



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 85120 on Tuesday, January 23, 2024 at 8:06 AM.

PRESIDING: Ms. Kathleen Waldron

PRESENT: Kathleen Waldron – Chairperson
Jim Reynolds – Vice Chairperson
Jesse Gage – Treasurer
Phil Tremonti – Secretary

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

Others Present: Jason Cassidy – District Counsel

1. Call to Order.

Ms. Waldron called the meeting to order at 8:06 AM.

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

Mr. Anglin provided an overview of the executive summary as presented to the Board.

Mr. Anglin discussed the recent growth and development in the City, which included the phasing of communities and the number of homes planned to be built. He also stated that septic to sewer conversions is anticipated to continue at the current pace.

Ms. Zagar stated that the long range financial plan assumes the single family rates will increase \$0.45 a month, and the connection fees will be increased 1.25% per year. She also said the District will ensure that the rate study verifies these projections. Ms. Zagar said there was also a 3% inflation for most of the expense categories. Mr. Tremonti stated that the interest rate seems low for the future. Mr. Reynolds said \$.45 cents does not seem like much of an increase with inflation. Mr. Anglin said that staff are currently working on a new rate study to adjust increases accordingly.

Mr. Anglin discussed the projected cost of \$110 million in FY 2025 for the WRF Expansion and securing the construction loan from the Water Infrastructure Finance Authority of Arizona (WIFA) in FY 2024. The loan repayment would be over 30 years, with interest only payments for the first 3 years and a 3.25% interest rate. He also said that the District will know in February if WIFA has approved the construction loan.

There was discussion regarding the cash flow and Mr. Tremonti would like staff to include capital expenses into the cash flow model.

Mr. Anglin provided an overview of the revenues and expenses including payroll, administrative and plant operations and maintenance. He also said the O&M still needs adjusting as the plant design is still in process and once there is sufficient information staff will update the chemical and electrical consumption.

Mr. Anglin said the debt service shows the \$4.9 million payout for the bond. He also stated that for FY 2025, FY 2026, and FY 2027 interest-only payments are assumed for the construction loan, and FY 2028 would be the first payment, estimated at \$6.3 million.

Mr. Anglin discussed the key statistics showing single-family unit count and increases overtime, multi-family units, and full-time staff. Mr. Tremonti stated that payroll seems low taking inflation into account.

There was discussion regarding the timing and adding of additional staff to the collections crew.

Mr. Gage stated that this plan assumes that the District runs the existing WRF through FY 2032, what metric will be used to determine when the existing system is no longer viable. He also asked what it is going to take to move from the replacement mode as opposed to the expansion mode. Mr. Anglin said there are improvements in process for the diffusers and blowers to help improve the process. He also said that there is not currently a specific metric and will discuss this more with staff to have an estimate for the board.

Mr. Tremonti said the cash flow model will provide cushion if there is an event with the current plant failing. Mr. Anglin said there are reserves in place and staff want to increase reserves to pay for a couple of years if development was to halt. He also said that WIFA does mandate one year debt payment to be held in reserves.

There was discussion regarding developments that are planned around the city.

Ms. Waldron said with the WRF Expansion there will be more electricity that is needed and used and asked if staff have researched the idea of solar farms at the plant. Mr. Anglin said that the current design shows some solar being used on canopies but that is the only plan for now. Mr. Anglin stated there is discussion regarding using solar over the recharge basins.

Mr. Gage asked if the staff had looked at chemicals and how to operate two different processes. Mr. Anglin stated there is a discussion with the design team about how the split will work from the existing plant to the new facility, but staff needs to have more discussion internally and with the design team on this. He also stated that citric acid will be a new chemical utilized that the plant does not use now.

Mr. Tremonti said in the revenue base there is nothing showing water being sold to the Apache Junction Water District. Mr. Anglin stated that it is included in the other revenue category and that includes both selling and recharging water.

3. Discuss the District's mission and objectives in alignment with the future growth.

Mr. Anglin provided an overview of the mission statement and involving staff in this process of updating the current mission statement. Mr. Anglin said that reclaiming water is important to include showing what the District is doing to benefit the community. Mr. Tremonti asked what the old vision statement was. Mr. Anglin said the District did not have a vision statement previously.

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

Ms. Huckfeldt provided an overview and purpose of the strategic plan. Mr. Tremonti said that the positive effect impacting the community should be included in the vision statement and finding the uses of reclaiming water.

Ms. Huckfeldt gave an overview of the new process and implementation of prioritizing strategic objectives and accessing their risk factors.

Mr. Anglin discussed the action items of the FY 2025 goals as presented to the Board.

Mr. Tremonti suggested that adding the word "to" at the beginning of each goal would make it more of an action item. Mr. Reynolds said he would have liked to see flow model projections with designing of the system adding validate and adjust to the goal.

There was discussion regarding the standards of calculating the correct number of flows coming into the plant with the growth in the City. Mr. Anglin stated that staff are currently tracking flows to help know the real flows coming into the plant.

Mr. Gage asked about the industrial pre-treatment program. Mr. Anglin said it is more involved with different permitting and standards. He also said certain chemicals and metals that cannot be accepted.

Mr. Tremonti said selling and recharging water should be added to the goals.

There was discussion regarding the improvement of the safety program at the District and having a safety consultant to help integrate a new safety policy and training program.

Mr. Anglin provided updates on the FY 2024 goals. He said the District is currently in negotiations with the AJWD to create a long-term agreement on selling recharge credits. Ms. Waldron asked how long the contract will be with AJWD. Mr. Anglin said staff are currently proposing a 5-year contract.

Mr. Gage said the risk register needs to be reviewed periodically.

5. Discussion of the District's land requirements for the future WRF Expansion.

Mr. Reynolds asked if the District could proactively contact Arizona State Land to demonstrate its interest in purchasing additional land for the WRF Expansion to get on their radar when they begin to sell land. Mr. Anglin said Arizona State Land agreed not to sale additional land in the next seven years after the land auction to the developers of the Superstition Vistas Community. He also said that he agreed that reaching out to ASLD would be good.

Mr. Anglin said staff are currently in discussion with SRP about the possibility of building a substation on plant site as there will not be enough power for Phase 2.

6. Adjournment

There being no further business the meeting was adjourned at 9:35 AM.