



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, September 23, 2025 at 8:00 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
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
Eric Streck – Archer Western
Kyle Ledbetter – Archer Western
Trina Harrison – City of Apache Junction
Richard Dyer – Independent Newsmedia

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. Starr led the Pledge of Allegiance.

3. Discussion and review of the 90% to 100% cost reconciliation for the Water Reclamation Facility (WRF) Expansion and action as determined.

Discussion of Agenda Item 3 was deferred until District Counsel arrived.

4. Approval of the Minutes of the August 26, 2025 Regular Meeting.

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

5. Monthly Disclosure Report for August 2025.

The increased treatment capacity and the process to revise the District's permit were discussed.

There was discussion regarding favorable revenue variances in application fees and connection fees. The timing and phasing of development south of the WRF were discussed.

Mr. Gage noted that labor expenses were lower than budgeted. Ms. Huckfeldt explained that the District had two vacant positions that were in the process of being filled.

Mr. Tremonti asked if the sale of the District's accrued recharge credits was restricted to a specific geographic area. Mr. Anglin stated that they could only be used within the Phoenix Active Management Area.

Mr. Gage requested to discuss the legal services invoice when Mr. Cassidy arrived.

6. Monthly Project Status Report for August 2025.

Mr. Gage and Mr. Tremonti requested that the Operations and Maintenance Building and the Solar Power project budgets be updated to reflect the amounts approved at the August 26, 2025 regular meeting.

There was discussion regarding the timing and progress on the Recharge Basin Expansion and Piping project.

Mr. Gage asked about the timing of the generator relocation project. Mr. Anglin stated it was anticipated that flows would be sufficient to begin using the permanent generator at the Williams Field Lift Station by the end of the year, and at that time the temporary generator would be relocated to the Baseline Lift Station.

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

Mr. Gage asked to have a critical path project schedule added to the report.

Mr. Cassidy arrived at 8:17 AM.

The project budget and the cost of the generator that was pulled from the contractor's scope of work were discussed. Mr. Anglin stated that if there was unused contingency from the expansion it would be applied to the generator cost.

Ms. Latimer presented and discussed progress photos of the construction.

3. Discussion and review of the 90% to 100% cost reconciliation for the Water Reclamation Facility (WRF) Expansion and action as determined.

Ms. Waldron stated that Agenda Item 3 would be discussed. Mr. Anglin stated that the Board had approved the 90% Guaranteed Maximum Price (GMP) in February 2025 and the intent at that time was for the project engineer to complete the 100% plans so that Archer Western Construction, LLC (AWC) could provide updated pricing based on the final plans. He said that the changes from 90% to 100% were greater than anticipated and that there had been a lot of discussion between AWC, Stantec and the District to ensure that the project did not exceed the budget.

Mr. Anglin stated that AWC had provided a number of value engineering solutions to assist in keeping the project on budget. Mr. Tremonti asked what some of the items that had to be removed from the project were. Mr. Anglin reviewed the significant changes which included pipe material and programming controls. He added that some items that were part of the design exceeded manufacturer standards, which increased the costs.

Mr. Tremonti asked if costs were being impacted by tariffs. Mr. Anglin stated that there were two manufacturers that had passed costs onto AJSD as a result of tariffs, which were approximately 10%.

Additional items were reviewed that had been value engineered and revised to save costs.

Mr. Anglin stated that he was confident that nothing critical had been sacrificed in the reconciliation.

Additional tax exemptions proposed by AWC were discussed and Mr. Anglin stated that a proposed indemnification agreement between AJSD and AWC would be discussed during a later agenda item. The potential risks of taking the exemptions were also discussed.

Mr. Ledbetter explained the process that AWC used to determine what exemptions were recommended and whether to take those exemptions after the project is complete or at this point in the project. Mr. Anglin reviewed the fiscal impact of the proposed costs, including the potential savings from the tax exemptions.

Mr. Starr discussed the District's tax exempt status. Mr. Anglin stated that there was an agenda item later in the meeting to discuss that matter.

5. Monthly Disclosure Report for August 2025.

Mr. Gage asked about a line item on Mr. Cassidy's August invoice regarding TPT. Mr. Cassidy explained that TPT was the acronym for transaction privilege taxes, which had been discussed during Agenda Item 3.

8. District Manager's Report for August 2025.

Mr. Anglin stated that Ms. Latimer presented the preconstruction portion of the District's expansion project at the Tri-State Seminar, along with Stantec and AWC. He added that several staff members attended the conference which provides low-cost professional development hours each year that are required to maintain operator certifications.

The District's electrical utility costs were discussed with the Board. Mr. Gage asked if a representative from Salt River Project could attend a future Board meeting.

Mr. Anglin provided a progress update on the non-potable water station, stating that he anticipated that the District would begin providing water by the end of October.

Mr. Reynolds asked if a summary of the number of units that have been completed for each development could be included in monthly updates.

9. Request for authorization and approval of the purchase and replacement of three return activated sludge (RAS) pumps at a cost not to exceed \$575,000 to be paid from the Capital and Replacement Fund.

There was discussion of the benefits of mechanical pumps over airlift pumps, including less maintenance and eliminating the need to use process air to operate.

Mr. Tremonti suggested that funds from the Expansion Reserve could be used to offset any shortfall in the Capital and Replacement Fund if necessary. He also requested a reconciliation to ensure that there are sufficient funds to pay for capital expenditures. Mr. Anglin stated that the overpayment of the District's interest to WIFA, which was discussed at the August meeting, would also help to offset capital expenses.

MOTION made by Mr. Reynolds to authorize and approve the purchase and replacement of three return activated sludge pumps at a cost not to exceed \$575,000 to be paid from the Capital and Replacement Fund; seconded by Mr. Tremonti.

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

No (0): None

MOTION CARRIED

10. Discussion and review of the District's tax exempt status.

Mr. Cassidy stated that, at Mr. Starr's request, he had reviewed the requirements for the District to qualify for tax exempt status under 501(c)(3) of the Internal Revenue Code. He explained that it was unlikely that AJSD would qualify, partially because governmental units have sovereign powers that a charitable organization does not have. He said that at a high level he did not believe that the District would qualify.

There was discussion about the process to apply for tax exempt status and whether the expense to engage a consultant to pursue the issue would be worth it to the District. Mr. Tremonti stated that there would be no benefit related to the expansion project.

The Board directed staff to contact industry associations to determine if this issue has already been explored by organizations similar to the District. They further directed that staff research costs to engage a consultant to further pursue the issue and what the potential savings would be.

- 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 § 38-431.01.I.**

No one from the public appeared at this meeting to comment.

- 12. Request for authorization and approval to enter into an Indemnification Agreement between Apache Junction Sewer District and Archer Western Construction, LLC. The Board first considered this matter in executive session that was not open to the public pursuant to Arizona Revised Statutes § 38-431.03(A)(4).**

MOTION made by Mr. Reynolds to recess the regular meeting and reconvene in executive session to discuss entering into an Indemnification Agreement between Apache Junction Sewer District and Archer Western, LLC pursuant to Arizona Revised Statutes § 38-431.03(A)(4); and to discuss the status of the District's information technology contract and security plans, procedures, assessments, measures or systems relating to information technology pursuant to Arizona Revised Statutes § 38-431.03(A)(4) and (A)(9); seconded by Mr. Gage.

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

No (0): None

[The regular meeting recessed at 9:37 AM.]

[The regular meeting reconvened at 11:00 AM.]

Direction was given to Mr. Cassidy regarding Agenda Item 12, as discussed during Executive Session.

- 13. Discussion of the status of the District's information technology contract and security plans, procedures, assessments, measures or systems relating to information technology. The Board first considered this matter in executive session that was not open to the public pursuant to Arizona Revised Statutes § 38-431.03(A)(4) and (A)(9).**

No action was taken on this agenda item.

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

Mr. Tremonti asked that a reconciliation of the District's Capital and Replacement Fund to capital expenses be provided. He also asked for a summary of the committed and available funds in the Expansion Reserve.

15. Adjournment.

There being no further business, the meeting was adjourned at 11:01 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>ERIC Streck</u>	<u>Archer Western</u>
2. <u>Kyle Lulbutter</u>	<u>Archer Western</u>
3. <u>TRINA HARRISON</u>	<u>COAS CMO</u>
4. <u>Richards Dizon</u>	<u>Independent newsmedia</u>
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