

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

SEPTEMBER 14, 2011

The regular meeting of the Finance & Information Technology Board of Directors was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 9:00 a.m. on Wednesday, September 14, 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 (Via Teleconference)
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
NANCY DESAI	Controller
GREGG HOOPER	MNWD
ROBYN EPPSTEIN	MNWWD
LYNNE HERRON	MNWD
LESLIE GRAY	MNWD

DISTRICT CONSULTANTS

TOM ASH	WEATHERTRAK
BEN BOYCE	LAER PEARCE & ASSOCIATES

Absent was:

There were no absences.

President Larry McKenney called the meeting to order and Leslie Gray recorded the minutes thereof. Director Gary Kurtz reported that everything was properly posted at the teleconferencing site from which he is calling and that the site is accessible to the public, including persons who are disabled.

ACTION ITEMS

Review of Water Efficiency Fund

- **Chairman Probolsky asked Mr. Roy to inquire with Southern California Edison regarding their Home Audit Program and report back to the Board.**
- **Director Fiore asked Mr. Cain to give the Board his estimate of administrative costs on the difference of extending a customer a credit or rebate check prior to the vote tomorrow night.**

APPROVAL OF MINUTES OF AUGUST 17, 2011 FINANCE & INFORMATION

TECHNOLOGY BOARD OF DIRECTORS MEETING

President McKenney requested approval of the minutes of the August 17, 2011 Finance & Information Technology Board of Directors meeting.

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR LIZOTTE AND SECONDED BY DIRECTOR FROELICH, THE MINUTES OF THE AUGUST 17, 2011 FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS MEETING WERE UNANIMOUSLY APPROVED AS PRESENTED BY THE FOLLOWING VOTE: AYES: DIRECTORS LIZOTTE, MCKENNEY, FROELICH, COLTON, FIORE, AND KURTZ; NOES: NONE; ABSTAIN: NONE, ABSENT: PROBOLSKY.

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

There were no items presented.

DISCUSSION ITEMS

Review of Water Efficiency Fund

Dr. Gumerman prefaced the beginning of the discussion by stating that the words “rebate” and “credit” are used interchangeably, but wanted to make it clear that there will never be a direct

cash rebate given to customers, it will always be a credit on the water bill. Dr. Gumerman then turned the discussion over to Mr. Charles Roy.

Mr. Roy stated that the Water Efficiency Fund currently has \$690,810.73 (which has been billed to customers, not necessarily paid yet) within the Fund which was collected on July and August water bills. The goal of the Fund is to give rebates to those customers desiring to utilize water efficiency products, for both residential and commercial users, and to assist them in attaining their goals of being water efficient.

Vice President Probolsky arrived at 9:10 a.m.

Mr. Roy noted that 77% of all District customers are within their allocations, but for those not within allocation, this Water Efficiency Fund will become very beneficial to those customers. Dr. Gumerman also noted that the average consumption per connection has increased 3% from last year even with all of the outreach the District has done. A lengthy discussion ensued regarding extending customers' credits or rebate checks.

Mr. Roy stated that examples of water efficiency products are high efficiency clothes washers and toilets, weather-based irrigation controllers, rotating spray nozzles for pop-up spray heads, drip irrigation, turf removal and synthetic turf, zero and ultra low water urinals, water cooling tower conductivity and ph conductivity controllers, water brooms, connectionless food steamers, pre-rinse spray nozzles, and air cooled ice machines.

Mr. Roy explained that the money in the Water Efficiency Fund could also be used for potential partnership opportunities with home owner associations and property management companies, home improvement retail stores, and the smart yard program. Additional uses will be for water efficiency community events, workshops, school programs, temporary employees, as well as for rebates for water efficiency products.

The Board chose the date of July 1, 2011 going forward for the basis of when customers who have retrofitted their homes with any water efficient devices would be credited for those devices.

Chairman Probolsky stated that Director Froelich needs to leave the meeting; however, he would like him to participate in the next item, therefore he would like to take a pause from the current discussion on the Water Efficiency Fund and move forward to the discussion on the Policy on Outside Agency Bill Inserts.

Policy on Outside Agency Bill Inserts

Chairman Probolsky noted that the City of Laguna Niguel has asked that a couple of flyers be inserted within the water bills relative to the upcoming Laguna Niguel Holiday Parade and a new city-sponsored event entitled, La Dolce Vita, Italian Festival. This request was first brought to the attention of the Board of Directors at the Community Relations Board Meeting on September 7, 2011 by Mr. Ron Perrella, an advertising consultant to the City of Laguna Niguel.

The Board Members directed Dr. Gumerman to draft a proposed policy relative to Bill Inserts, which has been included within the agenda for this meeting. A lengthy discussion ensued among the Board relative to changes to the proposed draft Policy.

The overall consensus of the Board of Directors was that a flyer should be “water related” if it is allowed within the water bills and it would be at the sole discretion of the General Manager whether a flyer is inserted within the water bills or not. The changes made today will be incorporated into the draft policy and Dr. Gumerman will forward to Legal Counsel for proper formatting. A formal vote will be taken at tomorrow night’s Board Meeting.

Director Froelich left at 10:05 a.m.

Chairman Probolsky asked Mr. Roy to continue with his presentation on the Water Efficiency Fund.

Mr. Roy discussed the Home Savings Survey. When a customer requests a home survey, the conservation staff will make a site visit to the customer’s home. While at the home, the conservation staff will measure the irrigated area of the home and evaluate and review the customer’s irrigation practices and timer settings. They will also offer the customer various indoor conservation suggestions, provide them with a packet of conservation literature, and inform them about rebate programs.

Chairman Probolsky asked Mr. Roy to inquire with Southern California Edison about their Home Audit Program and report back to the Board.

This item is on the agenda for tomorrow's Board Meeting for official vote of the Board of Directors on how to utilize the Water Efficiency Fund. Director Fiore asked Mr. Cain to give the Board his estimate of administrative costs on the difference of extending a customer a credit or rebate check prior to the vote tomorrow night.

Director Lizotte needed to leave the meeting and questioned Item No. 10, Review of FICA/Medicare Requirements.

Review FICA/Medicare Requirements

Mr. Cain stated that this subject came up at a prior meeting and he distributed an information sheet indicating the IRC ruling on elected officials as employees. If elected officials are allowed to participate in employee fringe-benefit programs, then they are subject to federal and state income taxes. They are also subject to normal Social Security and Medicare requirements with certain exceptions. Mr. Lizotte thanked Mr. Cain and left at 10:45 a.m.

WBBRS Expenditure Review

Mr. Cain reported that a project (2008.033) has been issued to keep track of funds expended on the WBBRS implementation and it is also a method to track grant funds for "in-kind" services. Staff will be requesting an additional project expenditure of \$60,000 to cover internal costs for increased post-implementation WBBRS efforts. In April 2010, a WBBRS implementation budget and project authorization was approved in the amount of \$365,000. Currently the District is eligible for a grant reimbursement from MWDOC of at least \$71,000.

Financial Statements for the Period Ended July 31, 2011

Mr. Cain suggested that during the implementation of the ERP, staff would like to request that the Financial Statements be presented on a quarterly basis, rather than on a monthly basis due to the internal staff time it takes, along with the staff time spent on the ERP, until approximately April 2012. A discussion ensued and the Board felt that bi-monthly financial statement reports were a more reasonable request. Therefore, staff will next present the Financial Statements at the October 19, 2011 Finance & IT Board Meeting for the period ended August 31, 2011.

Ms. Desai reviewed the Investment Activity Summary for the period ending July 2011. Chairman Probolsky asked what the status was on the Deferred Compensation District option. Mr. Cain stated that Amber Cutler is working with the MNWDEA Board and will set up a meeting with them first, then a meeting with all employees will be scheduled next prior to making the switch. This should all take place within the next month. Ms. Desai stated that the Non-Capitalized Equipment (Small Tools) item was higher due to a purchase of equipment. Utilities were also higher due to seasonality.

Summary of Disbursements for the Period Ended August 31, 2011

Ms. Desai reviewed the Summary of Disbursements for the month of August 2011.

INFORMATION ITEMS

2009 COPS – Build America Bonds (BABS) Improvement Fund Update

Mr. Cain reported that the Board Members were provided with an update on the 2009 COPS Water Reliability Projects. He offered to answer any questions and there were none.

Reminder of Purchasing Policy Discussion – Monday, September 26, 2011

Chairman Probolsky reminded the Board of Directors of the Purchasing Policy Workshop on Monday, September 26, 2011.

ADJOURNMENT

THEREAFTER, UPON A MOTION DULY MADE AND SECONDED, THE MEETING WAS ADJOURNED AT 11:15 A.M.

Respectfully submitted,



Leslie C. Gray
Board Secretary

MINUTES OF THE SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF THE
MOULTON NIGUEL WATER DISTRICT

PURCHASING POLICY WORKSHOP

SEPTEMBER 26, 2011

A Special Meeting of the Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 9:00 a.m., on Monday, September 26, 2011. There were present and participating:

DIRECTORS

LARRY MCKENNEY	President
SCOTT COLTON	Director
RICHARD FIORE	Director
DONALD FROELICH	Vice President
LARRY LIZOTTE	Director
BRIAN PROBOLSLY	Vice President

Also present and participating were:

STAFF MEMBERS

ROBERT GUMERMAN	General Manager
DAVID CAIN	Director of Finance/Treasurer
MATT COLLINGS	Director of Engineering & Operations
CHARLES ROY	Director of Customer Service
NANCY DESAI	Controller
EVA PLAJZER	Associate Engineer
PATRICIA GIANNONE	Legal Counsel
LESLIE GRAY	Board Secretary

Absent was:

GARY KURTZ

President McKenney presided and Leslie Gray recorded the minutes of the meeting.

ACTION ITEMS

Purchasing Policy Workshop

Mr. Cain requested that the Board of Directors give him additional comments regarding the Policy no later than Friday, September 30, 2011. Staff will then incorporate those changes and bring back a red-lined draft Policy at the next Finance & IT Board Meeting on October 19, 2011. A proposed salary range and job description for the

Contract Administrator position will also be presented on October 19, 2011. The final Policy will then be brought before the Board of Directors at the November 16, 2011 Finance & IT Board Meeting for discussion and then to the November 17, 2011 Board Meeting for formal adoption.

Public Comments

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

Purchasing Policy Workshop

Mr. David Cain led the presentation regarding the proposed Purchasing Policy. Mr. Cain noted that besides the Policy, this document also addresses internal procedures. He thanked Tona Nelson, Matt Collings, Nancy Desai, Eva Plajzer, and Mark Mountford for their assistance in writing the Policy.

Director Probolsky arrived at 9:10 a.m.

It was noted that in 2009, a Purchasing Policy was adopted by the Board of Directors; however, the proposed Policy being discussed today is an entirely new Policy which is intended to supersede the previously adopted Policy. As a result of the recent Audit, it was noted that several gaps exist within the current Policy which need to be addressed. Among these gaps are contract modification approvals, change order limits, and/or capital asset documentation.

The new Policy will improve the timing of requisitions, purchase orders, and invoice payment. It will also establish approved standard contracts for professional and construction services, legal services, major maintenance contracts, capital improvement projects, and pre-qualified contractor qualifications.

Mr. Cain commented that Legal Counsel had not been provided the draft Policy prior to the agenda posting and requested Ms. Giannone to explain the legal requirements on the competitive bidding process. Ms. Giannone explained that the District (a California water district) is not legally required to competitively bid on public works projects or services; however, once it has chosen to utilize a selected list of contractors on projects, all rules subsequently apply for the competitive bid process.

A lengthy discussion ensued relative to the Buy American Act and supporting local businesses whenever possible.

Mr. Collings addressed capital construction and major maintenance projects. He stated that the District uses a formal request for proposal bid process from pre-qualified contractors. The contractor is selected by being the lowest responsive and responsible bidder. Specific insurance limits and bond requirements must be met by each pre-qualified contractor in order to be awarded a contract.

Mr. Collings stated that the new Policy will include change orders. Construction contract modifications require Board approval for amounts exceeding the General Manager's expense authorization or if the pre-approved contingency levels are increased. Bids for construction and maintenance contracts will be obtained from the pre-qualified list.

For clarification, "pre-qualified" means the contractor must complete an application package, undergo administrative review by staff, and that all technical requirements have been met.

Mr. Cain noted that Purchasing Cards will replace the need to issue a purchase order for many small dollar items. Currently, the average cost to issue a purchase order is approximately \$96-\$190. Purchasing Cards have been issued to approximately 15-20 employees. Each employee has their own purchasing limit as specified in the Policy for both single purchases and overall monthly purchases, which will save considerable time and expense relative to issuing purchase orders. Cash rebates are given, which is another benefit to using Purchasing Cards. Using Purchasing Cards will free up the time of the Purchasing Agent for other larger items; however, additional staff, such as a Contract Administrator, will be needed for pricing and specifications of current and future services, bid processes for construction and professional services, contract negotiations, contract approval, tracking executed contracts, insurance, bonds, etc.

The Board of Directors stated they were very impressed with the work that staff has extended on the Policy and internal procedures and looks forward to finalization of the Policy. Vice President Probolsky suggested that the section on Surplus Property be expanded and become more transparent.

Mr. Cain requested that the Board of Directors give him additional comments regarding the Policy no later than Friday, September 30, 2011. Staff will then incorporate those changes and bring back a red-lined draft Policy at the next Finance & IT Board Meeting on October 19, 2011.

A proposed salary range and job description for the Contract Administrator position will also be presented on October 19, 2011. The final Policy will then be brought before the Board of Directors at the November 16, 2011 Finance & IT Board Meeting for discussion and then to the November 17, 2011 Board Meeting for formal adoption.

Adjournment

The Special Meeting of the Board of Directors of the Moulton Niguel Water District was adjourned at 11:25 a.m.

Respectfully submitted,

A handwritten signature in black ink that reads "Leshe C. Gray". The signature is written in a cursive, flowing style.

Leshe C. Gray
Board Secretary