NEENAH-MENASHA SEWERAGE COMMISSION

Regular Meeting

Tuesday March 27, 2012

Meeting was called to order by Commission President Youngquist at 8:00 a.m.

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

Excused: Commissioner Bauer.

Also Present: Tom Kispert, Chad Olsen, Sam Pociask, Stuart Boerst (McMAHON); Gary Mennen (resident-Town of Greenville); Rob Franck, Paul Much (MCO).

Commissioners discussed the minutes from the Regular Meeting and Closed Session of February 28, 2012. After discussion, motion made by Commissioner Gunz, seconded by Commissioner Zielinski to approve the minutes of the Regular Meeting and Closed Session of February 28, 2012. Motion carried unanimously.

Correspondence

The following correspondence was discussed:

A. March 21, 2012 letter from Jake Oelke, WPPI to Rob Franck, NMSC.
   RE: Standby generation test results.

Sam Pociask (McMahon) presented a real time demonstration of the GIS/Work Order system developed for the Commission. The work order portion is almost complete; there are some minor issues to be dealt with. The GIS portion of the program will progress with current equipment and new equipment as it is installed.

Budget, Finance, Personnel

Accountant Voigt presented the financial statements for the month of February 2012. The financial statements include all the year-end adjustments. After discussion, motion made by Commissioner Zielinski, seconded by Commissioner Gunz to approve the Financial Statements for the month of February. Motion carried unanimously.

The Commission discussed the refund from Menasha Utilities for electrical overcharges and how the refund should be handled. The overcharge was due to a meter error for a period of slightly more than six years. Per PSC regulations, the Commission will be reimbursed for any overcharge going back a total of six years. Also per PSC regulations, the Commission will be repaid the overcharge over a two year period. The Commission will be receiving monthly checks from Menasha Utilities in the amount of $75,048.50 totaling $1,801,164.00 over the two year period. Accountant Voigt discussed two options he has discussed with others: 1) refund all money received from Menasha Utilities to the contract users, or 2) with permission of the contract users, keep the refund received from Menasha Utilities and use the funds to reduce the amount

of borrowing from the Clean Water Fund for the current project. Attorney Thiel reported he reviewed the Ordinance-Contract and it does not provide any indication how this type of matter should be handled. President Youngquist reported he asked the question if the Commission could keep this refund to reduce any CWF borrowing. Commissioner Gunz indicated he felt this refund is from plant operations and it should be returned to the contract users. Accountant Voigt discussed his report showing a six-year average of plant usage by the contract users. The six year average is a weighted average of the flow, BOD and suspended solids. After discussion, motion by Commissioner Gunz, seconded by Commissioner Zielinski for the Commission to refund the repayment of the electrical overcharge received from Menasha Utilities on a monthly basis to the contract users based on the six year average of plant usage. Motion carried unanimously on a roll call vote.

Dave Maccoux (Schenck) entered the meeting.

Dave Maccoux presented and discussed the 2011 Financial Audit Report and Management Communications. There is one reportable condition of a control deficiency in that there is a lack in the segregation of duties. Attorney Thiel questioned the materiality of this reported control deficiency. Mr. Maccoux reported it is a material matter and this type of condition is common for smaller units of a size like the NMSC. This condition has been reported in previous years. Mr. Maccoux was further questioned if it would be beneficial to have someone from the outside come in to review the financials during the year. Mr. Maccoux reported the Commission reviews of the financial reports are important. An outside person to come in to review the financials would not be necessary, but possibly having a Commissioner review the bank reconciliations would be good. After discussion, motion by Commissioner Zielinski, seconded by Commissioner Gunz to approve the 2011 Financial Audit report and Management Communications as presented. Motion carried unanimously.

Accountant Voigt presented the Accountant's Report and Cash Flow Projection for the month of February. The interest rates have not changed; MCO generated $4,686 in income to the Commission in February. Commissioner Falck had questions on how the CWF worked between the State and the individual communities. No one in attendance was able to answer his questions; Commissioner Gunz indicated Amy Vaclavik (McMahon) should attend the next meeting to explain the CWF process. After discussion, motion made by Commissioner Gunz, seconded by Commissioner Falck to accept the Accountant's Report and cash flow projection for February. Motion carried unanimously.

Motion made by Commissioner Gunz, seconded by Commissioner Hamblin to approve operating and payroll fund vouchers #132836 through #132877 in the amount of $308,649.08 for the month of February 2012 and Construction Fund Vouchers #111 through #115 in the amount of $55,008.50 for the month of February 2012. Motion carried unanimously.

Accountant Voigt presented MCO Invoices #16292 and #16330 in the amounts of $118,745.45, and $462.85. After discussion, motion made by Commissioner Zielinski, seconded by Commissioner Gunz to approve for payment MCO Invoices #16292 and #16330 and to pay the invoices after April 1, 2012. Motion carried unanimously.

Accountant Voigt presented for payment McMAHON invoices #48657 - $9,075.00; #48656 - $86,230.00; #48658 - $3,817.00; #48724 - $6,000.00; #48747 - $3,214.06, and #48746 - $329.50. After discussion, motion made by Commissioner Zielinski seconded by Commissioner Hamblin to approve for payment invoices #48657, #48656, #48658, #48724, #48747, and #48746. Motion carried unanimously.

Accountant Voigt presented the Certificate for Payment received for Contract L – Fine Pore Disc Aeration System. This request represents the 5% owed on the equipment procurement item for submittal of the shop drawings. Contracts L is with XYLEM (formerly ITT Water Solutions). After discussion, motion made by Commissioner Gunz, seconded by Commissioner Zielinski to approve for payment the Certificate for Payment received from XYLEM for Contract L. Motion carried unanimously.

Operations, Engineering, Planning

Manager Much reported the turbo for the methane engine has been installed and the unit has been running for two weeks. Manager Much also reported on DNR codes coming out based on EPA review of the DNR. The first item deals with sanitary sewer overflows; if the codes are passed as they currently are written, they will allow "blending" under certain conditions – which the Commission does with its flow in excess of 40 MGD. We will need to meet with the DNR to discuss this matter in more detail. The community efforts have been significant, but more needs to be done by the communities. The second item deals with phosphorous codes; we need to begin to look at our options – 1) brick and mortar, 2) adaptive management – reducing current levels of phosphorous found in the Fox River, and 3) pollutant trading. Manager Much feels the pollutant trading options may be the best economic potential for the Commission. Manager Much would like McMahon to provide a proposal for them to begin tracking phosphorous. This would be done in cooperation with other wastewater plants on the Fox River. Commissioner Gunz indicated with the four communities, there could be four different consultants performing work for this study. Chad Olsen indicated the goal is to have one firm represent all. Chad will bring in a proposal to the next meeting. Manager Much also discussed the NR101 Fees. These fees billed to the Commission are based on pounds discharged into the river from the NMSC. Normally our billing has been in the $40,000 per year range. This past year we had two months (April and May) of extremely high flows and loading discharged. This year we may be looking at fees to be near $100,000. After discussion, motion by Commissioner Gunz, seconded by Commissioner Hamblin to accept the Operating Report for February. Motion carried unanimously.

Tom Kispert updated the Commission on the facilities upgrade project. The facilities design is moving forward and he is looking at a June 1 submittal date of the design to the DNR. Tom reported he is still waiting for some of the equipment shop drawings. Tom also discussed the current hypochlorite storage tanks; the current tanks are ten years old and are showing their age and fatigue. New tanks will now be included with the project. The current tanks are polyethylene; we will look at going with fiberglass tanks. Two polyethylene tanks cost about $21,000; two fiberglass tanks will cost $30,000 - $35,000. The polyethylene tanks have a life of about ten years; fiberglass tanks are projected to have a 20 year life. Tom reminded the Commissioners that the decision on the biosolids building will have an impact on the design and equipment delivery schedule. There currently are six items scheduled for a July 12 shipment; we can delay the shipment date up to sixty days with no change in the equipment price. The big

concerns are with the storage of the equipment once it gets on site. Tom also reported they are coordinating the design with the SCADA. Tom reported on Contract F – Fine Screens; the contractor was asked to provide Allen Bradley screens and switches to insure the equipment would work with the SCADA system. The cost to make this change is $3,100. Tom also explained the need to have the fine screens base built with additional height to insure they would be long enough to fit in the floor area. The additional cost for increasing the base height will be $8,800. The request for the change order for Contract F is $11,900. Commissioners discussed the change order; Commissioner Gunz would like to see the proposed change orders at the time of the request. After discussion, motion made by Commissioner Gunz, seconded by Commissioner Hamblin to approve the change order request to add $11,900 to Contract F – Fine Screens as proposed. Motion carried unanimously. Tom discussed a request to add two grinders for the centrifuges. The grinders being requested are the same grinders that are part of the current Contract F with JWC. The grinders would be installed ahead of the centrifuges to protect them. Three quotes for grinders were obtained and the quote received from JWC was the least expensive. By ordering additional grinders under Contract F there would be significant cost savings. The cost to add two additional grinders under Contract F is $36,070. After discussion, motion made by Commissioner Gunz, seconded by Commissioner Hamblin to add two additional grinders to Contract F. Motion carried unanimously.

Tom Kispert updated the Commission on the System Controls/SCADA.

Tom Kispert discussed a memo from Amy Vaclavik providing a status update of the Clean Water Fund Application and also distributed another memo from Amy updating the Commissioners on the current CWF Priority Score. A draft Agency Agreement was prepared by Attorney Speckhard; Amy would like permission to send the Draft Agency Agreement to the DNR, DOA, and member communities. After discussion, motion made by Commissioner Gunz to approve sending the Draft Agency Agreement to the DNR, DOA, and member communities. Motion carried unanimously. The DNR issued a new priority score for the NMSC; the NMSC score increased from 98.481 to 119.323. This new score puts the NMSC project at Number 2 on the Clean Water Fund Program for fiscal year 2013. Tom also indicated there is the potential for principal forgiveness on CWF projects.

Old Business

Attorney Thiel provided an update on the Fox River litigation. The federal government has appealed a ruling in regards to the Freedom Of Information Act and information in the Fox River litigation; this has the potential for an impact on a settlement. Attorney Thiel also reported API has now hired a premier legal firm from Kansas City. Commissioner Gunz questioned the mid-April hearing with Judge Griesbach; this will have no impact on us.

Biosolids. Chad Olsen indicated he has no new information to discuss at this time.

Motion made by Commissioner Falck, seconded by Commissioner Zielinski to convene into closed session pursuant to Wis. Stats. § 19.85(1)(e) to discuss strategy concerning the Contracted Industrial User as it affects the financing of the Sewer Plant Project, and pursuant to Wis. Stats. § 19.85(1)(g) to confer and review oral legal advice by legal counsel to the Commission as to potential litigation with Insurance Carriers as it relates to the lawsuit(s)

commonly referred to as the Fox River litigation. Also, pursuant to Wis. Stats. § 19.85(1)(e) to discuss identified real estate options for placement of a building to be used by the Commission for which bargaining reasons and developing acquisition strategy require a closed session to protect the public investment and spending of public funds. By roll call vote taken, motion carried unanimously, by Commissioners Zielinski, Gunz, Falck, Hamblin, Sambs, Youngquist.

Meeting convened into closed session at 9:56 am.

After discussions, motion made by Commissioner Gunz, seconded by Commissioner Zielinski to adjourn the closed session and return in regular open session. By roll call vote taken, motion carried unanimously by Commissioners Zielinski, Gunz, Falck, Hamblin, Sambs, Youngquist. The Commission returned to Regular open session at 11:22 am.

Motion made by Commissioner Gunz, seconded by Commissioner Zielinski to adjourn the meeting. Motion carried unanimously. Meeting adjourned at 11:22 a.m.

President

Secretary

THE NEXT REGULAR MEETING IS SCHEDULED FOR TUESDAY April 24th, 2012.