NEENAH-MENASHA SEWERAGE COMMISSION

Special Meeting

Wednesday June 29, 2011

Meeting was called to order by Commission President William Zelinski at 9:00 a.m.

Present: Commissioners Raymond Zielinski, Dale Youngquist, Tim Hamblin, Mike Sambs, Kathy Bauer, Gordon Falck, William Zelinski; Manager Randall Much, Attorney John Thiel, Accountant Roger Voigt.

Also Present: Tom Kispert, Amy Vaclavik (McMAHON), Carol Wirth (Wisconsin Public Finance Professionals LLC – (WPFP)); NMSC Contracted Users representatives (see attendance list).

Commission President William Zelinski thanked the Town of Menasha for offering the use of their facilities for this meeting. Those in attendance were welcomed for attending this meeting.

Budget, Finance, Personnel

Tom Kispert (McMahon) provided a project update; he used the same power point presentation that was presented to the Town of Menasha on Monday June 27. Most of the information provided in the presentation was used for the NMSC Public Hearing earlier this year. Tom briefly discussed the plant history and issues leading to the current facilities planning; the process and scope of facilities planning and recommended plan. Attorney John St. Peter questioned phosphorous not being part of the project; Tom responded treatment of phosphorous is not in the project, currently the future regulations are a moving target and they do not know what to design for, plant staff are testing internally to find ways to remove additional phosphorous, which they have been able to do. Attorney John St. Peter asked the general question if we should consider including as part of the project. Tom Stoffel has questions regarding the Clean Water Fund; this will be discussed further in the financing portion. Mike Easker questioned: suspending the depreciation fund, the balance in the depreciation fund, what the funds have been used for. Accountant Voigt responded the fund balance was in the $600,000 - $800,000 range, the fund has been used for items like roof replacement, facility wide painting, other items not covered under the replacement fund. Attorney John St. Peter questioned if the updates include increasing flow capacity. Tom responded it does not; further explanation was provided on this issue. After no further questions, the Commission proceeded to the next agenda item.

Carol Wirth (WPFP) was introduced by Commission President William Zelinski. WPFP is the financial advisor for the Commission. Carol Wirth provided a power point presentation for the discussion and presentation of financing options for the Wastewater Treatment Facilities Upgrade & Improvement. The information in the presentation was prepared in consultation with the Commission Bond Attorney, Godfrey & Kahn and the State of Wisconsin Department of Administration. The first option discussed is borrowing from the Clean Water Fund Program (CWFP). Those in attendance were shown a graphic of the 2010 plant usage percentages. Under the CWFP, the Commission prepares and submits the application for project funding; loans are not available to "Commissions" or "Industrial Users"; CWFP is the lowest cost of

borrowing; it is a subsidized rate with no debt service reserve fund and minimal issuance expenses; it has a 20-year repayment; the member municipalities issue individual Clean Water Fund loans; the municipalities can issue either general obligation or sewer revenue bond pledge to the State; municipalities are legally responsible for the Clean Water Fund loan; with general obligation debt the municipality legal debt capacity is used; with revenue pledge the municipal sewer system rates generate the income and a debt service coverage of 1.1 will need to be achieved; the State will require amendments to municipalities' existing sewer revenue bond documents; existing Clean Water Fund loans may be amended easier than existing bond issues; municipalities cannot pledge revenues of NMSC under current NMSC bond covenants; the five municipal users issue Clean Water Fund loan in the total amount of the project; an agency agreement needs to be entered into between the NMSC and municipalities; the NMSC is responsible for the project eligibility and DNR compliance; the NMSC is responsible for administering disbursement of Clean Water Fund loan proceeds; the NMSC will allocate the annual capital charges to municipalities and industrial user; NMSC engineers prepare and submit application by December 31, 2011; CWFP funding will be available by June/July 2012; the current State subsidy is 75%, it previously was 60%; the interest rate is tied to the State's 2012 borrowing rate; first interest payment is November 2012; NMSC current expenditures through June 2012 may require short term financing; the type of short term financing needs to be identified; the municipalities giving revenue pledges will have their 2011 financials reviewed to see if sewer rates meet coverage.

The second Commission option for borrowing is for the NMSC to issue Revenue Bonds as it has currently done for past expansions and updates. The NMSC currently has a 2003 bond issue; any new bonds need to be acceptable to current bond covenants. Additional information for the NMSC to issue bonds are: Commission allocates capital charges to municipalities and industrial user; bonds may be issued for more than 20 years, but the ordinance contract forming the Commission limits it to a maximum 25 years; interest rates are higher than the State rate; issuance expenses are higher; a due diligence review would need to be performed in the summer 2011; NMSC rates and charges would need to support additional bonds; legal documents and other items to prepare for market entry need to be complete by fall 2011; the bonds would need to be "A" quality and insurable; rates will be determined by investors; first interest payment in December 2012; first principal payment could be December 2013 or 2014; short term financing may be needed through year end 2011; will need a reserve fund. Carol presented information on the current 2003 bond issue of the NMSC and discussed NMSC Resolution 2000-3 which is the current bond resolution and the covenant in Section 9 of this resolution that currently restricts the Commission. The meeting was opened to questions.

Myra Piergrossi questioned having the current NMSC bonds advance refunded and paid off on December 1, 2012 with a bank loan; Carol indicated the NMSC would be issuing a revenue note and it would depend upon the structure of the note with the bank. Commissioner Dale Youngquist added this option is possible with a local bank; one local bank has shown interest. Mike Easker pointed out the borrowing allocation for the municipalities would be a higher percentage than the percentage of use shown earlier. Attorney John St. Peter questioned how the borrowing allocation would be made for the industrial user – pro rata?; Attorney John Thiel responded this was discussed yesterday (NMSC June 28 Regular meeting) with options discussed on how to handle; none of the methods discussed have been researched. Mike Easker questioned the timing of the project, could it be delayed at least 1 year to help alleviate

costs with the current debt issue; this was further discussed. Mayor Merkes further questioned the rates with Sonoco; Attorney John Thiel answered the question. Mayor Merkes questioned bidding the equipment separate from the construction; Tom Kispert addressed the reasons for doing in this manner. It is felt this will provide the best equipment for the Commission needs as well as the best overall pricing. Mayor Merkes indicated he sees a huge problem with purchasing the equipment; it commits us to the project and unknown construction costs. Attorney John St. Peter added we want to be careful on the competitive bid law; Tom Kispert responded this method has been used successfully several times in the past. Attorney John St. Peter questioned if the Commission should be using design flows in its calculations for splitting costs and further questioned if there is a difference and if the current method is a fair and equitable method; have we looked at other methods? Attorney John St. Peter questioned if there are other methods than using the 5 municipal sources with 5 sets of costs for funding the project that could reduce the duplicate costs. Attorney John St. Peter requested additional information on the timetable for the Clean Water Fund verses Commission bonding. Mayor Scherck questioned if the Commission looked at the project timing and discussed delaying; Manager Much reported one of the main items driving the timetable is the biosolids storage. The current hauler and storage building will be gone October 2011; a new storage building has been sized smaller based on a drier sludge; in order to achieve the drier sludge presses are being replaced with centrifuges; new controls need to be installed; the items are intertwined. Mayor Merkes questioned if we could split the hauling by going to the storage building and then landfilling when the need arises. Questions on the contingencies came up; Tom Kispert indicated the engineering fees and contingencies total $4,000,000 or 25% of the costs. Attorney John St. Peter mentioned the Municipal Environmental Group (MEG) and meeting with their attorney Paul Kent; he has a handle on issues with upcoming regulations; may want to talk with him. Myra Piergrossi questioned extending the hauling agreement with the current hauler; Manager Much reported they have provided us written notification they will be done hauling at the end of the agreement and this is not an option. Commissioner Dale Youngquist further addressed this issue indicating the Commission has spent a lot of time researching this and other methods; including Green Bay MSD, county landfill, and other properties to narrow our option to the current plans. Attorney John Thiel reported the Sonoco issue is important and the Commission is taking steps to deal with this. Mike Easker commented the communities are taking a risk with Sonoco and there should be a price for this risk that Sonoco should pay towards. Mike Easker further questioned when is the drop dead date? And, what if someone says no? Carol Wirth discussed, it will be an ambitious timeline and within 3-months we need to have items wrapped up; we need to pressure for the short term financing and put together a layout for the long term options. Attorney John St. Peter questioned if Carol Wirth would be available for questions clarifying issues. It was the Commission consensus that she would be available, but we would leave it up to her to determine if the questions asked of her would fall under financial advice for that community and then if they are it would be up to that community to have an agreement with her to discuss those issues. Manager Much indicated that if anyone had any questions on the technical issues of the equipment and plant design he would be available to answer those questions as well as the engineer Tom Kispert. Jan DeKeyser questioned the total cost of the project; she has only seen percentages listed but not costs. Tom Kispert responded the Facilities Plan has a cost of $20,080,000; they can use a cost of $21,000,000 to calculate an estimate of their costs. Myra Piergrossi questioned if the local costs are going to be higher than the percentage of use due to Sonoco. Commissioner Dale Youngquist addressed those in attendance and commented on how it sounds like the

communities had no knowledge of the status of project and the upcoming financing needs. He knows his Town is aware of the issues and you and your representatives should have been communicating and this should have been no surprise.

After discussions were complete, motion made by Commissioner Raymond Zielinski, seconded by Commissioner Tim Hamblin to adjourn the meeting. Motion carried unanimously. Meeting adjourned at 11:15 a.m.

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President Secretary