

# CAREFREE WATER FAST FACTS #2



## Water Rates

Over the next five years, national utility rate consultant Willdan Financial Services states that the average water utility rate increase will be in the 5% to 6% range annually. The City of Phoenix, for example, has approved annual rate increases of 6% - 6 ½% per year for the last two years, and expects these same rate increases per year for the next five years. In the last two years, the Carefree Water Company has experienced a 4.4% annual increase in its rates.

Willdan reviewed the financials of the Carefree Water Company and the financing options available to the Company. In their calculations, they factored in that the 550 new accounts being added to the Carefree Water Company will pay a base rate comparable to what they pay now under Cave Creek Water. This base rate is \$20 per month more than existing Carefree Water Company accounts, and will offset the additional costs of the new accounts being added to the Carefree Water Company system. Willdan then incorporated the cost of the acquisition and construction costs related to the new accounts and the improvements to the existing system in their calculations.

**Willdan determined that continuing a nominal annual increase of 4.4% per year for five to six years will satisfy the Carefree Water Company's financial obligations, including servicing the new accounts.** This equates to an increase of approximately \$4 per month to the typical monthly water bill for each existing and new Carefree Water Company residential account. Willdan further calculated that after the initial 4.4% rate increases, annual rate increases could be reduced to be in the 2% - 2.5% range. Low interest rates, an extended bond repayment schedule and the retirement of current debt also dramatically work in our favor to hold any required rate increases to a minimum.

The addition of these new accounts will be rate neutral to existing Carefree Water Company accounts. Willdan calculated that identical rate increases would be required if either: A) the Company acquired the new accounts and made the improvements to the existing system, and both existing and new water accounts paid for these through rate increases, or B) the Company did not acquire the new accounts, but made the improvements to the existing system only, and the existing accounts paid for these improvements through rate increases.

The addition of the approximate 550 accounts currently serviced by the Cave Creek water distribution system would also create a more financially stable and sustainable Water Company by creating an improved economy of scale.



For more information visit [Carefree.org](http://Carefree.org)

