



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 29, 2025 at 9:05 AM.

PRESIDING: Ms. Kathleen Waldron

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

ABSENT: Jesse Gage – Secretary

Staff Present: Darron Anglin – District Manager
Traci Coronado – Executive Assistant
James Drye – Operations 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
Richard Dyer – Independent Newsmedia
Trina Harrison – City of Apache Junction
Ben Griffin – Tischler Bise (*via Teams and Telephone*)
Matt Weatherly – Public Sector Personnel Consultants

1. Call to Order.

Ms. Waldron called the meeting to order at 9:05 AM.

2. Presentation and discussion of compensation study.

Ms. Huckfeldt introduced Mr. Weatherly from Public Sector Personnel Consultants, who provided a comparison of job descriptions, benefits and salaries.

Mr. Weatherly stated PSPC received surveys and data from several cities and towns around the valley, as well as information from regional private sector employers through the Economic Research Institute's Salary Assessor to compare to the District’s salaries and benefits.

Mr. Weatherly stated that the District is close to the market average and offering competitive pay at the midpoint range, with only three positions falling below 5%. Mr. Weatherly said the District is offering competitive benefits and paid time off.

Mr. Weatherly said PCPS is recommending pay grade adjustments that would elevate certain positions on the existing pay scale, it is a job-by-job review for internal logic. He also encouraged staff to continue to provide salary adjustments within these salary ranges.

There was general discussion on whether staff will receive the cost-of-living adjustment (COLA), and merit increase this year. Ms. Huckfeldt stated that based on PCPS recommendations staff will only receive the merit increase this year, not COLA. Mr. Tremonti said he would like for staff to establish a standard for both the merit increase and the COLA that is applied each year.

Mr. Starr asked what the minimum range is for the current geographical area. Mr. Weatherly responded that Pinal County's is slightly lower than that of Maricopa County, with the living wage for a single individual in Maricopa being \$19.60 per hour and \$18 per hour in Pinal. Ms. Huckfeldt added that the District is working to remain competitive in entry-level positions, as this is crucial for both recruitment and retention.

Mr. Anglin said that one of the recommendations provided by Mr. Weatherly was to consider COLA in the range of 1.5% to 2%. He also stated that these adjustments may not be necessary for FY26 based on the survey results. Mr. Weatherly added that some positions were found to be slightly above the market average, and this study aims to prevent employers from overcompensating for certain positions. He explained that the proposed rate alignment is intended to bring all positions in line with the market. Mr. Weatherly proposed the District take a break from COLA increases for a year.

There was additional discussion held regarding proposed grade changes for specific positions.

Mr. Anglin stated staff propose to keep merit and not give COLA for FY26.

3. Presentation and discussion of rate and fee study.

[Mr. Reynolds left the meeting at 10:22 AM.]

Mr. Griffin provided an overview of the sewer connection fees and offered an update on the sewer cost of service study. He discussed the fundamentals of connection fees, and the details of the sewer cost of service study. Mr. Griffin explained that this study focuses on the District repaying the debt for the Water Reclamation Facility (WRF) Expansion using connection fees instead of rate fees.

[Mr. Reynolds returned to the meeting at 10:25 AM.]

There was discussion about the proposed increase in connection fees.

Ms. Huckfeldt stated that over the next 3 to 5 years, there will be significant capital expenses in addition to debt service related to the new expansion, operations and maintenance building and savings for the new administration building. She also said the methodology is that in 5 years, staff re-evaluate and assess rates and fees.

Mr. Anglin stated that if the District does not increase connection fees, the District will face a deficit within the next three years. He said that the average capital needs amount to \$4 million, primarily due to the new operations and maintenance and administration buildings. He also said that this figure is what Mr. Griffin has been working with to prevent the District from encountering these deficits.

Mr. Griffin said that the District is projected to collect this fee until staff retire the \$106.5 million debt.

[Mr. Griffin was disconnected from the meeting due to technical difficulties at 10:38 AM]

There was discussion about the Board's spreadsheet assumptions presented to staff regarding the rate study, and its thirty-year timeline projections as compared to the ten-year projected study completed by Tishler Bise.

[Mr. Griffin rejoined the meeting via telephone at 10:42 AM]

Mr. Griffin stated that staff only need to provide credit for the connection fee if future development is responsible for both the connection fee and the associated future debt service. He also said that staff will be using the connection fee to cover future debt service; there will be no revenue allocated to the expansion costs. Mr. Tremonti asked whether we should consider new development paying for growth.

There was discussion about the flows used to calculate fees and the requirements by Arizona Department of Environmental Quality (ADEQ).

Mr. Reynolds asked about the potential downsides if the Board does not approve the rates recommended by Tishler Bise. Mr. Griffin said that if there were to be a recession or a downturn in single-family development, the District would collect less revenue if the fee were not increased, which would impact the reserves. He also said that not raising the fee would mean the District forgoes a portion of the revenue it is justified in collecting. Ms. Huckfeldt added that staff would need to draw from the reserves to make debt payments for a few years.

Mr. Anglin proposed that the Board allow Mr. Griffin to leave the meeting so that the staff can re-evaluate the connection fee and present a few scenarios at the next board meeting for the Board to provide direction.

[Mr. Griffin left the meeting at 11:20 AM].

4. Discussion of the District's preliminary rates, fees and charges and revenue elements for the fiscal year beginning July 1, 2025.

Mr. Anglin stated that the projected revenue is based on connection fees, so staff will need to revise their figures according to what the Board proposes. He also said that the proposed revenue for FY26 is \$13.8 million, which will come from monthly and connection fees. Half of the connection fees have already been collected as a down payment from developers and will be accounted for in FY26.

Mr. Anglin stated that the non-potable intergovernmental agreement with Apache Junction Water District (AJWD) is expected to be ready next month, which aims to deliver A+ reclaimed water to AJWD. He also said that water not supplied to AJWD will still be recharged, creating potential future revenue when the District sells that credit.

5. Discussion of the District's proposed expenses for the fiscal year beginning July 1, 2025.

Mr. Anglin said staff received notification that SRP is increasing their rates, so staff increased the projected budget expenses for power.

Mr. Anglin stated that there is a proposed increase of \$300,000 for FY26 O&M costs compared to FY25 adopted expenses, which include specific items such as \$20,000 allocated for roach spray, and \$40,000 for electrical inspections of District equipment which occur every other year and is due this year. Mr. Anglin stated that because of the replacement of the east aeration basin, staff

will drain and empty the west basin to ensure that the liner is in good condition and staff have allocated budget for that cost.

There was discussion about FY26 projected budgeted expenses in operations and maintenance, administration and labor and benefits.

Mr. Tremonti asked about the significant decrease in telephone expenses. Mr. Anglin said staff removed money attributed to Lumen Technologies, which was replaced by Zayo and has lower costs.

There was discussion regarding staff encouraging customers to sign up for electronic bills and statements instead of paper bills, due to rising postage costs.

6. Discussion of the District's current year capital projects and capital project planning for the fiscal year beginning July 1, 2025 and future capital project planning.

Mr. Anglin discussed ongoing and upcoming projects related to the current and future wastewater treatment plant.

Mr. Anglin said that the new administration building projected budget will be in FY29. He also stated staff have projected solar energy in FY27. Mr. Tremonti suggested that solar energy deployment should occur sooner than FY27.

Mr. Anglin stated that over the next five years, capital costs will increase due to the O&M and administration buildings.

7. Adjournment.

The meeting was adjourned at 11:55 AM.



**APACHE JUNCTION
SEWER DISTRICT**
RECLAIMING WATER FOR THE FUTURE

Board of Directors
Regular Meeting & Work Session
Guest Sign-In

Name	Representing
1. <u>Trina Harrison</u>	<u>CMO @ COAJ</u>
2. <u>Richard Dyon</u>	<u>Independent news media</u>
3. <u>ASH Weatherly</u>	<u>Public Sector Personnel Consultants</u>
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