



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

FY 26-27

Budget Overview

In looking closely at our actual usage and cost trends to see where the utility is today compared to years past, billed water demand has increased by approximately 26% from fiscal year 2023 to fiscal year 2025. That increase is primarily due to the addition of the Cave Creek acquisition customers, with a smaller portion attributable to normal community growth. That higher demand level is now part of our normal operating baseline and must be reflected in both our revenue expectations and our cost structure.

The cost of water remains the Water Company's largest expense. This includes CAP water, treatment and delivery costs, and the operating costs associated with groundwater production. While these costs have remained relatively stable, they continue to increase and must be planned for as part of the current cost of service.

General and Administrative and Replacement and Maintenance costs also reflect the size and demands of the system we are operating today. As the utility has grown, so have the staffing, compliance, customer service, maintenance, and infrastructure needs required to support reliable operations. This budget is intended to align those costs with the actual level of service the system now requires.

In addition to operating expenses, the budget also includes ongoing financial obligations for debt service, capital funding, and reserve contributions. These are necessary to maintain the long-term financial stability of the utility and avoid shifting costs into future years.

The proposed 4.4% rate adjustment is intended to align revenue with the full cost of operating and maintaining the system as it exists today. It reflects higher demand, rising water and operating costs, infrastructure needs, and the importance of continued long-term planning. Additionally, it aligns with the current 5-Year Rate Plan structure that expires June 30, 2026.

Overall, this budget is designed to keep the Water Company financially stable, operationally reliable, and better positioned for the years ahead. It supports current system needs while continuing to fund the obligations and investments necessary to protect the utility and its ratepayers over the long term.

Water Rates and Fees Summary Carefree Water Company – FY 26-27

Rates

- 4.4% Overall Water Rate Increase – Base Fee and Commodity Rates
- Continuation of the 5-Year Rate Plan Structure that expires June 30, 2026
- Rate increase takes effect July 2026
- Average Monthly Bill Increase (Residential): \$6.29
- Current Average Monthly Residential Bill: \$130.63 – Proposed Average Monthly Residential Bill: \$136.92 (Based on an average monthly use of 12,000 gallons)

- Current Residential Base Fee: \$59.93 – Proposed Residential Base Fee: \$62.57 – Up \$2.64
 - \$20.00/mth “Acquisition Fee” - Neighborhoods A, B, and C (“Carefree Service Area”)
- 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)

Fees

- Disconnect Notice Fee – This fee is being proposed in this budget to offset operational costs associated with issuing and delivering physical disconnect notices to customers due to non-payment.

CAREFREE WATER COMPANY RATE SCHEDULE
Effective July 1, 2026
Before Taxes

Meter Type	Meter Size	Meter Classification	Monthly Base Fee	Monthly Commodity (Usage) Charges and Tier Breakdown									
				Tier 1 \$5.05 per 1,000 gal.		Tier 2 \$6.79 per 1,000 gal.		Tier 3 \$8.94 per 1,000 gal.		Tier 4 \$11.55 per 1,000 gal.		Tier 5 \$15.01 per 1,000 gal.	
				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	\$ 62.57	0	8,000	8,001	20,000	20,001	30,000	30,001	50,000	50,001	and over
Residential	5/8", 3/4", 1"	R1A, R2A, R4A	\$ 82.57	0	8,000	8,001	20,000	20,001	30,000	30,001	50,000	50,001	and over
COMMERCIAL METERS													
Commercial	1 inch	C5/C5A	\$112.62/\$132.62	0	8,000	8,001	16,000	16,001	32,000	32,001	64,000	64,001	and over
Commercial	1-1/2 inch	C6/C6A	\$279.48/\$299.48	0	11,000	11,001	16,000	16,001	35,000	35,001	70,000	70,001	and over
Commercial	2 inch	C8/C8A	\$669.87/\$689.87	0	20,000	20,001	40,000	40,001	80,000	80,001	160,000	160,001	and over
Commercial	3 inch	C9/C9A	\$893.01/\$913.01	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	\$ 475.36	0	30,000	30,001	40,000	40,001	60,000	60,001	80,000	80,001	and over
Master Meter 2		MM2 - 4	\$ 238.83	0	30,000	30,001	50,000	50,001	70,000	70,001	90,000	90,001	and over
Master Meter 3		MM3 - 8	\$ 475.36	0	40,000	40,001	80,000	80,001	100,000	100,001	150,000	150,001	and over
Master Meter 4		MM4 - 6	\$ 356.55	0	50,000	50,001	100,000	100,001	190,000	190,001	250,000	250,001	and over
Master Meter 5		MM5 - 12	\$ 727.86	0	30,000	30,001	50,000	50,001	80,000	80,001	100,000	100,001	and over
Master Meter 6		MM6 - 38	\$ 2,258.02	0	170,000	170,001	270,000	270,001	300,000	300,001	350,000	350,001	and over
Master Meter 7		MM7 - 18	\$ 1,069.63	0	80,000	80,001	100,000	100,001	120,000	120,001	150,000	150,001	and over
Master Meter 8		MM8 - 11	\$ 653.64	0	90,000	90,001	150,000	150,001	200,000	200,001	250,000	250,001	and over
Master Meter 9		MM9 - 11	\$ 653.64	0	75,000	75,001	105,000	105,001	135,000	135,001	165,000	165,001	and over
Master Meter 10		MM10 - 11	\$ 653.64	0	60,000	60,001	120,000	120,001	190,000	190,001	220,000	220,001	and over
STAND PIPE													
Stand Pipe		CWH	-	\$11.50 per 1000 gallons - Minimum Billing \$20.00 - Additional Keys \$20.00									
FIRE HYDRANT METER													
Fire Hydrant		FHY	\$ 208.80	\$8.57 per 1000 gallons after the first 20,000 gallons									

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

PAYMENT AND BILLING FEES	
Credit Card Convenience Fee (per transaction)	3% of Amount
Late Payment or Delinquent Charge (per month)	\$7.00
Foreign Currency Transaction	\$10.00
Foreign Mailing Fee	\$3.00
Returned Payment Fee	\$30.00
Interest on Outstanding Balance after 60 Days	1.5% per month

MISCELLANEOUS SERVICES AND FEES	
Data Log Fee - After Second Data Log in 12-month period	\$40.00
Disconnect Notice Fee	\$25.00
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

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

SAMPLE RESIDENTIAL WATER BILL CALCULATION ⁴				Original Water Service Area (R4)	Acquisition Service Area (R4A)
1 inch Residential Meter (R4/R4A Classification) @ 24,000 gallons					
Tier 1:	8,000 gallons	@	\$ 5.05 /1000 gal.	= \$ 40.40	= \$ 40.40
Tier 2:	12,000 gallons	@	\$ 6.79 /1000 gal.	= \$ 81.48	= \$ 81.48
Tier 3:	4,000 gallons	@	\$ 8.94 /1000 gal.	= \$ 35.76	= \$ 35.76
Tier 4:	0 gallons	@	\$ 11.55 /1000 gal.	= \$ -	= \$ -
Tier 5:	0 gallons	@	\$ 15.01 /1000 gal.	= \$ -	= \$ -
Month Total:	24,000 gallons			Base Fee \$ 62.57	\$ 82.57
				Total (Does not include taxes)	\$ 220.21
					\$ 240.21

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

Carefree Water Company
Effective July 1, 2026
Rate Comparison 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 - \$5.05 (Curr - \$4.84)	1,000	59.93	62.57	2.64	4.84	5.05	0.21	64.77	67.62	2.85	6.03	6.30	0.27	70.80	73.92	3.12	0.04
	2,000	59.93	62.57	2.64	9.68	10.10	0.42	69.61	72.67	3.06	6.49	6.77	0.28	76.10	79.44	3.34	0.04
	4,000	59.93	62.57	2.64	19.36	20.20	0.84	79.29	82.77	3.48	7.40	7.72	0.32	86.69	90.49	3.80	0.04
	6,000	59.93	62.57	2.64	29.04	30.30	1.26	88.97	92.87	3.90	8.31	8.68	0.36	97.28	101.55	4.26	0.04
	8,000	59.93	62.57	2.64	38.72	40.40	1.68	98.65	102.97	4.32	9.23	9.63	0.40	107.88	112.60	4.72	0.04
Tier 2 - \$6.79 (Curr - \$6.50)	9,000	59.93	62.57	2.64	45.22	47.19	1.97	105.15	109.76	4.61	9.84	10.27	0.43	114.99	120.03	5.04	0.04
	12,000	59.93	62.57	2.64	64.72	67.56	2.84	124.65	130.13	5.48	11.67	12.18	0.51	136.32	142.31	5.99	0.04
	14,000	59.93	62.57	2.64	77.72	81.14	3.42	137.65	143.71	6.06	12.89	13.46	0.56	150.54	157.17	6.62	0.04
	16,000	59.93	62.57	2.64	90.72	94.72	4.00	150.65	157.29	6.64	14.11	14.73	0.62	164.76	172.02	7.26	0.04
	18,000	59.93	62.57	2.64	103.72	108.30	4.58	163.65	170.87	7.22	15.34	16.01	0.67	178.99	186.88	7.89	0.04
	20,000	59.93	62.57	2.64	116.72	121.88	5.16	176.65	184.45	7.80	16.56	17.28	0.73	193.21	201.73	8.53	0.04
Tier 3 - \$8.94 (Curr - \$8.56)	22,000	59.93	62.57	2.64	133.84	139.76	5.92	193.77	202.33	8.56	18.16	18.96	0.80	211.93	221.29	9.36	0.04
	24,000	59.93	62.57	2.64	150.96	157.64	6.68	210.89	220.21	9.32	19.77	20.64	0.87	230.66	240.85	10.19	0.04
	26,000	59.93	62.57	2.64	168.08	175.52	7.44	228.01	238.09	10.08	21.37	22.31	0.94	249.38	260.40	11.02	0.04
	28,000	59.93	62.57	2.64	185.20	193.40	8.20	245.13	255.97	10.84	22.98	23.99	1.01	268.11	279.96	11.85	0.04
	30,000	59.93	62.57	2.64	202.32	211.28	8.96	262.25	273.85	11.60	24.58	25.66	1.08	286.83	299.51	12.68	0.04
Tier 4 - \$11.55 (Curr - \$11.06)	32,000	59.93	62.57	2.64	224.44	234.38	9.94	284.37	296.95	12.58	26.65	27.82	1.17	311.02	324.77	13.75	0.04
	35,000	59.93	62.57	2.64	257.62	269.03	11.41	317.55	331.60	14.05	29.76	31.07	1.31	347.31	362.67	15.36	0.04
	40,000	59.93	62.57	2.64	312.92	326.78	13.86	372.85	389.35	16.50	34.94	36.47	1.53	407.79	425.82	18.03	0.04
	45,000	59.93	62.57	2.64	368.22	384.53	16.31	428.15	447.10	18.95	40.11	41.87	1.76	468.26	488.97	20.71	0.04
	50,000	59.93	62.57	2.64	423.52	442.28	18.76	483.45	504.85	21.40	45.29	47.28	1.99	528.74	552.13	23.39	0.04
Tier 5 - \$15.01 (Curr - \$14.37)	55,000	59.93	62.57	2.64	495.37	517.33	21.96	555.30	579.90	24.60	52.00	54.29	2.29	607.30	634.19	26.89	0.04
	60,000	59.93	62.57	2.64	567.22	592.38	25.16	627.15	654.95	27.80	58.71	61.30	2.59	685.86	716.25	30.39	0.04
	65,000	59.93	62.57	2.64	639.07	667.43	28.36	699.00	730.00	31.00	65.43	68.31	2.88	764.43	798.31	33.88	0.04
	70,000	59.93	62.57	2.64	710.92	742.48	31.56	770.85	805.05	34.20	72.14	75.32	3.18	842.99	880.37	37.38	0.04
	80,000	59.93	62.57	2.64	854.62	892.58	37.96	914.55	955.15	40.60	85.57	89.35	3.78	1000.12	1044.50	44.38	0.04
	90,000	59.93	62.57	2.64	998.32	1042.68	44.36	1058.25	1105.25	47.00	99.00	103.37	4.37	1157.25	1208.62	51.37	0.04
	100,000	59.93	62.57	2.64	1142.02	1192.78	50.76	1201.95	1255.35	53.40	112.43	117.40	4.97	1314.38	1372.75	58.37	0.04

Average Residential Usage

Profit and Loss Summary Carefree Water Company – FY 26-27

- “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)

Carefree Water Company
PROFIT AND LOSS
2026-2027 Budget

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total
Revenues %	9.9%	10.4%	9.6%	9.6%	8.1%	7.6%	6.6%	6.8%	6.7%	7.5%	8.1%	9.1%	100%
Water Sales	517,134	548,288	498,744	500,223	424,581	392,047	340,684	356,328	344,441	390,732	427,068	470,013	5,210,284
New Meter & Service Fees	5,485			5,485			5,485			5,485			21,940
DFGC Electrical Fees			7,709			7,709			7,709			7,709	30,836
Cell Tower Rental Fees (net)	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	21,996
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	526,452	552,121	510,286	509,541	428,414	403,589	350,002	360,161	355,983	400,050	430,901	481,555	5,309,056
Cost of Water													
Scottsdale CAP	124,529	119,411	112,700	109,417	91,073	88,602	86,736	80,986	84,214	101,664	104,589	108,927	1,212,848
Cave Creek CAP	-	-	-	-	-	-	-	-	-	-	-	-	-
Ground Water Pumped	\$17,116	\$16,603	\$15,932	\$15,603	\$13,375	\$13,138	\$15,459	\$12,408	\$12,717	\$14,390	\$14,670	\$15,086	176,495
Central Ariz Project	\$42,194	\$40,857	\$39,103	\$38,245	\$32,428	\$31,810	\$31,863	\$45,359	\$31,203	\$35,767	\$36,532	\$37,666	443,026
Total Water Costs	183,838	176,871	167,734	163,265	136,876	133,549	134,057	138,753	128,134	151,821	155,791	161,678	1,832,369
General and Administrative	115,471	115,471	115,471	115,471	115,471	115,471	115,471	115,471	115,471	115,471	115,471	115,471	1,385,652
Maintenance	29,325	29,325	29,325	29,325	29,325	29,325	29,325	29,325	29,325	29,325	29,325	29,326	351,901
Depreciation	127,582	127,582	127,582	127,582	127,582	127,582	127,582	127,582	127,581	127,581	127,581	127,581	1,530,980
Total Other Costs	272,378	272,378	272,378	272,378	272,378	272,378	272,378	272,378	272,377	272,377	272,377	272,378	3,268,533
REVENUES LESS COSTS	70,236	102,872	70,174	73,899	19,161	(2,339)	(56,433)	(50,970)	(44,528)	(24,148)	2,733	47,498	208,154

CASH FLOW

Cash Flow from Operating Activities		Cash Uses		Capital Projects	
Net Gain	208,154	Reserves	40,000	Fire Protection	15,000
Depreciation	1,530,980	Bond Trustee Fee	875	System Automation & Tech.	-
		Bond Payment	1,098,800	System Improvements	88,621
		Capital Advance	48,000	Capital Equipment	57,500
		WIFA Payment	244,764	Water Rights	112,574
		UCFD Rent	33,000		
Total Available	1,739,134	Total Operating Uses	1,465,439	Total Capital Uses	273,695
		Cash Available	273,695	Cash Utilized	273,695

Cost of Water Summary

Carefree Water Company – FY 26-27

- Includes the full fiscal year of Acquisition Area Water Usage
- Typically water usage is based off historical 2-3 year averages
 - Used 2 years of historical data covering most Acquisition Area demand, excluding only a small portion of Acquisition Customers added from the final transition area in November 2025.
- The cost of water is the Water Company's single largest expense at \$1.83M
- Continued Focus on Utilizing Renewable CAP Supply (Saving GW for Emergencies)
 - 70/30 Split (CAP/Groundwater)
- Overall water costs are increasing about \$10,000 this FY due to the following:
 - 4.5% Increase in Scottsdale Treated Water Costs
 - 13% Increase in APS Costs
 - 3% Increase in CAP Raw Water Costs

Carefree Water Company
Estimated Water Costs
Fiscal Year 2026-27

	325.851	Acre-Feet												Total	
		July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June		
WATER USE															
Water Sold FY 25-26	AF	128.3	122.7	112.8	95.0	83.4	82.0	78.4	77.3	85.1				865	
Water Sold FY 24-25	AF	126.9	121.9	117.9	128.9	94.4	90.9	90.8	80.5	79.1	99.4	102.3	106.6	1239.6	
2-yr Average Water Sold	AF	127.6	122.3	115.35	111.95	88.9	86.5	84.6	78.9	82.1	99.4	102.3	106.6	1206.5	
2-yr Average Water Sold - Adj. for Last CSA Transition (Use for 25-26)	000 Gal.	41,579	39,852	37,587	36,479	28,968	28,170	27,567	25,710	26,752	32,390	33,335	34,736	393,123	
Percent of Annual Usage (Use for 25-26)		10.6%	10.1%	9.6%	9.3%	7.4%	7.2%	7.0%	6.5%	6.8%	8.2%	8.5%	8.8%	100.0%	
Water Supplied (Sold/0.9) (Use for 25-26)	AF	141.8	135.9	128.2	124.4	98.8	96.1	94.0	87.7	91.2	110.4	113.7	118.4	1340.5	
Ground Water A.F (30%)		42.5	40.8	38.5	37.3	29.6	28.8	28.2	26.3	27.4	33.1	34.1	35.5	402.2	
CAP Water A.F. (70%)		99.2	95.1	89.7	87.1	69.1	67.2	65.8	61.4	63.9	77.3	79.6	82.9	938.4	
CAP Water A.F. +5%		5.0	4.8	4.5	4.4	3.5	3.4	3.3	3.1	3.2	3.9	4.0	4.1	46.9	
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.															
Total Cost	TBD \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
SCOTTSDALE WATER															
		100% of CAP Water													
Acre-Feet		99.2	95.1	89.7	87.1	69.1	67.2	65.8	61.4	63.9	77.3	79.6	82.9	938.4	
1,000's Gallons		32,339	30,996	29,234	28,373	22,531	21,910	21,441	19,996	20,807	25,192	25,927	27,017	305,762	
Cost @\$3.83/1,000 Gal.*	\$3.81	\$3.98	\$123,211	\$118,094	\$111,383	\$108,099	\$89,673	\$87,201	\$85,335	\$79,586	\$82,813	\$100,264	\$103,189	\$107,526	\$1,196,374
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
* \$3.81/1,000 Gal. Until Nov. 2026 (4.5% Increase Thereafter - \$3.98)	Total Cost		\$124,529	\$119,411	\$112,700	\$109,417	\$91,073	\$88,602	\$86,736	\$80,986	\$84,214	\$101,664	\$104,589	\$108,927	\$1,212,848
POTABLE GROUNDWATER															
Pumped Groundwater (A.F. - From Above)		42.5	40.8	38.5	37.3	29.6	28.8	28.2	26.3	27.4	33.1	34.1	35.5	402.2	
Pumped Groundwater (1'000 gallons)		13,860	13,284	12,529	12,160	9,656	9,390	9,189	8,570	8,917	10,797	11,112	11,579	131,041	
Cost @\$0.89/1,000 Gal. (6% Increase)	\$0.89	\$12,335	\$11,823	\$11,151	\$10,822	\$8,594	\$8,357	\$8,178	\$7,627	\$7,937	\$9,609	\$9,889	\$10,305	\$116,626	
Groundwater Withdrawal Fee (ADWR)								\$2,500						\$2,500	
Chemicals and Testing		\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$20,400	
Total Cost		\$14,035	\$13,523	\$12,851	\$12,522	\$10,294	\$10,057	\$12,378	\$9,327	\$9,637	\$11,309	\$11,589	\$12,005	\$139,526	
GOLF COURSE GROUNDWATER															
A.F. Pumped (2026)														A.F.	
(2025)														299.8	
(2024)														289.6	
(3-yr Ave.)														237.4	
														275.6	
Electrical Cost	kWh/AF \$/kWh (From Desert Forest Agreement)	745.22 0.18	\$3,080.74	\$3,080.74	\$3,080.74	\$3,080.74	\$3,080.74	\$3,080.74	\$3,080.74	\$3,080.74	\$3,080.74	\$3,080.74	\$3,080.74	\$3,080.74	\$36,969
CAP COSTS															
		2026	2027												
Capital Cost (per AF)		\$67	\$64	\$9,994	\$9,994	\$9,994	\$9,994	\$9,994	\$9,994	\$9,547	\$9,547	\$9,547	\$9,547	\$9,547	\$117,245
Delivery Cost (per AF)		\$309	\$323	\$32,200	\$30,862	\$29,109	\$28,251	\$22,434	\$21,816	\$22,316	\$20,813	\$21,657	\$26,220	\$26,985	\$310,781
CAP Contingency										\$15,000				\$15,000	
Total Cost		\$42,194	\$40,857	\$39,103	\$38,245	\$32,428	\$31,810	\$31,863	\$45,359	\$31,203	\$35,767	\$36,532	\$37,666	\$443,026	
ALL WATER COSTS		\$183,838	\$176,871	\$167,734	\$163,265	\$136,876	\$133,549	\$134,057	\$138,753	\$128,134	\$151,821	\$155,791	\$161,678	\$1,832,369	

General and Administrative (G&A) Summary Carefree Water Company – FY 26-27

- Overall G&A expenses up 8% (up approx. \$107,000) compared to last FY
 - Payroll Costs Up 18% - \$154,000:
 - 3.5% COLA – All employees
 - Conversion of Part-time Office position (0.5 FTE) to Full-time (1.0 FTE) to support increased workload from additional transition area customer base and program needs.
 - Group health insurance cost increases of \$60,000 due to rate increases, employee demographics, and conversion of Part-time position to Full-time.
 - Other drivers
 - Completion of a new 5-Yr Water Rate Study - \$35,000
 - Additional Professional Services & Legal costs for 3rd Party HR Support & Water Attorney - \$22,000

**General and Administrative Budget by Category
for 2026-27**

	2025-2026 Budget	2026-2027 Budget	Difference	
<u>Payroll, Payroll Taxes, Group Insurance & Benefits</u>				
Salaries & Wages	648,355.10	709,996.87		
Overtime	5,000	5,000		
Compensation Time	2,000	2,000		
Bonus	5,000	4,000		
Emgr. On-Call	14,600	14,600		
All Health Insurance Combined	48,664	108,804		
IRA and Retirement	60,371	89,182		
All Payroll taxes	45,467	59,587		
Medicare	9,787	-		
	<u>839,244</u>	<u>993,170</u>	153,926	18%
<u>Training Expense A/C 60154</u>	<u>10,000</u>	<u>10,000</u>	0	0%
<u>Employee Expenses A/C 60152</u>				
Uniforms	4,500	4,500		
	<u>4,500</u>	<u>4,500</u>	0	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>	0	0%
<u>Accounting and Professional Services A/C 60201</u>				
Auditors	6,006	7,000		
5-Yr Rate Study	-	35,000		
3rd Party HR Support	-	12,000		
Dasco	2,500	-		
ER System	6,000	6,000		
Inova	3,000	3,000		
	<u>17,506</u>	<u>63,000</u>	45,494	260%
<u>Legal A/C 60202</u>	<u>5,000</u>	<u>15,000</u>	10,000	200%
<u>Cleaning Service A/C 60204</u>				
Regular	6,000	6,000		
	<u>6,000</u>	<u>6,000</u>	0	0%

<u>SCADA A/C 60207</u>				
SCADA	5,000	5,000		
Specter - WIN 911	1,000	1,000		
	<u>6,000</u>	<u>6,000</u>	<u>0</u>	0%
 <u>Computer A/C 60205</u>				
UMS Annual Fee	6,000	6,000		
Sage	5,000	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	2,000	2,000		
Firewall	640	1,200		
	<u>41,440</u>	<u>42,000</u>	<u>560</u>	1%
 <u>Insurance A/C 60250</u>				
Cincinnati Insurance	61,145	62,979		
Claims (Insurance Deductible- Contingency)	5,000	5,000		
	<u>66,145</u>	<u>67,979</u>	<u>1,834</u>	3%
 <u>Postage A/C 60300</u>				
Billings	11,000	12,000		
Additional mailings	1,000	1,000		
	<u>12,000</u>	<u>13,000</u>	<u>1,000</u>	8%
 <u>Telephone A/C 60351</u>				
Cox	2,700	2,600		
Verizon	4,500	8,000		
Replacement Cell Phones	1,200	-		
	<u>8,400</u>	<u>10,600</u>	<u>2,200</u>	26%

<u>Promotional A/C 60353</u>				
Truck Magnets	250	250		
Advertisement	550	550		
	<u>800</u>	<u>800</u>	<u>0</u>	0%
<u>Fuel Expense A/C 60400</u>				
Repairs, batteries, tires	8,500			
Fuel *	26,000	26,000		
Fuel Adj.(Potential Increase)	3,000	8,000		
	<u>37,500</u>	<u>34,000</u>	<u>(3,500)</u>	-9%
<u>Office Supplies A/C 60452</u>				
Printing	6,200	6,200		
Stuffing Machine Annual Maint.	2,850	1,000		
All Other	4,500	5,500		
	<u>13,550</u>	<u>12,700</u>	<u>(850)</u>	-6%
<u>Security and Emergency A/C 60453</u>				
Safeguard - Office	750	2,000		
	<u>750</u>	<u>2,000</u>	<u>1,250</u>	167%
<u>Office Utilities A/C 60454</u>				
	<u>7,090</u>	<u>8,000</u>	<u>910</u>	13%
<u>Fees and Permits A/C 60501</u>				
Maricopa County	3,620	4,000		
ACC	50	50		
Carefree Shadows HOA	125	125		
Town License	40	40		
	<u>3,835</u>	<u>4,215</u>	<u>380</u>	10%
<u>Dues and Subscriptions A/C 60456</u>				
Blue Stake	1,000	1,000		
AWWA Membership	450	450		
Rural Water Association	1,300	1,300		
WEF	210	210		
AZ Water Association	250	250		
American Society of Civil Engineers	200	200		
Water Operator Certifications	750	750		
	<u>4,160</u>	<u>4,160</u>	<u>0</u>	0%

<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
	<u>4,000</u>	<u>4,000</u>	<u>0</u>
			0%
<u>Loss Write Off - Meters</u>			
	12,000	-	(12,000)
	<u>12,000</u>	<u>-</u>	<u>(12,000)</u>
			-100%
<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>			
	12,500	12,500	0
	<u>12,500</u>	<u>12,500</u>	<u>0</u>
			0%
<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	1,000	1,000	
Monthly MIFI Fee	1,200	-	
Support	20,000	10,000	
Elements Annual Maintenance	10,000	2,000	
	<u>32,200</u>	<u>13,000</u>	<u>(19,200)</u>
			-60%
<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	50,000	
ERP/ Resiliency	50,000	-	
	<u>125,000</u>	<u>50,000</u>	<u>(75,000)</u>
			-60%
<u>Total Costs</u>			
	<u>1,289,475</u>	<u>1,396,479</u>	<u>107,004</u>
			8%

Replacement and Maintenance (R&M) Summary Carefree Water Company – FY 26-27

- 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 11% this fiscal year, \$35,000, reflecting:
 - Additional R&M for Pump Stations & Wells
 - Focus: Pump & Site Improvements
 - Supplies/Contract Labor/Equipment Maintenance Cost Increases

**Replacement and Maintenance Budget
2026-2027**

	2025-2026 Budget	2026-2027 Budget	Variance	Percentage
<u>R & M Tanks</u>				
Tank Maint.	36,185	39,086		
Misc.	3,000	3,000		
	<u>39,185</u>	<u>42,086</u>	<u>2,901</u>	<u>7%</u>
<u>R & M Pumps and Wells</u>				
Pumps Stations	11,000	20,000		
Wells	6,000	10,000		
	<u>17,000</u>	<u>30,000</u>	<u>13,000</u>	<u>76%</u>
<u>R & M Mains and Valves</u>				
Valves	35,000	35,000		
Mains Repairs	72,250	80,000		
Other Distribution Repairs	0	0		
	<u>107,250</u>	<u>115,000</u>	<u>7,750</u>	<u>7%</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>3,000</u>	<u>4,000</u>	<u>1,000</u>	<u>33%</u>
<u>R & M Equipment</u>				
Backhoe	2,500	2,500		
Ditch Witch	2,000	2,000		
Mini Excavator	2,500	2,000		
Trucks	10,000	18,500		
Chlorination	2,000	2,000		
Town Equipment Cost Sharing	5,000	5,000		
	<u>24,000</u>	<u>32,000</u>	<u>8,000</u>	<u>33%</u>
<u>Fire Hydrant Maintenance</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>0%</u>
<u>R & M Generator</u>	<u>25,000</u>	<u>25,000</u>	<u>0</u>	<u>0%</u>
<u>R & M Interconnect</u>	<u>6,000</u>	<u>6,000</u>	<u>0</u>	<u>0%</u>
<u>R & M Supplies</u>	<u>12,000</u>	<u>15,000</u>	<u>3,000</u>	<u>25%</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>316,250</u>	<u>351,901</u>	<u>35,651</u>	<u>11%</u>

RESERVE BALANCE RECOMMENDATIONS/CALCULATION (Updated for FY 26-27)

Operating Reserve

AWWA Recommendation¹: 45-90 days
Use a 60 day (2 month) Operating Reserve
FY 26-27 Operating Budget: \$3.2 M
 $(\$3.1 \text{ M}/12 \text{ months}) \times 2 \text{ months} = \$533,000$

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: \$533,000 + \$309,000 + \$0 + \$550,000 = \$1,392,000 → Use \$1.4M

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

Continues to Meet 10 Yr Plan: \$40,000 Reserve Deposit

¹AWWA: American Water Works Association

Capital Improvement Program Recommendations Carefree Water Company – FY 26-27

Total FY 26-27 Capital Budget - \$273,695

- **Fire Protection – \$15,000 (3 Replacement Hydrants)**
- **System Automation and Technology - \$0**
- **System Improvements – \$88,621**
- **Capital Equipment Fund - \$57,500**
- **Water Rights - \$112,574**

CAPITAL IMPROVEMENT PROGRAM DETAILS

Fire Protection - \$15,000

- 3 Replacement Fire Hydrant Installations

System Automation and Technology - \$0

- SCADA System Upgrades

System Improvements - \$88,621

- Annual Meter Replacements - \$50,000
- Pipeline Upgrade Projects - \$38,621

Capital Equipment Account – \$57,500 (Annual FY 26-27 Deposit)

See Attached 10-year Capital Equipment Plan

Water Rights – \$112,574

Modified Bartlett Dam	\$ 43,000
<u>SCIF Project Participation*</u>	<u>\$ 69,574</u>
Total	\$112,574

*The SCIF project is the SRP/CAP Interconnect Facility that will allow SRP water to be pumped into the CAP canal to potentially supplement future shortages on the Colorado River. This amount represents the required amount for continued participation in the project for this FY.

**CAREFREE WATER COMPANY
10-YEAR CAPITAL IMPROVEMENT PLAN
FY 26-27 THRU FY 35-36**

Capital Improvement Description	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36	Line Item Total	Category Total
	Fire Protection											
Number of Fire Hydrant Replacements	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	\$ 150,000	\$ 150,000
System Automation and Technology												
SCADA System Improvements			\$ 50,000					\$ 75,000			\$ 125,000	
Billing System Upgrades		\$ 30,000					\$ 30,000				\$ 60,000	\$ 185,000
System Improvements												
Annual Meter Replacement (Typically 150 per year)	\$ 50,000	\$ 50,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 600,000	
Valve Replacement Program		\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 295,000	
Pipeline Upgrade Projects	\$ 38,621	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 2,738,621	\$ 3,633,621
Capital Equipment												
Annual Contribution**	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 587,500	\$ 587,500
Water Rights												
New Bartlett Dam	\$ 43,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 325,000	\$ 2,968,000	
SCIF	\$ 69,574	\$ 69,574	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 939,148	\$ 3,907,148
Total FY Expenditure	\$ 273,695	\$ 877,074	\$ 937,500	\$ 887,500	\$ 887,500	\$ 895,000	\$ 930,000	\$ 975,000	\$ 900,000	\$ 900,000	\$ 8,463,269	\$ 8,463,269

PIPELINE UPGRADE PROJECTS - PRIORITIZATIONS
10-YEAR CAPITAL IMPROVEMENT PLAN
FY 26-27 THRU FY 35-36

Priority	Project Description	Lineal Feet	Project Cost
1	Grandview Estates - Ph. 1	4,095	\$ 2,047,500
2	Black Mtn. Foothills - Ph. 1	2,575	\$ 1,287,500
3	Spanish Boot/Golden Spur - Ph. 1	3,025	\$ 1,361,250
4	Grandview Estates - Ph. 2	2,570	\$ 1,156,500
5	Black Mtn. Foothills - Ph. 2	3,400	\$ 1,530,000
6	Spanish Boot/Golden Spur - Ph. 2	1,825	\$ 821,250
7	Silver Saddle Gravity Zone Upgrades - Ph. 2	5,200	\$ 2,340,000
8	Milky Way Fire Protection Upgrades	2,150	\$ 860,000
9	Sidewinder Fire Protection Upgrades	3,200	\$ 1,280,000
10	Carefree Drive Fire Protection Upgrades	2,000	\$ 800,000
		30,040	\$ 13,484,000

**CAREFREE WATER COMPANY
10-YEAR CAPITAL EQUIPMENT PROGRAM
FY 26-27 THRU FY 35-36**

Capital Equipment Description	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36	10-Yr Total
	Vehicles and Heavy Equip.										
Field Truck #1		\$ 40,000							\$ 40,000		\$ 80,000
Field Truck #2			\$ 40,000							\$ 40,000	\$ 80,000
Towing Truck #3							\$ 70,000				\$ 70,000
GM Truck #4					\$ 40,000	\$ 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		\$ 5,000		\$ 25,000
Technology & Misc. (Computers, Printers, Work Stations, etc.)											
Computer Replacements (\$1500/computer)			\$ 3,000			\$ 3,000	\$ 3,000			\$ 3,000	\$ 12,000
Server and Components					\$ 11,000					\$ 11,000	\$ 22,000
Meter Reading Technology Upgrades		\$ 8,000			\$ 8,000			\$ 8,000			\$ 24,000
Total FY Expenditure	\$ 75,000	\$ 128,000	\$ 48,000	\$ 70,000	\$ 64,000	\$ 43,000	\$ 78,000	\$ 78,000	\$ 45,000	\$ 54,000	\$ 683,000
Prior FY Balance	\$ 101,649	\$ 89,149	\$ 23,649	\$ 38,149	\$ 30,649	\$ 29,149	\$ 51,149	\$ 38,149	\$ 38,149	\$ 25,149	
Annual FY Contribution	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 57,500	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 587,500
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	\$ 89,149	\$ 23,649	\$ 38,149	\$ 30,649	\$ 29,149	\$ 51,149	\$ 38,149	\$ 25,149	\$ 58,149	\$ 36,149	