



**SUPERSTITION MOUNTAINS COMMUNITY
FACILITIES DISTRICT NO. 1**

**Meeting Minutes
Board of Directors
Work Session**

Meeting location:
5661 S Ironwood Drive
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Tuesday, January 17, 2023

8:00 AM

District Board Room

PRESIDING: Ms. Kathleen Waldron

PRESENT: Kathleen Waldron – Chairman (*in person*)
Jim Reynolds – Vice Chairman (*in person*)
Jesse Gage – Treasurer (*in person*)
Phil Tremonti – Secretary (*in person*)
Terry Dunn – Board Member (*in person*)

Staff Present: Darron Anglin – District Manager (*in person*)
Traci Coronado – Executive Assistant (*in person*)
James Drye – Operations Supervisor (*in person*)
Kathy Huckfeldt – Management Analyst (*via telephone*)
Anne Latimer – District Engineer (*in person*)
Maria Zagar – Financial Services Supervisor (*in person*)

Others Present: Jason L. Cassidy – District Legal Counsel (*in person*)

1. Call to Order.

Ms. Waldron called the meeting to order at 8:00 AM.

2. Discussion and review of the District’s long range financial planning.

Mr. Anglin gave the Board Members an overview of the Executive Summary to review the agenda items to be discussed. He gave an update on the upcoming steps for the Water Reclamation Facility (WRF) expansion and its timeline. Mr. Anglin stated the District just released the Request for Qualifications (RFQ) for the design engineer for the plant expansion, and the Statement of Qualifications is due date February 7, 2023. He said the District hopes to make a decision on selecting a contractor and bringing it to the Board of Directors at the March board meeting. Mr. Anglin stated the District is looking at having the decision made and contract signed for the contractor in FY 2024 and to receive the construction loan and begin the construction phase in FY 2025.

There was discussion regarding the contracted construction manager and whom the District will have internally overseeing the expansion project.

Mr. Anglin stated that staff had updated the Long-Range Planning from the study conducted by Tischler Bise last year and increased growth in the City.

Mr. Dunn asked how long the approval process with the Water Infrastructure Finance Authority (WIFA) for the construction loan would be. Ms. Huckfeldt stated that it should be similar to the design loan process, four to six months, and then with the approval from WIFA at their board meeting. Mr. Dunn asked if the loan would include any grant money. Ms. Huckfeldt stated that the District would not know until WIFA determines how much

federal funding they will receive, and then WIFA will determine how they will disburse the money. Mr. Anglin stated staff has created a budget that does not include any grant funding. Mr. Anglin said the District has budgeted for the \$110 million construction loan that includes inflation factors with repayment over a twenty-year term and an interest rate of 1.95%.

[Mr. Cassidy entered the meeting at 8:09 AM]

The District has also scaled back on the number of permits budgeted for FY 2023 and FY 2024 due to possible economic concerns.

Mr. Tremonti stated that if the construction decreases at Superstition Vistas Master Planned Community and does not proceed at the rate the developer has projected, how it would affect the District. Mr. Anglin answered that if the development were to stop, the District would halt the plant expansion and only continue once the development was picked up again.

Mr. Tremonti asked, regarding the contract with the developer, if there is a slowdown, would there be an automatic deferral if development stops. Mr. Cassidy stated that the District does not have financial obligations under the contract and would not default as the contract is contingent upon the flows the developer provides to the District.

There was discussion regarding the intergovernmental agreement between the City of Mesa and the District, which is still under review with the City.

Mr. Reynolds asked if the repayment of the design loan and timing of construction financing were of concern, specifically whether the District would have enough revenue to make debt payments for the Water Infrastructure Finance Authority (WIFA) loans without burdening existing customers with significant rate increases. Ms. Huckfeldt stated that the rate study completed by Tischler Bise last year considered the design debt and rates and fees were adjusted accordingly. She also said that the worst-case scenario would be that the design loan would need to be paid, rather than rolled into a construction loan if it became necessary to defer construction due to an economic slowdown.

There was additional discussion regarding the WIFA loan, terms, and payoff timeline. Mr. Anglin stated that the term for the design loan was three years and that the District had a portion of the principal amount in reserve in the event that construction is deferred. Ms. Huckfeldt stated that part of the agreement with the developers of Superstition Vistas included a percentage of connection fees to be paid upfront to insulate the District from economic conditions.

Mr. Tremonti stated that he would like a cash flow analysis to be provided to the Board for review.

There was discussion regarding the projected rate increases based on the rate and fee studies. Mr. Gage asked if the planned increases were sufficient to cover future debt. Mr. Anglin stated that by the time the debt payment increases the District would have more customers paying service fees which would generate additional revenue.

The planned WRF expansion, capacity increases and phasing of future phases were discussed.

3. Discussion and review of strategic planning for the District's future.

Mr. Anglin provided updates on the actions taken for the FY 2023 Strategic plan, several items were discussed, including updating the forecast for the future Capital Plan and the Non-Potable Water (NPW) system.

Mr. Anglin stated that Lumen Technologies Group had postponed the completion date for the fiber optic installation a year, and the District is currently working with Mr. Cassidy to see cancellation options with the service agreement. He also stated that the Apache Junction Water District (AJWD) installed fiber optics with a different provider, Zayo. The District is meeting with AJWD to discuss possibly connecting to their fiber optics if staff decide to leave the contract with Lumen Technologies Group.

Mr. Anglin provided an overview of the proposed strategic action items for FY 2024. Mr. Anglin discussed positioning the District for future growth and creating a sewer flow model for the Master Planned Community to help determine the impact on the District's treatment capacity. Mr. Dunn asked if the model would provide data on the effects from areas from North to South. Mr. Anglin stated that it will give actual data of capacity and flow numbers to be put into the model.

There was a discussion regarding the procurement process and timeline for obtaining the design engineer firm and contractor to build the District's WRF expansion.

Mr. Reynolds asked if the Construction Management at Risk model (CMAR) is the better design build. Mr. Anglin stated with current lead times for certain equipment at 52 weeks, staff believe it is an excellent model for expansion.

Mr. Dunn asked if the plan is easily expandable as proposed. Mr. Anglin stated that yes, it is easily expandable with construction added to it. There was additional discussion regarding the expandability to the MBR facility and the future phases and capacity.

Mr. Anglin stated that one of the significant objectives for FY 2024 is to submit the application to WIFA for the construction loan and coordinate with them to maximize funding and possible grant money. Mr. Dunn asked if the people who complete the design work with an estimator. Mr. Anglin stated that the engineer would provide an engineer's estimate, and during the CMAR stage, the contractor would provide their cost estimates at each phase. He also stated that staff must have appropriate documentation from engineer and contractor with costs when submitting to WIFA. Mr. Reynolds asked if the funding provided by WIFA is state or federal. Mr. Anglin stated that it is federal funding which they are told every year how much money they will be receiving.

Mr. Anglin stated the District completed an optimization study for the existing plant to help keep the facility operating for the next ten years. He also stated that staff wants to implement some of the recommendations, which include upgrading to turbo blowers, changing out the return-activated sludge pumps, and a few other items; these would be incorporated into the Capital Funding.

Securing a long-term agreement for the usage of the treated effluent and recharge credits was discussed. Mr. Anglin stated that this has been put on hold and believes it's time to

utilize these credits as water is valuable. Mr. Gage noted that the AJWD considered purchasing the recharge credits with a long-term agreement and asked if they would be willing to now. Mr. Anglin said it was put on pause and shifted to the non-potable agreement that the staff is still waiting to review. Ms. Waldron stated that if we did an agreement with AJWD, the fifty-year agreement would be great but with a contingency plan of reviewing the agreement each year. Mr. Reynolds asked if AJWD is groundwater and surface water. Mr. Anglin answered they are 80% surface water and 20% groundwater.

Mr. Anglin discussed the District's role with the community and increasing customer awareness of critical issues and changes timely and proactively. He also stated that there is a message on the monthly bill but wants to ensure messages get to customers.

There was discussion regarding the District promoting a culture of safety and a new coordinator who will be overseeing the safety among staff and contractors. Mr. Tremonti asked if there is an issue of safety or is staff trying to prevent issues. Mr. Anglin stated that staff are trying to prevent issues. Ms. Latimer stated the goal of getting out of complacency and with growth and new employees maintaining that culture of safety is crucial. Ms. Huckfeldt stated the shift is to get staff to become invested in safety where they recognize if there are concerns and bring those to management's attention. She also discussed breaking that culture of we have always done it this way; getting staff to want to change the culture. Mr. Tremonti asked if there will be an action plan of how the staff plan on accomplishing these goals. Ms. Latimer stated she will have a safety plan to bring to the next scheduled meeting.

The meeting was recessed at 9:31 AM.

The meeting was reconvened at 9:40 AM.

4. Discussion regarding updating the District's name and brand to become more easily identifiable to the public.

Mr. Anglin provided an overview of why the District would like to change the name of SMCFD. He also discussed the survey that was sent out to all staff and board members with three possible names and one write-in option; the favorite was Apache Junction Sewer District (AJSD). Ms. Huckfeldt stated that there were 92% responses, and 32 out of 36 provided feedback. Mr. Anglin stated that he received input from the City, and they also preferred AJSD.

Samples of new logos presented and discussed. Mr. Tremonti stated that he wants to see a logo with what the District produces. He also stated he would like reclamation on the title and logo showing clean water. Ms. Huckfeldt said that would be great for the future, but with all the options of utility companies, we need something that states who we are; for example, if people move to AJ, they aren't going to search for reclamation company, they are going to look for sewer company. Ms. Waldron stated she preferred AJSD as it shortens the name and she stated she liked recycling water for the future on the logo. There was discussion with the board members choosing what logo they preferred.

Mr. Tremonti asked why Apache Junction and not Superstition Community. Mr. Anglin stated we legally could not serve any other city but Apache Junction; if the District were to serve other areas, the city council would have to vote and approve that. Mr. Cassidy stated

that from a legal perspective regarding branding, you want to create a brand that customers will immediately see what your company provides. He said that AJSD states precisely what we do and who we serve.

There was discussion on using reclaiming water rather than recycling water, and the board agreed on reclaiming as it is what the District currently does.

Mr. Dunn asked if there are plans on changing the mission statement and vision as it is important to go in a positive direction and emphasize safety. Mr. Anglin said that the mission statement and vision would be tied to this change. He also stated that with this being a work session and no action can be taken, staff would like to move ahead with the preferred logo and come back to the board at next meeting with a decision. The board thanked Ms. Huckfeldt for her work on this project.

5. Adjournment.

There being no further business the meeting was adjourned at 10:13 AM.