



MINUTES OF THE REGULAR MEETING 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 85120 on Tuesday, May 23, 2023 at 8:00 AM.

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
Michael Cocanower – itSynergy

1. Call to Order.

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

2. Invocation and Pledge of Allegiance.

Mr. Reynolds gave the Invocation.

Mr. Dunn led the Pledge of Allegiance.

3. Request for authorization and approval of addenda to existing agreement between the District and itSynergy for Managed Backup services.

Ms. Dominguez provided an overview of the alternative options and the proposed contract per the Board’s direction at the April meeting. Mr. Tremonti asked how much data the District currently uses. Ms. Dominguez stated just under 10 terabytes (TB), and with the WRF Expansion the District will need additional data; staff spoke with the vendor for the Supervisory Control and Data Acquisition System (SCADA) designed for the Superstition Vistas Community and found that 10 TB will be needed just for the new SCADA.

Ms. Waldron thanked Ms. Dominguez for her diligence in providing the alternative options.

There was general discussion regarding the advantages and disadvantages, and costs and benefits of each option provided.

MOTION made by Mr. Tremonti to approve Addenda B2 and C-2 to the existing service agreement between the District and itSynergy for Managed Backup services in substantially the forms presented at this meeting; seconded by Mr. Reynolds.

Yes (5): Board Member Dunn, Board Member Tremonti, Board Member Reynolds, Board Member Gage, and Chairperson Waldron

No (0): None

MOTION CARRIED

4. Approval of the Minutes of the April 25, 2023 Regular Meeting and Work Session.

Ms. Waldron asked if there were any additions or corrections to the Meeting Minutes; there was discussion on the Minutes and the Minutes were accepted as corrected.

5. Monthly Disclosure Report of Operations April 2023.

There was general discussion regarding the favorable variance in revenue due to the growth in the south.

Mr. Gage asked how the debt covenant ratio would be affected if connection fees were not included in monthly revenues. Mr. Anglin stated that no disbursements had been requested from the design loan and the construction loan had not yet been applied for. He further stated that once construction costs are locked in, and the construction loan is approved, staff will have a better idea of the impact to the debt ratio. Ms. Huckfeldt stated that connections would result in monthly service fees contributing to revenue. Mr. Anglin said Ms. Zagar will conduct a sensitivity analysis that will provide long-range forecasts for future expenses with the WRF Expansion.

Mr. Tremonti asked about the budget increase in professional licenses and fees. Ms. Zagar stated she would provide additional information on fees at the next meeting.

Mr. Tremonti asked if the District has plans to do any publicity with the new name and logo. Ms. Huckfeldt stated that the change had been posted in the local newspaper, the District's website, the City's website, and in the Apache Junction chat forums on Facebook. She further stated that postcards and emails were sent to customers. She added that replacement of vehicle logos and uniforms, as well as the development of a new website were in process. There was additional discussion regarding the positive feedback from the City, contractors, and customers regarding the new name.

Mr. Gage asked about the unfavorable variance in the service lines expenses and an explanation of the significant increase in the budget for FY 2024. Mr. Anglin said the costs have increased for the monuments and disconnect valves that are required for new connections. He also stated that due to the volume of connections in the Superstition Vistas development, staff began ordering extra inventory of those items. Mr. Anglin stated that it is shown as an expense, but once collection staff has installed the new connection, the cost is reimbursed as part of the connection fee.

6. Monthly Project Status Report for April 2023.

Mr. Dunn asked about the construction between the administration and laboratory buildings. Mr. Anglin said the 6-inch force main is being installed from the temporary pump station to the headworks for the temporary line from the Superstition Vistas Community.

There was discussion regarding the headworks restructure being delayed due to the contractor postponing the 24-inch line due to the priority of getting the 6-inch line installed to be ready for incoming flows from Superstition Vistas in June 2023.

Mr. Gage asked whether the completion date for the Class A reclaimed water project had been solidified. Mr. Anglin stated that the contractor has been talking with the manufacturer of the blowers, and the unit that the District wanted will not be available until February 2024. He also stated that a larger unit is available at the same price, and staff is working with the electrical engineer to determine if the District's current electrical capacity will be enough to run the larger size blower.

Mr. Dunn asked for clarification on the Job Order Contract (JOC) for the Tomahawk and Old West Highway collection system extension. Ms. Latimer said due to the high cost and timeline provided by the contractor, staff is working on a request for a hard bid as the project has been delayed too long. Mr. Dunn asked how that would affect the deadline and cost. Mr. Anglin stated that staff are pushing for early fall and does not believe it would negatively affect the cost.

There was additional discussion regarding current and future projects in process.

7. District Manager's Report for April 2023.

Mr. Anglin said that staff and Stantec Consulting met with the Arizona Department of Environmental Quality regarding the elevated nitrates and the permit modification. He also stated that ADEQ suggested changes, and staff proposed that all the monitoring wells be moved away from the recharge area. He said a new well was proposed to be installed as part of the WRF Expansion, and that staff would monitor the new well for two years and the remaining groundwater wells would be removed as Points of Compliance from the permit.

There was general discussion regarding the internet service provider, the delays in fiber installation and other options available for the District.

8. Discussion of the District's proposed budget and proposed rates, fees and charges for the fiscal year beginning July 1, 2023. Request for adoption of Resolution No. 23-02 (a) establishing the District's proposed rates, fees and charges applicable beginning July 1, 2023; (b) establishing the District's proposed budget for the fiscal year beginning July 1, 2023; (c) authorizing notifying the Mayor and Council of the City of Apache Junction of the proposed rates, fees and charges and the proposed budget for the fiscal year beginning July 1, 2023; and (d) establishing a date, time and place for a public hearing on the District's adoption of its (i) rates, fees and charges applicable beginning July 1, 2023, and (ii) the District's final budget for the fiscal year beginning July 1, 2023.

Mr. Tremonti stated he would like to receive a red-line copy of the proposed budget so the Board could review the changes made since the last Board meeting. Ms. Zagar provided the changes that were made under Operation & Maintenance expenses. She stated that disinfection chemicals had been increased to account for price increases, and that the budget for administrative expenses for engineering, and professional fees, had been increased by \$150,000 for flow monitoring in the City north of Baseline Road. She also stated that under Labor and Benefits expenses, the budget was adjusted for the proposed cost of living and merit increases for staff.

Mr. Reynolds asked about the decrease in the telephone line item under office expenses. Mr. Anglin stated that because Lumen Technologies had not fulfilled the contract terms, the District had no costs due. Ms. Dominguez said that Triad Wireless was the primary backup and Cradlepoint (part of Verizon) was the remote backup, and those monthly charges have fallen off due to the air fiber provided by the City.

There was general discussion regarding the connection fees from the Superstition Vistas Community.

Mr. Gage said the rate increases have been minimal, yet inflation has increased significantly, and costs have risen. He asked how the District can continue to operate without including more substantial rate increases. Mr. Anglin stated that the TischlerBise Rate and Fee Study included all data and figures and provided information on when the District should implement rate increases. Mr. Anglin noted that Ms. Zagar would include all future scenarios with the data and figures when completing the sensitivity analysis.

MOTION made by Mr. Reynolds to adopt Resolution No. 23-02 (a) establishing the District's proposed rates, fees and charges applicable beginning July 1, 2023; (b) establishing the District's proposed budget for the fiscal year beginning July 1, 2023; (c) authorizing notifying the Mayor and Council of the City of Apache Junction of the proposed rates, fees and charges and the proposed budget for the fiscal year beginning July 1, 2023; and (d) establishing a date, time and place for a public hearing on the District's adoption of its (i) rates, fees and charges applicable beginning July 1, 2023 and (ii) the District's final budget for the fiscal year beginning July 1, 2023; seconded by Mr. Dunn.

Yes (5): Board Member Dunn, Board Member Tremonti, Board Member Reynolds, Board Member Gage, and Chairperson Waldron

No (0): None

MOTION CARRIED

9. Request for authorization and approval of the renewal of the District's workers' compensation insurance with CopperPoint Mutual Insurance Company.

Ms. Huckfeldt stated that there has been a decrease of 3.2% from last year, and a few reasons contributing to the lower rate were that an employee had been reclassified from the sewage disposal plant category to the clerical category causing the lower rate. She further stated that the District's experience modification is .83 that any number below 1 is excellent.

MOTION made by Mr. Reynolds to authorize and approve the renewal of the District's workers' compensation insurance with CopperPoint Mutual Insurance Company on the terms presented at this meeting, effective beginning July 1, 2023; seconded by Mr. Tremonti.

Yes (5): Board Member Dunn, Board Member Tremonti, Board Member Reynolds, Board Member Gage, and Chairperson Waldron

No (0): None

MOTION CARRIED

10. Call to the public. The Board will neither discuss nor take legal action on a matter raised during the call to the public but may refer the matter to the District staff for review or direct the matter be put on a future agenda. Members of the Board may respond to matters raised as permitted by Arizona Revised Statutes § 38-431.01.H.

No one from the public was present.

11. Direction from the Board of Directors to staff regarding items to place on the next Regular Board Meeting agenda.

Mr. Gage asked for the sensitivity analysis to be presented to board members at the next meeting.

Mr. Tremonti asked that a copy of the long-range forecast that was presented in January 2023 be emailed to the Board.

12. Adjournment.

There being no further business the meeting was adjourned at 9:38 AM