

**MINUTES OF JOINT 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, JUNE 4, 2019

WHERE: CAREFREE TOWN COUNCIL CENTER
33 EASY STREET, CAREFREE, AZ.

TIME: 4:00 P.M.

Attending were:

Chairman Les Peterson

Absent:

Stephen Hatcher

Board Members:

John Crane

Vince D'Aliesio

Michael Krahe

Cheryl Kroyer

Gene Orrico

Also Attending:

Greg Crossman, Manager; Michael Wright, Attorney; Kandace French Contreras, Board Secretary/Treasurer

Chairman Peterson opened the meeting at 4:00 p.m.

AGENDA

ITEM #1 Approval of the November 13, 2018 UCFD/CWC meeting minutes.

Chairman Peterson read the agenda item and asked if there were any questions or changes to the minutes. There were none.

Board Member Crane made a **motion** to accept the Minutes as presented. There was a **second** by Board Member Kroyer. It **carried** unanimously.

ITEM #2 Ratification of the January 15, 2019 Joint UCFD/Carefree Water Company/Town Council Special Meeting Minutes approved by the Town Council on February 5, 2019.

Chairman Peterson read the agenda item and asked if there were any questions or changes to the minutes. There were none.

Board Member Krahe made a **motion** to accept and ratify the Minutes as presented. There was a **second** by Board Member Kroyer. It **carried** unanimously.

ITEM #3 Review, discussion and possible action regarding approval of the FY 2019-2020 Carefree Water Company Budget and Rate Schedule.

Chairman Peterson announced the agenda item and introduced Greg Crossman.

Greg Crossman presented a Power Point and provided the Board with the budget and rate overview.

Mr. Crossman started the meeting by announcing that Megan Orem was unable to attend the meeting due to the recent deliver of a healthy baby girl on May 21st, the Orem family's third child.

He explained the process that he used to determine the most cost effective water rates, starting with an overview of the fixed costs to the Water Company. These included the cost of the water, general and administrative costs, replacement and maintenance of equipment and cash outlay such as the WIFA Loan. Thereafter, the profit and loss analysis is performed to determine anticipated revenues and anticipated future expenses. Thereafter, Greg is able to look at the discretionary costs such as how much can be added to reserves and how much can be invested in capital improvements and capital equipment. He gave additional information regarding being sensitive to water rate increases while still providing needed funds for these discretionary costs.

As a result, Mr. Crossman recommended a rate increase of 4.4% in base and commodity rates. This would be an average increase in the residential customer's billing of \$4.33 based on an 11,500 gallon per month consumption.

He also explained that, for the last 20 years or so the Water Company had been able to save money with the efficient sharing of equipment with the Town of Carefree such as a dump truck and tractor, cones, street sweeper, etc. Until this fiscal year, the use of all the equipment has been free of charge. However, it was determined that it would be fair and prudent to share in the cost of equipment maintenance and repair. This resulted in the 0.4% portion of the rate increase recommendation.

Thereafter, Mr. Crossman broke down the rate increase drivers. The largest being the Capital Improvement Program with a 117% percent increase (\$150,000.00) with an emphasis on funding needed capital improvements in the existing system prior to the acquisition of the Carefree customers currently being served by the Cave Creek Water Company. Mr. Crossman then provided a prioritization summary of the required pipeline upgrade project for the acquisition. To a lesser extent the increase in APS power, untreated CAP water, treated Scottsdale water and replacement and maintenance costs has driven the 4.4% rate increase recommendation. This includes the very important backup generators that are necessary for continued water delivery in the event of a power outage.

The Capital Improvement Program includes a recommended expenditure of \$281,157.00, which includes the Capital Equipment Account, Fire Protection and replacement of three fire hydrants, system automation and technology expenditures and system improvements such as the annual meter replacement program, valve replacement program and the pipeline upgrade projects. Mr. Crossman further broke down the funding need for the pipeline upgrade and the supplemental funding sources. He also provided a breakdown of the priority of replacement for the different areas. He presented information on future grown, fire protection and deficient pipe.

There were no questions from the Board regarding the level of reserves.

Mr. Crossman responded and explained the budget and philosophy behind the decision for the reserve balance.

Board Member Orrico complimented Mr. Crossman, stating that he has observed other pumping stations and equipment in another town and the operation in Carefree were far superior.

Chairman Peterson commented on the need for a reserve balance necessary to serve the needs of the customers of the Carefree Water Company.

There were additional comments from Board Member D'Aliesio regarding preparedness.

Board Member Orrico made a **motion** to approve and accept the 2019-2029 Carefree Water Company Budget and Rate Schedule. There was a **second** by Board Member Kroyer. The motion **carried** unanimously.

ITEM #4 Review, discussion and possible action regarding Resolution 2019-04, authorizing the Chairman of the Board of Directors to execute the "AZWARN Mutual Aid Agreement (AZWARN MAA) Among Members of the Arizona Water and Wastewater Agency Response Network".

Chairman Peterson announced the agenda item and introduced Mr. Crossman

Mr. Crossman provided a Power Point and explained the need and benefit to joining the Arizona Water and Wasterwater Agency Response Network (AZWARN). He explained and detailed mutual aid compacts and the counties and water companies involved in various mutual aid agreements. He described the national WARN membership, including two provinces in Canada and 49 of 50 states, with the possibility that Mississippi has since joined which would make all 50 states part of this mutual aid agency. He explained that it was not a governmental unit and participation and response by members is voluntary. The members have a shared interest in the support and protection from natural disasters, human caused disasters, system failures and unexpected and unforeseen incidents.

Mr. Crossman broke out the members of the Arizona WARN, which includes 20 members such as the Cities of Phoenix, Peoria, Tucson, Tempe, Flagstaff, and others in addition to the Towns of Oro Valley, Clarkdale, Marana, Gilbert and others. There are also 4 associate members, KUVVC Consultants, ADEQ, Rural Water Association and Bruce Johnson.

Mr. Crossman gave the Board examples of the recent responses by WARN such as the 2005 Hurricane Katrina, Rita and Wilma, Southern California wildfires in 2007, 2012 Superstorm Sandy, 2014 Napa California earthquake, and others. He explained the mutual aid agreement and how it is outlined and defined. He reminded the Board that assistance is always voluntary and membership helps with FEMA reimbursement.

There were supportive comments by the Board.

Board Member Orrico made a **motion** to approve Resolution 2019-04 authorizing the Chairman of the Board of Directors to execute the "AZWARN Mutual Aid Agreement. There was a **second** by Board Member Crane. The motion **carried** unanimously.

ITEM #5 Adjourment

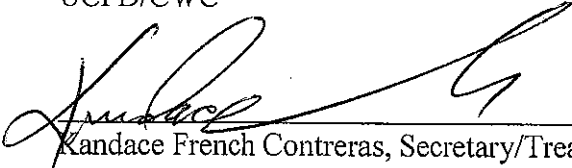
Chairman Peterson announced the agenda item and asked for a motion to adjourn.

Board Member Kroyer made a **motion** to adjourn. There was a **second** by Board Member Krahe. It **carried** unanimously.

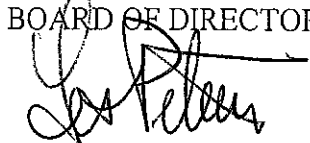
The meeting adjourned at 4:50 p.m.

DATED this 14th day of June, 2019.

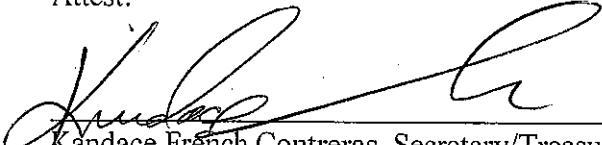
UCFD/CWC


Kandace French Contreras, Secretary/Treasurer

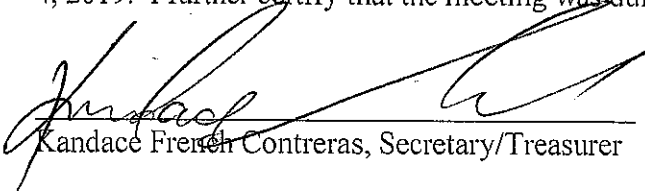
BOARD OF DIRECTORS


Les Peterson, Chairman

Attest:


Kandace French Contreras, Secretary/Treasurer
CERTIFICATION

I certify that the foregoing minutes are a true and correct copy of the minutes of the meeting of the Carefree Water Company/Utilities Community Facilities District Board of Directors held on June 4, 2019. I further certify that the meeting was duly called and held and that a quorum was present.


Kandace French Contreras, Secretary/Treasurer