



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, February 27, 2024 at 8:00 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
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: Jason Cassidy – District Counsel

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. Gage led the Pledge of Allegiance.

[Agenda rearranged to accommodate recognition of staff]

8. District Manager’s Report for December 2023 and January 2024.

Mr. Anglin recognized staff member Dennis Kolpien celebrating his one year anniversary of service with the District.

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

3. Discussion and update regarding the District’s construction loan application to the Water Infrastructure Finance Authority of Arizona and action as determined.

Mr. Anglin stated that staff presented the WRF Expansion project to the federal planning committee for WIFA, and the project was approved to move forward to the WIFA Board

meeting for approval. He also stated that last week, staff presented the project to the WIFA Board, and they approved the District's request for the \$110 million construction loan. Mr. Anglin said that staff is currently working with WIFA to get the loan closed at the beginning of April and the District was also approved for a \$3.5 million grant as part of the loan. He also stated that the interest rate will be determined 2 days before loan closes.

Ms. Huckfeldt provided an overview of the steps staff have to complete for the WIFA loan. Staff have to complete a financial feasibility study and a public hearing for the study. Staff will present a resolution to the Board at the March meeting asking for the Board's approval of the loan. She also stated that the Board has to approve the feasibility study; however, if the Board rejects or proposes changes, staff would have to postpone until the study is approved. She also stated that the staff received the draft loan documents for review and is in the process of reviewing them.

Ms. Waldron said the staff did great and thanked them for their diligence. Mr. Anglin stated this is an exciting time for the District.

4. Approval of the Minutes of the December 12, 2023 Regular Meeting and January 23, 2024 Regular meeting and Work Session.

Mr. Reynolds said on page 12 of item 5 of the work session minutes that he must have misspoken and said he was not asking if staff could wait as he is a proponent for getting this land. Mr. Gage said on page 11, paragraph 5, change liable to viable.

The December 12, 2023, Work Session minutes will be corrected and presented at the March Regular meeting.

The December 12, 2023 Regular Meeting minutes were accepted as presented.

5. Monthly Disclosure Report for December 2023 and January 2024.

Mr. Reynolds said on the financial summary for December, that the debt coverage ratio on fiscal year to date is below what is desirable and asked if the target ratio is 1.2. Ms. Zagar stated it typically is above 1.2, but the District is no longer under the constraints of the debt covenants since the debt has been paid off.

Mr. Gage said on the revenue variance report for December, the connection fees are over budget along with the application fees. His concern is that the District continues to go over budget and would like staff to improve on predicting the budget on these items. Mr. Anglin stated that the District is receiving more connections than what was projected largely due to the building in the Superstition Vistas Community.

Mr. Reynolds asked about the favorable variance in salaries and if the District was down an employee. Mr. Zagar stated that the District did have an employee resign and that staff had also budgeted for an additional employee in the Utility Services Department but had postponed hiring. Ms. Huckfeldt stated that staff are currently in the process of hiring for the Utility Services position.

Ms. Waldron inquired about the services that the District receives for the \$3,000 bank fees. Ms. Zagar explained that the fees cover the lockbox, all deposited accounts, and related costs. Ms. Waldron further asked if staff reviews these costs on a monthly basis. Ms. Zagar clarified that the staff does review the costs per line and also stated that staff are interested in finding a different banking institution that can manage all the District's accounts with a closer location. Mr. Tremonti asked why the banking services are non-local. Ms. Zagar explained that in 2017, the debt bond had to be carried with Bank of Oklahoma (BOK), but now that the bond has been paid off, the District is not obligated to stay with them; and staff is currently evaluating banks.

6. Monthly Project Status Report for January 2024.

Ms. Waldron asked about the reclaimed water improvement project description, as it was incomplete. Mr. Anglin stated that the reclaimed water system is being redesigned and redone for the existing treatment plant. He also stated that this is only for onsite water that staff use to operate the biosolids process and some onsite hose bids. The original system was built by crews over the years, and the piping needs to be replaced.

Mr. Gage asked for a status update on the WRF rerating. Mr. Drye stated the contractor is currently installing the aeration chains and replacing all the diffusers and headers. Ms. Latimer said they installed two of the blowers and the third one will be installed later. The contractor is planning the start-up and training for the blowers for next week.

There was discussion on the new utility carts that were purchased and had arrived at the plant.

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

Mr. Anglin informed everyone that staff still needs to get a schedule, but they have been working with the contractor and engineer on the costs. The current cost model was higher than the budgeted amount. Ms. Latimer stated that staff can now discuss what the plant needs versus what they want to have. Mr. Tremonti asked Mr. Anglin about the big item that was over budget. Mr. Anglin explained that the staff wanted to build the headworks and part of the aeration basins to accommodate Phase 2, but now it may not be feasible due to the high costs. He added that staff will have to scale back the items for Phase 2 and are currently looking at removing the administrative building from the plans.

8. District Manager's Report for December 2023 and January 2024.

Mr. Anglin said that ADEQ has approved the proposed well location, and staff have until the end of April to have it installed. Once installed, staff will go to ADEQ to get the other two wells removed from the permit. Ms. Waldron asked if staff were still testing the nitrate levels. Mr. Drye stated that staff are still testing the nitrate levels, and the latest numbers for MW 2 and 1A are 12 and they are trending down.

Ms. Dominguez provided updates on the fiber internet connection, stating that the newest completion date depends on the Arizona State Land Department issuing permits to Lumen Technologies. She also stated that staff are discussing possibly utilizing fiber strands for a connection to Zayo through the Apache Junction Water District and the City. Ms. Dominguez stated that the district will have fiber internet one way or another.

Mr. Anglin stated the City held its State of the City event and it was well attended. He also said the Mayor and AJUSD Superintendent spoke and presented a video with City leadership highlighting upcoming projects and recent accomplishments.

Mr. Anglin said that staff participated in the City's Holiday Event, with a booth and a float in the parade. He thanked the staff who participated in both activities.

Ms. Latimer provided updates about ongoing and upcoming development projects in the City.

9. Discussion of the District's insurance coverage options and action as determined.

Ms. Huckfeldt stated that with the growth of the plant and additional components it would be beneficial to consider applying for pollution insurance coverage. She said some of the items that fall under this coverage are chemicals leaks, wastewater leaks and odors. Ms. Huckfeldt provided information from a quote that the District received several years ago for pollution coverage at \$5,500 a year, or \$12,000 for three years with a \$25,000 deductible. Ms. Huckfeldt stated that staff can get quotes on existing and pre-existing conditions per the Board's direction.

Mr. Tremonti suggested that staff reach out to the Apache Junction Water District to see what they have in place for coverage.

Mr. Gage stated that staff have developed maintenance with all our equipment in Beehive and can provide our records to insurance companies to show that staff are diligent in keeping machinery and equipment updated and maintained.

There was discussion regarding the preexisting conditions and what falls under those conditions and if the District can get coverage.

The Board stated that they would like staff to obtain quotes for the pollution and environmental coverage.

10. Discuss and approval of the District's updated mission and vision statement as presented.

Mr. Anglin stated staff made modifications to the vision statement based on recommendations from the Board. Mr. Gage stated that there is nothing in the statements about safety and would like to see it added to the vision statement. Ms. Waldron directed staff to make safety fit into the vision statement.

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 be put on a future agenda. Members of the Board may respond to matters raised as permitted by Arizona Revised Statutes Ann. § 38-431.01.I.**

No one from the public appeared.

12. **Discussion and review of the District’s current and future cybersecurity plans and infrastructure. The Board will first consider this matter in an executive session that will not be open to the public, pursuant to Arizona Revised Statutes Ann. § 38-431.03.A.9.**

MOTION made by Mr. Reynolds to recess the regular meeting and reconvene in executive session for discussion and review of the District’s current and future cybersecurity plans and infrastructure pursuant to Ariz. Rev. Stat. Ann. §38-431.03.A.9; discuss and consult with the District’s attorney regarding the proposed adjustment to Clark Hill billing rates pursuant to Ariz. Rev. Stat. Ann. § 38-431.03.A.4; seconded by Mr. Gage.

Yes (4): Board Member Tremonti, Board Member Reynolds, Board Member Gage, and Chairperson Waldron

No (0): None

MOTION CARRIED

[The regular meeting was recessed at 9:28 AM]

13. **Discuss and consult with the District’s attorney regarding the proposed adjustment to Clark Hill billing rates. The Board will first consider this matter in an executive session that will not be open to the public, pursuant to Ariz. Rev. Stat. Ann. § 38-431.03.A.4.**

Mr. Cassidy left the Executive Session at 10:14 AM.

Mr. Cassidy returned to the Regular Meeting at 10:18 AM.

[The regular meeting reconvened at 10:18 AM.]

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

Mr. Gage stated he would like to see a cybersecurity review in the policies and procedures to provide an annual report to the Board. Mr. Tremonti would like to see a report on risks from itSynergy including changes and updates for the District’s system.

Ms. Waldron requested quotes for the environmental and pollution insurance.

15. **Adjournment.**

There being no further business the meeting was adjourned at 10:22 AM.