MNWD Investment Option".

RESOLUTION NO. 11-____

**RESOLUTION OF THE BOARD OF DIRECTORS OF
MOULTON NIGUEL WATER DISTRICT ELIMINATING 'MNWD INVESTMENT
OPTION' UNDER SECTION 457 DEFERRED COMPENSATION PLAN**

WHEREAS, the Moulton Niguel Water District ("District") previously provided for the investment option generally referred to as the 'MNWD Option' under the District's Deferred Compensation Plan ("Plan") through the District Board of Director's adoption of Resolution No. 92-37 on October 15, 1992, including the document attached as Exhibit A to such resolution entitled, *Moulton Niguel Water District Deferred Compensation Plan - Terms and Conditions for Self Administered Investment Option*; and

WHEREAS, Nationwide Insurance, the Plan Administrator, has advised the District it will no longer administer the 'MNWD Option' as part of the administrative support for the Plan, and as a result of Nationwide's decision, and after discussion with the MNWD Employees Association and in furtherance of accurate investment return rates and administrative efficiencies, the Board of Directors of the District has determined to eliminate the 'MNWD Option,' with the recognition that alternative investment options under the Plan are available to District employees through Nationwide Insurance.

NOW, THEREFORE, the Board of Directors of Moulton Niguel Water District does hereby **RESOLVE, DETERMINE** and **ORDER** as follows:

Section 1. The 'MNWD Option' is hereby eliminated, as permitted by the *Terms and Conditions for Self Administered Investment Option*. In lieu thereof, investment options under the Plan pursuant to Nationwide Insurance's administration thereof are available to the District employees, which presently include the 'Nationwide Fixed Account', as such options may change from time-to-time.

Section 2. The District Plan trustees and District Staff are directed to implement the Board's decision to eliminate the 'MNWD Option', and to execute any documents or authorizations required for such purpose, as may be required by Nationwide Insurance as the Plan Administrator, or as otherwise required under the MNWD Option pursuant to the *Terms and Conditions for Self-Administered Investment Option*.

Section 3. Upon the completion of any fund transfers from accounts established under the MNWD Option and of any remaining administrative requirements pursuant to the *Terms and Conditions for Self-Administered Investment Option*, Resolution No. 92-37 will be deemed rescinded in its entirety.

ADOPTED, SIGNED and APPROVED this 18th day of August, 2011.

MOULTON NIGUEL WATER DISTRICT

President
MOULTON NIGUEL WATER DISTRICT
and the Board of Directors thereof

Secretary
MOULTON NIGUEL WATER DISTRICT
and the board of Directors thereof

APPROVED AS TO FORM:

BOWIE, ARNESON, WILES & GIANNONE
Legal Counsel-Moulton Niguel Water District

By: _____
Patricia B. Giannone

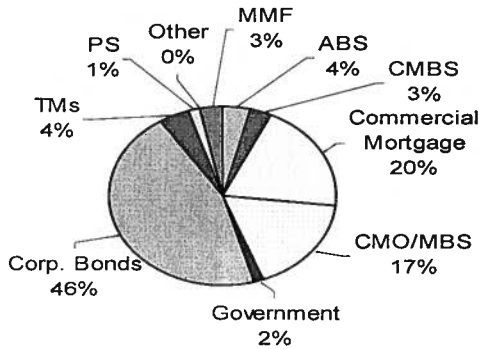
Nationwide Fixed Account

Period Ending 12/31/2010

Top 10 Credit Exposures*

Company	% of Assets
United States of America	1.05%
OVERNIGHT REPOS	0.61%
BHP Billiton Ltd	0.43%
Pfizer Inc	0.42%
Conocophillips	0.39%
Wells Fargo & Co	0.38%
FNMA	0.34%
AT&T Inc	0.34%
SABMiller Plc	0.33%
Verizon Communications Inc	0.33%

*Consolidated Corporate Bond and Preferred Stock Holdings (stated at book value)



Asset Class

Short Term Investments

Underlying Facts

Inception Date: January 10, 1931
Issuer: Nationwide Life Insurance Company

General Account Statistics

Total Net Assets: \$27.84 billion
Total Number of Holdings: 3,797
Average Quality¹: BBB+
Average Maturity²: 11.9
Average Weighted Life³: 7.2

Types of Holdings

General Account assets are generally identified as Fixed Income, Equity, and Other Investments. Other Investments are predominantly policy loans and investment income due and accrued. Listed below are the Fixed Account assets having the largest concentrations:

Bonds

- Corporate Bonds (Corp. Bonds)
- Collateralized Mortgage Obligations (CMOs)
- Commercial Mortgage Backed Securities (CMBS)
- Asset Backed Securities (ABS)
- Preferred Stock (PS)
- Government Agency Debt (GAD)
- Government Obligations (GO)
- Private Placement Bonds
- Mortgage Backed Securities (MBS)
- Taxable Municipal (TMs)

Commercial Mortgage Loans (CMLs)

Money Market

- Cash
- Money Market Funds (MMF)

Other

- Alternative Investments (AIs)
- Equities
 - Common Stock
 - Limited Partnerships
 - Other Equity

Investment Objective

The investment objective of the Nationwide Fixed Account is to provide a low-risk, reasonably high-yield investment for participants. The Nationwide Fixed Account is managed to earn a high level of return, consistent with, and providing for, preservation of capital, high credit quality, liquidity to pay plan benefits, and reasonable tracking of interest rates. Safety, stability and consistency while providing a competitive return are key attributes.

Maturity Distribution

Year(s)	Bonds**	CMLs	Total
2010	4.34%		3.49%
2011	3.50%	9.04%	4.59%
2012	4.34%	9.76%	5.40%
2013	5.88%	7.79%	6.25%
2014	5.35%	9.16%	6.10%
2015	4.37%	12.67%	5.99%
2016	4.13%	13.08%	5.88%
2017	3.37%	8.12%	4.30%
2018	6.01%	3.12%	5.45%
2019	9.18%	2.55%	7.88%
2020-2029	15.28%	22.23%	16.64%
2030+	34.24%	2.48%	28.03%

**In addition to Bonds holdings, this is all inclusive of Equities and Money Market for Maturity Distribution only.

Investment Performance

Annualized 1 st Quarter 2011 Yield ^a	3.55%
2011 Guaranteed Yield ^b	3.50%

Annualized Total Returns^c

1 Year	3 Years	5 Years	10 Years
3.55%	3.67%	3.81%	4.33%

Performance data quoted represents past performance. Past performance is no guarantee of future results. The quarterly declared rate of return on the fixed account will fluctuate quarter to quarter. Guarantees are subject to the claims paying ability of Nationwide Life Insurance Company. The above yields and total returns are for standard NACo and USCM cases. If your plan is not a standard NACo or USCM case, the guaranteed yield may vary causing annual yields and returns to be higher or lower. Please contact the customer service center for assistance.

- (a) Nationwide will declare, prior to the beginning of each calendar quarter, the current interest yield to be credited during the calendar quarter. This yield may exceed the guaranteed minimum yield declared each year.
- (b) Nationwide will declare, prior to the beginning of each calendar year, the guaranteed minimum interest yield to be credited during that calendar year. The yield for 2011 will not be less than that set forth above.
- (c) Annualized Total Returns are for the time period indicated.

The unregistered group variable and fixed annuity is issued by Nationwide Life Insurance Company, Columbus, OH. Contract number NRC-0105AO, NRC-0105OR, NRC-0106AO, NRC-0106OR, NRZ-0102AO, NRZ-0102OR, TSP 557

In Oklahoma only: NRC-0105OK, NRC-0106OK.

Deposits into this investment option are supported by Nationwide Life Insurance Company.

¹⁾ Represents lowest of S&P, Moody's, Fitch and internal ratings (weighted by book value).

²⁾ Based on scheduled maturities (does not reflect prepayments).

³⁾ Reflects projected prepayments.

RESOLUTION NO. 08-27

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT AUTHORIZING THE GENERAL MANAGER AND THE GENERAL MANAGER'S STAFF TO APPROVE PURCHASES AND CONTRACTS

Whereas, on April 19, 1979, the Board of Directors of Moulton Niguel Water District ("District" or "MNWD") adopted Resolution No. 79-31 delegating certain authority to the General Manager of MNWD, including expenditure authorization for the purchase of supplies, equipment and material, and for services; and

Whereas, in accordance with Government Code Section 54202, there are several policies and procedures in place authorizing the General Manager to make purchases and authorize service and other contracts on behalf of MNWD; and

Whereas, some of these policies and procedures giving the General Manager purchasing authorization vary as to the expenditure authorization amounts; and

Whereas, it is in the public's interest for the General Manager and the General Manager's staff to have purchasing and contracting authority in order to conduct the business of MNWD; and

Whereas, it is the desire of the Board of Directors at this time to clarify the General Manager's and the General Manager's staff's purchasing authority under existing MNWD policies and procedures.

NOW, THEREFORE, the Board of Directors of the Moulton Niguel Water District does hereby RESOLVE, DETERMINE and ORDER as follows:

- 1. All purchases or contracts of \$45,000 or more require the approval of the Board of Directors.
- 2. All purchases or contracts of less than \$45,000 may be approved by the General Manager.
- 3. All purchases of less than \$20,000 may be approved by Division Directors.
- 4. All purchases of less than \$4,000 may be approved by Superintendents.

5. All purchases of less than \$1,000 may be approved by the Crew Chiefs, the Board Secretary or the Purchasing Agent.

6. All existing District policies and procedures will be updated or superseded, as appropriate, to reflect the terms set forth in this Resolution, and the Board authorizes the Director of Finance and Treasurer to implement all such revisions.

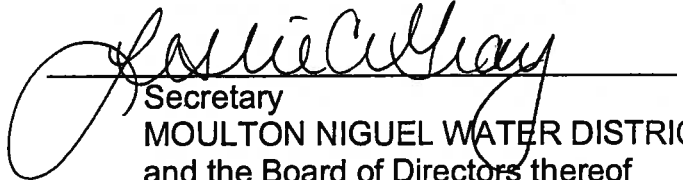
ADOPTED, SIGNED and APPROVED this 21st day of August, 2008.

MOULTON NIGUEL WATER DISTRICT



President

MOULTON NIGUEL WATER DISTRICT
and the Board of Directors thereof



Secretary

MOULTON NIGUEL WATER DISTRICT
and the Board of Directors thereof

RESOLUTION NO.11-__

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT SETTING FORTH EXPENDITURE AUTHORIZATIONS FOR THE GENERAL MANAGER AND DISTRICT STAFF FOR PURCHASES AND CONTRACTS

Whereas, on April 19, 1979, the Board of Directors of Moulton Niguel Water District ("District" or "MNWD") adopted Resolution No. 79-31 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; and

Whereas, in accordance with Government Code Section 54202, there are adopted purchasing policies and procedures in place authorizing the General Manager and in certain cases, District Staff, to make purchases, authorize services and execute other contracts on behalf of MNWD, the latest expenditure authorization resolution being Resolution No. 08-27, adopted on August 21, 2008; and

Whereas, some of these policies and procedures giving the General Manager, or his staff, purchasing and contracting authorization vary as to the expenditure authorization amounts; and

Whereas, it is in the public's interest for the General Manager and the General Manager's staff to have clear expenditure authorizations for purchases and contracts in order to conduct the business of MNWD; and

Whereas, it is the desire of the Board of Directors at this time to clarify the General Manager's and the District Staff's expenditure authority for purchases and contracts under existing MNWD policies and procedures.

NOW, THEREFORE, the Board of Directors of the Moulton Niguel Water District does hereby **RESOLVE, DETERMINE** and **ORDER** as follows:

1. All single purchases or contracts more than \$45,000 require the approval of the Board of Directors.
2. All single purchases or contracts equal to or less than \$45,000 may be approved by the General Manager.
3. All single purchases or contracts equal to or less than \$20,000 may be approved by Division Directors.

4. All single purchases equal to or less than \$4,000 may be approved by Superintendents or Supervisors of equal status.

5. All single purchases equal to or less than \$1,000 may be approved by Crew Chiefs or Supervisors of equal status, the Board Secretary, Administrative Assistants, or the Purchasing Agent.

6. The Board hereby directs that all existing District policies and procedures be updated and revised to reflect the expenditure authorization terms set forth in this Resolution, and the Board authorizes the Director of Finance and Treasurer to implement all such revisions. Other than the specific expenditure authorizations for purchases and contracts set forth in this Resolution, no other terms or conditions of existing District policies and procedures for purchasing or contracting are affected by the terms set forth herein. Resolution No. 08-27 is hereby rescinded in its entirety.

ADOPTED, SIGNED and APPROVED this 18th day of August, 2011.

MOULTON NIGUEL WATER DISTRICT

President
MOULTON NIGUEL WATER DISTRICT
and the Board of Directors thereof

Secretary
MOULTON NIGUEL WATER DISTRICT
and the Board of Directors thereof

Moulton Niguel Water District



MEMORANDUM

TO: Finance Board Members **MEETING DATE:** August 17, 2011
FROM: David D. Cain, Director of Finance/Treasurer
SUBJECT: ERP Project

SUMMARY

Issue: ERP related software and hardware procurement

Recommendation: Authorize a project expenditure of \$200,000 for ERP Project No. 2010.033, software and hardware phase one.

Fiscal Impact: Funds are available in the 2011-12 Adopted Budget. (See attached spreadsheet for more detail.)

Previously Related Action: The Board approved the award of contracts for the ERP implementation vendor and implementation support consultant, along with the related project expenditure authorizations.

DISCUSSION

The ERP project requires the upgrade or addition to District network servers, software and hardware. This includes additional server storage of 8 terabytes, Microsoft SQL server, Microsoft Exchange server, Windows 7 upgrade, Microsoft Windows server 2008 upgrade, Outlook licensing, virtual server upgrades and related items.

The software and hardware must be in place before JD Edwards or SIRE can install their software required to start the ERP implementation process.

Staff gets at least three bids for each of these items before a purchase is authorized. In some instances it can be purchased under the CMAS contact agreement with the State of California. The above purchases are made with multiple vendors and are under the \$45,000 limit that would require Board approval.

ERP Project Number 2010.033	Project Cost	Budget 2011.12	Approved Authorization to Date	Expense Authorization Request
Denovo ERP - Implementation	1,746,545	1,746,545	1,746,545	
Oracle Licensing - First Year Maint.	120,338	120,338	120,338	
AMX - First Year Maintenance Fee	26,125	26,125	26,125	
Nexlevel - Implementation Support Ser.	566,000	566,000	566,000	
Gough Conversion (Est.)	93,200	93,200		
Hardware/Software/Document Mgmt.	450,000	350,000		200,000
Backfill	150,000	75,000		
Contingency	222,792	22,792		
Total	3,375,000	3,000,000	2,459,008	200,000

**MOULTON NIGUEL WATER DISTRICT
SUMMARY OF DISBURSEMENTS
FOR THE MONTH OF JULY 2011**

GENERAL FUND TOTAL \$ 6,713,460

RESTRICTED FUNDS

REPLACEMENT & REFURBISHMENT FUND	\$	885,291	
WATER SUPPLY RELIABILITY FUND		475,369	
PLANNING & CONSTRUCTION FUND		39,281	
1995 DWR Loan		1,000	
2003 GOB CONSOLIDATED REFUNDING		2,050	
TOTAL RESTRICTED FUNDS			1,402,991

TOTAL DISBURSEMENTS ALL FUNDS \$ 8,116,451

The major expenditures for July 2011 include the following:

1. Municipal Water District of Orange County (MWDOC)		
May Water Purchases AF 2632.4		\$ 1,976,274
Apr Reclaimed Rebates AF 325.9		(50,189)
May Capacity Charges		28,206
May RTS Charges		101,061
May SCP Operation Surcharge		12,269
		<u><u>\$ 2,067,623</u></u>
2. SOCWA		
Monthly Capital Budget Deposit - July 2011		\$ 570,870
3. SOCWA		
O&M Budget Deposit		\$2,269,315.00
4. Santa Margarita Water District		
C# 2008.032 Upper Chiquita Reservoir		\$ 451,465.17
5. MWDOC		
MWDOC Annual Retail Service Connection Charges		\$ 325,500.00