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Town of Carefree Fire Service Options



Meet the Panelists:



John Kraetz

Retired Fire Chief

Chief Kraetz recently retired after a 48-year career in fire and emergency services most notably the last 17 as Carefree's Fire Chief. He is intimately familiar with Carefree's investment in Fire resources and the respective nuances in the provision of fire and emergency services.



**Jim Rounds
& Luis Cordova**

Rounds Consulting
Group

Rounds Consulting Group advises entities from both the public and private sector on matters of policy and economics. The firm specializes in economic development, data collections and analysis, fiscal planning including revenue forecasting and budget development, and strategic planning.



Pat Walker

Pat Walker Consulting
LLC

Pat Walker, served as CFO for the City of Chandler, has over 40 years of experience in financial consulting with cities, towns and districts across the nation with the last 10 years specifically in Arizona.



Peter Burns

Carefree Resident

Peter Burns was Director of the Arizona Governor's Office of Strategic Planning and Budgeting where he served three Governors. As the primary fiscal advisor to the Governor, he was responsible for the preparation and presentation of the annual Executive Budget. Peter served on the Public Safety Advisory Committee which investigated Carefree's fire and emergency service options.



**Matt Lehrman
& John Little**

Social Prosperity
Partners

Social Prosperity Partners focus on engaging communities in collaborative discussions to help define priorities, seek common solutions and most importantly make everyone feel not merely more informed on an issue, but also welcomed, heard and respected.

ISSUE: EFFECTIVENESS OF FIRE & EMERGENCY RESPONSE & EXTERNAL INFLUENCES



MUTUAL AID

- **LOCAL Dispatch System**
(run through Rural Metro)
- Must call automatic aid partners to ask for assistance
- Automatic aid partners can refuse service
- Results in possible delayed backup



VS. AUTOMATIC AID

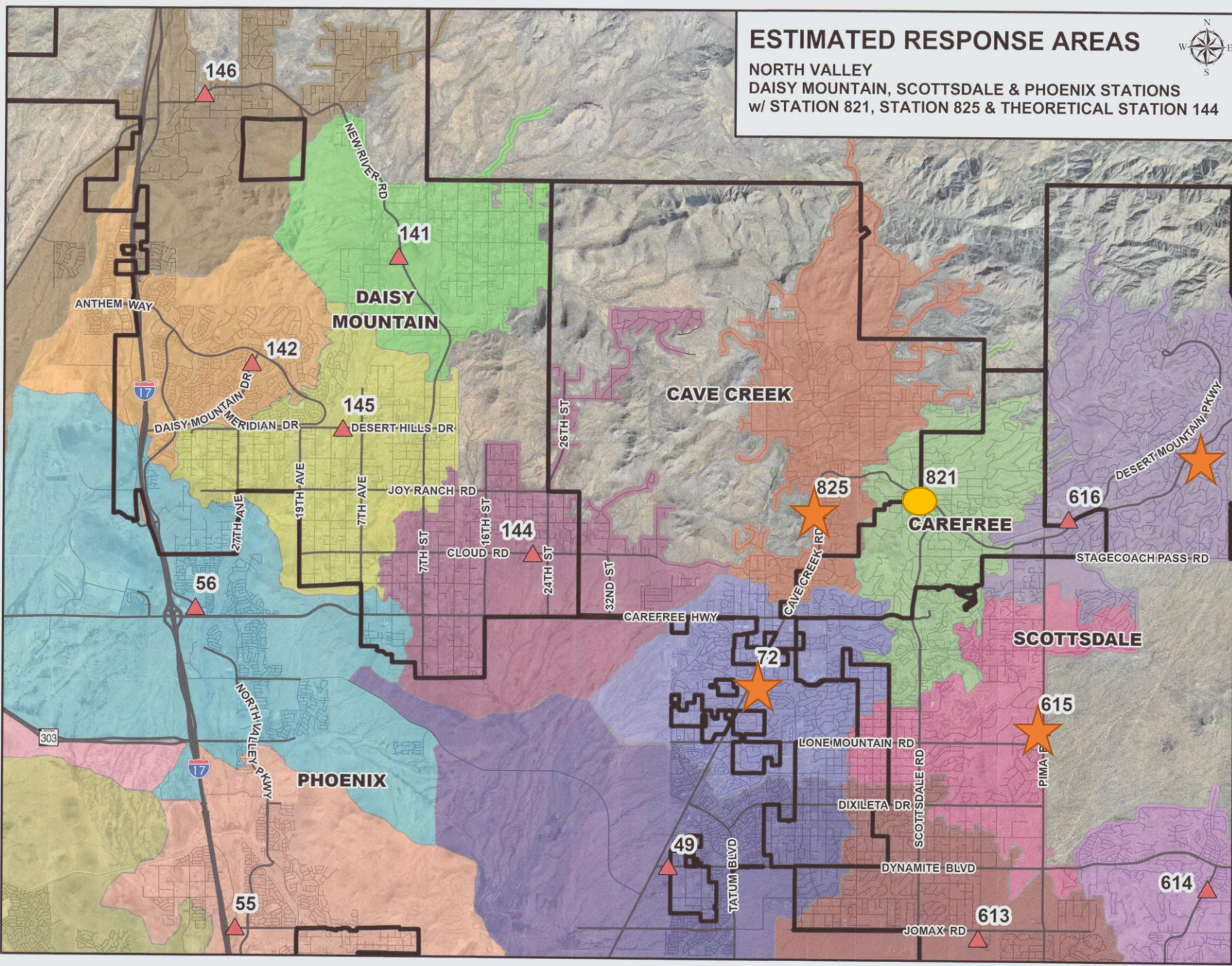
- **REGIONAL Dispatch System**
(run through City of Phoenix)
- Collectively, departments act as one large fire department where closest assets automatically dispatched to scene of an incident
- Does not matter name on side of truck or jurisdictional boundaries
- Must be accepted and meet minimal standards of regional partnership which requires higher capital and reoccurring operational costs



ESTIMATED RESPONSE AREAS




NORTH VALLEY
DAISY MOUNTAIN, SCOTTSDALE & PHOENIX STATIONS
w/ STATION 821, STATION 825 & THEORETICAL STATION 144



CITIZEN DRIVEN PROCESS:



Goal of participating in Automatic Aid to ensure more seamless, timely and unconditional responses from nearby first responders.



What are the Fire and Emergency Options/Costs



4

OPTIONS for consideration:

NO Auto Aid:



RURAL METRO FIRE DEPARTMENT

PROS:

- Lowest cost option
- Employees are familiar with Town's streets and commercial occupancies
- Employee/daily management handled by Rural Metro

CONS:

- Inability to join auto aid
- Does not meet initial NFPA 1710 requirements for manpower responding to structure fires
- Does not have formal mutual aid agreements with surrounding departments
- Limited specialty emergency services (HazMat, trench rescue, high-angle rescue)

COSTS:

ONE TIME: \$850,000*

ANNUAL: \$1,857,000*

Potential Auto Aid Option:



DAISY MOUNTAIN FIRE DEPARTMENT

PROS:

- Full-service dept.
- Human Resources
- Retirement program
- Workman's Comp
- New hire process
- Payroll
- Fleet management
- Medical direction
- Training
- Scheduling
- Daily station mgmt.
- Full staff of admin & managers
- Perceived improved acceptance to Auto-Aid system
- Economy of scale

CONS:

- Takes control away from the Town which may include:
- Cost increases
 - Future capital needs
 - Unknown provision for fire prevention activities
 - Likely 25-year commitment

COSTS:

ONE TIME: \$1,848,014*

ANNUAL: \$2,658,617*

Potential Auto Aid Option:



SCOTTSDALE FIRE DEPARTMENT

PROS:

- Full-service dept.
- Human Resources
- Retirement program
- Workman's Comp
- New hire process
- Payroll
- Fleet management
- Medical direction
- Training
- Scheduling
- Daily station mgmt.
- Full staff of admin & managers
- Perceived improved acceptance to Auto-Aid system

CONS:

- Lack of town control
- Future capital needs
- Unknown provision for fire prevention activities

COSTS:

ONE TIME: \$1,848,014*

ANNUAL: \$3,008,750*

Potential Auto Aid Option:



CAREFREE FIRE DEPARTMENT

PROS:

- To an extent, allows for more control over:
- Costs
 - Daily management
 - Future capital purchases
 - Potential to hire current Rural Metro staff already working in the town for years. (To include all lower ranks: firefighter, engineer, captain).

CONS:

- Many unknown costs/issues
- Additional workload on staff
- May need additional staff for HR, Payroll, etc. (added \$\$)
- Requirements & costs for auto aid training + regular training
- Workman's Comp increases
- Medical Insurance increases
- Potential disadvantage applying to auto aid
- Higher up-front & ongoing cost of operations
- Third party fleet maintenance
- Establish software system for incident reporting, schedules

COSTS:

ONE TIME: \$2,046,861*

ANNUAL: \$2,997,930*

A collage of financial and business-related items. In the top left, a portion of a black calculator is visible with buttons for '6', '3', '+', and '='. To the right, a silver compass shows cardinal and intercardinal directions. A black pen lies diagonally across the bottom left. The background is filled with various charts: a line graph with multiple data series, a pie chart with several segments, and a bar chart. A table with numerical data is visible in the bottom right corner.

What is the Town's capacity to pay
for these new annual operational
costs?

an	125,058	154,568	95,054	124,500
eb	125,487	56,845	97,511	125,000
	124,000	110,000	99,011	154,000
	105,450	150,000	99,216	95,000
	86,502	35,000	101,090	154,200
		83,000	101,684	110,000
		45,000	101,962	89,000
			102,747	50,000
				68,700
				123,000

TAKEAWAY:

SCENARIOS 1-2:

- Reduced capacity to annually save funds to replenish Capital Reserve Funds.
- When next cycle of street projects are added in, there are insufficient funds to maintain assets.

SCENARIO 3:

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

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

Ending Fund Balance w/Reserves (Deficit)	\$14.76	\$10.61	\$8.34	\$9.04	\$7.45	\$2.67	\$1.10	(\$0.65)	(\$2.81)	(\$5.19)	(\$7.73)
	Current FY	1	2	3	4	5	6	7	8	9	

Scenario 2: Extended Capital Improvements Requirements + Losing One Major Retail Store

Ending Fund Balance w/Reserves (Deficit)	\$14.76	\$10.51	\$8.04	\$8.54	\$6.75	\$1.77	(\$0.00)	(\$1.95)	(\$4.31)	(\$6.89)	(\$9.63)
	Current FY	1	2	3	4	5	6	7	8	9	

Scenario 3: Using Rural Metro Instead of Town Fire Dept.

Ending Fund Balance w/Reserves (Deficit)	\$14.76	\$11.70	\$9.78	\$11.52	\$11.07	\$7.53	\$7.30	\$7.01	\$6.43	\$5.76	\$5.05
	Current FY	1	2	3	4	5	6	7	8	9	



Given the limited composition of the Town's organizational structure and finances where can new ongoing revenue come from?

Two local revenue streams that typically support municipal services:

SALES TAXES

ADVANTAGES

- SIMPLE & STRAIGHT FORWARD
- EXISTING 1% SALES TAX DEDICATED TO THE FIRE FUND (3% TOTAL RATE)
- GROWS OVER TIME WITH ECONOMIC ACTIVITY

DISADVANTAGES

- NOT ALIGNED WITH BENEFITS RECEIVED
- NOT RECESSION PROOF
- LIMITED NUMBER OF SALES TAX GENERATORS IN CAREFREE
- INCREASING SALES TAXES DRIVE SHOPPERS TO LOWER-RATE JURISDICTIONS

PROPERTY TAXES

ADVANTAGES

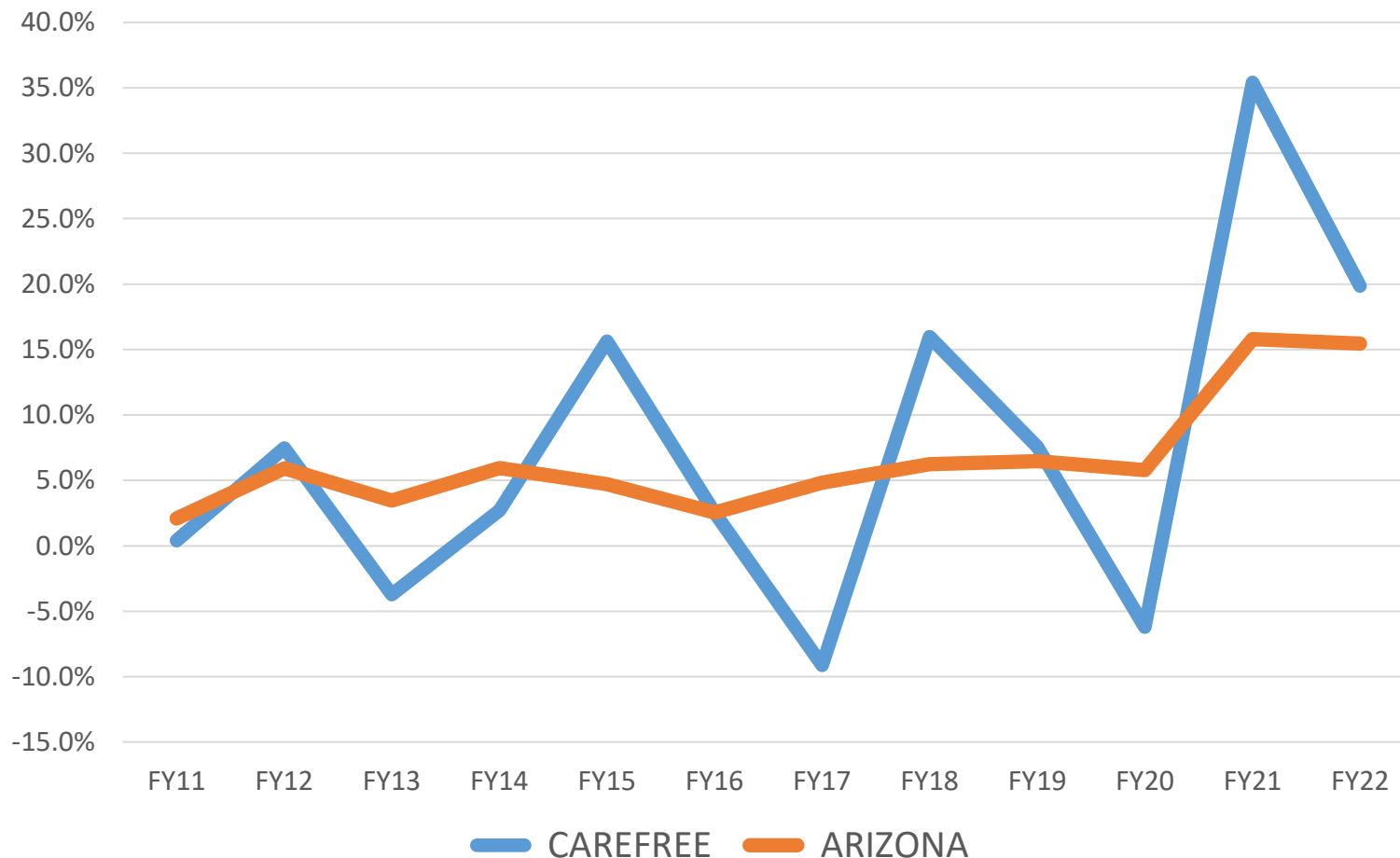
- COSTS CORRELATE WITH SIZE/VALUE OF STRUCTURES BEING PROTECTED
- STABLE REVENUE SOURCE
- PART-TIME RESIDENTS PAY THEIR SHARE
- LEGISLATIVE LIMITS SAFEGUARD 'RUNAWAY' PROPERTY TAX
(annual levy growth limit of a 2%, the so-called "truth in taxation" process, a valuation growth limit of 5%)

DISADVANTAGES

- UNPOPULAR TAX
- POLITICALLY CHALLENGING TO ESTABLISH NEW TAX
- REQUIRES APPROVAL FROM TOWN COUNCIL AND VOTE FROM THE PEOPLE
- TAX LEVY LIMITS MAY NOT 'KEEP UP' WITH ESCALATOR CLAUSES IN NEW MASTER CONTRACT

SALES TAX PERFORMANCE

ANNUAL PERCENT CHANGE IN TAX REVENUE COLLECTIONS CAREFREE VS ARIZONA



CURRENT SALES TAX RATES BY CITY/TOWN

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



**THE VOLATILITY OF
CAREFREE'S TAX REVENUES
INDICATES SENSITIVITY TO
CHANGES IN THE ECONOMY
AND MAKES FORECASTING
DIFFICULT**

FIRE FUND

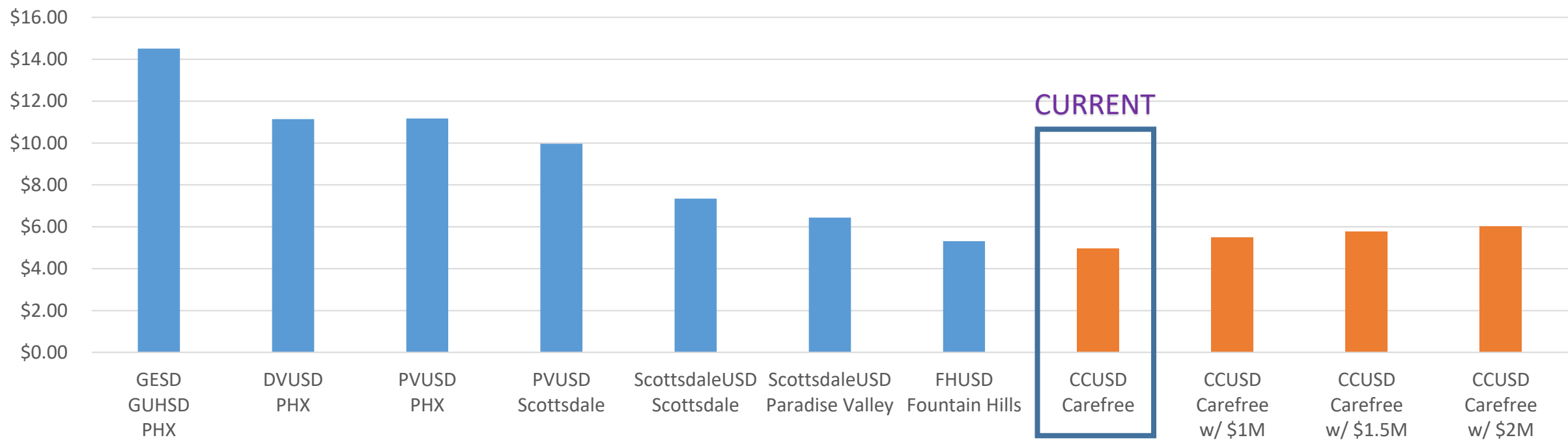
(1% dedicated sales tax)

**FIRE FUND HAS GENERALLY
NOT BEEN SUFFICIENT TO FUND
RURAL METRO FD MASTER
CONTRACT**



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

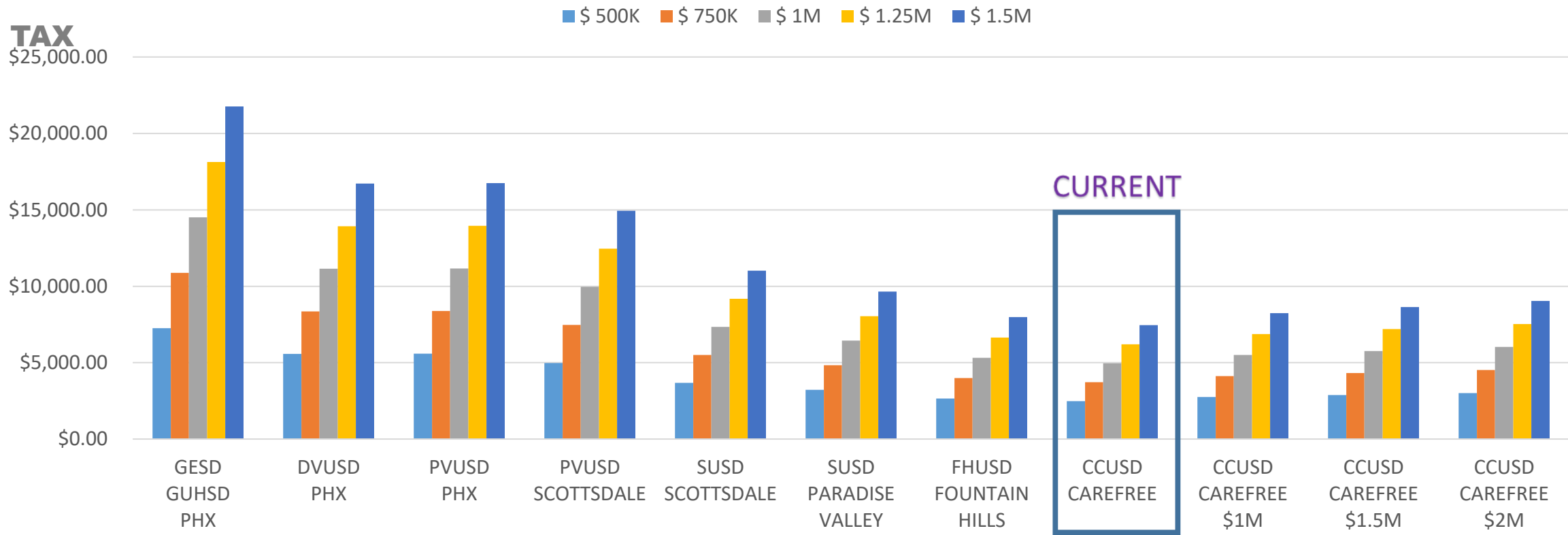
PROPERTY TAX COMPARISON



|----- COMPARATIVE TAX RATES -----| |----- CAREFREE TAX RATES -----|

PROPERTY TAX COMPARISON

HOME VALUE (BASED ON LPV*)

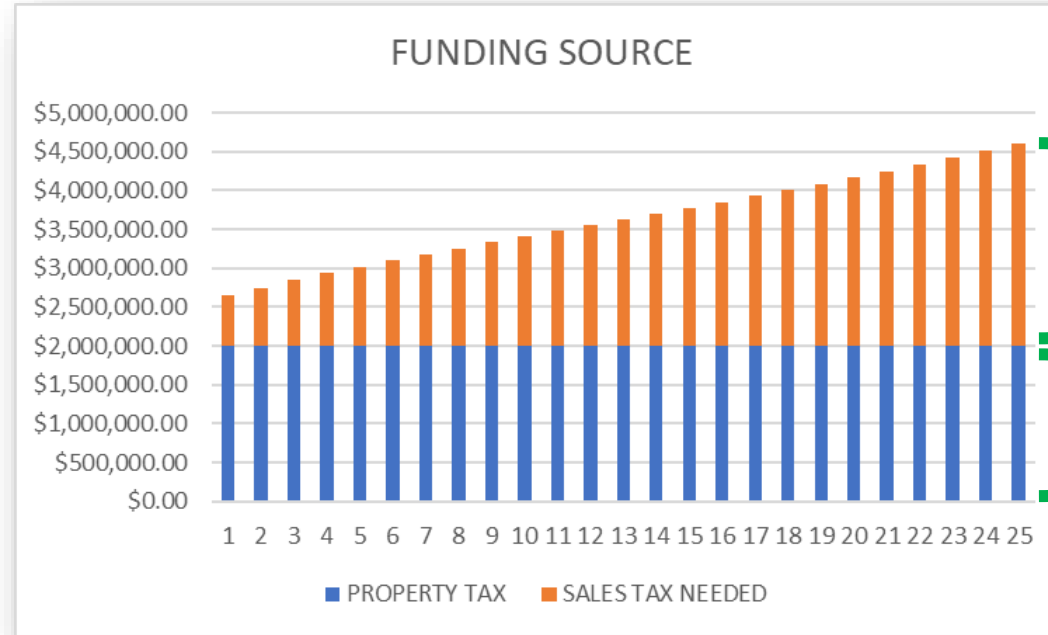


|----- COMPARATIVE TAX PAYMENT -----| |---- CAREFREE TAX PAYMENT ----|

Property Taxes are not calculated on the what someone will pay for your home (market value), they are calculated on a reduced value called Limited Property Value (LPV) which controls increases to the value of your home to a maximum of 5% per year. The average LPV in Carefree is \$630,000.

Establishing a \$2.0 Million Levy:

- As costs of contract grows amount of sales tax offset increases
- Must set property tax to maintain positive position of fire fund
- Evaluating past performance of sales tax receipts b/w average collection of long-term (12 years) vs. short-term (5 years)



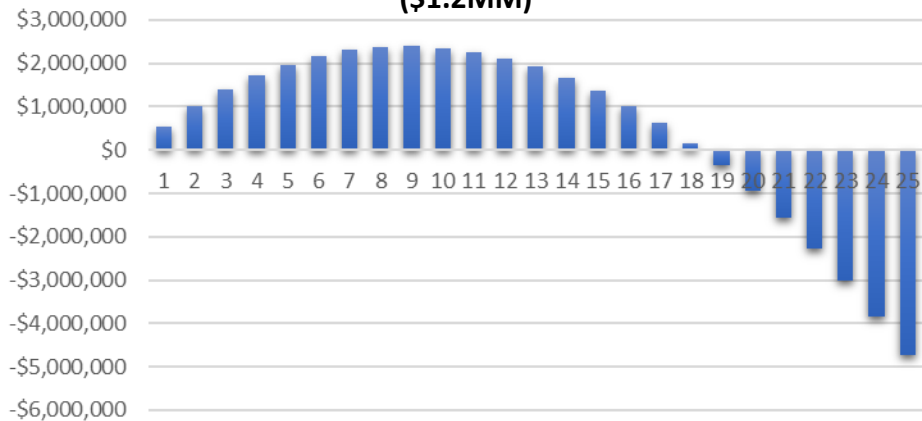
45%
Sales Tax

55%
Property Tax

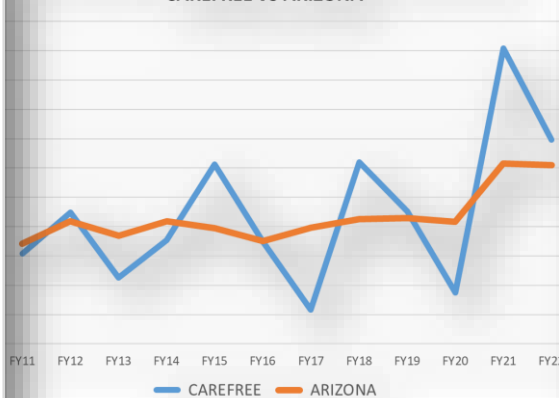
+\$90MM



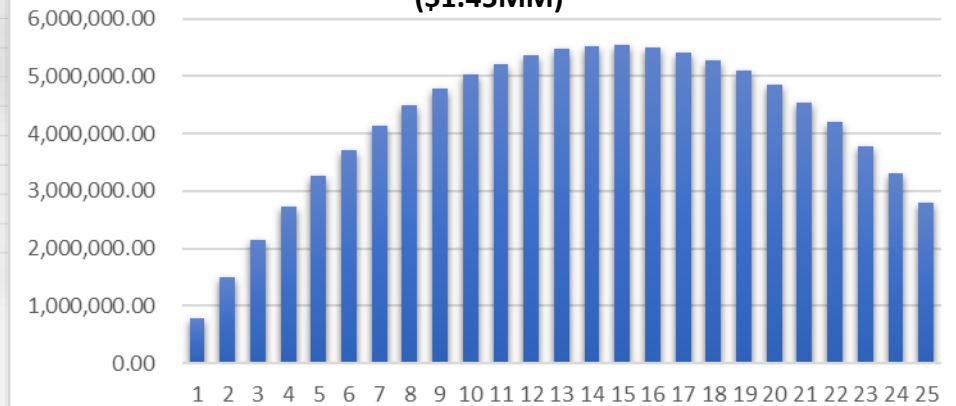
BALANCE FIRE FUND USING 12-YEAR
SALES TAX AVERAGE
(\$1.2MM)



ANNUAL PERCENT CHANGE IN TAX REVENUE COLLECTIONS
CAREFREE VS ARIZONA

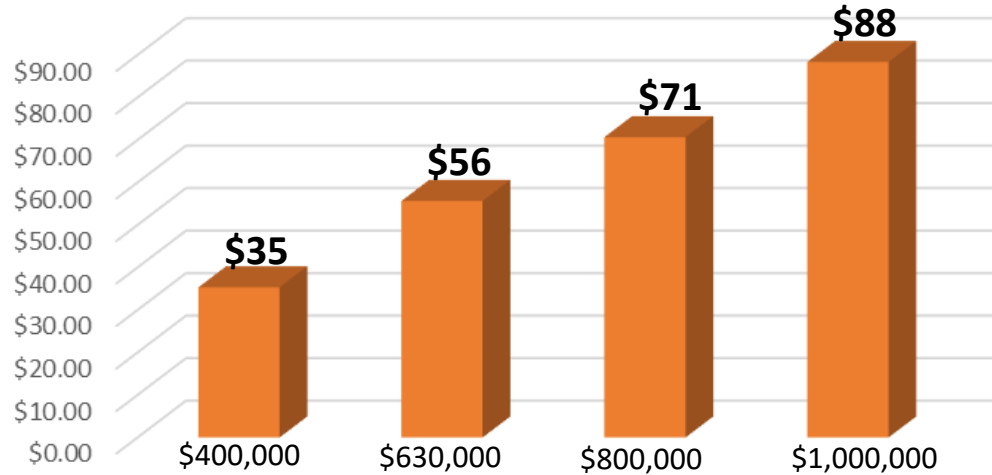


BALANCE FIRE FUND USING 5-YEAR
SALES TAX AVERAGE
(\$1.45MM)

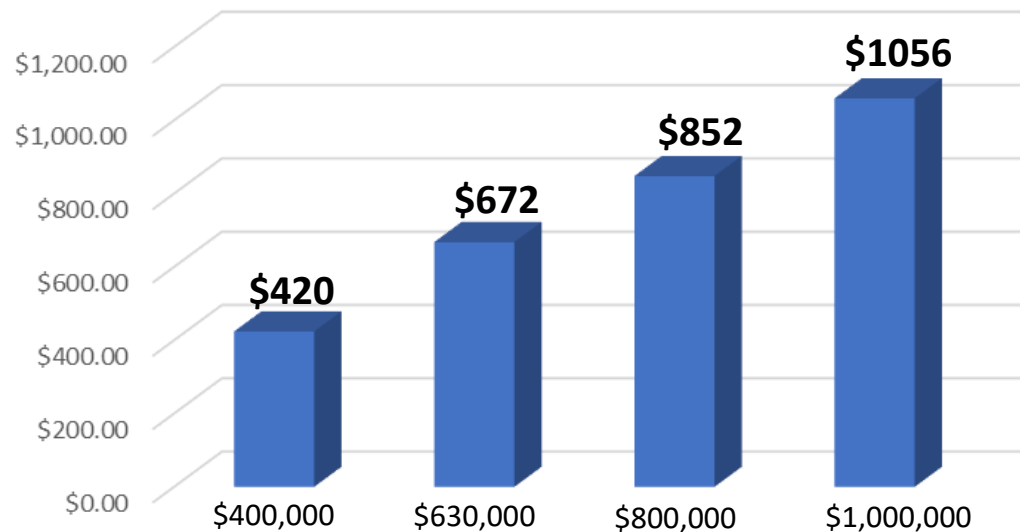


COMPARING ASSESSMENT

Monthly



Annual



- Average LPV in Carefree = \$630K
- Homeowner's monthly assessment under average LPV would be approximately **\$56 per month**
- If citizens were to pay private subscription to Rural Metro today the average household would be paying approximately **\$87 per month**
- Homeowner's annual assessment under average LPV would be **\$672 annually**
- Under a Rural Metro subscription model this household would be paying **\$1,044 annually.**

Items for Town Council Action:

- **Resolution #2022-18:**

Calls for a special election on May 16th, 2023 to consider a primary property tax to enable the community to support the long-term financial commitment to become part of the regional Automatic Aid consortium in a financial responsible, sustainable and solvent manner.

- **Resolution #2022-19:**

Restricts the funding collected with the primary property tax to offset the necessary funding needed to make a long-term commitment to join the regional Automatic Aid Consortium.



Town of Carefree Fire Service Options

