

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

**WHEN:** WEDNESDAY, NOVEMBER 17, 2021

**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** Review and approval of the November 03, 2021, meeting minutes.

**ITEM #2** Review and comments of draft report and recommendations

**ITEM #3** Other items for future consideration

**ITEM #4** Adjournment

DATED this 15th day of November, 2021.

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, NOVEMBER 03, 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  
Sheila Amoroso  
Peter Burns  
Scott Peterson  
Kim Taha  
Jerry Wetta  
Anton Wilke

**COMMITTEE MEMBERS ABSENT:**

Vice Chairperson - Philip Henn

Chairperson Hine opened the meeting at 1:30 pm.

**AGENDA ITEM #1 Approval of the Public Safety Advisory Committee meeting minutes dated October 20, 2021.**

Committee Member Wetta **MOVED TO APPROVE** the minutes of the Public Safety Advisory Committee meeting dated October 20, 2021. **SECONDED** by Committee Member Wilke. **CARRIED** unanimously.

**AGENDA ITEM #2 Presentation by Maricopa County Sheriff's Office (MCSO) and discussion regarding diversity of law enforcement services and associated costs to the Town.**

Town Administrator Neiss introduced Maricopa County Sheriff's Department, Captain Brandimarte and Chief Dougherty.

Chief Brandimarte presented via PowerPoint, The Maricopa County Sheriff's Office Town of Carefree Staffing and Service Level Report. Mr. Brandimarte outlined MCSO full time staffing requirements for both Carefree alone as well as District IV, which consists of Carefree, Cave Creek, rural communities of Desert Hills, New River and Anthem. Explaining, the numbers provided are the basis that is applied to how the contracts are interpreted and how each contract with every municipality that MCSO works for is interpreted. Mr. Brandimarte detailed what the Town of Carefree MCSO staffing contract calls for and the logistics thereof. Explaining that the part of the contract that makes the Town of Carefree contract unique is, from October 1st to March 31st the Town pays for an additional 91 hours of contracted law enforcement service hours per week, specifically for traffic enforcement. Mr. Brandimarte pointed out that even though the Town of Carefree pays for .3 of a beat, the Town has access to an entire patrol squad during a work shift.

Captain Brandimarte listed the value-added services (no additional cost):

- Homicide
- Child Crimes
- Special victims Unit
- Arson
- Forensics Unit
- Communications/Dispatch
- K9/SWAT/Aviation
- Search and Rescue
- Posse
- P-3 tips software

Mr. Brandimarte responded to the following questions:

**Should the contract for MCSO service be recalibrated to increase traffic enforcement and neighborhood patrols?**

*There is statistical data that in reviewing the trends, perhaps COVID related, most of the overall crime statistics are down. Captain Brandimarte explained what the Town of Carefree has are quality of life issues; many false alarms, welfare checks etc. which makes it hard to quantify as it takes a Deputy away from what may be considered higher priority.*

**What would a sufficient level of service be? Future growth?**

*The downtown core of Carefree is looking to open the Hampton Inn soon, this will bring more activity to the shops, restaurants, and businesses. Until this comes to fruition,*

Captain Brandimarte doesn't see this being an impact and doesn't feel the need to increase MCSO service within the Town.

**Can technology, such as photo radar, be used to refocus on neighborhood patrols?**

Absolutely, photo radar is about as close as you can get to a bias free traffic enforcement program as the machine determines whether there has been a speeding violation. Photo radar also frees up a traffic Deputy to be available for other patrol activities which would benefit the Town. Captain Brandimarte recommended the use of a portable photo radar unit that can be moved day to day or weekly/bi-weekly so that it changes the driving behaviors in specific areas. If MCSO is given the green light to implement photo radar, Captain Brandimarte would like to see that process start, looking at the benefits to MCSO as well as the community of Carefree down the road, i.e., how does the photo radar data compare with what Deputy Sheriffs do, "apples to apples" so to speak.

**Will MCSO support the use of such technology?**

Yes, MCSO is here to carry out the will of the Community.

**AGENDA ITEM #3 Discussion regarding future Committee's recommendations to Town Council**

Chairperson Hine presented via PowerPoint the Committee's *Working Draft in Progress Recommendation* to Town Council. The group worked collectively to provide input and revisions to working draft document #4 in preparation for presentation to Town Council.

**AGENDA ITEM #4 Discussion regarding future considerations to include in a contract for services for fire and emergency services**

The Committee collaborated to consider language and negotiation points for future Fire Service and emergency contracts.

Town Administrator Neiss conveyed to the Committee, when these contracts are negotiated, the Town has a vested interest of each and every citizen of Carefree in mind and strives to negotiate the best price and the richest amount of service for the Carefree citizens.

**AGENDA ITEM #5 Adjournment**

The meeting was adjourned at 3:40 p.m.

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Samantha J. Gesell, CMC  
Planning Clerk

# Public Safety Advisory Committee

REPORT & RECOMMENDATIONS



January, 2022

## Introduction



In early 2021, the Town Council requested that interested citizens wishing to assist the Town evaluate public safety services submit their letter of interest to the Town Council. In response to this request, eight citizens volunteered to support this effort and began meeting in April 2021. The Committee was named the Public Safety Advisory Committee and all agendas, minutes and meeting recordings have been posted in compliance with open meeting law requirements. The Committee membership is composed of Carefree residents with backgrounds within but not limited to public administration, public policy, public finance, capital investments, real estate and business.

There are three components to public safety services within Carefree: fire and emergency, ambulance, and law enforcement. It is important to note that fire and emergency services as well as law enforcement services are provided under separate contracts with the Town. On the other hand, ambulance service is provided separately, through a Certificate of Necessity (CON) governed by the Arizona Department of Health Services not the Town. Therefore, the Committee was charged with evaluating the public safety services the Town currently governs and controls, fire and emergency services and law enforcement services. In considering each of these locally controlled public safety services the Committee heard presentations from various first responding agencies to ensure the Committee had the most current and best information available. Based upon this information, the Committee openly discussed their collective thoughts regarding the appropriate level of services in Carefree and options to fund potential increases in costs.

This report is a culmination of this process and is the sole recommendation of this citizen Committee to the community and the Town Council. The first part of the report provides a historical perspective on the evolution of public safety services within the community. This is important because it details how the Town has worked to invest and improve these critical public safety services. As typical of most communities, over time, both external and internal influences can have an impact on these future services levels. The report outlines these influencers and potential options to consider. Indeed, any changes in services will impact the costs associated with providing additional services, therefore, the report outlines recommendations to provide a solvent financial plan to pay for increased expenses.

The Committee members respectfully requests that the citizens of Carefree review the entirety of this document to understand the idiosyncrasies of public safety services and ensure an informed community dialogue regarding the Town's future levels of public safety services.





### ***The evolution of Fire and Emergency Service in Carefree***

A fire department does more than just extinguishing fires, they respond to medical emergencies, traffic accidents, natural and manmade disasters, conduct public safety reviews of structures and properties, and provide public outreach and educational opportunities.

For over a half a century (53 years), Rural Metro, a private corporation, has been providing fire and emergency services to the Carefree community. Originally, much like an insurance policy, residents subscribed to this service through an annual subscription fee. In the event that 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, at which time Rural Metro gave notice to the City of Scottsdale that they would no longer serve their community. 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 fire apparatus, thus needing only to establish a fire and emergency service protection corps.



As a result of Scottsdale's evolution in fire protection services, the Town Council in Carefree began to logically question what the impact would be if Rural Metro similarly decided to leave Carefree. As a result, in 2004, a Fire and Emergency Service Committee was appointed by the Town Council to evaluate the community's options. The results of these Committee meetings and subsequent Town Council meetings culminated in Carefree eventually building its own fire station (pictured above) and purchasing a fire engine and associated emergency equipment.

In 2005/6, with the equipment ordered and the fire station under construction, the Town Administration approached the Daisy Mountain Fire District, the City of Phoenix Fire Department, the City of Scottsdale Fire Department and Rural Metro to propose a comprehensive fire protection program for Carefree through a master contract with the Town rather than the original individual subscription service model. At that time, after discussions with Daisy Mountain and the City of Phoenix, these two 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. As a result, Daisy Mountain Fire District, the City of Scottsdale Fire Department and Rural Metro submitted proposals. After the Council's review of each of these proposals, the Council decided that Rural Metro provided the most cost effective services and executed a new ten year contract. This contract is set to expire on June 30, 2022.

### ***The Town's Original Fire and Emergency Service Master Contract***

Prior to the Town entering into a master contract with Rural Metro, 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 when the Town executed the master contract for expanded Fire and Emergency Service. The master contract was funded through an increase in the municipal sales tax by 1% (it is important to note that groceries and the bed tax were intentionally not included in this sales tax increase). Due to the elastic nature of sales tax revenue, it was anticipated that the Town's General Fund would be used to fund what the increased sales tax revenue did not cover (also known as the structural deficit of the Fire Fund).

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 direct result of the Town's investment and improvements in its fire infrastructure, the Town's ISO rating was significantly upgraded. This improved rating resulted in an additional annual savings of several hundred dollars on resident's homeowners insurance policies.

It is also equally important to note that through the master contract, additional services were provided to Carefree residents. 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, walk-in treatment facility, Town representation and coordination with 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 to provide fire and emergency services to its residents, each Carefree household saved between \$700 and \$1,100 annually. This savings includes both the elimination of the subscription fee and reduction in homeowner insurance rates. It is important to note that since funding mechanism to pay for the contracted fire service through the generation of sales tax, the Town was placed in a position to attract consumers to spend money and generate sales tax revenue as residents alone could not support the additional expenses to support the fire and emergency services. For example, a resident who previously paid a \$750 annual subscription fee directly to Rural Metro (and higher homeowners insurance premiums) would have to spend \$75,000 (1% fire fund tax) on taxable retail products in Carefree (groceries were not included in tax to pay the fire contract). Therefore, given the limited market for taxable products within Carefree and in order to ensure future solvency of the Town's sales tax centric financial model it continues to be important to both diversify the business sector selling taxable products as well as attracting consumers into these businesses.

## Overview of Public Safety Services within Carefree

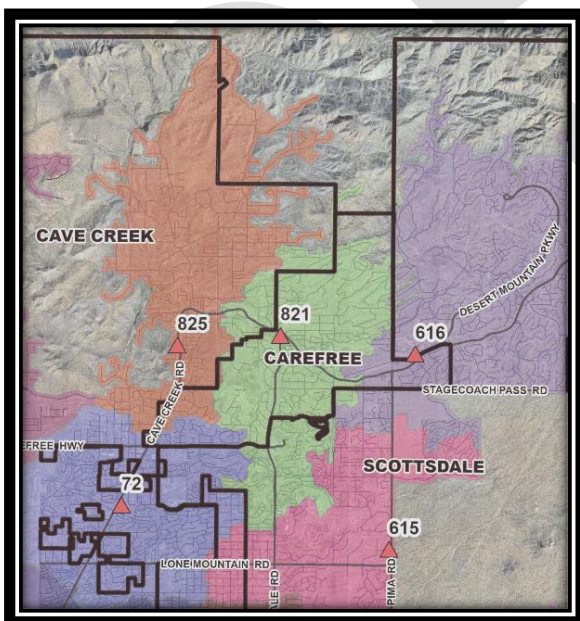
In anticipation of the expiring master contract with Rural Metro on June 30, 2022, as well as evolving fire and emergency service plans in neighboring Cave Creek, the Carefree Town Council appointed a citizen committee to take a more holistic look at both fire and emergency services as well as law enforcement 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 first part of the Committee's efforts focused on fire and emergency services, the second part, law enforcement services. The Committee's charge was to evaluate the current level of services within Carefree and make recommendations to Council about any modifications as well as funding options to consider any offset to potential increases to the Town's operational expenditures.

### ***Present Day Fire and Emergency Service Program***

The Carefree Fire Apparatus is known as E821 while the Rural Metro Fire Company/Apparatus currently based within the Town of Cave Creek is known as E825. Over the past 5 decades these two stations have complemented one another by providing additional assistance to each community they serve. The Table below outlines the mutual assistance each of these engine companies have provided into the adjacent communities over the past three fiscal years.

RESPONSE	FY 18/19	FY 19/20	FY 20/21
Cave Creek E825 response into Carefree	91	94	100
Carefree E821 response into Cave Creek	142	135	132
Carefree E821 response into County Islands	81	81	110

Source: Rural Metro



The adjacent graphic illustrates the reasoning behind the overlapping responses into the adjacent communities for E821 and E825. The red triangles on the adjacent map indicates approximate location of existing fire stations, the various colored polygons around each triangle/station represents an approximate 4 minute response time from the station. The green shaded area symbolizes the typical response area for the Carefree based E821. While the orange area symbolizes the response area from Cave Creek based E825. As illustrated by the irregular polygons defining the response areas, the typical geographic area for a 4 minute response overlaps political boundaries. Therefore, it has not been uncommon that the closest engine between E825 and E821 respond for a request for assistance within these respective polygons regardless of political boundaries. The map also depicts the potential responses from the City of Phoenix and City of Scottsdale

Source: City of Scottsdale GIS

whom have a series of 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 further 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 those 15 years. It is important to note that 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 as well as all partners with resources throughout the region and state in a time of need.

The table below outlines the annual reporting statistics by types of calls over the last three years by the Carefree based E821. It is important to note that E821 is the only station the Town contracts for services and therefore, requires data/metrics to outline performance. As the data illustrates, over the last 3 fiscal years approximately 60% of the calls are medical related with minimal responses to structural or brush fires.

TYPES OF CALL FOR SERVICE	FY20/21	FY19/20	FY18/19
Medical Calls (including vehicle accidents)	458 (62%)	327 (58%)	332 (53%)
Fire and Medical Alarms	108	77	108
Snake Removal	76	77	108
Service calls (example check smoke detector)	14	9	14
Brush Fire	3	7	4
Vehicle Fire	2	4	3
Residential Fire	1	1	1
Commercial Building Fire	1	0	2
Gas/Propane Leak	3	0	5
Smoke in structure	7	9	9
Animal rescues	1	0	1
Non-Categorized (call for service not defined)	27	0	15
Traffic accident (no injuries)	24	15	25
Invalid assist	8	17	15
Illegal burn	1	1	1
Check hazard	0	5	0
Person Trapped	0	1	0
Lock Out	0	2	0
Special Duty	2	0	0
Unknown fire	0	9	0
<b>Total</b>	<b>736</b>	<b>561</b>	<b>625</b>
Code Three Calls (included in above Total)	356	329	359

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

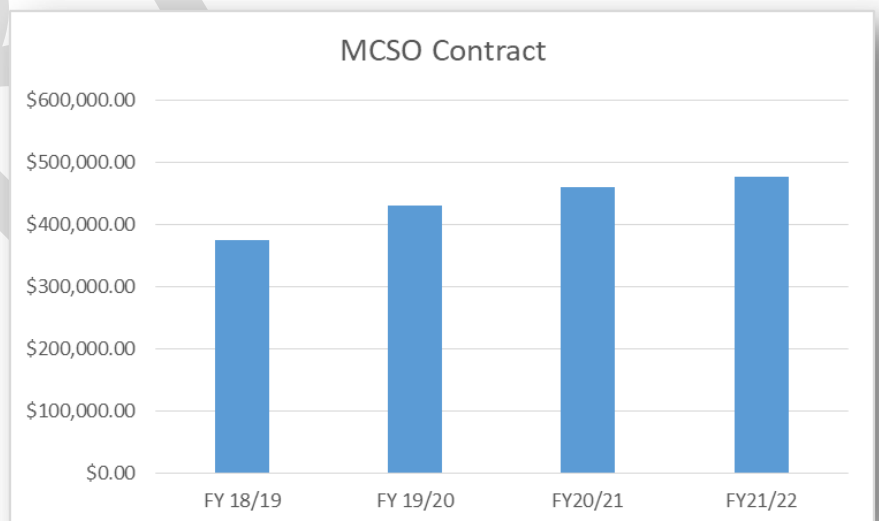
Due to the calls for medical assistance being the most significant response annually, the Carefree service model with Rural Metro has included dispatch of both the fire apparatus and an ambulance with a total of five fire fighters including one paramedic and one emergency medical technician (EMT). In addition, pursuant to the contract, Rural Metro will respond to 90% of all code three calls (lights and sirens) within 6 minutes or less. In accordance with Rural Metro's annual reports, they are in compliance of this requirements and respond to all code three calls in under four minutes with a few exceptions such as inaccessible/locked gates.

It is important to note that 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 Ambulance service. Due to the fact that the fees associated with Ambulance service are governed by the Arizona Department of Health Services through the issuance of a Certificate of Necessity, the billing is done through an individual's insurance policy/company with deductibles the responsibility of the individual patient.

### **Law Enforcement Services within Carefree**

Maricopa County Sheriff's Office contracts with 7 communities throughout Maricopa County. Carefree as well as Cave Creek being 2 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 this past fiscal year \$8.95 MM to operate their municipal police department. This equates to \$621.52 per capita. All things considered equal, when that per capita figure is applied to Carefree's population of 3,700 that would translate to an operation budget in the range of \$2.3 MM annually. It is important to note that this figure does not include initial and ongoing capital costs and there may still be need for additional contractual services that could include but not limited to special response such tactical forces, cyber security, domestic terrorism, investigations and holding cells.

By comparison, through Carefree's contract with MCSO, the Town has access to a full service law enforcement department. The contract is based upon the level of service desired by the community. All other available services are value added services and not directly factored into the contract price. So by comparison, Carefree's contract price to have access to MCSO's full law enforcement services as well as cover the desired levels of patrol services for FY 21 is \$476,600 or \$127.81 per capita (PV \$621.5). The adjacent Table illustrates the overall costs of the MCSO contract over the past four FYs.



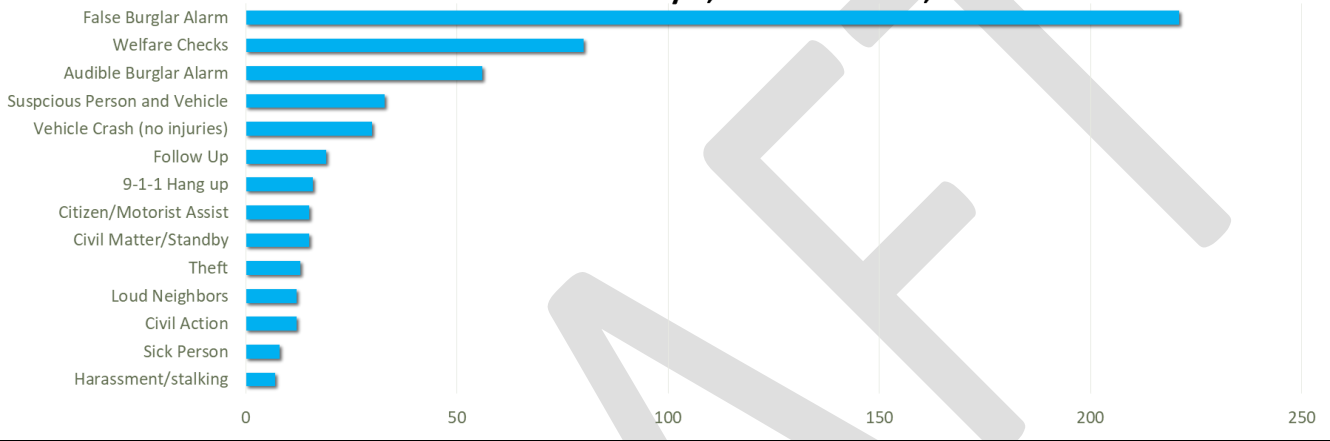
Obviously, the Town receives good value from MCSO, therefore, unlike fire and emergency service, the

overarching focus is not how service is delivered to the community but do current metrics point to a need to enhance certain aspects of MCSO service and how any changes could be efficiently performed. In order to understand this, 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 tables illustrated the highest types of calls.

**Highest Calls for Service Categories Initiated by the Public (reactive service)**

**Total Calls 609**

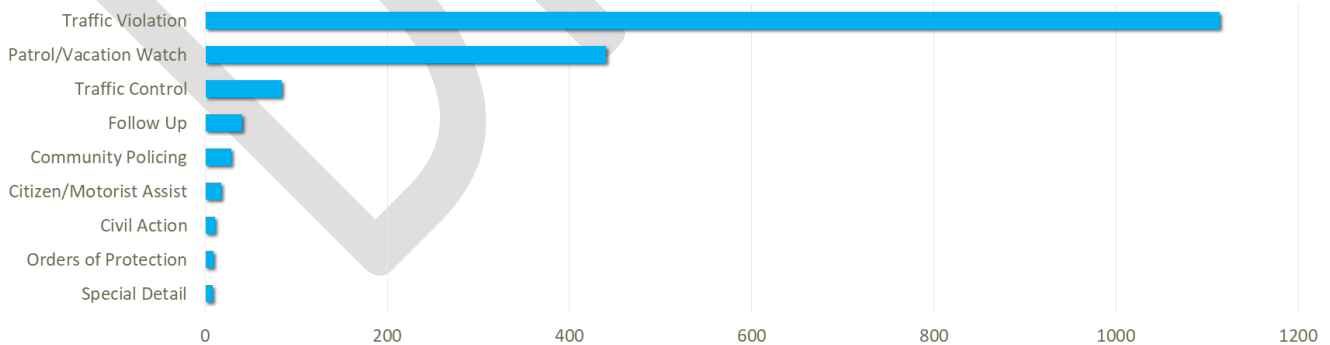
**July 1, 2020 – June 30, 2021**



**Highest Call Categories Initiated by a Deputy (proactive service)**

**Total Calls 1,790**

**July 1, 2020 – June 30, 2021**



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 fundamentally is a very safe community. 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. Certainly, increasing patrols is one method to adjust the behavior of the bad actors; however, it is only as good as the officer being present to address the violation. The Town is beginning to explore other options such as the use of roundabouts to slow traffic and provide 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. At the present time, there is one Deputy dedicated to traffic enforcement during peak seasonal traffic (October-April). During this time the town experiences significant increases in traffic as does the entire Phoenix/Mesa metropolitan area. The traffic enforcement Deputy rotates throughout the community to enforce the traffic laws.

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 1/3 of a beat or 1.5 Deputies. In addition, as stated earlier, during the high season, 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 1/3 of a beat which is 1.5 Deputies, .15 of a Detective is assigned to the contract, .27 for a Sergeant, .12 for a Lieutenant, .07 for a Captain, .14 for Clerical and .3 for Dispatch. Collectively, the hour rates of each staff is applied to the incremental level of service/employee to establish the costs for service. In addition, indirect costs for supplies, equipment and facilities are added based upon the proportional share of the beat.

MCSO Captain Brandimarte made a presentation to the Public Safety Advisory Committee. In Captain's Brandimarte remarks he stated that Carefree is a very safe community and he felt the existing levels of service were adequate. He also stated that traffic enforcement has and will always be a concern due to the large volume of traffic passing through the community and identified solutions such as photo radar that are an effective means to calm traffic. He stated MCSO is currently reviewing the protocols to ensure they can support the use of photo radar in the future if the Town chooses to adopt such a program. Captain Brandimarte also commented that there is a high level of false alarms within the community and suggested that a new license and fine schedule to encourage continual maintenance of alarms will help to minimize responses to these false alarms and maintain a more efficient patrol system.

## **Why evaluate Carefree's Public Safety Services**

With the existing contract with Rural Metro set to expire on June 30, 2022, and similar to past approaches, the Council appointed a new citizen committee to take a more holistic approach and review the various levels of public safety services and determine if adjustments to services are warranted. If so, what are the options to consider and how would any potential increase to the Town's operational expenses be covered are the overarching focus of this evaluation.

It is important to note that ambulance service also known as emergency medical service (EMS) is managed by the Arizona Department of Health Services (ADHS), not the Town of Carefree. In managing EMS, the Department of Health Services issues what is called a Certificate of Necessity (CON). It is important to note, that Rural Metro holds the CON to provide the exclusive right for EMS services within both the Town of Carefree and the Town of Cave Creek. Therefore, from a logistical perspective, if there was ever a change to the current fire and emergency provider there would be separate dispatch for fire services and EMS. Under the current model serving Carefree, both the Fire apparatus and the ambulance are dispatched with a total of 5 firefighters, one of which is a paramedic and others are emergency medical technicians (EMTs). Since EMS service is not managed by the Town they were not a significant part of the Public Safety Advisory Committee's evaluation.

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

Topics regarding climate change are constantly in the news. Regardless of ones beliefs on the topic of climate change there is no questioning the desert southwest is experiencing dryer weather patterns with the resulting precipitous declines in Lake Powell and Mead in addition to repeatedly experiencing hotter than normal weather patterns. This continuing hot, dry pattern has led to an increase in the risk of wildfires encroaching within the community. In May 2020, two such wildfires rapidly spread within the Town of Cave Creek. During these fires hundreds of acres were burned and numerous residential structures were destroyed. As a result of the regional response and the Town of Cave Creek's lack of investment and commitment in a fire and emergency service program, these responding agencies/communities requested that Cave Creek have skin in the game and invest in fire and emergency resources. This regional request began a process within the Town of Cave Creek to clarify how the Town was going to provide fire and emergency services to their community. Through this process the Town Cave Creek has adopted a model similar to Carefree where the local community owns the fire station and assets while contracting out for the fire and emergency service corps.

More recently, the Town of Cave Creek has purchased the existing fire station currently housing Rural Metro E825. Additionally, they have agreed conceptually to have a future master contract with Daisy Mountain Fire District and have begun the training of firefighters for the assumption of duties 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. Through this partnership, qualified and accepted 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 apparatus to be seamlessly dispatched to an incident/call regardless of political boundaries of local jurisdictions. 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 from responding agencies for back up. This request for mutual aid assistance is not automatic and can be discretionary.



To better understand the idiosyncrasies behind the two approaches to dispatch automatic aid vs. mutual aid, the Rural Metro, Daisy Mountain Fire District, the City of Scottsdale as well as officials working to assist the Town of Cave Creek present 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 ongoing costs. The Table below is a summary of these services and associated costs.

Criteria	Rural Metro	Daisy Mountain Fire District	City of Scottsdale Fire Department
One time startup costs	None	\$515,000	\$648,000
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 Fire Board</li> </ul>	<ul style="list-style-type: none"> <li>Year 1 = \$2.8 MM</li> <li>Future annual escalators determined by Scottsdale City Council</li> </ul>
Dispatch System	Mutual Aid	Automatic Aid	Automatic Aid
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

It is important to note that the information in the Table on page #7 was ascertained through the various presentations provided by the three fire and emergency agencies. In addition, the Committee requested that each agency provide additional information through a Request for Proposal; however, both Daisy Mountain and Scottsdale were not interested in a process that would have left them bidding against one another. Therefore, it made it difficult to determine accurate startup costs without a clear understanding of the services which will be provided and the associated additional costs added to the annual costs/fees. It is important to note that Rural Metro would provide all the services listed in the Table at a fixed figure of approximately \$1.85 million for the first 3 years of a 5 year contract. However, in year 4 and 5, this base figure was proposed by

Rural Metro to be adjusted to cover an expiring labor contract at that time.

### ***Impacts from Cave Creek's emerging fire and emergency service program***

As the Town of Cave Creek begins to solidify the community's plans create their own fire and emergency service program, the Town of Carefree needs to be cognizant of how this change in how fire and emergency services delivered to the Town of Cave Creek will impact the Town of Carefree. For example, the recent Town of Cave Creek 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 a similar number of subscribers located within the County Island which is located generally south of Carefree Highway and north of Dynamite Boulevard. Therefore, the location of E825 is important to serve these customers as well as provide additional mutual aid coverage to the Carefree neighborhoods mainly on the west side of Black Mountain. As a result, Rural Metro is investigating several options to relocate E825 and serve these locations. However, in the intermediate term, Rural Metro has agreed to relocate E825 to the Carefree station. Therefore, both E821 and E825 will be operating from the Carefree station. Rural Metro has agreed to compensate Carefree for the additional usage of the station until the time that a new station is located.

Additionally, due to the fact that Rural Metro and Daisy Mountain do not have an operational mutual aid agreement, E821 which frequently responded into Cave Creek will no longer be available. Indeed, a mutual aid agreement would be beneficial to both Rural Metro and Daisy Mountain as the locations of both the Cave Creek based fire station and the Carefree based fire station could provide efficient/timely responses to neighborhoods within the adjacent communities; however, negotiations between the two entities have not been successful. Perhaps in the near term, these first responding agencies can work towards a reciprocal relationship for the betterment of the communities they serve.

Another impact is ambulance service. Due to the fact that Rural Metro holds the CON to serve Cave Creek, it remains unclear how Daisy Mountain who holds their own CON within the County Islands west of Cave Creek will interface with Rural Metro's CON. This could result conflicts in conflicts and uncertainty over legal implications.

The final piece of what Cave Creek is in the process of reconciling is how much will this master contract costs what are annual escalators and future capital costs. At the present time, Cave Creek has outlined a general estimate of \$2MM for labor and another \$500K for ancillary expenses or \$2.5MM per station. Based upon these initial estimates, the Town is considering a combination of new revenue streams to cover these additional operational costs. These revenue streams include a combination of existing sales tax, an increase in the existing sales tax and the introduction of a property tax with consideration of using a primary property tax to cover a portion of the ongoing operational costs and/or a secondary property tax to cover initial capital costs to establish the fire and emergency service program.

### ***Funding Fire and Emergency Services in Carefree***

As stated earlier within this report, Rural Metro has been serving this community for over a half a century. Originally, this service was provided to the community through subscription assessed by Rural Metro. In the early 2000s the owner of a 3000 square foot home within the Town of Carefree paid an annual subscription fee of approximately \$750. Those that did not subscribe to this service but requested assistance from Rural Metro were assessed the entire costs of the respective response.

In 2007, when the Town entered into a master contract with Rural Metro, the Town assumed the expense associated with the operational costs of the fire and emergency program serving Carefree residents, businesses and property owners. In order to pay for this additional operational expense the Council elected to increase the sales tax on retail products sold within the community by 1% to a total of 3%. Excluding from these increases were groceries.

The Town implemented this increase in sales tax in 2005. This early implementation in sales tax provided the Town a buffer to assume the expenses associated with the new master fire and emergency service contract in the middle of fiscal year 2007. This surplus in the Fire Fund (funded by the 1% sales tax) served the community well until 2010 when the downward cycle of the Great Recession significantly reduced the Town's revenues. When this contraction in the economy is paired with the inflationary escalators of the contract it leads to what is term a structural deficit. It is important to note, that even with a renegotiated contract to reduce the base year cost in addition to the inflationary index the Fire Fund still does not fully fund the master contract. In fact, between FY2010-FY2020 the Town experienced an annual structural deficit of \$407,000 (see below Table).

Fiscal Yr	General Fund	Fire Fund	Total Contract Amount
2007*	\$0.00	\$574,150.00	\$574,150.00
2008*	\$0.00	\$1,216,071.96	\$1,216,071.96
2009*	\$0.00	\$1,264,714.80	\$1,264,714.80
2010	\$447,846.00	\$837,947.00	\$1,285,793.00
2011	\$548,043.00	\$767,260.00	\$1,315,303.00
2012	\$455,971.84	\$911,943.68	\$1,367,915.52
2013**	\$299,861.04	\$946,434.96	\$1,246,296.00
2014	\$442,575.52	\$834,884.48	\$1,277,460.00
2015	\$414,513.25	\$892,322.75	\$1,306,836.00
2016	\$446,503.36	\$893,006.64	\$1,339,510.00
2017	\$405,078.70	\$967,919.00	\$1,372,997.70
2018	\$348,583.56	\$1,063,539.00	\$1,412,122.56
2019	\$388,655.71	\$1,053,850.00	\$1,442,505.71
2020	\$279,668.00	\$1,198,900.36	\$1,478,568.36
	<b>***AVG. \$407,027.27</b>		

In 2021, the Town received approximately \$451,000 of federal COVID relief funds. These funds were applied against the \$1,515,532.56 contract. This resulted in \$895,600 from Fire Fund and \$169,028.89 from General Fund. However, if these funds were not received the structural deficit for FY 2021 would have been greater than the \$169,000.

Bottomline, the existing Fire Fund is not financially sustainable. The facts are there is an existing structural deficit which will increase dramatically with an increase in a new contract for fire and emergency services. The facts are:

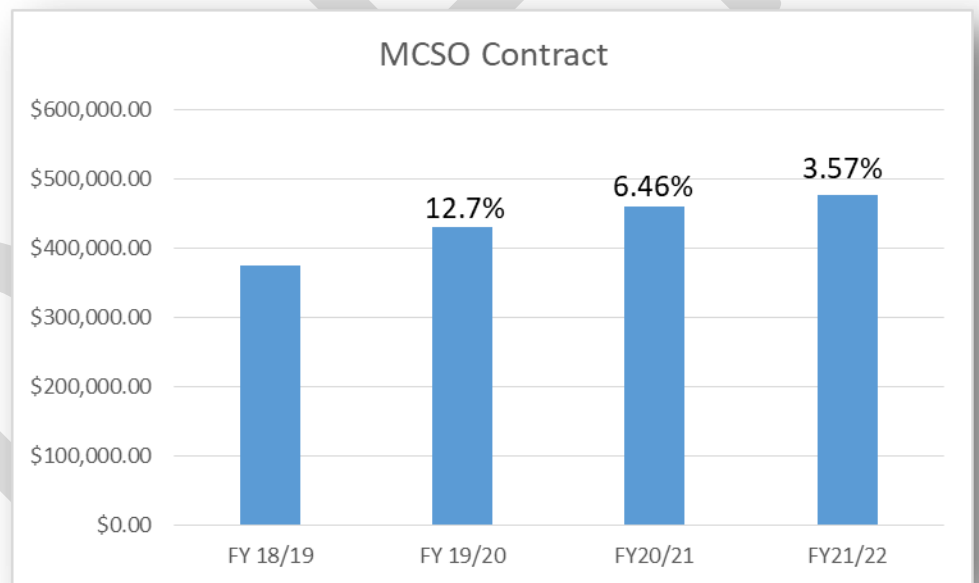
- The costs of the current contract is approximately \$1.55MM.
- Rural Metro has suggested an increase in this contract of approximately \$300K for a approximate cost of \$1.85MM.
- If the Town chooses to partner with Daisy Mountain this could be an increase of approximately \$850K for an approximate cost of \$2.4MM.
- If the Town chooses to partner with the City of Scottsdale this could be an increase of approximately \$1.25MM for an approximate cost of \$2.8MM.

Based upon the estimated costs provided by these agencies the structural deficit could increase to a range between \$700K and \$1.65MM.

### **Funding of Law Enforcement**

The funding to pay for law enforcement services does not originate from a dedicated fund like the Fire Fund. Instead, the funding for law enforcement services is provided through revenues within the Town's operational fund the General Fund. Over the last three fiscal years, as illustrated in the adjacent chart, the contract has increased between approximately 4% to 13%.

This increases are associated with inflationary increases to labor and other indirect costs to support the level of services within the community. The increases experienced with the MCSO contract are consistent with other operational increases within the General Fund. The financial capacity of the General Fund does support these operational increases but once again, since the main revenue stream, sales tax is subject to the cycles of the economy, aligning 100% of the fixed costs of law enforcement services with a variable revenue stream is not a financially solvent long term solution.



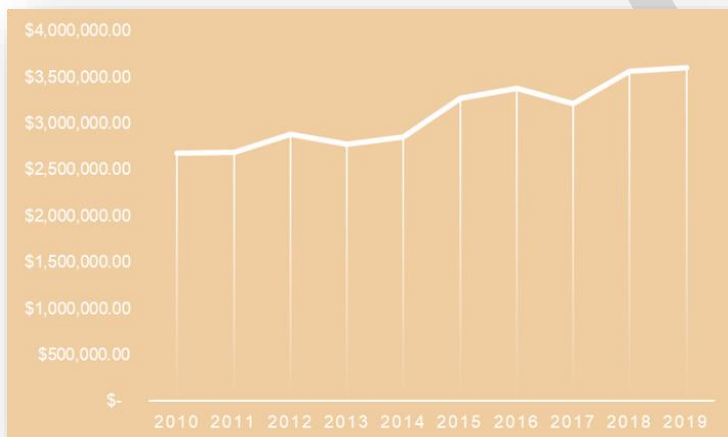
## **Considerations in financing a new master contract for Fire and Emergency Services**

The purpose of this section of the report is to present an analysis related to financing a new master contract for Fire and Emergency Services for the Town of Carefree. The analysis will review the current capacity of the Town's General Fund which pays for annual of operational costs, the capacity of the dedicated Fire Fund which was originally created in 2005 to cover the costs of the master contract, and provide an outline of options to consider funding the escalating costs to pay for a new master contract for Fire and Emergency Services.

### ***Current General Fund Budget***

In Carefree, the annual proportional share of revenue funding the General Fund the Town's overall operational fund is approximately 75% local fees which are composed of local municipal sales tax revenue and user fees such as building permits and 25% state shared revenue. It is common for local governments to better distribute and insulate the elasticity of sales tax by supplementing these more volatile revenue streams (highly susceptible to economic cycles) with a less elastic property tax to ensure a financially solvent foundation. However, the financial model in Carefree does not include a property tax; therefore, based upon this financial model, the Town is managed in a very conservative fashion by maintaining a small core municipal staff, contracting out for public safety and maximizing savings of one time revenue streams such as construction sales tax and allocating them to Capital Reserves to pay for street maintenance projects.

To further explain this conservative financial approach, data is being used from the Town's approved FY 2021 Budget and State Auditor General Forms. As stated earlier, approximately 75% of the revenue to support the

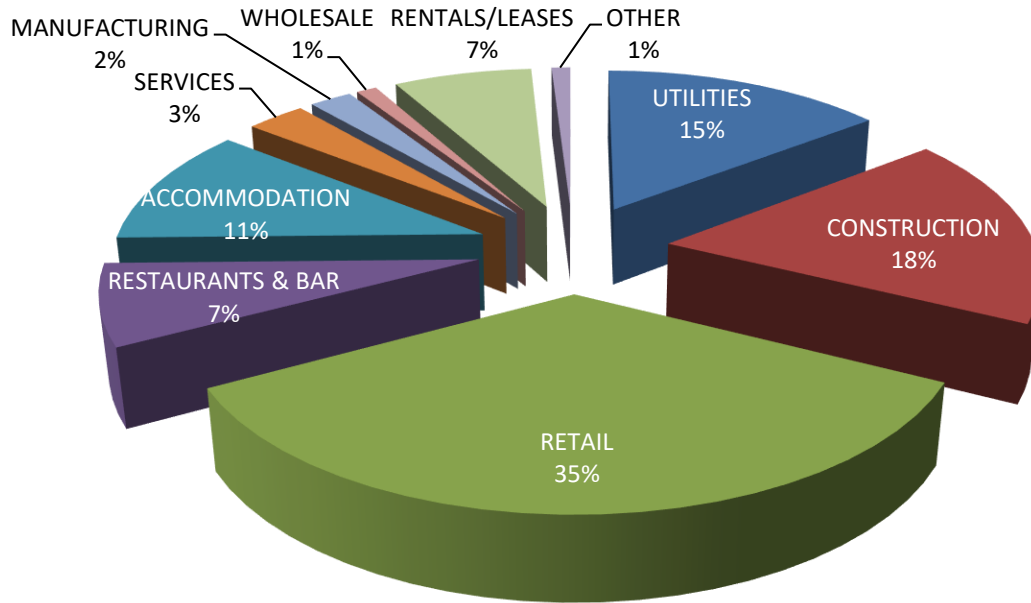


Town's general operation costs originate from two revenue sources municipal sales tax and user fees. The adjacent chart illustrates the elastic performance of the sales tax revenue over the balance of the past 10 years. The most recent fiscal year the Town has projected approximately \$3.7MM in municipal sales tax.

In further understanding the local performance of sales tax it is also important to define what business sectors are contributing to this specific town centric revenue stream. The following chart illustrates the ten year average of the contributing sectors to the Town's sales

tax revenue. Over 70% of the sales tax revenue originates from 4 Arizona Department of Revenue categorized business sectors: accommodations, restaurants and bars, retail and construction. Of these four business sectors, construction, makes up almost 1/5 of the sales tax revenue. It is important to note that construction sales is considered a one-time fee while the others are dependent upon the success of the brick and mortar businesses within the Town. Additionally, these brick and mortar businesses are symbolic of the state and regional's number one economic driver – tourism. Understanding this relationship also helps to further clarify why the Town's strategic economic development plans - to further cultivate tourism/visitations to generate sales tax dollars and expand the fiscal capacity of the Town's operational fund and fire fund, are important.





As stated earlier, the total amount to be generated by the Town's municipal sales tax in Fiscal Year 2021-2022 is projected to be \$3.7MM. Of this revenue, 1/3 of it is dedicated to fund the Fire Fund or \$1.23MM. Furthermore, the 10 year average for construction sales is backed out and applied to capital reserves to fund future street maintenance projects this Fire Fund revenue is reduced to a little more than \$1MM.

From a General Fund revenue perspective, of the Total \$3.7MM projected in municipal sales tax, approximately \$2.46MM is earmarked to the General Fund. If the 10 year average for construction sales tax is also backed out and applied to capital reserves this results in approximately \$2MM earmarked to fund the Town's general operations. Included in the funding of general operations are fees associated with services the Town staff provides such as but not limited to building fees, plan review fees, inspection fees, ROW fees and business/vendor license fees. These offset fees generate by services the Town staff provides generates approximately \$1.4MM annually. Additionally, state shared revenues contribute another \$1.4MM. Therefore, in total, the General Fund has approximately \$4.8MM to cover general operational expenses.

Fiscal Year 2021/22 General Fund expenses included:

- 1.94 MM for salaries and benefits for a total of 17 full time employees;
- \$1.75 MM for general supplies and materials, utilities, equipment replacement, etc.;
- \$.550MM for law enforcement contracts.

Collectively, these FY 21/22 General Fund expenses add up to approximately \$4.24 MM which leaves a positive balance of approximately .560MM. This surplus has typically been deposited in Capital Reserves; however, during periods of economic contraction this surplus is limited and typically helps to offset shortfalls within the Fire Fund.

### ***The status of the Fire Fund***

The Fire Fund is a standalone Fund which separate from the General Fund. Its sole purpose was to cover the cost of the master fire and emergency service contract. The adjacent chart illustrates the annual costs to the fire contract, the short fall of the Fire Fund to pay for the master contract and the amount used annually from the General Fund to make up for the short fall



in the Fire Fund. Graphically, one can see the average structural deficit over the past 10 years is approximately \$400K. As a result, the General Fund surplus that could have gone to build Capital Reserves is being shorted which is not a solvent position when dealing with aging assets such as our streets. Bottom line, the Fire Fund has never been solvent and any increases in expenses will only create a larger deficit as the dedicated 1% currently does not keep pace with existing expenses and any increase in expenses will only expand this deficit.

### ***The Importance of building Capital Reserves***

Much like how a homeowners association operate, reserve funds are annually set aside in a dedicated account to maintain and/or replace aging community assets. One of the largest liabilities of any community regardless of size are its streets and parking surfaces. Due to the exposure of the natural weathering process and abuse/use these assets require constant repairs and maintenance. Lack of a continued maintenance program will result in more costly repairs. The Town is no different, its capital reserves are currently at \$9.5MM. The Town maintains a capital project plan to maintain these streets. The balance of these projects could easily exceed the balance of this reserve Fund. However, the Town incrementally plans a cycle for these maintenance projects, groups them together to create an economy of scale and reduce staging costs and seeks the most efficient solutions to deal with the measured street distress. Therefore, the Capital Reserve Fund is a critical fund to maintain the Town's largest assets and liability, the public streets. Ensuring a positive flow of money as well as diverting the Funds to pay of operational issues is a dangerous precedence which will result in reduced maintenance and more costly repairs.



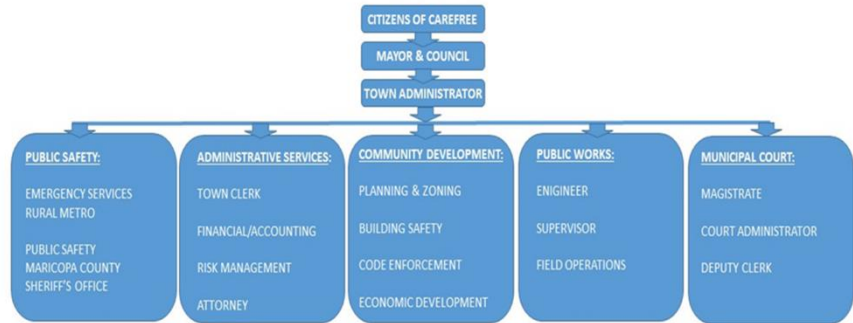
### **Options to fund the structural deficit of the fire contract:**

Carefree is a conservatively managed community. The existing staffing levels provide the basic core municipal services while providing one of the smallest municipal staff's within the Phoenix/Mesa metropolitan area.

The adjacent organizational chart illustrates the limited staffing levels of these core services. By

comparison, the Town of Cave

Creek has multiple layers of staffing and overall salaries and benefits more than double of what the Town of Carefree pays. Given Carefree's small workforce there is limited capacity to significantly save to meet the expanding fixed costs of the fire and emergency service program in Carefree.



Therefore, the Committee's attention turns to two funding sources the Town can influence sales tax and property tax. It is important to note that Cave Creek's focus has also turned to these two funding streams to address their projected costs of fire service with a funding stream that ensures they will not encounter a structural deficit similar to Carefree's.

#### **Sales tax**

The benefits of a sale tax include :

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

The drawbacks of the sales tax 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, it also follows 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

Over the past 10 years, the average amount raised per 1% in the Town sales tax is approximately \$1MM. Based upon this average and the high level estimates provided by the various agencies, the following chart illustrates how much a dedicated sales tax will have to be raised to cover the entire costs of the fire and emergency service contract. The last column would be the overall tax rate for retail products sold within Carefree.

AGENCY	High level estimate for initial year	Increase in sales tax to cover total costs of contract	New Fire Fund dedicated sales tax	New total municipal sales tax on retail products
Rural Metro	\$1,850,000	.85%	1.85	3.85
Daisy Mountain	\$2,400,000	1.4%	2.4	4.4
Scottsdale	\$2,800,000	1.8%	2.8	4.8

When comparing the last column with nearby communities' sales tax rates, there would be significant concerns that economic activity may migrate to nearby lower rate jurisdictions and could significantly reduce potential sales tax revenue rather than increase such revenues. To understand this concern, the following tables highlights those categories which Carefree would be noncompetitive.

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%

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

Property tax was examined because, as mentioned earlier, it is one of the two major revenue sources available to Carefree to raise revenues.

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 and transparency requirements on the tax that prevent “runaway” property tax bills

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 extraordinary 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 to explore the property tax option. These analyses included determining:

- The potential rate required for the assumed new Master Contract operating costs
- The distribution of burden between the various property tax legal classifications in Carefree
- The average cost per parcel by legal class
- Tax rates for surrounding jurisdictions
- The history of the tax base in Carefree

The Table below is similar to the Table presented in the Sales Tax discussion in that it determines the potential property tax rate to fund the new Master Contract under two scenarios – the first being funding the full assumed cost (using the highest proposed cost scenario with the City of Scottsdale) under the Master Contract through the property tax; the second funding the cost after offsetting the revenue from the Fire Fund sales tax.

Limited Property Value - Carefree 2021	\$ 180,225,713
Assumed Operating Costs	\$ 3,000,000
Property Tax Rate (per \$100 LPV)	\$ 1.66
Assumed Oper Cost Less Current Tax	\$ 1,750,000
Property Tax Rate (per \$100 LPV)	\$ 0.97

Based on the estimated Limited Property Value net assessed value of \$180 million, the property tax rate required for full funding of the assumed Master Contract operating cost would be \$1.66 and for partial funding (together with the existing Fire Fund) would be \$.97.

The Table on the following page presents a plethora of information. The Table is a presentation of the Limited Property Values by Legal Class (and other analyses) for the Town of Carefree. A brief description of the column heading headings are presented below:

- 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%).

	LEGAL CLASS	PARCELS	LIMITED PROPERTY	LPV ASSESSED	EXEMPT	LPV NET ASSESSED	PCT	AVG LPV	AVG Net Assessed	Levy @ \$1.66 AVG Prcl	Levy @ \$.97 AVG Prcl
<b>CITY OF CAREFREE</b>		3,460	1,693,921,879	185,008,894	4,783,181	180,225,713				\$ 2,991,747	\$ 1,748,189
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	\$ 23,547.76	\$ 13,759.84
Golf Courses	1 9	12	1,249,373	224,888	0	224,888	0.1%	104,114	18,741	\$ 311.10	\$ 181.78
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	\$ 1,182.62	\$ 691.05
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	\$ 341.53	\$ 199.57
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	\$ 991.96	\$ 579.64
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	\$ 994.70	\$ 581.24
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	\$ 6,063.23	\$ 3,542.97
Licensed Res Care Fac Pers Prop	4 5P	0	100,000	10,000	0	10,000	0.0%	100,000	10,000	\$ 166.00	\$ 97.00
Residential - Common Areas	4 8	105	52,500	5,250	4,000	1,250	0.0%	500	12		

- 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 @ \$1.66 AVG Prcl:** This column depicts the total levy at a \$1.66 tax rate (\$2.991 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 \$992.
- **Levy @ .97 AVG Prcl:** This column depicts the total levy at a \$.97 tax rate (\$1.748 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 \$580.

Two other aspects of a property tax for Carefree are presented in the Tables that follow.

The first Table is a depiction of the property tax rates for selected jurisdictions. Another 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.).

	2020 - 2021 Tax Rate Per \$100 NAV		
	Primary	Secondary	Total
CITY OF PHOENIX	\$ 1.3055	\$ 0.8241	\$ 2.1296
CITY OF SCOTTSDALE	0.5273	0.5043	1.0316
<b>CITY OF CAREFREE</b>	0	0	0
CITY OF PARADISE VALLEY	0	0	0
TOWN OF CAVE CREEK	0	0	0
DAISY MOUNTAIN FIRE DISTRICT	0	3.4828	3.4828

The tax rates calculated above for Carefree to fund the new Master Contract operating costs were \$1.66 and \$.97. Both of these rates would be below the Phoenix combined rate (at \$2.1296) and the \$.97 rate would be roughly comparable to Scottsdale (at \$1.0316). The Daisy Mountain Fire District levies a rate (at \$3.4828) substantially above the calculated rates for Carefree. It should also be noted that Cave Creek is contemplating imposing a property tax to fund their fire protection. Cave Creek has less NAV than does Carefree (\$166.4 million versus \$180.2 million) and faces potentially higher costs (as they are thinking of one and a half fire stations).

The second aspect of the property tax base for Carefree is that it has been somewhat volatile over the past decade. This volatility is not necessarily greater than that of Maricopa County. The Table below presents the LPV NAV of the two jurisdictions from 2009 to the current year. The decline in LPV NAV from 2009 through about 2013 and the steady but slow increase since that time separately reflect two phenomena:

- The massive hit to property values brought on by the Great Recession that lasted until about 2013, and



- The operation of the limit on year to year increases that are permitted in Limited Property Values despite a rather “hot” real estate market – until 2017 the increases in unchanged existing properties were limited to roughly 10%, and since that time are limited to 5%

LPV NAV Over Time			
Year		Carefree	Maricopa Cnty
2021	Est	180,225,713	48,724,126,672
2020		171,589,004	45,704,969,813
2019		166,338,640	43,194,326,395
2018		159,796,968	40,423,232,423
2017		152,356,558	38,251,891,249
2016		145,408,280	36,135,494,474
2015		141,747,093	34,623,670,323
2014		136,847,750	33,519,795,354
2013		137,983,516	31,996,204,979
2012		145,234,210	34,263,842,274
2011		159,059,559	38,492,098,635
2010		190,807,276	46,842,818,990
2009		193,957,058	49,675,117,156

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

There are several options to fund the capital costs (assumed to be \$2 million) associated with the new Master Contract. Among the options are:

- Pay cash and reduce the annual transfer for capital expenditures that has appeared in the Carefree budget for some number of years. This approach would reduce the amount available for already planned 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 (approximately 2%) 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. 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 aforementioned options should be weighed by Town staff and financial advisors as well as the Town Council.

### ***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.

#### **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.

**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.

Throughout this paper there has been discussions of the state imposed 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.

**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 has 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 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. Need to develop clear cost estimates (both operational and capital expenditures) and revenue plan for financing increased fire service expenditures.

**Recommendation #2:**

The Public Safety Advisory Committee recommends that the Town of Carefree apply to the Central Arizona Life Safety System Response 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 to cover the increased Town budget that will be required, must be in place 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 to include the existing dedicated sales tax and a new dedicated property tax to be presented to 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 fire and emergency services costs. 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 elastic 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 pass 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 should 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 MSCO contracted services.

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# APPENDIX

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