



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 20, 2025 at 8:00 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
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
Richard Dyer – Independent Newsmedia
Ben Griffin– Tischler Bise (*via Microsoft Teams*)

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. Tremonti led the Pledge of Allegiance.

3. Discussion and review of the Tischler Bise Rate study and action as determined.

Mr. Anglin said that Mr. Griffin and staff met to address the concerns and comments raised by the Board of Directors during the April meeting. Mr. Griffin emphasized the focus on the Water Reclamation Facility (WRF) Expansion and the process by which staff accumulate connection fees in the expansion reserve.

Mr. Griffin said that the District is projected to reach full capacity utilization of the current expansion before the final debt payment is completed. He stated that by fiscal year 2038, the District is expected to be at 100% capacity utilization of the current plant expansion, while still having approximately \$70 million in principal payments remaining on the FY 2054 debt.

Mr. Griffin stated that by the end of fiscal year 2029, the District must maintain a debt service reserve fund balance equal to one year's debt service payment. He mentioned that this is to be done with the

District making five annual transfers of \$1 million, starting from fiscal year 2025 through fiscal year 2029.

There was a discussion about staff creating a reserve fund to finance the construction of the operations and maintenance building in FY 2026 and will also provide funding for the administration building in FY 2029.

There was additional discussion about the District creating a new repair and replacement fund to offset future capital replacement costs, with an annual transfer planned to begin in FY 2030, as required by the WIFA loan agreement.

Ms. Huckfeldt said based on the study, staff propose to increase connection fees over the next several years. A review of single family homes will be completed before FY2028 to determine if the final increase needs to be adjusted. She also stated that the strategy of modest increases to the monthly sewer service fees aims to cover all expenses while avoiding significant future rate increases for customers. Mr. Anglin said the study aligns with the long-term forecast, which anticipates an addition of 1,000 customers each year over the next five years.

Ms. Waldron said that in the 2026-2027 fiscal year, the District's revenue will increase by \$4 million and inquired why there won't be any increases in the following years. Mr. Anglin explained that this surge is attributed to connection fees from several new units coming online in 2027, which boost the revenue for that year.

4. Discussion of the District's proposed budget and proposed rates, fees and charges for the fiscal year beginning July 1, 2025. Request for adoption of Resolution No. 25-01 (a) establishing the District's proposed rates, fees and charges applicable beginning July 1, 2025; (b) establishing the District's proposed budget for the fiscal year beginning July 1, 2025; (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, 2025; 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, 2025, and (ii) the District's final budget for the fiscal year beginning July 1, 2025.

Ms. Huckfeldt provided an overview of the Executive Summary, highlighting the conclusions reached by staff based on the recommendations from the compensation study conducted by Public Sector Personnel Consultants (PSPC). She noted that the District is competitive in the market, with only 3 out of 22 positions falling 5% below market rates. Ms. Huckfeldt stated that PSPC recommends staff continue using the existing range table to provide merit or general increases to staff. Several positions were adjusted to different ranges based on the recommendations of PSPC. She also stated that staff are proposing to forgo the cost-of-living allowance (COLA) this year, opting to implement only merit increases and review COLA next year. Ms. Huckfeldt said at PSPC's recommendation, maintenance positions were adjusted to the same pay grade

Ms. Huckfeldt stated that staff are proposing for employees that are maxed out, to do a one-time incentive retention pay at the percent their merit increase would be. She also stated there are 2 staff who are proposed to get an increase to get them to the bottom of their adjusted pay grade.

Ms. Huckfeldt stated that PSPC evaluated the District's health insurance benefits, including the District's contribution to employee and family premiums and paid time off, and found that the District is considered competitive.

Mr. Anglin stated all the recommendations provided by PSPC and Tischler Bise have been incorporated into the budget. Ms. Zagar stated the budget demonstrates the District's ability to pay the debt and plan the capital budget. Mr. Anglin said numerous multifamily housing (MFH) projects are on the

horizon, with an anticipated increase in MFH for fiscal years 2027-2028. Ms. Zagar said staff are funding initiatives to prepare for future building projects. She also stated the interest, and principal payments are scheduled for July 1, 2026 and staff are working to ensure the District is funded for those payments along with the interest payments due in this current year.

Mr. Anglin said, based on the projected construction schedule beginning of FY 2028, the new plant will be constructed, and the entire loan will be expended at that point.

Mr. Reynolds inquired whether the staff takes a septage sample every day. Mr. Drye responded that staff collect samples for every load.

Mr. Tremonti asked about the annual return from solar power. Mr. Anglin responded that the capital projection indicated that solar would account for 40% of our annual power usage each year. He also mentioned that solar energy is included in the FY27 budget.

There was discussion on the multifamily homes and the customer growth around the city.

MOTION made by Mr. Reynolds to adopt Resolution No. 25-01(a) establishing the District's proposed rates, fees and charges applicable beginning July 1, 2025; (b) establishing the District's proposed budget for the fiscal year beginning July 1, 2025; (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, 2025; 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, 2025 and (ii) the District's final budget for the fiscal year beginning July 1, 2024; seconded by Mr. Tremonti.

Yes (4): Board Member Starr, Board Member Tremonti, Vice Chairperson Reynolds, Chairperson Waldron

No (0): None

MOTION CARRIED

5. Approval of the Minutes of the April 29, 2025 Regular Meeting and Work Session.

Ms. Waldron asked if there were any additions or corrections to the meeting minutes; there were none and the minutes were accepted as presented.

6. Monthly Disclosure Report for April 2025.

Mr. Tremonti stated that of the \$9 million in revenue, \$1.7 million represents equipment that has been transferred to the District. Mr. Anglin stated that this includes the Cortez pump station, which is a contributed asset and not cash dollars.

7. Monthly Project Status Report for April 2025.

Mr. Tremonti said that this report assumes that all projects will receive funding, apart from the O&M building. Mr. Anglin said that these projects have secured funding, even if the complete dates are set for the future. Ms. Huckfeldt said the entirety of the O&M building is funded and in 2027 staff will begin reserving funds for the administration building.

Mr. Reynolds asked whether staff are proposing a design-build for the operations and maintenance (O&M) and administrative buildings. Mr. Anglin confirmed that both buildings have already been designed, so a design-build approach will be utilized.

8. Discussion and update on the Water Reclamation Facility (WRF) Expansion and action as determined.

Ms. Latimer provided an overview of the construction progress for the expansion. She stated that the relationship between Archer Western Construction and staff is going well, and they communicate effectively with the team.

9. District Manager's Report for April 2025.

Ms. Huckfeldt provided an update on the fiber connection. She stated that itSynergy has been to the plant to install the necessary hardware, and Zayo is scheduled to complete the installation outside the buildings by May 29th. The fiber connection is expected to be installed and operational by June 9th.

Mr. Anglin expressed his gratitude to staff members James Drye, Patricia Nelson, and Dalayna Pacheco for their volunteer work at the Arizona Water Festival, which is hosted by the University of Arizona and sponsored by the Apache Junction Water District.

Mr. Anglin said he, Anne Latimer, James Drye, and Brandon Zagar attended the Annual Arizona Water Conference. He said that PFAS was a primary focus, its impact on wastewater would not be felt for some time.

There was discussion about the current developments in the city.

10. Authorization and approval of the design and installation of pump improvements for Phase I – Non - Potable Water System (NPW) at a cost not to exceed \$300,000 to be paid from the Capital and Replacement Fund.

Mr. Reynolds asked if staff anticipated this happening. Mr. Anglin responded that staff had budgeted for this years ago, but part of those funds were re-allocated to a different project. He also mentioned that part of the new plant expansion is integrated into the existing facility, which is currently lacking NPW capacity and in need of upsizing and improvement.

MOTION made by Mr. Reynolds for authorization and approval of the design and installation of pump improvements for Phase I – Non-Potable Water System (NPW) at a cost not to exceed \$300,000 to be paid from the Capital and Replacement Fund, seconded by; Mr. Starr.

Yes (4): Board Member Starr, Board Member Tremonti, Vice Chairperson Reynolds, Chairperson Waldron

No (0): None

MOTION CARRIED

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 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.

12. Discussion of the District's contract with Lumen Technologies 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. Reynolds to recess the regular meeting and reconvene in executive session for discussion of the District's contract with Lumen Technologies 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 (4): Board Member Starr, Board Member Tremonti, Vice Chairperson Reynolds,
Chairperson Waldron

No (0): None

MOTION CARRIED

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

[The regular meeting reconvened at 10:00 AM.]

Motion made by Mr. Reynolds to direct Mr. Cassidy to send a letter of termination to Lumen Technologies as the matter was discussed in the executive session; seconded by Mr. Tremonti.

Yes (4): Board Member Starr, Board Member Tremonti, Vice Chairperson Reynolds,
Chairperson Waldron

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.

Ms. Waldron reminded the other Board members that the District Manager's performance review will take place at the next meeting, and Ms. Huckfeldt will be sending out information soon.

Mr. Tremonti would like an update on the progress of the solar energy process for this year.

14. Adjournment.

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



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

Board of Directors
Regular Meeting
Guest Sign-In

<u>Name</u>	<u>Representing</u>
1. <u>Richard Dyon</u>	<u>Independent news media</u>
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