



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, October 24, 2023 at 8:00 AM.

PRESIDING: Ms. Kathleen Waldron

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

Staff Present: Darron Anglin – District Manager
Martin Bradford - Inspector
Traci Coronado – Executive Assistant
James Drye – Operations Supervisor
Paul Gonzales – Collection System Supervisor
Kathy Huckfeldt – Management Analyst
Corina Jimenez – Utility Services Lead
Anne Latimer – District Engineer
Tonia Weinmann – Purchasing Officer
Maria Zagar – Financial Services Supervisor

Others Present: John Lemaster– District Legal Counsel
Bill Davis – Piper Sandler and Company
Erika Coombs – Piper Sandler and Company
Zach Sakas – Greenberg Traurig, LLP
Santiago Jimenez – Guest

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. Tremonti led the Pledge of Allegiance.

3. Request for authorization and approval to enter into a Financial Services Provider Agreement with Piper Sandler & Company for financial advisory services related to the District’s construction loan application to the Water Infrastructure Finance Authority of Arizona Clean Water State Revolving Fund.

Ms. Huckfeldt said Mr. Davis, with Piper Sandler & Company, has assisted the District throughout the design loan, rate study, and with Mr. Davis's expertise, staff would like to enter into an agreement with Piper Sandler & Company at a reasonable cost to assist with the application

process for the construction loan. She also stated that staff felt it would be in the District's best interest to have a financial advisor to assist in this process.

There was discussion regarding Piper Sandler & Company's scope of work with the WIFA loan process.

MOTION made by Mr. Tremonti to authorize the District to enter into a Financial Services Provider Agreement with Piper Sandler & Company for financial advisory services related to the District's construction loan application to the Water Infrastructure Finance Authority of Arizona Clean Water State Revolving Fund; 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. Consideration of Resolution No. 23-05 authorizing and providing for the redemption, prior to maturity, of the Superstition Mountains Community Facilities District No. 1 Revenue Refunding Bonds, Series 2017; authorizing the taking of all other actions necessary for the consummation of the transaction contemplated by this resolution; and ratifying the actions of all officers and agents of the District with respect to the prepayment and redemption of the bonds being redeemed.

Ms. Huckfeldt said staff met with WIFA along with Mr. Davis to discuss the loan process and other factors such as how the loan will be structured, what type and amounts of reserve funds will be required, subsidized interest rates, and green components of the loan and possible grants available.

Mr. Gage asked for clarification on green components. Ms. Huckfeldt said green components are any energy saving, water saving, environmental saving and are viewed as a positive per WIFA's standpoint. Ms. Huckfeldt also stated that after discussions with WIFA staff she learned the whole project of design and construction of the WRF Expansion is considered a green component.

Mr. Tremonti asked who would be helping the District find the available government grants for the District. Ms. Huckfeldt said WIFA has already made suggestions and Stantec can also assist with finding possible grants for the District.

Mr. Davis said the nature of this project fits really well into the WIFA and Clean Water Act objectives and that the green components will increase the interest rate subsidy which will help reduce the financing cost. He further stated that WIFA sets their rate at the AAA tax exempt bond rate and then subsidizes the rate down from there. He also stated this subsidy is in addition to any forgivable principle that the District may qualify for.

Mr. Davis presented scenarios for repayment of the District's existing debt and discussed how this may favorably impact approval of the WIFA loan application. Mr. Tremonti asked if the existing bond were not redeemed early, would the bondholder be required to approve the new debt. Mr. Sakas stated the existing bond terms and the new loan terms would have to be coordinated to ensure that they are not in conflict and that debt coverage ratios for both would be sufficient. He

further stated that it may be beneficial in negotiating the new loan terms to have redeemed the existing bond and start with a clean slate.

Mr. Davis explained the current and future financial impacts to District reserve funds that would result from redeeming the current bonds. He also discussed the difference between a draw down loan and a traditional debt structure.

There was discussion regarding the criteria for and administration of forgivable principal from WIFA. Possible interest rates and loan terms were also discussed.

Mr. Tremonti asked if there were any concerns regarding arbitrage rules. Mr. Sakas said that arbitrage should not be an issue in this case because the WIFA loan is a draw down loan and the District has not received low-interest funds and then invested them for a higher return.

MOTION made by Mr. Reynolds to adopt Resolution 23-05 authorizing and providing for the redemption, prior to maturity, of the Superstition Mountains Community Facilities District No. 1 Revenue Refunding Bonds, Series 2017; authorizing the taking of all other actions necessary for the consummation of the transaction contemplated by this resolution; and ratifying all the actions of all officers and agents of the District with respect to the prepayment and redemption of the bonds being redeemed; seconded by Mr. Gage.

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

No (0): None

MOTION CARRIED

[Agenda rearranged to accommodate recognition of staff]

10. District Manager's Report for October 2023.

Mr. Anglin recognized staff members Corina Jimenez and Martin Bradford for ten years of employment with the District. He thanked them for their service and presented both of them with a service certificate.

Ms. Waldron stated that the remainder of the District Manager's Report would be presented and discussed in the order indicated on the Notice and Agenda.

5. Approval of the Minutes of the October 24, 2023 Regular Meeting.

Ms. Waldron asked if there were any additions or corrections to the Meeting Minutes; there were none and the Minutes were accepted as presented.

6. Monthly Disclosure Report for October 2023.

Ms. Waldron asked if there is a date on when the District will pay off the bond loan. Ms. Zagar said the District has to provide a 30-day notice and with the approval of Resolution No. 23-05 staff are submitting notice today.

Mr. Dunn asked about the legal fees with the name change and thought those were completed with the rebranding. Mr. Anglin stated that the bank required an opinion letter from the District's legal counsel regarding the authority to change the name. Mr. Dunn said he thought that a DBA was all that was needed. Ms. Huckfeldt stated that at a previous board meeting, Mr. Lemaster's recommendation was to legally change the name per the Arizona Revised Statutes. Mr. Lemaster said the bank required an opinion letter similar to what Mr. Sakas is completing for the bond, and since Mr. Lemaster could not complete the opinion letter, another colleague who handles opinion letters at Clark Hill reviewed all documents and wrote the letter on behalf of the District. He also stated that with the opinion letter, the bank determined that no amendment was necessary for the bond, and he also said that the IRS accepted the name change as well.

Mr. Tremonti said the favorable variance with the connection fees had increased hugely and asked what development contributed to the connection fees. Mr. Anglin said the Superstition Vistas community and stated the developer is building and selling faster than anticipated. Mr. Gage wondered whether staff knew the capacity limits with the faster growth than expected. Mr. Anglin said yes, staff have communicated the timeframe with the developers at bi-weekly meetings to ensure the District does not over-commit. Mr. Dunn asked if the District is receiving flows from the development. Mr. Anglin stated that the District has been receiving flows since June. Mr. Dunn asked what the daily flow is coming from the Superstition Vistas Community to the District. Mr. Gonzales stated flow comes in twice daily, and it has been a little over 1 MGD in the past few months.

Ms. Waldron asked for clarification between auto pay and electronic pay. Ms. Zagar stated that autopay (ACH), the District initiates a payment from the customer's bank account, and electronic payment is when the customer's bank sends the payment from customers account to the District and when they call into Utility Services and pay bill over the phone.

There was discussion regarding the costs the District endures with disconnects and the fees for customers to reconnect.

7. Monthly Project Status Report for October 2023.

Mr. Dunn asked where the sewer main relocation for Sombrero Road is located. Mr. Anglin stated it is a small alignment between Idaho Road and Winchester Road in the Central Arizona College (CAC) property. He also said that the District has some easements that run through the CAC property, and there is an 8-inch pipe in-between two 10-inch pipe segments that needs to be upsized and staff are going to take the opportunity to relocate the pipe.

Mr. Dunn asked if the Tomahawk Expansion is in process. Ms. Latimer said they have started construction, and it is going very well. Additional projects around the District were discussed.

Mr. Dunn asked for the status of the utility carts. Ms. Weinmann stated that the utility carts have been procured from Kawasaki with a lead time of 3-4 months.

8. Discussion and update of the Water Reclamation Facility (WRF) Expansion and action as determined.

Mr. Anglin said that staff are working on the schedule per Mr. Gage's request, and Stantec and Archer Western are collaborating on their schedules. Mr. Anglin stated that staff included the list of permits required and the responsible party for obtaining them as directed by the Board.

Mr. Anglin stated the District has completed the 10% design review with Stantec Consulting. Mr. Gage asked when the Guaranteed Maximum Price (GMP) will be determined. Ms. Latimer said next year around May and staff will get bid packages procured for items such as electrical due to the long lead times so the board will see a breakout of costs on future reports. Mr. Reynolds asked how the District is paying fees that have been incurred so far in the absence of bond proceeds. Ms. Zagar stated staff are doing a receivable for the loan proceeds based on the invoices and will get reimbursed from the WIFA loan. Ms. Huckfeldt said that staff had to wait on the IRS notification in order for WIFA to complete the District's name change before doing any distributions. Mr. Anglin stated everything is ready, staff are just waiting on the engineer to stamp and seal the invoices.

Mr. Tremonti asked what the expansion reserve is for. Mr. Anglin stated it is to protect the District in case of an economic downturn and construction stops, there will be reserve for the WIFA loan debt payments. He also stated it will help pay down the debt. There was discussion on the reserve funds and what is required by the WIFA loan.

9. District Manager's Report for October 2023.

Mr. Anglin said staff met with ADEQ, and they recommend that staff come up with ideas on how to reduce the nitrates that are being put into the groundwater. He also stated that the District is currently in compliance with ADEQ permit levels. Mr. Gage said what is the last condition that the District has to complete with the consent order. Mr. Anglin said the District has to amend its permit to add a new monitoring well.

Mr. Anglin said the District is working on a partnership with the Apache Junction Water District and AJSD's counsel to implement intergovernmental agreements for the Non-Potable Water (NPW) system, Long-Term Storage Credits, and the billing between the Districts.

10. Discussion and review of the District's Procurement Policy and action as determined.

Ms. Weinmann provided an overview of the revisions made to the policy, stating that they covered primarily administrative changes and said the thresholds had not been amended over ten years. She also said the proposed increases to thresholds for supervisors are to approve requisitions up to \$2,000, and the District Manager approves greater than \$2,000 and less than \$100,000. The Board of Directors would approve items of \$100,000 or greater. Ms. Weinmann said staff would like the threshold for competitive quotes to be increased for purchases from \$10,000 to \$20,000. Ms. Weinmann stated that these increased thresholds would help staff procure items promptly due to inflation and increased costs and lead times. Mr. Reynolds asked District counsel if these changes comply with Arizona state rules and regulations. Mr. Lemaster said the \$100,000 is allowed by Arizona Revised Statutes, and after reviewing policy, it does comply.

There was general discussion regarding the purchasing policies related to the competitive bids.

MOTION made by Mr. Reynolds to accept the proposed amendments to the District's Procurement Policy as presented; seconded by Mr. Gage.

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

No (0): None

MOTION CARRIED

- 11. 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 to be put on a future agenda. Members of the Board may respond to matters raised as permitted by Arizona Revised Statutes § 38-431.**

No one from the public was present.

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

Mr. Dunn asked that the Board be provided with an update on the internet.

Mr. Gage said he would like a definition on the green component and the savings it could potentially provide in regard to the WRF Expansion loan with WIFA.

- 13. Adjournment**

There being no further business the meeting was adjourned at 9:55 AM.



APACHE JUNCTION SEWER DISTRICT

RECLAIMING WATER FOR THE FUTURE

Board of Directors Regular Meeting

	<u>Name</u>	<u>Representing</u>
1.	ZACH SAKAS	GREENBERG TRAVEL
2.	Erika Coombs	Piper Sandler
3.	Bill Davis	Piper Sandler
4.	Santiago Jimenez	
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