

CAREFREE WATER COMPANY, INC.
BOARD COMMUNICATION

TO: PRESIDENT AND BOARD MEMBERS
FROM: MEGHAN OREM, CONTROLLER
THROUGH: GREG CROSSMAN, GENERAL MANAGER *GC*
DATE: MAY 27, 2021
SUBJECT: AGENDA ITEM NO. 4 - FY21-22 WATER COMPANY BUDGET AND RATE SCHEDULE

Attached for your review prior to the June 1, 2021, Board meeting are proposed budget and water rate documents for FY 21-22. The Water Company's fiscal year coincides with the Town's and runs from July 1, 2021, through June 30, 2022.

Proposed for FY 21-22 is a water rate increase of 4.4%. 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 \$4.69 per month. This figure is based on an average residential water use of 11,500 gallons per month.

The proposed FY 21-22 water rates are consistent with the 5-year Rate Plan as recommended by Willdan Financial Consultants. The 5-year Rate Plan will support the repayment of the Water Revenue Bonds anticipated to be issued to finance the acquisition of those portions of Carefree that are currently served potable water by the Town of Cave Creek.

The Water Company's budget is developed as a balanced budget, with revenues matching expenses. Anticipated revenues for FY 21-22 are \$3.2 million.

The following is a summary of major expenses which are general indicators of overall Company costs:

- APS Power – 4% increase
- CAP Water (Untreated) – unchanged
- Scottsdale Water (Treated) – 3% increase
- General and Administrative Costs – 7% increase
- Replacement and Maintenance Costs – 7% increase
- Capital Improvement Program – 35% increase

BUDGET DETAIL

Included in this packet are the following FY 21-22 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)

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

Water Rates Summary Carefree Water Company – FY 21-22

- 4.4% Overall Water Rate Increase – Base Fee and Commodity Rates
- Rate increase takes effect July 2021
- Average Monthly Bill Increase (Residential): \$4.69
- Current Average Monthly Residential Bill: \$107.06 – Proposed Average Monthly Residential Bill: \$111.76
- Average Residential Monthly Water Use: 11,500 gallons

- Current Residential Base Fee: \$48.31 – Proposed Residential Base Fee: \$50.44 – Up \$2.13
- 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)

Carefree Water Company
Effective July 1, 2021
Rate Sheet @ 4.4% Base and Commodity Increase

R1, R2 & R4

	Gallons	Base Rate			Commodity Charge			Subtotal Before Taxes			Taxes			Total With Taxes			Overall % Difference
		Current	New	Difference	Current	New	Difference	Current	New	Difference	Current	New	Difference	Current	New	Difference	
Tier 1 - \$4.07	1,000	48.31	50.44	2.13	3.90	4.07	0.17	52.21	54.51	2.30	4.86	5.08	0.21	57.07	59.59	2.51	4.4%
(Curr - \$3.90)	2,000	48.31	50.44	2.13	7.8	8.14	0.34	56.11	58.58	2.47	5.23	5.46	0.23	61.34	64.04	2.70	4.4%
	4,000	48.31	50.44	2.13	15.6	16.28	0.68	63.91	66.72	2.81	5.97	6.23	0.26	69.88	72.95	3.07	4.4%
	6,000	48.31	50.44	2.13	23.4	24.42	1.02	71.71	74.86	3.15	6.71	7.00	0.29	78.42	81.86	3.44	4.4%
	8,000	48.31	50.44	2.13	31.2	32.56	1.36	79.51	83	3.49	7.45	7.77	0.32	86.96	90.77	3.81	4.4%
Tier 2 - \$5.48	9,000	48.31	50.44	2.13	36.45	38.04	1.59	84.76	88.48	3.72	7.94	8.29	0.35	92.70	96.77	4.07	4.4%
(Curr - \$5.25)	11,500	48.31	50.44	2.13	49.58	51.74	2.17	97.89	102.18	4.30	9.18	9.58	0.40	107.06	111.76	4.69	4.4%
	14,000	48.31	50.44	2.13	62.70	65.44	2.74	111.01	115.88	4.87	10.41	10.87	0.45	121.42	126.75	5.32	4.4%
	16,000	48.31	50.44	2.13	73.20	76.40	3.20	121.51	126.84	5.33	11.40	11.90	0.50	132.91	138.74	5.83	4.4%
	18,000	48.31	50.44	2.13	83.70	87.36	3.66	132.01	137.8	5.79	12.39	12.93	0.54	144.40	150.73	6.33	4.4%
	20,000	48.31	50.44	2.13	94.20	98.32	4.12	142.51	148.76	6.25	13.38	13.96	0.58	155.89	162.72	6.83	4.4%
Tier 3 - \$7.20	22,000	48.31	50.44	2.13	108.00	112.72	4.72	156.31	163.16	6.85	14.68	15.32	0.64	170.99	178.48	7.49	4.4%
(Curr - \$6.90)	24,000	48.31	50.44	2.13	121.80	127.12	5.32	170.11	177.56	7.45	15.98	16.67	0.69	186.09	194.23	8.14	4.4%
	26,000	48.31	50.44	2.13	135.60	141.52	5.92	183.91	191.96	8.05	17.27	18.02	0.75	201.18	209.98	8.80	4.4%
	28,000	48.31	50.44	2.13	149.40	155.92	6.52	197.71	206.36	8.65	18.57	19.37	0.80	216.28	225.73	9.45	4.4%
	30,000	48.31	50.44	2.13	163.20	170.32	7.12	211.51	220.76	9.25	19.87	20.73	0.86	231.38	241.49	10.11	4.4%
Tier 4 - \$9.31	32,000	48.31	50.44	2.13	181.04	188.94	7.90	229.35	239.38	10.03	21.54	22.47	0.93	250.89	261.85	10.96	4.4%
(Curr - \$8.92)	35,000	48.31	50.44	2.13	207.80	216.87	9.07	256.11	267.31	11.20	24.05	25.09	1.04	280.16	292.40	12.24	4.4%
	40,000	48.31	50.44	2.13	252.40	263.42	11.02	300.71	313.86	13.15	28.23	29.45	1.22	328.94	343.31	14.37	4.4%
	45,000	48.31	50.44	2.13	297.00	309.97	12.97	345.31	360.41	15.10	32.41	33.81	1.40	377.72	394.22	16.50	4.4%
	50,000	48.31	50.44	2.13	341.60	356.52	14.92	389.91	406.96	17.05	36.59	38.17	1.59	426.50	445.13	18.64	4.4%
Tier 5 - \$12.10	55,000	48.31	50.44	2.13	399.55	417.02	17.47	447.86	467.46	19.60	42.01	43.83	1.82	489.87	511.29	21.42	4.4%
(Curr - \$11.59)	60,000	48.31	50.44	2.13	457.50	477.52	20.02	505.81	527.96	22.15	47.43	49.49	2.06	553.24	577.45	24.21	4.4%
	65,000	48.31	50.44	2.13	515.45	538.02	22.57	563.76	588.46	24.70	52.85	55.15	2.30	616.61	643.61	27.00	4.4%
	70,000	48.31	50.44	2.13	573.40	598.52	25.12	621.71	648.96	27.25	58.27	60.81	2.53	679.98	709.77	29.78	4.4%
	80,000	48.31	50.44	2.13	689.30	719.52	30.22	737.61	769.96	32.35	69.12	72.13	3.01	806.73	842.09	35.36	4.4%
	90,000	48.31	50.44	2.13	805.20	840.52	35.32	853.51	890.96	37.45	79.96	83.44	3.48	933.47	974.40	40.93	4.4%
	100,000	48.31	50.44	2.13	921.10	961.52	40.42	969.41	1,011.96	42.55	90.81	94.76	3.96	1,060.22	1,106.72	46.51	4.4%

Average Residential Usage

CAREFREE WATER COMPANY RATE SCHEDULE
Effective July 1, 2021
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 inch	R1/R2	\$ 50.44	0	8,000	8,001	20,000	20,001	30,000	30,001	50,000	50,001	and over									
Residential	1 inch	R4	\$ 50.44	0	8,000	8,001	20,000	20,001	30,000	30,001	50,000	50,001	and over									
COMMERCIAL METERS																						
Commercial	1 inch	R5	\$ 90.80	0	8,000	8,001	16,000	16,001	32,000	32,001	64,000	64,001	and over									
Commercial	1-1/2 inch	R6	\$ 225.35	0	11,000	11,001	16,000	16,001	35,000	35,001	70,000	70,001	and over									
Commercial	2 inch	C8	\$ 540.18	0	20,000	20,001	40,000	40,001	80,000	80,001	160,000	160,001	and over									
Commercial	3 inch	C9	\$ 720.03	0	100,000	100,001	200,000	200,001	400,000	400,001	600,000	600,001	and over									
MASTER METERS																						
Master Meter 1		MM1 - 8	\$ 383.29	0	30,000	30,001	40,000	40,001	60,000	60,001	80,000	80,001	and over									
Master Meter 2		MM2 - 4	\$ 191.66	0	30,000	30,001	50,000	50,001	70,000	70,001	90,000	90,001	and over									
Master Meter 3		MM3 - 8	\$ 383.29	0	40,000	40,001	80,000	80,001	100,000	100,001	150,000	150,001	and over									
Master Meter 4		MM4 - 6	\$ 287.49	0	50,000	50,001	100,000	100,001	190,000	190,001	250,000	250,001	and over									
Master Meter 5		MM5 - 12	\$ 586.88	0	30,000	30,001	50,000	50,001	80,000	80,001	100,000	100,001	and over									
Master Meter 6		MM6 - 38	\$ 1,820.65	0	170,000	170,001	270,000	270,001	300,000	300,001	350,000	350,001	and over									
Master Meter 7		MM7 - 18	\$ 862.44	0	80,000	80,001	100,000	100,001	120,000	120,001	150,000	150,001	and over									
Master Meter 8		MM8 - 11	\$ 527.03	0	90,000	90,001	150,000	150,001	200,000	200,001	250,000	250,001	and over									
Master Meter 9		MM9 - 11	\$ 527.03	0	75,000	75,001	105,000	105,001	135,000	135,001	165,000	165,001	and over									
Master Meter 10		MM10 - 11	\$ 527.03	0	60,000	60,001	120,000	120,001	190,000	190,001	220,000	220,001	and over									
STAND PIPE																						
Stand Pipe		CWH	-																			
FIRE HYDRANT METER																						
Fire Hydrant		FHY	\$ 158.52																			

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)	\$10.00
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	\$200.00
Commercial	3X Average Water Bill
Stand Pipe	\$50.00
Fire Hydr. Meter	\$900.00

NEW CONSTRUCTION CHARGES AND FEES			
Meter and Service Size	Service Connection Charge	Water Capacity Fee ¹	Total
1" Meter and Service	\$3,080.00	\$3,639.00	\$6,719.00
1" Meter Only-New Subdivision	\$965.00	\$3,639.00	\$4,604.00
1-1/2" Meter and Service	\$4,275.00	\$6,595.00	\$10,870.00
2" Meter and Service	\$6,480.00	\$10,244.00	\$16,724.00
3" Compound Meter	\$20,175.00	\$20,806.00	\$40,981.00
4" Compound Meter	\$25,000.00	\$31,880.00	\$56,880.00
1" Meter & Serv. Upgrade(from 3/4")	\$2,515.00	-	\$2,515.00
1" Meter Only Upgrade (from 3/4")	\$400.00	-	\$400.00

¹Distribution, Storage, and Pumping Capacity

PAYMENT AND BILLING FEES	
Credit Card Convenience Fee (per transaction)	
Monthly Billings & Other Charges Under \$500	\$4.00
Other Charges Over \$500	3% of Amount
Late Payment or Delinquent Charge (per month)	\$7.00
Foreign Currency Transaction	\$10.00
Foreign Mailing Fee	\$3.00
Insufficient Funds or Returned Check Fee	Bank Charge Amt
Interest on Outstanding Balance	1.5% per month

MISCELLANEOUS SERVICES AND FEES	
Data Log Fee - Beginning With Second Data Log	\$30.00
Meter Re-Read (Customer Request)	\$25.00
Account Re-Establishment Fee	\$125.00
Change-Out or Moving Meter	At Water Co. Cost
Third Party Meter Test (Customer Request)	At Water Co. Cost
Emergency Call Out	
(If Water Company is Not Responsible for Problem)	\$100.00
Unauthorized Meter Turn-On - Residential	\$150.00
Unauthorized Meter Turn-On - Commercial	\$250.00
Unauthorized Fire Hydrant Use - Per Use	\$300.00

SAMPLE RESIDENTIAL WATER BILL CALCULATION ²			
1. inch Residential Meter (WR4 Classification) @ 24,000 gallons			
Tier 1:	8,000 gallons	@ \$ 3.90 /1000 gal.	= \$ 31.20
Tier 2:	12,000 gallons	@ \$ 5.25 /1000 gal.	= \$ 63.00
Tier 3:	4,000 gallons	@ \$ 6.90 /1000 gal.	= \$ 27.60
Tier 4:	0 gallons	@ \$ 8.92 /1000 gal.	= \$ -
Tier 5:	0 gallons	@ \$ 11.59 /1000 gal.	= \$ -
Month Total:	24,000 gallons		
		Base Fee	\$ 48.31
		Total (Does not include taxes)	\$ 170.11

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

Profit and Loss Summary Carefree Water Company – FY 21-22

- “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:
 - WIFA Loan Repayment (“Capital Lease”)
 - Town of Carefree Repayment (“Capital Advance”)
 - Water Company Building Rent
 - Reserve Deposits
 - Capital Improvement Projects
- Bottom Line: Revenue stream must cover all cash uses (cash flow/expenditures)

Carefree Water Company
PROFIT AND LOSS
2021-2022 Budget

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total
Revenues %	10.1%	9.8%	9.8%	9.8%	8.5%	7.3%	7.1%	6.5%	7.1%	7.5%	8.2%	9.1%	100%
Water Sales	320,269	314,335	302,013	288,513	269,781	221,566	225,832	206,642	215,878	239,338	260,062	280,399	3,144,628
New Meter & Service Fees	3,743		3,743		3,743				3,743			3,743	18,715
DFGC Electrical Fees			6,204		6,204				6,203			6,203	24,814
Cell Tower Rental Fees (net)	1,737	1,737	1,737	1,737	1,737	1,737	1,737	1,737	1,737	1,737	1,737	1,737	20,844
Other Revenues	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Total Revenues	327,749	318,072	315,697	292,250	273,518	235,250	229,569	210,379	229,561	243,075	263,799	294,082	3,233,001
Cost of Water													
Scottsdale CAP	74,471	70,337	67,759	64,257	56,990	44,953	46,905	40,999	45,288	53,136	58,866	64,373	688,334
Cave Creek CAP													-
Ground Water Pumped	14,126	11,637	11,333	10,919	9,871	8,489	10,713	8,036	8,528	9,429	10,086	10,716	123,883
Central Ariz Project	18,073	17,386	16,957	16,375	14,898	12,953	13,179	17,194	12,909	14,217	15,172	16,090	185,403
Total Water Costs	106,670	99,360	96,049	91,551	81,759	66,395	70,797	66,229	66,725	76,782	84,124	91,179	997,620
General and Administrative													
Maintenance	81,210	81,210	81,210	81,210	81,210	81,210	81,210	81,210	81,210	81,211	81,211	81,211	974,523
Depreciation	14,228	14,228	14,228	14,228	14,228	14,228	14,228	14,228	14,229	14,229	14,229	14,229	170,740
Total Other Costs	138,438	138,438	138,438	138,438	138,438	138,438	138,438	138,438	138,439	138,440	138,440	138,440	1,661,263
REVENUES LESS COSTS	82,641	80,274	81,210	62,261	53,321	30,417	20,334	5,712	24,397	27,853	41,235	64,463	574,118

CASH FLOW

Cash Flow	Net Gain	574,118	Cash Uses	Reserves	20,000	Capital Projects	Fire Protection	20,000
	Depreciation	516,000		Capital Advance	414,340		System Automation & Tech.	50,000
	Equipment Loss W/O	12,000		WIFA Payment	244,764		System Improvements	272,014
				UCFD Rent	33,000		Water Rights	16,000
				Total Operating Uses	712,104		Capital Equipment	32,000
Total Available		1,102,118		Cash Available	390,014		Capital Reserves	-
							Total Capital Uses	390,014
								Cash Utilized
								390,014

Cost of Water Summary Carefree Water Company – FY 21-22

- Water use is based on a 3-year average
- The cost of water is the Water Company's single largest expense at nearly \$1M
- Continued Focus on Utilizing Renewable CAP Supply (Saving GW for Emergencies)
 - 65% CAP Water
 - 35% Groundwater
- Water costs are increasing about \$27,500 this FY due to the following:
 - 3% Increase in Scottsdale Treated Water Costs
 - 4% Increase in APS Costs
 - Treated CAP Water Mix - Assumption for Budgeting:
 - 100% Scottsdale/0% from Cave Creek
 - Scottsdale @ \$3.19/Kgal., Cave Creek Rate Under Review
 - Cave Creek Made Positive Steps on Water Quality Issues

**Carefree Water Company
Estimated Water Costs
Fiscal Year 2021-22**

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Total
325,851	104.3	98.6	105.1	101.2	88.3	64.8	64.8						562.3
Water Sold FY20-21 (20 On/ly)	97.7	93.2	84.3	88.5	68.5	57.8	56.0	54.3	57.8	64.7	76.0	88.8	887.6
Water Sold FY19-20	102.9	96.1	87.9	73.2	69.6	55.7	63.1	51.2	55.7	72.8	68.6	77.2	874.0
Water Sold FY18-19							67.0	57.0	66.1	73.5	89.3	85.9	442.8
Water Sold FY17-18 (18 On/ly)													
3-yr Average Water Sold (Use for 21-22)	101.6	96.0	92.4	87.6	75.5	59.4	62.0	54.2	59.9	70.3	78.0	89.3	922.2
3-yr Average Water Sold (Use for 22-22)	33,117	31,271	30,119	28,555	24,591	19,366	20,214	17,650	19,512	22,918	25,406	27,795	300,515
Percent of Annual Usage (Use for 21-22)	11.0%	10.4%	10.0%	9.5%	8.2%	6.4%	6.7%	5.9%	6.5%	7.6%	8.5%	9.2%	100.0%
Water Supplied (Sold/0/9) (Use for 21-22)	112.9	106.6	102.7	97.4	83.9	66.0	68.9	60.2	66.5	78.1	86.6	94.8	1024.7
A.F.													
'000 Gal.													
Ground Water A.F. (35%)	39.5	37.3	35.9	34.1	29.3	23.1	24.1	21.1	23.3	27.4	30.3	33.2	358.7
CAP Water A.F. (65%)	73.4	69.3	66.8	63.3	54.5	42.9	44.8	39.1	43.2	50.8	56.3	61.6	666.1
CAP Water A.F. +5%	3.7	3.5	3.3	3.2	2.7	2.1	2.2	2.0	2.2	2.5	2.8	3.1	33.3
CAVE CREEK 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0% of CAP Water													
SCOTTSDALE WATER													
Acre-Feet	73.4	69.3	66.8	63.3	54.5	42.9	44.8	39.1	43.2	50.8	56.3	61.6	666.1
1,000's Gallons	23,918	22,584	21,753	20,623	17,760	13,987	14,599	12,747	14,092	16,552	18,348	20,074	217,039
Cost @\$3.10/1,000 Gal.*	\$74,146	\$70,012	\$67,434	\$63,932	\$56,655	\$44,618	\$46,570	\$40,664	\$44,953	\$52,801	\$58,531	\$64,037	\$684,354
Meter Fee	\$325.00	\$325.00	\$325.00	\$325.00	\$335.00	\$335.00	\$335.00	\$335.00	\$335.00	\$335.00	\$335.00	\$335.00	\$3,980
* \$3.19/1,000 Gal. After Oct. 2021	\$74,471	\$70,337	\$67,759	\$64,257	\$56,990	\$44,953	\$46,905	\$40,999	\$45,288	\$53,136	\$58,866	\$64,372	\$688,334
POTABLE GROUNDWATER													
Pumped Groundwater (A.F. - From Above)	39.5	37.3	35.9	34.1	29.3	23.1	24.1	21.1	23.3	27.4	30.3	33.2	358.7
Pumped Groundwater (1000 gallons)	12,879	12,161	11,713	11,105	9,563	7,531	7,861	6,864	7,588	8,913	9,880	10,809	116,867
Cost @\$0.68/1,000 Gal. (4% Increase)	\$8,758	\$8,269	\$7,965	\$7,551	\$6,503	\$5,121	\$5,345	\$4,668	\$5,160	\$6,061	\$6,718	\$7,350	\$79,470
Groundwater Withdrawal Fee (ADWR)	\$3,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$2,000
Chemicals and Testing	\$12,058	\$9,569	\$9,265	\$8,851	\$7,803	\$6,421	\$8,645	\$5,968	\$6,460	\$7,361	\$8,018	\$8,650	\$99,070
Total Cost													A.F.
kWh/AF (From Desert Forest Agreement)	745.22	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$2,067.78	\$24,813
2021	\$53	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	198.7
2022	\$160	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	300.0
2019													214.8
2018													237.8
(3-yr Ave.)													
CAP COSTS													
Capital Cost	\$53	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$66,950
M&I Cost	\$160	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$113,453
CAP Contingency	\$18,073	\$17,386	\$16,957	\$16,375	\$14,898	\$12,953	\$13,179	\$17,194	\$12,909	\$14,217	\$15,172	\$16,090	\$5,000
ALL WATER COSTS	\$106,670	\$99,360	\$96,049	\$91,551	\$81,759	\$66,395	\$70,797	\$66,229	\$66,725	\$76,781	\$84,125	\$91,180	\$997,620

General and Administrative (G&A) Summary Carefree Water Company – FY 21-22

- Overall G&A expenses up 7% (up approx. \$70,000) compared to last FY
 - Prime Driver: Payroll expenses up about 11%
 - Shortage of Skilled Labor – Reflected in Hourly Wages up 17%
 - 3.5% Cost-of-Living Adjustment – All employees
 - Potential for Operator Certification Upgrades – 3 Staff
 - Tempered by 12% Decrease in Health Insurance Budgeted Costs
 - 10% increase in Health Insurance Premiums
 - Offset by Younger Staff Make-Up and Fewer Dependents

**General and Administrative Budget by Category
for 2021-22**

	2020-2021 Budget	2021-2022 Budget	Difference	
<u>Payroll, Payroll Taxes, Group Insurance & Benefits</u>				
Base Salaries	425,639	492,999		
Overtime	4,000	4,000		
Compensation Time	3,000	3,000		
Bonus	4,000	4,000		
Merit Increase	-	5,138		
Emgr. On-Call	11,000	14,600		
All Health Insurance Combined	106,405	93,973		
IRA and Retirement	44,367	52,362		
All Payroll taxes	32,282	35,406		
Medicare	7,550	8,280		
Unemployment	-	-		
Equalization Taxes	-	-		
	<u>638,242</u>	<u>713,758</u>	<u>75,516</u>	11%
<u>Training Expense A/C 60154</u>				
	<u>4,000</u>	<u>4,000</u>	<u>0</u>	0%
<u>Employee Expenses A/C 60152</u>				
Uniforms	2,100	2,500		
	<u>2,100</u>	<u>2,500</u>	<u>400</u>	16%
<u>Safety Equipment A/C 60156</u>				
Personal Protective Equipment	1,450	1,500		
Safety Equipment	1,500	2,000		
	<u>2,950</u>	<u>3,500</u>	<u>550</u>	16%
<u>Accounting and Professional Services A/C 60201</u>				
Auditors	6,500	6,695		
Dasco	2,000	2,500		
ER System	6,000	6,000		
Payroll Experts	2,350	2,600		
Emergency Response Planning AWIA	30,000	-		
	<u>46,850</u>	<u>17,795</u>	<u>(29,055)</u>	-163%
<u>Legal A/C 60202</u>				
	<u>3,000</u>	<u>5,000</u>	<u>2,000</u>	40%
<u>Cleaning Service A/C 60204</u>				
Regular	5,500	7,800		
	<u>5,500</u>	<u>7,800</u>	<u>2,300</u>	29%

<u>SCADA A/C 60207</u>			
SCADA	5,000	5,000	
Go to My PC	210	-	
Wonderware/Standard Automation	1,000	-	
Specter - WIN 911	500	500	
	<u>6,710</u>	<u>5,500</u>	(1,210) -22%
<u>Computer</u>	<u>A/C 60205</u>		
Continental	2,900	4,100	
Sage	3,000	8,000	
Read Center	900	-	
Beacon Mobile	2,340	3,300	
Computer Repair Contract	4,560	13,000	
Computer Repair additional hours	-	3,300	
Backup Software	50	-	
Printer	500	500	
Virus Protection - Included in Contract	600	-	
Fixed Asset Software	300	300	
Offsite Backup - Included in contract	2,100	-	
Log Me In - Included in contract	500	-	
Server Warranty Care Pack	-	800	
Firewall	140	140	
	<u>17,890</u>	<u>33,440</u>	15,550 47%
<u>Insurance A/C 60250</u>			
Cincinnati Insurance	46,000	48,000	
Claims (Insurance Deductible- Contingency)	5,000	5,000	
	<u>51,000</u>	<u>53,000</u>	2,000 4%
<u>Postage A/C 60300</u>			
Billings	6,000	6,200	
Mail Pickup	500	540	
Additional mailings	1,300	1,300	
	<u>7,800</u>	<u>8,040</u>	240 3%
<u>Telephone A/C 60351</u>			
Cox	2,900	3,100	
Verizon	3,800	4,000	
Replacement Cell Phones	500	500	
	<u>7,200</u>	<u>7,600</u>	400 5%

<u>Promotional A/C 60353</u>				
Truck Magnets	240	240		
Advertisement	500	500		
	<u>740</u>	<u>740</u>	<u>0</u>	0%
<u>Auto Expense A/C 60400</u>				
Repairs, batteries, tires	2,000	2,100		
Fuel *	15,500	16,500		
Fuel Adj.(Potential Increase)	3,000	3,000		
	<u>20,500</u>	<u>21,600</u>	<u>1,100</u>	5%
<u>Office Supplies A/C 60452</u>				
Printing	3,500	3,500		
Stuffing Machine Annual Maint.	-	1,700		
All Other	3,500	3,500		
	<u>7,000</u>	<u>8,700</u>	<u>1,700</u>	20%
<u>Security and Emergency A/C 60453</u>				
Safeguard - Office	700	700		
	<u>700</u>	<u>700</u>	<u>0</u>	0%
<u>Office Utilities A/C 60454</u>				
	<u>4,500</u>	<u>4,750</u>	<u>250</u>	5%
<u>Fees and Permits A/C 60501</u>				
Maricopa County	3,100	3,100		
ACC	50	50		
Carefree Shadows HOA	125	125		
PO Boxes	125	-		
TPT License	-	-		
Town License	40	40		
	<u>3,440</u>	<u>3,315</u>	<u>(125)</u>	-4%
<u>Dues and Subscriptions A/C 60456</u>				
Blue Stake	1,000	1,000		
AWWA Membership	350	400		
Rural Water Association	750	1,000		
WEF	205	205		
AZ Water Association	-	250		
American Society of Civil Engineers	300	300		
AZ State Board of Accountancy	300	-		
Costco	260	200		
Water Operator Certifications	300	300		
	<u>3,465</u>	<u>3,655</u>	<u>190</u>	5%

<u>Office Equipment Rental A/C 60457</u>				
Postage Machine	2,500	2,500		
Folding and Stuffing Machine	6,000	-		
	<u>8,500</u>	<u>2,500</u>	<u>(6,000)</u>	-240%
<u>Bad Debt Write-off A/C 60550</u>				
	<u>3,000</u>	<u>3,000</u>	<u>0</u>	0%
<u>Loss Write Off - Meters</u>				
	<u>12,000</u>	<u>12,000</u>	<u>0</u>	0%
<u>Income Tax</u>				
State	52	55		
	<u>52</u>	<u>55</u>	<u>3</u>	5%
<u>Credit Card Charges A/C 60652</u>				
	<u>4,000</u>	<u>4,800</u>	<u>800</u>	17%
<u>Bank Charges A/C 60653</u>				
All Other Banks	500	500		
Chase (Electronic Banking)	9,500	9,700		
	<u>10,000</u>	<u>10,200</u>	<u>200</u>	2%
<u>GIS Mapping A/C 60206</u>				
GPS Annual Fee	2,400	2,400		
Monthly MIFI Fee	400	500		
ARC Service Agreement	1,475	1,475		
I-Pads for Field	-	2,000		
Support	20,000	20,000		
Elements Annual Maintenance	7,500	10,000		
True Image Backup	-	-		
	<u>31,775</u>	<u>36,375</u>	<u>4,600</u>	13%
<u>Water Conservation Costs A/C 6100</u>				
Literature/Community Events	2,000	2,200		
	<u>2,000</u>	<u>2,200</u>	<u>200</u>	9%
<u>Total Costs</u>				
	<u>904,914</u>	<u>976,523</u>	<u>71,609</u>	7%

Replacement and Maintenance (R&M) Summary Carefree Water Company – FY 21-22

- Funds the normal water system maintenance items we do everyday
- Unscheduled repair/replacement costs are the hardest to predict
- Utilized historical expenses from the last 3 years, plus knowledge of what needs to be done
- Budgeting is up 7% this fiscal year
 - Reflects historic maintenance increases
 - Reflects anticipated cost increases

**Replacement and Maintenance Budget
2021-2022**

	2020-2021 Budget	2021-2022 Budget	Variance	Percentage
<u>R & M Tanks</u>				
Tank Maint.	41,000	42,000		
Misc.	3,000	3,000		
	<u>44,000</u>	<u>45,000</u>	<u>1,000</u>	<u>2%</u>
<u>R & M Pumps and Wells</u>				
Pumps Stations	10,000	10,000		
Wells	5,000	5,000		
	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>0%</u>
<u>R & M Mains and Valves</u>				
Valves	10,000	10,000		
Mains Repairs	20,000	25,000		
Other Distribution Repairs	0	0		
	<u>30,000</u>	<u>35,000</u>	<u>5,000</u>	<u>17%</u>
<u>R & M Services/Meters</u>	<u>25,000</u>	<u>30,000</u>	<u>5,000</u>	<u>20%</u>
<u>R & M Easements & Right of Way Landscape</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>0%</u>
<u>R & M Equipment</u>				
Backhoe	3,000	3,000		
Mini Excavator	1,000	1,000		
Trucks	1,500	1,500		
Chlorination	1,500	1,500		
Town Equipment Cost Sharing	8,850	6,000		
	<u>15,850</u>	<u>13,000</u>	<u>(2,850)</u>	<u>-18%</u>
<u>Fire Hydrant Maintenance</u>	<u>3,000</u>	<u>5,000</u>	<u>2,000</u>	<u>67%</u>
<u>R & M Generator</u>	<u>14,500</u>	<u>15,000</u>	<u>500</u>	<u>3%</u>
<u>R & M Interconnect</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>0%</u>
<u>R & M Supplies</u>	<u>4,000</u>	<u>4,500</u>	<u>500</u>	<u>13%</u>

<u>R & M General</u>				
AC Units	1,700	2,000		
Fire Protection	400	700		
Exterminating	540	540		
	<u>2,640</u>	<u>3,240</u>	<u>600</u>	<u>23%</u>
<u>Equipment Rental</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>0%</u>
Total Maint. and Replacement	<u>158,990</u>	<u>170,740</u>	<u>11,750</u>	<u>7%</u>

Reserve Recommendations Carefree Water Company – FY 21-22

- **Target Balance:** **\$1,000,000** (based on AWWA recommendations)
- **Current Reserve Balance:** **\$ 980,000**
Shortfall: **\$ 20,000**

Recommended Reserve Deposits:

FY 21-22: \$ 20,000

Capital Improvement Program Recommendations Carefree Water Company – FY 21-22

Total FY 21-22 Capital Budget - \$390,014

- **Fire Protection - \$20,000**
- **System Automation and Technology - \$50,000**
- **System Improvements - \$272,014**
- **Capital Equipment - \$32,000**
- **Water Rights - \$16,000**
- **Capital Reserves (Large Project Improvement Fund) - \$0**

CAPITAL IMPROVEMENT PROGRAM DETAILS

Fire Protection - \$20,000

- 2 Replacement Fire Hydrants – \$10,000
1969-1990 Hydrants, non-standard, hard to operate
- 2 New Fire Hydrants - \$10,000

System Automation and Technology - \$50,000

SCADA System Upgrades

System Improvements - \$272,014

- Annual Meter Replacement Program – \$35,000 (125 meters)
- Valve Replacement Program – \$20,000
- Pipeline Upgrade Projects - \$217,014

Capital Equipment Account – \$32,000 (Annual FY 21-22 Deposit)

Anticipated Available Funds FY 21-22	\$ 67,203
<u>Anticipated Account Expenditures for FY 21-22*</u>	<u>\$ 41,000</u>
End of FY 21-22 Account Balance	\$ 26,203

*FY 21-22 Planned Expenditures:

Vactor Equip. (Ditch Witch):	\$30,000
<u>Server and Components:</u>	<u>\$11,000</u>
FY 20-21 Account Expenditures	\$41,000*

Water Rights – NIA CAP Water - \$16,000

112 AF @ \$2,000/AF = \$224,000
Current Fund Balance=\$144,400
 Remaining to Fund = \$ 79,600 over the next 5 years = \$16,000/year

Capital Reserve Account – FY 21-22 Deposit - \$0

Account Balance (Carry Over) \$128,000
 (To be utilized for Pipeline Upgrade Projects)

**CAREFREE WATER COMPANY
10-YEAR CAPITAL IMPROVEMENT PLAN
FY 21-22 THRU FY 30-31**

Capital Improvement Description	Fiscal Year (FY)										Line Item Total	Category Total	
	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31			
Fire Protection													
Number of Fire Hydrants	4 ¹	3	3	3	3	3	3	3	3	3	30		
Fire Hydrants	\$ 20,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 155,000	\$	\$ 155,000
System Automation and Technology													
SCADA System Improvements	\$ 50,000										\$ 100,000		
Billing System Upgrades	\$ 20,000				\$ 30,000						\$ 80,000	\$	\$ 180,000
System Improvements													
Annual Meter Replacement (125 per year)	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 380,000		
Valve Replacement Program	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 225,000		
Pipeline Upgrade Projects**	\$ 454,534	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 2,021,548	\$	\$ 2,626,548
Capital Equipment													
Annual Contribution*	\$ 30,203	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 350,203	\$	\$ 350,203
Water Rights													
Non-Indian Ag CAP	\$ 144,400	\$ 16,000	\$ 16,000	\$ 16,000	\$ 15,600						\$ 224,000	\$	\$ 224,000
Capital Reserve													
	\$ 128,000			\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 478,000	\$	\$ 478,000
Total FY Expenditure	\$ 777,137	\$ 268,000	\$ 268,000	\$ 318,000	\$ 347,600	\$ 362,000	\$ 312,000	\$ 312,000	\$ 312,000	\$ 347,000	\$ 4,013,751	\$	\$ 4,013,751

* See Supplemental Capital Equipment Plan Spreadsheet

** See Supplemental Pipeline Upgrade Projects Spreadsheet

¹ 2 Replacement Hydrants, 2 New Hydrants

**CAREFREE WATER COMPANY
10-YEAR CAPITAL EQUIPMENT PROGRAM
FY 21-22 THRU FY 30-31**

Capital Equipment Description	Fiscal Year (FY)									
	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31
Vehicles and Heavy Equip.										
Work Truck #1			\$ 40,000						\$ 40,000	
Work Truck #2				\$ 40,000						\$ 40,000
Work Vehicle - GM		\$ 35,000					\$ 35,000			
Backhoe (75/25 Cost Split w/Town)					\$ 60,000					
Vector Equipment (Ditch Witch)	\$ 30,000									
Large Tools		\$ 2,000		\$ 2,000				\$ 2,000		\$ 2,000
Technology & Misc. (Computers, Printers, Work Stations, etc.)										
Computer Replacements (\$1500/computer)			\$ 3,000	\$ 3,000			\$ 3,000	\$ 3,000		
Server and Components	\$ 11,000				\$ 11,000					
Meter Reading Technology Upgrades		\$ 6,000			\$ 6,000			\$ 8,000		
Total FY Expenditure	\$ 41,000	\$ 43,000	\$ 43,000	\$ 45,000	\$ 17,000	\$ 62,000	\$ 38,000	\$ 13,000	\$ 40,000	\$ 42,000
Prior FY Balance	\$ 30,203	\$ 26,203	\$ 20,203	\$ 14,203	\$ 6,203	\$ 26,203	\$ 1,203	\$ 203	\$ 24,203	\$ 21,203
Annual FY Contribution	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000
Misc. Sales	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
End of FY Balance	\$ 26,203	\$ 20,203	\$ 14,203	\$ 6,203	\$ 26,203	\$ 1,203	\$ 203	\$ 24,203	\$ 21,203	\$ 16,203

PIPELINE UPGRADE PROJECTS - PRIORITIZATION SUMMARY

Priority	Project Description	Lineal Feet	Project Cost	Expenditures Thru FY 20-21	FY 21-22 Funding				
					Capacity Fees	Carryover & Capital Reserves	CIP	Unfunded Balance	Cumm. Unfunded Balance
1	Silver Saddle Gravity Zone Upgrades - Ph. 1	3,800	\$ 760,000	\$ 25,270	\$ 590,157	\$ 144,573	\$ -	\$ -	\$ -
2	Black Mtn. Foothills - Ph. 1	2,575	\$ 515,000	\$ 8,115		\$ 437,961	\$ 68,924	\$ -	\$ -
3	Grandview Estates - Ph. 1	4,095	\$ 819,000				\$ 148,090	\$ 670,910	\$ 670,910
4	Spanish Boot/Golden Spur - Ph. 1	3,025	\$ 529,375					\$ 529,375	\$ 1,200,285
5	Grandview Estates - Ph. 2	2,570	\$ 514,000					\$ 514,000	\$ 1,714,285
6	Black Mtn. Foothills - Ph. 2	3,400	\$ 472,500					\$ 472,500	\$ 2,186,785
7	Spanish Boot/Golden Spur - Ph. 2	1,825	\$ 319,375					\$ 319,375	\$ 2,506,160
8	Silver Saddle Gravity Zone Upgrades - Ph. 2	5,200	\$ 910,000					\$ 910,000	\$ 3,416,160
9	Milky Way Fire Protection Upgrades	2,150	\$ 322,500					\$ 322,500	\$ 3,738,660
10	Sidewinder Fire Protection Upgrades	3,200	\$ 560,000					\$ 560,000	\$ 4,298,660
11	Carefree Drive Fire Protection Upgrades	2,000	\$ 350,000					\$ 350,000	\$ 4,648,660
		33,840	\$ 6,071,750	\$ 33,385	\$ 590,157	\$ 582,534	\$ 217,014	\$ 4,648,660	
					Total FY 21-22 Funding		\$ 1,389,705		