



**NEENAH-MENASHA SEWERAGE COMMISSION**

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August 30, 2012

Mayor Don Merkes  
City of Menasha  
140 Main Street  
Menasha, WI 54952

RE: NMSC Wastewater Treatment Plant Modification Project

Dear Mayor Merkes;

This is a follow up to our meeting today with yourself and other City of Menasha employees to discuss the status of the NMSC project – where we are and what actions need to occur for us to proceed with the project and to obtain Clean Water Fund (CWF) financing.

- In October 2011, the NMSC obtained short term financing (bond anticipation note) to bridge the gap in financing until CWF proceeds would be obtained. The projection at that time was to receive CWF proceeds by May 2012. The short term financing is structured with a December 1, 2012 due date.
- Plant equipment was bid and ordered.
- The project included the NMSC building a bio-solids storage building in the Town of Greenville, and as you are well aware, that effort fell apart and did not occur.
- The results of not building in the Town of Greenville created delays in completing the plant design; uncertainty of a bio-solids site created design delays due to the uncertainty of where some pieces of equipment related to solids dewatering may be placed in the plant design.
- Eventually decisions were made which allowed for the continuation and completion of the plant design.
- The delay in the plant design also delayed when we would receive CWF proceeds.
- The NMSC is now in a situation of the short term financing coming due on December 1, 2012 and CWF proceeds now are projected to be obtained in January 2013 creating the need to redo the short term financing. The short term financing needed will exceed the limit our local institution is able to provide and they will need to seek additional funding with other financial institutions to meet the immediate needs of the NMSC.
- To obtain the additional short term financing, the NMSC is expected to provide assurances to the local bank we have commitments from the communities they will obtain CWF financing for the NMSC project. The local bank indicated the conditional approvals already passed would be problematic in redoing the short term financing.
- The bid opening for the Wastewater Treatment Plant Modification project is scheduled for September 13.
- Special Meeting to award bids – contingent on financing, is scheduled for September 18.

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- There are some equipment delivery timing issues that require us to have a contractor on site by mid-October.
- The project includes replacing the backup generator to comply with current EPA air emission standards and to continue receiving income from WPPI as a stand-by unit (\$58,000/yr). Failure to have this unit installed and operational by December 31, 2012 to meet current air emission standards will require us to spend an additional \$1,000,000 (approx.) to meet the new air emission standards.
- As indicated earlier, the current schedule for anticipated receipt of CWF proceeds is now January 2013. We have met with the other communities and anticipate their support and removal of restrictions placed on the NMSC for obtaining the CWF.
- During this entire process, the NMSC Attorney has been working on obtaining some form of guarantee from Sonoco; Sonoco has not said no to having a form of guarantee. We feel we are moving closer to reaching an acceptable agreement.

Items needed by the NMSC to continue:

- Community commitment to the Project and CWF borrowing from all communities with no conditional approvals.
- All communities to accept the Agency Agreement in concept (copy attached).
- Submittal of the variance request to the State to receive the variance to issue taxable CWF Bonds (copy attached).
- Signing the Clean Water Fund Application.

Thank you for your consideration of these important issues. We will be available at the September 4, 2012 City of Menasha Council meeting to answer questions, but in the meanwhile please don't hesitate to call to discuss this further.

Very Truly Yours,



Randall Much  
General Manager