

**MINUTES OF THE SPECIAL ERP/IT WORKSHOP
OF THE BOARD OF DIRECTORS OF THE
MOULTON NIGUEL WATER DISTRICT**

MAY 4, 2011

A Special ERP/IT Workshop of the Board of Directors of the Moulton Niguel Water District was held at the District office, 27500 La Paz Road, Laguna Niguel, California, at 8:30 a.m. on Wednesday, May 4, 2011. There were present and participating:

DIRECTORS

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

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL

ROBERT C. GUMERMAN	General Manager
DAVID D. CAIN	Director of Finance/Treasurer
CHARLES J. ROY	Director of Customer Service
MATT COLLINGS	Director of Engineering & Operations
PAT GIANNONE	Bowie, Arneson, Wiles & Giannone
LESLIE GRAY	Board Secretary
JANE NGUYEN	MNWD
BRAD DALEY	MNWD
NOLAN KING	MNWD
FRANI BAILEY	Recording Secretary

DISTRICT CONSULTANTS

TERRY HACKELMAN	NexLevel Information Technology
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Absent was:

There were no absences.

President Larry McKenney presided and Frani Bailey recorded the minutes of the meeting.

PUBLIC COMMENTS

President McKenney opened the Public Comments portion of the meeting and asked if there were any public comments. Hearing none, he closed the Public Comments portion of the meeting.

Closed Session Pursuant to Government Code Section 54956.9(b)(1)

President McKenney reported that pursuant to Government Code Section 54956.9(b)(1), the Board would hold a Closed Session to discuss significant exposure to litigation.

The Board adjourned to Closed Session at 8:40 a.m.

The Closed Session was adjourned at 9:30 a.m. and the open session of the Board was reconvened. President McKenney reported that there was no reportable action from the Closed Session.

ERP/IT Workshop

President McKenney commented that the Board scheduled a special meeting to have a workshop on the ERP/IT because this program touches so many things the District is doing and is a significant investment of time and money. He commented that the Board has had presentations on the topic during other meetings; however, the board feels that this topic is something it should thoroughly understand and not receive piece-by-piece status reports along the way when it is too late to have input.

Mr. David Cain commented that one of the questions when going through an implementation is what the mental image of the system is. He commented that there are risks involved in going through an implementation, and part of the process staff has been going through is to identify what the risks will be to ensure that the implementation will be successful. Mr. Cain reported that today he and Mr. Hackelman would explain to the Board why the District started this process, what has occurred over the last six months, what staff is evaluating, what the risk areas are, how staff will address the risks, and what the next step is.

Director Lizotte asked if Mr. Cain would be presenting the cost of the ERP/IT and Mr. Cain reported that he would. Mr. Cain outlined the goals of a successful implementation, which include vendor selection, identification of the level of effort, resources, timelines, expertise required to implement the solution, project management, and a maintenance agreement that ensures ongoing success with the software.

Mr. Hackelman and Mr. Cain presented an explanation of the ERP and an overview of the project objectives, drivers, scope, risks, benefits, current environment, MNWD's unique requirements, and the next steps in the process. Director Froelich asked Mr. Hackelman to describe to the Board as part of his presentation the competitive process that staff went through to select the vendor(s). Mr. Hackelman explained that the RFP went to 20 vendors selected by him and the staff, and seven proposals were received. President McKenney asked if seven responses is a good number or if Mr. Hackelman expected to receive more proposals. Mr. Hackelman commented that because of the level of effort the RFP requested from the vendors he expected that in cases where the fit for the vendors was kind of a stretch they might not want to submit an RFP. Further discussion ensued regarding the RFPs and the two vendors that were ultimately selected to do the Proof of Concept.

Mr. Hackelman and Mr. Cain described the Proof of Concept process the final two vendors did and explained that staff has given Vendor B another opportunity to prove that it can fully meet payroll requirements. Mr. Matt Collings commented on the CMMS component of the ERP. He explained that one of the highest risks he identified in going through this process was the District's ability to manage assets and the integration of a CMMS and ERP system.

Mr. Collings explained that currently the District has a fixed assets list, a TabWare maintenance management system containing an asset list, and a GIS with an asset list. He commented that staff should not be managing several sets of asset lists, and his key focus is trying to figure out how to integrate all of these to make sure staff is managing a single source of assets. Through the ERP process he identified the need to look at the District's CMMS system more closely because of the integration points to

allow staff to make sure that the maintenance management system can track the true life cycle costs. Mr. Collings commented that in order to get the true asset management functionality staff is looking for staff is looking at potentially modifying the CMMS component. He commented this is relevant to the ERP process and the integration going forward, and he will discuss this further at the Engineering & Operations Board meeting this month when he discusses staff's goals for asset management. Mr. Collings commented that CMMS and the integration of the ERP is a very critical component, as is the GIS integration, and one of the key questions is where the District is with the current CMMS and is it the best solution going forward to get the full capabilities of the ERP and the GIS and have appropriate integration to do appropriate asset management, work order management, and understand the true life cycle costs and O&M costs.

President McKenney commented that Mr. Collings has identified this as a risk and asked if after having seen the POC's from the two vendors he is comfortable. Mr. Collings commented that he is comfortable that the functionalities the District needs out of the ERP vendors is there, but is not sure that the work order modules contained within their systems are the best solution for the District to manage its assets going forward. He commented that an independent, computerized maintenance management system would be better and would integrate with the ERP and pull the cost information across. Further discussion ensued.

Mr. Cain updated the Board on the project budget for the ERP. He reported that the original projection for the ERP project was \$2.0M to \$3.5M and the current projection is \$2.0M to \$3.9M. He explained that the increase is due to requirements associated with workflow, CMMS/Asset Management, Board room/workflow agenda updates, document imaging, reporting, self-service, interfaces, budget based billing, and infrastructure impact (i.e., servers, mail, etc.). He explained that \$3.4M is currently in the capital project line item of the cash flow report and in Section 10.7 of the Long Range Plan, and staff is anticipating that the project without the CMMS will cost approximately \$3,975,000. Mr. Cain commented that one of the major things included in the cost is additional part-time staff to fill in when District staff is working on the implementation

and the fee for Mr. David Gougis, the project manager who will coordinate the implementation with the vendor and District staff to ensure a successful implementation. A discussion ensued regarding the budget and Mr. Cain answered the Board's questions.

President McKenney asked if staff will be picking the preferred provider or if the Board would do that. Dr. Gumerman commented that staff plans to choose the provider and Director Lizotte commented that it would be appropriate for staff to do so, as they did all of the research. President McKenney commented that he asked the question because he doesn't want to come back in June with staff having negotiated terms, conditions, and contract language with a vendor and then have the Board indicate that that's not what it wanted to happen. Further discussion ensued and Director Probolsky commented that it would be helpful if Mr. Cain could compare the money the District is spending now to a five-year cost of ownership and how things like changes in customer base, user base, and revenue might affect it.

Director Probolsky asked if the two vendors being considered could support multiple billing structures if in the future the District were to consider a new partnership with a neighboring agency. Mr. Cain reported that they both are capable of doing so. Director Lizotte asked if the ERP would require that the District hire additional personnel and Mr. Cain reported that he does not anticipate that additional employees would be hired because the District implemented the ERP.

President McKenney commented that staff is intending to complete the POC process and negotiate terms and conditions with one of the two vendors, and if that proceeds satisfactorily, action on a contract will be agendized. He asked if the Board members are amenable to this and there were no objections. Director Fiore asked if the Board would receive the bid from the vendor not chosen for comparison purposes and Mr. Cain reported he could provide that information once a contract has been negotiated with the vendor chosen. President McKenney commented that it is OK for Mr. Cain to do it that way; however, once the item is agendized for Board approval the Board wants Mr. Cain to explain the basis on which the two vendors were compared and why the chosen vendor was selected.

Director Probolsky asked that Mr. Cain also bring to the Board a recap on NexLevel including the cost for each of the phases and what the scope of work was versus the scope of work going forward. Mr. Cain reported that the original contract with NexLevel was for \$83,700 to do the process described today, which included a single POC. He reported that when the District made the decision to do a second POC staff recognized that NexLevel would have to spend additional time and effort in that process and he increased NexLevel's contract by \$17,000 to cover the second POC that the staff decided to do. Director Probolsky asked if the contract revision was brought before the Board and Mr. Cain reported that it was not because the dollar amount was below his \$20,000 authorization. Director Probolsky commented that the contract with NexLevel is a serial contract and he expects to see anything that as a serial contract would exceed Mr. Cain's authority. The Board concurred with Director Probolsky.

LATE ITEMS

There were no late items to come before the Board.

ADJOURNMENT

Thereafter, the Special ERP/IT Workshop of the Board of Directors of the Moulton Niguel Water District was adjourned at 11:50 a.m.

Respectfully submitted,

Frani Bailey
Recording Secretary