

**NOTICE OF MEETING OF THE TOWN OF CAREFREE  
PUBLIC SAFETY ADVISORY COMMITTEE**

**WHEN:** WEDNESDAY, JANUARY 05, 2022  
**WHERE:** ZOOM WEB: <https://us02web.zoom.us/j/3229729660>  
MEETING ID: 322 972 9660  
**TIME:** 1:30 P.M.

Pursuant to A.R.S. § 10-822, notice is hereby given of the time, place and purposes of a meeting of the Public Safety Advisory Committee.

*Members of the Committee are participating by technological means or methods pursuant to A.R.S. §10-708.*

**CALL TO ORDER**

**ROLL CALL**

**AGENDA**

**ITEM #1** Approval of the Public Safety Advisory Committee meeting minutes dated December 01, 2021

**ITEM #2** Complete review of draft report.

**ITEM #3** Adjournment

DATED this 04th day of January 2022.

By: *Samantha Gesell*  
Samantha Gesell, Planning Clerk

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 Town of Carefree 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>

**Meeting ID: 322 972 9660**

**A password is not required.**

**By phone:**

**Please call 1.669. 900. 6833 or 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.



**DRAFT**

**MINUTES OF MEETING OF THE TOWN OF CAREFREE  
PUBLIC SAFETY ADVISORY COMMITTEE**

WHEN: WEDNESDAY, DECEMBER 01, 2021  
WHERE: VIA ZOOM \*  
TIME: 1:30 P.M.

*Members of the Public Safety Advisory Committee participated by technological or methods pursuant to §A.R.S. 38-431(4).*

**COMMITTEE MEMBERS PRESENT:**

Chairperson - Leslie Hine  
Vice Chairperson - Philip Henn  
Sheila Amoroso  
Kim Taha  
Anton Wilke

**COMMITTEE MEMBERS ABSENT:**

Peter Burns  
Scott Peterson  
Jerry Wetta

Chairperson Hine opened the meeting at 1:33 pm.

**AGENDA ITEM #1 Approval of the Public Safety Advisory Committee meeting minutes dated November 17, 2021**

Vice Chairperson Henn **MOVED TO APPROVE** the minutes of the Public Safety Advisory Committee meeting dated November 17, 2021. **SECONDED** by Committee Member Taha, **CARRIED** unanimously.

Committee Member Wilke summarized for the Committee the discussions and decisions made at the November 22, 2021, Town of Cave Creek, Special Town Council meeting, regarding funding options for the fire service with Daisy Mountain.

Town Administrator Neiss referred to a recent article in the Sonoran News which outlined the Town of Cave Creeks decision, recognizing that there are parallels in the conversations between Carefree and Cave Creek. Both communities have water infrastructure bonding and a sales tax-based revenue model. Each town is managed conservatively to avoid top-heavy budgets. Further, when the Town of Carefree inherits additional costs, it looks at the business of those costs to ensure that we have a balanced budget.

Chairperson Hine explained that as a Citizen Advisory Group, they have been conscientious and done their best to learn from the processes occurring simultaneously between Carefree and Cave Creek.

Written correspondence was received from Mr. John Mattis and forwarded to the Public Safety Advisory Committee.

Town Administrator Neiss provided clarification to Mr. Mattis's correspondence.

**AGENDA ITEM #2 Continue and complete review of Committee report**

Town Administrator Neiss presented via PowerPoint, the DRAFT Public Safety Advisory Committee Recommendation Report. The Committee collaborated, providing additions and revisions thereto, working toward a final DRAFT for review at the December 15, 2021, Public Safety Advisory Committee meeting. This will then be presented to Town Council in January.

**AGENDA ITEM #3 Review and discuss Town Council presentation outline (to be cont'd and finalized Dec 15th)**

Chairperson Hine presented via projection, a DRAFT presentation outline for the group to confirm who will present each recommendation item to Town Council. The Committee provided input and suggestions to establish the format of the presentation.

Town Administrator Neiss clarified for the Committee, that at the January Joint Meeting with Town Council and the Public Safety Advisory Committee, the subject recommendation will first be taken *under advisement*. This recommendation then gives Town Council a series of options to begin the public process for future discussions between the residents of Carefree and Town Council.

Mr. Neiss recognized that this originated as a grass roots process. Where at the onset, Committee members were not familiar with the complexities of Public Safety. Cultivating the necessary knowledge, throughout the process, to enable them to provide knowledgeable recommendations to Town Council and working toward the best possible program for Carefree.

**AGENDA ITEM #4 Continue and complete discussion re: new Master Contract input/suggestions**

Chairperson Hine displayed for the Committee, a list of input and suggestions brought forth in past collaborations of the Committee that were not going to be included in the recommendation to Town Council. Ms. Hine expressed the importance of keeping this information for future communications and contract negotiations.

**AGENDA ITEM #5 Confirm Committee work/role after Jan 11th Town Council meeting.**

The Committee agreed that after the January 11, 2022, meeting with Town Council, a follow up, in person, meeting of the group would be purposeful. As all meetings have been held via ZOOM, it would be nice to meet in person to celebrate the collaboration and hard work put forth to cultivate a solution.

**AGENDA ITEM #6 Adjournment**

The meeting was adjourned at 3:35 p.m.

*Samantha J. Gesell*

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Samantha J. Gesell, CMC  
Planning Clerk

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# Public Safety Advisory Committee

## REPORT & RECOMMENDATIONS



Working Draft Edits receive to 12/29/21 1:15 PM

January 2022

## INTRODUCTION

With the understanding that the current contract between the Town of Carefree and the Rural Metro Fire Department would expire in June of 2022, the Carefree Town Council in early 2021 issued a call for citizens interested in assisting the Town in an evaluation of Town's public safety services. In response to this request, eight citizens volunteered, were appointed by the Council, and began meeting in April 2021. The Public Safety Advisory Committee met approximately 17 times, and all agendas, minutes and meeting recordings are available at: <https://www.carefree.org/AgendaCenter/Advisory-Committee-2>. This *Report and Recommendations* is the culmination of the Committee's efforts.

The Committee was composed of the following Carefree residents who have backgrounds that include public administration, public policy, public finance, capital investments, real estate and business:

**Leslie Hine, Committee Chairperson**  
**Philip Henn, Committee Vice Chairperson**  
**Sheila Amoroso, Committee Member**  
**Peter Burns, Committee Member**  
**Scott Peterson, Committee Member**  
**Kim Taha, Committee Member**  
**Jerry Wetta, Committee Member**  
**Anton Wilke, Committee Member**

All the Committee meetings were conducted via Zoom in deference to the ongoing COVID Health Emergency. This platform permitted Committee Members, presenters and members of the public to participate regardless of their location.

Public safety services in Carefree have three components: fire and emergency services; ambulance; and law enforcement. While fire and emergency services and law enforcement services are provided through contracts with the Town, ambulance services are provided through a "Certificate of Necessity" (CON) issued and overseen by the Arizona Department of Health Services. The Committee therefore focused its evaluation on fire and emergency services (primarily) and law enforcement (to some extent), but occasionally considered certain aspects of the ambulance services in the community. The Committee's approach was grounded in presentations by Town staff and various First Responder agencies, with questioning and follow up by Committee members. Based upon this information, Committee members openly discussed their thoughts regarding the appropriate level of services in Carefree and options to fund potential cost increases.

This *Report and Recommendations* is the only "official" release by the Committee to the community and the Town Council. Section One of the report provides a historical perspective on the evolution of public safety services within the Town – particularly for fire and emergency services. It recounts how the Town has evolved from a subscription-based fire protection model into the existing Master Contract model. Section Two provides an overview of public safety services in Carefree, most particularly information about the types of calls to which First Responders are dispatched. Section Three of the

report discusses recent developments in the Town of Cave Creek that will influence the provision of fire and emergency medical services in Carefree as well as the differences in the automatic aid and mutual aid dispatch systems. Section Four presents considerations in financing public safety services including a review of the Town's revenues, expenses, the Fire Fund, the Capital Reserve Fund and options for addressing increased costs. The report concludes with Committee recommendations to the Carefree Town Council in Section Five.

The Committee respectfully requests that the citizens of Carefree review the entirety of this document to understand the full scope of public safety services provided by the Town in order to ensure an informed and productive community dialogue occurs regarding the Town's future levels and financing of public safety services.

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## Section One: Historical Background and Context

### The Evolution of Fire and Emergency Service in Carefree

Rural Metro, a private corporation, has been providing fire and emergency services to the Carefree community for over 50 years. Originally, much like an insurance policy, residents subscribed to this service through an annual subscription fee. If Rural Metro responded to a household which did not subscribe to this service, the homeowner would be responsible for paying for the entire cost of the response.

This subscription model served the community well until early 2003, when an external event caused the Town Council to question the arrangement.

In 2003 Rural Metro, the contracted provider of fire and emergency services in the City of Scottsdale, gave notice to the City that it would no longer serve Scottsdale. In most communities, such notice from first responders would be met with overwhelming angst; however, Scottsdale was able to seamlessly and rapidly adapt. In part, this remarkable adaptation was attributed to Scottsdale owning each of their fire stations and all the fire trucks and supporting equipment, thus needing only to establish a fire and emergency service protection corps when Rural Metro served notice.

Because of Scottsdale's experience, the Carefree Town Council began to logically question the impact to the Town if Rural Metro similarly decided to leave Carefree. As a result, in 2004, a Fire and Emergency Service Committee was appointed by the Council to evaluate the community's options. The result of the Committee's work and subsequent Town Council meetings was Carefree pursuing a plan to build its own fire station (pictured above) and purchasing a fire engine and supporting emergency equipment.



In 2005/6, with the equipment ordered and the fire station under construction, the Town approached the Daisy Mountain Fire District (DMFD), the City of Phoenix Fire Department (PFD), the City of Scottsdale Fire Department (SFD) and Rural Metro Fire Department (RMFD or Rural Metro) to replace the subscription service model with a Master Contract for the provision of fire protection and emergency medical services. The Town was interested in contracting with these entities to provide the staff to deliver fire protection and emergency medical services using the Town's fire station and firefighting equipment. After initial discussions with Daisy Mountain and the City of Phoenix, these entities were eliminated from consideration due to potential costs and/or legal requirements. As a result, Rural Metro and the City of Scottsdale were evaluated, with the oversight of the Council appointed Fire Committee.

Ultimately, Rural Metro presented the Town with the most comprehensive and cost-effective fire protection and emergency service program and was awarded a five year Master Contract beginning in June 2007.

In 2012, prior to the end of the original Master Contract term, the Town Council directed the Town Administrator to distribute a Request for Qualifications from interested fire and emergency service agencies. Daisy Mountain Fire District, the City of Scottsdale Fire Department and Rural Metro responded to the RFQ and after review, the Council decided the most cost-effective proposal was submitted by Rural Metro. The firm was awarded a new ten-year contract which is set to expire on June 30, 2022.

### ***Financial Implications of the Original Fire and Emergency Service Master Contract***



With the awarding of the original Master Contract in Fiscal Year 2007, the Town enacted a one percent increase in its sales tax. This tax, which was in addition to the Town's existing two percent sales tax (but excluded groceries), was deposited in a newly created Fire Fund. The tax was intended to fund the costs of the Master Contract.

Prior to the Master Contract, a homeowner with a 3,000-square foot single-family residence, subscribing to Rural Metro's service, was paying approximately \$750 annually. This annual subscription fee for fire protection was eliminated for Carefree residents with the implementation of the Master Contract.

In addition to the elimination of the subscription fees, the Insurance Services Office (ISO) conducted a Public Protection Classification survey after the completion of the Town's fire protection capital investments. As a result of the Town's investment and execution of the Master Contract, the Town's ISO rating was significantly upgraded. This improved rating resulted in an additional annual savings of several hundred dollars on a resident's homeowners insurance policy.

Besides the cost savings, Carefree residents received additional value-added services through the Master Contract. These value-added services included CPR classes, home safety inspections, brush safety inspections, fire hydrant inspections, monthly and annual performance reports, access to grant writing, blood pressure checks, a walk-in treatment facility, Town representation and coordination with the regional emergency management taskforce, fire marshal services, and additional staffing for community special events.

Bottom line, from an individual/resident's financial perspective, as a direct result of the Town assuming the contract (in 2007) to provide fire and emergency services, each Carefree household which had subscribed to the service saved between \$700 and \$1,100 annually through the elimination of the subscription fee and the reduction in homeowner insurance rates. The new one percent sales tax did

not fall primarily on Carefree residents. Consider that a resident who previously paid a \$750 annual subscription fee would have to spend \$75,000 (1% Fire Fund tax) on taxable retail products in Carefree (groceries were not included in tax) to break even.

A longer-term implication of the Master Contract and its funding through the increased sales tax was a greater dependency of the Town on the generation of sales tax. This in turn increased pressure on the Town to attract consumers to spend money and generate sales tax revenue as residents alone were not spending enough to support the Fire Fund. This pressure continues today – a high priority for the Town is increasing the number of businesses in the Town selling taxable products, as well as attracting and directing more consumers to these businesses.

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## SECTION TWO: An Overview of Carefree Public Safety Services Today

In anticipation of the expiring Master Contract with Rural Metro on June 30, 2022, as well as evolving fire and emergency service plans in neighboring Cave Creek, the Carefree Town Council appointed a citizen Committee to examine fire and emergency services as well as law enforcement services. This citizen Committee, the Public Safety Advisory Committee (PSAC) began meeting in April 2021. The Committee is composed of Carefree residents with backgrounds within, but not limited to, public administration, public policy, public finance, capital investments, real estate and business. The Committee's charge was to review the current system of public safety services within Carefree and to make recommendations to the Town Council about any necessary or desired modifications to services and how they are funded.

### ***Fire and Emergency Services***

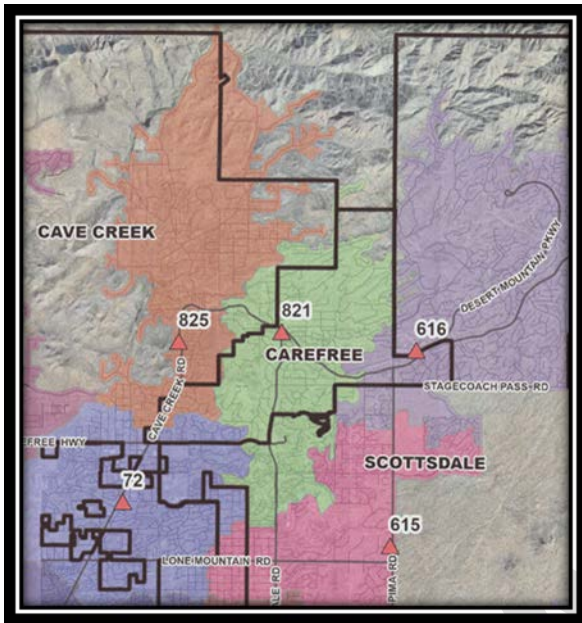
The Carefree based Rural Metro fire truck is known as E821 while the Rural Metro fire truck based (at the time of drafting this report) in the Town of Cave Creek is known as E825. Over the past fifteen years these two stations have complemented one another by providing mutual assistance. Table 1 below presents the number of responses these engine companies have provided into the adjacent communities over the past three fiscal years.

**Table 1: Rural Metro Response Data FY2019 - 2021**

<b>RESPONSE</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Cave Creek E825 response into Carefree</b>	91	94	100
<b>Carefree E821 response into Cave Creek</b>	142	135	132
<b>Carefree E821 response into County islands</b>	81	81	110

*Source: Rural Metro*

*Note: The referenced term in the above Table, "County Island" refers to geographical areas that are not incorporated into an existing municipality and nestled in between incorporated communities such as Phoenix and Scottsdale. Therefore, these unincorporated areas fall within the County's jurisdiction.*



Source: City of Scottsdale GIS

The adjacent graphic illustrates the reasoning behind the overlapping responses into the adjacent communities for E821 and E825. The red triangles indicate the approximate location of existing fire stations and the various colored polygons around each triangle/station represent an approximate 4-minute response time from the station.

The green shaded area symbolizes the typical 4-minute response area for the Carefree based E821, while the orange area symbolizes the 4-minute response area for Cave Creek based E825. As illustrated, these typical 4-minute response areas overlap political boundaries. Therefore, Rural Metro has adopted a policy that the closest engine, either E825 or E821, will respond to a request for assistance within these polygons regardless of political boundaries.

The map also depicts the potential responses from the City of Phoenix and City of Scottsdale that have fire stations and associated assets just to the south and east of the Town of Carefree. The existing fire stations and assets within the Daisy Mountain Fire District are to the west of Cave Creek and north of Carefree Highway and therefore, do not currently overlap into Carefree.

Due to the proximity of both Phoenix and Scottsdale assets, Rural Metro has maintained mutual aid agreements with these nearby agencies to request assistance when back up is required to address life safety issues. These calls for assistance have been quite limited, but Phoenix and Scottsdale have been very supportive and assisted when called upon. For example, over the past 15 years, during the Town's Master Contract with Rural Metro, Rural Metro has requested assistance from Scottsdale and Scottsdale has responded a total of 9 times within the Town of Carefree. Additionally, both Carefree and Rural Metro are part of the Arizona Mutual Aid Compact (AZMAC) which has been adopted by most municipal and tribal entities within the state and provides Carefree with resources in a time of need.

Table 2 below presents the annual reporting statistics by types of calls over the last three years for the Carefree based E821. As can be seen in the data, a fire department does more than just extinguish fires, it responds to medical emergencies, traffic accidents, natural and manmade disasters, conducts public safety reviews of structures and properties, and provides public outreach and educational opportunities. Over the last 3 fiscal years approximately 60% of the calls to E821 were medical related with minimal responses to structural or brush fires.



**Table 2: Types of Fire and Emergency Calls for Service FY2019-2021**

<b>TYPES OF CALL FOR SERVICE</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
<b>Medical Calls (including vehicle accidents)</b>	332 (53%)	327 (58%)	458 (62%)
<b>False Alarms</b>	108	77	108
<b>Snake Removal</b>	108	77	76
<b>Service calls (example check smoke detector)</b>	14	9	14
<b>Brush Fire</b>	4	7	3
<b>Vehicle Fire</b>	3	4	2
<b>Residential Fire</b>	1	1	1
<b>Commercial Building Fire</b>	2	0	1
<b>Gas/Propane Leak</b>	5	0	3
<b>Smoke in structure</b>	9	9	7
<b>Animal rescues</b>	1	0	1
<b>Non-Categorized (call for service not defined)</b>	15	0	27
<b>Traffic accident (no injuries)</b>	25	15	24
<b>Invalid assist</b>	15	17	8
<b>Illegal burn</b>	1	1	1
<b>Check hazard</b>	0	5	0
<b>Person Trapped</b>	0	1	0
<b>Lock Out</b>	0	2	0
<b>Special Duty</b>	0	0	2
<b>Unknown fire</b>	0	9	0
<b>Total</b>	<b>625</b>	<b>561</b>	<b>736</b>
<b>Code Three Calls (included in Total)</b>	359	329	356

Source: Rural Metro Annual Fiscal Year Reports (June 30<sup>th</sup> - July 1<sup>st</sup>)

Because calls for medical assistance are the predominant dispatch type, the Carefree service model with Rural Metro has included the dispatch of both the fire truck and an ambulance on every call. This response level dispatches a total of five fire fighters: one paramedic and two emergency medical technicians (EMT) on the fire truck, and one paramedic and one EMT on the ambulance.

The Carefree contract with Rural Metro provides that Rural Metro will respond to 90% of all code three calls (“lights and sirens” responding to requests for fire and medical assistance) within 6 minutes or less. Rural Metro’s annual reports indicates they are in compliance with this requirement and respond to all code three calls in under four minutes, with a few exceptions for such circumstances as inaccessible or locked gates.

### **Ambulance Services**

Ambulance service in Carefree is managed by the Arizona Department of Health Services (ADHS), not the Town of Carefree; therefore, it was not a significant part of the Public Safety Advisory Committee’s evaluation. The Department of Health Services manages ambulance service through the issuance of what is called a Certificate of Necessity (CON).

Currently, Rural Metro and its parent company AMR, hold a CON to provide ambulance service within both the Town of Carefree and the Town of Cave Creek. Maricopa Ambulance also holds a CON for Maricopa County but is not actively providing services in Carefree or Cave Creek. From a logistical perspective, if there is a change to the current fire and emergency provider in Carefree, there would be a separate dispatch for fire services and ambulance service. Under the current model serving Carefree, both the fire truck and the ambulance are dispatched with two fire fighters certified as paramedics (one on fire truck and one on ambulance) and three of the fire fighters certified as EMTs (two on fire truck and one on ambulance). Changes to CONs must go through a process with the Department of Health Services.

Even though Rural Metro’s model is to dispatch both the engine and an ambulance to a call for assistance, the Master Contract does not cover the individual billing associated with the *transport* of a patient through the ambulance service. The billing for patient *transport* is done through an individual’s insurance policy/company with deductibles the responsibility of the individual patient.

### **Law Enforcement Services**

Maricopa County Sheriff’s Office (MCSO) contracts with 7 communities throughout Maricopa County. Carefree and Cave Creek are two of these contract communities. These communities contract for law enforcement services because of the high costs associated with operating a municipal law enforcement department. For example, Paradise Valley, a community that is approximately 15 square miles in size and containing a population of 14,400, has budgeted \$8.95 million this past fiscal year to operate their municipal police department. This equates to \$621.52 per capita. If that per capita figure were applied to Carefree’s population of 3,700, the result would be a law enforcement budget in the range of \$2.3 million annually. This is in contrast to Carefree’s FY 2021 contract cost of \$476,600 with MCSO.

The MCSO contract is based upon the level of patrol service desired by the community. MCSO’s staffing model assigns five deputies to one beat. Each contracting community can select the level of service by choosing the number of deputies they desire to patrol their community. In Carefree, due to the low crime rates, we have typically maintained a minimum baseline 3/10s of a beat or 1.5 Deputies. In addition, during the high season (October-April), a Deputy is added to address traffic enforcement.

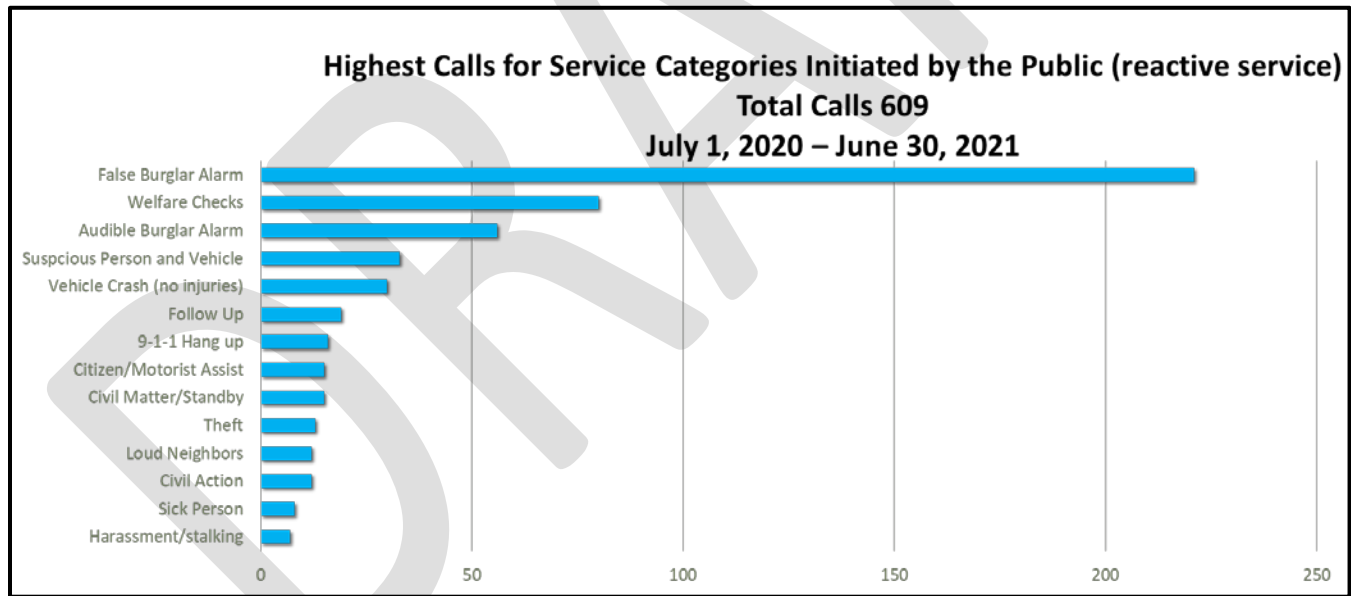
As part of the staffing model, based upon the proportional share of a beat, additional supervisory and support staff are incrementally assigned. So proportionally, for 3/10s of a beat, there is additional

staffing levels of .15 for a Detective, .27 for a Sergeant, .12 for a Lieutenant, .07 for a Captain, .14 for Clerical and .3 for Dispatch. Collectively, the hourly rate of each staff member is applied to the incremental level of service/employee to establish the costs for service. The contracting model then adds the indirect costs for supplies, equipment and facilities based upon the proportional share of the Carefree beat.

Additionally, the District Office for MCSO is located within the Town of Cave Creek. This District covers the nearby County islands, Anthem, Desert Hills, New River, the Towns of Cave Creek and Carefree and the Lake Patrol. Assigned to this District are a total of 1 Captain, 1 Lieutenant, 2 Administrative Assistants, 7 Patrol Sergeants, 28 Patrol Deputies, 1 Detective Sergeant and 4 District Detectives. As necessary the Town of Carefree has access to the entire District staffing when called upon.

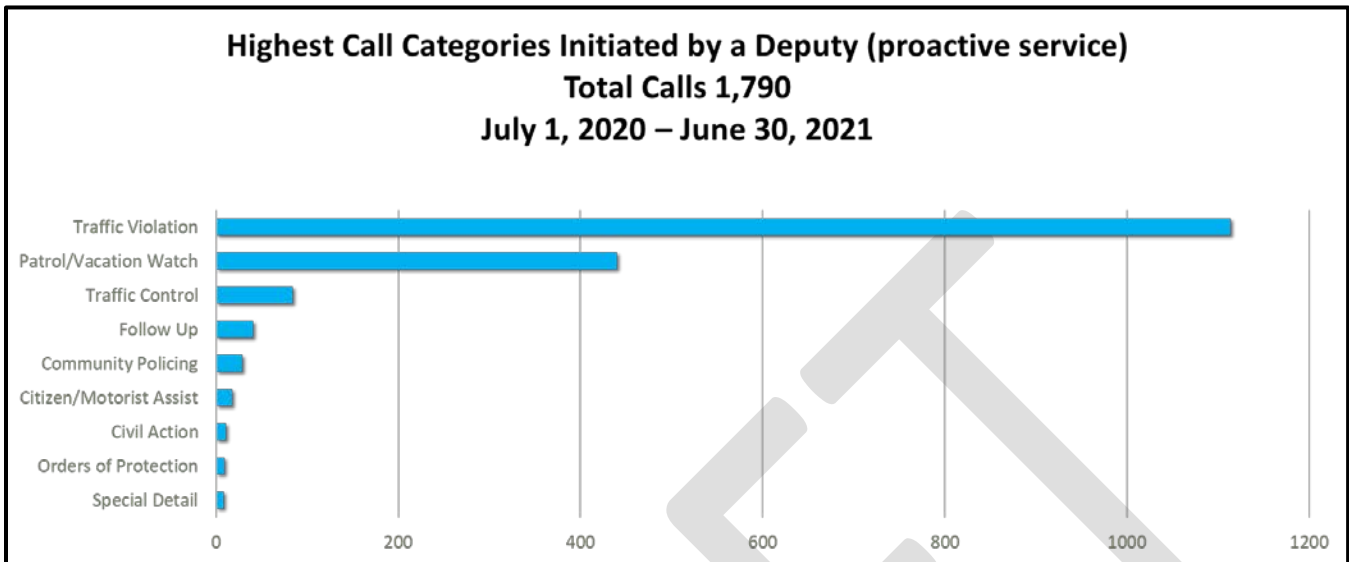
The PSAC concluded that the Town receives a good value from MCSO, and therefore, the overarching focus of the review was not on how service is delivered to the community, but do current metrics point to a need to enhance certain aspects of MCSO service. The Committee reviewed the calls for service. There were two metrics in MCSO service calls, one initiated by a Deputy and the other initiated by a member of the public. The following graphs illustrate the highest types of calls.

**Chart 1: Carefree MCSO Call Data - Initiated by Public**



Source: MCSO Reports FY2020-2021



**Chart 2: Carefree MCSO Call Data - Initiated by Deputy**

Source: MCSO Reports FY2020-2021

Regardless of how the calls for service were initiated (by a Deputy or the public) these combined metrics verify that Carefree has a very low crime rate and is fundamentally a very safe community. According to MCSO no felonies have been reported within Carefree in the last few years.

However, due to increased traffic within the region, Carefree continues to experience a high volume of traffic violations. Calming the traffic coming through Town has always been a significant concern for many Carefree residents. Increasing patrols is one method to adjust the behavior of the bad actors, however the Town is beginning to explore other more cost-effective options to calm traffic such as the use of roundabouts to slow traffic and create safer pedestrian crossings. In addition, some residents have suggested the use of technology which can provide a more consistent approach to change the behavior of the bad actors and provide safer streets. Obviously, there will need to be more public engagement with these solutions to further mitigate the concerns regarding the calming of traffic traveling through the community.

MCSO presented to the Committee regarding public safety in Carefree from the law enforcement perspective. In summary, the presentation stressed that Carefree is a very safe community and the existing levels of service were adequate. Traffic enforcement has and will always be a concern due to the large volume of traffic passing through the community at peak seasonal times and solutions exist such as photo radar, that are an effective means to calm traffic without adding officer patrols. MCSO is currently reviewing protocols to ensure they can support the use of photo radar in the future if the Town chooses to adopt such a program. Currently, additional traffic patrol presence is deployed during high traffic periods of time. Of note, there is a high level of false security alarm calls within the community and it was suggested by MCSO that the Town consider a new license and fine schedule to encourage continual maintenance of alarms to minimize unnecessary law enforcement responses. This would allow for more efficient use of patrol resources.

## **SECTION THREE: Factors Influencing the Future of Public Safety Services in Carefree**

In addition to understanding the past and current context of Carefree's public safety services, the Carefree Public Safety Committee gathered and reviewed information it believed to have significant bearing on the future of public safety services provided by the Town – particularly fire and emergency medical response services. The following section provides a summary of the Committee's key areas of consideration and findings, upon which the Recommendations in Section Five of this report are based.

### ***Evolving circumstances/issues within the region and state***

The American West is experiencing warmer and dryer weather patterns. Extended drought, higher average annual temperatures, and increases in population have resulted in increased wildfire threats. These threats became a local reality in May 2020, when two wildfires rapidly spread within the Town of Cave Creek.

In addition to increased risks of wildfires across the West, local communities and municipalities across the US are experiencing significant increases in the costs of fire and medical emergency response services. In many communities, the cost of these services represents the largest single public expenditure as a percent of total budget. This trend is expected to continue as fire and emergency medical service costs continue to climb. The Town of Carefree is not unique with respect to facing these challenges.

### ***Evolving circumstances/issues in the Town of Cave Creek***

In May 2020, two wildfires started and rapidly spread within the Town of Cave Creek. During these fires hundreds of acres were burned and numerous residential structures were destroyed. The Town of Cave Creek has had no fire protection or emergency medical services delivered as a municipal function. Instead, these services have been delivered through a subscription service between Rural Metro and individual property owners, much like how those services were delivered in Carefree prior to the initiation of the Master Contract in 2007. It was reported that the most recent participation rate in the subscription service of homeowners in Cave Creek was about 40%.

Because of the necessary regional response (firefighting assets and personnel were dispatched from all corners of the Valley) to fight the May 2020 fires and the Town of Cave Creek's lack of investment and commitment in a fire and emergency service program, following the May fires the responding fire and emergency agencies (most notably the City of Phoenix, the City of Scottsdale and the Daisy Mountain Fire District) requested that the Town of Cave Creek invest in fire and emergency resources as neighboring fire agencies could not fill the gap, nor were they willing to bear the brunt in future, of the Town of Cave Creek's lack of fire service. It was implied that if Cave Creek did not make such an investment, future responses to fire emergencies could be in jeopardy.

This request began a process in early 2021 within the Town of Cave Creek to clarify how the Town was going to provide fire and emergency services to the community. Through this process the Town of Cave Creek has recently adopted a model like Carefree where the local community owns the fire station and assets while contracting out for the fire and emergency service corps.

Based on the results of their planning process, the Town of Cave Creek recently purchased the existing fire station, located in Cave Creek and currently housing Rural Metro E825. Additionally, the Town has agreed to a Master Contract with Daisy Mountain Fire District and completed the training of firefighters (many of which were Rural Metro fire fighters) for the assumption of duties to occur in January 2022. One of the outcomes with the Town of Cave Creek partnering with the Daisy Mountain Fire District (DMFD) is that it permits the Town of Cave Creek to qualify, through DMFD, to become a partner in the automatic aid dispatch system.

The Town of Cave Creek is estimating approximately \$2.5 million annually for the first (of potentially one and a half) station(s). Based upon an analysis presented to the Cave Creek Town Council by Rounds Consulting in November 2021, Cave Creek is currently planning to cover these additional operational costs exclusively through existing sales tax revenues, with initial capital costs to be funded from the Town's current operating cash surplus in addition to changes to its water system financing and rate structure.

As the Town of Cave Creek solidifies their own fire and emergency service program, the Town of Carefree needs to be cognizant of how these changes will impact the level of services in Carefree. For example, Cave Creek's recent purchase of the fire station which housed Rural Metro E825 will necessitate the relocation of this engine company.

Rural Metro has stated that they currently have subscribers located within the County Islands south of Carefree Highway and north of Dynamite Boulevard. The location of the E825 fire station is important in serving both these County island customers as well as to provide response coverage to the Carefree neighborhoods on the southwest side of Black Mountain. Rural Metro is currently investigating several options to relocate E825 to serve these locations but in the interim, Rural Metro and Carefree have agreed to locate E825 in the Carefree station. Therefore, both E821 and E825 will be operating from the Carefree station with Rural Metro compensating Carefree for the additional usage of the station.

Additionally, because Rural Metro and Daisy Mountain Fire District do not have an operational mutual aid agreement, E821 which frequently responded into Cave Creek, will no longer be available to respond to calls in Cave Creek. While a mutual aid agreement would be obviously beneficial to both Rural Metro and Daisy Mountain, negotiations between these two entities have not been successful to date. It is hoped that these two agencies can work towards a reciprocal relationship for the betterment of all communities they serve.

Finally, because Rural Metro holds the CON (Certificate of Necessity – refer the Section Two above for description) to serve Cave Creek with ambulance service, it remains unclear how Daisy Mountain will interface with Rural Metro's ambulance when needed. This could result in conflicts and uncertainty in response protocols.

### ***Mutual Aid versus Automatic Aid***

As mentioned above, one of the outcomes of Cave Creek partnering with the Daisy Mountain Fire District (DMFD) is that it permits the Town of Cave Creek to qualify through DMFD to become a partner in the automatic aid dispatch system.

Automatic aid is a partnership where qualified and accepted fire department participants within the Phoenix/Mesa metropolitan area are regionally dispatched through a central Computer Automated Dispatch (CAD) system. This CAD system permits the closest and most appropriate fire and emergency equipment to be seamlessly dispatched to an incident/call regardless of jurisdictional boundaries. That is for example, if an incident occurs in the City of Phoenix but the closest fire asset is a City of Scottsdale fire engine, the Scottsdale asset will be automatically dispatched.

In addition to dispatch, there are several other aspects of the automatic aid system worth noting:

- Participants in the system have access to all the assets of other participants – for example, ladder trucks, specialty rescue teams, hazardous material teams, helicopters and so on
- Admission to automatic aid requires adherence to standards established by the Life and Safety Council which include items such as automatic dispatch infrastructure, specific training for firefighters and minimum staffing levels of four fire fighters per fire engine.
- Additionally, admission requires a determination by the Life and Safety Council that the applicant will enhance and bring value to the system.

This dispatch system is different than the mutual aid system that Rural Metro as well as a balance of the state operate within. The mutual aid system is based on radio requests for assistance and the request can be declined based upon the decision of the requested department.

To better understand the idiosyncrasies behind the two dispatch systems - automatic aid vs. mutual aid, officials from Rural Metro, Daisy Mountain Fire District, the City of Scottsdale as well as officials working to assist the Town of Cave Creek presented to the Public Safety Advisory Committee. In addition, Rural Metro, DMFD and Scottsdale provided the Committee a high-level estimate to understand not only the various levels of service but the associated initial startup costs and potential ongoing operational costs. Table 3 below is a summary of these services and associated costs.

**Table 3: Comparative Cost and Service Levels Between Automatic Aid and Mutual Aid Options**

Dispatch System	Mutual Aid	Automatic Aid	
Provider	Rural Metro	Daisy Mountain Fire District	City of Scottsdale Fire Department
Estimated startup costs	None	\$515,000	\$648,000
Estimated Annual Costs	<ul style="list-style-type: none"> <li>Year 1,2,3 = \$1.85MM;</li> <li>Year 4 &amp; 5 increases based upon future labor contract</li> </ul>	<ul style="list-style-type: none"> <li>Year 1 = \$2.4MM</li> <li>Future annual escalators up to 5% as determined the Fire Board</li> </ul>	<ul style="list-style-type: none"> <li>Year 1 = \$2.9 MM</li> <li>Future annual escalators determined by the Scottsdale City Council</li> </ul>
Personnel Model	<ul style="list-style-type: none"> <li>3 Firefighter per engine</li> <li>Ambulance simultaneously dispatched with an additional paramedic and EMT</li> </ul>	<ul style="list-style-type: none"> <li>4 Firefighters per engine</li> <li>Ambulance separately dispatched</li> </ul>	<ul style="list-style-type: none"> <li>4 Firefighters per engine</li> <li>Ambulance separately dispatched</li> </ul>
Training	X	Additional procedural Auto Aid response training	Additional procedural Auto Aid response training
Fire Investigation	X	X (possible additional expense)	X (possible additional expense)
Fire Marshall	X	X (possible additional expense)	X (possible additional expense)
Emergency Manager	X	X (possible additional expense)	X (possible additional expense)
Hold CON for EMS within Carefree	X	No	No
Fire Hydrant Inspections	X	X (possible additional expense)	X (possible additional expense)
Vehicle Maintenance	Parts plus 6% for labor	Unknown	Unknown
Fire House Utilities included	X	No	No
Insurance	X	Unknown	Unknown
Grant Writing included	X	Unknown	Unknown
Community outreach programs	X	Unknown	Unknown
Employee Retirement Costs	401K	Public Safety Pension Tier III	Public Safety Pension Tier III

*Source: Presentations and materials from fire and emergency agency representatives*

The current FY 2022 Master Contract cost with Rural Metro is budgeted at approximately \$1.58 million. Based on the presentations:

- Rural Metro suggested an increase of approximately \$275,000 for a new Master Contract, bringing the total cost to \$1.859 million.
- Daisy Mountain suggested an increase of approximately \$790,000, bringing the total cost to \$2.37 million. Additionally, one time costs associated with startup would be approximately \$515,000.
- Scottsdale suggested an increase of approximately \$1.29 million, bringing the total cost to \$2.87 million. Additionally, onetime costs associated with startup would be approximately \$683,000.

A significant percentage (roughly an average of 35%) of the difference in operational costs between Rural Metro and the other two departments is staffing levels. Rural Metro staffs the fire engine with three firefighters while the other two departments staff an engine with four firefighters. If Rural Metro were to staff the fire engine with four firefighters, the estimated costs of its proposal would increase by approximately \$236,500.

While the estimated cost information delivered to the Committee by the various fire departments and districts was valuable, the Committee requested the Carefree Town Manager to prepare a Request for Proposal so that each agency could provide a more detailed level of information. Some of the answers that were sought by the Committee included:

- What requirements could the Life and Safety Council impose on Carefree for admission to automatic aid? The Committee was concerned as to whether the Council could require one or more additional fire stations to serve the west side of Black Mountain or the eastern areas of Carefree, and whether additional fire assets such as a brush truck would be required.
- What would be the costs for such items as fire investigations, Fire Marshall services, fire hydrant inspections, and vehicle maintenance?

Both Daisy Mountain Fire District and Scottsdale Fire Department indicated they would not respond to a Request for Proposals (RFP) without assurance from the Carefree Town Council that it was committed to automatic aid exclusively. There was also an indication that they would not compete against each other in responding to an RFP. This made it difficult to determine more specific “all in” startup and future operational costs. Therefore, to gain additional clarity, the Town Administrator sent a request to the executive committee of the Central Arizona Life Safety Council to begin discussions regarding how Carefree could best participate in a regional first responder program given a lack of detailed information regarding start up and operational fees. To date, the executive committee of the Central Arizona Life Safety Council has not responded to this request.



## SECTION FOUR: The Financing of Carefree Public Safety Services

With potential cost increases for a new Master Contract running between \$275,000 (Rural Metro) and \$1.29 million (Scottsdale, not including almost \$700,000 in startup costs), the Committee felt it prudent to examine how the Town of Carefree might pay for these increases and for public safety services in total. The Committee's examination was limited, but did include a cursory review of Town revenues, expenditures for operations, the Fire Fund, and the Capital Reserve Fund. The examination also included a high level analysis of two options for additional funding: an increase in the sales tax and the imposition of a property tax.

### **Town Revenue**

The Carefree FY 2022 adopted operating budget anticipates slightly over \$7 million in revenues with approximately 80% coming from local sources and 20% from the state. The locally generated portion is composed of the 3% local sales taxes (at \$3.75 million) and user fees and interest payments (at \$1.93 million). The \$1.38 million of state shared revenues are based on state shared income and sales taxes, vehicle license taxes, and various grants. The Town does not levy a property tax.

The sales tax – Carefree's primary revenue source – is a notoriously volatile source of revenue, particularly at the local level. Table 4 below illustrates this showing total Carefree sales tax collections over the last twelve fiscal years together with the year over year percentage change.

**Table 4: Total Local Sales Tax Revenue FY2010-2021**

<b>Fiscal Year Ending June 30</b>	<b>Collections</b>	<b>Percent Change</b>
<b>FY10</b>	\$2,674,685	
<b>FY11</b>	\$2,685,710	0.4%
<b>FY12</b>	\$2,886,242	7.5%
<b>FY13</b>	\$2,778,723	-3.7%
<b>FY14</b>	\$2,853,766	2.7%
<b>FY15</b>	\$3,299,979	15.6%
<b>FY16</b>	\$3,382,988	2.5%
<b>FY17</b>	\$3,073,836	-9.1%
<b>FY18</b>	\$3,564,947	16.0%
<b>FY19</b>	\$3,834,622	7.6%
<b>FY20</b>	\$3,596,448	-6.2%
<b>FY21</b>	\$4,870,025	35.4%

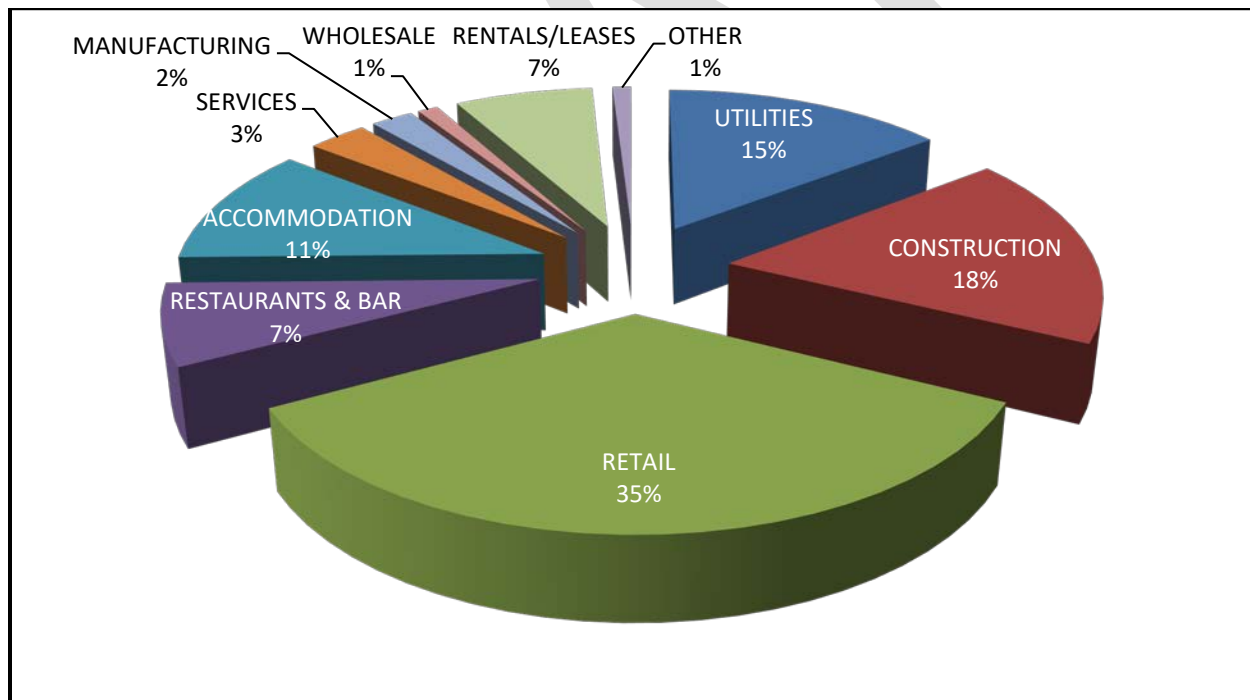
*Source: Arizona Department of Revenue*

Of the 11 years of where year over year growth was measured, three have been negative and three of the eight increases have been over 15%, with the most recent year showing an increase of over 35%.

The FY 2021 sales tax receipts are a prime example of the volatility of the revenue source and the difficulty associated with managing a budget largely based on sales taxes. Consider that the FY 2022 budget was adopted by the Town Council on June 1, 2021. At that time, the budget included a sales tax estimate of \$3.75 million. This was an entirely reasonable estimate given that for the eleven months prior to June collections had averaged about \$352,000 (annualized at \$4.2 million), the previous year's collections had fallen by over 6%, and the COVID-19 pandemic emergency was continuing. Shortly after budget was adopted, the state reported to the Town that June collections exceeded \$1 million – almost three times the average monthly collection for the year! While this example was a pleasant surprise for the Town, it illustrates the challenges associated with a sales tax driven budget.

Much of the volatility of Carefree's sales tax is due to the composition of the sales tax base. The following pie chart displays the ten-year average sales tax percentages of the business categories subject to the tax. Over 70% of the sales tax revenue originates from 4 business sectors: retail, construction, accommodations, and restaurants and bars. These are all sectors that, to varying degrees, are subject to the vagaries of the economic cycle, and three of the four are dependent on the success of the brick-and-mortar establishments in the Town, particularly those businesses that support tourism.

**Chart 3: Carefree Sales Tax Revenue by Industry (last 10 FYs)**



Source: Carefree Fiscal Year 2021-2022 Budget Report

### **Town Expenditures**

The Carefree FY 2022 adopted budget anticipates approximately \$6.2 million in operating expenditures, with \$1.93 million devoted to salaries and benefits for the 17 full time employees, \$1.75



million allocated to general supplies and materials, utilities, equipment replacement and other operating costs, and \$2.12 million dedicated to the contracted public safety services.

A cursory review of the operating budget does not reveal any particularly unusual expenditures but is remarkable to the extent that it is some \$845,000 below budgeted operating revenues. This fact leaves the reviewer with the impression that the Town budget is lean and very fiscally conservative.

### ***The Fire Fund***

The 3% sales tax discussed above includes a 1% sales tax that is deposited in a Fire Fund and is dedicated to funding the costs of the Master Contract for fire and emergency services. The Town implemented this one percent increase in 2005 to fund the costs of the Master Contract with Rural Metro that was to start in 2007. All monies from the tax increase were, and continue to be, deposited in the Fire Fund. The early implementation of the sales tax provided the Town a buffer to assume the expenses associated with the new Master Contract.

This original surplus in the Fire Fund served the community well until 2010 when the downward cycle of the Great Recession significantly reduced the Town's revenues. When the contraction in the economy was paired with the inflationary escalators of the Rural Metro contract, it led to what is termed a structural deficit – monies in the Fire Fund were insufficient to fully fund the Master Contract. The annual deficit was funded through a transfer from the Town's General Fund. It is important to note, that even with a renegotiated contract in 2013 to reduce the cost of the contract, the inflationary increases in the Master Contract have outpaced the growth in the Fire Fund revenue stream. In fact, between FY2010-FY2020 the Town experienced an annual average structural deficit of \$407,000 (see below Table 5).

***Table 5: Fire and Emergency Services Structural Deficit (FY2007-2020)***

<b>Fiscal Year</b>	<b>General Fund</b>	<b>Fire Fund</b>	<b>Total Contract</b>
<b>FY07</b>	\$0	\$574,150	\$574,150
<b>FY08</b>	-	1,216,071	1,216,071
<b>FY09</b>	-	1,264,714	1,264,714
<b>FY10</b>	447,846	837,947	1,285,793
<b>FY11</b>	548,043	767,260	1,315,303
<b>FY12</b>	455,971	911,943	1,367,914
<b>FY13</b>	299,861	946,434	1,246,295
<b>FY14</b>	442,575	834,884	1,277,459
<b>FY15</b>	414,513	892,322	1,306,835
<b>FY16</b>	446,503	893,006	1,339,509
<b>FY17</b>	405,078	967,919	1,372,997
<b>FY18</b>	348,583	1,063,539	1,412,122
<b>FY19</b>	388,655	1,053,850	1,442,505
<b>FY20</b>	279,668	1,198,900	1,478,568
<b>FY21</b>	-	1,515,532	1,515,532

Source: Jim Keen, Town Auditor

The annual deficit situation in the Fire Fund changed radically in 2021, given the extraordinary increase in that year's sales tax collections. The record 35% increase generated over \$1.6 million in Fire Fund taxes, and allowed the General Fund to avoid subsidizing the Fire Fund for the first time since 2009.

While the 2021 situation was welcomed, it is clear that the existing 1% dedicated Fire Fund tax cannot consistently fully fund the existing Master Contract, let alone any increase in costs.

### ***The Capital Reserve Fund***

The fiscally conservative nature of the operating expenditure budget carries over to the Capital Reserve Fund. The FY 2021 audit reveals that the Fund contains approximately \$13.8 million, significantly exceeding the \$6.2 million of budgeted operational expenditures. Additionally, the Fund has grown by approximately \$7.1 million over the last ten years, despite the fluctuations in the sales tax collections and the necessity to subsidize the Fire Fund for nine out of the past ten years.

The Town has informally earmarked \$2.5 million of the Fund as a "rainy day fund" that has been maintained (untouched) since at least 2010 and has not been utilized despite significant downturns in the economy and the above-mentioned declines in local sales tax revenues. This is evidence of the Town's conservative fiscal management. Table 6 below illustrates the change in the Fund over the last ten years.

***Table 6: Capital Reserve Fund Balances (FY2011-2021)***

<b>Year End June 30</b>	<b>Annual Town Revenues</b>	<b>Annual Town Expenditures</b>	<b>Net Added or (Subtracted) from Fund Balance</b>	<b>Ending Capital Reserve Fund Balance</b>
<b>2021</b>	\$9,016,222	\$6,174,989	\$2,841,233	\$13,767,125
<b>2020</b>	7,637,329	6,957,727	679,602	10,925,892
<b>2019</b>	7,429,577	6,174,967	1,254,610	10,246,290
<b>2018</b>	6,634,514	5,210,422	1,424,092	8,991,680
<b>2017</b>	5,695,882	5,101,891	593,991	7,567,588
<b>2016</b>	6,449,172	6,420,600	28,572	6,973,597
<b>2015</b>	6,031,736	5,069,601	962,135	6,945,025
<b>2014</b>	5,407,765	5,485,460	(77,695)	5,982,890
<b>2013</b>	4,997,639	5,543,196	(545,557)	6,060,585
<b>2012</b>	4,857,176	4,869,402	(12,226)	6,606,142
<b>2011</b>				6,618,368

*Source: Town of Carefree Audited Financial Statements*

The balance of the Fund after reserving \$2.5 million for the rainy day fund, some \$11.3 million, is reserved for capital projects, most notably for the maintenance, repair, and replacement of the 110 lane miles of public streets. While street maintenance is a major purpose of the Fund, over the years the monies in the Fund have been used for Town Center improvements, public works equipment, and

the purchase of buildings for both the Town Hall, Town Council Chambers, the Fire Station and all associated equipment and apparatus.

The primary funding source for the Fund is the surplus of Town revenues over operational expenses – the annual surplus.

To manage the road maintenance portion of the Fund, the Town is guided by a Pavement Preservation Maintenance Plan that outlines the projects to be completed and the estimated costs. The last plan was prepared in 2012 and is currently in the process of being updated. It is reported that there are currently two major road projects under consideration that would cumulatively address approximately 45% of the Town's streets and cost approximately \$7 million.

The Town's managers are understandably protective of the Capital Reserve Fund as it is the critical funding source to maintain the Town's largest assets and liability, the public streets. There is concern that diverting the Fund to pay for operations would be a dangerous precedent which would result in reduced infrastructure maintenance and more costly repairs over the long term.

### ***Options for Additional Funding***

Earlier in this report it was indicated that the costs for a new Master Contract would increase – regardless of whether the Town went with a renewal of the Rural Metro contract (and the mutual aid model) or a new contract with Daisy Mountain or the City of Scottsdale (with their automatic aid models). The anticipated contract costs and increases over the FY 2022 contract costs are presented in Table 7 below:

***Table 7: Comparison of Estimated Town Expenditure Impacts Across Providers***

Fire Service Provider	DMFD	SFD	RMFD
Estimated Operating Costs (Year 1)			
<b>Personnel Services</b>	1,852,854	2,048,595	-
<b>Dispatch &amp; Radio Fees</b>	62,378	62,378	-
<b>Assumed Indirect Costs</b>	459,000	759,644	-
Total Year 1 Estimated Operating Costs	<b>2,374,232</b>	<b>2,870,617</b>	<b>1,859,000</b>
<b>FY22 Current Contract w/ RMFD</b>	1,584,033	1,584,033	1,584,033
Annual Expenditure Increase	<b>+790,199</b>	<b>+1,286,584</b>	<b>+274,967</b>
Estimated One Time Start Up Costs			
<b>Personnel Services</b>	300,500	468,980	0
<b>Dispatch &amp; Radio Fees</b>	168,025	168,025	0
<b>Assumed Indirect Costs</b>	46,910	46,910	0
Total Estimated Start Up Costs	<b>515,435</b>	<b>683,915</b>	<b>0</b>

Source: Presentations and materials provided by RMFD, SFD and DMFD during Committee meetings and follow on written correspondence.

Given the increasing costs of a future Master Contract, it's clear that the Town's fiscal world will change. It seems that there are two options for the Town: leverage the Capital Reserve Fund or increase taxes.

With respect to the Capital Reserve Fund, there are various aspects to consider:

- Over the last ten years deposits into the Fund have exceeded the increase proposed by Rural Metro six times, for Daisy Mountain four times, and for Scottsdale two times. This indicates that it may be a risky proposition for the Town to absorb the increased operating costs of the new Master Contract without invading the corpus of the Fund.
- Capital Reserves have mainly been funded through the collection of one time construction sales tax. As the community reaches build out with a lack of undeveloped residential lots this revenue stream will significantly diminish. Therefore, relying upon the past/recent performance of this funding is not a financially solvent position.
- There are informal commitments for the principal of the Fund - \$2.5 million for a rainy day, \$7 million for the next generation of the Pavement Preservation Program, and as discussed later in the report, \$750,000 for a new fire engine. There may be other informal commitments for the Fund of which the Committee is unaware. Also, if the Town were to contract with either Daisy Mountain or Scottsdale, there would be a need for between \$500,000 and \$700,000 in onetime costs.
- Increases in future operating costs of a new Master Contract are unknown – while Rural Metro has pledged a firm price for the first three years of a contract, the other two departments will adjust their pricing based upon the budgets approved for their departments by their respective governing bodies.

The ultimate decision as to whether leveraging the Capital Reserve Fund would or would not be a wise decision rests with the Town Council. The Committee considered it as a concept, and as an alternative, explored two options for a tax increase: the sales tax and the property tax. The following discussions present the benefits and drawbacks of additional revenues from these two revenue sources.

### ***The Sales Tax Option***

As previously discussed, the sales tax is the primary revenue source for the Town. Therefore, it is logical that should there be a need for an increase in revenues, the Town would look to increasing the sales tax rate. The benefits of a sale tax rate increase include:

- The sales tax is simple and straight forward
- There already exists a 1% sales tax dedicated to the Fire Fund (3% total rate)
- Sales taxes generally grow over time as economic activity grows

There are also significant drawbacks associated with sales tax to fund fixed operating costs such as public safety. Those drawbacks include:

- The tax is not very well aligned with the benefits received from fire protection, e.g., part time residents of Carefree benefit from fire protection while they are not in residence, and when not in residence, they are not contributing sales taxes.
- While sales taxes grow when economic activity grows, they also follow the downward path of economic activity when recessions occur. For a fixed cost such as fire protection, this is not a desirable characteristic.
- If the sales tax rate for Carefree were to significantly exceed the rate of surrounding communities, economic activity may migrate to lower rate jurisdictions.

To estimate what level of tax increase would be necessary for the increased costs of a new Master Contract, the revenue yield per percentage point in the rate must be decided upon. Over the past 10 years, the average amount raised per percentage point is approximately \$1 million; the FY 2022 budget was based on \$1.25 million per percentage point, and actual FY 2021 collections came in at about \$1.6 million per point. For the estimates that follow, it was assumed that the yield of a sales tax increase would be \$1.4 million per percentage point.

Based on this yield and the high-level estimates provided by the various departments, the following Table presents the rate increase that would be necessary to fund the first-year costs of the three departments. Table 8 below also presents what the total Town rate would be and the total sales tax rate (including the state and county rates) that would apply in Carefree.

***Table 8: Sales Tax Increases Needed to Fund Proposed Annual Fire Services Operating Costs***

<b>AGENCY</b>	<b>Fire Service Cost Estimate for initial year</b>	<b>Existing Fire Fund Sales Tax Rate</b>	<b>Increase in sales tax to cover total costs of contract</b>	<b>New Fire Fund dedicated sales tax</b>	<b>New total municipal sales tax on retail products</b>	<b>New total Sales Tax (including 5.6% State and .7% County)</b>
<b>Rural Metro</b>	\$1,860,000	1%	.33%	1.33%	3.33%	9.63%
<b>Daisy Mountain FD</b>	\$2,374,000	1%	.70%	1.70%	3.70%	10.00%
<b>Scottsdale FD</b>	\$2,870,000	1%	1.05%	2.05%	4.05%	10.35%

*Source: Cost provided by respective agencies.*

In short, if the increased annual operating costs proposed by the three departments' were to be funded by an increase in the sales tax, the Carefree sales tax rate would have to increase by .33 percentage points for the Rural Metro proposal, .7 percentage points for Daisy Mountain, and by 1.05 percentage points for Scottsdale.

Carefree (together with Cave Creek) is already at the high end of municipal sales tax as compared with the neighboring communities of Phoenix and Scottsdale. For example, Carefree's rate on retail, construction and restaurant and bars exceed the rates imposed by those neighboring cities, and our

accommodations tax is higher than Phoenix (see Appendix A for a detailed listing of sales tax rates by surrounding communities). Whether there would be any significant migration of economic activity to nearby lower rate jurisdictions is, at this point, speculation, but is a possibility. If there were a migration of economic activity, it would also have an impact on the base sales tax revenues which are the backbone of the Town's finances.

### ***The Property Tax Option for Operating Costs***

The property tax was examined as a funding source because it is one of the two major revenue sources available to Carefree to raise revenues. As with the sales tax, there are both advantages and disadvantages associated with the tax.

The major advantages of the property tax – in addition to its revenue raising capacity – are:

- It is relatively closely aligned with the general perception that the cost for fire protection should be correlated with the size and value of the structures being protected.
- It is generally a stable revenue source that is well suited to funding fixed costs such as fire protection.
- It is largely immune to the “free rider” problem with the sales tax – part time residents will pay their share of fire protection costs regardless as to their presence in Carefree.
- The Legislature has placed several limits (an annual levy growth limit of a 2%, the so-called “truth in taxation” process, a valuation growth limit of 5%) on the tax that prevent “runaway” property tax bills (see Appendices B and C).

There are of course, significant downsides to the property tax:

- Of all the taxes, the property tax is probably the most unpopular.
- Carefree does not presently have a property tax so getting one approved may be politically challenging.
- The property tax in Arizona is somewhat complicated and the imposition of a new property tax will require approval from the Town Council as well as a vote of the people.
- With the levy limits imposed on jurisdictions (generally speaking – 2% growth per year) the tax may not “keep up” with potential escalator clauses in any new Master Contract.

Several analyses were conducted by the Committee to explore the property tax option. These analyses included determining: the potential tax rate, the distribution of tax burden between the various property tax classes, and the average cost by parcel by legal class, among others.

Based on the Tax Year 2021 tax rolls, if a property tax were to be levied to fund the full cost of the initial year operating costs under the proposals from the three departments, the tax rates per hundred dollars of limited value assessed valuation would be:



- For Rural Metro: \$1.03
- For Daisy Mountain: \$1.32
- For Scottsdale: \$1.59

The above tax rates would fully fund the first year operating costs. As a result, it would be possible to at least reduce, if not eliminate the existing one percent sales tax that supports the Fire Fund. If, instead of funding the entire Master Contract operating cost it was decided to maintain the 1% sales tax (assuming it generates \$1.4MM annually) and assess a property tax to make up the deficit (what the dedicated 1% sales tax does not cover), the tax rates per hundred dollars of limited value assessed valuation would be:

- For Rural Metro: \$.25
- For Daisy Mountain: \$.54
- For Scottsdale: \$.82

Table 9 below depicts the property tax rates for jurisdictions surrounding Carefree. A complicating aspect of the Arizona property tax is that there are two types of taxes levied: the primary property tax which generally supports the operations of major jurisdiction types (counties, cities and towns, school districts and community college districts) and the secondary property tax which funds overrides (for all jurisdiction types), bonds and special districts (such as fire districts, lighting districts, improvement districts, etc.).

Based upon the chart below, when comparing it to the scenario in which the entire operating costs of a Master Contract would be covered by a property tax, the assessment needed to this fund a Master Contract with Rural Metro, Daisy Mountain and Scottsdale Fire Departments would each exceed the combined tax rates for Scottsdale but would be well below the tax rates for Daisy Mountain and Phoenix. On the other hand, if the 1% sales tax dedicated to the Fire Fund is maintained, and assuming this generates \$1.4 MM annually, the property tax rate to make up the deficit would all be well below the rates assessed by nearby taxing entities.

**Table 9: Property Tax Rates in Surrounding Area**

Taxing Entity	2021 - 2022 Tax Rate (Per \$100 NAV*)		
	Primary	Secondary	Total
City of Phoenix	\$ 1.3055	\$ 0.8141	\$ 2.1196
City of Scottsdale	0.5039	0.5042	1.0081
Town of Carefree	0	0	0
Town of Paradise Valley	0	0	0
Town of Cave Creek	0	0	0
Daisy Mountain Fire District	0	3.4729	3.4729

\* See Appendix D for definition and more detailed explanation  
Source: Agency financial documents

In terms of impact to property owners, based upon the average parcel value, levying the tax rate that would fully fund the Master Contract with Rural Metro at \$1,860,000, it would cost the average owner-occupied primary residence in Carefree (at a value of about \$597,000) about \$615 per year. The cost to the same residence if the 1% sales tax dedicated to the fire fund was maintained (assuming it generates \$1.4 MM) and assessing a property tax to satisfy what the dedicated sales tax does not cover would be \$149. It is important to note that the limited value of property under the Arizona property tax system is significantly below its market value.

For a detailed presentation on the composition of the Carefree property tax base and the impact of the calculated taxes to fund the proposed Rural Metro Master Contract amounts, please see Appendix D. That Appendix also includes definitions of terms used in the world of property taxation in Arizona.

### ***Options for Funding the Capital Costs of a New Master Contract***

Whether the Town decides to continue its relationship with Rural Metro or decides to pursue a Master Contract with either Daisy Mountain or Scottsdale, there will be the need for new capital expenditures.

With any option, there appears to be a need for a new fire engine. The current engine is 15 years old, and its manufacturer has gone out of business. This makes replacement parts difficult to find.

If the town chooses to pursue a Master Contract with Daisy Mountain or Scottsdale, there are capital and other one-time costs associated with joining Automatic Aid.

A new fire engine could cost \$750,000 and the costs of joining Automatic Aid will cost a minimum of \$500,000 and could be higher depending on the specific requirements imposed on the Town by the governing body of the Automatic Aid system.

There are several options to fund the capital and one-time costs associated with the new Master Contract. Among the options are:

- Pay cash and reduce the annual transfer to the Capital Reserve Fund, or in the alternative, pay the costs out of the Fund. This approach would reduce the amount available for capital expenses, most notably roads.
- Maintain the existing Fire Fund sales tax for some number of years while levying the full operating costs for the Master Contract on the sales or property tax. Maintaining the existing Fire Fund sales tax would allow for the funding of the capital expenses as well as acting as a buffer against Master Contract cost escalators that are greater than the growth in taxable activity, or in the property tax levy that is allowed per State law.
- Issue bonds for the capital expense. While the bond issue would be very modest in the municipal bond world, it is conceivably possible. The bonds could be general obligation, meaning that they would be serviced and retired with an additional property tax. Alternatively, the bonds could pledge General Fund revenues. This option has not been explored in any depth.



- Increase the amount of the initial property tax levy to pay for capital expenses, either in one year or over a couple of years. This option would drive the tax rate up but has the advantage of establishing an initial property tax levy that, when grown by the 2% annual limit, would offer some room to accommodate the Master Contract escalator increases. Note that the levy limit grows regardless of the actual levy. That is, the limit grows even if the actual levy is not at the limit – this is the opposite of “use it or lose it”

These options should be considered by the Town staff and financial advisors, as well as the Town Council.

A final option for capital and other onetime costs would be to find a grant. Working with Rural Metro the Town has been very successful in obtaining grants to replace depreciated assets such as radio equipment, breathing apparatus and technical rescue equipment. It is unclear whether Daisy Mountain or Scottsdale would assume this grant writing service under their proposals.

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## SECTION FIVE: Public Safety Advisory Committee Recommendations for Carefree Town Council Consideration

Based upon an extensive and thoughtful review process, and a careful assessment of the information gathered and available to the Committee during its deliberations and summarized in this report, the Carefree Public Safety Advisory Committee makes the following recommendations to the Carefree Town Council for their consideration. These recommendations are offered to assist the Town Council in making informed policy decisions regarding the future of public safety services and finances in the Town of Carefree.

### Recommendation #1:

The Public Safety Advisory Committee recommends that the Town of Carefree Town Council establish a 3-5 year contract for fire service with Rural Metro beginning July 1, 2022, under the following conditions:

- Rural Metro and the Town of Carefree have mutual aid agreements in place with bordering fire departments, agencies and districts; and jurisdictional/call boundaries and protocols are worked out and documented.
- There is demonstrated and assured ability by Rural Metro to respond to fire and medical emergencies within Carefree town boundaries including west of Black Mountain, within 6 minutes of station notification by alarm room.

### Rationale for Recommendation

- Lowest contract operating cost of options presented
- No startup costs
- Three fire personnel on the engine appears sufficient to serve Carefree as long as an ambulance with two additional personnel is dispatched with the engine – this model has served Carefree well historically
- Existing satisfactory service and response track record – good and proven working relationship between Rural Metro and the Town of Carefree
- Town retains a degree of political and decision-making control of fire service
- The Town does not presently have the financial capacity to participate in automatic aid
- The 3-5 year contract period allows the Town of Carefree to consider, and if necessary, plan and develop the financial and physical capacity to join the automatic aid system at some future date. There is a need to develop clear cost estimates (both operational and capital expenditures) and a revenue plan for financing increased fire service expenditures.

### Recommendation #2:

The Public Safety Advisory Committee recommends that the Town of Carefree apply/work with the Central Arizona Life Safety Council for inclusion into the automatic aid system as it becomes financially and practically possible to do so.

### Rationale for Recommendation

- Applying for inclusion to automatic aid now will assist in identifying, with certainty, the costs and other considerations (including the Certificate of Necessity (CON) for ambulance services) of participating in automatic aid that should be factored into the revenue strategy.
- Developing the financial capacity to participate in the automatic aid system will take time. The groundwork can be laid while the Town deliberates on its revenue options in the next 3-5 years, regarding how best to pay for the increased costs to participate in automatic aid. The estimated operating costs of automatic aid today are roughly 25-50% higher than a potential ongoing mutual aid arrangement and contract with Rural Metro. In addition, there are significant startup costs and capital outlays to participate in automatic aid. These costs must be firmly identified and a revenue plan developed before a formal commitment to an automatic aid partnership can be made.

### **Recommendation #3:**

The Public Safety Advisory Committee recommends that the Town of Carefree develop a revenue strategy to pay for fire and emergency services (as well as law enforcement costs) that may include a mix of the existing dedicated sales tax as well as a new dedicated property tax. If a property tax is included in the strategy, a referendum should be presented to the voters for approval within three years. Further, PSAC recommends:

- The strategy should include law enforcement costs, in addition to fire and emergency services, in total public safety expense forecasts and budgets.
- The strategy should include anticipated future capital expenditures to replace and update existing equipment as well as a detailed expenditure analysis of future participation in automatic aid.
- Town Council should consider re-establishing license requirements and penalties for repeated residential and commercial fire and security false alarms.

### Rationale for Recommendation

- Existing dedicated sales tax revenue is not sufficient to cover the costs of current and future fire and emergency services. The Town has experienced an annual average \$400k shortfall requiring the Town to make up the “loss” with General Fund revenue.
- The need for the Town to consider a property tax to pay for fire and emergency services exists under both the current (and recommended) option of contracting with Rural Metro under mutual aid agreements AND under any potential future scenarios where the Town might choose to be part of automatic aid through contracting with another public fire response entity such as the City of Scottsdale, City of Phoenix or Daisy Mountain Fire District. The current dedicated sales tax revenue alone will not cover fire and emergency services under any scenario – particularly in periods of economic downturn.

- Sales tax revenue is highly volatile and difficult to accurately predict and budget. It is also driven by economic cycles. Fire and emergency services are inelastic costs – they remain fixed and constant over time and are not tied to economic cycles.
- The three-year time frame to consider a property tax referendum acknowledges the fact that Carefree has not had a property tax to date and significant public education may be required to help citizens understand why a property tax is necessary if we want high quality fire and emergency response services provided by the Town of Carefree.

#### **Recommendation #4:**

The PSAC recommends that Town continue with the current level of contracted MCSO services.

#### Rationale for Recommendation

- By the numbers, Carefree is a low risk community with respect to crime. We have been served well by our existing relationship with MCSO. We will continue to have access to the full continuum of services offered through MCSO which sufficiently meets the law enforcement security needs of Carefree.
- As stated in Recommendation 3 above, Town Council should consider re-establishing license requirements and penalties for repeated residential and commercial fire and security false alarms. This will alleviate law enforcement false alarm calls which are significant.
- Traffic calming solutions, a significant citizen concern, are currently being studied and developed by the Town which may help alleviate traffic related law enforcement activities and reduce traffic issues without necessitating additional law enforcement personnel. The Public Safety Advisory Committee did not review nor discuss these solutions and makes no recommendation regarding them other than to note that if implemented they should result in a reduction of law enforcement demand within the Town. This supports the Committee's recommendation that the Town maintain existing levels of MCSO contracted services.

# APPENDIX



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## Appendix A: Comparison of Municipal Sales Tax Rates

TRANSACTION PRIVILEGE AND OTHER TAX RATE TABLES Effective July 1, 2021							
<i>Carefree Transaction Privilege Tax &amp; Use Tax</i>		<i>Cave Creek Transaction Privilege Tax &amp; Use Tax</i>		<i>Phoenix Transaction Privilege Tax &amp; Use Tax</i>		<i>Scottsdale Transaction Privilege Tax &amp; Use Tax</i>	
CITY/TOWN NAME: CAREFREE	TAX RATE	CITY/TOWN NAME: CAVE CREEK	TAX RATE	CITY/TOWN NAME: PHOENIX	TAX RATE	CITY/TOWN NAME: SCOTTSDALE	TAX RATE
Advertising	3.00%	Advertising	3.00%	Advertising	0.50%	Advertising	1.75%
Amusements	3.00%	Amusements	3.00%	Amusements	2.30%	Amusements	1.75%
Contracting-Prime	4.00%	Contracting-Prime	5.00%	Contracting-Prime	2.30%	Contracting-Prime	1.75%
Contracting-Speculative Builders	4.00%	Contracting-Speculative Builders	5.00%	Contracting-Speculative Builders	2.30%	Contracting-Speculative Builders	1.75%
Contracting-Owner Builder	4.00%	Contracting-Owner Builder	5.00%	Contracting-Owner Builder	2.30%	Contracting-Owner Builder	1.75%
		Feed at Wholesale	3.00%			Feed at Wholesale	1.75%
Job Printing	3.00%	Job Printing	3.00%	Job Printing	2.30%	Job Printing	1.75%
				Jet Fuel Sales (cents per gallon)	\$0.01	Jet Fuel Sales (cents per gallon)	\$0.02
Manufactured Buildings	3.00%	Manufactured Buildings	3.00%	Manufactured Buildings	2.30%	Manufactured Buildings	1.75%
Timbering and Other Extraction	3.00%	Timbering and Other Extraction	3.00%	Timbering and Other Extraction	2.30%	Timbering and Other Extraction	1.75%
Severance-Metal Mining	0.10%	Severance-Metal Mining	0.10%	Severance-Metal Mining	0.10%	Severance-Metal Mining	0.10%
Publication	3.00%	Publication	3.00%	Publication	2.30%	Publication	1.75%
Hotels	3.00%	Hotels	3.00%	Hotels	2.30%	Hotels	1.75%
Hotel/Motel (Additional Tax)	3.00%	Hotel/Motel (Additional Tax)	4.00%	Hotel/Motel (Additional Tax)	3.00%	Hotel/Motel (Additional Tax)	5.00%
Residential Rental, Leasing & Licensing for Use	3.00%	Residential Rental, Leasing & Licensing for Use	3.00%	Residential Rental, Leasing & Licensing for Use	2.30%	Residential Rental, Leasing & Licensing for Use	1.75%
Commercial Rental, Leasing & Licensing for Use	3.00%	Commercial Rental, Leasing & Licensing for Use	3.00%	Commercial Rental, Leasing & Licensing for Use	2.30%	Commercial Rental, Leasing & Licensing for Use	1.75%
				Commercial Lease (Additional Tax)	0.10%		
		Rental Occupancy	3.00%	Rental Occupancy	2.30%		
Rental, Leasing & Licensing for Use of TPP	3.00%	Rental, Leasing & Licensing for Use of TPP	3.00%	Rental, Leasing & Licensing for Use of TPP	2.30%	Rental, Leasing & Licensing for Use of TPP	1.75%
				Short-Term Motor Vehicle Rental (Additional Tax)	2.00%		
Restaurants and Bars	3.00%	Restaurants and Bars	3.00%	Restaurants and Bars	2.30%	Restaurants and Bars	1.75%
Retail Sales	3.00%	Retail Sales	3.00%	Retail Sales	2.30%	Retail Sales	1.75%
Retail Sales Food for Home Consumption	2.00%	Retail Sales Food for Home Consumption	3.00%			Retail Sales Food for Home Consumption	1.75%
				Retail Sales (Single Item Portion Over \$10,968)	2.00%		
MRRA Amount	3.00%	MRRA Amount	3.00%	MRRA Amount	2.30%	MRRA Amount	1.75%
Communications	3.00%	Communications	3.00%	Communications	4.70%	Communications	1.75%
Transporting	3.00%	Transporting	3.00%	Transporting	2.30%	Transporting	1.75%
Utilities	3.00%	Utilities	3.00%	Utilities	2.70%	Utilities	1.75%
				Wastewater Removal Services	2.70%	Wastewater Removal Services	1.75%
				Jet Fuel Use Tax (cents per gallon)	\$0.01	Jet Fuel Use Tax (cents per gallon)	\$0.02
Use Tax Purchases	3.00%	Use Tax Purchases	3.00%	Use Tax Purchases	2.30%	Use Tax Purchases	1.55%
				Use Tax (Single Item Portion Over \$10,968)	2.00%		
Use Tax From Inventory	3.00%	Use Tax From Inventory	3.00%	Use Tax From Inventory	2.30%	Use Tax From Inventory	1.55%

## **Appendix B: Legal Requirements for Establishing a Property Tax**

There are requirements in both the Arizona Revised Statutes (ARS) and the Town of Carefree Code for instituting a property tax. Presented below is the relevant text from the ARS as well as from the Town Code.

### **Arizona Revised Statutes**

#### **42-17056. Initial base levy limit if no primary property taxes were levied in the preceding tax year; subsequent levy amount**

- A. If a county, city, town or community college district did not levy primary property taxes in the preceding tax year, the governing body shall submit a proposed amount to be raised by primary property taxes for approval of the voters.
- B. The election shall be held on the third Tuesday in May before the beginning of the fiscal year in as nearly as practicable the same manner as prescribed by title 35, chapter 3, article 3. The ballot shall state that if the amount is approved by the voters, it will be the base for determining levy limitations for the county, city, town or district for subsequent fiscal years.
- C. If a majority of the qualified electors voting approve the proposed levy amount for primary property taxes, the levy applicable for the county, city, town or district for the next fiscal year shall be an amount not exceeding the approved amount.
- D. On acceptance by the voters, the governing body shall send a copy of the approved resolution to the property tax oversight commission.
- E. If the proposed levy amount is not approved, the county, city, town or community college district shall not levy a primary property tax for that year.

### **Carefree Town Code**

**Section 15-1-1** Property tax proposals. An affirmative vote of two-thirds of the members of the Carefree Common Council is required to present any property tax proposal to the registered voters of the town.

**Section 15-1-2** Property tax or increase. A majority vote of the registered voters of the Town of Carefree voting on the issue is required before any Carefree Town property tax or increase in existing Carefree Town property tax previously approved by the Carefree voters shall be enacted.

The provisions of Section 15-1-2 should be reviewed by counsel to determine if the 2% levy increase permitted under state law is subject to voter approval.



## ***Appendix C: The Statutory 2% Levy Limit***

In the discussion of the property tax it was mentioned that any property tax imposed by the Town would be subject to a “2% levy limit”. The statute prescribing the limit is presented below.

### **42-17051. Limit on county, municipal and community college primary property tax levy**

A. In addition to any other limitation that may be imposed, a county, charter county, city, charter city, town or community college district shall not levy primary property taxes in any year in excess of an aggregate amount computed as follows:

1. Determine the maximum allowable primary property tax levy limit for the jurisdiction for the preceding tax year.
2. Multiply the amount determined in paragraph 1 by 1.02.
3. Determine the assessed value for the current tax year of all property in the political subdivision that was subject to tax in the preceding tax year.
4. Divide the dollar amount determined in paragraph 3 by one hundred and then divide the dollar amount determined in paragraph 2 by the resulting quotient. The result, rounded to four decimal places, is the maximum allowable tax rate for the political subdivision.
5. Determine the finally equalized valuation of all property, less exemptions, appearing on the tax roll for the current tax year including an estimate of the personal property tax roll determined pursuant to section 42-17053.
6. Divide the dollar amount determined in paragraph 5 by one hundred and then multiply the resulting quotient by the rate determined in paragraph 4. The resulting product is the maximum allowable primary property tax levy limit for the current year for all political subdivisions.
7. The allowable levy of primary property taxes for the current fiscal year for all political subdivisions is the maximum allowable primary property tax levy limit less any amounts required to reduce the levy pursuant to subsections B and C of this section.

B. Any monies that a political subdivision received from primary property taxation in excess of the sum of the amount of taxes collectible pursuant to section 42-15054 and the allowable levy determined under subsection A of this section shall be maintained in a separate fund and used to reduce the primary property tax levy in the following year. Monies that are received and that are attributable to the payment of delinquent taxes that were properly assessed in prior years shall not be applied to reduce the levy in the following year.

C. If, pursuant to section 41-1279.07, the auditor general determines that in any fiscal year a county has exceeded its expenditure limitation, the allowable levy of primary property taxes of the county determined under subsection A of this section shall be reduced in the fiscal year following the auditor general's hearing by the amount of the expenditures that exceeded the county's expenditure limitation.



D. The limitations prescribed by this section do not apply to levies made pursuant to section 15-994 or article 5 of this chapter.

E. The levy limitation for a political subdivision is considered to be increased each year to the maximum permissible limit under subsection A of this section regardless of whether the county, city, town or district actually levies taxes in any year up to the maximum permissible amount.

F. For purposes of determining a county's levy limit under this article, remote municipal property, as defined in section 42-15251, is considered to be taxable property in the county.

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## Appendix D: Tax Rates Calculated for Assumed Rural Metro Costs

The below Table presents a plethora of information based on the tax rates calculated for the Rural Metro Master Contract costs. The Table is a presentation of the Limited Property Values by Legal Class (and other analyses) for the Town of Carefree.

	LEGAL CLASS	PARCELS	LIMITED PROPERTY	LPV ASSESSED	EXEMPT	LPV NET ASSESSED	PCT	AVG LPV	AVG Net Assessed	Levy @ \$1.03 AVG Prcl	Levy @ \$.25 AVG Prcl
<b>CITY OF CAREFREE</b>		3,460	1,693,921,879	185,008,894	4,783,181	180,225,713				\$ 1,856,325	\$ 450,564
Utilities	1 3	4	279	50	0	50	0.0%	70	13		
Utilities - Personal Property	1 3P	4	17,357,173	3,124,291	0	3,124,291	1.7%	4,339,293	781,073		
Water & Sewer Utilities	1 6	1	2,705,590	487,006	0	487,006	0.3%	2,705,590	487,006		
Water & Sewer Utilities - Pers Prop	1 6P	1	2,303,410	414,614	0	414,614	0.2%	2,303,410	414,614		
Shopping Centers	1 8	1	7,880,775	1,418,540	0	1,418,540	0.8%	7,880,775	1,418,540	\$ 14,610.96	\$ 3,546.35
Golf Courses	1 9	12	1,249,373	224,888	0	224,888	0.1%	104,114	18,741	\$ 193.03	\$ 46.85
Telecommunication	1 11	7	550,466	99,084	0	99,084	0.1%	78,638	14,155		
Telecommunication - Pers Prop	1 11P	7	2,161,845	389,132	0	389,132	0.2%	308,835	55,590		
Other Commercial & Industrial	1 12	197	78,211,760	14,077,874	43,218	14,034,656	7.8%	397,014	71,242	\$ 733.79	\$ 178.10
Other C&I - Personal Property	1 13P	0	3,548,274	638,689	66,552	572,137	0.3%	18,012	2,904		
Agricultural	2 R	697	126,671,543	18,999,821	4,659,730	14,340,091	8.0%	181,738	20,574	\$ 211.91	\$ 51.44
Agricultural - Personal Property	2 PP	0	130,400	19,560	0	19,560	0.0%	187	28		
Residential - Owner Primary Res	3 1	1,425	851,627,232	85,162,872	9,681	85,153,191	47.2%	597,633	59,757	\$ 615.49	\$ 149.39
Residential - Relative Primary Res	3 2	38	20,343,753	2,034,380	0	2,034,380	1.1%	535,362	53,536		
Residential - Other Owner	4 1	857	513,527,013	51,352,777	0	51,352,777	28.5%	599,215	59,922	\$ 617.19	\$ 149.80
Residential - Other Owner Pers Prop	4 1P	0	730	73	0	73	0.0%	1	0		
Residential - Leased or Rented	4 2	136	61,847,210	6,184,738	0	6,184,738	3.4%	454,759	45,476		
Licensed Residential Care Facility	4 5	1	3,652,553	365,255	0	365,255	0.2%	3,652,553	365,255	\$ 3,762.13	\$ 913.14
Licensed Res Care Fac Pers Prop	4 5P	0	100,000	10,000	0	10,000	0.0%	100,000	10,000	\$ 103.00	\$ 25.00
Residential - Common Areas	4 8	105	52,500	5,250	4,000	1,250	0.0%	500	12		

Note: The following is brief description of the column heading headings in the above Table.

- Legal Class: Arizona divides the property subject to taxation into various classes and subclasses. The major classes are:
  - Class One – Commercial
  - Class Two – Agriculture/Vacant Land
  - Class Three – Owner Occupied Residential Property
  - Class Four – Non Owner Occupied Residential or Owner Occupied Second Homes
- Subclasses: Within each Legal Class there can be a variety of property types, for example in Class One for Carefree the Table depicts utilities, water and sewer utilities, shopping centers, golf courses, telecommunication facilities and other commercial & industrial.
- Parcels: Individual pieces of land as defined by their legal description
- Limited Property Value: Arizona generally determines two value types for each parcel:
  - Full Cash Value: an approximation (generally between 80% and 85%) of market value. While this is true for most residential property, many commercial properties have specific instructions in statute for the determination of Full Cash Value – examples include utilities, shopping centers, golf courses, etc.

- Limited Property Value: a value that is based on the previous year's value, generally limited to a 5% increase over the previous year's LPV. This is the value (after the application of an assessment ratio) that the tax rate is ultimately applied.
- The result is that the valuation that is taxed is somewhat lower than market value. As an example, for Carefree, the Full Cash Value is \$1.96 billion while the Limited Property Value is \$1.69 billion.
- Limited Property Value Assessed: Arizona applies different Assessment Ratios to different Legal Classes of Property. Both Class Three and Class Four have the same assessment ratio applied; Class Four is distinguished from Class Three to prevent non-owner occupied residential property from receiving the Homeowner's Property Tax Rebate. The assessment ratios by principal legal class are:
  - Class One – will be dropping to 16% over the next four years
  - Class Two – 15%
  - Class Three and Four – 10%
- Exempt: The State Constitution and statutes offer some properties either partial or full exemption from the property tax. Notable exemptions include government property, inventories, property of widows and widowers and certain nonprofit organizations. The \$4.6 million exemption for agricultural property in Carefree is somewhat curious.
- Limited Property Net Assessed: the assessed value of property that is not exempt. Note that the tax rate is applied per hundred dollars of the LPV Net Assessed Value.
- PCT (Percentage): this is the distribution of LPV Net Assessed Value by class. In Carefree's case, the class with the largest percentage of LPV NAV is Owner Primary Residence at 47% followed by Other, Owner Residential (at 28%), Agricultural/Vacant Land (at 8%), followed by Other Commercial & Industrial (at almost 8%).
- AVG LPV (Average Limited Property Value): This a calculated value to show the average Limited Property Value associated with each class; it is determined by dividing the Limited Property Value by the Parcel count. For Owner Occupied Residential the average LPV is \$597,633.
- AVG Net Assessed: This is a calculated value to show the average LPV Net Assessed associated with each class; it is determined by dividing the LPV Net Assessed by the Parcel count. For Owner Occupied Residential the average LPV Net Assessed is \$59,757.
- Levy @ \$1.03 AVG Prcl: This column depicts the total levy at a \$1.03 tax rate (\$1.856 million) and the tax bill for fire protection at that same rate for the average parcel. For Owner Occupied Residential, the average tax would be about \$615.
- Levy @ .97 AVG Prcl: This column depicts the total levy at a \$.25 tax rate (\$450,564) and the tax bill for fire protection at that same rate for the average parcel. For Owner Occupied Residential, the average tax would be about \$149.