

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

BOARD COMMUNICATION

TO: PRESIDENT AND BOARD MEMBERS

FROM: MEGHAN OREM, DISTRICT TREASURER *MO*

THROUGH: GREG CROSSMAN, DISTRICT MANAGER *GC*

DATE: JUNE 1, 2022

SUBJECT: JUNE 7, 2022 BOARD MEETING
AGENDA ITEM NO. 2 – FINAL FY22-23 BUDGET ADOPTION
CAREFREE UCFD AND CAREFREE WATER COMPANY

Attached for your review prior to the June 7, 2022, Board meeting is Resolution 2022-03 which accomplishes the following:

- Approves and adopts the final District budget for FY22-23. The final District Budget is included as Exhibit B to the Resolution.
- Approves and adopts the final Water Company budget, rates, fees, deposits, and charges. The final Water Company FY22-23 documents are attached after Resolution 2022-03.

The following minor changes discussed at the May 3, 2022, Board meeting and public hearing have been incorporated into the final documents:

- UCFD Budget – Some sources of funding have been noted as “potential”. Expenditures will be adjusted if these funding sources are not realized.
- Water Company Budget – Funds have been identified for potential participation in the Bartlett Dam Modification Steering Committee.
- Water Company Fees – Policy statements have been included in the “Water Supply Fee” documentation addressing new development that generates a significant impact on Carefree’s existing water resources (a water demand greater than 15 AF per year) and protection of the Carefree/Cave Creek Groundwater Subbasin.

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

**UTILITIES COMMUNITY FACILITIES DISTRICT
CAREFREE WATER COMPANY**

RESOLUTION 2022-03

A JOINT RESOLUTION 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. ADOPTING A DISTRICT BUDGET FOR FISCAL YEAR 2022/23 AND ADOPTING CAREFREE WATER COMPANY RATES, FEES, DEPOSITS, AND CHARGES APPLICABLE FOR FISCAL YEAR 2022/23.

WHEREAS, pursuant to Arizona Revised Statutes ("A.R.S.") Section 48-716 of the Arizona Revised Statutes, the District Treasurer of the Town of Carefree Utilities Community Facilities District (the "District") prepared and submitted to the Board of Directors of the District (the "District Board") for approval on May 3, 2022, a proposed District budget for Fiscal Year 2022/23 (the "Proposed Budget"); and

WHEREAS, the rates, fees, deposits and charges applicable for Fiscal Year 2022/23, were also presented by Carefree Water Company, Inc., to the District Board and the Board of Directors of the Carefree Water Company on May 3, 2022; and

WHEREAS, on May 3, 2022, the District Board adopted Resolution 2022-02, approving the Proposed Budget, approving the rates, fees, deposits and charges as presented by the Carefree Water Company, Inc., and ordering a hearing on the Proposed Budget and the identification and noticing of the rates, fees, deposits and charges as required by law; and

WHEREAS, as required by A.R.S. Section 48-716, notice of the public hearing on the Proposed Budget and of the rates, fees, deposits and charges, in the form attached hereto as Exhibit A, was published not less than ten days prior to the May 3, 2022, public hearing in a newspaper of general circulation in the District and was mailed to the Town Clerk of the Town of Carefree, Arizona; and

WHEREAS, a public hearing was held on May 3, 2022,

NOW, THEREFORE, BE IT RESOLVED BY 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. AS FOLLOWS:

Section 1. The Proposed District Budget, including minor revisions discussed at the public hearing held on May 3, 2022, in the form attached hereto as Exhibit B, is hereby approved and adopted as the final District budget for Fiscal Year 2022/23.

Section 2. The Carefree Water Company budget, rates, fees, deposits, and charges, including minor changes discussed at the public hearing held on May 3, 2022, are on file with the District Clerk/Water Company Secretary and are hereby approved and adopted as final for Fiscal Year 2022/23.

Section 3. Pursuant to A.R.S. Section 48-720(D), the District hereby identifies and notices the rates, fees, deposits and charges authorized by A.R.S. Section 48-709(A)(6) as authorized and adopted by District Board action. Such rates, fees, deposits and charges shall be effective for all billings processed on or after July 1, 2022.

Section 4. This Resolution is effective immediately.

PASSED AND ADOPTED by 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. on this 7th day of June, 2022.

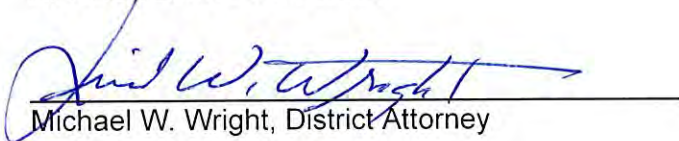


Les Peterson, Chairman - Board of Directors

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 and the Board of Directors of the Carefree Water Company, Inc. at a regular joint meeting held on June 7, 2022, and that a quorum was present.

AYES 7 NAYS 0 ABSTENTIONS 0 ABSENT 0


Kandace French Contreras, District Clerk

ATTACHMENTS:

- Exhibit A — Notice of Hearing
- Exhibit B — Adopted District Budget FY 2022/23

EXHIBIT A

TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT

NOTICE OF HEARING

REQUIRED BY A.R.S. §§48-716 AND 48-720(D)

ON THE PROPOSED BUDGET FOR FY 2022/23

OF

TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT

Pursuant to Sections 48-716 and 48-720(D), Arizona Revised Statutes, notice is hereby given that a public hearing on the Proposed Budget of the Town of Carefree, Arizona Utilities Community Facilities District for FY 2022/23 will be held by the District Board on May 3, 2022, at 4:00 p.m. at the Carefree Town Council Chambers, 33 Easy Street, Carefree, AZ 85377. A copy of the Proposed Budget and the rates, fees and charges are on file with the Clerk of the Town of Carefree, Arizona and the District Clerk of Town of Carefree, Arizona Utilities Community Facilities District, at the Carefree Town Hall, 8 Sundial Circle, Carefree, Arizona 85377, telephone number (480) 488-3686. This notice also constitutes notice of the rates, fees and charges as required by Section 48-720(D), of the Arizona Revised Statutes.

Any interested party having COVID-19 concerns may view the meeting livestream at <https://zoom.us/>, Meeting ID 322 972 9660, Passcode 12345.

Public Comment – Submission of public comments may be provided in-person or in typed format by email to Kandace@Carefree.org. Comments are to be limited to not more than one-half page, double spaced, 12 point type. No more than one submission per person or legal entity per meeting will be read into the record. Please identify your town or city of residence. Comments that do not comply with the format specified may not be read during this Board meeting. Comments must be received by 12:00 noon on the day of the meeting.

DATED this 12th day of April, 2022.

/s/ Greg Crossman

District Manager

Town of Carefree, Arizona Utilities

Community Facilities District

EXHIBIT B

TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT

ADOPTED BUDGET FISCAL YEAR 2022/23

BEGINNING FUNDS AVAILABLE		\$17,816,919
SOURCES		
REVENUES (FROM CAREFREE WATER COMPANY)		
Debt Service and Rent Revenue	\$692,104	
Capital Construction Revenue (Includes Fed. Local Match)	\$1,000,000 ¹	
Total Revenues		\$1,692,104
OTHER FINANCING SOURCES		
American Rescue Plan Funds	\$655,812 ¹	
Federally Directed Funding	\$800,000 ¹	
Developer Contributions	\$1,000,000 ¹	
Total Other Financing Sources		\$2,455,812
TOTAL SOURCES		\$21,964,835
¹ Potential Funding Source – Expenditures to be Adjusted if Not Received		
EXPENDITURES		
ADMINISTRATION		
Rent	\$33,000	
Total Administration		\$33,000
CAPITAL		
Public Infrastructure - Construction	\$19,400,000	
Contingency	\$1,000,000	
Total Capital		\$20,400,000
DEBT SERVICE		
Principal – Water System Revenue Bonds Series 2021	\$ -	
Interest – Water System Revenue Bonds Series 2021	\$741,400	
Trustee Fees	\$800	
Capital Advance Payment	\$414,340	
Capital Lease Payment (WIFA)	\$244,764	
Total Debt Service		\$1,401,304
TOTAL EXPENDITURES		\$21,834,304
ENDING FUNDS AVAILABLE		\$130,531



FISCAL YEAR 22-23 BUDGET

INCLUDING

RATES, FEES, CHARGES, AND DEPOSITS

Water Rates and Fees Summary Carefree Water Company – FY 22-23

Rates

- 4.4% Overall Water Rate Increase – Base Fee and Commodity Rates
- Rate increase takes effect July 2022
- Average Monthly Bill Increase (Residential): \$5.05
- Current Average Monthly Residential Bill: \$114.76 – Proposed Average Monthly Residential Bill: \$119.81
- Average Monthly Residential Water Use: 12,000 gallons

- Current Residential Base Fee: \$50.44 – Proposed Residential Base Fee: \$52.66 – Up \$2.22
 - \$20.00/mth “Acquisition Fee” - Neighborhoods A, B, and C (“Carefree Service Area)
- 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)

Fees

- Fees for new construction have not been adjusted since at least 2009. This includes:
 - Water Capacity Fees
 - Service Connection Fees (Service Lines and Meters)
- Inflation Adjustment Warranted
 - Basis: Consumer Price Index, U.S. City Average, All Urban Consumers
 - 2009 → 2021 = 275.703/215.935 = 27.5% Increase
- Single Family Residential Example
 - Water Capacity Fee: \$3,639 → \$4,640
 - 1” Service Connection Charge (Meter and Service): \$3,080 → \$3,927
 - Total: \$6,719 → \$8,567

- New Free Proposal: Water Supply Fee (for new development)
 - Funding of Water Rights/Water Supply Expenditures – Past and Future
 - See Water Supply Fee Report and Policy Recommendations at the end of this packet

Carefree Water Company
Effective July 1, 2022
Rate Sheet @ 4.4% Base and Commodity Increase

R1, R2 & R4

	Gallons	Base Rate			Commodity Charge			Subtotal Before Taxes			Taxes			Total With Taxes			Overall % Difference
		Current	New	Difference	Current	New	Difference	Current	New	Difference	Current	New	Difference	Current	New	Difference	
Tier 1 - \$4.25 (Curr - \$4.07)	1,000	50.44	52.66	2.22	4.07	4.25	0.18	54.51	56.91	2.40	5.08	5.30	0.22	59.59	62.21	2.62	4.4%
	2,000	50.44	52.66	2.22	8.14	8.5	0.36	58.58	61.16	2.58	5.46	5.70	0.24	64.04	66.86	2.82	4.4%
	4,000	50.44	52.66	2.22	16.28	17	0.72	66.72	69.66	2.94	6.23	6.50	0.27	72.95	76.16	3.21	4.4%
	6,000	50.44	52.66	2.22	24.42	25.5	1.08	74.86	78.16	3.30	7.00	7.31	0.31	81.86	85.47	3.61	4.4%
	8,000	50.44	52.66	2.22	32.56	34	1.44	83	86.66	3.66	7.77	8.11	0.34	90.77	94.77	4.00	4.4%
Tier 2 - \$5.72 (Curr - \$5.48)	9,000	50.44	52.66	2.22	38.04	39.72	1.68	89.48	92.38	3.90	8.29	8.65	0.36	96.77	101.03	4.26	4.4%
	12,000	50.44	52.66	2.22	54.48	56.88	2.40	104.92	109.54	4.62	9.84	10.27	0.43	114.76	119.81	5.05	4.4%
	14,000	50.44	52.66	2.22	65.44	68.32	2.88	115.88	120.98	5.10	10.87	11.34	0.47	126.75	132.32	5.57	4.4%
	16,000	50.44	52.66	2.22	76.40	79.76	3.36	126.84	132.42	5.58	11.90	12.42	0.52	138.74	144.84	6.10	4.4%
	18,000	50.44	52.66	2.22	87.36	91.20	3.84	137.8	143.86	6.06	12.93	13.50	0.56	150.73	157.36	6.62	4.4%
	20,000	50.44	52.66	2.22	98.32	102.64	4.32	148.76	155.3	6.54	13.96	14.57	0.61	162.72	169.87	7.15	4.4%
Tier 3 - \$7.52 (Curr - \$7.20)	22,000	50.44	52.66	2.22	112.72	117.68	4.96	163.16	170.34	7.18	15.32	15.98	0.67	178.48	186.32	7.85	4.4%
	24,000	50.44	52.66	2.22	127.12	132.72	5.60	177.56	185.38	7.82	16.67	17.40	0.73	194.23	202.78	8.55	4.4%
	26,000	50.44	52.66	2.22	141.52	147.76	6.24	191.96	200.42	8.46	18.02	18.81	0.79	209.98	219.23	9.25	4.4%
	28,000	50.44	52.66	2.22	155.92	162.80	6.88	206.36	215.46	9.10	19.37	20.22	0.85	225.73	235.68	9.95	4.4%
	30,000	50.44	52.66	2.22	170.32	177.84	7.52	220.76	230.5	9.74	20.73	21.63	0.91	241.49	252.13	10.65	4.4%
Tier 4 - \$9.72 (Curr - \$9.31)	32,000	50.44	52.66	2.22	188.94	197.28	8.34	239.38	249.94	10.56	22.47	23.45	0.98	261.85	273.39	11.54	4.4%
	35,000	50.44	52.66	2.22	216.87	226.44	9.57	267.31	279.1	11.79	25.09	26.18	1.10	292.40	305.28	12.89	4.4%
	40,000	50.44	52.66	2.22	263.42	275.04	11.62	313.86	327.7	13.84	29.45	30.74	1.29	343.31	358.44	15.13	4.4%
	45,000	50.44	52.66	2.22	309.97	323.64	13.67	360.41	376.3	15.89	33.81	35.29	1.48	394.22	411.59	17.37	4.4%
	50,000	50.44	52.66	2.22	356.52	372.24	15.72	406.96	424.9	17.94	38.17	39.84	1.67	445.13	464.74	19.61	4.4%
Tier 5 - \$12.63 (Curr - \$12.10)	55,000	50.44	52.66	2.22	417.02	435.39	18.37	467.46	488.05	20.59	43.83	45.75	1.91	511.29	533.80	22.50	4.4%
	60,000	50.44	52.66	2.22	477.52	498.54	21.02	527.96	551.2	23.24	49.49	51.65	2.16	577.45	602.85	25.40	4.4%
	65,000	50.44	52.66	2.22	538.02	561.69	23.67	588.46	614.35	25.89	55.15	57.56	2.41	643.61	671.91	28.30	4.4%
	70,000	50.44	52.66	2.22	598.52	624.84	26.32	648.96	677.5	28.54	60.81	63.46	2.65	709.77	740.96	31.19	4.4%
	80,000	50.44	52.66	2.22	719.52	751.14	31.62	769.96	803.8	33.84	72.13	75.27	3.15	842.09	879.07	36.99	4.4%
	90,000	50.44	52.66	2.22	840.52	877.44	36.92	890.96	930.10	39.14	83.44	87.08	3.64	974.40	1,017.18	42.78	4.4%
	100,000	50.44	52.66	2.22	961.52	1,003.74	42.22	1,011.96	1,056.40	44.44	94.76	98.90	4.13	1,106.72	1,155.30	48.57	4.4%

Average Residential Usage

CAREFREE WATER COMPANY RATE SCHEDULE

Effective July 1, 2022

Before Taxes

Meter Type	Meter Size	Meter Classification	Monthly Base Fee	Monthly Commodity (Usage) Charges and Tier Breakdown														
				Tier 1 \$4.25 per 1,000 gal. (gallons)		Tier 2 \$5.72 per 1,000 gal. (gallons)		Tier 3 \$7.52 per 1,000 gal. (gallons)		Tier 4 \$9.72 per 1,000 gal. (gallons)		Tier 5 \$12.63 per 1,000 gal. (gallons)						
				From	To	From	To	From	To	From	To	From	To	From	To			
RESIDENTIAL METERS																		
Residential	5/8", 3/4", 1"	R1, R2, R4	\$ 52.66	0	8,000	8,001	20,000	20,001	30,000	30,001	50,000	50,001	and over					
Residential	5/8", 3/4", 1"	R1A, R2A, R4A	\$ 72.66	0	8,000	8,001	20,000	20,001	30,000	30,001	50,000	50,001	and over					
COMMERCIAL METERS																		
Commercial	1 inch	C5	\$ 94.80	0	8,000	8,001	16,000	16,001	32,000	32,001	64,000	64,001	and over					
Commercial	1 inch	C5A	\$ 104.80	0	8,000	8,001	16,000	16,001	32,000	32,001	64,000	64,001	and over					
Commercial	1-1/2 inch	C6	\$ 235.27	0	11,000	11,001	16,000	16,001	35,000	35,001	70,000	70,001	and over					
Commercial	1-1/2 inch	C6A	\$ 255.27	0	11,000	11,001	16,000	16,001	35,000	35,001	70,000	70,001	and over					
Commercial	2 inch	C8	\$ 563.95	0	20,000	20,001	40,000	40,001	80,000	80,001	160,000	160,001	and over					
Commercial	2 inch	C8A	\$ 583.95	0	20,000	20,001	40,000	40,001	80,000	80,001	160,000	160,001	and over					
Commercial	3 inch	C9	\$ 751.71	0	100,000	100,001	200,000	200,001	400,000	400,001	600,000	600,001	and over					
Commercial	3 inch	C9A	\$ 771.71	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	\$ 400.15	0	30,000	30,001	40,000	40,001	60,000	60,001	80,000	80,001	and over					
Master Meter 2		MM2 - 4	\$ 200.09	0	30,000	30,001	50,000	50,001	70,000	70,001	90,000	90,001	and over					
Master Meter 3		MM3 - 8	\$ 400.15	0	40,000	40,001	80,000	80,001	100,000	100,001	150,000	150,001	and over					
Master Meter 4		MM4 - 6	\$ 300.14	0	50,000	50,001	100,000	100,001	190,000	190,001	250,000	250,001	and over					
Master Meter 5		MM5 - 12	\$ 612.70	0	30,000	30,001	50,000	50,001	80,000	80,001	100,000	100,001	and over					
Master Meter 6		MM6 - 38	\$ 1,900.76	0	170,000	170,001	270,000	270,001	300,000	300,001	350,000	350,001	and over					
Master Meter 7		MM7 - 18	\$ 900.39	0	80,000	80,001	100,000	100,001	120,000	120,001	150,000	150,001	and over					
Master Meter 8		MM8 - 11	\$ 550.22	0	90,000	90,001	150,000	150,001	200,000	200,001	250,000	250,001	and over					
Master Meter 9		MM9 - 11	\$ 550.22	0	75,000	75,001	105,000	105,001	135,000	135,001	165,000	165,001	and over					
Master Meter 10		MM10 - 11	\$ 550.22	0	60,000	60,001	120,000	120,001	190,000	190,001	220,000	220,001	and over					
STAND PIPE																		
Stand Pipe		CWH	-															
FIRE HYDRANT METER																		
Fire Hydrant		FHY	\$ 165.50															

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)	\$20.00
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	\$250.00
Commercial	3X Average Water Bill
Stand Pipe	\$50.00
Fire Hydr. Meter	\$900.00

NEW CONSTRUCTION CHARGES AND FEES			
Meter and Service Size	Service Connection Charge	Water Capacity Fee ¹	Total
1" Meter and Service	\$3,927.00	\$4,640.00	\$8,567.00
1" Meter Only-New Subdivision	\$1,230.00	\$4,640.00	\$5,870.00
1-1/2" Meter and Service	\$5,451.00	\$8,409.00	\$13,860.00
2" Meter and Service	\$8,262.00	\$13,051.00	\$21,323.00
3" Compound Meter	\$25,723.00	\$26,528.00	\$52,251.00
4" Compound Meter	\$31,875.00	\$40,647.00	\$72,522.00
1" Meter & Serv. Upgrade(from 3/4")	\$3,207.00	-	\$3,207.00
1" Meter Only Upgrade (from 3/4")	\$510.00	-	\$510.00

¹Distribution, Storage, and Pumping Capacity

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	\$40.00
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

Fees, charges, and deposits that have been increased for FY 22-23.

SAMPLE RESIDENTIAL WATER BILL CALCULATION ²		
1 inch Residential Meter (WR4 Classification) @ 24,000 gallons		
Tier 1:	@ \$ 4.25 /1000 gal.	= \$ 34.00
Tier 2:	@ \$ 5.72 /1000 gal.	= \$ 68.64
Tier 3:	@ \$ 7.52 /1000 gal.	= \$ 30.08
Tier 4:	@ \$ 9.72 /1000 gal.	= \$ -
Tier 5:	@ \$ 12.30 /1000 gal.	= \$ -
Month Total:		Base Fee \$ 52.66
		Total (Does not include taxes) \$ 185.38

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

Profit and Loss Summary Carefree Water Company – FY 22-23

- “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:
 - 2021 Series Bond Repayment (“Acquisition”)
 - WIFA Loan Repayment (“Capital Lease”)
 - Town of Carefree Repayment (“Capital Advance”)
 - Water Company Office/Shop Rent
 - Reserve Deposits
 - Capital Improvement Program
- Bottom Line: Revenue stream must cover all cash uses (cash flow/expenditures)

Carefree Water Company
 PROFIT AND LOSS
 2022-2023 Budget

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total
Revenues	9.4%	9.2%	9.1%	8.6%	8.3%	7.1%	7.4%	7.0%	7.7%	8.1%	8.4%	9.8%	100%
Water Sales	324,828	323,536	309,248	300,940	288,654	237,409	258,036	244,572	258,831	282,003	292,209	332,680	3,452,946
New Meter & Service Fees	3,927		3,927			3,927			3,927			3,927	19,635
DFGC Electrical Fees		6,204	6,204			6,204			6,203			6,203	24,814
Cell Tower Rental Fees (net)	1,879	1,879	1,879	1,879	1,879	1,879	1,879	1,879	1,879	1,879	1,878	1,878	22,546
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	332,634	327,415	323,258	304,819	292,533	251,419	261,915	248,451	272,840	285,882	296,087	346,688	3,543,941
Cost of Water													
-Scottsdale CAP	75,930	72,114	71,216	71,328	61,436	48,116	61,891	54,865	59,018	71,396	75,064	86,118	808,492
-Cave Creek CAP													
Ground Water Pumped	14,416	11,877	11,769	11,784	10,304	8,763	12,355	9,544	10,024	11,453	11,875	13,152	137,316
Central Ariz Project	22,164	21,421	21,247	21,268	18,873	16,384	20,333	26,465	19,773	22,183	22,897	25,050	258,058
Total Water Costs	112,510	105,412	104,232	104,380	90,613	73,263	94,579	90,874	88,815	105,032	109,836	124,320	1,203,866
General and Administrative													
Maintenance	88,636	88,636	88,636	88,636	88,636	88,636	88,636	88,636	88,636	88,636	88,635	88,635	1,063,630
Depreciation	19,460	19,460	19,460	19,460	19,460	19,460	19,460	19,459	19,459	19,459	19,459	19,459	233,515
Total Other Costs	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	600,000
REVENUES LESS COSTS	158,096	158,096	158,096	158,096	158,096	158,096	158,096	158,095	158,095	158,095	158,094	158,094	1,897,145
	62,028	63,907	60,930	42,343	43,824	20,060	9,240	(518)	25,930	22,755	28,157	64,274	442,930

CASH FLOW

Cash Flow													
Net Gain	442,930												
Depreciation	600,000												
Equipment Loss W/O	12,000												
Total Available	1,054,930												
Cash Uses													
Reserves													
Capital Advance				414,340									
WIFA Payment				244,764									
UCFD Rent				33,000									
Total Operating Uses				692,104									
Cash Available				362,826									
Capital Projects													
Fire Protection													
System Automation & Tech.											30,000		
System Improvements											236,826		
Water Rights											46,000		
Capital Equipment											50,000		
Capital Reserves													
Total Capital Uses											362,826		
Cash Utilized											362,826		

Cost of Water Summary Carefree Water Company – FY 22-23

- Water use is based on a 3-year average
- Assumes 1/2-year of Acquisition Area Water Usage (2nd Half FY 22-23)
- The cost of water is the Water Company's single largest expense at nearly \$1.2M
- Continued Focus on Utilizing Renewable CAP Supply (Saving GW for Emergencies)
 - 65% CAP Water
 - 35% Groundwater
- Water costs are increasing about \$200,000 this FY due to the following:
 - Increased usage from Acquisition Area (300 AF/yr)
 - 4% Increase in Scottsdale Treated Water Costs
 - 5% Increase in APS Costs
 - Overall 14% Increase in CAP Raw Water Costs Reflective of Tier 1 Shortage Condition
 - Equates to \$72,500 increase in payments to CAP
 - 21% increase in Delivery Costs – Due to Tier 1 Shortage

Carefree Water Company
Estimated Water Costs
Fiscal Year 2022-23

4/1/2022

325.851

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Total
Water Sold FY20-21	91.9	90.9	85.3	79	80.9	64.9	60.9	58.4	71.8	80.3	82.5	111.0	492.9
Water Sold FY20-21	104.3	98.6	105.1	101.2	88.3	64.8	60.9	58.4	71.8	80.3	82.5	111.0	1027.2
Water Sold FY19-20	97.7	93.2	84.3	86.5	68.5	57.8	56.0	54.3	57.8	64.7	76.0	88.8	887.6
Water Sold FY18-19 (19 Only)								63.1	51.2	55.7	68.6	77.2	388.6
3-yr Average Water Sold (Use for 22-23)	101.0	95.9	94.7	94.9	78.4	61.3	59.6	52.8	56.8	68.8	72.3	83.0	919.3
3-yr Average Water Sold (Use for 22-23)	32,911	31,249	30,858	30,907	25,547	19,975	19,404	17,189	18,499	22,402	23,559	27,046	299,545
Percent of Annual Usage (Use for 22-23)	11.0%	10.4%	10.3%	10.3%	8.5%	6.7%	6.5%	5.7%	6.2%	7.5%	7.9%	9.0%	100.0%
Water Supplied (Sold/0.9) (Use for 22-23)*	112.2	106.6	105.2	105.4	87.1	68.1	87.8	77.7	83.7	101.3	106.5	122.3	1164.0

*Note: Jan. - Dec. Adjusted for CSA Acquisition

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Total
Ground Water A.F. (35%)	39.3	37.3	36.8	36.9	30.5	23.8	30.7	27.2	29.3	35.5	37.3	42.8	407.4
CAP Water A.F. (65%)	72.9	69.3	68.4	68.5	56.6	44.3	57.0	50.5	54.4	65.9	69.3	79.5	756.6
CAP Water A.F. + 5%	3.6	3.5	3.4	3.4	2.8	2.2	2.9	2.5	2.7	3.3	3.5	4.0	37.8

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Total
0% of CAP Water	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
100% of CAP Water	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
Total Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Total
SCOTTSDALE WATER	72.9	69.3	68.4	68.5	56.6	44.3	57.0	50.5	54.4	65.9	69.3	79.5	756.6
1,000's Gallons	23,769	22,569	22,286	22,322	18,450	14,426	18,588	16,465	17,720	21,459	22,568	25,907	246,539
Cost @\$3.18/1,000 Gal.*	\$75,585	\$71,769	\$70,871	\$70,983	\$61,071	\$47,751	\$61,526	\$54,300	\$58,653	\$71,031	\$74,699	\$85,754	\$804,192
Meter Fee	\$345.00	\$345.00	\$345.00	\$345.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$4,380.00
* \$3.31/1,000 Gal. After Oct. 2022 (4% Increase)	\$75,930	\$72,114	\$71,216	\$71,328	\$61,436	\$48,116	\$61,891	\$54,865	\$59,018	\$71,396	\$75,064	\$86,119	\$808,492

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Total
POTABLE GROUNDWATER	39.3	37.3	36.8	36.9	30.5	23.8	30.7	27.2	29.3	35.5	37.3	42.8	407.4
Pumped Groundwater (A.F. - From Above)	12,799	12,152	12,000	12,019	9,935	7,768	10,009	8,866	9,542	11,555	12,152	13,950	132,747
Cost @\$0.71/1,000 Gal. (5% Increase)	\$9,087	\$8,628	\$8,520	\$8,534	\$7,054	\$5,515	\$7,106	\$6,295	\$6,775	\$8,204	\$8,628	\$9,905	\$94,250
Groundwater Withdrawal Fee (ADWR)	\$5,450	\$4,370	\$4,370	\$4,370	\$4,370	\$4,370	\$4,370	\$4,370	\$4,370	\$4,370	\$4,370	\$4,370	\$43,700
Chemicals and Testing	\$12,537	\$9,998	\$9,890	\$9,904	\$8,424	\$6,885	\$10,476	\$7,665	\$8,145	\$9,574	\$9,998	\$11,275	\$114,770

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Total
GOLF COURSE GROUNDWATER													
A.F. Pumped (2021)													A.F.
(2020)													149.6
(2019)													198.7
(3-yr Ave.)													300.0
													216.1

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Total
Electrical Cost	745.22	0.14	\$1,878.82	\$1,878.82	\$1,878.82	\$1,878.82	\$1,878.82	\$1,878.82	\$1,878.82	\$1,878.82	\$1,878.82	\$1,878.82	\$22,546

	2022	2023
CAP COSTS		
Capital Cost	\$50	\$56
Delivery Cost	\$192	\$200
CAP Contingency		
Total Cost	\$22,164	\$22,421

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Total
ALL WATER COSTS	\$112,510	\$105,412	\$104,231	\$104,379	\$90,612	\$73,263	\$94,578	\$90,873	\$88,815	\$105,032	\$109,898	\$124,322	\$1,203,867

General and Administrative (G&A) Summary Carefree Water Company – FY 22-23

- Overall G&A expenses up 8% (up approx. \$87,000) compared to last FY
 - Prime Drivers: Insurance and Payroll
 - Insurance Increase of 35% - \$29,000
 - Large Amount of “Subcontracted” Work associated with the Carefree WCP
 - Insurance Carrier Assumption: Increased Risk
 - Payroll Costs Up 6% - \$46,000
 - 3.5% Cost-of-Living Adjustment – All employees
 - 2.5% Merit Increase – All employees
 - Fuel/Gas Also a Driver – 24% increase, up \$7,000

**General and Administrative Budget by Category
for 2022-23**

	2021-2022 Budget	2022-2023 Budget	Difference	
<u>Payroll, Payroll Taxes, Group Insurance & Benefits</u>				
Base Salaries	492,999	536,041		
Overtime	4,000	4,000		
Compensation Time	3,000	3,000		
Bonus	4,000	4,000		
Merit Increase	5,138	-		
Emgr. On-Call	14,600	14,600		
All Health Insurance Combined	93,973	96,616		
IRA and Retirement	52,362	54,942		
All Payroll taxes	35,406	38,422		
Medicare	8,281	8,144		
Unemployment	-	-		
Equalization Taxes	-	-		
	<u>713,758</u>	<u>759,765</u>	46,007	6%
<u>Training Expense A/C 60154</u>				
	4,000	4,000	0	0%
<u>Employee Expenses A/C 60152</u>				
Uniforms	2,500	3,000		
	<u>2,500</u>	<u>3,000</u>	500	17%
<u>Safety Equipment A/C 60156</u>				
Personal Protective Equipment	1,500	1,500		
Safety Equipment	2,000	2,000		
	<u>3,500</u>	<u>3,500</u>	0	0%
<u>Accounting and Professional Services A/C 60201</u>				
Auditors	6,695	7,800		
Dasco	2,500	2,500		
ER System	6,000	6,000		
Payroll Experts	2,600	3,000		
	<u>17,795</u>	<u>19,300</u>	1,505	8%
<u>Legal A/C 60202</u>				
	5,000	5,000	0	0%
<u>Cleaning Service A/C 60204</u>				
Regular	7,800	8,000		
	<u>7,800</u>	<u>8,000</u>	200	3%

<u>SCADA A/C 60207</u>				
SCADA	5,000	5,000		
Specter - WIN 911	500	700		
	<u>5,500</u>	<u>5,700</u>	<u>200</u>	4%
<u>Computer A/C 60205</u>				
UMS Annual Fee	4,100	4,500		
Sage	8,000	5,300		
Beacon Mobile	3,300	3,360		
Computer Repair Contract	13,000	14,000		
Computer Repair additional hours	3,300	4,000		
Printer	500	500		
Fixed Asset Software	300	300		
Server Warranty Care Pack	800	1,015		
Firewall	140	140		
	<u>33,440</u>	<u>33,115</u>	<u>(325)</u>	-1%
<u>Insurance A/C 60250</u>				
Cincinnati Insurance	48,000	77,000		
Claims (Insurance Deductible- Contingency)	5,000	5,000		
	<u>53,000</u>	<u>82,000</u>	<u>29,000</u>	35%
<u>Postage A/C 60300</u>				
Billings	6,200	7,500		
Mail Pickup	540	550		
Additional mailings	1,300	1,450		
	<u>8,040</u>	<u>9,500</u>	<u>1,460</u>	15%
<u>Telephone A/C 60351</u>				
Cox	3,100	3,100		
Verizon	4,000	4,000		
Replacement Cell Phones	500	650		
	<u>7,600</u>	<u>7,750</u>	<u>150</u>	2%

<u>Promotional A/C 60353</u>				
Truck Magnets	240	250		
Advertisement	500	500		
	<u>740</u>	<u>750</u>	<u>10</u>	1%
<u>Auto Expense A/C 60400</u>				
Repairs, batteries, tires	2,100	2,500		
Fuel *	16,500	23,100		
Fuel Adj.(Potential Increase)	3,000	3,000		
	<u>21,600</u>	<u>28,600</u>	<u>7,000</u>	24%
<u>Office Supplies A/C 60452</u>				
Printing	3,500	4,600		
Stuffing Machine Annual Maint.	1,700	1,700		
All Other	3,500	3,500		
	<u>8,700</u>	<u>9,800</u>	<u>1,100</u>	11%
<u>Security and Emergency A/C 60453</u>				
Safeguard - Office	700	700		
	<u>700</u>	<u>700</u>	<u>0</u>	0%
<u>Office Utilities A/C 60454</u>				
	<u>4,750</u>	<u>5,100</u>	<u>350</u>	7%
<u>Fees and Permits A/C 60501</u>				
Maricopa County	3,100	3,100		
ACC	50	50		
Carefree Shadows HOA	125	125		
Town License	40	40		
	<u>3,315</u>	<u>3,315</u>	<u>0</u>	0%
<u>Dues and Subscriptions A/C 60456</u>				
Blue Stake	1,000	1,000		
AWWA Membership	400	400		
Rural Water Association	1,000	1,000		
WEF	205	205		
AZ Water Association	250	250		
American Society of Civil Engineers	300	300		
Costco	200	250		
Water Operator Certifications	300	300		
	<u>3,655</u>	<u>3,705</u>	<u>50</u>	1%

<u>Office Equipment Rental A/C 60457</u>			
Postage Machine	2,500	1,800	
	<u>2,500</u>	<u>1,800</u>	<u>(700)</u>
			-39%
<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	55	55	
	<u>55</u>	<u>55</u>	<u>0</u>
			0%
<u>Credit Card Charges A/C 60652</u>			
	<u>4,800</u>	<u>4,800</u>	<u>0</u>
			0%
<u>Bank Charges A/C 60653</u>			
All Other Banks	500	500	
Chase (Electronic Banking)	9,700	10,000	
	<u>10,200</u>	<u>10,500</u>	<u>300</u>
			3%
<u>GIS Mapping A/C 60206</u>			
GPS Annual Fee	2,400	2,400	
Monthly MIFI Fee	500	500	
ARC Service Agreement	1,475	1,475	
I-Pads for Field	2,000	2,000	
Support	20,000	20,000	
Elements Annual Maintenance	10,000	10,000	
	<u>36,375</u>	<u>36,375</u>	<u>0</u>
			0%
<u>Water Conservation Costs A/C 6100</u>			
Literature/Community Events	2,200	2,500	
	<u>2,200</u>	<u>2,500</u>	<u>300</u>
			12%
<u>Total Costs</u>			
	<u>976,523</u>	<u>1,063,630</u>	<u>87,107</u>
			8%

Replacement and Maintenance (R&M) Summary Carefree Water Company – FY 22-23

- 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 37% this fiscal year, \$63,000, reflecting:
 - Supply-Chain Related Issues
 - Material and Contract Labor Increases

**Replacement and Maintenance Budget
2022-2023**

	2021-2022 Budget	2022-2023 Budget	Variance	Percentage
<u>R & M Tanks</u>				
Tank Maint.	42,000	32,000		
Misc.	3,000	3,000		
	<u>45,000</u>	<u>35,000</u>	(10,000)	<u>-22%</u>
<u>R & M Pumps and Wells</u>				
Pumps Stations	10,000	10,300		
Wells	5,000	5,150		
	<u>15,000</u>	<u>15,450</u>	450	<u>3%</u>
<u>R & M Mains and Valves</u>				
Valves	10,000	61,500		
Mains Repairs	25,000	28,750		
Other Distribution Repairs	0	0		
	<u>35,000</u>	<u>90,250</u>	55,250	<u>158%</u>
<u>R & M Services/Meters</u>	<u>30,000</u>	<u>34,500</u>	4,500	<u>15%</u>
<u>R & M Easements & Right of Way Landscape</u>	<u>2,000</u>	<u>2,000</u>	0	<u>0%</u>
<u>R & M Equipment</u>				
Backhoe	3,000	4,500		
Ditch Witch	0	1,500		
Mini Excavator	1,000	1,000		
Trucks	1,500	1,500		
Chlorination	1,500	1,725		
Town Equipment Cost Sharing	6,000	4,000		
	<u>13,000</u>	<u>14,225</u>	1,225	<u>9%</u>
<u>Fire Hydrant Maintenance</u>	<u>5,000</u>	<u>5,000</u>	0	<u>0%</u>
<u>R & M Generator</u>	<u>15,000</u>	<u>25,000</u>	10,000	<u>67%</u>
<u>R & M Interconnect</u>	<u>2,000</u>	<u>2,300</u>	300	<u>15%</u>
<u>R & M Supplies</u>	<u>4,500</u>	<u>5,175</u>	675	<u>15%</u>

<u>R & M General</u>				
AC Units	2,000	2,300		
Fire Protection	700	700		
Exterminating	540	615		
	<u>3,240</u>	<u>3,615</u>	<u>375</u>	<u>12%</u>
<u>Equipment Rental</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>0%</u>
Total Maint. and Replacement	<u>170,740</u>	<u>233,515</u>	<u>62,775</u>	<u>37%</u>

**Reserve Recommendations
Carefree Water Company – FY 22-23**

- **Target Balance:** **\$1,000,000** (based on AWWA recommendations)
 - **Current Reserve Balance:** **\$1,000,000**
- Shortfall:** \$ 0

Recommended Reserve Deposits:
 FY 22-23: \$ 0 (Target Balance Met)

Capital Improvement Program Recommendations Carefree Water Company – FY 22-23

Total FY 22-23 Capital Budget - \$362,826

- Fire Protection – \$0 (12 New Hydrants as Part of the Carefree WCP)
- System Automation and Technology - \$30,000
- System Improvements – \$236,826
- Capital Equipment - \$50,000
- Water Rights - \$46,000
- Capital Reserves (Large Project Improvement Fund) - \$0

CAPITAL IMPROVEMENT PROGRAM DETAILS

Fire Protection - \$0

- Carefree WCP – 12 New Fire Hydrant Installations
- Acquisition Area – 138 Fire Hydrants (Existing)

System Automation and Technology - \$30,000

- SCADA System Upgrades

System Improvements - \$236,826

- Annual Meter Replacement Program – \$50,000 (175 meters)
 - Valve Replacement Program – \$50,000
 - Pipeline Upgrade Projects - \$136,826*
- *See Attached Pipeline Upgrade Prioritization Summary

Capital Equipment Account – \$50,000 (Annual FY 22-23 Deposit)*

* See Attached 10-year Capital Equipment Plan

Water Rights – NIA CAP Water/Bartlett Dam Modification - \$46,000

Total NIA Water Cost	\$219,688
<u>Paid Upfront</u>	<u>\$160,000</u>
Remaining Balance	\$ 59,688

To Be Paid Off at \$16,000/year over approx. 4 years

Bartlett Dam Modification Steering Committee Participation - \$30,000

Capital Reserve Account – FY 22-23 Deposit - \$0

**CAREFREE WATER COMPANY
10-YEAR CAPITAL IMPROVEMENT PLAN
FY 22-23 THRU FY 31-32**

Capital Improvement Description	Fiscal Year (FY)										Line Item Total	Category Total	
	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32			
Fire Protection													
Number of Fire Hydrants	12*	3	3	3	3	3	3	3	3	3	3	39	
Fire Hydrants	\$ -	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 135,000	\$ 135,000
System Automation and Technology													
SCADA System Improvements	\$ 30,000											\$ 75,000	\$ 155,000
Billing System Upgrades				\$ 30,000								\$ 30,000	\$ 60,000
System Improvements													
Annual Meter Replacement (Typically 125 per year)	\$ 50,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 45,000	\$ 405,000	
Valve Replacement Program	\$ 50,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 320,000	
Pipeline Upgrade Projects**	\$ 196,826	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 1,486,826	\$ 2,211,826
Capital Equipment													
Annual Contribution**	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 500,000	\$ 600,000
Water Rights													
Non-Indian Ag CAP	\$ 46,000	\$ 16,000	\$ 16,000	\$ 16,000								\$ 94,000	\$ 94,000
Capital Reserve	\$ -	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 450,000	\$ 450,000
Total FY Expenditure	\$ 362,826	\$ 341,000	\$ 341,000	\$ 371,000	\$ 366,000	\$ 336,000	\$ 335,000	\$ 340,000	\$ 375,000	\$ 420,000	\$ 420,000	\$ 3,606,826	\$ 3,606,826

* As Part of the Carefree Water Consolidation Project
 ** See Supplemental Capital Equipment Plan Spreadsheet
 *** See Supplemental Pipeline Upgrade Projects Spreadsheet

**CAREFREE WATER COMPANY
10-YEAR CAPITAL EQUIPMENT PROGRAM
FY 22-23 THRU FY 31-32**

Capital Equipment Description	Fiscal Year (FY)										10-Yr Total	
	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32		
Vehicles and Heavy Equip.												
Work Truck #1			\$ 65,000						\$ 65,000			\$ 130,000
Work Truck #2				\$ 65,000								\$ 130,000
Work Vehicle - GM	\$ 50,000							\$ 50,000				\$ 100,000
Backhoe (75/25 Cost Split w/Town)					\$ 90,000							\$ 90,000
Vector Equipment (Ditch Witch)					\$ 5,000	\$ 70,000						\$ 75,000
Large Tools	\$ 5,000		\$ 5,000				\$ 5,000			\$ 5,000		\$ 25,000
Technology & Misc. (Computers, Printers, Work Stations, etc.)												
Computer Replacements (\$1500/computer)		\$ 3,000	\$ 3,000			\$ 3,000	\$ 3,000					\$ 15,000
Server and Components				\$ 11,000					\$ 11,000			\$ 22,000
Meter Reading Technology Upgrades	\$ 6,000			\$ 6,000			\$ 8,000					\$ 28,000
Total FY Expenditure	\$ 61,000	\$ 3,000	\$ 73,000	\$ 82,000	\$ 95,000	\$ 73,000	\$ 16,000	\$ 50,000	\$ 81,000	\$ 76,000		\$ 610,000
Prior FY Balance	\$ 60,208	\$ 54,208	\$ 106,208	\$ 88,208	\$ 61,208	\$ 21,208	\$ 3,208	\$ 42,208	\$ 47,208	\$ 21,208		
Annual FY Contribution	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 500,000
Misc. Sales	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 50,000
End of FY Balance	\$ 54,208	\$ 106,208	\$ 88,208	\$ 61,208	\$ 21,208	\$ 3,208	\$ 42,208	\$ 47,208	\$ 21,208	\$ 208		

PIPELINE UPGRADE PROJECTS - PRIORITIZATION SUMMARY

Priority	Project Description	Lineal Feet	Project Cost	FY 22-23 Funding					Unfunded Balance	Cumm. Unfunded Balance
				Capacity Fees	Carryover & Capital Reserves	Other Funding*	CIP	Unfunded Balance		
1	Silver Saddle Gravity Zone Upgrades - Ph. 1	4,050	\$ 1,649,925	\$ 608,352	\$ 241,573	\$ 800,000	\$ -	\$ -	\$ -	
2	Black Mtn. Foothills - Ph. 1	2,575	\$ 1,030,000		\$ 556,427		\$ 66,826	\$ 406,747	\$ 406,747	
3	Grandview Estates - Ph. 1	4,095	\$ 1,638,000				\$ 70,000	\$ 1,568,000	\$ 1,974,747	
4	Spanish Boot/Golden Spur - Ph. 1	3,025	\$ 1,058,750					\$ 1,058,750	\$ 3,033,497	
5	Grandview Estates - Ph. 2	2,570	\$ 1,028,000					\$ 1,028,000	\$ 4,061,497	
6	Black Mtn. Foothills - Ph. 2	3,400	\$ 1,190,000					\$ 1,190,000	\$ 5,251,497	
7	Spanish Boot/Golden Spur - Ph. 2	1,825	\$ 638,750					\$ 638,750	\$ 5,890,247	
8	Silver Saddle Gravity Zone Upgrades - Ph. 2	5,200	\$ 1,820,000					\$ 1,820,000	\$ 7,710,247	
9	Milky Way Fire Protection Upgrades	2,150	\$ 645,000					\$ 645,000	\$ 8,355,247	
10	Sidewinder Fire Protection Upgrades	3,200	\$ 1,120,000					\$ 1,120,000	\$ 9,475,247	
11	Carefree Drive Fire Protection Upgrades	2,000	\$ 700,000					\$ 700,000	\$ 10,175,247	
		34,090	\$ 12,518,425	\$ 608,352	\$ 798,000	\$ 800,000	\$ 136,826	\$ 10,175,247	\$ 10,175,247	
						Total FY 22-23 Funding	\$ 2,343,178			

* Other Funding from Federally Directed Spending - FY 23

Water Supply Fee Report and Policy Recommendations Carefree Water Company – FY 22-23

PURPOSE

This report presents recommendations to implement a one-time “Water Supply Fee” for new development projects within the service area of the Carefree Water Company. The purpose of a Water Supply Fee is two-fold:

- 1) Collect from new development projects their reasonable share of costs already expended for securing the water supplies/water rights.
- 2) Provide the Water Company a mechanism to facilitate and fund the acquisition of new water supplies.

BACKGROUND AND HISTORY

A significant amount of planning and capital expenditures have been committed to assure that Carefree has an adequate supply of water into the future. Our existing customer base has fully paid for these efforts.

The current drought situation within the western United States and particularly the desert southwest has highlighted the fact that our water supplies and water rights are limited resources and that even these resources could be curtailed in times of drought.

In order for Carefree to have an adequate supply of water into the future, we must manage and plan our finite water resources today and balance those resources with the need for reasonable growth, redevelopment, and revitalization.

CURRENT SUPPLY SITUATION

The Carefree Water Company has secured the following water supplies:

Water Supply	Year	Amount [Acre Feet (AF)/yr]
CAP M&I (Original Allocation)	1990	400
CAP M&I (BHP Reallocation)	2001	900
CAP NIA (60% Availability)	2021	112
CAP M&I (Cave Creek Transfer)	Pending	378
Total		1790

The Carefree Water Company also has the right to pump groundwater within the Carefree Subbasin which is part of the East Salt River Valley aquifer. Although we exercise this right every year, the Arizona Department of Water Resources does not consider this groundwater resource as an “assured supply” that is continually available for the next 100-years and therefore we cannot utilize our groundwater resources to support new subdivision development within the Carefree community. Subdivision development is regulated by the ADWR and must obtain a “Certificate of Assured Water Supply” in order to be approved for development. Recent dealings with ADWR have indicated that currently only Carefree’s CAP M&I allocations can be utilized to demonstrate water availability to meet our existing demand and future demand for assured water supply purposes.

FUTURE SUPPLY SITUATION

For purposes of this analysis, simplifying assumptions have been made in order to generate a reasonable Water Supply Fee until additional details on the amount and cost of future supplies are obtained. These assumptions are conservatively low. For example, the future water supply that has been selected for this analysis is new Bartlett Dam water rights delivered to the CAP canal through the future Salt River/CAP Interconnection Facility (SCIF). This would allow the delivery of Bartlett Dam water to one of our neighboring communities that we have Treatment and Transportation Agreements with. Although this appears to be a reasonable future water resource from a cost perspective, there is no guarantee that either one of these facilities will be constructed and that water supplies will be available. Therefore other more expensive alternatives may need to be implemented.

A Bartlett/SCIF alternative at 300 AF/yr of water supply has been chosen as the future water supply alternative because it produces a reasonably low future water supply cost alternative at \$3,900/AF. For comparison purposes, Queen Creek is currently working on a water supply alternative that acquires Harquahala Valley groundwater rights that is incentivized at a cost \$7,000/AF. Future similar water supply alternatives are anticipated to cost \$10,000/AF.

Future build-out projections, including revitalization, need to be studied in order to determine the exact amount of additional future water rights that will be needed for Carefree. Because of this uncertainty, a sensitivity analysis was run on the Bartlett/SCIF alternative for two smaller quantities of future water supply acquisitions; 200 AF and 100 AF. This resulted in lowering the calculated Water Supply Fee by only 3 and 7% respectively. Given that smaller water rights acquisitions become more difficult, less viable, and more costly on a per AF basis, the 300 AF option appears to be a reasonable target until future information determines that less future water supply is needed and that a smaller acquisition amount is feasible.

COST OF CURRENT AND FUTURE SUPPLIES

Appendix A details the value/cost of various water rights in the Carefree portfolio. Generally, existing and anticipated CAP M&I water rights are valued at approximately \$2,000/AF. The full cost of CAP NIA water is anticipated to be \$3,250/AF, acknowledging the fact that this supply requires additional firming into the future for times of shortage when direct deliveries of this supply from the CAP Canal are not available (approximately 40% of the time). Bartlett Dam/SCIF water is calculated to cost \$3,900/AF as a future water supply.

WATER SUPPLY FEE

Appendix A also contains the methodology and calculation for a Water Supply Fee of \$2,890/AF. The Policy Statement below provides guidance on how this fee would be applied.

POLICY STATEMENTS AND ADMINISTRATIVE GUIDANCE

- 1) All single-family residential units (SFRs) are assumed to require 0.5 AF/yr of water supply/water rights, setting the Water Supply Fee at \$1,445 per SFR dwelling unit.
- 2) All multi-family residential units (MFRs) are assumed to require 0.25 AF/yr of water supply/water rights, setting the Water Supply Fee at \$722.50 per MFR dwelling unit.
- 3) The Water Supply Fee for all other future water uses (commercial, irrigation, subdivision common areas including pools and recreational facilities, etc.) shall utilize the fee amount of \$2,890/AF multiplied by a calculated annual water demand. The calculated annual water demand shall be reviewed and approved by the Carefree Water Company. Carefree Water Company staff shall develop and implement future policies and procedures for the calculation of annual water demand calculations to ensure consistency and reasonableness.
- 4) Any future water use and proposed project that has an annual water demand greater than 15 AF is deemed to have a significant impact on Carefree's existing water resources and may be required to provide a viable source of water that is physically available to the Carefree Water Company in lieu of payment of the Water Supply Fee. Proposed projects meeting this criterion will be reviewed on a case-by-case basis in consultation with the Town of Carefree considering the nature of the development, the volume of annual water needed, and best interest of the Town of Carefree and Carefree Water Company.
- 5) It is the intent of this policy to protect the Carefree/Cave Creek Groundwater Subbasin and to that extent, any water resource that would require direct or indirect use of groundwater within the Subbasin would not qualify as a viable source of water.
- 6) Redevelopment/revitalization projects shall qualify for a reasonable "credit" for existing annual water demand based on historic water use at a property. This historic annual water use shall be reviewed and approved by the Carefree Water Company and is exempt from the Water Supply Fee. The Water Supply Fee does apply to all newly generated annual water demand.
- 7) Rebuilding/refurbishing existing SFRs and MFRs are exempt from Water Supply Fees as long as the usage on the property remains SFR or MFR, even if characteristics change (i.e. total square footage changes, number of water fixtures changes, etc.).
- 8) Any land division that generates a new developable lot will require a Water Supply Fee at the time of development.
- 9) Water Supply Fees can be included/acknowledged in negotiated Development Agreements.
- 10) Water Supply Fees cannot be "prepaid". Water supply Fees may only be paid at the time of development/redevelopment permit issuance.
- 11) Water Supply Fees once paid, are non-refundable.

**APPENDIX A
COST OF CURRENT WATER SUPPLIES**

Original CAP M&I Allocation and Cave Creek Transfer – 778 AF

Basis of water supply valuation

- CAP M&I Capital Charges (paid regardless of water usage) – 1993 thru 2022
 - Time Value of Money @ 5%
 - 2022 Value - **\$2,064.42/AF**

Supplemental CAP M&I Allocation (BHP Copper) – 900 AF

Basis of water supply valuation

- Upfront Cost - \$329,389.15 /900 AF = \$365.99/AF
 - Time Value of Money @ 5% - 2001 thru 2022
 - 2022 Value - \$1,019.63/AF
- CAP M&I Capital Charges (paid regardless of water usage) – 2001 thru 2022
 - Time Value of Money @ 5%
 - 2022 Value - \$960.30/AF
- Total = \$1,019.63/AF + \$960.30/AF = **\$1,979.93/AF**

Supplemental CAP NIA Allocation – 112 AF

Basis of water supply valuation

- Upfront Cost - \$219,688.00 /112 AF = \$1,961.50/AF
- 60% Availability = \$1,961.50/AF/0.6 = **\$3,269.17/AF**
 - (Assumed to be needed to firm-up supply, e.g. recharge, supplemental supply, etc.)

Future Allocations – Bartlett Dam Water & Salt River/CAP Interconnect Facility (SCIF) - 300 AF

Basis of water supply valuation

- Participation - \$120,000/300 AF = \$400/AF
- Bartlett Dam Water Estimate = \$2,500.00/AF
- SCIF Estimate = \$1,000/AF
- Total = \$400/AF + \$2,500.00/AF + \$1,000/AF = **\$3,900/AF**

Cost Allocation – Future Development and Redevelopment

Assumptions

- Current potable demand is 1,300 AF/yr (including Acquisition Area)
- Current potable demand is met with Carefree's CAP M&I Supplies, including our original allocation, the Cave Creek transfer, and the supplemental (BHP Copper) allocation
- Future development will pay their prorated share of "buy-in" costs plus future anticipated water supply costs using a weighted average

Calculation

- 1,790 AF/yr of existing supply (including Cave Creek Transfer) – 1,300 AF/yr of existing demand = 490 AF/yr of remaining existing supplies
- Include 300 AF/yr of future supplies = 490 AF/yr + 300 AF/yr = 790 AF/yr
- Weight the remaining costs (378 AF of BHP Copper, 112 AF of NIA, and 300 AF of Bartlett/SCIF)
 $((378 \text{ AF}/790\text{AF}) * \$1,979.93) + ((112 \text{ AF}/790\text{AF}) * \$3,269.17) + ((300 \text{ AF}/790\text{AF}) * \$3,900.00)$
 $= \$947.36 + \$463.48 + \$1,481.01 = \$2,891.85 \rightarrow$ **Use \$2,890/AF**

**APPENDIX B
COST SENSITIVITY ANALYSIS**

200 AF OPTION

Future Allocations – Bartlett Dam Water & Salt River/CAP Interconnect Facility (SCIF) - 200 AF

Basis of water supply valuation

- Participation - $\$120,000/200 \text{ AF} = \$600/\text{AF}$
- Bartlett Dam Water Estimate = $\$2,500.00/\text{AF}$
- SCIF Estimate = $\$1,000/\text{AF}$
- Total = $\$600/\text{AF} + \$2,500.00/\text{AF} + \$1,000/\text{AF} = \$4,100/\text{AF}$

Calculation

- 1,790 AF/yr of existing supply (including Cave Creek Transfer) – 1,300 AF/yr of existing demand = 490 AF/yr of remaining existing supplies
- Include 200 AF/yr of future supplies = $490 \text{ AF/yr} + 200 \text{ AF/yr} = 690 \text{ AF/yr}$
- Weight the remaining costs (378 AF of BHP Copper, 112 AF of NIA, and 200 AF of Bartlett/SCIF)
 $((378 \text{ AF}/690\text{AF}) * \$1,979.93) + ((112 \text{ AF}/690\text{AF}) * \$3,269.17) + ((200 \text{ AF}/690\text{AF}) * \$4,100.00)$
 $= \$1,084.66 + \$530.65 + \$1,188.41 = \$2,803.72 \rightarrow \text{Use } \$2,800/\text{AF} = 3\% \text{ Reduction}$

100 AF OPTION

Future Allocations – Bartlett Dam Water & Salt River/CAP Interconnect Facility (SCIF) - 100 AF

Basis of water supply valuation

- Participation - $\$120,000/100 \text{ AF} = \$1,200/\text{AF}$
- Bartlett Dam Water Estimate = $\$2,500.00/\text{AF}$
- SCIF Estimate = $\$1,000/\text{AF}$
- Total = $\$1,200/\text{AF} + \$2,500.00/\text{AF} + \$1,000/\text{AF} = \$4,700/\text{AF}$

Calculation

- 1,790 AF/yr of existing supply (including Cave Creek Transfer) – 1,300 AF/yr of existing demand = 490 AF/yr of remaining existing supplies
- Include 100 AF/yr of future supplies = $490 \text{ AF/yr} + 100 \text{ AF/yr} = 590 \text{ AF/yr}$
- Weight the remaining costs (378 AF of BHP Copper, 112 AF of NIA, and 100 AF of Bartlett/SCIF)
 $((378 \text{ AF}/590\text{AF}) * \$1,979.93) + ((112 \text{ AF}/590\text{AF}) * \$3,269.17) + ((100 \text{ AF}/590\text{AF}) * \$4,700.00)$
 $= \$1,268.50 + \$620.59 + \$796.61 = \$2,685.70 \rightarrow \text{Use } \$2,690/\text{AF} = 7\% \text{ Reduction}$