

**NOTICE OF THE MEETING OF THE BOARD OF DIRECTORS OF
THE CAREFREE WATER COMPANY, INC.**

WHEN: TUESDAY, MARCH 7, 2023

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

LIVESTREAM: CAREFREE YOUTUBE CHANNEL
<https://youtu.be/Afuj9zAvVDw>

TIME: 4:30 P.M.

Pursuant to A.R.S. § 10-822, notice is hereby given of the time, place and purposes of a meeting of the Board of Directors of the Carefree Water Company, Inc., an Arizona corporation.

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

CALL TO ORDER

ROLL CALL

AGENDA

- ITEM #1** Confirm the appointment of; 1) Board Member John Crane as President and Chairman of the Board of Directors of the Carefree Water Company, Inc., and 2) Sheila Amoroso as a new Member of the Board of Directors of the Carefree Water Company, Inc. These appointments are effective as of the Carefree Town Council meeting held on December 6, 2022.
- ITEM #2** Review, discussion and possible action to approve Resolution 2023-01 authorizing the President of the Carefree Water Company to execute Amendment No. 1 to Central Arizona Project Subcontract No. 07-XX-30-W0461, increasing the Water Company's CAP entitlement from 1,300 AF annually to 1,678 AF annually, reflecting the transfer of 378 AF from Cave Creek per the Settlement Agreement dated March 16, 2021.
- ITEM #3** Adjournment.

DATED this 1st day of March, 2023.

CAREFREE WATER COMPANY, INC.

By: Kandace French Contreras
Kandace French Contreras, Board Secretary

Items may be taken out of sequence.

Board meeting are now broadcast live via the Town of Carefree YouTube channel:
[@CarefreeAZgov](https://www.youtube.com/channel/UCvYvYvYvYvYvYvYvYvYvYvY)

LIVESTREAM LINK: <https://www.youtube.com/watch?v=Afuj9zAvVDw>

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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.

CAREFREE WATER COMPANY, INC.
BOARD COMMUNICATION

TO: PRESIDENT AND BOARD MEMBERS
THROUGH: GREG CROSSMAN, GENERAL MANAGER *GC*
DATE: MARCH 1, 2023
SUBJECT: MARCH 7, 2023, BOARD AGENDA ITEM NO. 2
CAP SUBCONTRACT, AMENDMENT NO. 1
378 AF TRANSFER FROM CAVE CREEK

Attached for your review prior to the March 7, 2023, Board meeting are the following documents:

Resolution No. 2023-01 authorizing the President of the Carefree Water Company to enter into Central Arizona Project (CAP) Subcontract Amendment No. 1 which increases the Water Company's CAP entitlement by 378 acre-feet (AF). This CAP water is being transferred from the Town of Cave Creek as part of the Settlement Agreement dated March 16, 2021.

Amendment No. 1 to Subcontract No. 07-XX-30-W0461, increasing the Water Company's CAP entitlement by 378 AF annually (from 1,300 AF to 1,678 AF).

BACKGROUND

On March 16, 2021, the UCFD and the Town of Cave Creek entered into a Settlement Agreement which calls for the transfer of 378 AF of CAP Municipal & Industrial (M&I) water from Cave Creek to the UCFD. This transfer of CAP water rights is an important part of the acquisition of the Carefree Service Area (CSA). The CSA comprises those portions of Carefree that were or are currently being served potable water by the Town of Cave Creek. Upon completion of all of the improvements under construction or contemplated to be constructed, the entirety of the CSA will be served potable water by the Carefree Water Company.

On May 4, 2021, the UCFD assigned the rights to contract for this 378 AF of CAP M&I water to the Carefree Water Company for the benefit of the Town of Carefree and the UCFD.

378AF is enough water to serve the current annual demand within CSA and includes an allowance for future development within this area.

RECOMMENDATION

Approval of this Resolution 2023-01 is recommended as it will allow the CAP M&I water received from the Town of Cave Creek as part of the acquisition of the Carefree Service Area to be incorporated with the Carefree Water Company's Subcontract for CAP water via this Amendment No. 1.

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

CAREFREE WATER COMPANY, INC.

RESOLUTION 2023-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CAREFREE WATER COMPANY, INC. (“WATER COMPANY”), AUTHORIZING THE PRESIDENT OF THE WATER COMPANY TO ENTER INTO AMENDMENT NO. 1 TO SUBCONTRACT NO. 07-XX-30-W0461 AMONG THE UNITED STATES, THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT, AND THE CAREFREE WATER COMPANY INCREASING THE WATER COMPANY’S ENTITLEMENT TO CENTRAL ARIZONA PROJECT MUNICIPAL AND INDUSTRIAL (CAP M&I) WATER BY 378 ACRE-FEET, THAT AMOUNT BEING TRANSFERRED FROM THE TOWN OF CAVE CREEK.

WHEREAS, Town of Carefree, Arizona Utilities Community Facilities District (“UCFD”) has concluded the condemnation of certain assets of the Town of Cave Creek relating to the acquisition of the “Carefree Service Area” under that certain Intergovernmental Agreement between the Town of Carefree and the Town of Cave Creek dated August 2, 2005; and

WHEREAS, the UCFD approved the final Settlement Agreement between the UCFD and the Town of Cave Creek at a Joint Meeting of the Carefree Town Council and the Board of Directors of the UCFD on March 16, 2021 and UCFD accepted the assignment of all of Town of Carefree’s right, title and interest in and to the Intergovernmental Agreement dated August 2, 2005; and

WHEREAS, the Settlement Agreement provides that the Town of Cave Creek assign and transfer 378 acre-feet of CAP M&I Subcontract water from Town of Cave Creek to the UCFD; and

WHEREAS, on May 4, 2021, the UCFD assigned this CAP M&I water to the Water Company as Carefree’s water provider, to be included in the Water Company’s CAP M&I Subcontract via contract amendment.

NOW, THEREFORE, IT IS RESOLVED by the Board of Directors of the Carefree Water Company, Inc. that the President of the Water Company is authorized to execute Amendment No. 1 to Subcontract No. 07-XX-30-W0461 Among the United States, the Central Arizona Water Conservation District, and the Carefree Water Company; and

BE IT FURTHER RESOLVED that the President and General Manager of Carefree Water Company, Inc. are authorized to take any and all other steps necessary, to complete the execution of this Subcontract Amendment No. 1.

PASSED AND ADOPTED BY the Board of Directors of the Carefree Water Company, Inc. this 7th day of March, 2023.

AYES _____ NAYS _____ ABSTENTIONS _____ ABSENT _____

CAREFREE WATER COMPANY, INC.

ATTESTED TO:

John Crane, President

Kandace French Contreras
Secretary/Clerk

APPROVED AS TO FORM:

Michael W. Wright
Attorney

DUPLICATE ORIGINAL

Subcontract No. 07-XX-30-W0461
Amendment No. 1

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION

AMENDMENT NO. 1 TO SUBCONTRACT NO. 07-XX-30-W0461
AMONG THE UNITED STATES,
THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT,
AND THE CAREFREE WATER COMPANY

CENTRAL ARIZONA PROJECT

1. PREAMBLE: THIS AMENDMENT NO. 1 to Subcontract No. 07-XX-30-W0461 (hereinafter referred to as "Amendment No. 1") is entered into and effective this ___ day of _____, 2023, pursuant to the Act of June 17, 1902 (32 Stat. 388), and acts amendatory thereof or supplementary thereto, including but not limited to the Boulder Canyon Project Act of December 21, 1928 (45 Stat. 1057), as amended, the Reclamation Project Act of August 4, 1939 (53 Stat. 1187), as amended, the Reclamation Reform Act of October 12, 1982 (96 Stat. 1263), and particularly the Colorado River Basin Project Act of September 30, 1968 (82 Stat. 885), as amended, and the Arizona Water Settlements Act (118 Stat. 3478) (AWSA), all collectively hereinafter referred to as the "Federal Reclamation Laws", among the UNITED STATES OF AMERICA, hereinafter referred to as the "United States" or "Contracting Officer" acting through the Secretary of the Interior, the CENTRAL ARIZONA WATER CONSERVATION DISTRICT, hereinafter referred to as "CAWCD" or "Contractor", a water conservation district organized under the laws of Arizona, with its principal place of business in Phoenix, Arizona, and the CAREFREE WATER COMPANY, hereinafter referred to as the "Subcontractor", with its principal place of

business in Carefree, Arizona. The United States, CAWCD, and the Subcontractor are hereinafter collectively referred to as the “Parties”, and individually as “Party”.

WITNESSETH, THAT:

2. EXPLANATORY RECITALS:

2.1 WHEREAS, the United States and Contractor entered into Contract No. 14-06-W-245, Amendment No. 1, dated December 1, 1988, hereinafter referred to as the “Repayment Contract” and by this reference made a part hereof, whereby the Contractor agrees to repay the United States the reimbursable costs of the Central Arizona Project (CAP) allocated to the Contractor; and

2.2 WHEREAS, the Parties entered into the “Subcontract Among the United States, the Central Arizona Water Conservation District, and the Carefree Water Company, Providing for Water Service, Central Arizona Project,” Subcontract No. 07-XX-30-W0461, dated March 29, 2007, (the “Carefree Water Service Subcontract”); and

2.3 WHEREAS, the United States, the Contractor, and the Town of Cave Creek (Cave Creek) entered into the “Subcontract Among the United States, the Central Arizona Water Conservation District, and the Town of Cave Creek, Providing for Water Service, Central Arizona Project,” Subcontract No. 08-XX-30-W0537, dated December 29, 2008 (“Cave Creek Water Service Subcontract”); and

2.4 WHEREAS, pursuant to a Partial Final Award entered by The Commercial Arbitration Tribunals of the American Arbitration Association, dated January 14, 2021, as amended on March 2, 2021, a Settlement Agreement, dated March 16, 2021, and a Stipulated Judgment in Maricopa County Superior Court Case No. CV2019-052592, dated April 14, 2021, Cave Creek agreed to assign and transfer a portion of its water service territory (the “Carefree

Service Area”), water supply assets, and its entitlement to an annual delivery of 378 acre-feet of CAP municipal and industrial (M&I) water to Carefree. Carefree agreed to assume all obligations to provide water service to the Carefree Service Area. Accordingly, the Parties desire to add the 378 acre-feet of CAP M&I Priority entitlement previously held by Cave Creek to service the Carefree Service Area to the Carefree Water Service Subcontract; and

2.5 WHEREAS, the purpose of this Amendment No. 1 is to increase the Subcontractor’s CAP M&I Priority Water entitlement from 1,300 acre-feet per year to 1,678 acre-feet per year by the assignment of the 378 acre-feet of CAP M&I Priority Water entitlement from Cave Creek to the Subcontractor. The United States, CAWCD, and Cave Creek are simultaneously amending the Cave Creek Water Service Subcontract to decrease Cave Creek’s CAP M&I Priority entitlement by the 378 acre-feet of CAP M&I Water; and

2.6 WHEREAS, a copy of this Amendment No. 1 has been provided to the Arizona Department of Water Resources for review as provided in A.R.S. § 45-107(D) and its comments, if any, were incorporated;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the Parties hereto agree as follows:

3. AMENDMENT NO. 1:

3.1. Entitlement to Project M&I Water. Subarticle 4.12(a) of the Carefree Water Service Subcontract is hereby amended to read as follows:

“(a) The Subcontractor is entitled to take a maximum of 1,678 acre-feet of Project Water for M&I uses including but not limited to underground storage.”

3.2. M&I Water Service Charges. Subarticle 5.2(a) of the Carefree Water Service Subcontract is hereby amended to read as follows:

“(a) Subject to the provisions of Article 5.4 hereof and in addition to the OM&R payments required in Article 5.1 hereof, the Subcontractor shall, in advance of the delivery of Project M&I Water by the United States or the Operating Agency, make payment to the Contractor in equal semiannual installments of an M&I Water service capital charge based on a maximum entitlement of 1,678 acre-feet per year multiplied by the rate established by the Contractor for that year.”

4. OTHER PROVISIONS UNAFFECTED: Except as amended herein, all terms, conditions, and provisions of the Water Service Subcontract No. 07-XX-30-W0461, dated March 29, 2007, shall remain unchanged and in full force and effect.

5. AMENDED SUBCONTRACT DRAFTING CONSIDERATIONS: Sections 1 through 4 of this Amendment No. 1 have been drafted, negotiated, and reviewed by the Parties hereto, each of whom is sophisticated in the matters to which this Amendment No. 1 pertains, and no one Party shall be considered to have drafted the stated sections.

6. COUNTERPARTS: This Amendment No. 1 may be executed in multiple counterparts, each of which shall be considered an original and all of which, taken together, shall constitute one agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 1 to Contract No. 07-XX-30-W0461, the day and year first written above.

(Signatures follow)

Subcontract No. 07-XX-30-W0461
Amendment No. 1

CAREFREE WATER COMPANY

Attest: _____

By: _____

Title: _____

Title: _____

Approved as to Form:

(Signatures continued on the next page)

Subcontract No. 07-XX-30-W0461
Amendment No. 1

**CENTRAL ARIZONA WATER
CONSERVATION DISTRICT**

Attest: _____
Alexandra Arboleda, Secretary

By: _____
Terry Goddard, President

(Signatures continued on the next page)

Subcontract No. 07-XX-30-W0461
Amendment No. 1

THE UNITED STATES OF AMERICA

By: _____
Jacklynn L. Gould, P.E.
Regional Director
Lower Colorado Basin Region
Bureau of Reclamation