

**NOTICE OF SPECIAL MEETING  
OF THE CAREFREE TOWN COUNCIL**

**WHEN:** TUESDAY, DECEMBER 13, 2022

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

**TIME:** 5:00 P.M.

Pursuant to A.R.S. 38-431.02, notice is hereby given to the members of the Town Council, Planning and Zoning Commission of the Town of Carefree, Arizona and to the general public that the members of the Town Council and Planning and Zoning Commission will hold a meeting open to the public. For any item listed on the agenda, the Council and/or Commission may vote to go into Executive Session for advice of counsel and/or to discuss records and information exempt by law or rule from public inspection, pursuant to Arizona Revised Statutes §38-431.03.

The agenda for the meeting is as follows:

**CALL TO ORDER**

**ROLL CALL**

*A member of the Council or Commission may participate by technological means or methods pursuant to A.R.S. §38-431(4).*

**PLEDGE OF ALLEGIANCE**

**AGENDA:**

**ITEM #1** Review, discussion and possible action to approve Resolution 2022-18 ordering and calling a special election to be held on May 16, 2023 to submit to the qualified electors of the Town of Carefree, a question of establishing a primary property tax and proposed amount to be raised.

**ITEM #2** Review, discussion and possible action to approve Resolution 2022-19 restricting the use of primary property taxes to offset the long-term costs to provide fire and emergency services and to qualify for regional automatic aid.

**ITEM #3** Adjournment.

DATED this 6<sup>th</sup> day of December, 2022.

TOWN OF CAREFREE

BY: Kandace French Contreras  
Kandace French Contreras, Town Clerk/Treasurer

Items may be taken out of sequence

***\*All official Town Council and Commission meetings are scheduled to be held in-person within Council Chambers, located at 33 Easy St.***

***The Town is currently in the process of upgrading its audio/visual equipment. Audio recordings of official meetings will be posted to our website for public record until the new equipment is available for video recording.***

***Thank you for your patience as we work to improve our systems.***



**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.

**TOWN OF CAREFREE, ARIZONA  
RESOLUTION 2022-18**

**A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE  
TOWN OF CAREFREE, MARICOPA COUNTY ARIZONA,  
ORDERING AND CALLING A SPECIAL ELECTION TO BE HELD ON MAY 16, 2023,  
IN AND FOR THE TOWN OF CAREFREE, ARIZONA TO SUBMIT TO THE  
QUALIFIED ELECTORS OF THE TOWN THE QUESTION OF ESTABLISHING A  
PRIMARY PROPERTY TAX AND THE PROPOSED AMOUNT TO BE RAISED BY A  
PRIMARY PROPERTY TAX**

**WHEREAS**, the Mayor and Common Council (the "Town Council") of the Town of Carefree, Arizona (the "Town"), determined that in order for the Town to continue to provide existing services to the residents, guests, businesses and property owners within the corporate limits of the Town, the Town must levy a primary (ad valorem) property tax in the next and each succeeding tax year for the purposes permitted by law; and

**WHEREAS**, pursuant to Arizona Revised Statutes ("A.R.S.") § 42-17056, the Town Council must submit the question of establishing a primary (ad valorem) property tax and proposed amount to be raised by primary property taxes for approval of the voters on the third Tuesday of May; and

**WHEREAS**, pursuant to Carefree Town Code § 15-1-1, a 2/3 majority vote of the members of the Town Council is required to present any property tax proposal to the qualified electors of the Town.

**NOW THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE  
TOWN OF CAREFREE, ARIZONA:**

**Section 1.** That the recitals above are incorporated herein by reference.

**Section 2.** That pursuant to A.R.S. §§ 42-17056, 35-453, 35-454 and 9-524, as amended, an election in the Town is hereby ordered and called to be held on May 16, 2023, at which time there shall be submitted to the qualified electors of the Town the question of establishing (i) a primary property tax for the Town and (ii) the proposed amount to be raised by primary (ad valorem) property taxes, as set forth in the form of ballot attached hereto as Exhibit A and hereby made a part of this resolution.

**Section 3.** That the officers of the Town are hereby authorized to do all things necessary or appropriate to conduct the election, including the preparation and distribution of an informational pamphlet. The Town Clerk is hereby authorized and directed to (i) cause the informational pamphlet to be prepared and mailed as required by law and in accordance with the provisions of this resolution and (ii) cause a copy of this resolution to be submitted to the Property Tax Oversight Commission.

**Section 4.** That notice of the special election is ordered to be given by causing the informational pamphlet to be mailed not less than 35 days before the date of election to the residences in which a registered voter of the Town resides as shown on the general county register.

**Section 5.** That the Clerk of the Town is hereby authorized and directed to (i) conduct the special election as a mail ballot election in accordance with the requirements of A.R.S. § 16-409, as amended, (ii) enter into an agreement with the Maricopa County Elections Department to conduct the special election of the Town and (iii) take all necessary action to facilitate the special election, including publishing this resolution in the manner set forth in A.R.S. § 9-524(B).

**Section 6.** That all expenditures as may be necessary to order, notice, hold and administer the special election are hereby authorized, which expenditures shall be paid from current operating funds of the Town.

**PASSED, ADOPTED AND APPROVED** by the Mayor and Common Council of the Town of Carefree, Arizona, this 13<sup>th</sup> day of December, 2022.

AYES \_\_\_\_\_ NOES \_\_\_\_\_ ABSTENTIONS \_\_\_\_\_ ABSENT \_\_\_\_\_

\_\_\_\_\_  
John Crane, Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Kandace French, Town Clerk

\_\_\_\_\_  
Michael Wright, Town Attorney



EXHIBIT "A"  
To  
RESOLUTION 2022-18

[Form of Ballot]

See following page.

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**BALLOT FORMAT / SAMPLE BALLOT  
TOWN OF CAREFREE  
SPECIAL ELECTION  
MAY 17, 2023**

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**QUESTION**

**PRIMARY (AD VALOREM) PROPERTY TAX  
IMPLEMENTATION**

Shall the Town of Carefree, Arizona, be authorized to levy a primary property tax not to exceed \$2,000,000? If such amount is approved by the voters, it will be the base for determining levy limitations for the Town for subsequent fiscal years.

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**FOR THE TAX**



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**AGAINST THE TAX**



**TOWN OF CAREFREE, ARIZONA  
RESOLUTION 2022-19**

**A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE  
TOWN OF CAREFREE, ARIZONA, RESTRICTING THE USE OF PRIMARY  
PROPERTY TAXES TO OFFSET THE LONG-TERM COSTS TO PROVIDE FIRE AND  
EMERGENCY SERVICES AND TO QUALIFY FOR REGIONAL AUTOMATIC AID**

**WHEREAS**, the Town of Carefree (the "Town") provides fire and emergency medical services to its residents, guests and businesses through a highbred model, whereby the Town owns all fire facilities and equipment while contracting with Rural Metro for fire and emergency medical services and personnel; and

**WHEREAS**, with respect to fire and emergency medical services, the Town is currently at high risk during simultaneous, long-duration and/or large-scale emergency events if regional support cannot be provided by nearby fire and emergency medical service providers; and

**WHEREAS**, if additional resources and personnel are currently required during an emergency event, the Town's regional support is provided through the discretionary mutual assistance process known as "Mutual Aid"; such Mutual Aid from nearby fire and medical service providers is not guaranteed; it is subject to availability of resources; and

**WHEREAS**, the City of Scottsdale has recently cancelled a Mutual Aid Agreement with Rural Metro, and the Town of Fountain Hills is cancelling its master contract with Rural Metro to form its own municipal fire department. These collective external actions have further isolated the citizens of Carefree from regional support for fire and emergency medical services; and

**WHEREAS**, a more efficient and robust regional emergency dispatch program exists within the metropolitan Phoenix-Mesa area, whereby fire and emergency medical resources from all participants are automatically dispatched to appropriately allocate resources to areas of need without the necessity of a request for assistance (referred to as "Automatic Aid"); and

**WHEREAS**, this Automatic Aid regional approach is overseen by its partners through the Life Safety Council; and

**WHEREAS**, the Life Safety Council has represented that they will not permit Rural Metro to participate in the Automatic Aid system; and

**WHEREAS**, over the past year, the Town has conducted an extensive citizen participation program to evaluate how to qualify for the regional Automatic Aid emergency dispatch system; and

**WHEREAS**, in October and November of 2022, five citizen workshops were held to outline the increased costs to the Town for participating in Automatic Aid and to explore options to cover the financial gap of such participation; and

**WHEREAS**, the existing fire fund in the Town budget has averaged a deficit of over \$400,000 annually, and the anticipated costs of joining Automatic Aid will further increase this deficit by approximately \$1 million; and

**WHEREAS**, it is anticipated that contracts with fire and emergency medical service providers who are part of the Automatic Aid system will be long term, with annual inflationary increases; and

**WHEREAS**, the Town hired professionals specializing public sector financing to model the Town's capacity to pay for these additional expenses; and

**WHEREAS**, this modeling shows the Town will be in an unsustainable, insolvent position due to the expanding costs to provide fire and emergency medical services. Accordingly, the Mayor and Common Council of the Town (the "Town Council") has determined it is necessary to identify a less volatile revenue stream to supplement its current sales tax revenues to ensure a sustainable funding source for the expanding costs to provide fire and emergency medical services; and

**WHEREAS**, the Town Council has determined that a modest primary property tax would provide the less volatile revenue stream necessary to ensure the Town can provide fire and emergency medical services throughout the Town under the Automatic Aid system; and

**WHEREAS**, the Town Council adopted Resolution 2022-18 to call a special election to ask the Town's voters to consider a primary property tax; and

**WHEREAS**, the Town Council has committed to dedicating funds raised by the proposed primary property tax levy to offset the overall costs of providing fire and emergency medical services to all residents, guests, businesses and property owners within the Town.

**NOW THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF CAREFREE, ARIZONA:**

**Section 1.** That the recitals above are incorporated herein by reference.

**Section 2.** That, if a primary property tax is approved by the Town's voters at the special election on May 16, 2023, any primary property tax revenues collected thereafter shall be used to offset the costs of providing fire and emergency medical services to Town's residents, guests, businesses and property owners.

**PASSED, ADOPTED AND APPROVED** by the Mayor and Common Council of the Town of Carefree, Arizona, this 13<sup>th</sup> day of December, 2022.

AYES \_\_\_\_\_ NOES \_\_\_\_\_ ABSTENTIONS \_\_\_\_\_ ABSENT \_\_\_\_\_

\_\_\_\_\_  
John Crane, Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Kandace French, Town Clerk

\_\_\_\_\_  
Michael Wright, Town Attorney



# **TOWN OF CAREFREE FIRE & EMERGENCY SERVICES FINAL CONSULTANT FINDINGS**



**December 13, 2022**



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# Background

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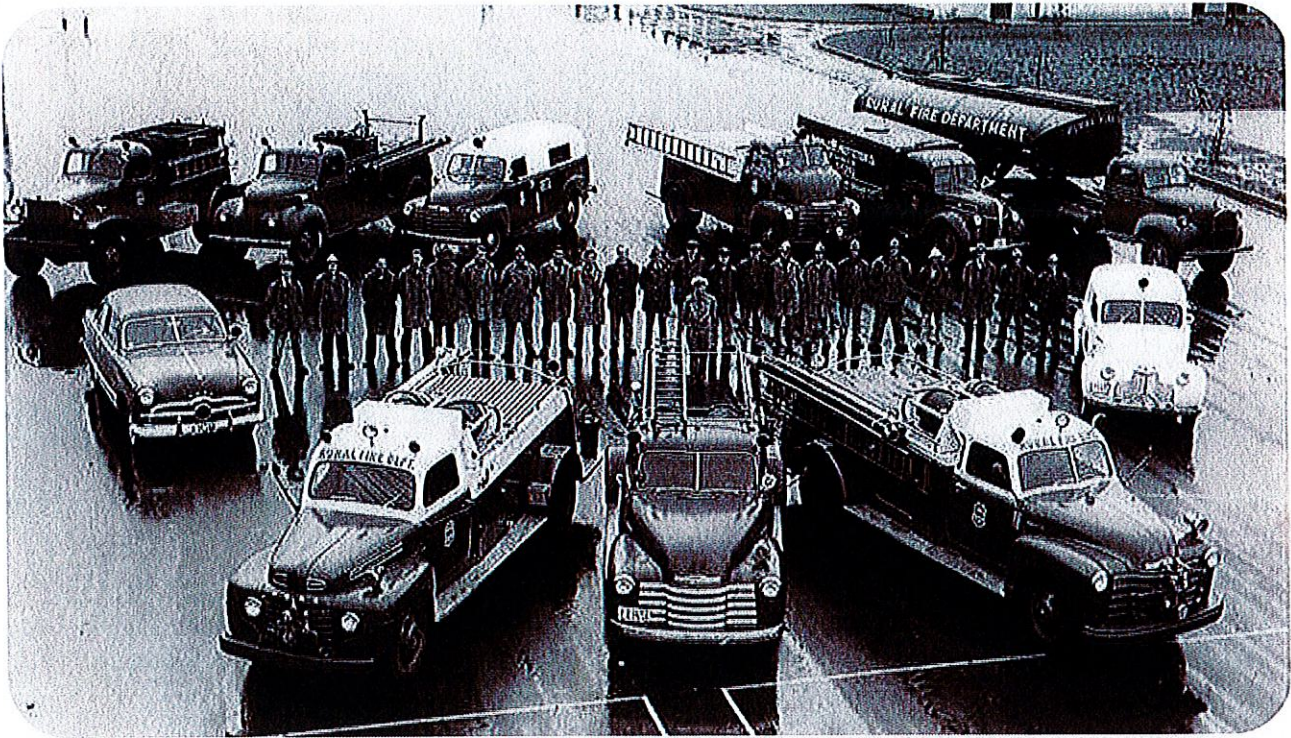


Photo Credit: Rural/Metro

Rural Metro Fire and Emergency Services have been serving the Carefree community for more than a half-century. Initially, the Fire and Emergency Service model in Carefree required private household subscriptions with Rural Metro which averaged about \$750 per household. However, in 2007, the Town eliminated the need for these private subscriptions when it began a Town-wide master contract with Rural Metro. Under this modified service model, the Town built and equipped a fire house and apparatus and contracted with Rural Metro for labor. In order to fund the annual operational expenses associated with this new master contract, the Town increased its sales tax for retail products purchased within the community from 2% to 3% and placed the revenue in a dedicated account named the "Fire Fund" to cover the associated expenses of the master contract.

## External Influences:

In May of 2020, in neighboring Cave Creek, as a result of two large-scale wildland fires and one commercial structural fire, Cave Creek decided to move away from their ongoing private subscription model with Rural Metro to a master contract with the Daisy Mountain Fire Department. This shift in their service model permitted Cave Creek to qualify for the regional emergency dispatch system called Automatic Aid. Rural Metro has not been permitted to participate in this regional dispatch program and thus, they operate under a less reliable, discretionary system when additional emergency support is needed. This discretionary system, called Mutual Aid, requires Rural Metro to request support from nearby first responders. However, this regional assistance is not guaranteed and may be denied by an Automatic Aid fire service provider. On the other hand, under Automatic Aid, jurisdictional lines are erased, and the closest most appropriate equipment is seamlessly centrally dispatched through the City of Phoenix. In other words, the first responders within the Automatic Aid partnership function as one regional fire department which seamlessly assist one another regardless of jurisdictional lines or names on the equipment and uniforms.



## Background (continued)

More recently, the Fountain Hills Town Council has decided to form their own municipal fire department and cancel their master contract with Rural Metro by January 2024. Collectively, with Rural Metro service areas in the Northeast Valley shrinking, as well as the recent cancellation of Mutual Aid agreements Rural Metro enjoyed with nearby municipalities, Carefree has become more isolated from regional assistance in a time of need. This creates a level of unpredictability and risk associated with addressing the need for additional emergency resources during simultaneous, long duration, and/or large-scale emergency events.



Oct. 26, 2022, Workshop at The Holland Center



Nov. 10, 2022, Workshop at Carefree Council Chambers

### Community Engagement:

In order to begin the public conversation on this important community-wide issue, the Town Council appointed a citizen committee to investigate the Town's emergency service options. During nearly two-dozen public meetings, the citizen appointed Public Safety Advisory Committee (PSAC), reviewed presentation materials from nearby Fire and Emergency Service agencies and attributes of the Automatic Aid regional dispatch system. The PSAC report and recommendations (Appendix A) were shared at a public Town Council meeting in February 2022. At this meeting, based upon the PSAC report and recommendations, the Town Council passed Resolution #2022-04 (Appendix B) to conduct a deeper analysis to determine the costs and analyze the Town's financial capacity to join Automatic Aid. In addition, the Council authorized that the data generated by these experts be shared with the residents through a series of open houses to inform and engage the residents regarding the evolving circumstances with the provision of Fire and Emergency Services, the options, the costs, the financial capacity to fund additional costs, and options the community may need to consider to address any funding gaps. Furthermore, this Resolution also contemplated a short-term contract with Rural Metro to bridge the possible transition to an Automatic Aid provider. This contract extension was negotiated this past spring and brought to the Council for approval in June 2022 (Appendix C). The first term of the contract is for 18-months and will expire in January 2024. If the community wishes to continue its relationship with Rural Metro, the second term contemplates an additional 42-month term. With this short-term Rural Metro contract in place, the Town contracted with professionals to provide expertise in Fire and Emergency Services, Public Financial Services, and Economics to further clarify the costs and capacity for the Town to absorb the additional expenses required to support a transition to Automatic Aid.

This report will summarize these findings which have been shared with the community through a video, a series of five public workshops (Appendix D), social media, digital newsletters (Appendix E), and printed media (Appendix F).







# Options & Costs

The Town has four options to consider in the provision of Fire and Emergency Services:

1. Maintaining its relationship with Rural Metro,
2. Creating a Carefree staffed municipal fire department,
3. Contracting\* with the City of Scottsdale, or
4. Contracting\* with the Daisy Mountain Fire Department.

\*Note: contracts between governmental entities are called Intergovernmental Agreements (IGAs).

Regardless of the options, the Town will need to replace the existing fire truck as the truck has approached its useful life. It has also become difficult to find replacement parts as the original fire truck manufacturer is no longer in business. The estimated cost to replace a fire truck is \$850,000. This "one-time cost", as labeled in the below graphic, is included in each option. Additionally, the Town has a wide array of emergency equipment it already owns that places the community in a stable position to consider what staffing it should employ. However, there will still need to be additional capital investments during the transition to Automatic Aid which includes but is not limited to: communication equipment modifications to align with Automatic Aid dispatch system requirements, new personal protective gear and uniforms and additional procedural training at an Automatic Aid academy. In the below graphic, these one-time costs are defined as well as anticipated annual operational costs.

NO Auto Aid:	Potential Auto Aid Option:	Potential Auto Aid Option:	Potential Auto Aid Option:
			
<p><b>RURAL METRO FIRE DEPARTMENT</b></p>	<p><b>DAISY MOUNTAIN FIRE DEPARTMENT</b></p>	<p><b>SCOTTSDALE FIRE DEPARTMENT</b></p>	<p><b>CAREFREE FIRE DEPARTMENT</b></p>
<p><b>PROS:</b></p> <ul style="list-style-type: none"> <li>• Lowest cost option</li> <li>• Employees are familiar with Town's streets and commercial occupancies</li> <li>• Employee/daily management handled by Rural Metro</li> </ul> <p><b>CONS:</b></p> <ul style="list-style-type: none"> <li>• Inability to join auto aid</li> <li>• Does not meet initial NFPA 1710 requirements for manpower responding to structure fires</li> <li>• Does not have formal mutual aid agreements with surrounding departments</li> <li>• Limited specialty emergency services (HazMat, trench rescue, high-angle rescue)</li> </ul>	<p><b>PROS:</b></p> <ul style="list-style-type: none"> <li>• Full-service dept.</li> <li>• Human Resources</li> <li>• Retirement program</li> <li>• Workman's Comp</li> <li>• New hire process</li> <li>• Payroll</li> <li>• Fleet management</li> <li>• Medical direction</li> <li>• Training</li> <li>• Scheduling</li> <li>• Daily station mgmt.</li> <li>• Full staff of admin &amp; managers</li> <li>• Perceived improved acceptance to Auto-Aid system</li> <li>• Economy of scale</li> </ul> <p><b>CONS:</b></p> <p>Takes control away from the Town which may include:</p> <ul style="list-style-type: none"> <li>• Cost increases</li> <li>• Future capital needs</li> <li>• Unknown provision for fire prevention activities</li> <li>• Likely 25-year commitment</li> </ul>	<p><b>PROS:</b></p> <ul style="list-style-type: none"> <li>• Full-service dept.</li> <li>• Human Resources</li> <li>• Retirement program</li> <li>• Workman's Comp</li> <li>• New hire process</li> <li>• Payroll</li> <li>• Fleet management</li> <li>• Medical direction</li> <li>• Training</li> <li>• Scheduling</li> <li>• Daily station mgmt.</li> <li>• Full staff of admin &amp; managers</li> <li>• Perceived improved acceptance to Auto-Aid system</li> </ul> <p><b>CONS:</b></p> <ul style="list-style-type: none"> <li>• Lack of town control</li> <li>• Future capital needs</li> <li>• Unknown provision for fire prevention activities</li> </ul>	<p><b>PROS:</b></p> <p>To an extent, allows for more control over:</p> <ul style="list-style-type: none"> <li>• Costs</li> <li>• Daily management</li> <li>• Future capital purchases</li> <li>• Potential to hire current Rural Metro staff already working in the town for years. (To include all lower ranks: firefighter, engineer, captain).</li> </ul> <p><b>CONS:</b></p> <ul style="list-style-type: none"> <li>• Many unknown costs/issues</li> <li>• Additional workload on staff</li> <li>• May need additional staff for HR, Payroll, etc. (added \$\$)</li> <li>• Requirements &amp; costs for auto aid training + regular training</li> <li>• Workman's Comp increases</li> <li>• Medical Insurance increases</li> <li>• Potential disadvantage applying to auto aid</li> <li>• Higher up-front &amp; ongoing cost of operations</li> <li>• Third party fleet maintenance</li> <li>• Establish software system for incident reporting, schedules</li> </ul>
<p><b>COSTS:</b></p> <p>ONE TIME: \$850,000*</p> <p>ANNUAL: \$1,857,000*</p>	<p><b>COSTS:</b></p> <p>ONE TIME: \$1,848,014*</p> <p>ANNUAL: \$2,658,617*</p>	<p><b>COSTS:</b></p> <p>ONE TIME: \$1,848,014*</p> <p>ANNUAL: \$3,008,750*</p>	<p><b>COSTS:</b></p> <p>ONE TIME: \$2,046,861*</p> <p>ANNUAL: \$2,997,930*</p>

\*Costs as of October 2022. Costs subject to change.



## Options & Costs (continued)



### Rural Metro - Mutual Aid

The first option is to maintain the status quo by maintaining the existing relationship with Rural Metro. This option will be the most cost-effective option; however, under this option the Town cannot qualify for Automatic Aid. To that point, in an article in a local newspaper, *The Foothills Focus*, Phoenix Assistant Fire Chief and leader of the Automatic Aid Consortium Life Safety Council, stated that, "as long as Carefree has a contract with Rural Metro, the Town will not be accepted into the Automatic Aid system" (Appendix G). To date, this has been the most direct statement from leadership from the Life Safety Council that the Automatic Aid partnership will not include Rural Metro within the consortium. Collectively, without the possibility of inclusion into Automatic Aid partnership combined with:

- Scottsdale's cancellation of the Mutual Aid agreement with Rural Metro,
- Rural Metro's exit from Cave Creek, and
- recent cancellation notice from Fountain Hills to Rural Metro;

has contributed to the isolation of Rural Metro and the Town of Carefree from regional emergency cooperation. This isolation created by these external entities places the Carefree community in a higher risk category during simultaneous, long duration and/or large-scale emergency events, if backup assistance to Rural Metro is not provided by nearby first responding agencies.

### Options to join regional Automatic Aid Consortium:

The next three options provide a path to Automatic Aid. The first of these options is the Town forming its own staffed municipal fire department. From an annual operations perspective, due to the existing nimble nature of the Town's organizational structure and complexities in managing extensive personnel-related issues associated with fire personnel, the Town will need additional operational positions to manage the administrative end of a municipally staffed fire department. As a result, a municipally staffed fire department will more than double the size of the existing Town's staff. This would include at a minimum: the retention of an HR specialist, a fire chief, a deputy fire chief, three captains three engineers and nine fire fighters. Pursuant to Automatic Aid standards, for each shift, there would be a total of four fire fighters assigned to the apparatus which will include at least one paramedic and one EMT.

It is important to note, that the fire fighters' salaries and benefits must be competitive with nearby fire departments. If the salaries and benefits are not aligned with neighboring agencies it will result in continuous turnover, as staff would migrate to the more competitive agencies. A high turnover rate would also result in higher training costs and replacement of personal protective equipment. A detailed break-down of costs associated with a municipally staffed fire department is found in Appendix H. The overall annual operation sum for the initial year is highlighted in the graphic on the previous page. However, based upon the potential for high turnover and associated training costs, potentially high salaries to minimize turnover, and the administrative overhead to manage extensive personnel related issues, a municipally staffed fire department could be the most expensive option with a uncertain future as there won't be any guarantee that the municipally staffed fire department would be accepted into the Automatic Aid consortium.



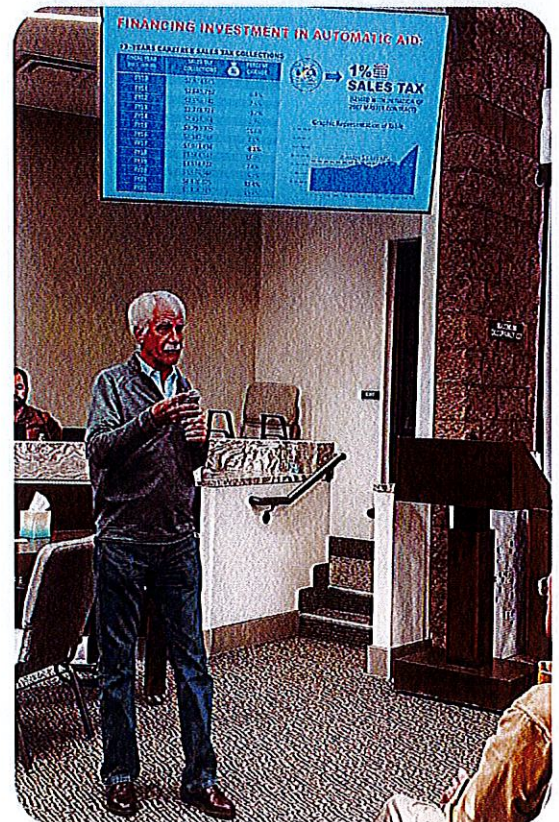
## Options & Costs (continued)

The two remaining options are two full-service Fire and Emergency Service Departments: Daisy Mountain Fire Department and the City of Scottsdale Fire Department. Each of these entities are separate political entities. Daisy Mountain is a Fire District while Scottsdale, like Carefree, is a municipal entity. They are governed by elected bodies from their internal electoral district or municipal boundary. Due to the fact that Carefree will be contracting for services/labor with these political entities and not part of the voting district, Carefree will not have representations on their Board/Council. The annual costs for services will be established by their internal staff and voted upon by their respective elected bodies in association with their own internal budgeting process. Both Daisy Mountain and Scottsdale have provided the Town with approximate costs to serve, as illustrated in the previous table. These entities have stated that they will not further negotiate with the Town until the Town decides upon its preferred service provider. However, based upon their numbers and adjusted for inflation, Daisy Mountain is currently the more cost-effective option. Additionally, the Town can use the approved Intergovernmental Agreement (IGA) established between the Town of Cave Creek and Daisy Mountain to provide a template to define the levels of service and fees, additional contract terms, and length of contract (Appendix I).

### Summary of Options:

Rural Metro would provide the most cost-effective effect solution; however, it will not qualify the community for the regional Automatic Aid emergency dispatch system and thus results in a higher degree of risk if regional assistance is needed during simultaneous, long-duration, and/or large-scale emergency events. In order to address this risk, Daisy Mountain Fire Department has proposed the most cost-effective model to qualify for Automatic Aid and insulate the community from this risk. Additionally, with the recent transition of Cave Creek and the agreed upon template/IGA there is reasonable assurance that the timely and efficient transition can take place to qualify Carefree to participate in the Automatic Aid consortium.

If the policy decision is made to transition to automatic aid through a master contract with Daisy Mountain, the next step is to logically and responsibly design a business model to ensure the Town can financially make this commitment. The length of this commitment as specified in the IGA between Cave Creek and Daisy Mountain Fire Department is for 25 years. In the initial contract year, it is anticipated that the costs to provide Fire and Emergency Services will be approximately \$1 million more than the current service model under Rural Metro. The next section of this report will review the Town's revenue options, the Town's financial capacity (ability to pay) and requirements to fill a significant revenue gap.



*Peter Burns, Carefree resident & public finance expert, presents information at the Nov. 10, 2022, workshop.*



# Revenue Options

## To pay for additional operational expenses for Automatic Aid

A municipality has essentially two local revenue streams it can assess to pay for annual operational expenses: a local municipal sales tax and/or a property tax. There are advantages and disadvantages of each revenue stream as illustrated in the below tables:



### SALES TAXES



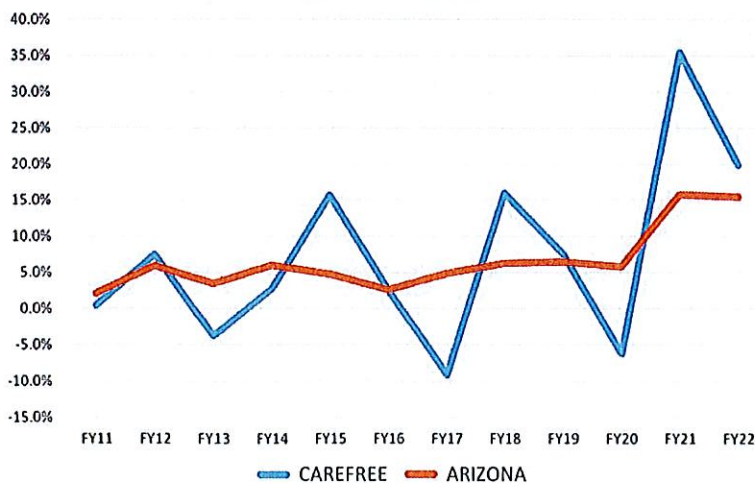
### PROPERTY TAXES

SALES TAXES		PROPERTY TAXES	
ADVANTAGES	DISADVANTAGES	ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> <li>• Simple &amp; straight forward</li> <li>• Existing 1% sales tax dedicated to the Fire Fund (3% total rate)</li> <li>• Grows over time with economic activity</li> </ul>	<ul style="list-style-type: none"> <li>• Not aligned with benefits received</li> <li>• Not recession proof</li> <li>• Limited number of sales tax generators in Carefree</li> <li>• Increasing sales taxes drive shoppers to lower-rate jurisdictions</li> </ul>	<ul style="list-style-type: none"> <li>• Costs correlate with size/value of structures being protected</li> <li>• Stable revenue source</li> <li>• Part-time residents pay their share</li> <li>• Legislative limits safeguard 'Runaway' property tax (annual levy growth limit of 2%, the so-called 'Truth in Taxation' process, a valuation growth limit of 5%)</li> </ul>	<ul style="list-style-type: none"> <li>• Unpopular tax</li> <li>• Politically challenging to establish new tax</li> <li>• Requires approval from Town Council AND vote from the People</li> <li>• Tax levy limits may not 'keep up' with escalator clauses in new master contract</li> </ul>

### Sales Taxes:

Sales taxes are considered a volatile revenue stream as it tracks with economic cycles. The table below illustrates the fluctuations of sales tax revenue in Carefree (illustrated in blue) and for comparison purposes, at the broader state level (illustrated in orange). Due to Carefree's limited tax base, the sales tax revenue can make dramatic swings which makes it difficult to pay for the persistent costs to provide municipal services. When compared to other nearby communities, Carefree has one of the highest sales tax rates. As a result, this establishes a ceiling as further increases in this rate would result in business migrating out of Carefree to nearby lower taxed communities and a potential reduction in sales tax revenue.

ANNUAL PERCENT CHANGE IN TAX REVENUE COLLECTIONS  
CAREFREE VS ARIZONA



The volatility of Carefree's tax revenues indicates sensitivity to changes in the economy and makes forecasting difficult.

### SALES TAX RATES BY CITY/TOWN

- CAREFREE - 3.0%
- CAVE CREEK - 3.0%
- FOUNTAIN HILLS - 2.9%
- PHOENIX - 2.3%
- SCOTTSDALE - 1.75%



## Revenue Options (continued)

An example of trying to match sales tax revenue with the annual costs of providing fire and emergency services is the existing Fire Fund used to pay for the master contract with Rural Metro. The Table below illustrates the total costs of the master contract which began 6 months into the 2007 fiscal year. Originally, a 1% sales tax was implemented in fiscal year 2005. The adoption and collection of this revenue two years prior to the initial funding of the master contract permitted a surplus to build up in the Fire Fund. However, after the 2008/2009 economic contraction, an imbalance or what is termed a structural deficit began in FY 2010. Over the next 11 fiscal years, this structure deficit averaged over \$400,000 annually. However, in the most recent two fiscal years, due to economic growth, enough revenue was generated by the 1% sales tax to pay for the fire coverage. It is important to note with the recent short-term contract renewal with Rural Metro at approximately \$1.86MM, a structural deficit may once again occur as economic activity contracts and reduces sales tax revenue. With a shift to Automatic Aid, it is anticipated that the most cost-effective approach would be to contract with Daisy Mountain Fire Department. This could increase the annual costs of providing fire and emergency services by approximately \$1 million annually. Combine this new annual financial commitment with the past average annual structural deficit as well as inflationary increases to any future contract and the structural deficit could exceed \$1.4 million annually.

FISCAL YEAR	TOTAL CONTRACT	FIRE FUND	GENERAL FUND
FY07	574,150	574,150	0
FY08	1,216,071	1,216,071	-
FY09	1,264,714	1,264,714	-
FY10	1,285,793	837,947	447,846
FY11	1,315,303	767,260	548,043
FY12	1,367,914	911,943	455,971
FY13	1,246,295	946,434	299,861
FY14	1,277,459	834,884	442,575
FY15	1,306,835	892,322	414,513
FY16	1,339,509	893,006	446,503
FY17	1,372,997	967,919	405,078
FY18	1,412,122	1,063,539	348,583
FY19	1,442,505	1,053,850	388,655
FY20	1,478,568	1,198,900	279,668
FY21	1,515,532	1,515,532	-
FY22	1,553,420	1,553,420	-
FY23	1,860,000	TBD	TBD





## Revenue Options (continued)

The Town hired fiscal analyst Rounds and Associates to study the Town's sales tax centric financial model to further determine if it had sufficient capacity to fund the additional annual financial commitment based upon its current sales tax centric funding. Rounds and Associates specializes in studying the fiscal impacts of public policy and provides consulting services to local, county and state governments. The model assumes there is no change to the Town's current tax revenue structure and a portion of the recent sales tax revenue gains are transitory. The following assumptions were also folded into the model.

### Midpoint Forecast - Select Considerations

- Town specific tax revenue history and trends were reviewed. Inflation will be an issue for 2+ more years.
- The Federal Reserve Board will continue to increase interest rates and remove money from the economy at a sufficient pace to cause a recession. The forecasted national recession in 2023 was adjusted for the Town.
- The "Midpoint" forecast assumes the economic recession will be a "hard landing." However, the worst-cast scenario will not be fully realized.
- Greater Phoenix will exit the downturn with enough strength to allow for reasonable rates of growth for the rest of the decade and beyond.
- The federal government will continue to spend at relatively high rates for the next 2 years and then moderate the spending moving forward.

Based upon these economic assumptions, Rounds and Associates modeled the capacity for the Town to pay for the additional reoccurring expenses associated with the costs of joining Automatic Aid. The following three scenarios were run. The first two scenarios assume that the Town uses its saving funds allocated for maintaining its aging assets such as its streets and drainage structures and positions these funds to cover the future costs associated with Automatic Aid. Both scenarios illustrate that Town will be in a negative financial position and unable to keep up with maintaining its aging infrastructure. This provides an unsustainable and financially insolvent position for the Town. On the other hand, if nothing changes and the Town maintains its relationship with Rural Metro and is not part of the Automatic Aid regional dispatch system, the Town can financially maintain a more solvent position by funding Fire and Emergency Services at the current level without qualifying for Automatic Aid but still fund future investments in its aging streets and drainage structures. As stated earlier in the report, staying with Rural Metro will create a higher level of risk for the community as regional assistance associated with simultaneous, long duration, widespread and/or unique emergency events may not be available.

### Midpoint Forecast Summaries:

#### Scenario 1: Assumes Capital Improvements Will Be Required Beyond the Current Plan

Ending Fund Balance w/Reserves (Deficit)	\$14.76	\$10.61	\$8.34	\$9.04	\$7.45	\$2.67	\$1.10	(\$0.65)	(\$2.81)	(\$5.19)	(\$7.73)
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#### Scenario 2: Extended Capital Improvements Requirements + Losing One Major Retail Store

Ending Fund Balance w/Reserves (Deficit)	\$14.76	\$10.51	\$8.04	\$8.54	\$6.75	\$1.77	(\$0.00)	(\$1.95)	(\$4.31)	(\$6.89)	(\$9.63)
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#### Scenario 3: Using Rural Metro Instead of Town Fire Dept.

Ending Fund Balance w/Reserves (Deficit)	\$14.76	\$11.70	\$9.78	\$11.52	\$11.07	\$7.53	\$7.30	\$7.01	\$6.43	\$5.76	\$5.05
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#### Scenarios 1-2:

Reduced capacity to annually save funds to replenish Capital Reserve Funds.

When next cycle of street projects are added in, there are insufficient funds to maintain assets.

#### Scenario 3:

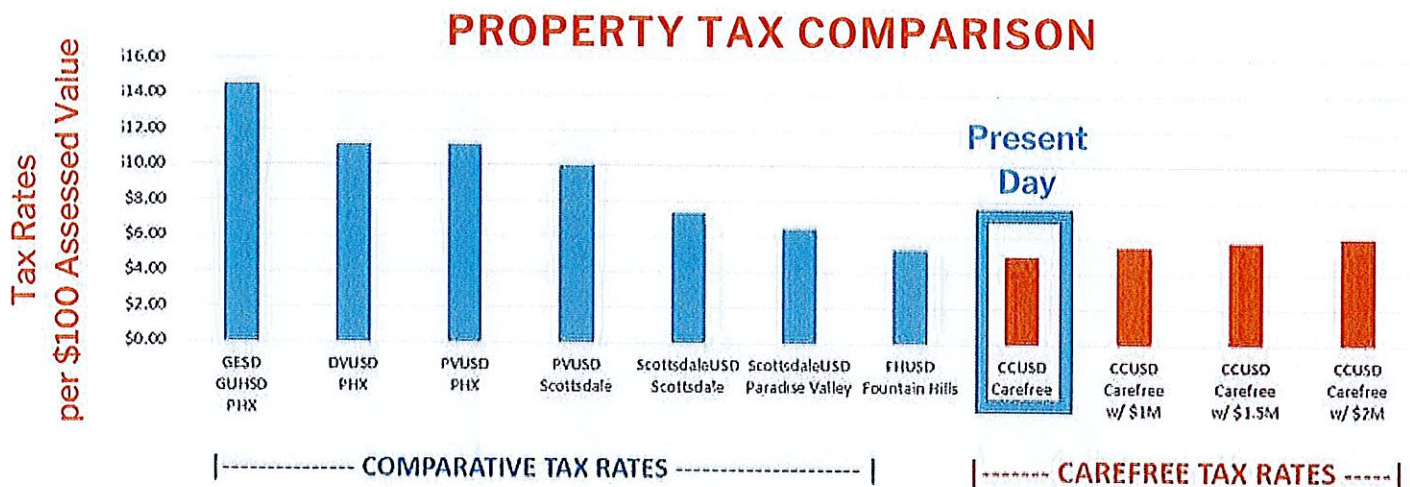
Does not permit Automatic Aid but maintains ability to fund street projects.



# PRIMARY PROPERTY TAX

The analysis by Rounds and Associates identifies that Carefree will not have sufficient funds to pay for the option that includes Automatic Aid within the forecast period and beyond. Furthermore, there are only two realistic options to cover the costs for Automatic Aid: a sales tax increase or the implementation of a property tax. Within Carefree the sales tax has historically been very volatile from one year to the next which makes fiscal planning more difficult. A property tax will prove to be a more stable source of revenue. If Automatic Aid is demanded by the Town, in the specific case of Carefree, the implementation of a property tax would be recommended if fiscal stability is also a concern.

When comparing the current property taxes paid in Carefree (collected by entities not associated with the Town), it clearly illustrates that Carefree residents have the lowest tax rates in the region and perhaps the state. Even if a modest property tax is considered to offset the financial commitment the Town needs to meet to qualify for Automatic Aid, the citizens would continue to enjoy one of the smallest property taxes in the region. The following chart illustrates what different ranges in the tax assessment would yield and how it compares to neighboring communities.

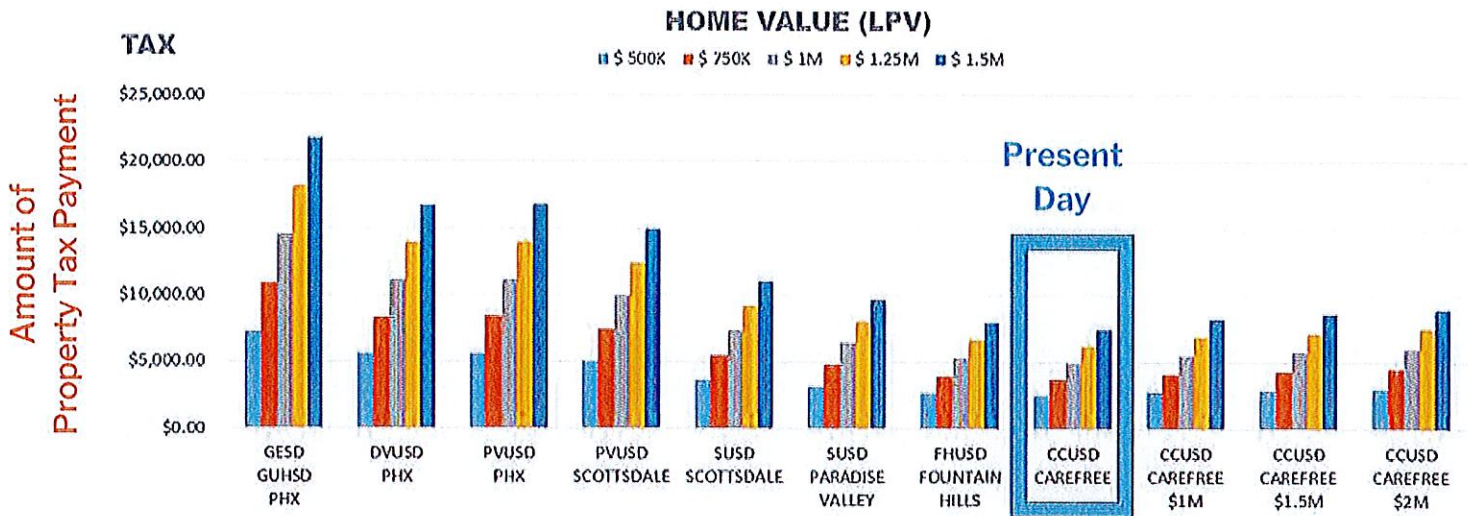


In Arizona, property taxes are levied on limited property value (LPV) not the value someone pays for your property, market value. LPV is a reduction in the market value of your residence which limits growth of the value of your property for purposes of taxation. For reference, the average residential LPV in Carefree is approximately \$630,000 but the average market value is significantly above this number. Annually, the Maricopa County Assessor's Office distributes a statement which defines the LPV on one's property. Based upon this LPV, in the next chart, one can compare the tax payment in nearby jurisdictions to the current Carefree tax payment and the impacts if a tax levy between between \$1 million and \$2 million is assessed.



# Primary Property Tax (continued)

## PROPERTY TAX COMPARISON

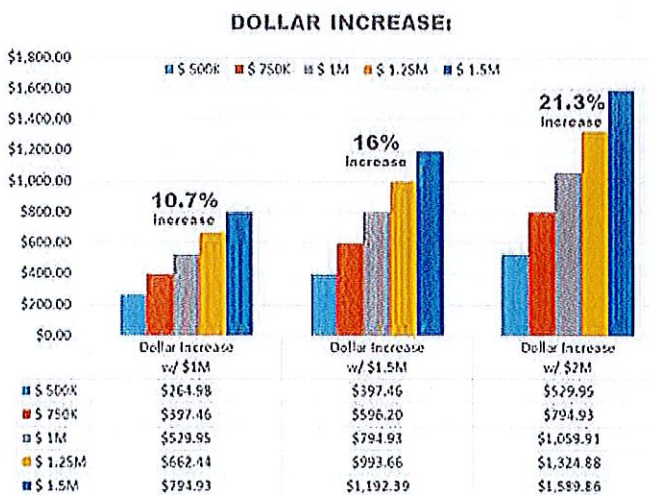


More specifically, from a dollar perspective, the following charts compare the respective increases.

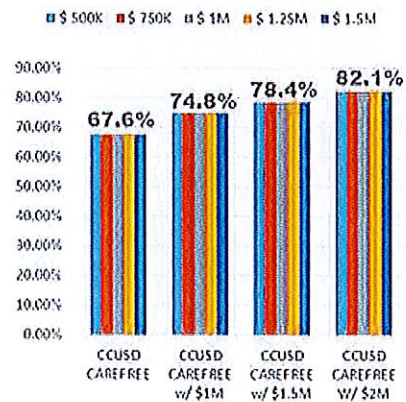
Using the average LPV in Carefree of \$630,000:

- a \$1.5 million tax levy would translate to \$41.73 per month or \$501 annually,
- a \$1.75 million tax levy would translate to \$48.69 or \$584 annually,
- a \$2 million tax levy would translate to \$55.64 per month or \$668 annually.

## PROPERTY TAX COMPARISON



### PERCENTAGE OF SCOTTSDALE USD; SCOTTSDALE:



## ***Primary Property Tax (continued)***

What would the tax levy be?

It is anticipated that a primary tax levy should be \$2.0 million. However, this levy does not cover the entire costs of funding the contract with an Automatic Aid partner. The Town will balance the annual costs of its new fire contract with the Town's annual sales tax collection. This levy will offset the past structural deficit of the fire fund which has averaged over \$400,000 annually, pay for the cost differential in joining Automatic Aid, cover annual cost increases over the first 10 years of the contract and provide funds to retire aging fire equipment.

As stated above, a primary tax level of \$2.0 million would translate for the average home in Carefree with a LPV at \$630,000, to \$55.67 per month or \$668 per year. From a comparative perspective, prior to the Town assuming the master contract with Rural Metro, residents were paying an average of \$750 annually to Rural Metro for an individual subscription. Today, that annual subscription would exceed \$1,000 annually. In other words, under the scenario that a \$2.0 million levy is approved by the residents of Carefree, they would be paying less than they were originally paying for individual subscriptions and be provided a higher level of Fire and Emergency Services. This levy of \$2.0 million will permit the Town to make the 25-year commitment to Automatic Aid through Daisy Mountain Fire Department while closing the structural deficit on the current Fire Fund and permit the Town to continue to maintain its aging infrastructure and reinvest in capital assets as their useful life are exhausted.



# COMMUNITY PARTICIPATION

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Citizen input has been a cornerstone to the entire conversation regarding the evolution of Fire and Emergency Services within the Town of Carefree. The initial appointment of a citizen committee (the Public Safety Advisory Committee) and subsequently approximately two- dozen public meetings were held with nearby first responding agencies to seek clarity in the difference between Mutual and Automatic Aid and the services provided by the respective agencies. A joint public meeting of the Council and the Public Safety Advisory Committee was held in February 2022. At this joint meeting the recommendations of this citizen committee were shared and broadcast through the Town's newsletter, social media and printed media. Based upon these publicly vetted recommendations, experts in the area of Fire and Emergency Services and public fiscal modeling were retained to conduct a deeper dive into the compiled information. This information was then shared through a series of five public workshops which were advertised in printed media, social media and digital newsletters (Appendix D, E, F). In addition, Council members handed out invitations to these workshops at the post office. Those that chose to participate in these community discussions consistently agreed that if the Town moved to Automatic Aid, a stable and predictable revenue stream needed to be considered by the community to offset the additional annual financial commitment to pay for the cost associated with becoming part of the Automatic Aid emergency dispatch system (Appendix J).

## Conclusion:

As an outgrowth to this citizen driven process, it is recommended that the Town Council place a question on the ballot for the residents to consider a primary property tax to responsibly fund in a sustainable and solvent manner the long-term financial commitment to participate in the regional Automatic Aid emergency dispatch system. It is important to note that pursuant to Arizona Revised Statute, the only time a community may consider a property tax is during the month May. In order to meet this deadline, the ballot language must be conveyed to the County Elections office no less than 150 days prior to the May election. The action before the Council would be to refer a question to the registered voters in Carefree to consider a primary property tax levy of \$2.0 million to fund the long-term financial commitment to participate in the regional Automatic Aid system. If the residents approve the assessment of the primary property to fund a partnership with Daisy Mountain Fire Department to ensure acceptance into Automatic Aid, such tax assessment will begin in July of 2023 and will be due with the first Maricopa County collection in October 2023. It is further recommended that the Town conduct a fiscal analysis in approximately ten years to review the performance of these revenue streams to cover any escalation of costs to ensure a solvent position for the next ten-year period.

## Attached to this report are:

- Resolution 2022-18 which calls for a special election in May 2023 to consider a primary property tax to enable the community to support the long-term commitment to become part of the Automatic Aid Consortium.
- Resolution 2022 -19 which will restrict the funds collected with the primary property tax to fund the contract for Fire and Emergency Services.

For the complete 233 page report, "Town of Carefree Fire & Emergency Services Final Consultant Findings, dated December 13, 2022", [click here: 12/13/2022 Report: Fire & Emergency Services](#)