



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, April 23, 2024 at 9:31 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
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 9:31 AM.

2. Discussion of the District’s current year capital projects and capital project planning for the fiscal year beginning July 1, 2024 and future capital project planning.

Mr. Anglin stated that the WRF Expansion has been included in the capital expenditures ; despite being paid for by the Water Infrastructure Finance Authority of Arizona (WIFA) loan, staff wanted to show it as a capital project.

Ms. Zagar provided a comprehensive summary of the preliminary District Capital Planning report for the fiscal years 2024-2028. There was discussion of funding the administrative building in the capital expenditures due to the high costs of the WRF expansion budget. Mr. Anglin presented the funding requirements for the administrative building and suggested that \$3 million would be sufficient for the first year after receiving the finalized WIFA debt payment. He further stated that staff agreed that \$8 million would be an adequate amount for the administrative building. Ms. Zagar provided an overview of what funding the capital improvements for fiscal year 2025 would look like and stated that \$658,574 was the required funding needed for the capital improvements excluding the WIFA portion.

Mr. Anglin provided an update on the ongoing rate study conducted by Tischler Bise. He stated that the staff is working on the project and will present the latest proposed rates during the May board meeting. Mr. Anglin also stated that some of the revenues received will be put in the WRF Expansion reserve to help pay the District's debt in the future.

Mr. Reynolds requested additional information regarding the relocation of the generator at the Baseline Pump Station. Mr. Anglin explained that although the original generator was still functional, staff believed it was time to replace it. Mr. Anglin explained that the new Williams Field Lift Station is being built in two phases and has a backup generator that will be phased out once the larger pumps are turned on. He also mentioned that staff worked with an electrical contractor that will relocate the backup generator to the Baseline Pump Station, saving costs by eliminating the need to purchase a new generator.

There was discussion on various ongoing and upcoming projects related to the collection system in the city that included extension and repair work, odor control, and the airlift pumps.

Mr. Anglin said that staff are meeting with the WIFA grant committee to present the District's grant application for a new recharge basin. He also said that if the District is approved for the grant, it will help cover costs associated with installing the new basin.

3. Discussion of the District's proposed expenses for the fiscal year beginning July 1, 2024.

Mr. Reynolds asked about the unfavorable variance in Process Equipment and Rolling Stock expenses under the forecast budget. Ms. Zagar stated that the capital threshold increased from \$5000 to \$10,000, and some of the items that were previously capitalized are now expenses, which pushed the budget over. She also stated that staff is finishing some processes by the end of the year, which also contributed to the unfavorable variance.

Mr. Gage inquired about the noticeable increase in the budget for telephone expenses. Ms. Dominguez explained that the allocated budget encompasses a few additional expenses, such as cell phones, tablets, and new lift stations with cell phones that connect to the SCADA lines. She further stated that rates have also increased over the past year, contributing to the budget increase.

There was additional discussion on the budgeted expenses for FY25 in the Administration, Operations & Maintenance categories.

Mr. Anglin presented a summary of the proposed labor increases, which included a 2.5% cost of living raise for all staff and a 3% merit increase for staff who meet expectations. Mr. Tremonti requested to know the staff who have reached the maximum level range and asked that this discussion occur during an executive session. The Board proposed that staff reduce the merit increase for all District staff. There was additional discussion on the cost of living and merit increases and the adjustments of the pay ranges.

4. Discussion of the District’s preliminary rates, fees and charges and revenue elements for the fiscal year beginning July 1, 2024.

Mr. Anglin reported that the revenues included a 1% increase in rates for connection fees. This increase is pending the results of the Tischler Bise rate study. Mr. Anglin confirmed that the majority of the increase in revenue is attributable to development in the south. He also stated that there is development in the north that is also contributing to the revenue.

Mr. Reynolds inquired about the expected timeline for Tischler Bise to complete the rate study. Mr. Anglin stated that the staff anticipates having the results within the next two weeks. Mr. Gage asked if it would be possible for staff to remove connection fees from the revenue projections and conduct an analysis on the revenue without them. Mr. Anglin confirmed that the staff will provide data without the connection fees and include different scenarios for comparison.

There was additional discussion that included the preliminary revenues for the FY25, specifically focusing on the connection fees and other sources of revenue.

Ms. Zagar provided an overview of the current status of the reserve fund balance and the debt service reserve fund.

Mr. Anglin thanked staff for their hard work and dedication on the proposed budget.

5. Adjournment

There being no further business the meeting was adjourned at 11:13 AM.