



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 Wednesday, April 22, 2026 at 10:28 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 – Collections 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

1. Call to Order.

Ms. Waldron called the meeting to order at 10:28 AM.

2. Discussion of the District’s current year capital projects and capital project planning for the fiscal year beginning July 1, 2026 and future capital project planning.

Mr. Anglin provided an overview of current and future proposed capital project planning for FY27 and discussed the proposed multi-year funding associated with the Administration Building project.

Mr. Anglin stated that the most significant change involved the proposed savings plan for the administrative building project. He explained that staff had originally planned to allocate \$3 million annually over a three-year period toward the projected \$9 million project cost. He said staff are now proposing to reduce the annual savings allocation in FY27 from \$3 million to \$2 million and increase the proposed savings allocations in FY28 and FY29 in order to accommodate additional projects in the upcoming year.

Mr. Anglin further stated that the 30-year lease renewal for the Baseline Pump Station Force Main easement located on State Land had recently been presented to the District at a cost of approximately \$600,000. Mr. Anglin informed the Board that staff intends to appeal the proposed lease amount; however, for budgeting purposes, staff is recommending the purchase of a perpetual easement estimated at approximately \$610,000 be included in the budget.

Mr. Starr inquired about the cost to purchase the property. Mr. Anglin said that the cost would exceed \$900,000 and explained that a portion of the property, where the easement is located, would not be eligible for purchase because it is located on Ironwood Road. Mr. Anglin said that staff would obtain a separate appraisal and submit it as part of the appeal to the Commissioner.

Mr. Gage inquired whether the compost pad would proceed regardless of whether staff moves forward with biosolids land application. Mr. Anglin said that the project would still move forward, explaining that the existing asphalt that is used to staging the biosolids is deteriorating and staff does not want biosolids seeping into the ground.

There was discussion regarding the Operations and Maintenance (O&M) building and the various items that are proposed to be installed separately from the project, including the vehicle lift. There was also discussion on what portions of the building would be air conditioned.

3. Discussion of the District's proposed expenses for the fiscal year beginning July 1, 2026.

Mr. Anglin discussed the proposed Operations and Maintenance expenses for FY27.

Mr. Reynolds asked whether the Water District charges the District for the plant's water. Mr. Anglin responded that it does and stated that staff is currently working with Apache Junction Water District on an Intergovernmental Agreement (IGA) that would eliminate the need for the two District's to charge one another for those services. Mr. Anglin noted that recharge water would not be included in that agreement.

Ms. Waldron asked about the significant increase in the proposed Baseline Pump Station budget. Mr. Anglin stated that the proposed budget amount was intended to include all pump stations and the title on the budget sheet had not been updated to reflect that change. He further stated that the increase also includes chemical costs at the Williams Field Lift Station as well as the addition of security cameras.

There was discussion regarding fuel usage, fuel purchasing requirements, and operational purchasing limits associated with red-dye fuel.

Ms. Zagar stated that there was an additional increase in Operations and Maintenance expenses due to the new cost for sludge treatment chemicals associated with the flocculation system. She further stated that those costs will be incorporated into the Chemical and Fuel budget categories.

Ms. Waldron inquired about the increase in the budget for outside services. Ms. Zagar said the increases were related to higher costs associated with payroll services, human resources, Employers Council services, COBRA, statement processing, and safety consulting. She further stated that payroll processing rates have also increased.

Mr. Reynolds inquired about the \$9,800 reflected under FY26 Operations and Maintenance Other Expense category related to equipment that had been scrapped. Ms. Zagar said that the amount was associated with a retired piece of equipment that was not fully depreciated.

Ms. Waldron asked about the decrease in the budget for licenses and fees. Mr. Anglin stated that the higher costs in the previous year were primarily associated with the APP amendment for the WRF expansion through the Arizona Department of Environmental Quality (ADEQ). He further stated that ADEQ informed staff that an overcharge had been made and that the District received a reimbursement.

Ms. Waldron asked about incident and accident loss budgeting. Ms. Zagar explained staff generally does not budget for such events and stated certain smaller incidents may be handled directly by the District due to insurance deductible considerations.

Mr. Reynolds asked about increases associated with legal and professional engineering expenses. Mr. Anglin stated the flow study will continue into next year and that the associated costs were included in the FY27 budget.

Mr. Starr inquired about the charges included under bank service fees. Mr. Anglin stated that the fees include lockbox services and costs associated with servicing the District's accounts.

Mr. Tremonti inquired whether staff anticipated additional legal expenses. Mr. Cassidy stated that legal expenses are difficult to forecast due to the potential for unplanned matters to arise throughout the fiscal year; the proposed budget reflects approximately 20 hours of legal services per month.

Ms. Huckfeldt discussed proposed labor increases, staffing changes, employee benefits, and market competitiveness.

Ms. Huckfeldt stated two staff members are anticipated to retire and would require replacement staffing. She also discussed proposed staffing additions and increased medical insurance costs.

Ms. Huckfeldt stated staff is proposing a 2.5% cost-of-living adjustment for all staff in addition to merit increases for FY27. She also stated the compensation study recommended implementation of a cost-of-living increase. She also stated that the proposed 2.5% falls just below CPI and the Social Security increase.

There was additional discussion regarding retention incentives and compensation alternatives for employees who are currently capped within their pay ranges.

The Board expressed support for staff proceeding with the proposed compensation adjustments, including the proposed 2.5% cost-of-living adjustment, continuation of merit increases and the retention pay for staff at the top of their pay scale for Fiscal Year 2027.

4. Discussion of the District's preliminary rates, fees and charges and revenue elements for the fiscal year beginning July 1, 2026.

Mr. Anglin stated that multi-family development is projected to generate approximately \$1.8 million in connection fee revenue in FY27, while single-family development is projected to generate more than \$2.7 million in connection fee revenue. Ms. Zagar stated that staff would present the figures at the true accrued rate and clarified that the prepaid amounts are reflected only within transfers.

Mr. Anglin stated staff propose a 2% service rate increase and a 3% septage rate increase.

Mr. Reynolds stated that he did not understand the difference in costs between multi-family and single-family housing, noting that the same number of individuals could potentially reside in each type of dwelling. Mr. Anglin responded that, during the rate study conducted last year, it was discussed that some agencies are reviewing the flow difference between these types of units to

determine whether they should be assessed the same rate. He stated that the District does not have sufficient data to make this change but could do so in the future.

There was discussion on future funding allocations associated with the expansion reserve.

5. Adjournment.

There being no further business, the meeting was adjourned at 12:09 PM.