

**NOTICE OF JOINT MEETING OF THE BOARD OF DIRECTORS OF
THE TOWN OF CAREFREE, AZ UTILITIES COMMUNITY FACILITIES DISTRICT
AND THE BOARD OF DIRECTORS OF THE CAREFREE WATER COMPANY, INC.**

WHEN: TUESDAY, MAY 4, 2021

WHERE: ZOOM ONLINE*

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 Town of Carefree, Arizona Utilities Community Facilities District and 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

SILENT ROLL CALL

AGENDA

ITEM #1 Approval of the April 6, 2021 UCFD/CWC meeting minutes.

ITEM #2 Review, discussion and possible action to approve Resolution 2021-04 regarding the assignment of CAP water rights from the UCFD to the Carefree Water Company.

ITEM #3 Adjournment

DATED this 28th day of April, 2021.

UCFD/CWC

By: Kandace French Contreras

Kandace French Contreras, Secretary

Items may be taken out of order

*Due to the risks to public health caused by the possible spread of the COVID-19 virus at public gatherings, it has determined that public meetings will be indefinitely held through technological means. Meetings will be also open to the public through technological means. In reliance on, and compliance with, the March 13, 2020 Opinion issued by Attorney General Mark Brnovich, the Carefree Water Company provides this special advance notice of the technological means through which public meetings may be accessed. While this special notice is in effect, public comment at meetings will only be accepted through written submissions, which may or may not be read aloud during meetings.

Join Zoom Meeting:

Click on the following link or cut and paste it into your browser:

<https://us02web.zoom.us/j/3229729660>

Or go to <https://www.zoom.us/join> Meeting ID: 322 972 9660

A password is not required.

By phone:

Please call 1-253-215-8782



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.

UCFD/CWC
MAY 04 2021
1

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

WHEN: TUESDAY, APRIL 6, 2021

WHERE: ZOOM ONLINE MEETING ID: 322 972 9660*

TIME: 4:30 P.M

Attending:
Chairman Les Peterson

Absent:
None

Board Members:

John Crane
Vince D'Aliesio
Tony Geiger
Stephen Hatcher
Michael Krahe
Cheryl Kroyer

Also Attending:

Greg Crossman, Manager; Gary Neiss, Carefree Town Administrator; Michael Wright, Carefree Town Attorney

Chairman Peterson opened the meeting at 4:35 p.m.

ITEM #1 Approval of the February 9, 2021 UCFD meeting minutes.

Chairman Peterson read the agenda item and asked if any of the Board members had questions or changes to the February minutes. There were none.

Vice Chairman Crane made a **motion** to approve the February 9, 2021 Minutes. There was a **second** by Council Member Krahe. The motion **carried** unanimously.

**ITEM #2 Review, discussion, and possible action to approve Resolution 2021-03
authorizing the UCFD to deposit and withdraw monies in the Local
Government Investment Pool (LGIP) operated by the Arizona State
Treasurer.**

Chairman Peterson announced the agenda item and introduced General Manager, Greg Crossman.

Mr. Crossman addressed the Board and presented a PowerPoint. He explained that the Carefree Water Company and UCFD held approximately \$2.5 million representing reserves, water capacity fees collected, customer deposits and capital reserves, which include capital reserves and capital construction reserves. The holding strategy to date has been to deposit the funds in both banks and credit unions with the recommendation of the auditors to limit the total deposit in any financial

institution to \$250,000 so that they are federally insured. In order not to exceed those limits, over ten banks are utilized with multiple accounts in those banks. It is cumbersome to the Water Company staff to balance and track the accounts each month. Additionally, there is a potential for an amount of bonds proceeds as a result of the Carefree Water Consolidation Project. They need to be able to have a holding mechanism for those proceeds during construction. Those proceeds could equal upwards of \$20 million. It would take about 80 financial institutions using the current holding strategy, which would not be manageable.

The Local Government Investment Pool or LGIP allows for the consolidation of the existing accounts into a manageable amount as well serving as a holding account for future bond revenues. The LGIP is run by the Arizona State Treasurer's Office for municipalities and special districts like the UCFD. The LGIP touts safety with competitive yields and also offers high liquidity and low investment rates. There are four investment options; two money market style accounts and two intermediate term bond fund accounts. The Town of Carefree does participate in the LGIP so it is felt that the LGIP opens up options for the UCFD. He asked if the Board had questions.

Chairman Peterson asked Mr. Crossman if he was recommending one of the four accounts. Mr. Crossman said they all have Triple A ratings with the exception of one that has a Double A 2 rating. He would recommend the UCFD mirror what the Town is doing for the matter of security of funds but would assess that as it moved forward. They are also looking into a Pooled Collateral program that the State has and the UCFD would qualify for that as well. This would allow the UCFD to securely keep the monies in private institutions at higher dollar amounts. It opens up a number of alternatives.

Board Members Hatcher stated it would be helpful to see how the bond funds were structured in the short term basis. A shorter term would be beneficial. He discussed how long the bond proceed funds would be held. Mr. Crossman said it would be 1 ½ to 2 years.

There were additional questions by Board Member Krahe regarding where all the funds would go/

Mr. Crossman concurred and stated he wasn't exactly sure which fund would be utilized if the LGIP was used. They are not ready to deposit funds.

Board Member Krahe asked if Mr. Crossman would come back to the Board to advise them which of the accounts he wanted to use. Mr. Crossman said that was possible but the current Resolution provided the UCFD with the approval of the Board to open an LGIP account. He could come back to the Board at a later date.

There was additional discussion by the Board. Mr. Krahe said that it would be a two-step process so that the Board has oversight where the money was to go. Chairman Peterson agreed.

After further discussion, the Board suggested that the LGIP deposit be limited to \$100,000 pending a review by a group of the Board of the earnings and risk of the LGIP account to confirm the most secure investment option. Board Member Hatcher stated that security was not the same as market value. Mr. Crossman agreed.

After additional discussion it was determined that the Board would approve utilizing the LGIP up to a maximum \$100,000.00 deposit. The UCFD Committee reviewing the investment strategy could then come back to the Board with additional information and recommendations.

Board Member Krahe made a **motion** to approve the Resolution as amended to limit the LGIP deposit to a maximum of \$100,000.00. There was a **second** by Board Member Hatcher.

There was additional discussion and legal advice from the Board Council, Michael Wright.

The motion **carried** unanimously.

ITEM #3 Adjournment

Chairman Peterson asked for a motion to adjourn.

Board Member Kroyer made a **motion** to adjourn. There was a **second** by Board Member Krahe. The motion **carried** with a vote of 6 to 0 with Vice Chair Crane silent on the vote due to technical difficulties.

DATED this 27th day of April, 2021.

Meeting adjourned at 4:59 p.m.

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 April 6, 2021. I further certify that the meeting was duly called and held and that a quorum was present.

Kandace French Contreras, Secretary/Treasurer

**CAREFREE WATER COMPANY AND
CAREFREE UTILITIES COMMUNITY FACILITIES DISTRICT**

BOARD COMMUNICATION

TO: CHAIRMAN AND BOARD MEMBERS
THROUGH: GREG CROSSMAN, GENERAL MANAGER *GC*
DATE: April 28, 2021
SUBJECT: May 4, 2021, Board Agenda Item No. 2
UCFD Assignment of CAP M&I Priority Water to Carefree Water Company

Attached for your review prior to the May 4, 2021, Board meeting is the following document:

Resolution No. 2021-04 authorizing the Town of Carefree, Arizona Utilities Community Facilities District (UCFD) to assign 378 acre-feet (AF) of CAP Municipal and Industrial (M&I) priority water to be received from the Town of Cave Creek as part of the Settlement Agreement to the Carefree Water Company, Inc.

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 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 are currently being served potable water by the Town of Cave Creek. The CSA, upon completion of improvements currently under design, will be served potable water by the Carefree Water Company.

Currently, all of Carefree's 1,300 AF of CAP M&I priority water is held by the Carefree Water Company, Inc. under Subcontract No. 07-XX-30-W0461 with the U.S. Bureau of Reclamation and the Central Arizona Water Conservation District. Approval of this Resolution will allow Carefree Water Company's Subcontract to be modified to include the 378 AF from Cave Creek, bringing Carefree's total CAP M&I allocation to 1,678 AF.

378AF is enough water to serve the current annual demand within CSA and includes an allowance of 99 AF for future development within this area.

RECOMMENDATION

Approval of this resolution 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 current Subcontract for CAP water.

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

RESOLUTION 2021-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT (UCFD), AUTHORIZING THE CONTRACTING OF CENTRAL ARIZONA PROJECT MUNICIPAL & INDUSTRIAL (M&I) PRIORITY WATER ACQUIRED BY UCFD IN CONDEMNATION FROM TOWN OF CAVE CREEK ARIZONA BY CAREFREE WATER COMPANY, INC. AND FURTHER AUTHORIZING CAREFREE WATER COMPANY INC. TO TAKE ALL STEPS NECESSARY TO EFFECT THE TRANSFER OF 378 ACRE-FEET OF WATER FROM TOWN OF CAVE CREEK TO THE EXISTING CAREFREE WATER COMPANY, INC. CAP M&I SUBCONTRACT.

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, UCFD approved the final Settlement Agreement between the Town of Carefree, Arizona Utilities Community Facilities District and the Town of Cave Creek at the Joint Meeting of the Carefree Town Council and the Board of Directors of the Town of Carefree, Arizona Utilities Community Facilities District 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, UCFD presently provides all water service within its boundaries through the Carefree Water Company, Inc. Carefree Water Company, Inc. operates as a large municipal water provider, Arizona Department of Water Resources Service Area No. 56-002007.0000. Carefree Water Company, Inc. also holds the Central Arizona Project (“CAP”) M&I Subcontract for the benefit of Town of Carefree and UCFD, being entitled “Subcontract Among the United States, The Central Arizona Water Conservation District, and Carefree Water Company, Providing Water Service, Central Arizona Project” Contract No. 07-XX-30-W0461 (“Carefree Water Subcontract”); and

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

WHEREAS, UCFD desires that the transferred CAP M&I Subcontract Water be included within the existing Carefree Water Subcontract and thereby be available to Carefree Water Company, Inc. for service to residents and customers within the Town of Carefree and the UCFD.

NOW, THEREFORE, IT IS RESOLVED by the Board of Directors of the UCFD that the UCFD's interest in the transferred 378 acre-feet of CAP M&I Subcontract water be assigned to Carefree Water Company, Inc. and the same be incorporated by amendment into the existing Carefree Water Subcontract; and

BE IT FURTHER RESOLVED that the General Manager of Carefree Water Company, Inc. be authorized to take all steps, including seeking review of the proposed transfer by the Arizona Department of Water Resources, review of the proposed transfer by the United States Bureau of Reclamation and the Central Arizona Water Conservation District, and final approval of the amendment to, and execution of, the amended Carefree Water Subcontract to include the 378 acre-feet of transferred CAP M&I Subcontract water.

PASSED AND ADOPTED BY the Board of Directors of the Town of Carefree, Arizona Utilities Community Facilities District the _____ day of _____, 2021.

AYES _____ NAYS _____ ABSTENTIONS _____ ABSENT _____

TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES
DISTRICT

ATTESTED TO:

Les Peterson, Chairman of the
Board of Directors

Kandace French Contreras
Board Secretary/Treasurer

APPROVED AS TO FORM:

Michael W. Wright
UCFD Attorney