NEENAH-MENASHA SEWERAGE COMMISSION

Regular Meeting

Tuesday July 26, 2011

Meeting was called to order by Commission President William Zelinski at 8:03 a.m.

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

Excused: Commissioners Kathy Bauer, Raymond Zielinski.

Also Present: Tom Kispert, Chad Olsen (McMAHON); Carol Wirth (Wisconsin Public Finance Professionals - WPFP), Paul Much (MCO).

Motion made by Commissioner Dale Youngquist, seconded by Commissioner Gordon Falck to approve the minutes of the Regular Meeting of June 28, 2011 and Special Meeting of June 29, 2011. Motion carried unanimously.

Correspondence

The following correspondence was discussed:

A. July 7, 2011 letter from Thomas Mugan, DNR to William Zelinski, President Neenah-Menasha Sewerage Commission.
RE: Approval of Sodium Hypochlorite Generator Replacement.

Budget, Finance, Personnel

Accountant Voigt presented the financial statements for the month of June 2011. The Operations Income is $300,000 at the end of June; the Operations Income by the end of July is anticipated to be $400,000. After discussion, motion made by Commissioner Dale Youngquist, seconded by Commissioner Mike Sambs to accept the financial statements for the month of June and place it on file. Motion carried unanimously.

Manager Much addressed the Commission on the request for a special meeting to install an algae pilot plant at the wastewater treatment facility. It is the recommendation of Randy to allow the installation of the algae pilot plant – this pilot unit will attempt to grow mass amounts of algae in a small area. Possible benefits of this system would be the use of phosphorous in the influent flow as a limiting factor to get the algae to grow; if successful, this could result in a reduction of chemicals currently used to remove phosphorous from the waste stream. Approximately 20% of our sludge is from chemical; by reducing the chemicals we would reduce the amount of sludge to press and haul; the oil would be extracted from the algae and the phosphorous would remain in the algae. This pilot system would use current available space in the blower building. Randy

indicated he feels this system has a reasonable potential to work and it costs the commission nothing. Laboratory testing indicates this process will work; this pilot testing is the next step in progression to see if the process works in a larger setting. After discussion, motion made by Commissioner Dale Youngquist, seconded by Commissioner Mike Sambs to allow McMahon to run the algae vessel pilot study on-site at no cost to the Commission. Motion carried unanimously.

Attorney John Thiel discussed the engagement letter from Godfrey & Kahn s.c. to serve as bond counsel for the $4,500,000 Sewerage Commission Revenue Bond Anticipation Notes. After discussion, motion made by Commissioner Dale Youngquist, seconded by Commissioner Gordon Falck to accept the engagement letter from Godfrey & Kahn s.c. to serve as bond counsel for the Neenah-Menasha Sewerage Commission for the issuance of $4,500,000 Sewerage Commission Revenue Bond Anticipation Notes. Motion carried unanimously.

Attorney John Thiel briefly reported to the Commission on the conceal carry firearms law; 2011 Wisconsin Act 35. The law takes effect November 1, 2011. The Commission will need to determine if to allow on the premises. No decision needs to be made at this time; Attorney John Thiel recommends watching this subject to see what others are doing and make any decisions later as more information and regulations come out.

Attorney John Thiel discussed issues, the decision making process and the memo received from Neenah Mayor George Scherck and John Ahles regarding the Capital Improvement Project at the NMSC. Commissioner Dale Youngquist indicated his original desire in having this agenda item was to set a date for the communities to commit to the NMSC if they would participate in borrowing through the Clean Water Fund for this project. Discussion on the Neenah memo ensued; the Commission has already addressed most of the items listed as Neenah priorities. Carol Wirth (WPFP) discussed her handout provided to the Commission and referenced page 8 of the report which suggests three options on how to handle the current 2003 NMSC Revenue Bonds to reduce the large spike in NMSC capital costs for two years. The Commission could call these bonds and pay them off by: borrow from a local bank to refinance these bonds; or they could roll these bonds into a new Revenue Bond issue; or do a cash defeasance such as demonstrated on page 9 of the report. The Commission further discussed giving a deadline; however it was pointed out that they will need to provide the communities additional information for them to proceed. Carol Wirth reported on the four items on page 5 of her report that need to be provided to the communities. Additional discussion centered on not all of the communities needing to commit in borrowing from the Clean Water Fund; if one or more communities do not borrow, then we would need one or more of the remaining communities to pick up that share or the NMSC could issue Revenue Bonds for that portion. The Commission funding for this project can vary from receiving all the funds through the Clean Water Fund to receiving all the funds through NMSC Revenue Bonds to any combination between these two options. The Commission further discussed if Revenue Bonds are issued to cover any community not borrowing from the Clean Water Fund, would all the communities pay a blended rate based on the total borrowing costs, or could the Commission add a surcharge to that community for the additional interest costs incurred by the issuance of NMSC Revenue Bonds. Manager Much discussed the storage building and the increase in hauling costs by delaying this project; costs for hauling will double when the biosolids will be hauled to the landfill until the storage building is completed. Tim Hamblin reported talking with Mike Easker with the City of Neenah; he reported

the landfill is looking for sludge as a cover product. Commissioner Dale Youngquist discussed Sonoco and borrowing for Sonoco portion of the project. Attorney John Thiel further discussed this topic; the Commission was reminded that Sonoco is a customer of the Commission. An agreement with Sonoco for guaranteeing funding for the project will be attempted in negotiations. The Commission discussed issuing a letter to the contract municipalities responding to the City of Neenah concerns. After discussion, motion made by Commissioner Gordon Falck, seconded by Commissioner Tim Hamblin to authorize Attorney John Thiel and Carol Wirth to draft a letter to the communities to provide a response to the concerns in the memo from the City of Neenah, to provide additional information to the communities on the project, and to set a date for the communities to indicate their intent to borrow from the Clean Water Fund for the project with a response to be received in 30-days from the date of the letter. Motion carried unanimously. Commissioners Tim Hamblin and Dale Youngquist indicated they would like to be emailed a copy of this draft letter.

Attorney John Thiel reported the previous discussions on actions and decision-making process also included the topic of legal counsel update as to communications and no further action is needed on this agenda item.

Accountant Voigt presented MCO Invoices #15649, #15685 and #15682 in the amounts of $118,202.79, $687.65 and $33.60. After discussion, motion made by Commissioner Dale Youngquist, seconded by Commissioner Tim Hamblin to approve for payment MCO Invoices #15649, #15685 and #15682 and to pay the invoices after August 1, 2011. Motion carried unanimously.

Accountant Voigt presented the Accountants Report for the month of June. Accountant Voigt reported on the interest rates received on the checking and money market accounts. The Commission has a certificate of deposit (CD) with Anchor Bank that allows the CD to be closed every 6-months; the 6-month date will be July 29 and the CD will be closed with the funds to be deposited into the ICS CDARS account to have these funds available for the project expenses. MCO generated $8,700 in income to the Commission in June. After discussion, motion made by Commissioner Dale Youngquist, seconded by Commissioner Gordon Falck to accept the Accountants Report.

Accountant Voigt discussed the cash flow projection worksheet. The worksheet was updated to include the latest activity.

Accountant Voigt presented for payment McMAHON invoices #45626, #45629, #45796 and #45795 in the amounts of $4,600.00, $88,000.00, $20,413.95, and $1,718.40. After discussion, motion made by Commissioner Dale Youngquist, seconded by Commissioner Gordon Falck to approve for payment invoices #45626, #45629, #45796, and #45795. Motion carried unanimously.

Operations, Engineering, Planning

Manager Much presented and discussed the operating report for the month of June 2011. There are no issues with the operations. Manager Much reported letters will be issued to two Menasha

businesses requiring them to have grease traps installed. Manager Much further discussed the Menasha loadings; the increase in April can be attributed to the spring rains, the current loading increase appears to be from the water plant based on the consistency of the material. This increase in loadings normally appears this time of the year when the algae in the lake water increases. Tom Kispert (McMahon) reported receiving a request by the Menasha consultant to review the NMSC sampling setup. One option suggested for the plant sampling by the consultant would add a subtraction method. Tom reported that other communities have spent millions of dollars to eliminate any subtraction method; this method would only expand any problems that could exist now. Commissioner Tim Hamblin questioned the status of the methane engine. Manager Much reported we had it running for ½ day; we are getting alarms and the engine is shutting down. No one is able to explain what is causing the alarms or what the alarms are for; the issue appears to be in the controls. It was questioned if micro turbines would be able to use the methane gas to operate; Tom indicated they would burn the methane. We currently need to expand the gas cleaning of the methane for use in the boilers. Because of these problems, options for use of the methane gas will be further examined. After discussion, motion made by Commissioner Gordon Falck, seconded by Commissioner Tim Hamblin to accept the operating report for the month of June 2011. Motion carried unanimously.

Manager Much presented the sewer extension request from Davel Engineering for The Ponds of Menasha located in the City of Menasha, Waverly Sanitary District. After discussion, motion by Commissioner Tim Hamblin, seconded by Commissioner Dale Youngquist to approve the sewer extension request for The Ponds of Menasha located in the City of Menasha, Waverly Sanitary District. Motion carried unanimously.

Manager Much presented the sewer extension request from Schuler & Associates for The Cottages at Lake Park in Villa Way located in the City of Menasha, Waverly Sanitary District. After discussion, motion by Commissioner Tim Hamblin, seconded by Commissioner Dale Youngquist to approve the sewer extension request for The Cottages at Lake Park in Villa Way located in the City of Menasha, Waverly Sanitary District. Motion carried unanimously.

Manager Much discussed establishing a committee for the plant upgrade project. When the Commission is in construction this committee would meet to make decisions that will not wait until the next meeting. The committee would then report to the Commission for subsequent approval of actions taken. This would also apply for financing issues and taking care of politics with the communities. Commissioner Dale Youngquist volunteered to help on the financial and political area. Attorney John Thiel further discussed; it was felt that this group (Communications/Financial Ad Hoc Committee) should consist of Commissioner Dale Youngquist, Carol Wirth, Attorney John Thiel, Manager Much and a McMahon representative when needed to be these ambassadors. Commissioner Gordon Falck suggested Commission President Bill Zelinski should be included. The Commission further discussed the expansion committee; Commissioner Dale Youngquist indicated he felt that Gordon Falck and Tim Hamblin should be on this committee. Commissioner Mike Sambs was asked if he would consider being on this committee; he indicated he would. Commission President Bill Zelinski appointed Commissioners Gordon Falck, Tim Hamblin, and Mike Sambs to be on the ad hoc committee (Plant Upgrade) to deal with plant construction matters.

Manager Much discussed the request for a new Connection Point in the Town of Neenah. The Town of Neenah and City of Neenah have negotiated an agreement for this to happen. Manager Much reported this request can be approved pending the receipt of a signed agreement between the City and Town. After discussion, motion made by Commissioner Dale Youngquist, seconded by Commissioner Tim Hamblin to approve the new Connection Point at the Town of Neenah Lift Station 7 subject to the NMSC receiving a written agreement between these two parties. Motion carried unanimously.

Tom Kispert reported to the Commission the status on Facility Upgrade activities.
The sodium hypochlorite generation system is on site with installation to begin in August; the DNR letter received is for the installation of the unit, a pre-construction conference will be held as required by the DNR. Commissioner Tim Hamblin questioned oversizing the unit for our needs. Tom responded this will allow for quicker storage tank refills and cut down on equipment run time as the unit can be shut down when the storage tanks are filled.

Other – Facility Plan Amendment. Tom reported the amendment for the Facilities Plan needs to be submitted to include any changes in the original plan submitted to the DNR. The first item is the change in the biosolids storage building. If we are reasonably confident in the Greenville site and Steinacker Farms then this needs to be changed; the Facilities Plan submitted to the DNR listed the biosolids building to be built in the Black Creek area. Attorney John Thiel reported we have a lease and there are some Clean Water Fund issues and Bond Counsel has some tax exempt concerns with the current lease. The Lease has been drafted to meet the tax issues. The Commission consensus is they are confident that the Steinacker site is the plan to now use for the Facilities Plan. The next item is the standby generator – the commission has two options they discussed; a new 2010 engine that meets tier 2 regulations or a new 2011 engine that meets tier 4 regulations. As of last Thursday there were 4 units available in the United States, this is the same number reported 1-month ago. The opinion of probable cost for the 2010 engine is $560,000 and for the 2011 engine is $1,100,000, installed. This engine is not part of the Facilities Plan and if the Commission wants to add one of these engines to the Facilities Plan it also needs to be included in the Plan amendment. Commissioner Mike Sambs questioned if we would need to meet the tier 4 requirements if we purchase the 2010 unit. Tom responded nobody knows at this time when or if the standards will change. After discussion, it was the consensus to include the 2010 engine in the Plan amendment. The last item to consider is a digester gas engine to replace the current engine that is not able to be kept running. Some options available were discussed with no known costs available. The high cost option will be used in the Plan amendment; the options available will be discussed at the next meeting. It was questioned what the project cost will be for reporting to the communities. The total is not known, but will be calculated and the number provided to Carol Wirth and Attorney John Thiel for the letter to the communities. Tom also brought up another issue related to items for equipment purchase for the Commission to consider: bid bonds, performance bonds, payment bonds, lien waivers. As part of this discussion, Attorney John Thiel questioned the process of how the equipment is bid. Tom provided additional information on how the equipment is bid, reviewed, and rated with a comparative evaluation to meet best overall value to owner while meeting requirements of the specifications before a piece of equipment is recommended. The Commission consensus for the equipment bidding process is: no bid bond would be needed, no performance bond, no payment bond, yes for lien waivers. The equipment warranty was

questioned; Tom responded the equipment warranty begins after the equipment is installed, tested, and then accepted by the Commission.

Equipment Bidding. Tom reported there currently is no bid date set for equipment bidding.

Controls/SCADA. Components are being matched to insure a match for seamless integration. They are comfortable with the changes and the quality of the equipment.

GIS Work Order. They are nearing the end of completion of the system development. They will begin adding current equipment information and test unit to verify it properly works. There should be a demo available after this testing.

Old Business

Biosolids. Chad Olsen discussed the Geotechnical Engineering Services (soil boring) quotes received. After discussion, motion made by Commissioner Dale Youngquist, seconded by Tim Hamblin to accept the Geotechnical Engineering Services quote received from Midwest Engineering Services, Inc. in the amount of $2,985. Motion carried unanimously. Chad discussed updated biosolids storage building costs. The $3.5 million cost previously reported was a quick cost estimate. He has met with staff at Miron Construction to review the plan designs and to provide an estimate for building costs and recommendations to reduce building costs. The updated opinion of probable cost for the biosolids building is $2,720,000. If a pre-engineered building is used the cost could drop to $2,600,000. They will still look at options to reduce the costs for the building. Attorney John Thiel reminded the Commissioners that a conditional use permit in the Town of Greenville will not be needed for the building, however we will need to have a site plan review hearing by the Town.

Interceptor ownership. No new information to report.

Other Business to Come Before the Commission

Attorney John Thiel addressed the Commission concerning the Fox River litigation. NCR and Appleton Paper have a ruling they don't have to remediate this year; other litigation issues are still pending; under the freedom of information act, Menasha Corporation has requested documents from the Federal Government that were withheld during litigation. Attorney John Thiel also reported on the billing issues with the insurance carriers. Davis & Kuelthau will go to a third party arbitrator over new billing rates; looking to arbitrate for money owed by the insurance companies that would come back to the NMSC and the Cities of Neenah and Menasha; Davis & Kuelthau would like to be paid for unpaid bills from November.

There are no items for discussion in closed session

Vouchers

Motion made by Commissioner Dale Youngquist, seconded by Commissioner Mike Sambs to approve operating and payroll fund vouchers #132405 through #132465 in the amount of $627,934.83 for the month of June 2011. Motion carried unanimously.

Motion made by Commissioner Tim Hamblin, seconded by Commissioner Dale Youngquist to adjourn the meeting. Motion carried unanimously. Meeting adjourned at 11:20 a.m.

President

Secretary

THE NEXT REGULAR MEETING IS SCHEDULED FOR TUESDAY August 23rd, 2011.