



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 21, 2024 at 8:00 AM.

PRESIDING: Mr. Jim Reynolds

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

ABSENT: Kathleen Waldron – Chairperson

Staff Present: Darron Anglin – District Manager
Traci Coronado – Executive Assistant
James Drye – Operations Supervisor
Paul Gonzales – Collection System Supervisor
Kathy Huckfeldt – Management Analyst
Corina Jimenez – Interim Utility Services Supervisor
Anne Latimer – District Engineer
Maria Zagar – Financial Services Supervisor

Others Present: Jason Cassidy – District Counsel

1. Call to Order.

Mr. Reynolds 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. Discussion of the District’s proposed budget and proposed rates, fees and charges for the fiscal year beginning July 1, 2024. Request for adoption of Resolution No. 24-02 (a) establishing the District’s proposed rates, fees and charges applicable beginning July 1, 2024; (b) establishing the District’s proposed budget for the fiscal year beginning July 1, 2024; (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, 2024; 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, 2024, and (ii) the District’s final budget for the fiscal year beginning July 1, 2024.

Mr. Anglin stated that positions have changed with Ms. Dominguez’s recent resignation. Ms. Jimenez will be the interim utility services supervisor at this time.

Ms. Huckfeldt mentioned that during the previous meeting, staff proposed a 2.5% cost-of-living (COLA) increase along with a merit increase. The Board requested staff explore the possibility of lowering the merit increase while retaining the proposed COLA. As a result, she stated that the staff reached out to the City and Fountain Hills Sanitary District and the City of Apache Junction for comparatives. The results of the comparisons were discussed.

Ms. Huckfeldt stated staff proposes a compensation study be completed in the next fiscal year to compare the District's salaries with statewide wages for similar positions in order to ensure competitiveness in the hiring market. Mr. Tremonti asked if the study would be based on industry-specific or general wages, Ms. Huckfeldt explained that it must be governmental and not based on the industry but could still be comparative.

Mr. Reynolds inquired about the use of a standardized evaluation tool for determining merit increases. Ms. Huckfeldt confirmed that merit increases are based on employee evaluations. Mr. Tremonti suggested implementing a 3% CAP on COLA while retaining the merit-based system. Mr. Gage pointed out that last year's process was different from the current proposal and emphasized the importance of having a consistent process. There was further discussion regarding the proposed merit increases and the 2.5% COLA increase for all staff, which would adjust salary ranges. It was determined that the original proposal of a 2.5% COLA and regular merit increases will be included in the budget.

Mr. Anglin discussed changes to the preliminary proposed budget revenues and the labor and benefits expenses that included the recent resignations, resulting in minor modifications.

Mr. Tremonti suggested that the staff examine the forecast for the next 10 years to anticipate potential construction slowdowns. Mr. Anglin mentioned that the staff evaluated worst-case scenarios in January but will review them again and present them at the upcoming board meeting. Ms. Zagar discussed the revenues in District accounts at the end of the year after all expenses and stated that the District would be in good standing.

There was discussion about the District maintaining ongoing communication with the developers in the south to ensure their progress aligns with the District's projections.

Mr. Gage inquired about the source of the \$3 million for the operations and maintenance building. Ms. Zagar clarified that the funding is from extra revenues allocated for capital projects. The money will be shown in the budget as a capital improvement and will be kept in a reserve fund until it's used for the building. Mr. Anglin also mentioned that the connection fees from the Masterplan Community are being directly allocated to the WRF Expansion fund.

Mr. Anglin thanked staff for their hard work on the budget, which is the highest revenue budget for the District.

MOTION made by Mr. Gage to adopt Resolution No. 24-02 (a) establishing the District's proposed rates, fees and charges applicable beginning July 1, 2024; (b) establishing the District's proposed budget for the fiscal year beginning July 1, 2024; (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, 2024; 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, 2024 and (ii) the District's final budget for the fiscal year beginning July 1, 2024; seconded by Mr. Tremonti.

Yes (3): Board Member Tremonti, Board Member Gage, and Vice Chairperson Reynolds

No (0): None

MOTION CARRIED

4. Approval of the Minutes of the April 23, 2024 Regular Meeting and Work Session.

Mr. Reynolds asked if there were any changes or corrections to the Meeting Minutes; the Minutes were accepted as presented.

5. Monthly Disclosure Report on Operations for April 2024.

Mr. Reynolds asked why the amount of septage being received had increased. Mr. Drye explained that the intake limits had been raised because of the new blowers, which allowed for more effective septage treatment. Mr. Gage then inquired about the previous limit, and Mr. Drye stated that it was 25,000 gallons per day, whereas now it is around 40,000 gallons daily.

6. Monthly Project Status Report for April 2024.

Mr. Anglin mentioned that the new blowers and diffusers are working well, and staff is waiting to receive the as-builts. He also stated that the second tertiary filter is being installed and should be up and running in a few weeks.

Ms. Latimer and Mr. Drye provided updates on current projects across the District. Mr. Tremonti inquired about the cost of filling the chlorine tank. Mr. Drye mentioned that due to the price increase, it now ranges from \$8000 to \$9000.

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

Mr. Tremonti asked about the budget line in the financial summary. Ms. Huckfeldt explained that it covers pre-construction services and includes the Guaranteed Maximum Price (GMP) for transformers, however, once staff receive the actual GMP for construction costs, it will be added to the summary.

Mr. Reynolds inquired about value engineering and whether any costs would increase or decrease the capital expense. Mr. Anglin stated that staff utilized the value engineering with the biosolids, headworks, and BMR which helped reduce costs and reconfigured some items to Phase 2.

There was a discussion about perfluoroalkyl and polyfluoroalkyl substances (PFAS), and whether the District should consider including treatment of them in the budget if necessary. Mr. Anglin pointed out that regulation currently only pertains to drinking water, but it is something that District staff should examine in the near future.

8. District Manager's Report for April 2024.

Mr. Anglin stated that the Consent Order with the Arizona Department of Environmental Quality (ADEQ) remains in effect, and the new monitoring well has been installed. He said staff will monitor it for the next two years, continue taking samples, and send quarterly monitoring reports to ADEQ and after 2 years, ADEQ will set limits for the District.

Mr. Anglin announced that the District has received a grant from the Water Infrastructure Finance Authority of Arizona to help with the construction costs of recharge basin 12. He also stated that, per WIFA requirements, the District must provide a 25% match, and the grant must be used by 2026. Mr. Gage asked about the timeline for getting the basin built; Mr. Anglin explained that a

public bid to construct the basin would need to be completed, and drilling the wells would also be contracted. Mr. Anglin said that the new basin will support the WRF Expansion, and staff are removing the recharge basin 12 from the expansion scope of work. He also said staff are working with the AJ Water District as they are interested in recharging their water here onsite which would benefit the District with the nitrates.

Mr. Anglin stated that Ms. Latimer, Mr. Drye, and he attended the Annual Arizona Water Conference, which was very insightful and informative.

9. Discussion of the District’s Harassment Prevention Training.

Mr. Anglin stated that the District had completed a Human Resources investigation, which led to one employee being terminated and two resigning. He also mentioned that one of the recommendations was to conduct Harassment Prevention Training which has been completed. Mr. Anglin confirmed that all necessary actions resulting from the investigation have been completed and the matter is now closed.

10. Discussion of the election of Board Officers and action as determined.

The Board directed staff to postpone the discussion of the election of District Officers until Chairperson Kathleen Waldron is able to return to meetings in person.

11. Call to 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 Ariz. Rev. Stat. Ann. §38-431.01.I.

No one from the public appeared.

12. Discussion of the District’s legal representation and action as determined. 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.4.

MOTION made by Mr. Gage to recess the regular meeting and reconvene in executive session for discussion of the District’s legal representation and action as determined. 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.4; seconded by Mr. Tremonti.

Yes (3): Board Member Tremonti, Board Member Gage and Vice Chairperson Reynolds

No (0): None

MOTION CARRIED

[The regular meeting was recessed at 9:23 AM]

Mr. Cassidy left the Executive Session at 9:48 AM.

Mr. Cassidy returned to the Executive Session at 9:54 AM.

[The regular meeting reconvened at 10:03 AM]

MOTION was made by Mr. Reynolds to authorize District Manager Darron Anglin to execute the choice of counsel letter and inform Clark Hill that the District chooses to stay with legal representative Jason Cassidy; seconded by Mr. Gage.

Yes (3): Board Member Tremonti, Board Member Gage and Vice Chairperson Reynolds

No (0): None

MOTION CARRIED

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

Mr. Reynolds reminded the staff to send District Manager's evaluation to all board members so that they have time to review it.

14. Adjournment.

There being no further business the meeting was adjourned at 10:09 AM.