



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 25, 2025 at 8:02 AM.

PRESIDING: Ms. Kathleen Waldron

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

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 – Utility Services Supervisor
Anne Latimer – District Engineer
Maria Zagar – Financial Services Supervisor

Others Present: Jason Cassidy – District Counsel
Brad Reisinger - Stantec Consulting (*via online*)
Nathan Antonneau – Archer Western Construction
Kyle Ledbetter – Archer Western Construction
Bradley Sanders – Archer Western Construction
Heather Beale – Archer Western Construction

1. Call to Order.

Ms. Waldron called the meeting to order at 8:02 AM.

2. Invocation and Pledge of Allegiance.

Mr. Reynolds gave the Invocation.

Mr. Gage led the Pledge of Allegiance.

3. Request for authorization and approval of Amendment No. 1 to Construction Manager at Risk Construction Services Agreement previously entered into on December 15, 2023, with Archer Western Construction, LLC, Construction Manager at Risk, at a cost not to exceed \$97 million to be paid for by the Water Infrastructure Finance Authority Construction Loan, in substantially the form presented at this meeting.

Mr. Anglin stated that the original master plan was created in 2006 and has changed significantly since then. He mentioned that the design is currently at the 90% plan set submitted by Stantec Consulting in December and Archer Western Construction (AWC) has been working to provide the best Guaranteed Maximum Price (GMP) for the Expansion.

Mr. Anglin said that the District is currently within budget, totaling \$109 million, including all costs. He also addressed changes to the project scope as part of the value engineering effort to ensure the projects is within budget. Some of the removed items were discussed including recharge Basin 12 and associated piping, and the Administration and Operations & Maintenance buildings that were all moved from the expansion project to capital. Other items related to Phase 2 that were removed were also discussed. Mr. Tremonti asked when Phase 2 would be necessary. Mr. Anglin stated that the timeline depends on the pace of development in the Master Planned Community to the south.

There was a discussion regarding the connection fees to fund the WIFA loan and the assumptions of the flow of single-family homes to the treatment plant following the WRF expansion.

Mr. Tremonti asked if the generator is part of capital. Mr. Anglin stated that the District purchased it directly instead of through the contractor to achieve significant cost savings, but it is still covered under the WIFA loan.

Mr. Reynolds expressed his concern about how long the existing plant can operate alongside the expansion. He also asked if there was any reason the two could not run in parallel. Mr. Drye said that the main components the staff need to maintain are the diffusers, which are brand new. He added that as long as the necessary parts remain available for purchase, the plant will continue to operate effectively.

Mr. Tremonti stated in the Guaranteed Maximum Price (GMP) that the tax rate is calculated at 5.91% and the actual tax rate in the State of Arizona is 9%. He also inquired whether any potential tax increases would be covered by the amount specified in the GMP. Mr. Tremonti said the Board would like reassurance that the District would not incur an extra \$3 million in costs.

Mr. Sanders explained that the tax rate operates under a gross receipts law specific to prime contracting. He said that as tax rates change, the revenue for that period also fluctuates. He also said if the tax rate decreases, the District will experience a reduction in costs; and if the tax rate increases, the revenue will be taxed at a higher rate. Mr. Sanders mentioned that the tax rate increase has never exceeded 0.5%.

There was a discussion about the construction and owner contingencies included in the GMP.

Mr. Tremonti asked about the insurance coverage for any potential damage or disruptions that might occur on-site during construction. Mr. Sanders explained that there is a builder's risk policy and general liability coverage, which protects against any material damage while items are permanently stored on-site until they are used.

Mr. Anglin noted that this has been a lengthy process, and staff is pleased with the decisions made to reach our current contract status. He expressed gratitude to the staff, Stantec Consulting and Archer Western Construction for their hard work. Mr. Anglin also mentioned that if the Board approves this amendment today, construction will begin on April 1st.

MOTION made by Mr. Reynolds for authorization and approval of Amendment No. 1 to Construction Manager at Risk Construction Services Agreement previously entered into on December 15, 2023, with Archer Western Construction, LLC, Construction Manager at Risk, at a cost not to exceed \$97 million to be paid for by the Water Infrastructure Finance Authority Construction Loan, in substantially the form presented at this meeting; seconded by Mr. Starr.

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

No (0): None

MOTION CARRIED

4. Approval of the Minutes of the December 17, 2024 Regular Meeting and Executive Session and the January 28, 2025 Work Session.

Ms. Waldron asked if there were any additions or corrections to the meeting minutes; the minutes were accepted as presented.

5. Monthly Disclosure Report for December 2024 and January 2025.

Mr. Tremonti inquired about the unfavorable variance with revenues. Mr. Anglin explained that this was primarily due to the prolonged SRP issue, which has delayed development. Mr. Tremonti noted that the SRP should not be affecting the application fees. Mr. Anglin stated that the application fees are being impacted not only by the timing issue but also by the SRP.

Mr. Tremonti asked about the increase in the water bill. Mr. Anglin said that the contractor is using water for the Non-Potable Water (NPW) station, and staff is currently working with both the Water District and the contractor to obtain reimbursement for the water overages. He also mentioned that the District and the AJWD are working on an Intergovernmental Agreement (IGA), which will include a reduction in water utility costs.

There was a discussion about SRP using the Signal Butte substation temporarily to provide electricity to the southern development while a new substation is being built in the near future.

6. Monthly Project Status Report for January 2025.

Mr. Tremonti asked about the District's budget status regarding the aeration basin. Mr. Anglin said that staff is just waiting for the closeout cost.

Mr. Gage asked about the requirements for the flocculation system for Class A+ reclaimed water. Mr. Anglin stated that ADEQ requires having the flocculation system in place as a precaution.

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

Mr. Anglin mentioned that 90% plans have been received, and comments have been submitted to Stantec regarding the Guaranteed Maximum Price (GMP). The final set of plans is expected to be issued in March.

Mr. Gage asked about the permits that are needed, asking if there is a schedule for them and whether staff will handle the permitting in-house or outsource it. Mr. Anglin stated that Stantec is managing all the permits for which AWC is not responsible.

8. District Manager's Report for December 2024 and January 2025.

Mr. Anglin provided an update on the fiber optic project, noting that staff had contacted the Arizona State Land Department (ASLD) regarding the status of Lumen's easement. The ASLD indicated that they have until the end of March to complete their review to value the easement. Mr. Cassidy said that he received an email from an attorney representing Lumen, who stated that they are the new point of contact and will respond soon regarding the contract.

Mr. Anglin stated that staff are in communication with Zayo regarding fiber connection for the District. He also mentioned that there is no initial cost; only an application fee and a monthly payment would be required. This connection would use the fiber optic cable installed as part of the NPW project.

Mr. Anglin thanked all staff who participated in building and driving the float for the city's holiday event.

Mr. Anglin provided updates on the current and future development around the City.

9. 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 appeared at this meeting to comment.

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

Mr. Tremonti would like to include solar energy on the agenda and staff continue exploring additional land for the future plant.

Mr. Starr asked that staff look into in-pipe electrical generation.

11. Adjournment.

There being no further business the meeting was adjourned at 9:25 AM.