

**NOTICE OF JOINT MEETING OF THE BOARD OF DIRECTORS OF
THE TOWN OF CAREFREE, AZ UTILITIES COMMUNITY FACILITIES DISTRICT
AND THE BOARD OF DIRECTORS OF THE CAREFREE WATER COMPANY, INC.**

WHEN: TUESDAY, JUNE 1, 2021

WHERE: ZOOM ONLINE*

TIME: 3:30 P.M.

Pursuant to A.R.S. § 10-822, notice is hereby given of the time, place and purposes of a meeting of the Board of Directors of the Town of Carefree, Arizona Utilities Community Facilities District and the Board of Directors of the Carefree Water Company, Inc., an Arizona corporation.

Members of the Board of Directors are participating by technological means or methods pursuant to A.R.S. §10-708.

CALL TO ORDER

SILENT ROLL CALL

AGENDA

- ITEM #1** Approval of the March 2, 2021 UCFD/CWC meeting minutes.
- ITEM #2** Approval of the May 4, 2021 UCFD/CWC meeting minutes.
- ITEM #3** Review, discussion, and possible action to approve Resolution 2021-08, accepting a 5-year Rate Plan for the Carefree Water Company as recommended by Willdan Financial Consultants.
- ITEM #4** Review, discussion, and possible action to approve the FY 2021-2022 Carefree Water Company Budget and Rate Schedule.
- ITEM #5** Review, discussion, and possible action to approve Resolution 2021-05 regarding the assignment of water system assets in the Carefree Service Area (CSA) from the UCFD to the Carefree Water Company.
- ITEM #6** Review, discussion, and possible action to approve Resolution 2021-06 appointing District Officers for the Town of Carefree, Arizona Utilities Community Facilities District (UCFD).
- ITEM #7** Review, discussion, and possible action to approve Resolution 2021-07 allowing the UCFD/Water Company to be reimbursed from future Bond proceeds for payments made to the Town of Cave Creek per the Settlement Agreement dated March 16, 2021.

ITEM #8 Adjournment

DATED this 26th day of May, 2021.

UCFD/CWC

By: Kandace French Contreras

Kandace French Contreras, Secretary

Items may be taken out of order

*Due to the risks to public health caused by the possible spread of the COVID-19 virus at public gatherings, it has determined that public meetings will be indefinitely held through technological means. Meetings will be also open to the public through technological means. In reliance on, and compliance with, the March 13, 2020 Opinion issued by Attorney General Mark Brnovich, the Carefree Water Company provides this special advance notice of the technological means through which public meetings may be accessed. While this special notice is in effect, public comment at meetings will only be accepted through written submissions, which may or may not be read aloud during meetings.

Join Zoom Meeting:

Click on the following link or cut and paste it into your browser:

<https://us02web.zoom.us/j/3229729660>

Or go to <https://www.zoom.us/join> Meeting ID: 322 972 9660

A password is not required.

By phone:

Please call 1-253-215-8782



FOR SPECIAL ACCOMMODATIONS

Please contact the Town Clerk, 8 Sundial Circle (PO Box 740), Carefree, AZ 85377; (480) 488-3686, at least three working days prior to the meeting if you require special accommodations due to a disability.

**MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF
THE TOWN OF CAREFREE, AZ UTILITIES COMMUNITY FACILITIES DISTRICT
AND THE BOARD OF DIRECTORS OF THE CAREFREE WATER COMPANY, INC.**

UCFD/CWC

WHEN: TUESDAY, MARCH 2, 2021

JUN 01 2021

WHERE: ZOOM ONLINE MEETING ID: 322 972 9660*

/

TIME: 4:30 P.M

Attending:

Chairman Les Peterson

Absent:

None

Board Members:

John Crane
Vince D'Aliesio
Tony Geiger
Stephen Hatcher
Michael Krahe
Cheryl Kroyer

Also Attending:

Greg Crossman, General Manager of the Carefree Water Company, Gary Neiss, Carefree Town Administrator, Tracy Grunden; Director, Water & Wastewater, Coe & Van Loo; Ken Kawamoto, Pre-Construction Manager, Achen-Gardner Construction; Michael Wright; Attorney, Sherman & Howard LLC.

Chairman Peterson opened the meeting at 4:30 p.m.

AGENDA

ITEM #1 Approval of the UCFD/CWC Meeting Minutes for December 1, 2020 Meeting.

Chairman Peterson read the agenda item and asked the Board if there were any changes or edits to the Minutes. There were no questions or changes.

Board Member Kroyer made a **motion** to approve the December 2, 2020 Minutes. There was a **second** by Board Member D'Aliesio. The motion **carried** by a vote of 6 to 0 and 1 with Board Member Hatcher not voting due to technical difficulties with the meeting connection.

ITEM #2 Approval of the UCFD Meeting Minutes for February 9, 2021 Meeting.

Chairman Peterson read the agenda item and deferred the approval of the February 9th Minutes as they were not ready for review.

ITEM #3A Review, discussion and possible action to Approve Resolution 2021-02 authorizing the Chairman of the Board of Directors to enter into a Construction Manager At Risk (CMAR) Preconstruction Services Contract with Achen-Gardner Construction, LLC.

Chairman Peterson read the Agenda Item into the record and introduced General Manager, Greg Crossman.

Mr. Crossman provided a Power Point and presented the matter to the Board of Directors. He explained the presentation would cover two agenda items; 3A and 3B. Both agenda items are related to the Carefree Water Consolidation Project. This agenda item covers the Construction Manager at Risk and the following agenda item covers the a final design and engineering for the project. He reintroduced the representatives of both firms in attendance at the meeting, Ken Kawamoto with Achen-Gardner who is the recommended Construction Manager at Risk for the project, and Tracy Grunden, who is with the firm of Coe & Van Loo Engineers who will be the recommended Consultant for the final design of this project.

Mr. Crossman provided a summary overview and reminder of the nomenclature and terminology for the project. He presented a map of the Carefree Service Area and highlighted the Carefree Water Company Service Area, the Cave Creek Service Area in Carefree and Neighborhoods A, B and C. He said in their entirety, Neighborhoods A, B, and C make up the "Carefree Service Area." About three weeks ago, there was an at length discussion of the acquisition of the Carefree Service Area as it relates to water service for Neighborhoods A, B, and C focusing on disconnecting the Carefree Service Area from the Cave Creek water supply and reconnecting it to the Carefree water supply. The name of the project transition is called the Carefree Water Consolidation Project.

Mr. Crossman presented a Neighborhood Improvements Key Map in order to provide a reminder of the magnitude and complexity of the consolidation project. The boxes shown on the map represent those areas that will require some kind of construction to either disconnect from Cave Creek or reconnect to the Carefree Water Company system. The complexity of the work for each box varies a great deal from a cut and cap to the construction of a new 300k gallon water reservoir. He then provided a map with the overlay of the boundaries of the service areas. To show how the project is disbursed throughout the service area.

The project provides both a lot of construction opportunities and construction challenges. It is a large and complex project. The traditional "Design, Bid, Build" low bid type process is not a good fit for this project as there are too many unknowns and too much to coordinate and sequence. Therefore at the February 9th meeting it was recommended to use the "Delivery Method" which is the Construction Manager at Risk method, or "CMAR" process. Mr. Crossman then presented a graphic showing the differences in the two construction delivery methods and described the process for each. He also explained the type of job that would fit best for the traditional DBB versus the CMAR method. He explained what the CMAR process was a much better fit for this project. The CMAR process results in a team process that takes it to 100% final design plans. He explained that early in the process a construction contractor is hired to be part of the team which provides two major benefits to the Water Company (owner). One is the having a construction manager early on in the process allows the construction contractor to give the design engineer and owner input from a construction perspective. The second benefit is

that by the time the team gets to 100% design plans, the Contractor is ready to hit the ground running because they are very familiar with the project. With this Resolution, the Board will be approving and building this CMAR team.

The first contract will be the final design and engineering contract. It is being recommended that contract go to Coe and Van Loo, which has been involved in the process since the beginning and is familiar with project and are our experts on Neighborhoods A, B and C. Coe and Van Loo was originally hired in 2018 to complete a water study and assess neighborhoods A, B & C and acquisition thereafter. Coe and Van Loo provided expert witness testimony during the arbitration through to preliminary engineering and where we are today with 30% plans. The contract amount is not to exceed \$589,329 and will take the project to 100% plans.

The second contract is for a Construction Manager at Risk, or CMAR. The Preconstruction Services Contract. Achen-Gardner Construction is the recommend CMAR. It is a two-step qualifications based process. He explained the two step process, including the submission of SOQs, of which they received 5 submittals. Those SOQs were reviewed by a panel of which two potential contractors were selected for oral interviews. From the oral interviews Achen-Gardner was chosen to be the CMAR. Their not to exceed amount is just under \$400,000. The exact amount is \$387,690. Mr. Crossman said it was important to note that the contract included several important services such as project scheduling, sequencing and phasing. He went over the benefits of these services and added that it will also include project planning, cost estimating, value engineering, constructability and early procurement. He explained why these are also important.

Council Member Hatcher asked about the water tank being located at the Boulders and asked if that would be built first along with the piping system. He also asked the difference between sequencing and phasing. Mr. Crossman responded.

There was additional discussion regarding the timeline by Board Member Geiger to which Greg responded.

Board Member Krahe made a **motion** to approve Resolution 2021-02 authorizing the Chairman of the Board of Directors to enter into a Construction Manager At Risk (CMAR) Preconstruction Services Contract with Achen-Gardner Construction, LLC and authorizing the Chairman of the Board of Directors to enter into a Final Design Services Contract with Coe and Van Loo II L.L.C. There was a **second** by Board Member Kroyer. The motion **carried** unanimously.

ITEM #3B **Review, discussion and possible action to Approve Resolution 2021-02 authorizing the Chairman of the Board of Directors to enter into a Final Design Services Contract with Coe and Van Loo II L.L.C.**

This agenda item was discussed above and approved unanimously under one motion and one Resolution (2021-02) in Agenda Item #3A.

ITEM #4 **Adjournment**
Approved.

Chairman Peterson asked for a motion to adjourn.

Board Member Krahe made a **motion** to adjourn. There was a **second** by Board Member Kroyer. The motion **carried** unanimously.

DATED this 8th day of April, 2021.

Meeting adjourned at 5:01 p.m.

UCFD/CWC

Kandace French Contreras, Secretary/Treasurer

BOARD OF DIRECTORS

Les Peterson, Chairman

Attest:

Kandace French Contreras, Secretary/Treasurer
CERTIFICATION

I certify that the foregoing minutes are a true and correct copy of the minutes of the meeting of the Carefree Water Company/Utilities Community Facilities District Board of Directors held on March 2, 2021. I further certify that the meeting was duly called and held and that a quorum was present.

Kandace French Contreras, Secretary/Treasurer

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF
THE TOWN OF CAREFREE, AZ UTILITIES COMMUNITY FACILITIES DISTRICT
AND THE BOARD OF DIRECTORS OF THE CAREFREE WATER COMPANY, INC.

UCFD/CWC

JUN 01 2021

2

WHEN: TUESDAY, MAY 4, 2021

WHERE: ZOOM ONLINE MEETING ID: 322 972 9660*

TIME: 4:30 P.M

Attending:

Chairman Les Peterson

Absent:

Stephen Hatcher

Board Members:

John Crane

Vince D'Aliesio

Tony Geiger

Cheryl Kroyer

Also Attending:

Greg Crossman, General Manager of the Carefree Water Company, Gary Neiss, Carefree Town Administrator, Michael Wright; Attorney, Sherman & Howard LLC.

Chairman Peterson opened the meeting at 4:30 p.m.

AGENDA

ITEM #1 Approval of the April 6, 2021 UCFD/CWC meeting minutes.

Chairman Peterson read the agenda item and asked the Board if there were any changes or edits to the Minutes. There were no questions or changes.

Vice Chair Crane made a **motion** to approve the April 6, 2021 Minutes. There was a **second** by Board Member Geiger. The motion **carried** unanimously by a vote of 5 to 0 with Board Member Hatcher absent.

ITEM #2 Review, discussion and possible action to approve Resolution 2021-04 regarding the assignment of CAP water rights from the UCFD to the Carefree Water Company.

Chairman Peterson announced the agenda item and introduced General Manager, Greg Crossman.

Mr. Crossman presented a Power Point to the Board. He stated that the matter before them was legal housekeeping and assigns 378 acre feet of CAP water rights to serve the Carefree Service Area to the Carefree Water Company. The Settlement Agreement between the Town of Carefree and the Town of Cave Creek requires Cave Creek to transfer those water rights to the UCFD for the Carefree Service Area also known as Neighborhoods A, B and C. Of that, approximately 300 acre feet is needed to serve the current customer demand in Neighborhoods A, B and C and

approximately 80 acre feet will be reserved to meet future demand for growth in those three neighborhoods. The Settlement Agreement is between the Town of Cave Creek and the UCFD. However, the Carefree Water Company holds the subcontract for all of Carefree's CAP water rights. The Resolution before them solves this problem by assigning the CAP water rights from the UCFD to the Carefree Water Company. He presented a flow chart showing the water rights transfer process. He said upon the assignment, the Carefree Water Company can seek an amendment to its CAP contract with the Bureau of Reclamation and the Central Arizona Water Conservation District. This would increase the Carefree CAP allocation from 1300 acre feet to 1678 acre feet of annual water supply from the CAP canal which ultimately comes from the Colorado River.

Chairman Peterson asked a question of attorney Michael Wright regarding the assignment and whether there should be compensation involved. Michael Wright explained it was a formality and there was no compensation needed.

There was additional discussion among the Board members. Greg explained the steps that all the involved entities would take to authorize the transfer. He also explained how the authorization will be processed by the Town of Cave Creek and moved on to the other regulatory entities for approval.

Board Member Kroyer made a motion to approve Resolution 2021-04 regarding the assignment of CAP water rights from the UCFD to the Carefree Water Company. There was a second by Board Member D'Aliesio. The motion carried unanimously by a vote of 6 to 0.

ITEM #3 Adjournment

Chairman Peterson asked for a motion to adjourn.

Board Member Geiger made a motion to adjourn. There was a second by Board Member Kroyer. The motion carried unanimously.

Meeting adjourned at 4:43 p.m.

DATED this 7th day of May, 2021.

UCFD/CWC

Kandace French Contreras, Secretary/Treasurer

BOARD OF DIRECTORS

Les Peterson, Chairman

Attest:

Kandace French Contreras, Secretary/Treasurer
CERTIFICATION

I certify that the foregoing minutes are a true and correct copy of the minutes of the meeting of the Carefree Water Company/Utilities Community Facilities District Board of Directors held on May 4, 2021. I further certify that the meeting was duly called and held and that a quorum was present.

Kandace French Contreras, Secretary/Treasurer

**CAREFREE WATER COMPANY, INC. AND
CAREFREE UTILITIES COMMUNITY FACILITIES DISTRICT**

BOARD COMMUNICATION

TO: PRESIDENT AND BOARD MEMBERS
FROM: GREG CROSSMAN, GENERAL MANAGER *GC*
DATE: MAY 27, 2021
SUBJECT: JUNE 1, 2021 BOARD MEETING - AGENDA ITEM NO. 3

The above referenced June 1st agenda item recommends the adoption of Resolution 2021-08 which approves a 5-Year Rate Plan for the Carefree Water Company. This Rate Plan is being implemented in anticipation of bonding for the construction costs associated with the Carefree Water Consolidation Project. An Executive Summary for the 5-Year Rate Plan, which has been produced by the consulting firm of Willdan Financial Services, is attached.

The Rate Plan will be instrumental in assuring the repayment of the future debt obligation that is needed to fund the Water Consolidation Project and will assist the UCFD in obtaining the lowest interest rate possible on the bond. Investors will look favorably at the adoption of the Rate Plan as a commitment on the part of the UCFD and Water Company to ensure the repayment of the debt obligation.

The 5-Year Rate Plan calls for 4.4% rate increases for the next five fiscal years. These 4.4% rate increases are consistent with the rate increases approved in the last 2 budget cycles (FY19-20 and FY20-21). Dan Jackson of Willdan Financial Services pointed out in his presentation to the Board on February 9, 2021, that the average annual rate increase for water systems nation-wide is in 5 to 6% range, greater than the recommended Rate Plan increases.

The assumptions used in the development of the 5-Year Rate Plan included a weighted base fee obligation for the new customers within the Carefree Service Area (Neighborhoods A, B, and C). The base fee within the newly acquired service areas will mimic the current base fee for the Town of Cave Creek, their current water provider. Using a higher base fee similar to the current Cave Creek base fee will apportion to the new customers a larger share of the bond repayment obligation.

Please contact Greg Crossman (480-488-9100; greg@carefreewaterco.com) with any questions.

Executive Summary

Background



The Town of Carefree, Arizona and Carefree Water Company engaged **Willdan Financial Services** to assist in the analysis and development of a long-term water rate plan to address the acquisition of approximately 525 residential water accounts from the Town of Cave Creek. These accounts are within the Town limits of Carefree and service is due to be established on or about July 1 2023. The objective of this study is to develop a long-term rate plan that will enable Carefree to recover sufficient funds to meet operating expenses, capital outlays, debt service and coverage requirements, both for existing accounts and for the newly acquired accounts. At the same time, the rate plan seeks to the best extent possible to minimize the impact of any adjustments on ratepayers.

Water Customers and Usage – Test Year and Forecast

In order to accurately forecast future revenues and expenses, it is necessary to examine current water utility conditions. The first step in developing cost of service rates is to analyze patterns of usage, both for the system as a whole, and for specified customer classes.

Table ES-1 presents a forecast of Carefree's accounts for the period FY 2021 – FY 2040. **Table ES-2** presents a forecast of Carefree's water usage for the same period. Both forecasts include Carefree acquiring the accounts in Neighborhoods A, B, and C from the Town of Cave Creek.

The tables reveal that account and volume growth is also forecast to be limited in the next twenty years, except for the year that the accounts are acquired.

TABLE ES-1

CAREFREE WATER COMPANY											
FORECAST TOTAL CUSTOMERS											
WATER CUSTOMERS (CATEGORIES)											
Residential	COM 1"	COM 1.5"	COM 2"	COM 3"	MASTER 1-10	STAND PIPE	FIRE HYDRANT	Bulk Sale (Cave Creek)	Water Company	Neighborhood A, B, C	Total
2018	1,781	21	27	16	5	10	43	2	1	1	1,896
2019	1,785	23	27	18	5	10	46	4	1	1	1,927
2020	1,820	24	27	15	4	10	53	-	1	1	1,984
2021	1,852	24	27	15	4	10	66	3	1	1	2,012
2022	1,871	25	27	15	4	10	66	3	1	1	2,031
2023	1,889	25	27	15	4	10	66	3	1	1	2,031
2024	1,908	26	27	15	4	10	66	3	1	1	2,031
2025	1,927	27	27	15	4	10	66	3	1	1	2,031
2026	1,948	28	27	15	4	10	66	3	1	1	2,031
2027	1,966	29	27	15	4	10	66	3	1	1	2,031
2028	1,986	30	27	15	4	10	66	3	1	1	2,031
2029	2,005	30	27	15	4	10	66	3	1	1	2,031
2030	2,028	31	27	15	4	10	66	3	1	1	2,031
2031	2,046	32	27	15	4	10	66	3	1	1	2,031
2032	2,066	33	27	15	4	10	66	3	1	1	2,031
2033	2,087	34	27	15	4	10	66	3	1	1	2,031
2034	2,108	35	27	15	4	10	66	3	1	1	2,031
2035	2,129	36	27	15	4	10	66	3	1	1	2,031
2036	2,150	37	27	15	4	10	66	3	1	1	2,031
2037	2,172	39	27	15	4	10	66	3	1	1	2,031
2038	2,193	40	27	15	4	10	66	3	1	1	2,031
2039	2,215	41	27	15	4	10	66	3	1	1	2,031
2040	2,237	42	27	15	4	10	66	3	1	1	2,031

TABLE ES-2

CAREFREE WATER COMPANY											
FORECAST BILLED CONSUMPTION											
WATER CUSTOMERS (CATEGORIES)											
Residential	COM 1"	COM 1.5"	COM 2"	COM 3"	MASTER 1-10	STAND PIPE	FIRE HYDRANT	Bulk Sale (Cave Creek)	Water Company	Neighborhood A, B, C	Total
2018	234,855,204	2,825,385	8,985,323	8,105,799	11,362,800	8,632,416	1,290,735	369,100	22,740	18,990	277,286,492
2019	238,832,043	2,897,795	7,844,266	9,619,301	12,423,771	9,485,733	1,840,237	2,195,575	45,910	23,132	285,423,783
2020	202,704,263	3,636,564	6,137,137	10,389,844	9,721,000	10,335,956	2,519,448	63,600	-	24,317	305,622,129
2021	273,780,020	4,741,980	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	314,626,637
2022	276,497,620	4,854,239	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	317,408,697
2023	278,262,598	5,030,767	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	318,822,500
2024	282,065,222	5,181,690	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	320,044,149
2025	284,875,775	5,337,140	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	321,370,052
2026	287,724,532	5,497,254	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	322,722,200
2027	290,601,778	5,662,172	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	324,099,000
2028	293,507,795	5,832,037	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	325,491,000
2029	296,442,873	6,006,998	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	326,898,000
2030	299,407,302	6,187,208	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	328,320,000
2031	302,401,375	6,372,825	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	329,757,000
2032	305,425,389	6,564,008	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	331,209,000
2033	308,479,643	6,760,900	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	332,676,000
2034	311,564,439	6,963,757	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	334,158,000
2035	314,680,084	7,172,670	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	335,655,000
2036	317,826,884	7,387,890	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	337,167,000
2037	321,005,153	7,609,486	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	338,694,000
2038	324,215,205	7,837,700	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	340,236,000
2039	327,457,357	8,072,804	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	341,793,000
2040	330,731,930	8,315,091	8,312,357	8,237,487	8,013,965	8,984,459	1,261,916	1,211,730	-	22,923	343,365,000

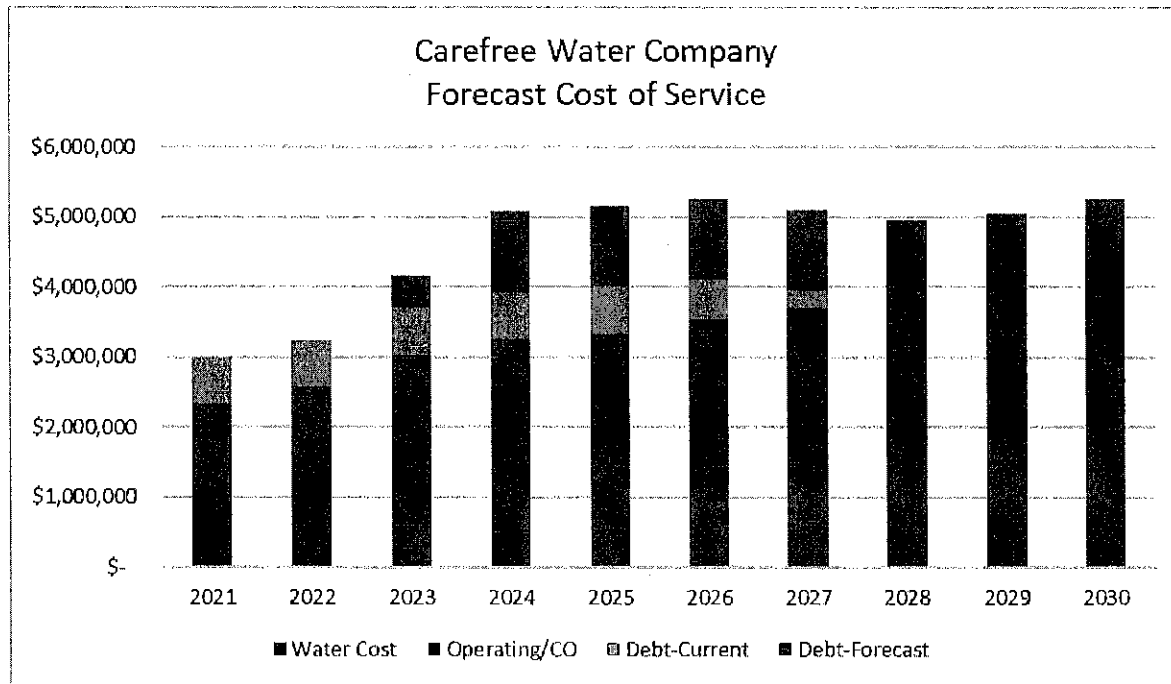
Net Revenue Requirement

Table ES-4, and Chart ES-4 present the ten-year forecast for the Water Company's net revenue requirement to be raised from rates for the water utility for each of the three scenarios.

TABLE ES-3

CAREFREE WATER COMPANY										
SCENARIO: 2021 05 28 -- \$20.3M Acquisition 30 Year										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating										
Cost of Water	\$ 989,123	\$ 1,186,232	\$ 1,527,958	\$ 1,568,815	\$ 1,851,784	\$ 1,717,509	\$ 1,785,983	\$ 1,857,240	\$ 1,931,460	\$ 2,008,751
General and Administrative	860,679	693,420	941,330	1,088,822	1,130,023	1,172,981	1,217,786	1,264,529	1,313,309	1,364,230
Repair and Maintenance	202,765	216,581	274,146	292,612	313,571	338,245	360,783	387,346	418,108	447,280
Total Operating	2,052,767	2,296,213	2,743,433	2,970,050	3,095,357	3,228,736	3,364,532	3,509,115	3,660,877	3,820,241
Capital										
Capital Outlays	288,919	292,250	292,250	282,250	242,250	322,250	342,250	282,250	242,250	282,250
Debt Service -- Current	659,104	659,104	659,104	659,104	659,104	581,737	244,784	-	-	-
Debt Service -- Forecast	-	-	474,450	1,151,200	1,150,800	1,149,800	1,148,200	1,151,000	1,148,000	1,148,400
Total Capital	948,023	951,354	1,425,804	2,102,554	2,052,154	2,033,787	1,735,214	1,443,250	1,390,250	1,441,650
Total Cost of Service	3,000,790	3,247,567	4,169,237	5,072,604	5,147,511	5,260,523	5,099,746	4,952,365	5,051,127	5,261,891
Non-Rate Revenues	74,834	74,834	74,834	74,834	74,834	74,834	74,834	74,834	74,834	74,834
Net Revenue Requirement	2,925,956	3,172,733	4,094,403	4,997,770	5,072,677	5,185,689	5,024,912	4,877,531	4,976,293	5,187,057

CHART ES-4



A critical component of the cost of service is debt principal and interest. Carefree Water Company currently has two outstanding long-term debt issues:

- 1) Series 2009 WIFA
- 2) Advance in Aid of Construction Repayments

Both of these financial obligations are due to be retired in the next ten years.

In addition, the financial forecast assumes that the Company issues a debt of **\$20,300,000** plus closing costs to fund the acquisition of the 525 Cave Creek accounts as well as the capital improvements required to interconnect and improve the system. Stifel, the Water Company, and the project team reviewed several alternative debt schedules for this financing. For the purposes of this study, analysis and rate plan, the project team is utilizing a debt funding scenario that includes a 30-year term with a mostly level debt payment schedule.

Current and forecast debt for the next ten years is summarized in **Table ES-5**.

TABLE ES-5

CAREFREE WATER COMPANY				
CURRENT AND FORECAST DEBT SERVICE				
SCENARIO: 2021 05 26 -- \$20.3M Acquisition 30 Year				
Year	Current		Forecast	
	CWC - WIFA Repayment Schedule 2009	CWC - Advance in Aid of Construction Repayment	2021 Acquisition and Improvements	Total
2021	\$ 244,764	\$ 414,340	\$ -	\$ 659,104
2022	244,764	414,340	-	659,104
2023	244,764	414,340	474,450	1,133,554
2024	244,764	414,340	1,151,200	1,810,304
2025	244,764	414,340	1,150,800	1,809,904
2026	244,764	316,973	1,149,800	1,711,537
2027	244,764	-	1,148,200	1,392,964
2028	-	-	1,151,000	1,151,000
2029	-	-	1,148,000	1,148,000
2030	-	-	1,149,400	1,149,400

Proposed Rate Plan

Rate design involves determining charges for each class of customers that will generate a desired level of revenue in accordance with AWWA and other industry cost of service rate-making principles. The rate plan developed by the project team includes the following objectives:

- The plan will ensure that water rates will cover the water cost of service.
- The rate plan presents a forecast of rates for the period 2021 – 2025.

- The rates are assumed to be implemented on October 1 of each year.
- The primary factor driving the rate plan is the potential acquisition of the Carefree accounts, and the cost paid for these accounts, and the accompanying capital improvements required to integrate the system. These alternatives do not imply agreement with, or acceptance of, any assumed acquisition price.
- For customers in Neighborhoods A, B, and C, a monthly “acquisition fee” of \$20.00 is added to the base charge. This is intended to defer a portion of the cost of acquiring the system.

Table ES-6 presents a summary of the water rate plan proposed for Residential and Commercial customers. Table ES-7 presents the impact on monthly charges of both the water rate adjustments for representative Residential and Commercial accounts.

Table ES-8 and Chart ES-9 present a forecast of revenues and expenses under the proposed rate plan.

The tables reveal that Carefree is forecast to require annual rate adjustments for each of its customer classes.

In summary, the rate plan reveals that the Carefree Water Company is forecast to require 4.4% annual rate adjustments for all its customers for the period 2021 – 2025.

TABLE ES-6

		CAREFREE WATER COMPANY FORECAST RATE PLAN					
SCENARIO: 2021 05 28 -- \$20.3M Acquisition 30 Year		Effective					
		Current	Oct-21	Oct-22	Oct-23	Oct-24	Oct-25
Base Charge							
Residential	5/8" or 3/4"	\$ 46.27	\$ 48.31	\$ 50.44	\$ 52.65	\$ 54.97	\$ 57.39
Residential	1"	46.27	48.31	50.44	52.65	54.97	57.39
Neighborhood A,B,C	5/8", 3/4", 1"	-	-	50.44	52.65	54.97	57.39
	Acquisition Fee	-	-	20.00	20.00	20.00	20.00
	Total	-	-	70.43	72.65	74.97	77.39
Commercial	1"	83.30	86.97	90.80	94.79	98.96	103.32
Commercial	1 1/2"	208.75	215.85	225.35	235.26	245.61	256.42
Commercial	2"	495.80	517.41	540.18	563.94	588.78	614.66
Commercial	3"	660.61	689.68	720.03	751.71	784.78	819.31
Volume Charge - Per 1,000 Gallons							
-	8,000	3.74	3.90	4.07	4.25	4.44	4.63
8,001	20,000	5.03	5.25	5.48	5.72	5.97	6.24
20,001	30,000	6.61	6.90	7.20	7.52	7.85	8.20
30,001	50,000	8.54	8.92	9.31	9.72	10.15	10.60
50,001	Above	11.10	11.59	12.10	12.63	13.19	13.77

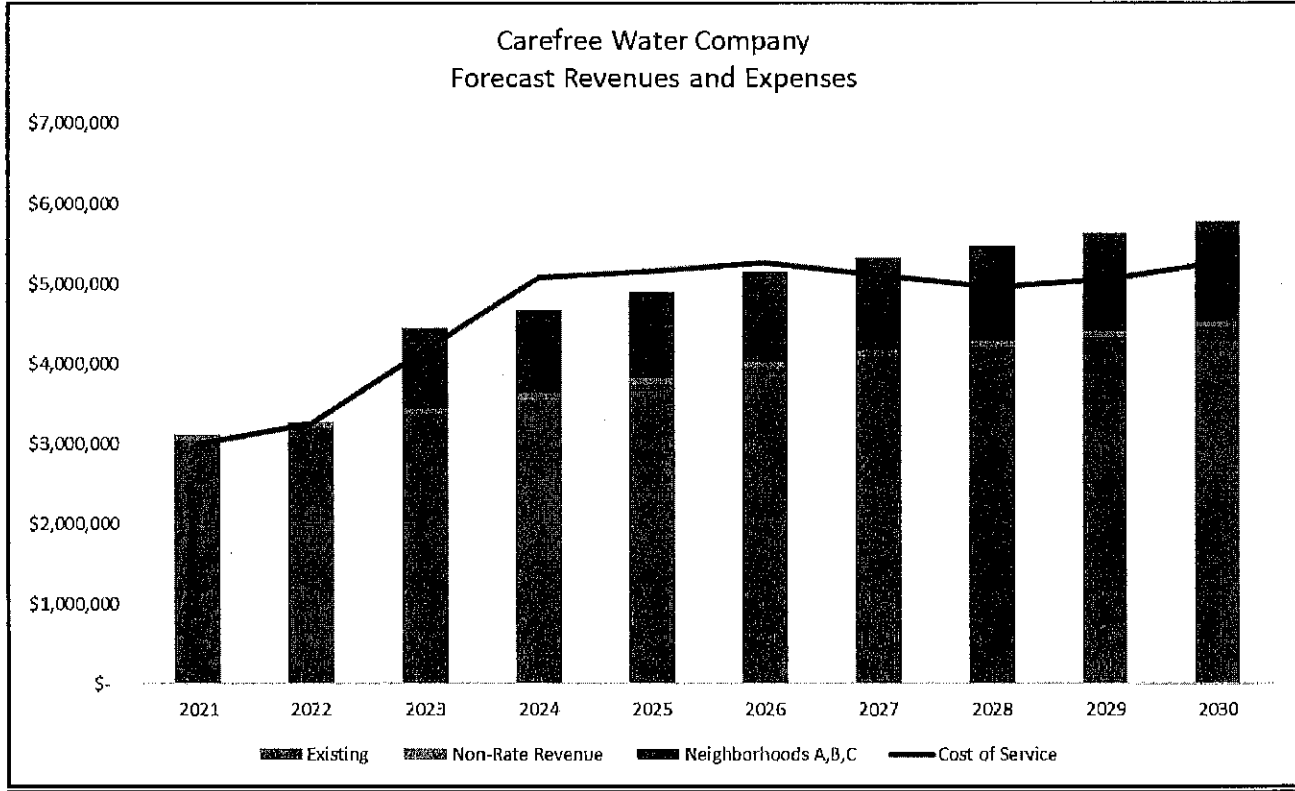
TABLE ES-7

SCENARIO: 2021 05 26 -- \$20.3M Acquisition 30 Year							
	Current	Oct-21	Oct-22	Effective		Oct-24	Oct-25
Residential Monthly Water Charge							
8,000 Gallons	\$ 64.95	\$ 67.81	\$ 70.79	\$ 73.91	\$ 77.16	\$ 80.58	
	Dollar Inc	2.86	2.98	3.11	3.25	3.40	
	Percent Inc	4.4%	4.4%	4.4%	4.4%	4.4%	
12,000 Gallons	96.27	100.51	104.93	109.55	114.37	119.40	
	Dollar Inc	4.24	4.42	4.62	4.82	5.03	
	Percent Inc	4.4%	4.4%	4.4%	4.4%	4.4%	
30,000 Gallons	202.59	211.51	220.62	230.53	240.68	251.27	
	Dollar Inc	8.92	9.31	9.72	10.14	10.59	
	Percent Inc	4.4%	4.4%	4.4%	4.4%	4.4%	
SCENARIO: 2021 05 26 -- \$20.3M Acquisition 30 Year							
	Current	Oct-21	Oct-22	Effective		Oct-24	Oct-25
Neighborhood A/B/C Monthly Water Charge							
5,000 Gallons	\$ -	\$ -	\$ 90.79	\$ 93.90	\$ 97.16	\$ 100.55	
	Dollar Inc	-	90.79	3.11	3.25	3.40	
	Percent Inc	0.0%	0.0%	3.4%	3.5%	3.5%	
12,000 Gallons	-	-	124.93	129.54	134.36	139.40	
	Dollar Inc	-	124.93	4.62	4.82	5.03	
	Percent Inc	0.0%	0.0%	3.7%	3.7%	3.7%	
30,000 Gallons	-	-	240.81	250.53	260.67	271.28	
	Dollar Inc	-	240.81	9.72	10.14	10.59	
	Percent Inc	0.0%	0.0%	4.0%	4.0%	4.1%	
SCENARIO: 2021 05 26 -- \$20.3M Acquisition 30 Year							
	Current	Oct-21	Oct-22	Effective		Oct-24	Oct-25
Commercial Monthly Water Charge - 1.5" Meter							
20,000 Gallons	\$ 296.98	\$ 310.05	\$ 323.69	\$ 337.93	\$ 352.80	\$ 368.33	
	Dollar Inc	13.07	13.64	14.24	14.87	15.52	
	Percent Inc	4.4%	4.4%	4.4%	4.4%	4.4%	
40,000 Gallons	448.52	468.25	488.85	510.36	532.82	556.26	
	Dollar Inc	19.73	20.60	21.51	22.46	23.44	
	Percent Inc	4.4%	4.4%	4.4%	4.4%	4.4%	

TABLE ES-8

CAREFREE WATER COMPANY FORECAST REVENUES, EXPENSES AND CASH FLOW										
Fiscal Year										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Scenario: 2021-2025 = 2019 (Market) Adjusted to Year										
1 Fund Balance, Revenues and Expenses										
2 Revised Beginning Fund Balance	\$ 2,603,760	\$ 2,716,388	\$ 2,743,934	\$ 3,014,967	\$ 2,606,411	\$ 2,396,694	\$ 2,242,703	\$ 2,469,394	\$ 2,989,784	\$ 3,981,931
3 Revenues and Cost of Service										
4 Revenues										
5 Water Rate Revenues										
6 Residential	\$ 2,528,295	\$ 2,665,935	\$ 2,811,086	\$ 2,964,103	\$ 3,125,469	\$ 3,295,619	\$ 3,421,017	\$ 3,524,331	\$ 3,630,766	\$ 3,740,415
7 Commercial	380,031	398,319	417,529	437,711	458,917	481,203	498,784	509,048	521,875	534,679
8 Master Meters	112,957	117,928	123,116	128,534	134,189	140,063	143,984	146,884	149,801	152,797
9 Other	17,337	18,100	18,896	19,726	20,596	21,502	22,099	22,541	22,992	23,452
10 Neighborhood A, B, C	-	-	994,426	1,036,539	1,084,789	1,133,281	1,187,720	1,195,137	1,223,206	1,251,843
11 Total	3,038,591	3,200,281	4,355,036	4,586,614	4,823,960	5,071,898	5,251,603	5,397,921	5,548,440	5,703,285
12 Non-Rate Revenues	74,834	74,834	74,834	74,834	74,834	74,834	74,834	74,834	74,834	74,834
13 Total Revenues	3,113,425	3,275,115	4,439,870	4,663,448	4,898,794	5,146,732	5,326,437	5,472,755	5,623,274	5,778,120
14 Cost of Service										
15 Operating Expenses										
16 Cost of Water	969,123	1,198,232	1,527,958	1,688,615	1,651,784	1,717,509	1,785,663	1,857,240	1,931,460	2,008,751
17 General and Administrative	904,854	938,508	987,771	1,196,656	1,179,292	1,223,728	1,270,056	1,318,367	1,368,762	1,421,347
18 Repair and Maintenance	158,990	171,473	227,705	244,778	264,302	285,499	306,514	333,509	360,659	390,144
19 Total	2,052,787	2,298,213	2,743,433	2,970,050	3,095,357	3,228,738	3,364,532	3,509,116	3,650,577	3,820,241
20 Net Revenues for Debt Service, Reimbursements, Transfers and Capital Outlays	1,060,659	976,902	1,696,437	1,693,398	1,803,437	1,919,797	1,961,905	1,963,640	1,982,397	1,957,879
21 Debt Service \$ 20,300,000	-	-	474,460	1,151,200	1,150,600	1,148,800	1,148,200	1,151,000	1,148,000	1,149,600
22 Net Revenues for Reimbursements, Transfers and Capital Outlays	1,060,659	976,902	1,221,977	542,198	652,837	769,997	813,705	812,640	814,397	808,479
23 CWC - WFA Repayment Schedule 2009	244,764	244,764	244,764	244,764	244,764	244,784	244,764	-	-	-
24 CWC - Advance in Aid of Construction Repayment Sch	414,340	414,340	414,340	414,340	414,340	316,973	-	-	-	-
25 Capital Outlays	266,919	292,250	292,250	292,250	242,250	322,250	342,250	292,250	242,250	292,250
26 Transfers	-	-	-	-	-	-	-	-	-	-
27 Total Cost of Service	3,000,790	3,247,567	4,169,237	5,072,604	5,147,511	5,260,523	5,099,746	4,952,385	5,051,127	5,281,891
28 Net Revenues	1,112,635	1,028,340	1,217,937	591,594	750,237	876,969	913,705	912,640	914,397	908,479
29 Percents of COB	3.6%	0.8%	0.5%	-1.1%	-4.8%	-2.2%	4.4%	10.5%	11.3%	9.8%
30 Ending Water Fund Balance	\$ 2,716,388	\$ 2,743,934	\$ 3,014,967	\$ 2,606,411	\$ 2,396,694	\$ 2,242,703	\$ 2,469,394	\$ 2,989,784	\$ 3,981,931	\$ 4,078,160
31 Revenue Adequacy Tests										
32 Fund Balance as a percentage of revenues (Goal is 25%)	87.2%	83.8%	87.9%	65.9%	48.1%	43.8%	46.4%	54.6%	63.3%	70.6%
33 One Day Operating Expenditures	\$ 5,624	\$ 6,291	\$ 7,518	\$ 8,137	\$ 8,460	\$ 8,840	\$ 9,218	\$ 9,614	\$ 10,030	\$ 10,468
34 Days of Operating Expenditures	463	438	401	320	278	254	268	311	355	390
35 Goal = 60 Days										
36 Debt Coverage (2021)	1.58	1.47	1.47	1.47	1.47	1.47	1.71	1.71	1.71	1.70
Goals 1.60 and Minimum is 1.20										
37 Required Rate Adjustments										
Percent Annual Rate Adjustment	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	2.00%	2.00%	2.00%	2.00%

CHART ES-9



RESOLUTION 2021-08

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT APPROVING THE FIVE-YEAR RATE PLAN OF THE CAREFREE WATER COMPANY; AND RATIFYING RELATED ACTIONS

WHEREAS, the Town of Carefree, Arizona Utilities Community Facilities District (the "District") is the sole shareholder of the Carefree Water Company, Inc. (the "Water Company"); and

WHEREAS, the Board of Directors of the District (the "District Board") serves as the Board of Directors of the Water Company; and

WHEREAS, the rates and fees collected by the Water Company from its customers serve as the basis for payments from the Water Company to the District; and

WHEREAS, the Water Company has been presented with a five-year rate plan for the Water Company (the "Rate Plan"), prepared by Willdan Financial Services, and the Rate Plan is now on file with the District Clerk; and

WHEREAS, the District Board, in its capacity as the Board of Directors of the Water Company, has reviewed the Rate Plan;

NOW, THEREFORE, BE IT RESOLVED by the District Board of the Town of Carefree, Arizona Utilities Community Facilities District as follows:

Section 1. *Approval of Rate Plan.* To the extent applicable to the District and its ownership of the Water Company, the Rate Plan for the Water Company on file with the District Clerk and incorporated by reference herein is hereby approved.

Section 2. *Authorization and Ratification of Actions.* To the extent applicable to the District and its ownership of the Water Company, any actions of the Water Company relating to its procurement, review, consideration, approval and implementation of the Rate Plan are hereby ratified and confirmed. In connection with the Water Company's implementation of the Rate Plan, the District Manager is authorized to take any further action as required by law pertaining to the District's receipt of payments from the Water Company.

[Signature Page to Follow]

PASSED AND ADOPTED by the Board of Directors of the Town of Carefree, Arizona Utilities Community Facilities District this 1st day of June, 2021.

AYES _____ NAYS _____ ABSTENTIONS _____ ABSENT _____

Les Peterson, Chairman of the
Board of Directors

ATTEST:

Kandace French Contreras, District Clerk

APPROVED AS TO FORM

Michael W. Wright, District Attorney

CERTIFICATE

I hereby certify that the above and foregoing resolution was duly passed by the Board of Directors of the Town of Carefree, Arizona Utilities Community Facilities District at a regular meeting held on June 1, 2021, and that a quorum was present thereat and that the vote thereon was as reflected above.

Kandace French Contreras, District Clerk

UGFD/CWC

JUN 01 2021

4

CAREFREE WATER COMPANY, INC.

BOARD COMMUNICATION

TO: PRESIDENT AND BOARD MEMBERS
FROM: MEGHAN OREM, CONTROLLER
THROUGH: GREG CROSSMAN, GENERAL MANAGER **GC**
DATE: MAY 27, 2021
SUBJECT: AGENDA ITEM NO. 4 - FY21-22 WATER COMPANY BUDGET AND RATE SCHEDULE

Attached for your review prior to the June 1, 2021, Board meeting are proposed budget and water rate documents for FY 21-22. The Water Company's fiscal year coincides with the Town's and runs from July 1, 2021, through June 30, 2022.

Proposed for FY 21-22 is a water rate increase of 4.4%. This increase applies to both the monthly base fee and the commodity rates and results in an increase in the average residential customer's water bill of \$4.69 per month. This figure is based on an average residential water use of 11,500 gallons per month.

The proposed FY 21-22 water rates are consistent with the 5-year Rate Plan as recommended by Willdan Financial Consultants. The 5-year Rate Plan will support the repayment of the Water Revenue Bonds anticipated to be issued to finance the acquisition of those portions of Carefree that are currently served potable water by the Town of Cave Creek.

The Water Company's budget is developed as a balanced budget, with revenues matching expenses. Anticipated revenues for FY 21-22 are \$3.2 million.

The following is a summary of major expenses which are general indicators of overall Company costs:

- APS Power – 4% increase
- CAP Water (Untreated) – unchanged
- Scottsdale Water (Treated) – 3% increase
- General and Administrative Costs – 7% increase
- Replacement and Maintenance Costs – 7% increase
- Capital Improvement Program – 35% increase

BUDGET DETAIL

Included in this packet are the following FY 21-22 documents:

- Water Rates Summary and Spreadsheets (pages 2-5)
- Profit and Loss Summary and Spreadsheet (pages 6-7)
- Cost of Water Summary and Spreadsheet (pages 8-9)
- General and Administrative Budget Summary and Spreadsheet (pages 10-14)
- Replacement and Maintenance Budget Summary and Spreadsheet (pages 15-17)
- Reserve Recommendations (page 18)
- Capital Improvement Program Recommendations and Spreadsheets (pages 19-22)

Please contact Greg Crossman (480-488-9100; greg@carefreewaterco.com) with any questions.

Water Rates Summary
Carefree Water Company – FY 21-22

- 4.4% Overall Water Rate Increase – Base Fee and Commodity Rates
- Rate increase takes effect July 2021
- Average Monthly Bill Increase (Residential): \$4.69
- Current Average Monthly Residential Bill: \$107.06 – Proposed Average Monthly Residential Bill: \$111.76
- Average Residential Monthly Water Use: 11,500 gallons

- Current Residential Base Fee: \$48.31 – Proposed Residential Base Fee: \$50.44 – Up \$2.13
- Commodity Rates: Remain in 5 Tiers to Encourage Conservation
 - Tier Break Points Have Remained the Same
 - Rate in Each Tier (per 1,000 gallon charge) has Increased 4.4%
- Similar 4.4% adjustments to other rate categories (commercial meters and master meters)

Carefree Water Company
Effective July 1, 2021
Rate Sheet @ 4.4% Base and Commodity Increase

R1, R2 & R4

Rate Class	Rate	Basic Rate		Transmission Charge			Distribution Charge			Water			Total Water Charge			Total Rate
		Basic	Surcharge	Basic	Surcharge	Surcharge	Basic	Surcharge	Surcharge	Basic	Surcharge	Surcharge	Basic	Surcharge	Surcharge	
Residential - Single Family	11.000															
Residential - Multi-Family	12.000															
Commercial - General	15.000															
Commercial - Industrial	18.000															
Commercial - Retail	14.000															
Commercial - Wholesale	16.000															
Commercial - Other	13.000															
Commercial - Special	17.000															
Commercial - Other	12.000															
Commercial - Other	11.000															
Commercial - Other	10.000															
Commercial - Other	9.000															
Commercial - Other	8.000															
Commercial - Other	7.000															
Commercial - Other	6.000															
Commercial - Other	5.000															
Commercial - Other	4.000															
Commercial - Other	3.000															
Commercial - Other	2.000															
Commercial - Other	1.000															

 Average Residential Usage

CAREFREE WATER COMPANY RATE SCHEDULE
Effective July 1, 2021
Before Taxes

Meter Type	Meter Size	Meter Classification	Monthly Base Fee	Monthly Commodity (Usage) Charges and Tier-Breakdown												
				Tier 1		Tier 2		Tier 3		Tier 4		Tier 5				
				From (gallons)	To (gallons)	From (gallons)	To (gallons)	From (gallons)	To (gallons)	From (gallons)	To (gallons)	From (gallons)	To (gallons)			
RESIDENTIAL METERS																
Residential	5/8 & 3/4 Inch	R1/R2	\$ 50.44	0	8,000	8,001	20,000	20,001	30,000	30,001	50,000	50,001	and over			
Residential	1 inch	R4	\$ 50.44	0	8,000	8,001	20,000	20,001	30,000	30,001	50,000	50,001	and over			
COMMERCIAL METERS																
Commercial	1 inch	R5	\$ 90.80	0	8,000	8,001	16,000	16,001	32,000	32,001	64,000	64,001	and over			
Commercial	1-1/2 inch	R6	\$ 225.35	0	8,000	11,001	16,000	16,001	35,000	35,001	70,000	70,001	and over			
Commercial	2 inch	C8	\$ 540.18	0	20,000	20,001	40,000	40,001	80,000	80,001	160,000	160,001	and over			
Commercial	3 inch	C9	\$ 720.03	0	100,000	100,001	200,000	200,001	400,000	400,001	600,000	600,001	and over			
MASTER METERS																
Master Meter 1		MM1 - 8	\$ 383.29	0	30,000	30,001	40,000	40,001	60,000	60,001	80,000	80,001	and over			
Master Meter 2		MM2 - 4	\$ 191.66	0	30,000	30,001	50,000	50,001	70,000	70,001	90,000	90,001	and over			
Master Meter 3		MM3 - 8	\$ 383.29	0	40,000	40,001	80,000	80,001	100,000	100,001	150,000	150,001	and over			
Master Meter 4		MM4 - 6	\$ 287.49	0	50,000	50,001	100,000	100,001	190,000	190,001	250,000	250,001	and over			
Master Meter 5		MM5 - 12	\$ 586.88	0	30,000	30,001	50,000	50,001	80,000	80,001	100,000	100,001	and over			
Master Meter 6		MM6 - 38	\$ 1,820.65	0	170,000	170,001	270,000	270,001	300,000	300,001	350,000	350,001	and over			
Master Meter 7		MM7 - 18	\$ 862.44	0	80,000	80,001	100,000	100,001	120,000	120,001	150,000	150,001	and over			
Master Meter 8		MM8 - 11	\$ 527.03	0	90,000	90,001	150,000	150,001	200,000	200,001	250,000	250,001	and over			
Master Meter 9		MM9 - 11	\$ 527.03	0	75,000	75,001	105,000	105,001	135,000	135,001	165,000	165,001	and over			
Master Meter 10		MM10 - 11	\$ 527.03	0	60,000	60,001	120,000	120,001	190,000	190,001	220,000	220,001	and over			
STAND PIPE																
Stand Pipe		CWH		\$7.22 per 1000 gallons - Minimum Billing \$5.00 - Additional Keys \$15.00												
FIRE HYDRANT METER																
Fire Hydrant		FHY	\$ 158.52	\$7.22 per 1000 gallons after the first 20,000 gallons												

Temporary Turn-Off Policy - Customers may request their water service to be turned off temporarily or permanently at any time. If water service is off for less than nine (9) months, at the time service is re-established, the customer will be billed the monthly base fee plus tax for the number of months the water was off. If water service is off for more than nine (9) months, the customer will be billed the New Account Set-Up Fee at the time service is re-established.

NEW ACCOUNT SETUP FEES	
Residential and Commercial	\$50.00
Landlord (Transfer to Info on File)	\$10.00
Fire Hydrant	\$100.00

TAXES	
State Sales Tax	6.3%
Town Sales Tax	3.0%
State Water Tax	\$0.0065 /1,000 gal. billed

REFUNDABLE DEPOSITS	
Residential	\$200.00
Commercial	3X Average Water Bill
Stand Pipe	\$50.00
Fire Hydr. Meter	\$900.00

PAYMENT AND BILLING FEES	
Credit Card Convenience Fee (per transaction)	
Monthly Billings & Other Charges Under \$500	\$4.00
Other Charges Over \$500	3% of Amount
Late Payment or Delinquent Charge (per month)	\$7.00
Foreign Currency Transaction	\$10.00
Foreign Mailing Fee	\$3.00
Insufficient Funds or Returned Check Fee	Bank Charge Amt
Interest on Outstanding Balance	1.5% per month

MISCELLANEOUS SERVICES AND FEES	
Data Log Fee - Beginning With Second Data Log	\$30.00
Meter Re-Read (Customer Request)	\$25.00
Account Re-Establishment Fee	\$125.00
Change-Out or Moving Meter	At Water Co. Cost
Third Party Meter Test (Customer Request)	At Water Co. Cost
Emergency Call Out (If Water Company is Not Responsible for Problem)	\$100.00
Unauthorized Meter Turn-On - Residential	\$150.00
Unauthorized Meter Turn-On - Commercial	\$250.00
Unauthorized Fire Hydrant Use - Per Use	\$300.00

NEW CONSTRUCTION CHARGES AND FEES			
Meter and Service Size	Service Connection Charge	Water Capacity Fee ¹	Total
1" Meter and Service	\$3,080.00	\$3,639.00	\$6,719.00
1" Meter Only-New Subdivision	\$965.00	\$3,639.00	\$4,604.00
1-1/2" Meter and Service	\$4,275.00	\$6,595.00	\$10,870.00
2" Meter and Service	\$6,480.00	\$10,244.00	\$16,724.00
3" Compound Meter	\$20,175.00	\$20,806.00	\$40,981.00
4" Compound Meter	\$25,000.00	\$31,880.00	\$56,880.00
1" Meter & Serv. Upgrade (from 3/4")	\$2,515.00	-	\$2,515.00
1" Meter Only Upgrade (from 3/4")	\$400.00	-	\$400.00

¹Distribution, Storage, and Pumping Capacity

SAMPLE RESIDENTIAL WATER BILL CALCULATION ²				
1 Inch Residential Meter (WR4 Classification) @ 24,000 gallons				
Tier 1:	8,000 gallons	@	\$ 3.90 /1000 gal.	= \$ 31.20
Tier 2:	12,000 gallons	@	\$ 5.25 /1000 gal.	= \$ 63.00
Tier 3:	4,000 gallons	@	\$ 6.90 /1000 gal.	= \$ 27.60
Tier 4:	0 gallons	@	\$ 8.92 /1000 gal.	= \$ -
Tier 5:	0 gallons	@	\$ 11.59 /1000 gal.	= \$ -
Month Total:	24,000 gallons			
			Base Fee	\$ 48.31
			Total (Does not include taxes)	\$ 170.11

² A Residential Water Bill Calculator is available on our website at www.carefreewaterco.com

**Profit and Loss Summary
Carefree Water Company – FY 21-22**

- “All encompassing” spreadsheet to ensure cash flow needs are met (revenue stream matches expenditures)
- Looks at anticipated revenues (primarily from water sales) in relation to anticipated expenditures (e.g., Cost of Water, General & Administrative, Replacement & Maintenance)
- The Profit and Loss spreadsheet also includes other cash uses such as:
 - WIFA Loan Repayment (“Capital Lease”)
 - Town of Carefree Repayment (“Capital Advance”)
 - Water Company Building Rent
 - Reserve Deposits
 - Capital Improvement Projects
- Bottom Line: Revenue stream must cover all cash uses (cash flow/expenditures)

Carefree Water Company
PROFIT AND LOSS
2021-2022 Budget

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total	
Revenues	%	10.1%	9.8%	9.8%	9.0%	8.5%	7.3%	7.1%	6.5%	7.1%	7.5%	8.2%	9.1%	100%
Water Sales		320,269	314,335	302,013	288,513	269,781	221,566	225,832	206,642	215,878	239,338	260,062	280,399	3,144,628
New Meter & Service Fees		3,743		3,743			3,743			3,743		3,743		18,715
DFGC Electrical Fees				6,204			6,204			6,203		6,203		24,814
Cell Tower Rental Fees (net)		1,737	1,737	1,737	1,737	1,737	1,737	1,737	1,737	1,737	1,737	1,737	1,737	20,844
Other Revenues		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Total Revenues		327,749	318,072	315,697	292,250	273,518	235,250	229,569	210,379	229,561	243,075	263,799	294,082	3,233,001
Cost of Water														
Scottsdale CAP		74,471	70,337	67,759	64,257	56,990	44,953	46,905	40,999	45,288	53,136	58,866	64,373	688,334
Cave Creek CAP		-	-	-	-	-	-	-	-	-	-	-	-	-
Ground Water Pumped		14,126	11,637	11,333	10,919	9,871	8,489	10,713	8,036	8,528	9,429	10,086	10,716	123,883
Central Ariz Project		18,073	17,386	16,957	16,375	14,898	12,953	13,179	17,194	12,909	14,217	15,172	16,090	185,403
Total Water Costs		106,670	99,360	96,049	91,551	81,759	66,395	70,797	66,229	66,725	76,782	84,124	91,179	997,620
General and Administrative														
Maintenance		81,210	81,210	81,210	81,210	81,210	81,210	81,210	81,210	81,210	81,211	81,211	81,211	974,523
Depreciation		14,228	14,228	14,228	14,228	14,228	14,228	14,228	14,228	14,229	14,229	14,229	14,229	170,740
Depreciation		43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	516,000
Total Other Costs		138,438	138,438	138,438	138,438	138,438	138,438	138,438	138,438	138,439	138,440	138,440	138,440	1,661,263
REVENUES LESS COSTS		82,641	80,274	81,210	62,261	53,321	30,417	20,334	5,712	24,397	27,853	41,235	64,463	574,118

CASH FLOW

Cash Flow		Cash Uses		Capital Projects	
Net Gain	574,118	Reserves	20,000	Fire Protection	20,000
Depreciation	516,000	Capital Advance	414,340	System Automation & Tech.	50,000
Equipment Loss W/O	12,000	WIFA Payment	244,764	System Improvements	272,014
		UCFD Rent	33,000	Water Rights	16,000
		Total Operating Uses	712,104	Capital Equipment	32,000
Total Available	1,102,118	Cash Available	390,014	Capital Reserves	-
				Total Capital Uses	390,014
				Cash Utilized	390,014

Cost of Water Summary
Carefree Water Company – FY 21-22

- Water use is based on a 3-year average
- The cost of water is the Water Company's single largest expense at nearly \$1M
- Continued Focus on Utilizing Renewable CAP Supply (Saving GW for Emergencies)
 - 65% CAP Water
 - 35% Groundwater
- Water costs are increasing about \$27,500 this FY due to the following:
 - 3% Increase in Scottsdale Treated Water Costs
 - 4% Increase in APS Costs
 - Treated CAP Water Mix - Assumption for Budgeting:
 - 100% Scottsdale/0% from Cave Creek
 - Scottsdale @ \$3.19/Kgal., Cave Creek Rate Under Review
 - Cave Creek Made Positive Steps on Water Quality Issues

**Carefree Water Company
Estimated Water Costs
Fiscal Year 2021-22**

May 2021

325.851	Acre-Feet												Total		
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June			
Water Sold FY20-21 (20 Only)	104.3	98.6	105.1	101.2	88.3	64.8								562.3	
Water Sold FY19-20	97.7	93.2	84.3	88.5	68.5	57.8	56.0	54.3	57.8	64.7	76.0	88.8	887.6		
Water Sold FY18-19	102.9	96.1	87.9	73.2	69.6	55.7	63.1	51.2	55.7	72.8	68.6	77.2	874.0		
Water Sold FY17-18 (18 Only)							67.0	57.0	66.1	73.5	89.3	89.9	442.8		
3-yr Average Water Sold (Use for 21-22)	A.F. 101.6	96.0	92.4	87.6	75.5	59.4	62.0	54.2	59.9	70.3	78.0	85.3	922.2		
3-yr Average Water Sold (Use for 22-22)	'000 Gal. 93,117	31,271	30,119	28,555	24,591	19,366	20,214	17,650	19,512	22,918	25,406	27,795	300,515		
Percent of Annual Usage (Use for 21-22)	11.0%	10.4%	10.0%	9.5%	8.2%	6.4%	6.7%	5.9%	6.5%	7.6%	8.5%	9.2%	100.0%		
Water Supplied (Sold/0.9) (Use for 21-22)	112.9	106.6	102.7	97.4	83.9	66.0	68.9	60.2	66.5	78.1	86.6	94.8	1024.7		
Ground Water A.F. (35%)	39.5	37.3	35.9	34.1	29.3	23.1	24.1	21.1	23.3	27.4	30.3	33.2	358.7		
CAP Water A.F. (65%)	73.4	69.3	66.8	63.3	54.5	42.9	44.8	39.1	43.2	50.8	56.3	61.6	666.1		
CAP Water A.F. +5%	3.7	3.5	3.3	3.2	2.7	2.1	2.2	2.0	2.2	2.5	2.8	3.1	33.3		
CAVE CREEK WATER															
	0% of CAP Water														
Acre-Feet	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
1,000's Gallons	0	0	0	0	0	0	0	0	0	0	0	0	0		
Cost @\$X.XX/1,000 Gal.	Total Cost	TBD \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
SCOTTSDALE WATER															
	100% of CAP Water														
Acre-Feet	73.4	69.3	66.8	63.3	54.5	42.9	44.8	39.1	43.2	50.8	56.3	61.6	666.1		
1,000's Gallons	29,918	22,584	21,753	20,623	17,760	13,987	14,599	12,747	14,092	16,552	18,348	20,074	217,039		
Cost @\$3.10/1,000 Gal.*	\$3.10	\$3.19	\$74,146	\$70,012	\$67,434	\$63,932	\$56,655	\$44,618	\$46,570	\$40,664	\$44,953	\$52,801	\$58,531	\$64,037	\$684,354
Meter Fee			\$325.00	\$325.00	\$325.00	\$325.00	\$335.00	\$335.00	\$335.00	\$335.00	\$335.00	\$335.00	\$335.00	\$3980	
* \$3.19/1,000 Gal. After Oct. 2021	Total Cost		\$74,471	\$70,337	\$67,759	\$64,257	\$56,990	\$44,953	\$46,905	\$40,999	\$45,288	\$53,136	\$58,866	\$64,372	\$688,334
POTABLE GROUNDWATER															
Pumped Groundwater (A.F. - From Above)	39.5	37.3	35.9	34.1	29.3	23.1	24.1	21.1	23.3	27.4	30.3	33.2	358.7		
Pumped Groundwater ('000 gallons)	12,879	12,161	11,713	11,105	9,563	7,531	7,861	6,864	7,588	8,913	9,880	10,809	116,867		
Cost @\$0.68/1,000 Gal. (4% Increase)	\$0.68	\$8,758	\$8,269	\$7,965	\$7,551	\$6,503	\$5,121	\$5,345	\$4,668	\$5,160	\$6,061	\$6,718	\$7,350	\$79,470	
Groundwater Withdrawal Fee (ADWR)							\$2,000							\$2,000	
Chemicals and Testing	\$3,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$17,600	
Total Cost		\$12,058	\$9,569	\$9,265	\$8,851	\$7,803	\$6,421	\$8,645	\$5,968	\$6,460	\$7,361	\$8,018	\$8,650	\$99,070	
GOLF COURSE GROUNDWATER															
A.F. Pumped (2020)														A.F. 198.7	
(2019)														300.0	
(2018)														214.8	
(3-yr Ave.)														237.8	
Electrical Cost	kWh/AF 745.22	\$/kWh 0.14	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$24,813	
CAP COSTS															
	2021	2022													
Capital Cost	\$53	\$50	\$5,742	\$5,742	\$5,742	\$5,742	\$5,742	\$5,742	\$5,417	\$5,417	\$5,417	\$5,417	\$5,417	\$66,950	
M&I Cost	\$180	\$165	\$12,332	\$11,644	\$11,215	\$10,633	\$9,157	\$7,211	\$7,762	\$6,778	\$7,492	\$8,800	\$9,756	\$10,673	\$113,453
CAP Contingency									\$5,000					\$5,000	
Total Cost			\$18,073	\$17,386	\$16,957	\$16,375	\$14,898	\$12,953	\$13,179	\$17,194	\$12,909	\$14,217	\$15,172	\$16,090	\$185,403
ALL WATER COSTS			\$106,670	\$99,360	\$96,049	\$91,551	\$81,759	\$66,395	\$70,797	\$66,229	\$66,725	\$76,781	\$84,125	\$91,180	\$997,620

**General and Administrative (G&A) Summary
Carefree Water Company – FY 21-22**

- Overall G&A expenses up 7% (up approx. \$70,000) compared to last FY
 - Prime Driver: Payroll expenses up about 11%
 - Shortage of Skilled Labor – Reflected in Hourly Wages up 17%
 - 3.5% Cost-of-Living Adjustment – All employees
 - Potential for Operator Certification Upgrades – 3 Staff
 - Tempered by 12% Decrease in Health Insurance Budgeted Costs
 - 10% increase in Health Insurance Premiums
 - Offset by Younger Staff Make-Up and Fewer Dependents

**General and Administrative Budget by Category
for 2021-22**

	2020-2021 Budget	2021-2022 Budget	Difference	
<u>Payroll, Payroll Taxes, Group Insurance & Benefits</u>				
Base Salaries	425,639	492,999		
Overtime	4,000	4,000		
Compensation Time	3,000	3,000		
Bonus	4,000	4,000		
Merit Increase	-	5,138		
Emgr. On-Call	11,000	14,600		
All Health Insurance Combined	106,405	93,973		
IRA and Retirement	44,367	52,362		
All Payroll taxes	32,282	35,406		
Medicare	7,550	8,280		
Unemployment	-	-		
Equalization Taxes	-	-		
	<u>638,242</u>	<u>713,758</u>	<u>75,516</u>	11%
<u>Training Expense A/C 60154</u>				
	<u>4,000</u>	<u>4,000</u>	<u>0</u>	0%
<u>Employee Expenses A/C 60152</u>				
Uniforms	2,100	2,500		
	<u>2,100</u>	<u>2,500</u>	<u>400</u>	16%
<u>Safety Equipment A/C 60156</u>				
Personal Protective Equipment	1,450	1,500		
Safety Equipment	1,500	2,000		
	<u>2,950</u>	<u>3,500</u>	<u>550</u>	16%
<u>Accounting and Professional Services A/C 60201</u>				
Auditors	6,500	6,695		
Dasco	2,000	2,500		
ER System	6,000	6,000		
Payroll Experts	2,350	2,600		
Emergency Response Planning AWIA	30,000	-		
	<u>46,850</u>	<u>17,795</u>	<u>(29,055)</u>	-163%
<u>Legal A/C 60202</u>				
	<u>3,000</u>	<u>5,000</u>	<u>2,000</u>	40%
<u>Cleaning Service A/C 60204</u>				
Regular	5,500	7,800		
	<u>5,500</u>	<u>7,800</u>	<u>2,300</u>	29%

SCADA A/C 60207

SCADA	5,000	5,000		
Go to My PC	210	-		
Wonderware/Standard Automation	1,000	-		
Specter - WIN 911	500	500		
	<u>6,710</u>	<u>5,500</u>	<u>(1,210)</u>	-22%

Computer A/C 60205

Continental	2,900	4,100		
Sage	3,000	8,000		
Read Center	900	-		
Beacon Mobile	2,340	3,300		
Computer Repair Contract	4,560	13,000		
Computer Repair additional hours	-	3,300		
Backup Software	50	-		
Printer	500	500		
Virus Protection - Included in Contract	600	-		
Fixed Asset Software	300	300		
Offsite Backup - Included in contract	2,100	-		
Log Me In - Included in contract	500	-		
Server Warranty Care Pack	-	800		
Firewall	140	140		
	<u>17,890</u>	<u>33,440</u>	<u>15,550</u>	47%

Insurance A/C 60250

Cincinnati Insurance	46,000	48,000		
Claims (Insurance Deductible- Contingency)	5,000	5,000		
	<u>51,000</u>	<u>53,000</u>	<u>2,000</u>	4%

Postage A/C 60300

Billings	6,000	6,200		
Mail Pickup	500	540		
Additional mailings	1,300	1,300		
	<u>7,800</u>	<u>8,040</u>	<u>240</u>	3%

Telephone A/C 60351

Cox	2,900	3,100		
Verizon	3,800	4,000		
Replacement Cell Phones	500	500		
	<u>7,200</u>	<u>7,600</u>	<u>400</u>	5%

<u>Promotional A/C 60353</u>			
Truck Magnets	240	240	
Advertisement	500	500	
	<u>740</u>	<u>740</u>	0
			0%
<u>Auto Expense A/C 60400</u>			
Repairs, batteries, tires	2,000	2,100	
Fuel *	15,500	16,500	
Fuel Adj.(Potential Increase)	3,000	3,000	
	<u>20,500</u>	<u>21,600</u>	1,100
			5%
<u>Office Supplies A/C 60452</u>			
Printing	3,500	3,500	
Stuffing Machine Annual Maint.	-	1,700	
All Other	3,500	3,500	
	<u>7,000</u>	<u>8,700</u>	1,700
			20%
<u>Security and Emergency A/C 60453</u>			
Safeguard - Office	700	700	
	<u>700</u>	<u>700</u>	0
			0%
<u>Office Utilities A/C 60454</u>			
	<u>4,500</u>	<u>4,750</u>	250
			5%
<u>Fees and Permits A/C 60501</u>			
Maricopa County	3,100	3,100	
ACC	50	50	
Carefree Shadows HOA	125	125	
PO Boxes	125	-	
TPT License	-	-	
Town License	40	40	
	<u>3,440</u>	<u>3,315</u>	(125)
			-4%
<u>Dues and Subscriptions A/C 60456</u>			
Blue Stake	1,000	1,000	
AWWA Membership	350	400	
Rural Water Association	750	1,000	
WEF	205	205	
AZ Water Association	-	250	
American Society of Civil Engineers	300	300	
AZ State Board of Accountancy	300	-	
Costco	260	200	
Water Operator Certifications	300	300	
	<u>3,465</u>	<u>3,655</u>	190
			5%

<u>Office Equipment Rental A/C 60457</u>			
Postage Machine	2,500	2,500	
Folding and Stuffing Machine	6,000	-	
	<u>8,500</u>	<u>2,500</u>	<u>(6,000)</u>
			-240%
<u>Bad Debt Write-off A/C 60550</u>			
	<u>3,000</u>	<u>3,000</u>	<u>0</u>
			0%
<u>Loss Write Off - Meters</u>			
	<u>12,000</u>	<u>12,000</u>	<u>0</u>
			0%
<u>Income Tax</u>			
State	52	55	
	<u>52</u>	<u>55</u>	<u>3</u>
			5%
<u>Credit Card Charges A/C 60652</u>			
	<u>4,000</u>	<u>4,800</u>	<u>800</u>
			17%
<u>Bank Charges A/C 60653</u>			
All Other Banks	500	500	
Chase (Electronic Banking)	9,500	9,700	
	<u>10,000</u>	<u>10,200</u>	<u>200</u>
			2%
<u>GIS Mapping A/C 60206</u>			
GPS Annual Fee	2,400	2,400	
Monthly MIFI Fee	400	500	
ARC Service Agreement	1,475	1,475	
I-Pads for Field	-	2,000	
Support	20,000	20,000	
Elements Annual Maintenance	7,500	10,000	
True Image Backup	-	-	
	<u>31,775</u>	<u>36,375</u>	<u>4,600</u>
			13%
<u>Water Conservation Costs A/C 6100</u>			
Literature/Community Events	2,000	2,200	
	<u>2,000</u>	<u>2,200</u>	<u>200</u>
			9%
<u>Total Costs</u>			
	<u>904,914</u>	<u>976,523</u>	<u>71,609</u>
			7%

**Replacement and Maintenance (R&M) Summary
Carefree Water Company – FY 21-22**

- Funds the normal water system maintenance items we do everyday
- Unscheduled repair/replacement costs are the hardest to predict
- Utilized historical expenses from the last 3 years, plus knowledge of what needs to be done
- Budgeting is up 7% this fiscal year
 - Reflects historic maintenance increases
 - Reflects anticipated cost increases

**Replacement and Maintenance Budget
2021-2022**

	2020-2021 Budget	2021-2022 Budget	Variance	Percentage
<u>R & M Tanks</u>				
Tank Maint.	41,000	42,000		
Misc.	3,000	3,000		
	<u>44,000</u>	<u>45,000</u>	<u>1,000</u>	<u>2%</u>
<u>R & M Pumps and Wells</u>				
Pumps Stations	10,000	10,000		
Wells	5,000	5,000		
	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>0%</u>
<u>R & M Mains and Valves</u>				
Valves	10,000	10,000		
Mains Repairs	20,000	25,000		
Other Distribution Repairs	0	0		
	<u>30,000</u>	<u>35,000</u>	<u>5,000</u>	<u>17%</u>
<u>R & M Services/Meters</u>	<u>25,000</u>	<u>30,000</u>	<u>5,000</u>	<u>20%</u>
<u>R & M Easements & Right of Way Landscape</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>0%</u>
<u>R & M Equipment</u>				
Backhoe	3,000	3,000		
Mini Excavator	1,000	1,000		
Trucks	1,500	1,500		
Chlorination	1,500	1,500		
Town Equipment Cost Sharing	8,850	6,000		
	<u>15,850</u>	<u>13,000</u>	<u>(2,850)</u>	<u>-18%</u>
<u>Fire Hydrant Maintenance</u>	<u>3,000</u>	<u>5,000</u>	<u>2,000</u>	<u>67%</u>
<u>R & M Generator</u>	<u>14,500</u>	<u>15,000</u>	<u>500</u>	<u>3%</u>
<u>R & M Interconnect</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>0%</u>
<u>R & M Supplies</u>	<u>4,000</u>	<u>4,500</u>	<u>500</u>	<u>13%</u>

<u>R & M General</u>				
AC Units	1,700	2,000		
Fire Protection	400	700		
Exterminating	540	540		
	<u>2,640</u>	<u>3,240</u>	<u>600</u>	<u>23%</u>
<u>Equipment Rental</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>0%</u>
<u>Total Maint. and Replacement</u>	<u>158,990</u>	<u>170,740</u>	<u>11,750</u>	<u>7%</u>

**Reserve Recommendations
Carefree Water Company – FY 21-22**

- **Target Balance:** **\$1,000,000** (based on AWWA recommendations)
- **Current Reserve Balance:** **\$ 980,000**
 Shortfall: \$ 20,000

Recommended Reserve Deposits:
 FY 21-22: \$ 20,000

Capital Improvement Program Recommendations Carefree Water Company – FY 21-22

Total FY 21-22 Capital Budget - \$390,014

- Fire Protection - \$20,000
- System Automation and Technology - \$50,000
- System Improvements - \$272,014
- Capital Equipment - \$32,000
- Water Rights - \$16,000
- Capital Reserves (Large Project Improvement Fund) - \$0

CAPITAL IMPROVEMENT PROGRAM DETAILS

Fire Protection - \$20,000

- 2 Replacement Fire Hydrants – \$10,000
1969-1990 Hydrants, non-standard, hard to operate
- 2 New Fire Hydrants - \$10,000

System Automation and Technology - \$50,000

SCADA System Upgrades

System Improvements - \$272,014

- Annual Meter Replacement Program – \$35,000 (125 meters)
- Valve Replacement Program – \$20,000
- Pipeline Upgrade Projects - \$217,014

Capital Equipment Account – \$32,000 (Annual FY 21-22 Deposit)

Anticipated Available Funds FY 21-22	\$ 67,203
Anticipated Account Expenditures for FY 21-22*	\$ 41,000
End of FY 21-22 Account Balance	\$ 26,203

*FY 21-22 Planned Expenditures:

Vactor Equip. (Ditch Witch):	\$30,000
<u>Server and Components:</u>	<u>\$11,000</u>
FY 20-21 Account Expenditures	\$41,000*

Water Rights – NIA CAP Water - \$16,000

112 AF @ \$2,000/AF = \$224,000

Current Fund Balance=\$144,400

Remaining to Fund = \$ 79,600 over the next 5 years = \$16,000/year

Capital Reserve Account – FY 21-22 Deposit - \$0

Account Balance (Carry Over)	\$128,000
(To be utilized for Pipeline Upgrade Projects)	

**CAREFREE WATER COMPANY
10-YEAR CAPITAL IMPROVEMENT PLAN
FY 21-22 THRU FY 30-31**

Capital Improvement Description	Fiscal Year (FY)											Line Item Total	Category Total	
	Carryover:	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31			
Fire Protection														
Number of Fire Hydrants		4*	3	3	3	3	3	3	3	3	3	30		
Fire Hydrants		\$ 20,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 155,000	\$ 155,000	
System Automation and Technology														
SCADA System Improvements		\$ 50,000					\$ 50,000					\$ 100,000		
Billing System Upgrades		\$ 20,000				\$ 30,000					\$ 30,000	\$ 80,000	\$ 180,000	
System Improvements														
Annual Meter Replacement (125 per year)		\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 45,000	\$ 380,000		
Valve Replacement Program		\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 225,000		
Pipeline Upgrade Projects**		\$ 454,534	\$ 217,014	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 2,021,548	\$ 2,626,548	
Capital Equipment														
Annual Contribution*		\$ 30,203	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 350,203	\$ 350,203	
Water Rights														
Non-Indian Ag CAP		\$ 144,400	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,600						\$ 224,000	\$ 224,000	
Capital Reserve		\$ 128,000			\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 478,000	\$ 478,000	
Total FY Expenditure		\$ 777,137	\$ 390,014	\$ 268,000	\$ 268,000	\$ 318,000	\$ 347,600	\$ 362,000	\$ 312,000	\$ 312,000	\$ 312,000	\$ 347,000	\$ 4,013,751	\$ 4,013,751

* See Supplemental Capital Equipment Plan Spreadsheet

** See Supplemental Pipeline Upgrade Projects Spreadsheet

* 2 Replacement Hydrants, 2 New Hydrants

**CAREFREE WATER COMPANY
10-YEAR CAPITAL EQUIPMENT PROGRAM
FY 21-22 THRU FY 30-31**

Capital Equipment Description	Fiscal Year (FY)									
	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31
Vehicles and Heavy Equip.										
Work Truck #1			\$ 40,000						\$ 40,000	
Work Truck #2				\$ 40,000						\$ 40,000
Work Vehicle - GM		\$ 35,000					\$ 35,000			
Backhoe (75/25 Cost Split w/Town)						\$ 60,000				
Vector Equipment (Ditch Witch)	\$ 30,000									
Large Tools		\$ 2,000		\$ 2,000		\$ 2,000		\$ 2,000		\$ 2,000
Technology & Misc. (Computers, Printers, Work Stations, etc.)										
Computer Replacements (\$1500/computer)			\$ 3,000	\$ 3,000			\$ 3,000	\$ 3,000		
Server and Components	\$ 11,000				\$ 11,000					
Meter Reading Technology Upgrades		\$ 6,000			\$ 6,000			\$ 8,000		
Total FY Expenditure	\$ 41,000	\$ 43,000	\$ 43,000	\$ 45,000	\$ 17,000	\$ 62,000	\$ 38,000	\$ 13,000	\$ 40,000	\$ 42,000
Prior FY Balance	\$ 30,203	\$ 26,203	\$ 20,203	\$ 14,203	\$ 6,203	\$ 26,203	\$ 1,203	\$ 203	\$ 24,203	\$ 21,203
Annual FY Contribution	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000
Misc. Sales	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
End of FY Balance	\$ 26,203	\$ 20,203	\$ 14,203	\$ 6,203	\$ 26,203	\$ 1,203	\$ 203	\$ 24,203	\$ 21,203	\$ 16,203

PIPELINE UPGRADE PROJECTS - PRIORITIZATION SUMMARY

Priority	Project Description	Lineal Feet	Project Cost	Expenditures Thru FY 20-21	FY 21-22 Funding			Unfunded Balance	Cumm. Unfunded Balance	
					Capacity Fees	Carryover & Capital Reserves	CIP			
1	Silver Saddle Gravity Zone Upgrades - Ph. 1	3,800	\$ 760,000	\$ 25,270	\$ 590,157	\$ 144,573	\$ -	\$ -	\$ -	
2	Black Mtn. Foothills - Ph. 1	2,575	\$ 515,000	\$ 8,115		\$ 437,961	\$ 68,924	\$ -	\$ -	
3	Grandview Estates - Ph. 1	4,095	\$ 819,000				\$ 148,090	\$ 670,910	\$ 670,910	
4	Spanish Boot/Golden Spur - Ph. 1	3,025	\$ 529,375					\$ 529,375	\$ 1,200,285	
5	Grandview Estates - Ph. 2	2,570	\$ 514,000					\$ 514,000	\$ 1,714,285	
6	Black Mtn. Foothills - Ph. 2	3,400	\$ 472,500					\$ 472,500	\$ 2,186,785	
7	Spanish Boot/Golden Spur - Ph. 2	1,825	\$ 319,375					\$ 319,375	\$ 2,506,160	
8	Silver Saddle Gravity Zone Upgrades - Ph. 2	5,200	\$ 910,000					\$ 910,000	\$ 3,416,160	
9	Milky Way Fire Protection Upgrades	2,150	\$ 322,500					\$ 322,500	\$ 3,738,660	
10	Sidewinder Fire Protection Upgrades	3,200	\$ 560,000					\$ 560,000	\$ 4,298,660	
11	Carefree Drive Fire Protection Upgrades	2,000	\$ 350,000					\$ 350,000	\$ 4,648,660	
		33,840	\$ 6,071,750	\$ 33,385	\$ 590,157	\$ 582,534	\$ 217,014	\$ 4,648,660		
					Total FY 21-22 Funding			\$ 1,389,705		

**CAREFREE WATER COMPANY, INC. AND
CAREFREE UTILITIES COMMUNITY FACILITIES DISTRICT**

BOARD COMMUNICATION

TO: PRESIDENT AND BOARD MEMBERS
FROM: GREG CROSSMAN, GENERAL MANAGER *GC*
DATE: MAY 27, 2021
SUBJECT: JUNE 1, 2021 BOARD MEETING - AGENDA ITEM NOS. 5, 6, AND 7

The above referenced June 1st agenda items address the following legal housekeeping matters in anticipation of bonding for the construction costs associated with the Carefree Water Consolidation Project:

- Agenda Item #5 – Resolution 2021-05 - Assignment of Assets within the Carefree Service Area (Neighborhoods A, B, and C) to the Carefree Water Company.

Discussion: Similar to the CAP Water Rights assignment to the Water Company that was accomplished under Resolution 2021-04, this resolution assigns all the water system assets acquired under the March 16, 2021, Settlement Agreement with Cave Creek from the UCFD to the Water Company. When the Water Company was acquired by the UCFD in 1998, the legal structure of the organizations designated the Water Company as the entity responsible for delivering water to customers within Carefree. In order to accomplish that function, the legal documents contemplated that the Water Company would own the water system assets. This Resolution 2021-05 accomplishes this structure for the Carefree Service Area, which is consistent with the current asset ownership structure for existing Carefree Water Company Service Area.

- Agenda Item #6 – Resolution 2021-06 – Appointment of District Officers for the Carefree UCFD.

Discussion: This Resolution establishes the following District Officers:

- District Manager: Carefree Water Company General Manager, currently Greg Crossman
 - District Treasurer: Carefree Water Company Controller/Accountant, currently Meghan Orem
 - District Clerk: Carefree Town Clerk, currently Kandace French Contreras
- Agenda Item #7 – Resolution 2021-07 – Allows the UCFD and/or the Water Company to be reimbursed from future Bond proceeds for the payment to Cave Creek of \$1,000,000.

Discussion: Per the March 16, 2021, Settlement Agreement with Cave Creek, the UCFD is responsible to pay \$1,000,000 to the Town of Cave Creek on or before July 14, 2021, for the Carefree Service Area assets. This payment will be made prior to the issuance of bonds for the Carefree Water Consolidation Project. Resolution 2021-07 will allow the UCFD/Water Company to be reimbursed from Bond proceeds for the \$1,000,000 payment to Cave Creek.

Please contact Greg Crossman (480-488-9100; greg@carefreewaterco.com) with any questions.

UCFD/CWC

JUN 01 2021

RESOLUTION 2021-05

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT (UCFD), AUTHORIZING THE ASSIGNMENT OF ALL WATER ASSETS WITHIN THE CAREFREE SERVICE AREA ACQUIRED FROM THE TOWN OF CAVE CREEK PER THE SETTLEMENT AGREEMENT DATED MARCH 16, 2021, TO THE CAREFREE WATER COMPANY, INC.

WHEREAS, Town of Carefree, Arizona Utilities Community Facilities District ("UCFD") has concluded the condemnation of all water assets of the Town of Cave Creek within the "Carefree Service Area" under that certain Intergovernmental Agreement between the Town of Carefree and the Town of Cave Creek dated August 2, 2005; and

WHEREAS, UCFD approved the final Settlement Agreement between the Town of Carefree, Arizona Utilities Community Facilities District and the Town of Cave Creek at the Joint Meeting of the Carefree Town Council and the Board of Directors of the Town of Carefree, Arizona Utilities Community Facilities District on March 16, 2021 and UCFD accepted the assignment of all of Town of Carefree's right, title and interest in and to the Intergovernmental Agreement dated August 2, 2005; and

WHEREAS, UCFD presently provides all water service within its boundaries through the Carefree Water Company, Inc. which operates as a large municipal water provider under Arizona Department of Water Resources Service Area No. 56-002007.0000 and the Carefree Water Company owns the assets required to deliver water within its service area; and

WHEREAS, the Settlement Agreement provides that, upon payment of the total amount of \$1,000,000 as full, fair, and total just compensation for the water assets within the Carefree Service Area, the UCFD shall be entitled to a Final Order of Condemnation vesting the UCFD with title to these assets, free and clear of all claims, liens, and encumbrances; and

WHEREAS, UCFD desires to assign the title to these assets to the Carefree Water Company, Inc. as the provider of all water service within the boundaries served by the UCFD;

NOW, THEREFORE, IT IS RESOLVED by the Board of Directors of the UCFD that the UCFD's interest in the water assets within the Carefree Service Area be assigned to Carefree Water Company, Inc.; and

BE IT FURTHER RESOLVED that the General Manager of Carefree Water Company, Inc. is authorized and shall take all steps necessary to disconnect these

assets from the Cave Creek water system and incorporate them into the existing assets of the Carefree Water Company.

PASSED AND ADOPTED BY the Board of Directors of the Town of Carefree, Arizona Utilities Community Facilities District the 1st day of June, 2021.

AYES _____ NAYS _____ ABSTENTIONS _____ ABSENT _____

**TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES
DISTRICT**

ATTESTED TO:

Les Peterson, Chairman of the
Board of Directors

Kandace French Contreras
Board Secretary/Treasurer

APPROVED AS TO FORM:

Michael W. Wright
UCFD Attorney

RESOLUTION 2021-06

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT APPOINTING A DISTRICT MANAGER, DISTRICT TREASURER AND DISTRICT CLERK, AND RATIFYING AND CONFIRMING ACTIONS OF THE PRIOR DISTRICT OFFICERS.

WHEREAS, the Town of Carefree, Arizona Utilities Community Facilities District (the "District") is the owner of all capital stock of Carefree Water Company, Inc. (the "Water Company"), and the Board of Directors of the District (the "District Board") also serves as the Board of Directors of the Water Company; and

WHEREAS, the District and the Water Company have the mutual objective and purpose to provide water service to the residents of the Town of Carefree, Arizona (the "Town"); and

WHEREAS, due to the mutual objective and purpose of the District and the Water Company, the District Board hereby finds and determines that the General Manager and the Controller/Accountant of the Water Company are the appropriate officers to serve as the District Manager and the District Treasurer, respectively; and

WHEREAS, pursuant to Arizona Revised Statutes, Section 48-711.H., the District Manager, District Clerk and District Treasurer shall be the Town Manager, Town Clerk and Town Treasurer, respectively, unless the District Board appoints a District Manager, District Clerk and District Treasurer; and

WHEREAS, the District Board now desires to appoint the General Manager of the Water Company as the District Manager, the Controller/Accountant of the Water Company as the District Treasurer, and the Town Clerk as the District Clerk;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT AS FOLLOWS:

Section 1. Pursuant to Arizona Revised Statutes, Section 48-711.H., the District Board hereby appoints the General Manager and the Controller/Accountant of the Water Company as the District Manager and the District Treasurer, respectively, of the District. Presently, the General Manager of the Water Company is Greg Crossman and the Controller/Accountant of the Water Company is Meghan Orem.

Section 2. In accordance with Arizona Revised Statutes, Section 48-711.H., the District Board hereby confirms the appointment of the Town Clerk, and any successors, as the District Clerk. Presently, the Town Clerk is Kandace French Contreras.

Section 3. All prior actions of the Town Manager, Town Clerk, and Town Treasurer serving in the capacity of officers of the District are hereby approved, ratified, and confirmed.

PASSED AND ADOPTED by the Board of Directors of the Town of Carefree, Arizona Utilities Community Facilities District this 1st day of June, 2021.

AYES _____ NAYS _____ ABSTENTIONS _____ ABSENT _____

Les Peterson, Chairman of the
Board of Directors

ATTEST:

Kandace French Contreras, District Clerk

APPROVED AS TO FORM

Michael W. Wright, District Attorney

CERTIFICATE

I hereby certify that the above and foregoing resolution was duly passed by the Board of Directors of the Town of Carefree, Arizona Utilities Community Facilities District at a regular meeting held on June 1, 2021, and that a quorum was present thereat as reflected above.

Kandace French Contreras, District Clerk

RESOLUTION 2021-07

RESOLUTION OF THE BOARD OF DIRECTORS OF TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT, DECLARING, FOR PURPOSES OF SECTION 1.150-2 OF THE FEDERAL TREASURY REGULATIONS, OFFICIAL INTENT TO BE REIMBURSED IN CONNECTION WITH CERTAIN CAPITAL EXPENDITURES RELATING TO ACQUISITION OF ASSETS FROM THE TOWN OF CAVE CREEK, ARIZONA

WHEREAS, the Town of Carefree, Arizona Utilities Community Facilities District, (hereinafter referred to as the "District"), is authorized and empowered pursuant to law to issue or cause to be issued obligations to finance the costs of various capital facilities owned or to be owned by an entity, all of the capital stock of which is owned by the District (hereinafter referred to as the "Water Utility"); and

WHEREAS, it is contemplated that certain expenditures made by the District or the Water Utility to acquire from the Town of Cave Creek, Arizona, real and personal water utility property serving approximately 525 water customers in three areas within the Town of Carefree, Arizona, which will be owned by the Water utility (hereinafter referred to as the "Project"), will be reimbursed from the proceeds of the sale of obligations to be issued in the future by or on behalf of the District;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT AS FOLLOWS:

Section 1. Definitions. The following terms shall have the meanings assigned thereto as follows:

"official intent" means a declaration of intent of the District to reimburse an original expenditure with proceeds of an obligation.

"original expenditure" means an expenditure for a governmental purpose that is originally paid from a source other than a reimbursement bond.

"reimbursement bond" means the portion of an issue of obligations allocated to reimburse an original expenditure that was paid before the issue date of such issue.

Section 2. Official Intent. This Resolution is official intent relating to reimbursement for the original expenditures for the Project in an amount not to exceed \$1,000,000 occurring on or after the date hereof, which are capital expenditures (being any cost of a type that is properly chargeable to a capital account (or would be so chargeable with a proper election) under general federal income tax principles). (The

maximum principal amount of obligations (including the reimbursement bonds for such purposes) to be issued by the District will not exceed \$25,000,000.)

Section 3. Reasonableness of Official Intent. On the date of this Resolution, the Board of Directors of the District has a reasonable expectation (being that a prudent person in the same circumstances would have based on all the objective facts and circumstances) that it will reimburse such original expenditures with proceeds of such obligations. (Official intents have not been declared by the District as a matter of course or in amounts substantially in excess of the amounts expected to be necessary for such projects. Moreover, the District does not have a pattern (other than in extraordinary circumstances) of failure to reimburse actual original expenditures covered by official intents.)

Section 4. Reimbursement Period. With certain exceptions, an allocation in writing that evidences use of proceeds of the reimbursement bonds to reimburse the original expenditures shall be made not later than 18 months after the later of the date that the original expenditure is paid.

Section 5. Public Record. This Resolution shall be included as of the date hereof in the publicly available official records of the District, such records being maintained and supervised by the District Clerk, being the main administrative office of the District, and shall remain available for public inspection on a reasonable basis.

PASSED AND ADOPTED this 1st day of June, 2021.

AYES _____ NAYS _____ ABSTENTIONS; _____ ABSENT _____

Town of Carefree, Arizona Utilities
Community Facilities District

Les Peterson - Chairperson, Board of
Directors

ATTEST:

APPROVED AS TO FORM:

Kandace French Contreras, District Clerk

Michael W. Wright, UCFD Attorney