

**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.**

**WHEN:** TUESDAY, JUNE 01, 2021

**WHERE:** ZOOM WEB

**TIME:** 3:30 P.M.

**Water Company/UCFD Board Attending (via Zoom)**

Mayor/Chairman Les Peterson  
Vice Mayor/Vice Chairman John Crane  
Tony Geiger  
Cheryl Kroyer

**Water Company/UCFD Absent:**

Vince D'Aliesio  
Stephen Hatcher

**Staff Present:**

Greg Crossman, General Manager; Gary Neiss, Carefree Town Administrator; Dan Jackson, Willdan Financial Services; Zack Sakas, Special Counsel; Michael Wright, Water Company/District Attorney; Kandace French-Contreras, District Clerk.

Vice Chairman Crane opened the meeting at 3:30 p.m.

**ITEM #1 Approval of the March 2, 2021 UCFD/CWC meeting minutes.**

Mayor/Chairman Peterson **moved** to **approve** the March 2, 2021 UCFD/CWC meeting minutes as presented. Board Member Kroyer **seconded** the motion.

The motion **carried** unanimously.

**ITEM #2 Approval of the May 4, 2021 UCFD/CWC meeting minutes.**

Mayor/Chairman Peterson **moved** to **approve** the May 4, 2021 UCFD/CWC meeting minutes as presented. Board Member Kroyer **seconded** the motion.

The motion **carried** unanimously.

**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.**

Carefree Water Company General Manager, Greg Crossman presented via PowerPoint. Mr. Crossman explained the 5-year Rate Plan is a part of a financing package for the acquisition of the Carefree Service Area, also known as neighborhoods A, B, and C. Mr. Crossman explained, the second important part of the 5-year rate plan is to support the issuance of water revenue bonds. Issuing of water revenue bonds will allow for the repayment of cost of the acquisition and the water consolidation project over time from monthly water billing revenues. Repayment

spread-out over the term of the bond. Mr. Crossman encouraged the Board to act expeditiously on approving the issuance of bonds as the rates are currently at an all-time low. Mr. Crossman explained the overall scope costs of the water acquisition/consolidation project are currently at 20.3 million dollars.

Mr. Crossman pointed out that in the beginning of the acquisition project; there were very important economic and financial questions that needed to be answered. Such as, how much revenue needed to be collected to 1) meet operating expenses for the Water Company to continue to deliver water to the customers on a daily, monthly and annual basis and 2) How much revenue needed to be generated to meet our debt repayment obligations in light of the water acquisition/consolidation project? This led to the question of; How does the generation of this revenue impact our water rates? Mr. Crossman explained that in order to answer these questions, rate consultant Dan Jackson of Willdan Financial Services, was hired.

Mr. Jackson presented via PowerPoint an analysis with regard to the acquisition of the approximately 525 accounts, a 20% increase. This acquisition will result in additional revenues but also additional costs, such as, acquisition capital costs and operation and maintenance cost increases. Mr. Jackson explained the purpose of the rate plan is to ensure that utility has sufficient revenues to fund all water operations, including those of acquired accounts and to repay all debt obligations.

Mr. Jackson presented charts of forecasted water costs and revenues of service accounts both historical and forecasted into the future.

Mr. Jackson put forth the question; What if the water acquisition was to not have taken place? Jackson explained, rate adjustments would still be necessary to fund increasing operating costs as well as capital improvement needs with required annual rate adjustments of 3-5%. Mr. Jackson noted that in order to complete the acquisition and improve the system, the following annual rate adjustments will be needed:

- July 2021 - July 2025: 4.4 %
- July 2026 - July 2029: 2.0 %

Further explaining that the need for additional rate increases is limited for the following reasons:

- Structure of debt to be issued
- Current debt obligations that will be retired by 2027
- Additional revenue generated from the acquired accounts

Mr. Jackson added that the average utility rate increase in the US is forecasted to be 5 - 6 % annually.

Mr. Jackson presented an overview of the proposed Rate Plan and its impact on monthly charges. In summary, for the vast majority of rate payers the impact of this rate plan is \$3.00 - \$4.00 per month each year for the next 5 years.

In the acquired area itself, Mr. Jackson recommended to set that the minimum charge be the Carefree Water Company's minimum charge plus \$20.00 to help offset the cost of acquiring their utility and incorporating it into the Town.

Mr. Jackson presented a chart, comparing what a customer in the acquired area is paying Cave Creek currently in comparison to what they will be paying to Carefree Water Company.

Mr. Jackson provided a summary of his presentation:

- The proposed rate plan will enable utility to fund operating expenses and debt service as well as meet all financing requirements.
- Annual rate adjustments of 4.4 % are lower than national average and in parity with “non-acquisition” scenario.
- Rate plan will result in a financially healthy utility with ability to invest in future capital improvements and repairs.

Mr. Jackson strongly recommended adopting this 5-year rate plan for the benefit of the utility in general.

Board Member Kroyer raised question regarding the 20.00 monthly charge for users A, B and C. Asking, are the newly acquired customers bearing the brunt of the Town taking them on as customers? Mr. Jackson responded, they will bear the brunt of the cost of the shared acquisition costs of the utility. Vice Chairperson Crane added they aren't bearing the brunt, they are carrying it all. The current customers rates will see an increase of 4.4% whether we acquire or not. Adding, the CSA (Carefree Service Area) is basically shouldering the cost of the acquisition.

Chairperson Peterson commented that over the last two years there have been discussions regarding the cost of the acquisition, concerns about construction costs and what the availability of quality contractors will be. Chairman Peterson stated that this is a once in a life time opportunity when bond prices and interest rates are at a historic low. Ending forecasted water shortages, Carefree Water Company is in excellent position to address this for the acquired customers and enabling Carefree Water Company to perform substantial renovations and improvements to existing users as well. Chairperson Peterson added, 1/3 of the residents of Carefree will find this to be a dramatic benefit and will benefit the rest of our users and the Carefree Water Company as well.

Vice Chairperson Crane noted, the rates that are shown in the plan are consistent of the discussions that have taken place over the past several months. Basically, taking those discussions and formerly placing them into the plan.

Board Member Geiger **moved** to **approve** Resolution 2021-08, approving a 5-year Rate Plan for the Carefree Water Company as recommended by Willdan Financial Consultants. Board Member Kroyer **seconded** the motion.

The motion **carried** unanimously.

**ITEM #4      Review, discussion, and possible action to approve the FY 2021-2022 Carefree Water Company Budget and Rate Schedule.**

Carefree Water Company Manager Greg Crossman presented a summary of the proposed Carefree Water Company budget and water rates for FY 2021-2022 via PowerPoint. Mr. Crossman introduced Carefree Water Company Controller/Accountant Megan Orem.

Mr. Crossman stated that it is very important for this budget year cycle to be consistent with the 5-year rate plan that was proposed and now approved. That 5-year rate plan does call for a 4.4% increase in both the base and commodity rates for the Carefree Water Company. Based on the average residential water usage, (11,500 Gallons per month) residential customers' water bill will see an increase of approximately \$4.69 per month. Mr. Crossman was happy to announce, impacts to the Carefree Water Company due to the pandemic have been low.

Mr. Crossman presented an overview of rate setting process. Announcing, a strong Capital Improvement Program for this year, up 35% from last year. Other rate considerations to factor into this year's rates are the following: APS power rates to go up 4%, Scottsdale treated surface water to increase 3% this year, general and administrative as well as replacement and maintenance costs to increase approximately 7%.

Mr. Crossman presented a cost summary of the Capital Improvement Program for FY 2021-2022.

- Fire Hydrants new installation/replacements (\$20,000)
- Water Meters (\$35,000)
- Valves (\$20,000)
- Pipeline Improvement Program (\$217,014)
- Technology improvements and upgrades (\$50,000)
- Equipment Plan (\$41,000)

Board Member Geiger asked if the 4.4% water increase will be implemented this July. Mr. Crossman responded, yes, anticipating the rate increase to take effect July 1, 2021.

Board Member Kroyer moved to approve the FY 2021-2022 Carefree Water Company Budget and Rate Schedule. Chairperson Peterson seconded the motion. The motion carried unanimously.

**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.**

Carefree Water Company Manager, Greg Crossman explained that agenda items #5, #6 and #7 are legal housekeeping and will be presented together.

Mr. Crossman introduced Special Counsel, Zach Sakas. Mr. Crossman noted that Resolution 2021-05 is similar to the recently approved Resolution 2021-04 which dealt with the CAP water rights that will be obtained from the Town of Cave Creek. Those water rights will be transferred to the UCFD and via Resolution 2021-04 assigned to the Carefree Water Company. Resolution 2021-05 is similar but applies to the water system assets that will be acquired in the Carefree Service Area (CSA) (Neighborhoods A, B, and C). Adding, that this assignment is consistent with the establishment documents that were approved back in 1998 when the UCFD purchased the Water Company.

Board Member Geiger **moved** 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. Board Member Kroyer **seconded** the motion. The motion **carried** unanimously.

**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)**

Carefree Water Company Manager, Greg Crossman explained this motion appoints 3 officers in the UCFD.

1. Carefree Water Company General Manager as the UCFD District Manager
2. Carefree Water Company Controller and Accountant as the UCFD District Treasurer
3. Town of Carefree Clerk as the UCFD District Clerk

Board Member Kroyer **moved** to **approve** Resolution 2021-06 appointing District Officers for the Town of Carefree, Arizona Utilities Community Facilities District (UCFD). Board Member Geiger **seconded** the motion. The motion **carried** unanimously.

**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.**

Carefree Water Company Manager, Greg Crossman presented a flow chart showing the transfer of assets within the Carefree Service Area (CSA), neighborhoods A, B and C to the UCFD and Carefree Water Company. Mr. Crossman summarized the settlement agreement between the UCFD and the Town of Cave Creek. Explaining, the settlement payment is due to the Town of Cave Creek on or before July 14, 2021 which is prior to receiving bond proceeds anticipated in August 2021. Mr. Crossman explained that this resolution is necessary to meet Federal Treasury Department regulation and allows for reimbursement from the bond proceeds issued after the fact.

Board Member Kroyer **moved** to **approve** Resolution 2021-07 authorizing the reimbursement from Bond proceeds for the \$1,000,000.00 payment made to the Town of Cave Creek for the assets within the Town of Carefree Service Area. There was a **second** by Board Member Geiger. The motion **carried** unanimously.

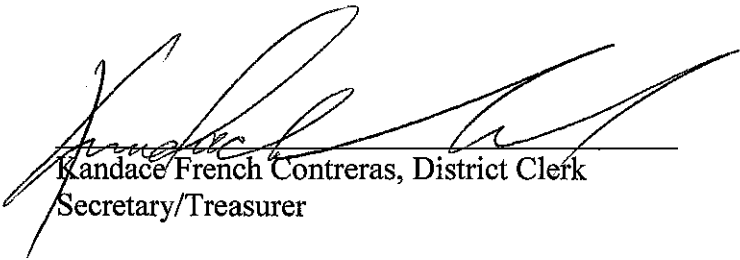
**ITEM #8      Adjournment**

Board Member Geiger **moved** to **adjourn** at 4:36 p.m. There was a **second** by Mayor/Chairperson Les Peterson. The motion **carried** unanimously.

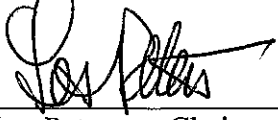
The meeting adjourned at 4:43 p.m.

DATED this 23<sup>rd</sup> of July, 2021.

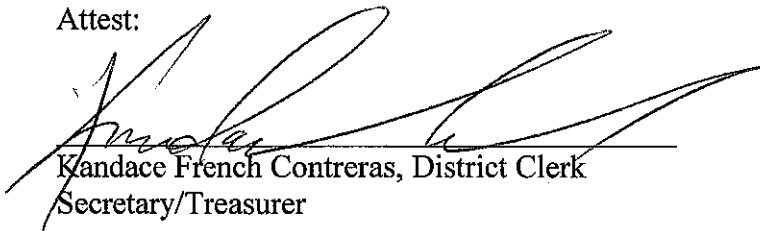
TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT  
CAREFREE WATER COMPANY

  
Kandace French Contreras, District Clerk  
Secretary/Treasurer

BOARD OF DIRECTORS

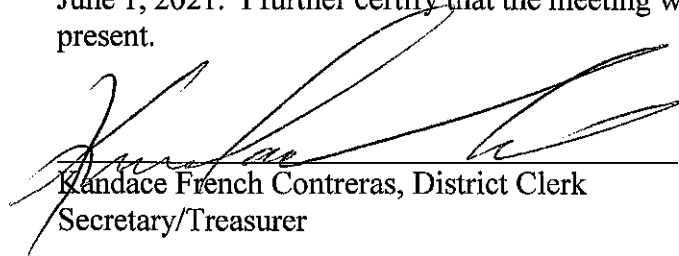
  
Les Peterson, Chairman

Attest:

  
Kandace French Contreras, District Clerk  
Secretary/Treasurer

CERTIFICATION

I certify that the foregoing minutes are a true and correct copy of the minutes of the meeting of the Utilities Community Facilities District Board of Directors/ Carefree Water Company held on June 1, 2021. I further certify that the meeting was duly called and held and that a quorum was present.

  
Kandace French Contreras, District Clerk  
Secretary/Treasurer