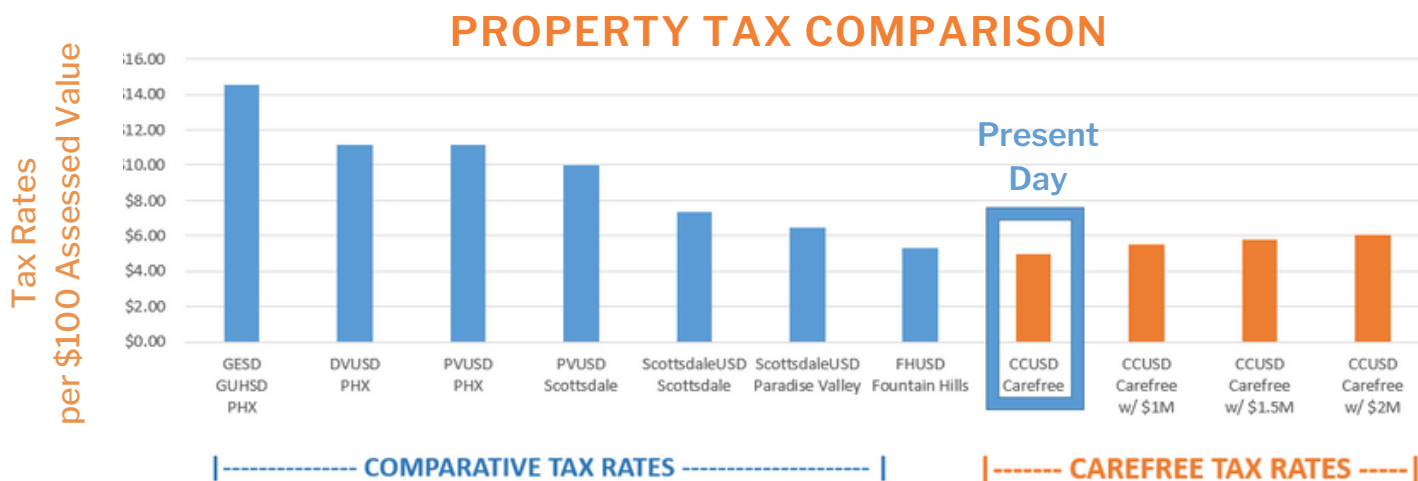


PRIMARY PROPERTY TAX

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

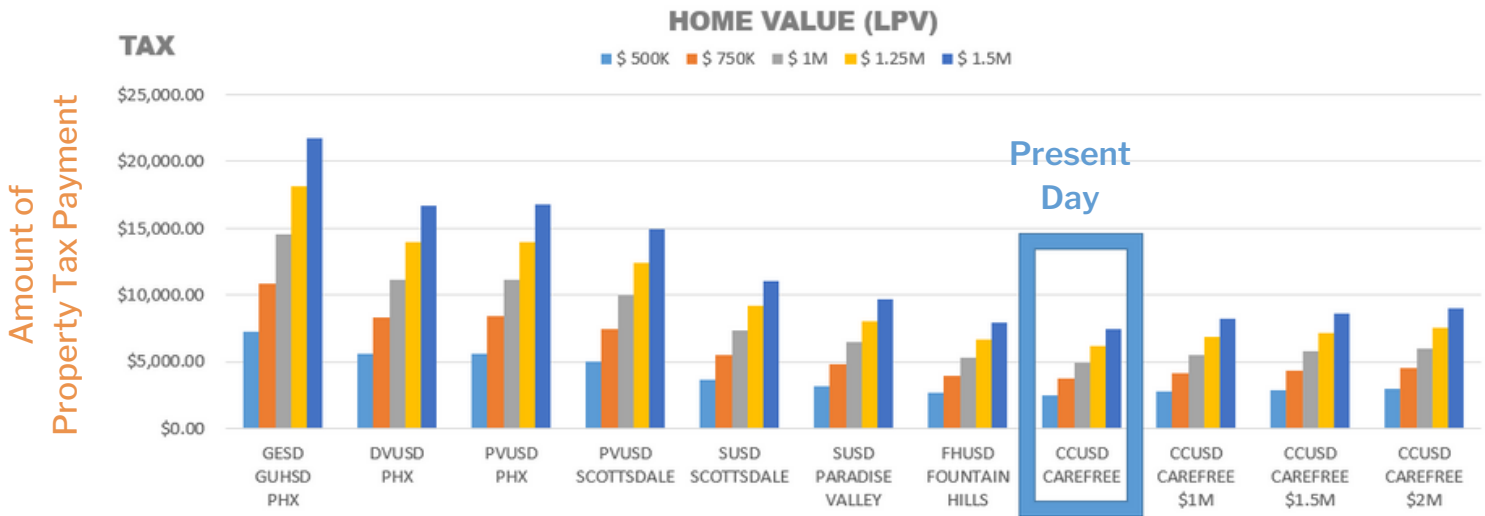
When comparing the current property taxes paid in Carefree (collected by entities not associated with the Town), it clearly illustrates that Carefree residents have the lowest tax rates in the region and perhaps the state. Even if a modest property tax is considered to offset the financial commitment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



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

Primary Property Tax (continued)

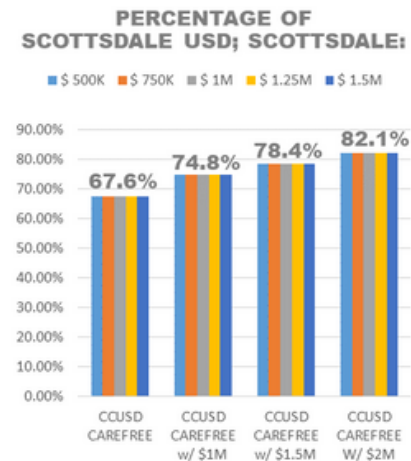
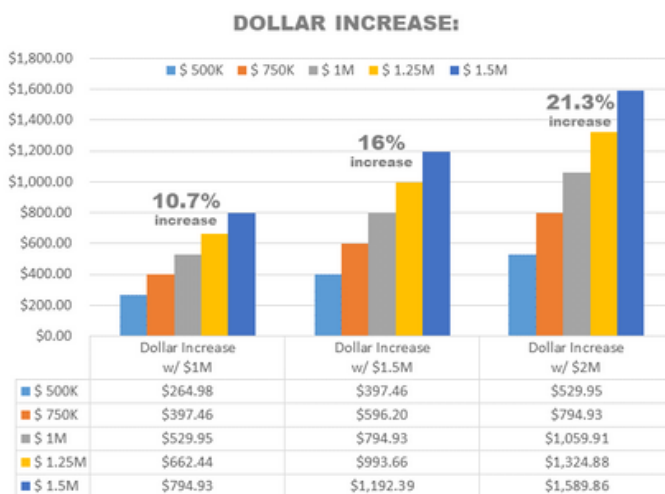
PROPERTY TAX COMPARISON



More specifically, from a dollar perspective, the following charts compare the respective increases. Using the average LPV in Carefree of \$630,000:

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

PROPERTY TAX COMPARISON



Primary Property Tax (continued)

What would the tax levy be?

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

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