



NEENAH-MENASHA SEWERAGE COMMISSION

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September 26, 2012

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

RE: NMSC Clean Water Fund financing

Dear Mayor Merkes;

The Neenah-Menasha Sewerage Commission (NMSC) has received and contingently awarded bids for the construction of the treatment plant modifications. The bids received were within the engineer's expectations for the cost of the project. The current plant modification cost is \$22,440,105; the amount to be requested from the Clean Water Fund is \$22,151,781 (see attached Clean Water Fund Financial Assistance Application).

In August 2011, the NMSC approached the 5 communities making up the NMSC to consider borrowing funds from the Clean Water Fund (CWF) on behalf of the NMSC. The reason for using the CWF is due to the significant savings to be realized on the borrowing costs for the project, which in turn results in lower costs to the rate payers located in our communities. In August 2011 the NMSC presented estimates on the dollar amount we could be requesting each community to commit to in their borrowing from the CWF. This calculation was a percentage based on 2010 actual usage by each community. This percentage and dollar amount was originally intended to be used by each community for discussion and budgeting purposes. Attached is page 4 from the August 16, 2011 letter.

At the February NMSC Regular Meeting, the NMSC took formal action to set the distribution rate used to calculate the dollar amount for each community to be based on the 2011 actual percent of use of the treatment facility. This percentage will be used to determine how much each community is to borrow from the CWF on behalf of the NMSC.

The August 2011 estimate for the City of Menasha was 22.48% of \$25,500,000 totaling \$5,732,400. For further clarification, the 22.48% is the 2010 percent use of the plant; the \$25,500,000 was the estimated cost of the project. The action taken by the NMSC to use the 2011 percent of use results in the following calculation using the current project cost: 28.26% of the \$22,200,000 project cost totals \$6,274,000 (rounded).

Questions may come up as to why there is an increase in the amount of use of the treatment plant by the City of Menasha in 2011. There are two answers to this question; 1) the loadings to the NMSC from the City of Menasha increased, and 2) loadings from some of the other communities decreased. These two items together are causes for the increase in the use of the treatment facility by the City of Menasha. The NMSC is not able to address why there are increases in the loadings from the City of Menasha in 2011. The NMSC does not monitor the businesses and sewer system in the City of Menasha. Over the years, we have worked with the Public Works Department and the City consultants to make modifications in our monitoring setups to determine if this could result in changes in the loadings being reported. Attached is a report showing annual loadings from the NMSC users since 2001.

In September 2011, the City of Menasha Council passed a motion to borrow from the Clean Water Fund at an amount not to exceed \$5.5 million dollars, and, if there is a cost increase in the project the City of Menasha would be given the option to obtain Clean Water Funds to cover the increase. This is the same motion the Menasha Council amended on September 17 to remove the contingency on Sonoco providing a guarantee for debt service payments. You will have noticed the current estimate of \$6,274,000 exceeds the amount authorized by the Menasha Council for the portion to be obtained from the CWF by the City of Menasha for the NMSC. The NMSC was not aware of this discrepancy until after the September 17 Council meeting. If the NMSC had known of this difference at the time of the Council meeting, the NMSC would have also requested the City of Menasha to take action to address this issue.

At this time the NMSC is requesting the City of Menasha to take action to address the amount of CWF loans the City of Menasha will request from the CWF for the NMSC modification project. One option is to increase the amount not to exceed from \$5.5 Million to a higher limit of either \$6.5 Million or \$7 Million dollars. A second option would be to remove the reference to a dollar amount limit.

We appreciate the efforts of the City of Menasha in discussing this issue and look forward to having the modification made to the September 2011 motion to allow the NMSC to continue in the efforts to make needed plant modifications for this facility to continue for another 20+ years in providing quality waste treatment for the communities making up the NMSC. If you have any additional questions or concerns, feel free to contact me.

Sincerely,
Neenah-Menasha Sewerage Commission



Randall Much
General Manager

Enc. (3)

The CWFP can provide funding for equipment, supplies, materials, and construction, if procured in accordance with Wis. Stats. For information regarding bidding requirements, see the "Procurement Guide for Local Government" at <http://dnr.wi.gov/org/caer/cfa/EL/FORMS/forms.html>.

Municipality Name		CWFP Project No.				
Neenah Menasha Sewerage Commission		4115-03				
Project Budget Sheet		A	B	C	D	E
Total required for each line item (omit cents) - See Page 5 for instructions		Contract Number	Total Project Costs	Biosolids Bldg. Ineligible Costs*	Eligible Costs Paid By Other Funding Sources**	CWFP Costs Requested
1	Force Account Work #1 Total		\$ -	\$ -	\$ -	\$ -
2	Interim Financing					
a.	Net Interest Expenses					\$ -
b.	Legal/Bond Counsel/Underwriter					\$ -
c.	Financial Advisor		\$ 3,600			\$ 3,600
	#2 Total		\$ 3,600	\$ -	\$ -	\$ 3,600
3	Facility Plan Preparation (See Attachment B-3 for fee distribution calculations)	N0008-90-0236.00	\$ 98,000	\$ 12,740		
	#3 Total		\$ 98,000	\$ 12,740	\$ -	\$ 85,260
4	Plans/Specifications Preparation					
a.	Control System Preliminary Design	N0008-99-0721.00	\$19,500			\$ 19,500
b.	Controls & SCADA Upgrade-Design/Programming	N0008-91-0102.00	\$429,000			\$ 429,000
c.	Final Design Phase - WWTF & Biosolids-Original Site	N0008-91-0101.10	\$980,859	\$ 127,512		\$ 853,347
d.	WWTF Equipment Procurement-Bid	N0008-91-0101.20	\$15,100			\$ 15,100
e.	WWTF Equipment Procurement-CWF Asst.	N0008-91-0101.21	\$33,000			\$ 33,000
h.	Submittal & Application Fees	N0008-910101.99	\$5,000			\$ 5,000
i.	GIS Assessment/Pilot Study	N0008-90-0328.00	\$3,500			\$ 3,500
j.	GIS Work Order & Asset Mgmt System-Design	N0008-91-0156.02	\$148,600			\$ 148,600
k.	GIS Work Order & Asset Mgmt System-Dev./Data Disc.- 1	N0008-91-0156.04 & .06	\$65,000			\$ 65,000
l.	GIS Work Order & Asset Mgmt System-Training	N0008-91-0156.08	\$5,900			\$ 5,900
m.	GIS Work Order & Asset Mgmt System-Dev./Data Disc.- 2		\$60,000			\$ 60,000
n.	GIS Hardware (allowance)		\$14,000			\$ 14,000
o.	GIS Software (allowance)		\$26,000			\$ 26,000
	#4 Total		\$1,805,459	\$127,512	\$ -	\$ 1,677,947
5	Land or Easement Acquisition					
a.	Purchase Price		\$ -	\$ -	\$ -	\$ -
	#5 Total		\$ -	\$ -	\$ -	\$ -
6	Engineering/Construction Management					
a.	WWTP Bidding Phase Services		\$ 27,000			\$ 27,000
b.	WWTP Construction Phase Services		\$ 895,100			\$ 895,100
c.	WWTP Record Drawings		\$ 25,800			\$ 25,800
d.	WWTP Start-Up Services		\$ 57,700			\$ 57,700
e.	WWTP Operations Manual Preparation		\$ 33,000			\$ 33,000
f.	WWTP Clean Water Fund (CWF) Administration		\$ 25,000			\$ 25,000
g.	WWTP Equipment Contract Administration		\$ 19,200			\$ 19,200
h.	WWTP Resident Project Representative Services		\$ 318,700			\$ 318,700
i.	Control System Contract Amendment		\$ 850,000			\$ 850,000
j.	User Charge System		\$ 29,300			\$ 29,300
	#6 Total		\$ 2,280,800	\$ -	\$ -	\$ 2,280,800
7	Construction/Equipment					
a.	WWTF Modifications Construction Contract		\$ 12,179,852			\$ 12,179,852
b.	Equipment Procurement - See attached Page 6a		\$ 4,094,917	\$ -	\$ 148,072	\$ 3,946,845
	#7 Total		\$ 16,274,769	\$ -	\$ 148,072	\$ 16,126,697
8	Contingencies (enter 10% of line 7; (DNR will adjust amount)		\$ 1,627,477			\$ 1,627,477
	#8 Total		\$ 1,627,477	\$ -	\$ -	\$ 1,627,477
9	Miscellaneous Costs					
a.	Administration Expenses		\$ 5,000			\$ 5,000
b.	Removal / Relocation of Utilities					\$ -
c.	Land / Easement Legal / Appraisal Costs					\$ -
d.	Soil Borings					\$ -
e.	Wetland Delineation					\$ -
f.	Legal Fees		\$ 50,000			\$ 50,000
g.	Hypochlorite Generator - NMSC Direct Procurement & Installation		\$ 270,000			\$ 270,000
	#9 Total		\$ 325,000	\$ -	\$ -	\$ 325,000
10	CWFP Closing Costs					
a.	Bond Counsel (each Community incurs Counsel costs)			\$ -		\$ -
b.	Financial Advisor		\$ 25,000			\$ 25,000
	#10 Total		\$ 25,000			\$ 25,000
11	Total Project Costs TOTAL		\$ 22,440,105	\$ 140,252	\$ 148,072	\$ 22,151,781

*Provide a brief description and source of funds for any cost that is ineligible for CWFP funding. Costs associated with the Biosolids Storage Building are listed as ineligible. A separate CWF Loan will be applied for the Biosolids Storage Building.

**Name the other funding sources (CDBG, USDA Rural Development, internal funds, replacement funds, etc.).

Internal Funds/Interim Financing/Focus on Energy Implementation Grant

Refer to this worksheet when preparing all "Request for Loan Disbursement" forms. Line item requests should not exceed the total indicated on this budget sheet, unless a change has been made and is reflected in the FAA.

The municipalities would need to pledge either their general obligation debt capacity, or, the revenues of their respective sewer utility, which must meet at least the required 1.1 coverage ratio. The municipalities would be legally responsible for compliance with the terms of the loan under a Financial Assistance Agreement entered into with the State of Wisconsin. The proceeds of the loans would be turned over to the NMSC in accordance with an Agency Agreement entered into between the municipalities and the NMSC. NMSC would be responsible for administering the disbursement of the loan proceeds to complete the Project, DNR compliance, and allocates the annual capital charges to the municipalities and the Contracting Industrial user.

- * NMSC recommended the Clean Water Fund Loan program because it is the lowest cost of financing the WWTP Project, but it is your community's choice. The mechanics of using the program require the member municipalities to issue the loans for their share and the Contracting Industrial User. However, the repayment of the debt service for all the combined loans would follow the same historical process used by NMSC for annual capital charges based on volume and waste component of each individual municipal and Contracting Industrial User. The debt service on the existing 2003 NMSC Sewerage System Revenue Bonds is allocated on this basis. The capital charge allocated to each user changes monthly based on the volume and waste component. Therefore, if one of the users is no longer part of the system, the costs would be allocated over the remaining users.

- * Assumptions: Project Cost - \$25.5 Million. Clean Water Fund Loans issued by municipalities \$25.5 million @ 3.5% over 20 years. Estimated annual scheduled payment - \$1,860,000.* (Scheduled payment is amount municipality is legally responsible for under the terms of the Financial Assistance Agreement.)

	55.32%	22.48%	16.79%	1.82%	3.59%	
	C Neenah	C Menasha	T Menasha	T Neen San Dist 2	Waverly San Dist	Sonoco
Amount Issued	\$14,106,600	\$5,732,400	\$4,281,450	\$464,100	\$915,450	N/A
Scheduled payment*	\$ 1,028,940	\$ 418,125	\$ 312,290	\$ 33,855	\$ 66,775	N/A
Annual capital charge**	\$ 853,107	\$ 352,750	\$ 262,787	\$ 28,048	\$ 55,558	\$307,850

(All figures are estimates)

- * **Based on 2010 Plant usage percentages for volume and waste component.

The second option identified is that the local communities do not want to use the Clean Water Fund at all and the Commission will go to the municipal bond market and borrow the money for the Project. The Commission has the legal authority to use this option by virtue of your communities' participation and agreement via the Ordinance-Contract. However, while the Commission has the power and authority to do this, the Commission has had member communities' best interest in mind. Despite any concerns to the contrary, the Commission has kept your community fully informed of this Project. By going directly to the municipal bond market the Commission can pledge its revenues for the Project. Then all the associated costs would be charged back to your communities

N M S C O P E R A T I O N S R E P O R T

	2012		(A) = AVERAGE (T) = TOTAL	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	JAN - AUG	YR - TO - DATE		YEARLY AVE										
1. PLANT LOADINGS														
NEENAH (DET)														
AVE. FLOW (MGD)	5.347		(A)	6.034	5.671	4.805	6.055	4.746	5.147	4.720	6.405	5.240	4.957	5.330
PEAK FLOW (MGD)	26.197		(MAX)	25.54	25.481	24.381	26.561	11.926	15.706	11.508	27.255	18.818	15.120	19.860
BOD (LBS)	2,170,850		(T)	3,296,486	3,554,289	3,047,378	2,714,519	3,144,006	3,148,920	2,908,229	249,577	252,836	215,705	242,649
S.S. (LBS)	2,083,734		(T)	3,161,747	3,292,951	2,814,399	2,697,026	3,705,487	3,465,000	2,852,646	238,393	243,592	235,963	262,613
TOTAL FLOW (MG)	1,306,554		(T)	2,201,953	2,076,021	1,754,424	2,213,374	1,735,164	1,879,853	1,722,042	2,346,816	1,915,339	1,809,196	1,945,575
MENASHA (DET)														
AVE. FLOW (MGD)	2.621		(A)	3.047	2.852	2.385	3.047	2.527	2.547	2.325	3.271	2.775	2.661	2.980
PEAK FLOW (MGD)	10.691		(MAX)	14.652	10.018	12.523	13.625	7.791	8.371	5.787	15.288	10.805	9.800	11.400
BOD (LBS)	744,576		(T)	1,474,687	1,228,158	1,295,153	1,175,909	1,490,159	1,357,891	1,081,208	125,587	88,068	80,476	90,664
S.S. (LBS)	1,532,772		(T)	2,595,111	1,542,573	1,915,868	1,688,558	2,117,638	2,514,321	2,002,728	226,615	194,361	252,821	224,590
TOTAL FLOW (MG)	640,696		(T)	1,111,410	1,043,503	871,203	1,114,376	923,748	929,523	848,152	1,198,536	1,014,301	970,607	1,088,994
TOWN/MENASHA UTILITY DISTRICT														
AVE. FLOW (MGD)	1.546		(A)	1.863	1.937	1.679	1.856	1.482	1.683	1.610	1.873	1.723	1.592	1.880
PEAK FLOW (MGD)	7.016		(MAX)	8.076	7.792	8.394	7.921	4.42	5.439	3.888	8.320	7.272	6.121	7.010
BOD (LBS)	519,605		(T)	793,809	917,566	832,040	734,452	661,288	735,070	728,775	57,819	60,918	59,931	72,766
S.S. (LBS)	749,678		(T)	1,077,805	1,247,452	1,271,406	1,085,575	877,277	1,056,675	996,146	72,187	78,102	71,987	103,818
TOTAL FLOW (MG)	377,581		(T)	686,479	708,674	612,615	679,592	542,215	614,601	587,717	686,486	629,982	580,264	685,593
WAVERLY SD														
AVE. FLOW (MGD)	0.333		(A)	0.385	0.367	0.342	0.389	0.343	0.335	0.317	0.308	0.238	0.291	0.270
PEAK FLOW (MGD)	0.506		(MAX)	0.602	0.593	0.525	0.701	0.585	0.704	0.464	0.436	0.388	0.477	0.490
BOD (LBS)	153,301		(T)	232,656	219,206	242,389	198,965	228,405	230,268	196,532	15,059	13,300	10,284	10,452
S.S. (LBS)	160,103		(T)	255,182	228,774	245,894	202,354	242,582	237,077	170,452	15,358	11,411	9,264	15,023
TOTAL FLOW (MG)	81,286		(T)	140,420	134,004	124,777	142,175	125,194	122,311	115,656	112,699	88,960	106,051	98,702
TOWN OF NEENAH (S.D.)														
AVE. FLOW (MGD)	0.101		(A)	0.102	0.102	0.122	0.148	0.113	0.118	0.118	0.151	0.123	0.123	0.130
PEAK FLOW (MGD)	0.479		(MAX)	0.221	0.448	0.421	0.614	0.248	0.267	0.229	0.485	0.288	0.310	0.360
BOD (LBS)	42,502		(T)	76,648	96,144	100,521	111,603	65,940	51,905	70,989	7,008	5,296	4,291	5,423
S.S. (LBS)	53,304		(T)	113,689	66,458	161,347	204,771	85,861	68,789	103,839	10,154	7,323	5,764	9,134
TOTAL FLOW (MG)	24,692		(T)	37,314	37,226	48,032	54,086	41,487	43,163	43,075	55,486	44,905	44,971	46,411
SONOCO - U.S. MILLS														
AVE. FLOW (MGD)	0.300		(A)	0.228	0.242	0.218	0.236	0.233	0.264	0.226	0.229	0.209	0.209	0.220
PEAK FLOW (MGD)	0.516		(MAX)	0.705	0.425	0.543	0.808	0.427	0.573	0.400	0.397	0.166	0.355	0.440
BOD (LBS)	1,664,186		(T)	2,171,745	2,019,798	1,804,331	1,631,748	1,677,405	1,869,686	1,986,823	141,290	167,727	164,718	193,468
S.S. (LBS)	500,812		(T)	877,566	955,790	365,578	574,484	418,508	516,302	359,974	14,484	11,971	14,231	20,309
TOTAL FLOW (MG)	82,251		(T)	93,486	95,940	87,170	91,150	93,996	103,617	89,654	83,896	76,196	76,303	79,948
TOTAL PLANT														
AVE. FLOW (MGD)	10.285		(A)	11.706	11.1906833	9.572	11.743	9.469	10.114	9.33525	12.482	10.628	10.128	11.470
BOD (LBS)	5,295,020		(T)	8,046,031	8,035,151	7,321,812	6,567,196	7,267,203	7,393,740	6,982,556	596,369	588,144	535,404	648,815
S.S. (LBS)	5,080,403		(T)	8,081,100	7,333,998	6,774,492	6,452,768	7,447,333	7,858,144	6,485,785	577,191	546,759	590,065	652,694
TOTAL FLOW (MG)	2,513,072		(T)	4,271,062	4,095,368	3,498,221	4,294,753	3,461,804	3,692,868	3,406,296	4,483,919	3,767,683	3,588,254	342,730