

**NOTICE OF THE JOINT 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.**

WHEN: TUESDAY, MAY 6, 2025

WHERE: CAREFREE TOWN COUNCIL CHAMBERS
33 EASY STREET, CAREFREE, AZ 85377

LIVESTREAM: [CAREFREE YOUTUBE CHANNEL](https://www.youtube.com/@Carefree.AZgov)
<https://www.youtube.com/@Carefree.AZgov>

TIME: 4:00 P.M.

Pursuant to A.R.S. 38-431.02, notice is hereby given to the members of the Town Council of the Town of Carefree, Arizona and to the general public that the members of the Town Council will hold a meeting open to the public. For any item listed on the agenda, the Council may vote to go into Executive Session for advice of counsel and/or to discuss records and information exempt by law or rule from public inspection, pursuant to Arizona Revised Statutes §38-431.03.

The agenda for the meeting is as follows:

CALL TO ORDER

ROLL CALL

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

REGULAR AGENDA

1. Approval of the November 12, 2024, Joint Meeting of the Board of Directors of the Town of Carefree Utilities Community Facilities District and Board of Directors of the Carefree Water Company Meeting Minutes.

Attachments

11.12.24 Draft Minutes

2. Presentation on the proposed FY 25-26 Town of Carefree, Arizona Utilities Community Facilities District (Carefree UCFD) budget (informational only).

Attachments

FY 25-26 UCFD Budget

3. Presentation on the proposed FY 25-26 Carefree Water Company budget, rates, fees, and charges (informational only).

Attachments

FY 25-26 CWC Budget

4. Review, discussion, and possible action on Resolution 2025-01 approving the proposed FY 25-26 Carefree UCFD budget and the proposed FY 25-26 Carefree Water Company budget, rates, fees, and charges and calling for a Public Hearing.

Attachments

Resolution 2025-01

5. Public Hearing on the proposed FY 25-26 Carefree UCFD budget and the proposed FY 25-26 Carefree Water Company budget, rates, fees, and charges.
1. Adjournment.

DATED this 30th day of April 2025.

TOWN OF CAREFREE

By: Kristen Krey, Town Clerk/Treasurer

Items may be taken out of sequence

Council meetings are now broadcast live via the Town of Carefree YouTube channel: [@CarefreeAZgov](#)



Sign Up For Emails: <https://www.carefree.org/page/sign-up>

Email: info@carefree.org

Website: www.carefree.org

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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.

**TOWN OF CAREFREE
STAFF REPORT**

MEETING DATE: 05/06/2025

SUBJECT: Approval of the November 12, 2024, Joint Meeting of the Board of Directors of the Town of Carefree Utilities Community Facilities District and Board of Directors of the Carefree Water Company Meeting Minutes.

PREPARED BY: Kristen Krey, Town Clerk / Treasurer

SUMMARY:

Approval of draft minutes November 12,2025.

ACTION NEEDED:

Motion to approve the minutes of November 12,2024.

Attachments

11.12.24 Draft Minutes

DRAFT

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

WHEN: TUESDAY, NOVEMBER 12, 2024

WHERE: CAREFREE TOWN COUNCIL CHAMBERS
33 EASY STREET, CAREFREE, AZ 85377

LIVESTREAM: [CAREFREE YOUTUBE CHANNEL](https://www.youtube.com/@Carefree.AZgov)
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TIME: 4:00 P.M.

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CALL TO ORDER

Board Member Stephen Hatcher, appeared telephonically.

ROLL CALL

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

Present: John Crane, Chairman
Cheryl Kroyer, Vice Chairwoman
Sheila Amoroso, Board Member
Vince D'Aliesio, Board Member
Stephen Hatcher, Board Member
Michael Johnson, Board Member
Clint Miller, Board Member

Staff Present: Denis Fitzgibbons, Town Attorney
Kandace French Contreras, Town Clerk/Treasurer
Greg Crossman, Water Company Manager

AGENDA

1. Review, discussion and possible action to approve the June 4, 2024, Joint Meeting Minutes.

MOTION: Vice Chair Kroyer moved to approve as presented.

SECOND: Board Member Sheila Amoroso.

VOTE: Approved 7-0

Voting Member	Aye/Nay
Chairman John Crane	Aye
Vice Chairman Cheryl Kroyer	Aye
Vince D'Aliesio	Aye
Sheila Amoroso	Aye
Stephen Hatcher	Aye
Mike Johnson	Aye
Clint Miller	Aye

2. Review, discussion, and possible action to approve the following:

A. Resolution No. 2024-04 authorizing the President of the Water Company to enter into the following contract;

B. Construction Contract No. 2024-C01 with Elite Civil Construction, LLC for the Peaceful Place Booster Pump Station (BPS) Site Improvements Project for an amount not to exceed \$756,000.00.

General Manager, Greg Crossman, presented a PowerPoint and explained the improvements to the Peaceful Place Pump Station. He provided information regarding the bids and the selected contractor. He highlighted the new 6" pipeline, 7 fire hydrants and the new fire protection zone as a result of the Water Consolidation Project and these pump station improvements.

After discussion,

MOTION: Board Member Vince D'Aliesio moved to approve as presented.

SECOND: Board Member Sheila Amoroso.

VOTE: Approved 7-0

Voting Member	Aye/Nay
Chairman John Crane	Aye
Vice Chairman Cheryl Kroyer	Aye
Sheila Amoroso	Aye
Tony Geiger	Aye
Stephen Hatcher	Aye

Mike Johnson	Aye
Clint Miller	Aye

- Review, discussion, and possible action to accept the findings of the 2023-2024 Fiscal Year audit of the District by approval of Resolution 2024-05.

Greg Crossman presented information regarding the fiscal year audit. He outlined the goals of the audit and the audit results, including a clean audit free from misstatements and that the UCFD/Carefree Water Company was in sound financial condition.

Heinfeld Meech representative, Jennifer Shields, CPA, appeared and confirmed the positive findings of the audit.

MOTION: Board Member Sheila Amoroso moved to approve the agenda item as presented.

SECOND: Board Member Michael Johnson.

VOTE: Approved 7-0

Voting Member	Aye/Nay
Chairman John Crane	Aye
Vice Chairman Cheryl Kroyer	Aye
Sheila Amoroso	Aye
Tony Geiger	Aye
Stephen Hatcher	Aye
Mike Johnson	Aye
Clint Miller	Aye

- Informational Only. Discussion and information regarding new Environmental Protection Agency (EPA) requirements for documentation of service line materials and notices that are required to be sent to certain customers in the near future that have service line materials of an unknown material.

General Manager Greg Crossman, provided information on the EPA notice requirements and explained the notice was required to go out again in July, 2025. There was no action on this item as it was information only.

- Adjournment.

MOTION: Board Member Sheila Amoroso moved to adjourn.

SECOND: Board Member Clint Miller.

VOTE: Approved 7-0

Voting Member	Aye/Nay
Chairman John Crane	Aye
Vice Chairman Cheryl Kroyer	Aye
Sheila Amoroso	Aye
Tony Geiger	Aye
Stephen Hatcher	Aye
Mike Johnson	Aye
Clint Miller	Aye

The meeting adjourned at 4:46 p.m.

DATED this 13th of November, 2023.

UCFD/CAREFREE WATER COMPANY, INC.

BY: _____
Kandace French Contreras, Secretary/Treasurer

BOARD OF DIRECTORS

John Crane, Chairman

Attest:

Kandace French Contreras, Secretary/Treasurer

CERTIFICATION

I hereby certify that the foregoing are a true and correct copy of the Minutes of the Joint 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. held on the date noted above. I further certify that the meeting was duly called and held and that a quorum was present.

Kandace French Contreras, Secretary Treasurer

**TOWN OF CAREFREE
STAFF REPORT**

MEETING DATE: 05/06/2025

SUBJECT: Presentation on the proposed FY 25-26 Town of Carefree, Arizona Utilities Community Facilities District (Carefree UCFD) budget (informational only).

PREPARED BY: Greg Crossman, Carefree Water Company Manager

SUMMARY:

Attached for your review prior to the May 6, 2025, Board meeting is the proposed Carefree UCFD budget for FY 25-26.

With the substantial completion of the Carefree Water Consolidation Project (WCP), the FY 25-26 UCFD budget primarily focuses on our Debt Service repayment obligations and infrastructure enhancements to be constructed within the boundaries of the original Carefree Water Company service area.

These infrastructure enhancements are associated with two projects; the Peaceful Place Booster Pump Station Improvement Project and the Silver Saddle Gravity Zone Improvement Project. Both projects have substantial benefits within the original Carefree Water Company service area and benefits in the acquisition areas. The Peaceful Place Booster Pump Station Improvement Project is currently under construction with an anticipated completion date near the end of summer 2025. A Federal Community Grant of \$800,000 from the Environmental Protection Agency has been awarded to the Carefree UCFD to facilitate the construction of the Silver Saddle Gravity Zone Improvement Project.

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

ACTION NEEDED:

Informational Only. No Action Required.

Attachments

FY 25-26 UCFD Budget

**Town of Carefree, Arizona
Utilities Community Facilities
District**

FY 25-26 Budget

TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT

PROPOSED BUDGET FISCAL YEAR 2025/26

BEGINNING UCFD FUNDS AVAILABLE		\$2,037,460
<u>SOURCES</u>		
REVENUES (FROM CAREFREE WATER COMPANY)		
Debt Service and Rent	\$1,426,064	
Contingency	\$500,000	
Total CWC Revenues		\$1,926,064
OTHER REVENUE SOURCES		
Federal Community Grant	\$800,000	
Total Other Revenue Sources		\$800,000
TOTAL SOURCES		\$4,763,524
<u>EXPENDITURES</u>		
ADMINISTRATION		
Rent	\$33,000	
Total Administration		\$33,000
CAPITAL		
Public Infrastructure - Construction	\$2,800,000	
Contingency	\$500,000	
Total Capital		\$3,300,000
DEBT SERVICE		
Principal – Water System Revenue Bonds Series 2021	\$385,000	
Interest – Water System Revenue Bonds Series 2021	\$714,500	
Trustee Fees	\$800	
Capital Advance Payment	\$48,000	
Capital Lease Payment (WIFA)	\$244,764	
Total Debt Service		\$1,393,064
TOTAL EXPENDITURES		\$4,726,064
ENDING FUNDS AVAILABLE		\$37,460

**TOWN OF CAREFREE
STAFF REPORT**

MEETING DATE: 05/06/2025

SUBJECT: Presentation on the proposed FY 25-26 Carefree Water Company budget, rates, fees, and charges (informational only).

PREPARED BY: Greg Crossman, Carefree Water Company Manager

SUMMARY:

Attached for your review prior to the May 6, 2025, Board meeting are proposed Carefree Water Company budget and water rate documents for FY 25-26. The Water Company's fiscal year coincides with the Town's and runs from July 1, 2025, through June 30, 2026.

The proposed water rate increase for FY 25-26 is 4.4% which is consistent with the 5-Year Rate Plan recommended by Willdan Financial Consultants and approved in 2021. FY 25-26 is the last year of the 5-year plan. 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 \$5.69 per month. This figure is based on an average residential water use of 12,000 gallons per month.

The Water Company's revenues for FY 25-26 are anticipated to be \$5.2 million, an increase from last year's budget of \$200,000.

The following is a summary of major expense indicators for this year's budget:

- APS Power -- 6% increase
- CAP Water (Untreated) --14% increase (due to shortage conditions on the Colorado River)
- Scottsdale Water (Treated) -- 5% increase
- General and Administrative Costs -- 9% increase (includes new regulatory expenditures)
- Replacement and Maintenance Costs -- 4% increase

OTHER CONSIDERATIONS - FEES, CHARGES, AND DEPOSITS

The FY 25-26 proposal also includes the following updates to fees, charges, and deposits:

- Standpipe (Fill Station) and Fire Hydrant Meter Rates are being adjusted to align with the market conditions and the cost of doing business.
- Updated Water Supply Fee -- Carefree's Water Supply Fee for new development was initially approved in FY 22-23. The fee was updated for FY 24-25 to reflect rapidly changing costs in the water supply market. Again, under this year's budget, updates to the Water Supply Fee are being proposed to reflect current cost information for existing and future water supplies and resources.

BUDGET AND RATES DETAILS

Included in this packet are the following FY 25-26 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)
- Water Supply Fee Update (pages 23-25)

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

ACTION NEEDED:

Informational Only. No Action Required.

Attachments

FY 25-26 CWC Budget



**Budget, Rates, Fees and
Charges Packet**

FY 25-26

Water Rates and Fees Summary Carefree Water Company – FY 25-26

Rates

- 4.4% Overall Water Rate Increase – Base Fee and Commodity Rates
- Consistent with the 5-Year Rate Plan approved in 2021
- Rate increase takes effect July 2025
- Average Monthly Bill Increase (Residential): \$5.69
- Current Average Monthly Residential Bill: \$130.63
 - Proposed Average Monthly Residential Bill: \$136.32
 - Based on an average monthly use of 12,000 gallons

- Current Residential Base Fee: \$57.40 – Proposed Residential Base Fee: \$59.93 – Up \$2.53
 - \$20.00/month “Acquisition Fee” - Neighborhoods A, B, and C
- 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)

- Standpipe (Fill Station) – Proposed 40% Rate Increase to Align With Market and cost of doing business
 - \$8.21 per 1,000 gallons → \$11.50 per 1,000 gallons
 - Minimum Charge \$5.00 → \$20.00
 - Most Communities Do Not Provide This Service
 - Carefree – No New Accounts, Limited Based on Historic Usage (CY 21&22)
- Fire Hydrant Meter – Base Fee Increased to \$200/month – includes first 20,000 gallons
 - Refundable Deposit Increased to \$1,000

Fees

- Water Supply Fee – An updated Water Supply Fee for new development is being proposed in this budget. A revised Fee Report is included at the end of this budget document.

CAREFREE WATER COMPANY RATE SCHEDULE
Effective July 1, 2025
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", 1"	R1, R2, R4	\$ 59.93	0	8,000	20,000	20,000	30,000	30,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	and over
Residential	5/8", 3/4", 1"	R1A, R2A, R4A	\$ 79.93	0	8,000	20,000	20,000	30,000	30,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	and over
COMMERCIAL METERS																						
Commercial	1 inch	C5/C5A	\$107.87/\$127.87	0	8,000	16,000	16,000	16,001	32,000	32,000	32,001	64,000	64,000	64,000	64,000	64,000	64,000	64,000	64,000	64,000	64,000	and over
Commercial	1-1/2 inch	C6/C6A	\$267.70/\$287.70	0	11,000	16,000	16,001	16,001	35,000	35,000	35,001	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	and over
Commercial	2 inch	C8/C8A	\$641.64/\$661.64	0	20,000	40,000	40,000	40,001	80,000	80,000	80,001	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	and over
Commercial	3 inch	C9/C9A	\$855.37/\$875.37	0	100,000	200,000	200,000	200,001	400,000	400,000	400,001	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	and over
MASTER METERS																						
Master Meter 1		MM1 - 8	\$ 455.33	0	30,000	40,000	40,000	40,001	60,000	60,000	60,001	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	and over
Master Meter 2		MM2 - 4	\$ 228.76	0	30,000	50,000	50,000	50,001	70,000	70,000	70,001	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	and over
Master Meter 3		MM3 - 8	\$ 455.33	0	40,000	80,000	80,000	80,001	100,000	100,000	100,001	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	and over
Master Meter 4		MM4 - 6	\$ 341.52	0	50,000	100,000	100,000	100,001	190,000	190,000	190,001	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	and over
Master Meter 5		MM5 - 12	\$ 697.18	0	30,000	30,001	50,000	50,001	80,000	80,000	80,001	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	and over
Master Meter 6		MM6 - 38	\$ 2,162.85	0	170,000	170,001	270,000	270,001	300,000	300,000	300,001	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	and over
Master Meter 7		MM7 - 18	\$ 1,024.55	0	80,000	80,001	100,000	100,000	120,000	120,000	120,001	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	and over
Master Meter 8		MM8 - 11	\$ 626.09	0	90,000	90,001	150,000	150,000	200,000	200,000	200,001	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	and over
Master Meter 9		MM9 - 11	\$ 626.09	0	75,000	75,001	105,000	105,000	135,000	135,000	135,001	165,000	165,000	165,000	165,000	165,000	165,000	165,000	165,000	165,000	165,000	and over
Master Meter 10		MM10 - 11	\$ 626.09	0	60,000	60,001	120,000	120,000	190,000	190,000	190,001	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	and over
STAND PIPE																						
Stand Pipe		CWH	-																			
FIRE HYDRANT METER																						
Fire Hydrant		FHY	\$ 200.00																			

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	\$1,000.00

NEW CONSTRUCTION CHARGES AND FEES ³			
Meter and Service Size	Meter Set Charge	Water Capacity Fee ¹	Total
1" Meter -New	\$1,230.00	\$4,640.00	\$5,870.00
1" Meter - Upgrade from 3/4"	\$510.00	-	\$510.00
1-1/2" Meter	\$1,714.00	\$8,409.00	\$10,123.00
2" Meter	\$2,589.00	\$13,061.00	\$15,650.00
3" Meter	\$7,700.00	\$26,528.00	\$34,228.00
4" Meter	\$11,948.00	\$40,647.00	\$52,595.00
Development Category	Water Supply Fee		
Single Family Residential	\$2,690.00 per Unit		
Multi-Family Residential	\$1,345.00 per Unit		
All Other (Commercial, Common Area, Irrigation, etc.)	\$5,379.00 per AF of Annual Demand ²		

¹Distribution, Storage, and Pumping Capacity

²Annual Demand Calculations to be Submitted to and Approved by the CareFree Water Company

³Total New Construction Charges/Fees = Service Connection Charge + Water Capacity Fee + Water Supply Fee

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	\$30.00
Interest on Outstanding Balance	1.5% per month

MISCELLANEOUS SERVICES AND FEES	
Data Log Fee - Beginning With Second Data Log	\$40.00
Account Re-Establishment Fee (After Termination of Service)	\$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

SAMPLE RESIDENTIAL WATER BILL CALCULATION ⁴			
1.1 inch Residential Meter (R4/R4A Classification) @ 24,000 gallons			
		Original Water Service Area (R4)	Acquisition Service Area (R4A)
Tier 1:	8,000 gallons @ \$ 4.84 /1000 gal.	= \$ 38.72	= \$ 38.72
Tier 2:	12,000 gallons @ \$ 6.50 /1000 gal.	= \$ 78.00	= \$ 78.00
Tier 3:	4,000 gallons @ \$ 8.56 /1000 gal.	= \$ 34.24	= \$ 34.24
Tier 4:	0 gallons @ \$ 11.06 /1000 gal.	= \$ -	= \$ -
Tier 5:	0 gallons @ \$ 14.37 /1000 gal.	= \$ -	= \$ -
Month Total:	24,000 gallons	Base Fee \$ 59.93	\$ 79.93
		Total (Does not include taxes)	\$ 230.89

⁴ A Residential Water Bill Calculator is available on our website at www.carefreewaterco.com

Profit and Loss Summary Carefree Water Company – FY 25-26

- “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)

Cost of Water Summary Carefree Water Company – FY 25-26

- The cost of water is the Water Company's single largest expense at just over \$1.8M
- Continued Focus on Utilizing Renewable CAP Supply (Saving GW for Emergencies)
 - 70/30 Split (CAP/Groundwater)
- Overall water costs are increasing about \$130,000 (7.9%) this FY due to the following:
 - 5% Increase in Scottsdale Treated Water Costs
 - 6% Increase in APS Costs
 - 14% Increase in CAP Raw Water Costs primarily due to Colorado River Shortage Conditions
 - Increase in service area size

**Carefree Water Company
Estimated Water Costs
Fiscal Year 2025-26**

4/23/2025

	Acre-Feet												Total
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	
POST-TRANSITION WATER USE	325.851												
Water Sold FY 24-25 (24 Only)	136.2	127.7	126.7	133.2	97.4	97.4	93.5	74.3	79.9	93.5	101.3	111.9	714.7
Water Sold FY 23-24	120.7	142.3	119.7	120.4	100.8	100.8	82.8	73.7	73.7	84.7	93.3	108.9	1226.0
2-yr Average Water Sold	128.5	135.0	123.2	126.8	99.1	99.1	88.2	74.0	76.1	82.3	93.4	105.1	1069.4
2-yr Average Water Sold - Adj. for Last CSA Transition (Use for 25-26)	129.7	136.4	124.4	128.1	100.1	100.1	89.0	74.7	76.8	83.1	94.3	106.2	110.5
2-yr Average Water Sold - Adj. for Last CSA Transition (Use for 25-26)	42.274	44.430	40.546	41.731	32.615	29.011	24.354	25.029	27.086	30.739	34.589	36.005	408.408
Percent of Annual Usage (Use for 25-26)	10.4%	10.9%	9.9%	10.2%	8.0%	7.1%	6.0%	6.0%	6.1%	6.6%	7.5%	8.5%	100.0%
Water Supplied (Sold/0.9) (Use for 25-26)	144.1	151.5	138.3	142.3	111.2	98.9	83.0	83.0	85.3	92.4	104.8	117.9	1392.6
* Jan thru Apr Adjusted to Reflect Full CSA Transition													
Ground Water A.F (30%)	43.2	45.5	41.5	42.7	33.4	29.7	24.9	24.9	25.6	27.7	31.4	35.4	417.8
CAP Water A.F. (70%)	100.9	106.1	96.8	99.6	77.8	69.2	58.1	58.1	59.7	64.7	73.4	82.6	974.8
CAP Water A.F. +5%	5.0	5.3	4.8	5.0	3.9	3.5	2.9	2.9	3.0	3.2	3.7	4.1	48.7
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.	TBD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SCOTSDALE WATER	100% of CAP Water												
Acre-Feet	100.9	106.1	96.8	99.6	77.8	69.2	58.1	58.1	59.7	64.7	73.4	82.6	974.8
1,000's Gallons	32,880	34,556	31,536	32,458	25,367	22,564	18,942	18,942	19,467	21,067	23,908	26,903	317,651
Cost @ \$3.65/1,000 Gal.*	\$3.83	\$120,012	\$126,131	\$115,106	\$97,156	\$86,421	\$72,548	\$72,548	\$74,558	\$80,685	\$91,568	\$103,038	\$1,192,946
Meter Fee	\$1,317.50	\$1,317.50	\$1,317.50	\$1,317.50	\$1,400.50	\$1,400.50	\$1,400.50	\$1,400.50	\$1,400.50	\$1,400.50	\$1,400.50	\$1,400.50	\$16,474
* \$3.65/1,000 Gal. Until Nov. 2025 (5% Increase Thereafter - \$3.83)	\$121,329	\$127,449	\$116,424	\$119,787	\$98,556	\$87,821	\$73,949	\$73,949	\$75,958	\$82,086	\$92,968	\$104,439	\$1,209,420
POTABLE GROUNDWATER	Pumped Groundwater (A.F. - From Above)												
Pumped Groundwater (A.F. - From Above)	43.2	45.5	41.5	42.7	33.4	29.7	24.9	24.9	25.6	27.7	31.4	35.4	417.8
Pumped Groundwater (1000 gallons)	14,091	14,810	13,515	13,910	10,872	9,670	8,118	8,118	8,343	9,029	10,246	11,530	136,136
Cost @ \$0.84/1,000 Gal. (5% Increase)	\$0.84	\$11,837	\$12,440	\$11,353	\$9,132	\$8,133	\$6,819	\$6,819	\$7,008	\$7,584	\$8,607	\$9,685	\$114,354
Groundwater Withdrawal Fee (ADWR)	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$2,500
Chemicals and Testing	\$13,537	\$14,140	\$13,053	\$13,385	\$10,832	\$9,823	\$11,019	\$11,019	\$8,708	\$9,284	\$10,307	\$11,385	\$137,254
GOLF COURSE GROUNDWATER	A.F.												
A.F. Pumped (2024)													289.6
(2023)													237.4
(2022)													184.3
(3-yr Ave.)													237.1
Electrical Cost	745.22	0.18	\$2,650.45	\$2,650.45	\$2,650.45	\$2,650.45	\$2,650.45	\$2,650.45	\$2,650.45	\$2,650.45	\$2,650.45	\$2,650.45	\$31,805
CAP COSTS	2026												
Capital Cost (per AF)	\$69	\$69	\$10,293	\$10,293	\$10,293	\$10,293	\$10,293	\$10,293	\$10,293	\$10,293	\$10,293	\$10,293	\$123,510
Delivery Cost (per AF)	\$295	\$304	\$31,255	\$32,849	\$29,978	\$30,854	\$24,114	\$18,555	\$19,069	\$20,637	\$23,420	\$26,354	\$305,966
CAP Contingency								\$15,000	\$15,000				\$15,000
Total Cost	\$41,548	\$43,141	\$40,270	\$41,146	\$34,406	\$31,742	\$28,848	\$28,848	\$44,362	\$30,929	\$33,712	\$36,646	\$444,476
ALL WATER COSTS	\$179,064	\$187,381	\$172,398	\$176,969	\$146,445	\$132,036	\$116,466	\$116,466	\$131,679	\$124,949	\$139,638	\$155,120	\$1,822,956

General and Administrative (G&A) Summary Carefree Water Company – FY 25-26

- Overall G&A expenses up 9% (up approx. \$111,000) compared to last FY
 - Regulatory Requirements (\$125,000)
 - Lead Service Line Inventory
 - ERP and R&R – AWIA Requirements
 - Payroll Costs Up 4% - \$37,500 - includes:
 - 4.5% COLA – All employees
 - Addition of one part-time Office Staff for entire year

**General and Administrative Budget by Category
for 2025-26**

	2024-2025 Budget	2025-2026 Budget	Difference	
<u>Payroll, Payroll Taxes, Group Insurance & Benefits</u>				
Base Salaries	611,904	648,355		
Overtime	5,000	5,000		
Compensation Time	2,000	2,000		
Bonus	4,500	5,000		
Merit Increase	-	-		
Emgr. On-Call	14,600	14,600		
All Health Insurance Combined	50,995	48,664		
IRA and Retirement	60,261	60,371		
All Payroll taxes	43,176	45,467		
Medicare	9,251	9,787		
Unemployment	-	-		
Equalization Taxes	-	-		
	<u>801,686</u>	<u>839,244</u>	<u>37,558</u>	4%
<u>Training Expense A/C 60154</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>	0%
<u>Employee Expenses A/C 60152</u>				
Uniforms	4,500	4,500		
	<u>4,500</u>	<u>4,500</u>	<u>0</u>	0%
<u>Safety Equipment A/C 60156</u>				
Personal Protective Equipment	2,000	2,000		
Safety Equipment	2,000	2,000		
	<u>4,000</u>	<u>4,000</u>	<u>0</u>	0%
<u>Accounting and Professional Services A/C 60201</u>				
Auditors	7,550	6,006		
Part Time office help	56,500	-		
Dasco	2,500	2,500		
ER System	6,000	6,000		
Payroll Experts	3,000	3,000		
	<u>75,550</u>	<u>17,506</u>	<u>(58,044)</u>	-332%
<u>Legal A/C 60202</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>	0%
<u>Cleaning Service A/C 60204</u>				
Regular	6,000	6,000		
	<u>6,000</u>	<u>6,000</u>	<u>0</u>	0%

<u>SCADA A/C 60207</u>				
SCADA	5,000	5,000		
Specter - WIN 911	800	1,000		
	<u>5,800</u>	<u>6,000</u>	<u>200</u>	3%
 <u>Computer A/C 60205</u>				
UMS Annual Fee	6,000	6,000		
Sage	6,000	5,000		
Beacon Mobile	5,000	5,000		
Computer Repair Contract	16,000	16,000		
Computer Repair additional hours	4,000	4,000		
Printer	500	500		
Meter Tablet	2,000	2,000		
Fixed Asset Software	300	300		
Server Warranty Care Pack	1,500	2,000		
Firewall	140	640		
	<u>41,440</u>	<u>41,440</u>	<u>0</u>	0%
 <u>Insurance A/C 60250</u>				
Cincinnati Insurance	60,816	61,145		
Claims (Insurance Deductible- Contingency)	5,000	5,000		
	<u>65,816</u>	<u>66,145</u>	<u>329</u>	0%
 <u>Postage A/C 60300</u>				
Billings	9,000	11,000		
Additional mailings	1,000	1,000		
	<u>10,000</u>	<u>12,000</u>	<u>2,000</u>	17%
 <u>Telephone A/C 60351</u>				
Cox	3,500	2,700		
Verizon	5,000	4,500		
Replacement Cell Phones	1,200	1,200		
	<u>9,700</u>	<u>8,400</u>	<u>(1,300)</u>	-15%

<u>Promotional A/C 60353</u>				
Truck Magnets	250	250		
Advertisement	500	550		
	<u>750</u>	<u>800</u>	<u>50</u>	6%
<u>Auto Expense A/C 60400</u>				
Repairs, batteries, tires	5,000	8,500		
Fuel *	29,500	26,000		
Fuel Adj. (Potential Increase)	3,000	3,000		
	<u>37,500</u>	<u>37,500</u>	<u>0</u>	0%
<u>Office Supplies A/C 60452</u>				
Printing	6,200	6,200		
Stuffing Machine Annual Maint.	2,700	2,850		
All Other	4,500	4,500		
	<u>13,400</u>	<u>13,550</u>	<u>150</u>	1%
<u>Security and Emergency A/C 60453</u>				
Safeguard - Office	750	750		
	<u>750</u>	<u>750</u>	<u>0</u>	0%
<u>Office Utilities A/C 60454</u>				
	<u>5,700</u>	<u>7,090</u>	<u>1,390</u>	20%
<u>Fees and Permits A/C 60501</u>				
Maricopa County	3,300	3,620		
ACC	50	50		
Carefree Shadows HOA	125	125		
Town License	40	40		
	<u>3,515</u>	<u>3,835</u>	<u>320</u>	8%
<u>Dues and Subscriptions A/C 60456</u>				
Blue Stake	1,000	1,000		
AWWA Membership	420	450		
Rural Water Association	1,500	1,300		
WEF	210	210		
AZ Water Association	250	250		
American Society of Civil Engineers	300	200		
Water Operator Certifications	750	750		
	<u>4,430</u>	<u>4,160</u>	<u>(270)</u>	-6%

<u>Office Equipment Rental A/C 60457</u>				
Postage Machine	1,800	1,800		
	<u>1,800</u>	<u>1,800</u>	<u>0</u>	0%
<u>Bad Debt Write-off A/C 60550</u>				
	4,000	4,000	0	0%
<u>Loss Write Off - Meters</u>				
	12,000	12,000	0	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>				
	9,000	12,500	3,500	28%
<u>Bank Charges A/C 60653</u>				
All Other Banks	500	500		
Chase (Electronic Banking)	11,000	11,000		
	<u>11,500</u>	<u>11,500</u>	<u>0</u>	0%
<u>GIS Mapping A/C 60206</u>				
GPS Annual Fee	1,500	1,000		
Monthly MIFI Fee	600	1,200		
Support	20,000	20,000		
Elements Annual Maintenance	10,000	10,000		
	<u>32,100</u>	<u>32,200</u>	<u>100</u>	0%
<u>Water Conservation Costs A/C 6100</u>				
Literature/Community Events	2,500	2,500		
	<u>2,500</u>	<u>2,500</u>	<u>0</u>	0%
<u>Regulatory Expense A/C TBD</u>				
Lead Service Line	-	75,000		
ERP/ Resiliency	-	50,000		
	<u>-</u>	<u>125,000</u>	<u>125,000</u>	100%
<u>Total Costs</u>				
	<u>1,178,492</u>	<u>1,289,475</u>	<u>110,983</u>	9%

Replacement and Maintenance (R&M) Summary Carefree Water Company – FY 25-26

- 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
- Budget is up 4% this fiscal year, \$13,500, reflecting:
 - Additional R&M in for expanded service area
 - Material/Contract Labor/Equipment Rental Increases
 - Supply-Chain Related Issues Have Improved

**Replacement and Maintenance Budget
2025-2026**

	2024-2025 Budget	2025-2026 Budget	Variance	Percentage
<u>R & M Tanks</u>				
Tank Maint.	36,600	36,185		
Misc.	3,000	3,000		
	<u>39,600</u>	<u>39,185</u>	<u>(415)</u>	<u>-1%</u>
<u>R & M Pumps and Wells</u>				
Pumps Stations	11,000	11,000		
Wells	6,000	6,000		
	<u>17,000</u>	<u>17,000</u>	<u>0</u>	<u>0%</u>
<u>R & M Mains and Valves</u>				
Valves	35,000	35,000		
Mains Repairs	62,250	72,250		
Other Distribution Repairs	0	0		
	<u>97,250</u>	<u>107,250</u>	<u>10,000</u>	<u>10%</u>
<u>R & M Services/Meters</u>	<u>60,000</u>	<u>60,000</u>	<u>0</u>	<u>0%</u>
<u>R & M Easements & Right of Way Landscape</u>	<u>2,000</u>	<u>3,000</u>	<u>1,000</u>	<u>50%</u>
<u>R & M Equipment</u>				
Backhoe	4,500	2,500		
Ditch Witch	2,000	2,000		
Mini Excavator	1,500	2,500		
Trucks	7,000	10,000		
Chlorination	2,000	2,000		
Town Equipment Cost Sharing	4,000	5,000		
	<u>21,000</u>	<u>24,000</u>	<u>3,000</u>	<u>14%</u>
<u>Fire Hydrant Maintenance</u>	<u>25,000</u>	<u>15,000</u>	<u>(10,000)</u>	<u>-40%</u>
<u>R & M Generator</u>	<u>20,000</u>	<u>25,000</u>	<u>5,000</u>	<u>25%</u>
<u>R & M Interconnect</u>	<u>3,000</u>	<u>6,000</u>	<u>3,000</u>	<u>100%</u>
<u>R & M Supplies</u>	<u>10,000</u>	<u>12,000</u>	<u>2,000</u>	<u>20%</u>

<u>R & M General</u>				
AC Units	3,500	3,500		
Fire Protection	700	700		
Exterminating	615	615		
	<u>4,815</u>	<u>4,815</u>	<u>0</u>	<u>0%</u>
<u>Equipment Rental</u>	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>0%</u>
Total Maint. and Replacement	<u>302,665</u>	<u>316,250</u>	<u>13,585</u>	<u>4%</u>

RESERVE BALANCE RECOMMENDATIONS/CALCULATION
(Originally Updated for FY 24-25)

Operating Reserve

AWWA Recommendation¹: 45-90 days
Use a 60 day (2 month) Operating Reserve
FY 23-24 Operating Budget: \$3.0 M
 $(\$3.0 \text{ M}/12 \text{ months}) \times 2 \text{ months} = \$500,000$

Repair and Replacement Reserves

AWWA Recommendation¹: 1% – 2% of Original Asset Value
Use 1% of Original Asset Value
Original Asset Value = \$30.9 M
 $\$30.9 \text{ M} \times 1.0\% = \$309,000$

Contingency

AWWA Recommendation¹: Open
Use a Conservative Approach in Other Categories and Defer Additional Contingency

Debt Reserves

AWWA Recommendation¹: 120% of Annual Debt Service
Base Fee in Rates Essentially Pays Annual Debt Service
Use 50% of Annual Series 2021 Bond Debt Service for Reserves
Annual Debt Service = \$1.1M
 $\$1.1\text{M} \times 50\% = \$550,000$

Total Target Reserves: $\$500,000 + \$309,000 + \$0 + \$550,000 = \$1,359,000 \rightarrow$ Use \$1.4M

New Target:	\$1,400,000
Previous Target:	<u>\$1,000,000</u>
Increase:	\$ 400,000 over 10 years \rightarrow \$40,000/yr.

Recommendation for FY's 24-25 thru 33-34: \$40,000 Reserve Deposit/year

¹AWWA: American Water Works Association

Capital Improvement Program Recommendations Carefree Water Company – FY 25-26

Total FY 25-26 Capital Budget - \$315,160

- **Fire Protection – \$15,000 (3 Replacement Hydrants)**
- **System Automation and Technology - \$0**
- **System Improvements – \$186,160**
- **Capital Equipment Fund - \$55,000**
- **Water Rights - \$59,000**

CAPITAL IMPROVEMENT PROGRAM DETAILS

Fire Protection - \$15,000

- 3 Replacement Fire Hydrant Installations

System Automation and Technology - \$0

- SCADA System Upgrades

System Improvements - \$186,160

- Annual Meter Replacements - \$25,000
- Pipeline Upgrade Projects - \$161,160

Capital Equipment Account – \$55,000 (Annual FY 25-26 Deposit)*

* See Attached 10-year Capital Equipment Plan

Water Rights – \$59,000

NIA Payment (Last Payment)	\$16,000
Modified Bartlett Dam	\$43,000
Total	\$59,000

**CAREFREE WATER COMPANY
10-YEAR CAPITAL IMPROVEMENT PLAN
FY 25-26 THRU FY 34-35**

Capital Improvement Description	Fiscal Year (FY)										Line Item Total	Category Total	
	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35			
Fire Protection													
Number of Fire Hydrant Replacements	3	3	3	3	3	3	3	3	3	3	3	3	42
Fire Hydrants - Cost	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 150,000
System Automation and Technology													
SCADA System Improvements													
Billing System Upgrades			\$ 30,000	\$ 50,000					\$ 75,000				\$ 125,000
System Improvements													
Annual Meter Replacement (Typically 150 per Year)	\$ 25,000	\$ 50,000	\$ 50,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 560,000
Valve Replacement Program	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 290,000
Pipeline Upgrade Projects	\$ 161,160	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 2,861,160
Capital Equipment													
Annual Contribution**	\$ 55,000	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 572,500
Water Rights													
Non-Indian Aq CAP	\$ 16,000												\$ 16,000
New Bartlett Dam	\$ 43,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 2,968,000
SCIF		\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 800,000
Total FY Expenditure	\$ 315,160	\$ 777,500	\$ 907,500	\$ 937,500	\$ 887,500	\$ 887,500	\$ 892,500	\$ 927,500	\$ 972,500	\$ 897,500	\$ 897,500	\$ 8402,660	\$ 8,402,660

**PIPELINE UPGRADE PROJECTS - PRIORITIZATIONS
10-YEAR CAPITAL IMPROVEMENT PLAN
FY 25-26 THRU FY 34-35**

Priority	Project Description	Lineal Feet	Project Cost
1	Silver Saddle Gravity Zone Upgrades - Ph. 1*	4,050	\$ 2,025,000
2	Grandview Estates - Ph. 1	4,095	\$ 2,047,500
3	Black Mtn. Foothills - Ph. 1	2,575	\$ 1,287,500
4	Spanish Boot/Golden Spur - Ph. 1	3,025	\$ 1,361,250
5	Grandview Estates - Ph. 2	2,570	\$ 1,156,500
6	Black Mtn. Foothills - Ph. 2	3,400	\$ 1,530,000
7	Spanish Boot/Golden Spur - Ph. 2	1,825	\$ 821,250
8	Silver Saddle Gravity Zone Upgrades - Ph. 2	5,200	\$ 2,340,000
9	Milky Way Fire Protection Upgrades	2,150	\$ 860,000
10	Sidewinder Fire Protection Upgrades	3,200	\$ 1,280,000
11	Carefree Drive Fire Protection Upgrades	2,000	\$ 800,000
		34,090	\$ 15,509,000

* Federal Community Grant Funding of \$800,000 Available

**CAREFREE WATER COMPANY
10-YEAR CAPITAL EQUIPMENT PROGRAM
FY 25-26 THRU FY 34-35**

Capital Equipment Description	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	10-Yr Total
Vehicles and Heavy Equip.											
Field Truck #1		\$ 40,000								\$ 40,000	\$ 80,000
Field Truck #2				\$ 40,000							\$ 40,000
Towing Truck #3	\$ 70,000							\$ 70,000			\$ 140,000
GM Truck #4							\$ 40,000				\$ 40,000
Supervisor Truck #5						\$ 40,000					\$ 40,000
Towing Truck #6			\$ 70,000						\$ 70,000		\$ 140,000
Backhoe (50/50 Cost Split w/Town)			\$ 80,000								\$ 80,000
Vactor Equipment (Ditch Witch)					\$ 70,000						\$ 70,000
Large Tools		\$ 5,000		\$ 5,000				\$ 5,000		\$ 5,000	\$ 25,000
Technology & Misc. (Computers, Printers, Work Stations, etc.)											
Computer Replacements (\$1500/computer)	\$ 1,500		\$ 3,000	\$ 3,000			\$ 3,000	\$ 3,000			\$ 13,500
Server and Components	\$ 11,000				\$ 11,000						\$ 22,000
Meter Reading Technology Upgrades			\$ 8,000		\$ 8,000				\$ 8,000		\$ 24,000
Total FY Expenditure	\$ 82,500	\$ 45,000	\$ 161,000	\$ 48,000	\$ 70,000	\$ 64,000	\$ 43,000	\$ 76,000	\$ 78,000	\$ 45,000	\$ 714,500
Prior FY Balance	\$ 110,236	\$ 87,736	\$ 105,236	\$ 6,736	\$ 21,236	\$ 13,736	\$ 12,236	\$ 31,736	\$ 16,236	\$ 736	
Annual FY Contribution	\$ 55,000	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 572,500
Misc. Sales	\$ 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	\$ 87,736	\$ 105,236	\$ 6,736	\$ 21,236	\$ 13,736	\$ 12,236	\$ 31,736	\$ 16,236	\$ 736	\$ 18,236	

Water Supply Fee Carefree Water Company – FY 25-26 Update

PURPOSE

This report presents recommendations to update the one-time “Water Supply Fee” for new development and redevelopment projects within the service area of the Carefree Water Company. This fee was originally approved in FY 22-23. The purpose of the Water Supply Fee is two-fold:

- 1) Collect from new development and redevelopment projects their reasonable share of costs already expended for securing water supplies and water rights.
- 2) Provide the Water Company one mechanism to facilitate and fund the acquisition of new water supplies to bolster Carefree’s water portfolio.

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. These resources are likely to 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 which will be used as shown below in the Water Supply Fee calculation:

Water Supply	Year Obtained	Amount Used in Fee Calculation [Acre Feet (AF)/yr]
CAP M&I (Original Allocation)	1990	400
CAP M&I (BHP Reallocation)	2001	900
CAP NIA (60% Availability Assumed)	2021	67 (112 x 0.6)
CAP M&I (Cave Creek Transfer)	2023	378
Groundwater	Grandfathered	500*
Total		2245

* Annual groundwater pumping shown (500 AF) is the maximum non-emergency groundwater volume established in the Scottsdale Treatment and Transportation Agreement. The only other legal limitation is Carefree’s historic groundwater pumping capability.

Carefree has obtained various CAP water rights over its history as detailed in the table above. 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

The original Water Supply Fee calculations performed for FY 22-23 used simplifying assumptions in order to generate a reasonable Water Supply Fee until additional details on the amount and cost of future supplies were obtained. These original assumptions were conservatively low in order to not inflate the initial Water Supply Fee. This Water Supply Fee update contains more clarity on the cost of future water supplies, even though there are still cost uncertainties.

The future water supply assumption for this analysis continues to be new Bartlett Dam water rights. This new Bartlett Dam water would only be used to “firm”, or back-up, Carefree’s current CAP supply and/or reduce our groundwater pumping. Thus, new Bartlett Dam water is not considered an additional water supply even though 1,155 AF of storage behind new Bartlett Dam would result in an average of yield of 330 AF of water annually.

For Carefree, new Bartlett Dam water would be delivered to the CAP canal through the future Salt River/CAP Interconnection Facility (SCIF), allowing delivery of this water to one of our neighboring communities that we have Treatment and Transportation Agreements with (Scottsdale and Cave Creek). This still appears to be a the most likely future water resource from a cost and viability perspective.

WATER SUPPLY FEE

Appendix A contains the methodology and calculation for a Water Supply Fee update to \$5,379/AF. The Policy Statements below provides guidance on how this fee will 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 \$2,690 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 \$1,345 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 \$5,379/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
VALUE/COST OF CURRENT AND FUTURE 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 2024
 - Assumed Time Value of Money - 5%
 - 2024 Per AF Value - \$2,390.11/AF
 - Total 2024 Value of Water Rights (778 AF x \$2,390.11/AF) = \$1,859,505.58

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

Basis of water supply valuation

- Upfront Cost - \$329,389.15
 - Assumed Time Value of Money - 5% (2001 thru 2024)
 - 2024 Value - \$1,011,726.60
- CAP M&I Capital Charges (paid regardless of water usage) – 2001 thru 2024
 - Time Value of Money - 5%
 - 2024 Per AF Value - \$1,172.81/AF
 - 2024 Value - \$1,055,529.00
- Total 2024 Value of Water Rights = \$1,011,726.60 + \$1,055,529.00 = \$2,067,255.60

Supplemental CAP NIA Allocation – (60% Availability = 112 AF x 0.6 = 67 AF)

Basis of water supply valuation

- Upfront Cost - \$219,688.00

Groundwater – (500 AF)

- Upfront Capital Cost - \$0

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

Basis of water supply valuation

- New Bartlett Dam Water Estimate - \$6,930,000.00 (\$9,900/AF of capacity)
- SCIF Estimate = \$1,000,000.00
- Total = \$11,434,500.00/AF + \$1,000,000.00 = \$7,930,000.00

** Assumes a New Bartlett Dam long-term average storage yield of 200 AF/yr of water supply from a Bartlett Dam storage capacity of 700 AF. This water will only be used to “firm”, or back-up existing supplies and/or reduce groundwater pumping, therefore, no new water supplies are assumed to be generated from participation in the new Bartlett Dam project.

Cost Allocation – Future Development and Redevelopment

Assumptions

- A cost for all current and anticipated water supplies will be calculated and weighted on a per acre-foot basis considering all water supplies reasonably available to Carefree.
- Future development’s and redevelopment’s share of these water supply costs will be based on this weighted per acre-foot calculation.

Calculation

CAP Allocation – Original & CC Transfer	\$ 1,859,505.58
CAP Allocation – BHP Copper	\$ 2,067,255.60
CAP Allocation – NIA Water	\$ 219,688.00
Groundwater	\$ 0.00
Bartlett & SCIF	\$ 7,930,000.00
TOTAL	\$12,076,449.18/2245AF = \$5,379/AF

**TOWN OF CAREFREE
STAFF REPORT**

MEETING DATE: 05/06/2025

SUBJECT: Review, discussion, and possible action on Resolution 2025-01 approving the proposed FY 25-26 Carefree UCFD budget and the proposed FY 25-26 Carefree Water Company budget, rates, fees, and charges and calling for a Public Hearing.

PREPARED BY: Greg Crossman, Carefree Water Company Manager

SUMMARY:

Attached for your review prior to the May 6, 2025, Board meeting is Resolution 2025-01.

Resolution 2025-01 accomplishes the following items which are legally required as part of the annual budgeting process for the Carefree UCFD and the Water Company:

- Approves the proposed FY 25-26 District budget
- Approves the proposed FY 25-26 Water Company rates, fees, deposits, and charges
- Orders a Public Hearing

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

ACTION NEEDED:

Approval of Resolution 2025-01.

Attachments

Resolution 2025-01

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

RESOLUTION 2025-01

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. APPROVING A PROPOSED DISTRICT BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2025 AND ENDING JUNE 30, 2026; APPROVING PROPOSED CAREFREE WATER COMPANY RATES, FEES, DEPOSITS, AND CHARGES APPLICABLE FOR THE FISCAL YEAR BEGINNING JULY 1, 2025 AND ENDING JUNE 30, 2026; AND ORDERING A PUBLIC HEARING ON SUCH PROPOSED BUDGET AND RATES, FEES, DEPOSITS, AND CHARGES AS APPROVED.

WHEREAS, pursuant to Arizona Revised Statutes (“A.R.S.”) Section 48-716, the District Treasurer of the Town of Carefree, Arizona Utilities Community Facilities District (the “District”) prepared and submitted to the Board of Directors of the District (the “District Board”) for approval a proposed District budget for Fiscal Year 2025/26 (the “Proposed Budget”); and

WHEREAS, the Carefree Water Company, Inc. (the “Water Company”), is concurrently presenting to the Water Company Board of Directors and the District Board the proposed rates, fees, deposits, and charges applicable for Fiscal Year 2025/26, and such proposed rates, fees, deposits, and charges will be on file with the District Clerk;

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 Budget submitted to the District Board and attached as Exhibit A hereto, and the proposed rates, fees, deposits, and charges presented by the Carefree Water Company, Inc. for Fiscal Year 2025/26, to both the District and the Water Company Boards are hereby approved and a hearing on the Proposed Budget and the identification and noticing of the rates, fees, deposits, and charges is hereby ordered as required by law.

Section 2. Publication of the notice of the public hearing on the Proposed Budget and the identification and noticing of the rates, fees, deposits, and charges in the form attached hereto as Exhibit B, which was published in accordance with the provisions of A.R.S. Section 48-716 is hereby ratified, approved and adopted.

Section 3. 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 6th day of May, 2025.

John Crane, Chairman - Board of Directors

ATTEST:

Kristen Krey, District Clerk

APPROVED AS TO FORM

Denis Fitzgibbons, 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 May 6, 2025, and that a quorum was present.

AYES _____ NAYS _____ ABSTENTIONS _____ ABSENT _____

Kristen Krey, District Clerk

ATTACHMENTS:

- Exhibit A — Proposed Carefree UCFD Budget Fiscal Year 2025/26
- Exhibit B — Notice of Hearing

EXHIBIT A

TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT

PROPOSED BUDGET FISCAL YEAR 2025/26

BEGINNING UCFD FUNDS AVAILABLE		\$2,037,460
<u>SOURCES</u>		
REVENUES (FROM CAREFREE WATER COMPANY)		
Debt Service and Rent	\$1,426,064	
Contingency	\$500,000	
Total CWC Revenues		\$1,926,064
OTHER REVENUE SOURCES		
Federal Community Grant	\$800,000	
Total Other Revenue Sources		\$800,000
TOTAL SOURCES		\$4,763,524
<u>EXPENDITURES</u>		
ADMINISTRATION		
Rent	\$33,000	
Total Administration		\$33,000
CAPITAL		
Public Infrastructure - Construction	\$2,800,000	
Contingency	\$500,000	
Total Capital		\$3,300,000
DEBT SERVICE		
Principal – Water System Revenue Bonds Series 2021	\$385,000	
Interest – Water System Revenue Bonds Series 2021	\$714,500	
Trustee Fees	\$800	
Capital Advance Payment	\$48,000	
Capital Lease Payment (WIFA)	\$244,764	
Total Debt Service		\$1,393,064
TOTAL EXPENDITURES		\$4,726,064
ENDING FUNDS AVAILABLE		\$37,460

EXHIBIT B

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 2025/26

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 2025/26 will be held by the District Board on May 6, 2025, 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.

The meeting can also be viewed live and will be posted on the Carefree YouTube Channel at:

<https://www.youtube.com/@CarefreeAZgov>

Public Comment – Public comments must be provided in-person. Comments are to be limited to no more than three (3) minutes. No more than one submission per person or legal entity per meeting will be permitted. Please identify your town or city of residence.

DATED this 23rd day of April, 2025.

/s/ Greg Crossman _____

District Manager

Town of Carefree, Arizona Utilities

Community Facilities District

**TOWN OF CAREFREE
STAFF REPORT**

MEETING DATE: 05/06/2025

SUBJECT: Public Hearing on the proposed FY 25-26 Carefree UCFD budget and the proposed FY 25-26 Carefree Water Company budget, rates, fees, and charges.

PREPARED BY: Greg Crossman, Carefree Water Company Manager

SUMMARY:

Public testimony and comments will be taken during this agenda item.

ACTION NEEDED:

Board Chairman Crane will open the Public Hearing. When all public testimony and comments are received, Chairman Crane will close the Public Hearing.
