

**MINUTES OF MEETING
NORTH SPRINGS IMPROVEMENT DISTRICT**

A special meeting of the Board of Supervisors of the North Springs Improvement District was held on Tuesday, July 21, 2009 at 3:15 p.m. at the District Office, 10300 NW 11th Manor, Coral Springs, Florida.

Present and constituting a quorum were:

Steve Mendelson	President
David Gray	Secretary
Vincent Morretti	Assistant Secretary

Also present were:

Kenneth Cassel	District Manager
Dennis Lyles	District Counsel
Bob Koncar	Severn Trent Services
Brenda Schurz	Severn Trent Services
Nick Schooley	Drainage Supervisor
Rod Colon	Chief Operator
Ward Crowell	NSID
Doug Hyche	CSID
Howard Solomon	

FIRST ORDER OF BUSINESS

Roll Call

Mr. Cassel called the meeting to order and called the roll.

SECOND ORDER OF BUSINESS

Discussion of Management Services

Mr. Cassel stated this item was first brought to my attention about two weeks ago. Since that time I have met with all three of you as Board members. From those meetings I believe I understand your position and some of the underlying issues. First I would like to point out to the Board and staff that as your District manager I work for you, the Board. I constantly strive to do what is in the best interest of the Board and the residents of the District. That is, to make sure the operation is professional, effective, efficient and compliant.

I firmly believe that over the past 15 months I have demonstrated I am not the same management mindset you may have experienced in the past. I make it perfectly clear that Severn Trent Services does not direct how I manage the District as well as my boss, Mr. Koncar, from the beginning has taken a position that he has hired a professional manager and that as such, I am to manage the District. Mr. Koncar's direction to each of us who report to him is; we are to

manage the District within the applicable regulations and authority, and under the direction of the Board.

From my conversations with some of the staff I understand their reluctance to bring some of the issues they have based upon past experiences. As I stated before, I work for you the Board in the best interest of the District. I am not here to build empires, power structures or anything else. As your manager I am here to make the District operate appropriately within its regulations and statutes; both for District employees and those who provide services to the District. My preferred outcome of this meeting would be as follows. Take no action on the current contract, other than the proposed reduction of fees, allow me 60 days to accomplish the following: meet with the staff, delineate the issues the staff has, figure out solutions and solve the issues. I am confident that provided this opportunity we can work through whatever issues the staff has and accomplish the goals of the District. At this time the first item would be either for the Board to begin discussions or, if the Board wishes, to have comments from the audience.

Mr. Mendelson stated I just want to make a statement previous to any of that. We are all professionals here. Okay. I would like this meeting to be conducted as, if we can agree to disagree, which is, that is life. I just want it to go smoothly without a hitch.

Mr. Cassel stated I believe in my dealings with all of you in the past I have presented myself in a professional matter that I will do what is necessary to make the meeting and to make the process go forward properly.

Mr. Gray asked are there any audience comments?

Mr. Colon responded yes. At this time we would like to enter into the record the letter from District staff, which I believe all three Board members have a letter in front of them and I will hand one to counsel. I also faxed you the resolutions for your review yesterday. I do not know if you received it or not.

Mr. Lyles stated I did.

Mr. Colon stated basically staff is proposing for your consideration the six items which are before you in the letter. I can read them out loud or if you want to discuss them one by one. The first one is the consideration of termination of management contract with Severn Trent Services and provide a 60 day notice per the terms of the contract.

Mr. Gray stated the first consideration is the fact that the three of us, we need to try to get some professional or a legal opinion from our attorney there, but at any rate; the three of never

had a conversation regarding this. I am assuming this would be the time for us to have a conversation. Is that correct?

Mr. Lyles responded you would not be permitted as elected officials of this District and members of the Board of Supervisors to have any contact with one another on this subject.

Mr. Gray stated outside of this meeting.

Mr. Lyles stated outside of this meeting. It is, I believe, a matter of record. You have just made it so and I have been clear with staff in their discussions with both Severn Trent Services management staff and your own employees that none of them are permitted to foster any communications between two or more of you or to act as a conduit with information between two or more of you. I think we have made it very clear and I think you just made it clear once again for the record that the members of this Board have had no discussions regarding this matter up until this moment.

Mr. Gray stated we are permitted to speak to anyone of the outside people. Is that correct?

Mr. Lyles responded at any time and in any combination. Yes sir.

Mr. Gray stated so the only rule regards to us multiple being present.

Mr. Lyles stated that is correct.

Mr. Gray stated I would like to say that as a general rule, if we have an issue with the way it is currently set up from just a philosophical standpoint, unless...*(unintelligible)*...would be the fact that we have currently a for profit organization on a form of high profit, basically a public entity. It is hard sometimes to understand, and I understand Mr. Cassel what you just said that you work for us, I work for a company and it would be hard for me to understand the difference between the two bosses you have. You have one who is a for profit company and you have us who is not. I am not sure how that decision making can go totally unaffected by the fact you work for a for profit company. On the other hand I realize you have been a professional group as compared to you just being an individual so that we get a team service so to speak. So I recognize the benefits and I recognize philosophically that there is a struggle there. I am not sure how it relates to the staff and how it works its way down, but I do recognize it would be there. Having said this though, the three of us have not had any conversations regarding it. Just as a management philosophy, how are you looking at the change?

Mr. Morretti responded I do not have a problem with Severn Trent Services as a management company. I think they are doing a fine job, but I think maybe we are trying to save

the District money by severing ties with Severn Trent Services. I think economically maybe that is what is being presented before us.

Mr. Gray stated I did have conversation regarding, with both parties, regarding economics and received documentation from both. One package is here and one I received as an email regarding the financial savings so as the conversation gets started I would preview that I think we are looking for an economic savings in this particular economy we are in. As I requested I did get back from Severn Trent Services some comments regarding possible savings. The only thing I did not really recognize in the documents themselves is how the savings would be achieved. I mean it is kind of stated on the front page; an anticipated breakdown of the reorganization where you were talking about \$114,411. It says *reorganization of work within the District* with savings of \$114,411. I did not see a breakdown of how this will be achieved.

Mr. Cassel stated some of that will be based upon potential rearrangement of personnel, what we are paying for between the Districts as far as what is paid, what is not paid, what services are being rendered. Some of it is contract savings. Those are issues which will have to be worked out with the interlocal agreement you currently have between NSID and CSID for services rendered. Those types of issues would have to be worked through.

Mr. Gray stated you must have had a function to come up with a number. You must have looked at different budgets.

Mr. Cassel stated yes. I looked at budgets. I looked at some percentage of time which could potentially be modified or might be modified or might not be as currently being utilized. Those are potentials. Is this a guaranteed savings? No. I am looking at it as there is a potential of that. A good chunk of this is some of the things I already have in process of some changes in a contract we have with one of the vendors.

Mr. Colon stated I just want to state also out of that \$114,411 I believe, I do not have a copy of it, but several days ago we already made several changes and a lot of the changes which were going to be implemented to District staff has already done that.

Mr. Gray stated you also mention \$58,000. This was going to be a renegotiated agreement between Severn Trent Services and the District?

Mr. Cassel responded that is correct.

Mr. Gray asked Mr. Mendelson, what is your opinion?

Mr. Mendelson responded I think financial things, the way they are now, it is up to us as a Board to make a rational decision as to how we are going to save the District quite a bit of

money. If a lot of things are now being handled by Severn Trent Services, I am sure some of those things could be handled within the District with in-house people. We have staff already, okay, to take over some of these issues. By doing that we will be saving X amount of dollars over that, which means the pot does not get smaller it gets bigger as far as the District. Also the liability is less again because it is within the District handling the District.

I think it is a pretty good idea, not that Severn Trent Services has done a poor job up to this point. I think they have done a yeoman's job up to this point; however, like everything else it could be time to change and change is good. Because we have to look at not just the District, but the people within the District; not just the employees, but the homeowners and everyone else who is living in here. The bottom line is they are paying the fee. They are paying the buck. So whatever we can do to save money and pass it on to the consumer, I think it will be a good thing without hurting the District. The District is growing. It is not getting smaller.

Mr. Gray stated the consideration I would have regarding, from the financial end I do agree you should be able to save money by taking anything in house compared to outsourcing. It does not always work that way, but I do have concerns as I indicated in my previous meetings to the fact, my true concern is that in saving the money do we lose vital resources. I want to make sure we have taken care of all the items that are required legally and statutorily for the District. That is where my concerns are; not within the operation of the plant. We have been fine and never had an issue. We do not hear anything and that is good. We do not have any issues. I think everyone who works for the plant is doing a heck of a job and I do not think we have any opposition per se with Severn Trent Services. I think we are trying to reorganize and reduce any unnecessary overhead. My concerns deal more with the fact I know Severn Trent Services does do certain statutory and legal requirements for us as well as other management services. How are we as a Board assured we are going to get complete coverage on all required items?

Mr. Colon responded basically we are still going to be outsourcing these certain items like the financial, just like we outsource our billing and human resources to CSID. The only difference is we are going to outsource the financials also to two very competent people who are in this building who run the accounting for CSID. They would also run the accounting for NSID. For assessments at this time Severn Trent Services has a deadline of August 4, 2009 to submit those to the county. I have been in contact with the people who Severn Trent Services currently uses as consultation, Ms. Archer. I have spoken with her and we still have some time to go out and get, I mean we have gotten a couple of quotes for assessments.

Mr. Gray asked there are 12 days, right?

Mr. Colon responded I am sorry? They are still responsible to do the assessments, but we have some time to go out and do that. We outsource our legal department and we outsource CH2M Hill for engineering. Staff runs the day to day operations. We have our game plan. We have met with several people. We are very confident and unlike them, we do not have seven or eight or ten other accounts to worry about. We have NSID to worry about.

Mr. Gray asked do we have, when it comes to the legal, we have some things that as a District we have to do for the state?

Mr. Lyles responded that is correct.

Mr. Gray stated I am certainly not going to say I understand all of those because I do not. I am assuming some of those just deal with the accounting, like auditing and stuff. Those are basic accounting features.

Mr. Lyles stated you have an audit annually and it gets filed with the state.

Mr. Gray stated I assume others have to do with things the state requires they receive on some type of regular or annual basis besides audits.

Mr. Lyles stated that is correct. There are a number of things that, for instance the Department of Community Affairs requires for all special districts. There is an annual completion of information update and informational requests they have that we do with the manager's office. They have public records compliance statements. There are, I will not try to give you the list from memory because I undoubtedly would miss some because most of them I do not do...

Mr. Gray asked so who would normally handle those types of items in the current structure?

Mr. Colon responded we do.

Mr. Bloom stated I disagree.

Mr. Gray asked I am sorry?

Mr. Bloom asked are public comments still out?

Mr. Gray asked I am sorry?

Mr. Bloom stated public comments are still out. My name is Mr. Stephen Bloom. I am the Accounting Manager for Severn Trent Services who is currently working on this District. I am responsible for the items you just mentioned, including all of the filings, the audits and everything else.

Mr. Cassel stated there are reports which are filed by the District staff regarding water and other reports which are required by specific operating permit criteria. That is a day to day operational thing. Severn Trent Services does not file those. We file all of the recording requirements, all of the accounting requirements, all of the other types of logistical legal requirements of filing which are required under the statutes.

Mr. Gray stated so those types of items, not accounting because I understand we are going to outsource the accounting to CSID, right?

Mr. Colon stated yes.

Mr. Gray stated so obviously in CSID she already does that or whoever does it. So they are very familiar with that stuff.

Mr. Colon stated they are very competent people.

Mr. Gray stated because obviously CSID does not have any issues with it. So the items outside the accounting items, who will be maintaining those? Will it be the new manager?

Mr. Colon responded I, no, I mean, you know the management staff at NSID, I do the state emergency response commission report. There is an annual registration fee from the Department of Community Affairs of \$150 or \$1,000 we have to register. These things come to us and we evaluate them and we will either send them off to the legal department or send them to engineering. I mean we do a lot of this stuff in house.

Mr. Gray stated so the part that is currently not getting done in house...

Mr. Colon stated accounting, assessments.

Mr. Gray stated which is a simple change. When it comes to issues like the bonds, because you have bond maintenance, do our departments currently handle that and who will be taking over those responsibilities?

Mr. Colon responded I believe Mr. Lyles in conjunction with Prager Sealy, I believe they handled the bonds in the past.

Mr. Gray asked who currently does the maintenance of the bonds? I mean, you do not just give them a one shot deal and never hear from them again.

Mr. Lyles responded no. We have a continuing disclosure obligation since we are a government issuer of tax exempt bonds we have to work with dissemination agent and disclosure people, Prager Sealy as Mr. Colon mentioned. I will tell you that normally goes through the manager's office and not through mine. I do not get involved in the dissemination activity,

except rarely when there is a question which comes up. There are those sorts of reporting requirements which need to be handled by someone.

Mr. Gray asked will those roll with the new manager or?

Mr. Colon responded this is going to roll to our District manager in conjunction with um...

An unidentified person stated it is going to be in house.

Mr. Colon stated it is going to be in house.

Mr. Gray asked and we have a full grip on everything?

Mr. Colon responded we sure do.

Mr. Mendelson asked now the transfer of information and records from Severn Trent Services to the District, if this does take place that will be a smooth transition I assume? I know that information is public record.

Mr. Lyles responded it is public record and there is, in fact, in our agreement with Severn Trent Services an obligation to transfer the records.

Mr. Colon stated the only two things we want Severn Trent Services to do is to comply with the audit and finish those assessments by August 4, 2009. Everything else we are ready to roll.

Mr. Bloom stated just for the record the audit is final and will be presented at the next meeting. We have already taken care of that item.

Mr. Koncar stated this is Mr. Bob Koncar with Severn Trent Services. I just have a question based on the discussion I heard so far. The comment I just heard that all they want Severn Trent Services to do is finish the assessments and the audit. The audit is already done. I think Mr. Lyles will tell you the contract requires a 60 day written notice. How would you see this working if you make the decision to move in house?

Mr. Colon asked is that question to me or to the Board?

Mr. Koncar responded I am asking the Board.

Mr. Mendelson stated that would take place as of this meeting I am sure.

Mr. Colon stated I believe we are only financially liable to Severn Trent Services for 60 days. I do not think they have to continue to do the management operations, at least that was our discussion with the attorney.

Mr. Gray asked what is the actual requirement of that clause?

Mr. Lyles responded with or without cause the contract can be terminated by either party upon providing written notice 60 days in advance of the effective date of the termination. There is subsequent to that, once the termination occurs, there is a five business day limit on the transfer of the records. I talked to, frankly everybody whose...

Mr. Gray asked five business days from the point of the letter?

Mr. Lyles responded from the termination, which the effective day would be the 60 days. What I was about to say is districts change managers from time to time and I have been involved in a number of those and I have yet to see an instance where the old management team or the new management team did not sit down and hammer out a professional, timely and relatively painless transition. It depends, you know what I mean. Some of these districts have just a few records and they have a few 100 homes and they are not very large and they are not very complicated. This is a large and complicated District to say the least. I would expect it would take a mutual effort by all parties concerned to come up with an agreed upon smooth transition with the ultimate goal being that it is comfortable for the Board and that the residents do not see any gap in any of their services.

Mr. Gray stated because if I were to say, a transition I would normally see take place in business, which is somewhat different, but quite the same, is that the ongoing, the one who has been there, Severn Trent Services, would continue to do all services until the new management takes over each one at a time. So there is a transfer as compared to a stop and then they just take it. They are ongoing. You meet with them and you take them off their hands so to speak to make sure you have an even transition for all items without there being a stoppage.

Mr. Mendelson asked is that not the purpose of the 60 days? So there is a smooth transition.

Mr. Gray responded we do not want to just stop and have them do that...

Mr. Mendelson stated they are not stopping. That will be involved in the 60 day transfer.

Mr. Gray stated I do understand what you are saying. You have to have a continuation of all things until there is transitional team.

Mr. Koncar stated let me just clarify what I am suggesting and saying is we will transition the records in a professional manner and in a timely manner, but understand; there are continuing obligations of the District. We will do that. What we will not do is transition the records without getting the 60 day payment. We will not do that because we have had that happen to us before and then they will say, "Well if you do not provide services, you do not get it." Our

contract calls for a 60 day notice. We would expect you to abide by the contract and we will do our part. We will give you the records with whatever transition program you work out. I would like it to be very clear on that transition because if you do not do it right, things are going to fall through the cracks; especially when you are in the middle of a budget season.

Mr. Gray asked did I understand you to just say that you want the payment for the 60 days prior to the record change? Is that what you said?

Mr. Koncar responded yes, because it is our obligation of the contract to give you the records and we will certainly do that, but it has already been mentioned that all we need to do is finish August 4, 2009 with the assessments. If that is what the Board decides. That is fine. We will transition earlier than the 60 days as long as we get paid for the 60 days. We will work it out whatever way you want. All I am suggesting is that you make sure you have a good transition schedule so something does not get dropped.

Mr. Mendelson stated I think that is reasonable.

Mr. Koncar stated you cannot transition the load of records this District has and expect someone on the other end to pick it up and begin the work immediately.

Mr. Mendelson stated that is reasonable.

Mr. Koncar I just wanted to point out just a couple of other things. I understand the desire to take it in house. There are some intangibles Severn Trent Services provides. One of the things we provide is liability coverage that you will no longer have. We provide that through our employees and the work we provide. In addition we provide the emergency back up system for your operations. All of your records are backed up electronically in Texas and in Pennsylvania on a nightly basis. This way, in case there was some kind of an emergency, we can recover your records and we can continue the operation of the District. There are some things there which may not be clear and may not be covered in all of the things we have written up.

Mr. Mendelson stated I am not sure, but I think there is a similar type of operation here where we have back up in an emergency situation where those records can always be gotten to and that information can be withdrawn from the system. Okay. So it is basically the same. As far as liability, we will cover with liability insurance and everything else.

Mr. Gray asked do we have a back up offsite?

Mr. Colon responded yes we do.

Mr. Gray stated I think what you are referring to liability is not so much insurance. You are referring to the fact that because you do (*unintelligible*) you become responsible. Is that what you are saying?

Mr. Koncar responded yes. I know the District has coverage. You certainly have liability coverage because we are the managers and we are going to make sure you have it. Once you take all of those services in house, then you also assume the liability in addition to whatever else...

Mr. Mendelson asked is the District covered with that?

Mr. Colon responded we are outsourcing to CSID so technically it is just getting rid of Severn Trent Services having CSID handle the financials.

Mr. Bloom asked just as a point of discussion; if you are going to be outsourcing finance anyway, why not let Severn Trent Services continue that piece? It is a very complicated District with a lot funds and as you know a lot of bonds. It might make sense to the Board to think about, if not the whole contract, there are pieces of the contract which makes sense not to interrupt for whatever reason; budget season or the complexity of the District.

Mr. Mendelson responded I do not think there is anything which can come about because this District, the personnel that are running this District in this building, okay, for the amount of time I have been here have been extremely confident. They are picking up slack regardless of what happened. So I think the proposal the District is making is, has good footing. I think they are capable of doing that.

Mr. Bloom stated I would not suggest otherwise. I am just saying Severn Trent Services does bring some expertise.

Mr. Mendelson stated we are aware of that. I am just saying the money we can save by keeping it in house would be beneficial to the District. I guess it is not just cutting back corners and cutting back costs so we have more money within the District.

Mr. Cassel stated my major question is I have not seen any numbers which were proposed by staff, but staff is proposing they can outsource what needs to be outsourced, do in house what needs to be done in house for less than \$165,000.

Mr. Colon stated I just want to reiterate NSID has already done the power playing, so to speak, and has already restructured some of our salaries so that \$114,411 Severn Trent Services is presenting, which they did not itemize, we already have done that seven days ago.

Mr. Cassel stated without knowledge or understanding of the District manager or by approval of the Board.

Mr. Colon stated this was at a staff meeting with human resources. These people were on the payroll for NSID for sometime and were not beneficial to us.

Mr. Hyche stated we are talking about contract employees that NSID contracts. It used to be shared employees. We are going to pull them back and bring them back to CSID. They will no longer be on NSID.

Mr. Mendelson asked so it is no longer the responsibility of NSID to supplement their income as salaried personnel?

Mr. Hyche responded that is correct.

Mr. Colon stated I just want clear that this was not an original idea of Severn Trent Services, the \$114,411. It is not.

Mr. Cassel stated there are some things in there we have discussed before. Some of the issues which I have been looking at for a long time of potential things are in this \$114,411, which you guys are not aware of as well. Some of the personnel things, yes, I will grant you those were a discussion we had before about personnel time limits and what is being done. I will grant you that. My biggest question is you are telling me and you are telling the Board all the work Severn Trent Services provides you can provide a full time District manager and the rest of it in house and out service for less than \$165,000?

Mr. Gray asked the items which deal with the cities, is that the District manager's responsibility?

Mr. Hyche responded yes.

Mr. Mendelson asked is it true that now if someone is going to be taking over the District manager's position within, they only have to worry about one District?

Mr. Hyche responded that is correct.

Mr. Mendelson stated their responsibility is to one district, not to five, six, eight or whatever it might be.

Mr. Colon stated that is right.

Mr. Hyche stated you would more likely be getting that fulltime District manager.

Mr. Mendelson stated just one District. Okay.

Mr. Gray asked did you say more than likely?

Mr. Hyche responded you will be getting that fulltime District manager than what you are getting now. Mr. Cassel is not fulltime for NSID.

Mr. Gray stated you said you might be.

Mr. Hyche stated he has other Districts.

Mr. Koncar stated I just want to follow up...

Mr. Colon stated let him finish please.

Mr. Gray stated the first thing to make it on the roll for us will be a fulltime District Manager. Is that what you are saying?

Mr. Hyche responded yes sir.

Mr. Gray asked what is that persons current role?

Mr. Hyche responded Utility Director.

Mr. Gray asked so you will be doing a dual role?

Mr. Hyche responded no. Mr. Colon will take on the Utility Director.

Mr. Mendelson stated so we are just changing positions.

Mr. Colon stated the duties will still be the same.

Mr. Gray asked and who takes on your current role?

Mr. Colon responded I would still do plant compliance.

Mr. Gray stated so you will do that and the Utility Director. So on the issues related to anything to do with the city, who takes care of that? The accounting is taken care of by CSID, the reporting for the bonds and that type of thing will be done by who?

Mr. Hyche responded your bonding agent, Mr. Lyles.

Mr. Lyles stated we have a dissemination agent who was part of the original bond transaction and those annual disclosure documents are done by that entity.

Mr. Gray stated so as far as the...

Mr. Cassel asked is recording and records management outsourced?

Mr. Colon responded recording and records management will also be outsourced. We are in the process of getting quotes. We already have someone lined up to take over.

Mr. Gray asked and is CSID okay with the, I mean I am assuming there have been conversations with them because we are talking about sharing, so that has all been worked out?

Mr. Hyche responded very much.

Mr. Cassel stated not with the District manager of CSID.

Mr. Mendelson asked it has or it has not?

Mr. Cassel responded has not. No conversations regarding changes from CSID have been raised above a staff level.

Mr. Koncar stated the discussions have been primarily in terms of taking it in house, but much of the services will be outsourced. I guess my question is, since there have been comments about Severn Trent Services providing good service over the years, if we can either match or beat the numbers the staff has, we have not seen it so we do not know what they are, would that make a difference with the Board in terms of keeping the contract like it is?

Mr. Mendelson responded I think it would be up for discussion. I do not think we could make a general ruling as to that right now.

Mr. Koncar stated I agree. The only reason I am suggesting this is because we have not been given the opportunity to find out what the issues are or what the numbers are. What I am suggesting is we understand the District's need to save money. We are not complaining about that. We are willing to try to do what we can to do this. My question is, would we be given the opportunity to get the staff numbers to see how their proposal would work and see if we can either match or reduce those numbers in terms of reducing the cost to the District?

Mr. Mendelson asked has Severn Trent Services not been given an opportunity?

Mr. Cassel responded I have not been given exact numbers. We have had general discussions with the staff and with each you. In my discussions with Mr. Gray, his perspective was it is about the numbers and what we are doing for you. This is part of what the package delivered to you on Friday afternoon was to address. What can we do better, where we can shave dollars, what we are actually doing for you and what we have done. That is where that came from.

Mr. Colon stated Mr. Cassel was shown the same exact thing Mr. Gray received.

Mr. Cassel asked what?

Mr. Colon responded the graph with how much we pay Severn Trent Services. You were shown the same thing.

Mr. Cassel responded I was shown the graph. I looked at for about five minutes or ten minutes as we discussed it. I did not receive a copy of it. I did not receive any other information.

Mr. Colon stated I gave it to you. I do not know what you did with it.

Mr. Cassel stated no. I never left your office with it. You picked it back up, you slid it back on the side of your desk. I never received any document which showed me exactly what your savings were. You had called me while I was on vacation and read off some numbers that I had written down on this pad here of what you proposed and could not save on personnel,

etcetera. That is what I have. As far as a document showing me what your numbers were, I never received that document.

Mr. Koncar stated well I just want to make a general comment. If the Board has a plan to save the District money and Severn Trent Services cannot match it, then I think the Board should decide to terminate the contract with Severn Trent Services; however, we would like a chance to find out what those numbers are and see if we can match it. If we cannot, then the Board has the authority and certainly the right to save the District money by going with another proposal. All we are asking for is an opportunity.

Mr. Mendelson stated I think it has already been given to Severn Trent Services. With the information Mr. Colon proposed. I saw it myself.

Mr. Koncar stated I have not seen it and I have been talking to Mr. Cassel, obviously, for the last week and he has not seen the exact numbers. There have been some numbers provided to him, but not some of the things we have talked about here. For example; the \$114,411 and how decisions have been made throughout the last few days. We have not heard about this. All I am suggesting is Severn Trent Services be given an opportunity. If we cannot match it, then you can move to terminate the contract and give us 60 days.

Mr. Colon stated it is also not just about the money. I just think staff can do a better job managing. That is it. Not that Severn Trent Services did bad at managing. I just think if we ran things in house, I think we could concentrate on the residents and give our full service to the Board of Directors. So even if we only save one dollar, it is more than just the cost savings. This is why we are terminating without cause.

Mr. Cassel stated I guess my only other question is there has been motion with personnel with both districts which the other Board is not aware of and the District manager was not aware of.

Mr. Mendelson asked the other Board meaning CSID?

Mr. Cassel responded the CSID Board.

Mr. Mendelson stated they do not necessarily have to be.

Mr. Cassel stated but myself as the District manager; what personnel changes might be happening were not brought to me as a courtesy to that District, which I find disturbing.

Mr. Mendelson stated again, there does not have to be a show of cause.

Mr. Cassel stated I am not looking for that. That is just a statement of...

Mr. Mendelson stated but what you say basically, and I understand where you are coming from, is the fact you were not notified as to what was going on as far as CSID and NSID.

Mr. Cassel stated that is correct and which can potentially, adversely impact the other District I have which I am responsible for as well. I have to measure this impact on that District.

Mr. Gray asked there is another District you are responsible for?

Mr. Cassel responded yes. CSID. I manage CSID. I am their District manager.

Mr. Gray asked you manage CSID and NSID?

Mr. Cassel responded yes I do. By contract we manage both. Severn Trent Services and its predecessor Moyer and Associates have managed both districts for 25 or 30 years.

Mr. Gray stated so shared employees fall under your management in CSID. Is that what you are saying?

Mr. Cassel responded that is correct; contract employees. In the past they were called shared employees. When I got here, that arrangement of "shared employees" was very disturbing to me. This is why in the last year we put together interlocal agreements and turned them into contract employees based upon potential usage of time for employee A from CSID to NSID or NSID to CSID. They were shared as far as responsibilities, where they were spending that much time, some of the things I have been unwrapping in the last 15 months.

Mr. Gray stated I would think that the two districts do a lot together. We do a lot together.

Mr. Cassel stated we do.

Mr. Hyche stated it is the CSID Board's wishes that they go out and outsource their individual people for human resources, for billing, for financials. They have requested that the manager go out and seek these services.

Mr. Gray stated they requested that we outsource.

Mr. Hyche stated yes.

Mr. Colon stated and also for the record, it is not, and I know the District manager is stating he was never unaware we had talked with the other employees from CSID. We had mentioned this to him verbally. It should not be any surprise to him.

Mr. Cassel stated it was mentioned verbally that Mr. Hyche might be appointed, but he would be a percentage.....

Mr. Colon stated Ms. Woodward, Ms. Michaels, all these people. We did nothing behind the back of the District manager. He was kept informed from point A until today.

Mr. Cassel stated Mr. Colon, what I am referring to is if Mr. Hyche is going to become a fulltime manager for NSID and not be the Director of Utilities for CSID, what issue is that? If he is fulltime for this District, then how can he perform his task as Utilities Director for CSID? That is a management issue. That is an employee issue. That is a time issue. I raised that from that perspective. Your indication to me in one of our discussions was he would be temporary and would receive some dollar amount and it would go from that.

Mr. Hyche stated in the past I have been both Utility Director for NSID and CSID at the same time. Doing all different clients for both districts. That job would not change. Mr. Colon will assume the Utility Director job and I would just move over and be done with the District manager at that point.

Mr. Gray asked so you will still be the Utility Director for CSID? Is that what you are saying?

Mr. Cassel responded but then you are not 100% manager as...

Mr. Gray asked so you are currently their employee, 50/50, is that the way it works out?

Mr. Cassel responded yes.

Mr. Hyche stated yes.

Mr. Gray stated so you would still be a shared employee in the sense of what he is saying. You would still work at CSID in that role, but your role in NSID on the shared side would change.

Mr. Hyche stated yes.

Mr. Mendelson stated it would just take care of this District.

Mr. Gray stated he will still be doing their district as a Utility Director.

Mr. Mendelson stated okay. That is different than what Mr. Cassel is doing. Very different than what Mr. Cassel is doing right now as the District manager. So what is proposed now in front of the Board is to stay with Severn Trent Services or vote to eliminate Severn Trent Services as far as the management of NSID. Is that correct?

Mr. Colon responded yes.

Mr. Bloom stated there is the third option Mr. Koncar mentioned to give us the opportunity to see what we can do with those numbers, if not beat the numbers. What if Severn Trent Services can provide you the services you need and even do better than those numbers?

Mr. Mendelson responded okay, but it is to my understanding, because I did see the charts that Severn Trent Services did have that information.

Mr. Bloom stated I can say that as the Accounting Manager for Severn Trent Services I never was provided numbers. I think if we were provided something on paper we could certainly beat those numbers.

Mr. Colon stated not necessarily. Not the numbers.

Mr. Gray stated I understand about, what you said earlier, because it seems to me that if you are running both NSID and CSID and you leave NSID and run just CSID, the current employees are still (*unintelligible*), it sure seems like a lot of tension there. That seems like a very odd kind of circumstances at the moment. If you can explain how that is going to affect because I see your role as being hard to manage based on the fact that they are still there and you are over here. Do you feel anything about that?

Mr. Mendelson responded he has done it before.

Mr. Gray stated no, not in this case. He may have done a dual role before, but I am just hoping we can all work...

The record will reflect Mr. Hyche was talking over Mr. Gray and neither could be understood.

Mr. Hyche stated my hope is that everyone can still act in a professional manner.

Mr. Gray stated that is what I am saying.

Mr. Hyche stated and still conduct themselves professionally and allow that position to happen.

Mr. Colon stated if you walk over there, you will see four flags hanging. SWCD used to be managed by Severn Trent Services. SWCD is no longer managed by Severn Trent Services, but they are still here. It is still a professional operation.

Mr. Gray stated I did not mean it like that. I meant it more for the role of certain individuals.

Mr. Cassel stated SWCD's management, etcetera, is a separate management. We would work with whatever the management ends up being of NSID; I would work with as the CSID manager. Does it create tension? Sure it does. Is it something which cannot be worked through? No, because I am a professional and have been doing this for 35 to 40 years. It is not an issue. I can deal with what I have to deal with.

Mr. Colon stated and the CSID Board is very supportive on joint operations.

Mr. Mendelson stated okay. Anything else? Is somebody going to make a motion?

Mr. Morretti responded I would motion to move forward to terminate the contract and give them the opportunity while making the transition to see if they can beat the numbers.

Mr. Mendelson stated I do not know if that can be done. It is one way or the other. That cannot be done. It is either terminate and done or let it go on and on. That is the whole thing. We if want to take care of business, take care of business. As it is, if we are going to save, we are going to save. Let us get into that thing. It is not just about funds. It is about the people that are living in this District. Alright? So I make a motion to terminate the contract with Severn Trent Services.

Mr. Gray stated in that motion.

Mr. Mendelson stated there is going to be a, considering the fact that there will be a 60 day transition period.

Mr. Gray stated what I am saying it is probably immediate, although it is a 60 day notice, it is not an immediate termination.

Mr. Mendelson stated 60 days.

Mr. Gray stated so a 60 day notice.

Mr. Mendelson stated two months. Okay?

Mr. Lyles stated so the actual motion is to, pursuant to the management services contract with Severn Trent Services, provide 60 days written notice of the termination of the contract.

On MOTION by Mr. Mendelson seconded by Mr. Morretti with all in favor the Board is providing 60 days notice of termination to the contract with Severn Trent Services.

Mr. Colon stated the next item on the, or the next consideration provided from the District management staff is the consideration of appointment of an interim District manager, Mr. Douglas Hyche, who is here today and he is the highest District employee of NSID.

On MOTION by Mr. Mendelson seconded by Mr. Gray with all in favor Mr. Hyche was appointed the interim District manager.

Mr. Colon stated the third consideration is the delegated fiscal authority to the District manager.

Mr. Gray stated now; tell me what that means.

Mr. Colon stated authority to hire, acquire and basically begin plans for the transition. Financial decisions that are actually, currently, uh, you know.

Mr. Mendelson stated everything is in place.

Mr. Colon stated everything is in place; repairs and maintenance or approval of purchase orders, day to day operations.

Mr. Gray asked how does that balance at the 60 day?

Mr. Koncar responded I think you are going to need some legal counsel on this because if we are no longer the Treasurer as appointed by the Board, because we hold one of those positions and the reason we do it is because the Board gives us the authority to write checks and pay bills on behalf of the District. If you appoint somebody else to do that, we under law cannot do that. I think your attorney needs to advise you on this.

Mr. Colon stated okay well area number five is also requesting for the removal of signature authority from Mr. Cassel and Mr. Bloom and I went ahead and faxed over the resolution for Mr. Lyles to take a look at prior to distributing to the Board if he has any objections to it.

Mr. Lyles stated I think to categorize this series of proposed motions for you, what you are doing if you pass all of these motions is in essence, you are going to give Severn Trent Services its 60 days pay, but you are going to transfer immediately all the authority to your interim, and ultimately permanent in house management team. So Severn Trent Services is going to be off the hook for handling your books, your finances, cutting checks. You are going to tell the banks Severn Trent Services is not authorized to make deposits, sign checks and things of that nature. If you go forward, you will really at this point are going to have very little in the way of transition. You are going to have everything being taken over immediately by the employees and Severn Trent Services is going to essentially transfer the Districts to the NSID in house management staff and I guess answer questions if they are asked.

Mr. Gray stated well it seems to me that there has to be a middle ground on how to do this where you do not have some stop and go situation.

Mr. Lyles stated well I am telling you what the end result of these motions will be if they are all approved.

Mr. Gray stated because you have done transitions before.

Mr. Lyles stated I have.

Mr. Gray asked so how are they normally?

Mr. Lyles responded I think I mentioned earlier in the meeting that it is, I have seen transitions handled this way where the old management team is essentially out the door the day the 60 day notice is given, the new management team is present, ready to take over and typically it is another management company, and typically it is a small, uncomplicated special district. What is more normal would be some kind of undertaking on the part of both teams to sit down and map out, for the benefit of the District and the Board of Supervisors, how the transition is going to be put into effect. While Severn Trent Services is on the payroll, they owe you full and complete cooperation along those lines. So that is one way to do it. It takes a little longer to fully implement the authority with the new management team, but it does it in a phased way. So you do have that. This is up to you.

Mr. Gray stated I mean to walk in from zero and just take over an entire District.

Mr. Mendelson asked people in the District are replaced at, in those areas, is that correct?

Mr. Colon responded yes.

Mr. Gray stated I do not believe that you can know everything. I just do not think that is possible. How is it possible to know everything when you are not doing everything? That is impossible. I am paying them to be here. If I am paying them, I have a hard time paying them if they are not going to do anything.

Laughter.

Mr. Gray stated I do not get that. Why would I double pay without the benefit of double paying. I need the benefit of both of them working together for me. Why do I want to double pay them and have one guy walk off? That just does not seem beneficial unless there is some downsize to a smooth transition, which seems to be the way I have always done transitions in businesses.

Mr. Colon stated it is just, we do not want them, I mean, not that they would, but as a safeguard we do not want them cutting checks. I mean you did hear you are not going to get your records unless we get paid and so forth. By removing the signature authority, not saying they are not going to handle certain accounting functions because we would like to take over August 1, 2009, but if we are going to terminate them, we do not want them to have the ability to cut themselves checks. That is all. Not saying they would, but.

Mr. Gray stated but this is not just signatures.

Mr. Colon stated well, right now, you know, right now we have some operating authority we need to give our interim District manager for approval of purchase orders, pumps when they go down, um, things of that nature.

Mr. Mendelson stated things like in an emergency situation.

Mr. Gray stated sure, but they cannot, the question is an either or. How do you transition that? I have never done an either or where you just stop and start.

Mr. Cassel stated in reality, whether...

Mr. Koncar stated we will provide you with a professional and smooth transition. What I am trying to suggest to you is if you take all those steps, that is going to put us out of business legally just as your attorney said, and I can tell you now, because what has happened in other districts to us, we will not transition the records without getting paid.

Mr. Gray stated we are not having an issue with the payment.

Mr. Koncar stated I understand that, but that is exactly what happened to us. We just got off a court case where they decided to transition the records immediately and they did not pay us according to the contract, and then they turned around and said, "you did not provide service, you do not get paid."

Mr. Mendelson stated I do not know what district that was, but NSID will live up to its financial obligation.

Mr. Koncar stated I appreciate that. My only question is if you want a smooth transition, we will give you one. Why must everything transition at this meeting? That is my only question. We will be glad to continue to do your work for the 60 days or 30 days, whenever we get the assessments in.

Mr. Gray stated if we get total cut and you provided nothing, we will be handing you \$40,000 and saying goodbye basically. If we are going to get a professional transition, I have a hard time...

Mr. Hyche interrupted by stating I would be glad to work with him. I am sure we can work together. I have worked with him in the last year and a half. We can do a smooth during that...

Mr. Gray stated I am saying it seems to me it would be easier for people to meet while they are getting paid, you are getting paid, both of you are getting paid. There should not be a conflict. It seems like an intense conflict if you cannot, if that cannot be worked out. That is all I

am saying. That is way too personal. If we are going to be professionals, than there should be no reason we cannot do a clean transition.

Mr. Cassel stated you had mentioned transitions in the past. I have been through a number of transitions. The approval authority, when you appoint, if you appoint Mr. Hyche as your District manager, that puts him in the seat of making sure whatever signature is on the check, whether it is my signature, Mr. Mendelson's signature or whoever, it is his responsibility and duty to look at all those invoices to make sure they are all approved and to make sure everything is done properly. That becomes his responsibility. It does not matter whether Severn Trent Services is actually doing the cutting of the checks and whoever signature's on it or somebody else's is on it. That becomes his responsibility at this point in time. That is where the smooth transition occurs. The other issues, such as the signature authorities, it is your individual who is making sure that whatever check is cut is approved. The potential of Severn Trent Services cutting themselves checks does not exist because you have an individual that has already been appointed to take care of that.

Mr. Lyles stated it would also be a crime.

The record will reflect the recording picked up several people talking at the same time.

Mr. Gray stated there should be a way for there to be a smooth transition where they are still doing work for us, where we take it over gradually and how would I phrase that?

Mr. Lyles responded I am sitting here listening to this discussion and I am trying to come up with something which maybe bridges the gap and keeps things moving correctly. You have a meeting on the fifth.

Mr. Gray stated the first week of the month.

Mr. Lyles stated the first Wednesday in August, which is only a little more than 10 days away or so. I think you have appointed an interim manager. You still have a management services contractor you are paying to do the nitty gritty of the work. Now under the direction of the interim manager I think your interim manager and your management company could bring before the Board at the meeting of August 5, 2009 the outline of the transition plan and tell you how they see it happening and make sure you are comfortable with it and maybe go from there, rather than taking the chance that things are falling through the cracks that we are not anticipating today. At least you have an orderly next step to take.

Mr. Gray stated I like that. Are you okay with that?

Mr. Mendelson responded I am cool.

Mr. Gray asked so do we have to make a motion to that?

Mr. Lyles responded no, just direct staff to make it happen.

Mr. Colon asked we are not going to get 75 minutes of presentation from Severn Trent Services at the next meeting are we?

Mr. Cassel responded no.

Mr. Mendelson stated 85 minutes...

Mr. Colon stated you know, I mean, it is just...

Mr. Lyles stated the only missing piece would be, and I will ask you Mr. Hyche, between now and the meeting in the first week of August, do you need to be added as a signatory?

Mr. Hyche responded no I do not. I think we can...*(unintelligible)*.

Mr. Lyles stated for these few days and then start doing this stuff on August 5, 2009.

Mr. Gray stated I do think there are laws that regulate the check thing.

Mr. Lyles asked is there anything else?

Mr. Cassel responded I think there is one item left on the agenda, which is adjournment.

THIRD ORDER OF BUSINESS

Audience Comments

There being no further comments, the next item followed.

FOURTH ORDER OF BUSINESS

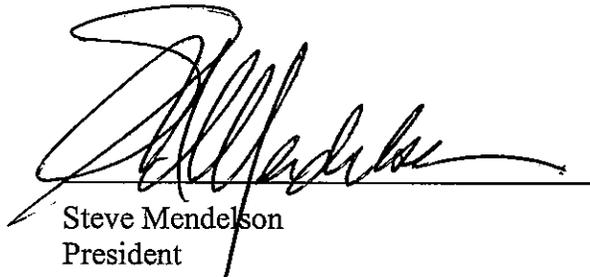
Adjournment

There being no further business,

On MOTION by Mr. Mendelson seconded by Mr. Gray with all in favor the meeting was adjourned.



David Gray
Secretary



Steve Mendelson
President