

**MINUTES 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, JULY 27, 2021

WHERE: ZOOM ONLINE*

TIME: 4:00 P.M.

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

UCFD/CWC Board Attending:

Chairperson Les Peterson
Vice Chairperson John Crane
Board Member Vince D'Aliesio
Board Member Tony Geiger
Board Member Stephen Hatcher
Board Member Cheryl Kroyer

UCFD/CWC Board Absent:

None

Also Present:

Gary Neiss, Carefree Town Administrator; Zack Sakas, Sherman & Howard, Issuer's Counsel/Special Counsel to the Water Company; Grant Hamill, Stifel, Nicolaus & Company, Underwriter; Michael Cafiso, Greenberg & Traurig, Bond Counsel; Michael Wright, Sherman & Howard, District and Water Company Attorney; Greg Crossman, District and General Manager; Meghan Orem, District Treasurer/Water Company Controller/Accountant; Kandace French Contreras, District Clerk/Water Company Secretary.

Chairperson Peterson called the meeting to order at 4:00 p.m.

AGENDA

ITEM #1 PUBLIC HEARING on the Feasibility Report for projects to be financed through the issuance of Water System Revenue Bonds, Series 2021, for the Town of Carefree, Arizona Utilities Community Facilities District.

Chairperson Peterson introduced Agenda Item #1 and opened the Public Hearing at 4:02 p.m.

District Manager, Greg Crossman presented details of the Feasibility Report via PowerPoint covering Agenda Items #1, #2 and #3, all dealing with the issuance of Water Revenue Bonds for the Town of Carefree, Arizona Utilities Community Facilities District (UCFD).

Mr. Crossman presented a summary of the UCFD Bonding Process:

- Item #1 Hold a Public Hearing on Bond Issuance and Feasibility Report.
- Item #2 Adopt District Resolution 2021-11 ("Bond Resolution")
- Item #3 Adopt Water Company Resolution 2021-12 – Affirms District Actions

Focusing on Agenda Item #1, District Manager Crossman explained the Bonding effort is to support the acquisition of customers in the Carefree Service Area (CSA) also referred to as Neighborhoods A, B and C. The bonding effort will fund the Carefree Water Consolidation Project. This is a construction project that will disconnect neighborhoods A, B and C from the Cave Creek Water system and reconnect those neighborhoods to the Carefree Water Company system. Mr. Crossman informed the Board that this will require a large capital expenditure hence the need for the bonding effort.

Mr. Crossman provided background of the acquisition process. Explaining, to date, the process has taken approximately 4 1/2 years, and has been an orderly process with well informed decisions. Discussions began in early 2017 which led to the hiring of a consulting engineering firm to assess the acquisition. Following those investigations and studies, the decision was made to file a condemnation action with the Town of Cave Creek as was required in the IGA with the Town of Cave Creek. This condemnation action initiated a 2 year arbitration process that ended with a settlement agreement with the Town of Cave Creek that was approved in March 2021. Payment of \$1M was paid to the Town of Cave Creek for acquiring the water assets within the Carefree Service Area. District Manger Crossman conveyed that this has been a very long and deliberate process.

General Manger Crossman provided a time table displaying future steps of the bond acquisition;

- Sale of Bonds anticipated to transpire in August to acquire the revenues necessary to complete the water consolidation project
- Final Design thru end of December 2021
- Construction will begin approximately September/October of 2021 thru end of 2022
- All new Carefree Service Area customers are transitioned by December 2022 to the Carefree Water Company system

Mr. Crossman noted that all of these processes; final design, construction and the transition will be phased and sequenced. The transition will need to be handled in a very logical, sequenced and phased manner.

District Manager; Crossman, introduced representatives from the UCFD's Underwriter, Stifel, Nicolaus & Company; Mark Reader and Grant Hamill. District Manager Crossman also introduced representatives from the UCFD's Bond Counsel, Greenburg & Traurig; Michael Cafiso and Paul Gales. The Underwriter and Bond Counsel will provide the Board background on the bonding and financing process and will discuss the bond approval process and the required legal steps.

Mr. Crossman began by providing an overview of the Bond details:

- Bond Type: Water System Revenue Bonds (Tax Exempt bonds). Essentially, pledging that enough monies will be collected from our water revenues from monthly billings, to

be able to operate and maintain the water system and repay our bond holders and investors.

- Bonding Entity: Town of Carefree, Arizona Utilities Community Facilities District (UCFD)
- Estimated Bond Principal: \$18,425,000
- Estimated Bond Proceeds: \$21,724,238.75. Mr. Crossman explained the difference between the two numbers is called the "premium amount". The additional amount the investors are willing to pay for tax-exempt bonds that are issued at a slightly higher rate than the current market rate.
- Expected True Interest Cost: 2.75% to 3.00 %
- Repayment Term: 30 years

Mr. Crossman provided a summary of the uses of funds:

• Construction Fund (Carefree Water Consolidation project)	\$14.5 M
• CF Highway/Scottsdale Interconnect Project (Cost Sharing)	\$1.0 M
• Construction Soft Costs (Design, CA, etc.)	\$1.8 M
• Payment to Cave Creek (Reimburse to the UCFD and the CF Water Co.)	\$1.0 M
• Existing Service Area Capital Improvements	<u>\$2.0 M</u>
	\$20.3 M
• Capitalized Interest	\$1.0 M
• Underwriter/Cost to Issue	<u>\$0.4 M</u>
	\$21.7 M

District Manager, Crossman then introduced Grant Hamill from Stifel, Nicolaus & Company Managing Director, the UCFD's Underwriter. Mr. Hamill provided an overview of the bond and underwriting process and current market conditions, expressing that interest rates are currently at historic lows which is a great benefit to the UCFD in undertaking of this project.

Mr. Crossman presented a summary of the legal requirements of the Feasibility Report:

- Section 1
 - ✓ Needs to include an introduction
 - ✓ Purpose of the Report
 - ✓ General description of the District
- Section 2
 - ✓ Estimate of costs (Construction, acquisition, O & M)
- Section 3
 - ✓ Map of public infrastructure & area benefitted
- Section 4
 - ✓ Schedule for completion
- Section 5
 - ✓ Plan of finance

Chairperson Peterson asked for public comment. There was no public comment received. Chairperson Peterson proceeded to close the Public Hearing at 4:41 p.m.

ITEM #2 Review, discussion, and possible action regarding District Resolution 2021-11 approving the Feasibility Report for certain projects; authorizing the sale and

issuance of Water System Revenue Bonds, Series 2021; prescribing certain terms and conditions of such Bonds; approving the form and authorizing the execution and delivery of necessary related documents and an official statement; delegating the determination of certain terms of such Bonds and matters related thereto to District officials and authorizing the taking of all other actions necessary to consummate the transactions contemplated by this Resolution including actions by the District as the sole shareholder of the Carefree Water Company, Inc. in securing payment of the Bonds.

District Manager Crossman introduced Michael Cafiso from the firm Greenberg & Traurig who is Bond Counsel for the District.

Mr. Cafiso provided an overview of the Bonding process and legal steps that are encapsulated within, basically summarizing the 70 page Bond Resolution that was included in the Board's meeting packet. Mr. Cafiso informed the group that the Bond Resolution is a document that the District and Staff will have to live with during the next thirty years while the bond is outstanding, adding, that probably the most important part of the resolution from the investor standpoint, is the security and source of payment. The investors want to know that they're going to be protected so there is a series of financial and operating covenants that are in the resolution for the benefit of bond holders. The resolution also includes remedies that can be exercised on behalf of the bond holders.

Mr. Cafiso recapped and provided details of the 5 major documents and procedures that the Board is approving pursuant to the resolution.

Vice Chairperson Crane **MOVED TO APPROVE** District Resolution 2021-11, as presented. **SECONDED** by Board Member Hatcher. **CARRIED, 6-0.**

ITEM #3 Review, discussion, and possible action on Water Company Resolution 2021-12 authorizing and approving a pledge of, lien on, and security interest in, the net revenues of the Water System in connection with the issuance and sale of Town of Carefree, Arizona Utilities Community Facilities District Water System Revenue Bonds, Series 2021; and authorizing and approving the execution and delivery of certain agreements and instruments related thereto.

Carefree Water Company, General Manger; Greg Crossman introduced Zach Sakas of the firm Sherman & Howard, who is Special Counsel to the Carefree Water Company. Mr. Sakas informed the Board how the Carefree Water Company is related to Agenda Item #3 and what steps need to be taken in the bonding and legal effort.

Mr. Zakas provided details of the payment agreement between the UCFD and the Carefree Water Company, explaining that the Water Company is agreeing to collect revenues and rates from system customers, then to pay certain amounts over to the District which the District will in turn use to pay the bond investors. Similar to the bond resolution, this resolution will also delegate certain authority to Carefree Water Company staff to take additional actions necessary to complete the bond transaction. Lastly, there is a form of Articles of Amendment to the Carefree Water Companies Articles of Incorporation, which is basically a "clean up" item.

Vice Chairperson Crane **MOVED TO APPROVE** Water Company Resolution 2021-12, as presented. **SECONDED** by Board Member Kroyer. **CARRIED, 6-0.**

ITEM #4 Adjournment.

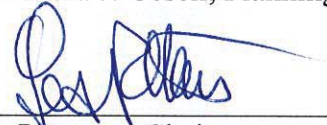
Board Member Kroyer **MOVED TO ADJOURN.** **SECONDED** by Vice Chairperson Crane. **CARRIED** unanimously.

The meeting was adjourned at 5:06 p.m.

DATED this 30th day of August, 2021.

UCFD/CWC

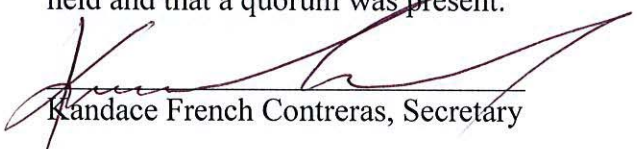
BY: 
Samantha J. Gesell, Planning Clerk


Les Peterson, Chairman

Attest:


Samantha J. Gesell, Planning Clerk

I hereby certify that the foregoing minutes are a true and correct copy of the Regular Meeting of the Town of Carefree held July 27, 2021. I further certify that the meeting was duly called and held and that a quorum was present.


Kandace French Contreras, Secretary