

MINUTES OF THE WORK SESSION OF THE BOARD OF DIRECTORS OF THE APACHE JUNCTION SEWER DISTRICT (the “District”) held in the District’s Board Room, 5661 S. Ironwood Drive, Apache Junction, Arizona on Tuesday, April 25, 2023.

PRESIDING: Ms. Kathleen Waldron

PRESENT: Kathleen Waldron – Chairman
Jim Reynolds – Vice Chairman
Jesse Gage – Treasurer
Phil Tremonti – Secretary
Terry Dunn – Board Member

Staff Present: Darron Anglin – District Manager
Traci Coronado – Executive Assistant
Andrea Dominguez – Utility Services Supervisor
James Drye – Operations Supervisor
Paul Gonzales – Collection System Supervisor
Kathy Huckfeldt – Management Analyst
Anne Latimer – District Engineer
Maria Zagar – Financial Services Supervisor

Others Present: John Lemaster– District Legal Counsel

1. Call to Order.

Ms. Waldron called the meeting to order at 9:32 AM.

2. Discussion of the District’s proposed expenses for the fiscal year beginning July 1, 2023.

Mr. Anglin said the disinfection chemicals have been increased from last year’s proposed budget of \$60,000 to \$165,000 for the upcoming FY 2024 due to increased prices and usage. Mr. Tremonti stated that the previous year, the costs increased midway through the year and tripled the amount budgeted and asked staff to review prices today to ensure a sufficient amount has been budgeted. Mr. Anglin stated staff will go back and review prices to make sure the proposed budget is adequate.

Mr. Anglin said that there has also been an increase in the proposed budget for service fees due to costs increasing with monuments and disconnection valves. He also said that the District does get reimbursed for the costs of service fees when the permits are pulled for connections.

Mr. Gage asked if the grit and trash hauling expense is for the removal of biosolids. Mr. Anglin stated the biosolids removal is under Biosolids Processing and Disposal under Operations and Maintenance and staff have increased budget as landfill costs have increased.

Mr. Tremonti stated that with fuel prices increasing staff should increase the proposed budget for fuel and gas. Mr. Anglin said the District purchases gas from the City and will reach out to the City to see if they intend to raise fuel prices.

There was discussion regarding other FY 2024 budgeted expenses in the Operations and Maintenance and Administration categories.

There was discussion regarding the proposed 4.5% cost of living increase for all staff. Mr. Tremonti asked that staff consider giving a merit-based increase in addition to a fixed cost of living increase for FY 2024. Mr. Tremonti used a 2% cost of living increase as a suggestion but stated that it was just a number he was using for reference. Mr. Reynolds asked for data showing the percentage of where staff are with minimum to maximum salary ranges. Ms. Huckfeldt stated that staff are at 16.6% minimum to maximum of their salary range. Mr. Anglin asked the Board of Directors what they believe would be an appropriate increase for staff. The Board generally agreed that a combination of a merit raise plus a fixed cost of living would be appropriate. Mr. Anglin stated that staff would run the figures with a combination of a cost of living and a merit raise and have them at May's regular meeting.

Mr. Tremonti asked if adequate money had been allocated for rebranding. Mr. Anglin stated staff have budgeted for new apparel, marketing, vehicle stickers, and hats. Ms. Huckfeldt said that most of the budget was for FY 2023 and will be complete this fiscal year, but staff added extra funds to FY 2024 for apparel and uniforms.

There was discussion regarding the interest earned on reserve funds and the proposed budget for FY 2024.

Mr. Anglin discussed the proposed increases to revenue from the single-family connection fees based on D.R. Horton's estimating 500 connections next year starting in March 2024, they are currently limiting to 15 connections a week, and District staff is being cautious, estimating 10 a week. Mr. Gage asked how many single-family homes there are in total. Ms. Zagar stated it includes 800 new connections from all current and future developments within the City. Ms. Waldron asked if service charges for new customers would be the same as existing ones. Mr. Anglin stated all customers would be paying the same rates as it is the District's strategy going forward.

There was general discussion regarding the cash flow and the Board suggested having staff complete a sensitivity analysis and bringing it to the May board meeting.

Mr. Reynolds asked how much is in reserve and if the District is allowed to purchase Treasury Bills (T-Bills). There was discussion about the District possibly investing in T-Bills in the future once the bond debt is paid off.

3. Discussion of the District’s preliminary rates, fees and charges and revenue elements for the fiscal year beginning July 1, 2023.

Mr. Reynolds stated that the service charges increase seems very moderate. Mr. Anglin stated that increase is due to the Tischler Bise rate study completed last year.

There was discussion about having a sensitivity analysis completed to make sure service charge increases are reasonable especially if the economy continues to decline or projects come to a halt and having enough revenue to cover debt.

Mr. Anglin stated that the connection fees from the Superstition Vistas Community are being held in reserves to be used for construction of WRF Expansion. Mr. Tremonti asked if the District is overspending today and is concerned with the cash flow. Ms. Huckfeldt stated that long-range forecast does account for all the expenses and revenue for the next five years. Mr. Anglin stated that Tischler Bise looked at all the debt coming in and expenses going out, which helped them generate the rate structure. Ms. Huckfeldt stated that based on Tischler Bise recommendations staff need to review the rate assumptions every 3-5 years.

4. Discussion of the District’s current year capital projects, capital project planning for the fiscal year beginning July 1, 2023 and future capital project planning.

Mr. Anglin discussed the proposed capital projects for FY 2024 and future projects with the WRF Expansion.

5. Adjournment

The meeting was adjourned at 10:50 AM.