



Town of Carefree Fire Service Options



FIRE & EMERGENCY SERVICES: CITIZEN OUTREACH SCHEDULE

1

Wednesday, October 19 | 5:00 PM

Christ Anglican Church
3550 North Cave Creek Road

4

Thursday, November 10 | 5:00 PM

Carefree Town Council Chambers
33 Easy Street

2

Wednesday, October 26 | 5:00 PM

Holland Community Center
34250 North 60th Street

5

Thursday, November 17 | 5:00 PM

Zoom Meeting

3

Thursday, November 3 | 5:00 PM

Christ the Lord Lutheran Church
9205 East Cave Creek Road





EVOLUTION OF FIRE SERVICE



The Beginning:

Individual subscription service

(Today's value would be over \$1,000 per single-family residence)



2006 – Town Enters Master Contract

Eliminated financial liability to individual household

Town assumed financial liability of reoccurring expenses through reoccurring revenues by increasing retail sales tax from 2% to 3% and approved CVS and Lowes stores to generate reoccurring revenue



Today:

External pressure being placed on Carefree to join regional automatic aid partnership

MUTUAL AID

VS.

AUTOMATIC 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**



- **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**



4 OPTIONS

for consideration:



**Rural
Metro**



**Daisy
Mountain**






**City of
Scottsdale**



**Town of
Carefree**

5 REVIEWING THE OPTIONS

Regardless of which option is selected, any of the noted providers will serve the Town with excellent emergency services.

-  **Up front costs**
-  **Annual costs**
-  **Unique service options**

COST COMPARISON

		ONE TIME COSTS	ANNUAL OPERATING COST
Daisy Mountain		\$1,848,014*	\$2,658,617*
City of Scottsdale		\$1,848,014*	\$3,008,750*
Carefree Fire Dept.		\$2,046,861*	\$2,997,930*
Rural Metro		\$850,000	\$1,857,000

Note: The Carefree Fire Department costs assume a 5% for annual operating costs and a 10% cost contingency for one-time costs to account for inflationary factors and other unknowns. These expenditures are estimates as of October 18, 2022, and are subject to change.

+ PROS

FULL-SERVICE DEPARTMENT

OVERHEAD:

- **Human Resources**
- **Retirement program administration**
- **Workman's Comp administration**
- **New hire process (internal & on-going)**
- **Payroll**
- **Fleet management**
- **Medical Direction**

OPERATIONS:

- **Training**
- **Scheduling**
- **Day-to-day station management**
- **Contract provides full staff of administrative and operations Chief level managers**
- **Perceived better chance of acceptance into auto aid system**
- **Economy of scale**



- CONS

TAKES MOST OF CONTROL AWAY FROM THE TOWN WHICH MAY INCLUDE:

- **Cost increases**
- **Future capital needs/requests**
- **Unknown provision for fire prevention activities***
- **Probable 25-year commitment**

**may be worked out in contract negotiations*

+ PROS

FULL-SERVICE DEPARTMENT

OVERHEAD:

- **Human Resources**
- **Retirement program administration**
- **Workman's Comp administration**
- **New hire process (internal & on-going)**
- **Payroll**
- **Fleet management**
- **Medical Direction**

OPERATIONS:

- **Training**
- **Scheduling**
- **Day-to-day station management**
- **Contract provides full staff of administrative and operations Chief level managers**
- **Perceived better chance of acceptance into auto aid system**
- **Provision for fire prevention activities**



- CONS

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

+ PROS

TO AN EXTENT, ALLOWS FOR MORE CONTROL OVER:

- **Costs**
- **Day-to-day 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

MASSIVE UNDERTAKING

- **Many unknown issues & costs to start a new fire department, such as;**
- **Puts additional new workload on Town staff**
- **May need additional staff for HR, Payroll, etc., thus adding to annual expense**
- **Requirements & costs associated with training for auto aid and normal on-going training**
- **May not be able to obtain 11-week training program for new staff as Cave Creek did**
- **Workman's Comp increases to the Town**
- **Medical insurance cost increases to the Town (includes mandated National Cancer Initiative)**
- **Potential disadvantage applying to the auto aid consortium**
- **Slightly higher up-front cost & highest ongoing cost of options**
- **Fleet maintenance provided through a third party at an unknown cost**
- **Purchase and maintain computer programs for incident reporting, scheduling, training, etc.**

+ PROS

- **Lowest cost option**
- **Employees are familiar with the Town's streets and commercial occupancies**
- **Employee/day-to-day management and operational needs 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 (i.e. HazMat, trench rescue, high-angle rescue)**

Town of Carefree Fire Service Options

Economic Analysis



Rounds Consulting Group Team



Jim Rounds

Rounds Consulting Group



Pat Walker

Pat Walker Consulting LLC



Luis Cordova

Round Consulting Group

Rounds Consulting Group

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

Pat Walker Consulting

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

Midpoint Forecast – Select Considerations

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

Midpoint Forecast Scenario 1: Town Fire Dept. with Ongoing Capital

Midpoint Scenario 2: 10-Year Capital Improvement Plan (in millions)

General Fund, Fire Fund, and Reserve Fund	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Beginning Cash Fund Balance (Deficit)	\$12.68	\$12.06	\$7.91	\$4.70	\$5.13	\$3.37	\$ 0	\$ 0	(\$0.65)	(\$2.81)	(\$5.19)
Reserve Carry-Forward (1)	-	\$2.70	\$2.70	\$3.63	\$3.91	\$4.08	\$2.67	\$1.10	-	-	-
On-Going Revenues (2)	\$9.06	\$8.81	\$8.66	\$9.30	\$9.68	\$9.95	\$10.03	\$10.25	\$10.26	\$10.48	\$10.77
On-Going Expenditures (3)	\$5.79	\$6.76	\$7.27	\$7.81	\$8.16	\$8.53	\$8.91	\$9.31	\$9.73	\$10.17	\$10.63
One-Time Revenues (4)	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
One-Time Expenditures (5)	\$1.21	\$6.21	\$3.68	\$0.80	\$3.12	\$6.21	\$2.70	\$2.70	\$2.70	\$2.70	\$2.70
Reserves (6)	\$2.70	\$2.70	\$3.63	\$3.91	\$4.08	\$2.67	\$1.10	-	-	-	-
Ending Cash Fund Balance (Deficit)	\$12.06	\$7.91	\$4.70	\$5.13	\$3.37	\$ 0	\$ 0	(\$0.65)	(\$2.81)	(\$5.19)	(\$7.73)

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)
---	----------------	----------------	---------------	---------------	---------------	---------------	---------------	-----------------	-----------------	-----------------	-----------------

TAKEAWAY:

WITH TOWN FIRE DEPT. AND CONTINUING MAINTENANCE OF INFRASTRUCTURE THERE WILL BE A SIGNIFICANT DEFICIT & INABILITY TO REPAIR AGING INFRASTRUCTURE BEYOND 2027

Midpoint Forecast Scenario 2: 10-Year Capex & \$200K Less Sales Taxes

Midpoint Scenario 3: 10-Year Capex & \$200K Less Sales Taxes (in millions)											
General Fund, Fire Fund, and Reserve Fund	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Beginning Cash Fund Balance (Deficit)	\$12.68	\$12.06	\$7.81	\$4.40	\$4.63	\$2.67	\$ 0	(\$0.00)	(\$1.95)	(\$4.31)	(\$6.89)
Reserve Carry-Forward (1)	-	\$2.70	\$2.70	\$3.63	\$3.91	\$4.08	\$1.77	-	-	-	-
On-Going Revenues (2)	\$9.06	\$8.71	\$8.46	\$9.10	\$9.48	\$9.75	\$9.83	\$10.05	\$10.06	\$10.28	\$10.57
On-Going Expenditures (3)	\$5.79	\$6.76	\$7.27	\$7.81	\$8.16	\$8.53	\$8.91	\$9.31	\$9.73	\$10.17	\$10.63
One-Time Revenues (4)	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
One-Time Expenditures (5)	\$1.21	\$6.21	\$3.68	\$0.80	\$3.12	\$6.21	\$2.70	\$2.70	\$2.70	\$2.70	\$2.70
Reserves (6)	\$2.70	\$2.70	\$3.63	\$3.91	\$4.08	\$1.77	-	-	-	-	-
Ending Cash Fund Balance (Deficit)	\$12.06	\$7.81	\$4.40	\$4.63	\$2.67	\$ 0	(\$0.00)	(\$1.95)	(\$4.31)	(\$6.89)	(\$9.63)
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)

TAKEAWAY:

- CURRENT SALES TAX CENTRIC MODEL AT RISK IF ONE OF THE CORE BUSINESSES LEAVES.
- DEFICIT COULD BE REACHED SOONER, RESULTING IN INABILITY TO FUND AGING INFRASTRUCTURE.

Midpoint Forecast Scenario 3: Rural Metro Instead of Town Fire Dept.

Midpoint Scenario 4: 5-Year Capex & \$200K Less Sales Taxes with Rural Metro Costs (in millions)											
General Fund, Fire Fund, and Reserve Fund	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Beginning Cash Fund Balance (Deficit)	\$12.68	\$12.06	\$9.00	\$6.42	\$8.24	\$7.66	\$4.0	\$3.6	\$3.2	\$2.5	\$1.6
Reserve Carry-Forward (1)	-	\$2.70	\$2.70	\$3.36	\$3.29	\$3.41	\$3.55	\$3.68	\$3.83	\$3.98	\$4.13
On-Going Revenues (2)	\$9.06	\$8.71	\$8.46	\$9.10	\$9.48	\$9.75	\$9.83	\$10.05	\$10.06	\$10.28	\$10.57
On-Going Expenditures (3)	\$5.79	\$6.76	\$6.72	\$6.57	\$6.83	\$7.09	\$7.37	\$7.65	\$7.95	\$8.26	\$8.59
One-Time Revenues (4)	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
One-Time Expenditures (5)	\$1.21	\$5.01	\$3.68	\$0.80	\$3.12	\$6.21	\$2.70	\$2.70	\$2.70	\$2.70	\$2.70
Reserves (6)	\$2.70	\$2.70	\$3.36	\$3.29	\$3.41	\$3.55	\$3.68	\$3.83	\$3.98	\$4.13	\$4.29
Ending Cash Fund Balance (Deficit)	\$12.06	\$9.00	\$6.42	\$8.24	\$7.66	\$3.98	\$3.62	\$3.18	\$2.45	\$1.62	\$0.76
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

TAKEAWAY:

IF THE TOWN DOES NOT BECOME PART OF AUTOMATIC AID & MAINTAINS ITS RELATIONSHIP WITH RURAL METRO AND ACCEPTS MUTUAL AID LEVEL OF SERVICE/RISK, THE TOWN HAS SUFFICIENT FUNDING FOR THE RURAL METRO CONTRACT & FUTURE MAINTENANCE OF INFRASTRUCTURE.

Midpoint Forecast Summaries:

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)
--	---------	---------	--------	--------	--------	--------	--------	----------	----------	----------	----------

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)
--	---------	---------	--------	--------	--------	--------	----------	----------	----------	----------	----------

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
--	---------	---------	--------	---------	---------	--------	--------	--------	--------	--------	--------

FINANCING INVESTMENT IN AUTOMATIC AID:

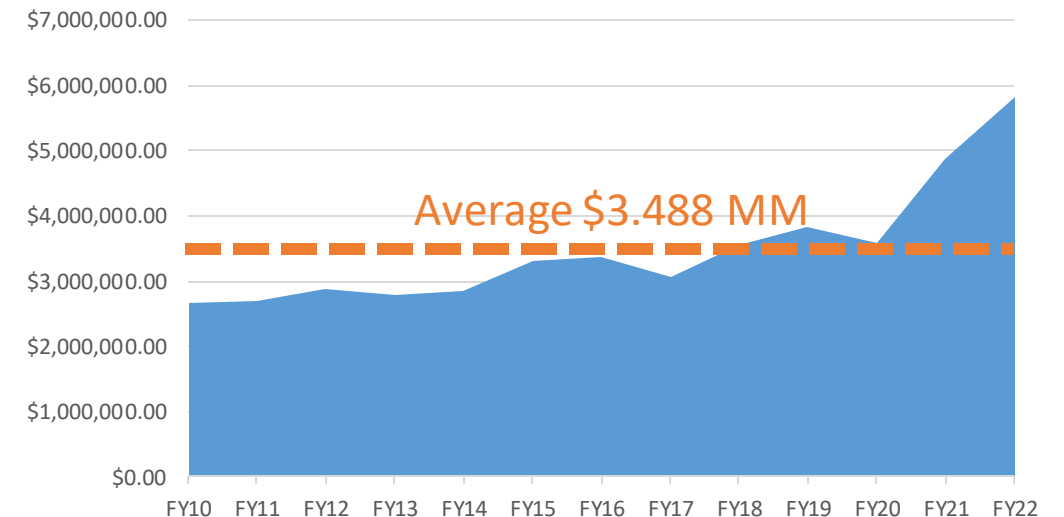
13 -YEARS CAREFREE SALES TAX COLLECTIONS

FISCAL YEAR (JUL 1 - JUN 30)	SALES TAX COLLECTIONS	 PERCENT CHANGE
FY10	\$2,674,685	
FY11	\$2,685,710	0.4%
FY12	\$2,886,242	7.5%
FY13	\$2,778,723	-3.7%
FY14	\$2,853,766	2.7%
FY15	\$3,299,979	15.6%
FY16	\$3,382,988	2.5%
FY17	\$3,073,836	-9.1%
FY18	\$3,564,947	16.0%
FY19	\$3,834,622	7.6%
FY20	\$3,596,448	-6.2%
FY21	\$4,870,025	35.4%
FY22	\$5,836,749	19.8%



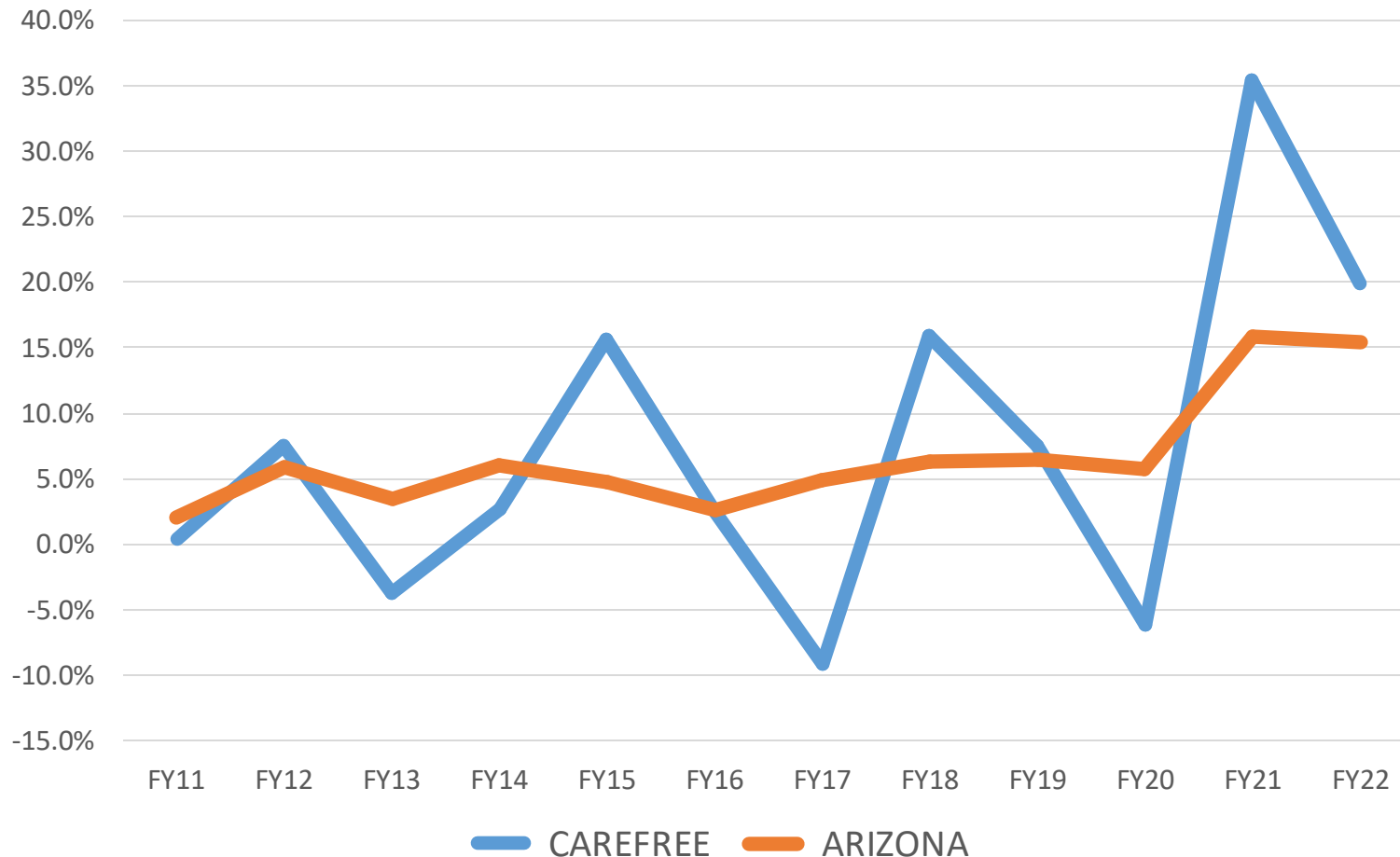
1% 
SALES TAX
(LEVIED WITH INITIATION OF
2007 MASTER CONTRACT)

Graphic Representation of Table



SALES TAX VOLITILITY & COMPARISONS

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

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	



FIRE FUND

(1% dedicated sales tax)

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

CAPITAL RESERVE FUNDING

CAREFREE HAS A CAPITAL RESERVE FUND THAT HAS BEEN **BUILT UP** OVER THE LAST 10 YEARS:

FISCAL YEAR	ANNUAL TOWN REVENUES	ANNUAL TOWN EXPENDITURES	NET ADDED or (SUBTRACTED) from FUND BALANCE	ENDING CAPITAL RESERVE FUND BALANCE
2022	\$9,074,346	\$6,998,606	\$2,075,740	\$15,381,003
2021	\$8,141,877	\$6,334,112	\$1,807,765	\$13,573,238
2020	\$7,129,542	\$6,798,347	\$331,195	\$13,242,043
2019	\$7,115,169	\$5,131,389	\$1,983,780	\$11,258,263
2018	\$6,271,476	\$5,189,825	\$1,081,651	\$10,176,612
2017	\$5,416,028	\$5,060,621	\$355,407	\$9,821,204
2016	\$5,762,517	\$6,303,597	(\$541,080)	\$10,362,284
2015	\$5,750,374	\$4,851,244	\$899,130	\$9,463,154
2014	\$5,033,747	\$5,057,982	(\$24,235)	\$9,487,390





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

FISCAL YEAR	PROP TAX YEAR	NET ASSESSED VALUE	RATE @ \$1.0M	RATE @ \$1.5M	RATE @ \$2.0M	RATE @ \$2.5M
2023	2022	\$ 188,696,125	\$ 0.5300	\$ 0.7949	\$ 1.0599	\$ 1.3249

+ ADVANTAGES

- COSTS CORRELATE WITH SIZE/VALUE OF STRUCTURES BEING PROTECTED
- STABLE REVENUE SOURCE
- PART-TIME RESIDENTS PAY THEIR SHARE
- LEGISLATIVE LIMITS SAFEGUARD

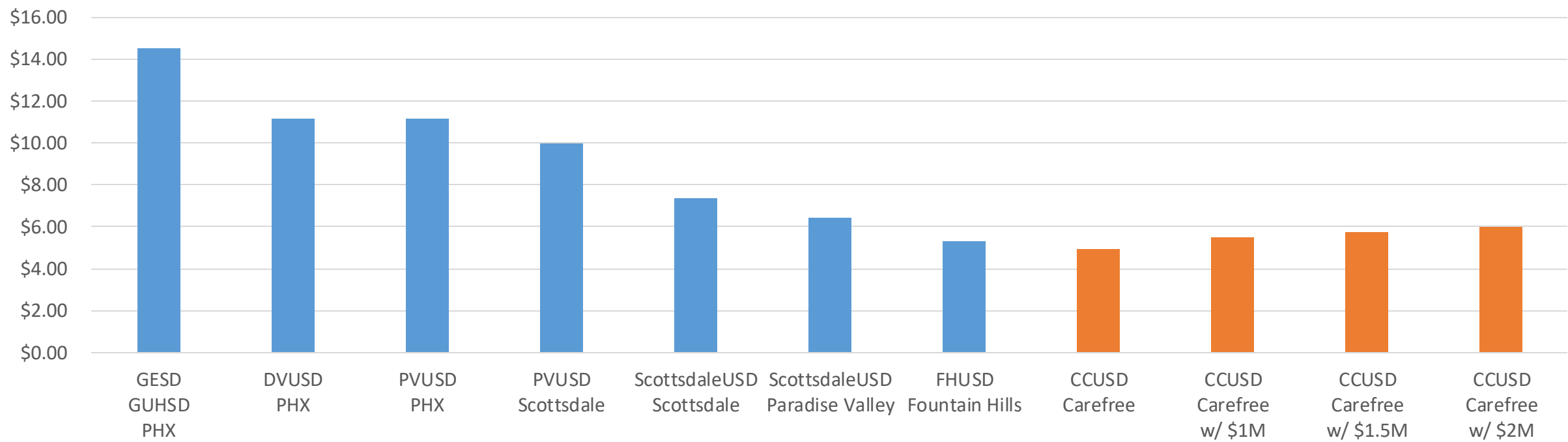
‘RUNAWAY’ PROPERTY TAX

(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

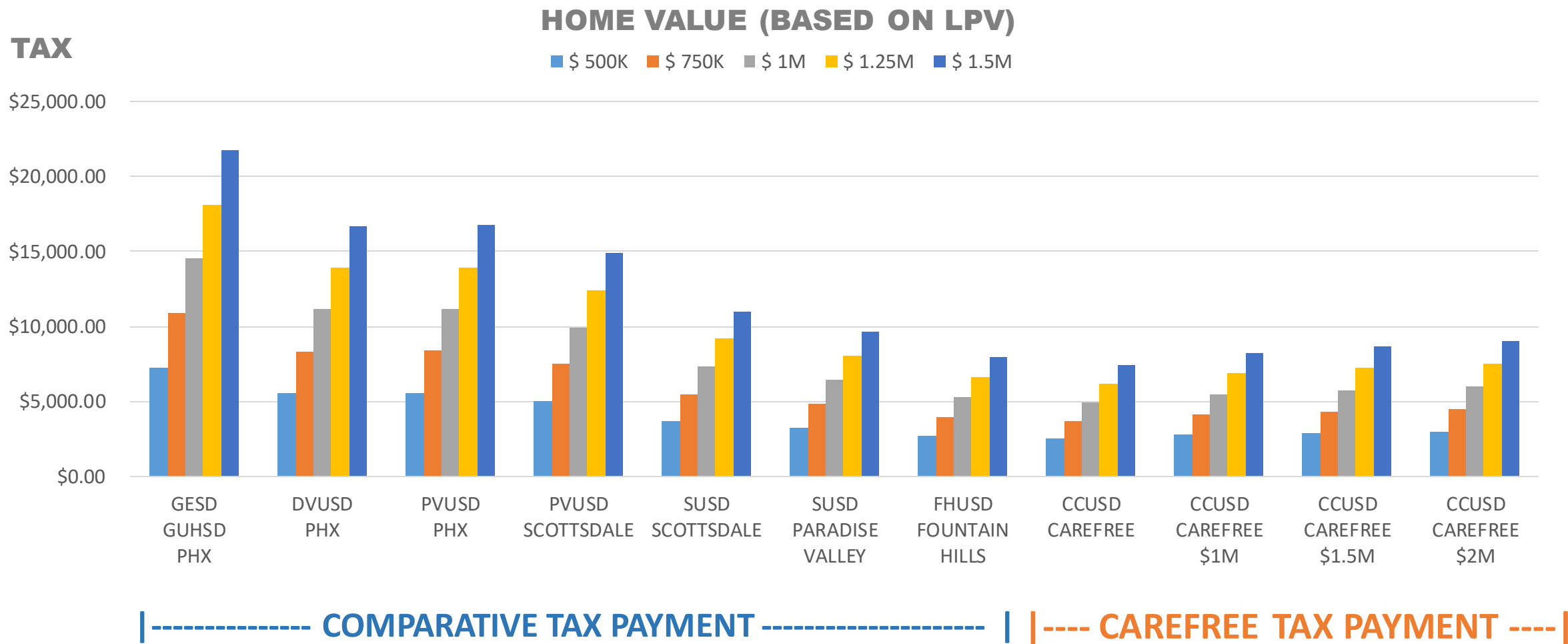
PROPERTY TAX COMPARISON



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

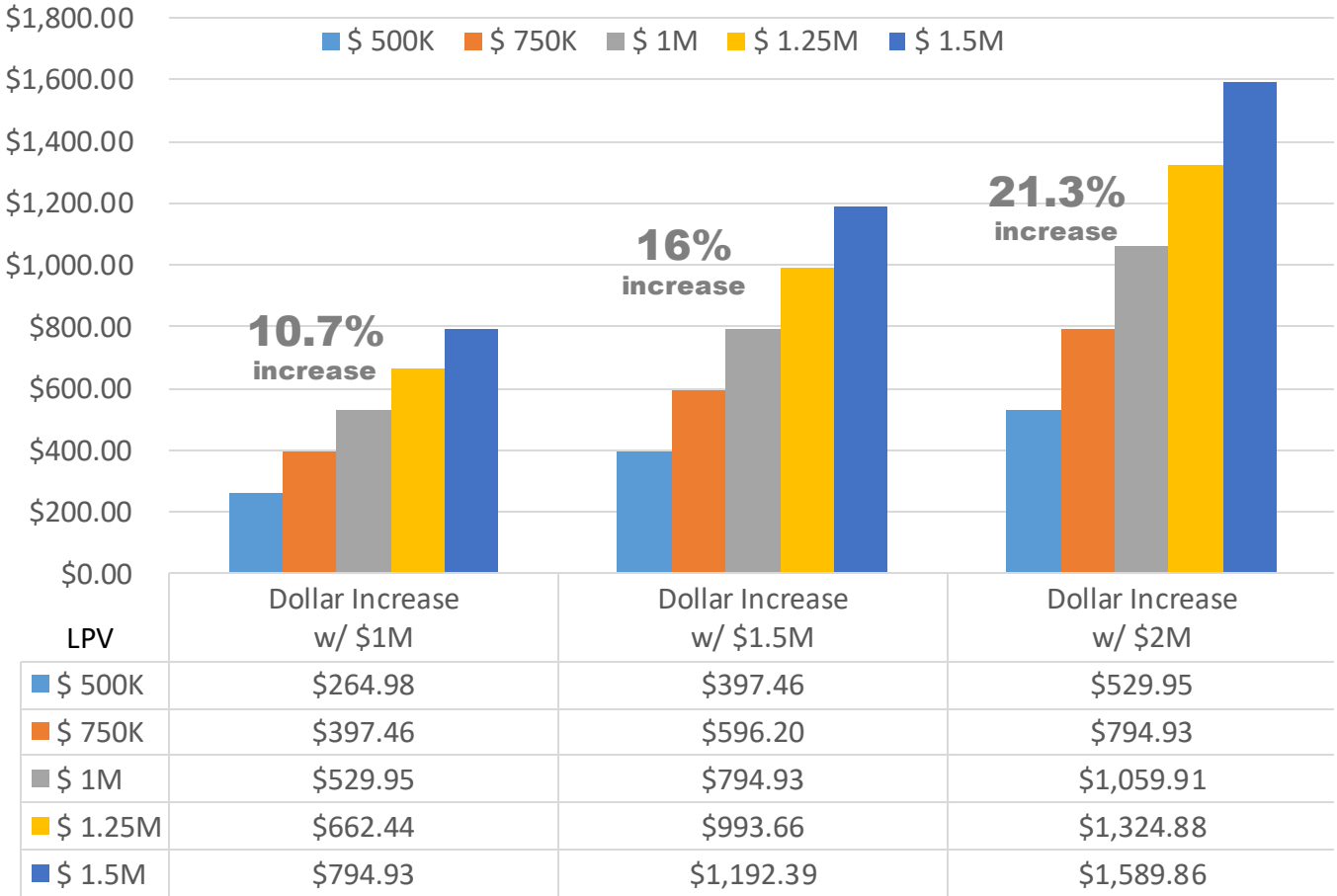
|----- CAREFREE TAX RATES -----|

PROPERTY TAX COMPARISON

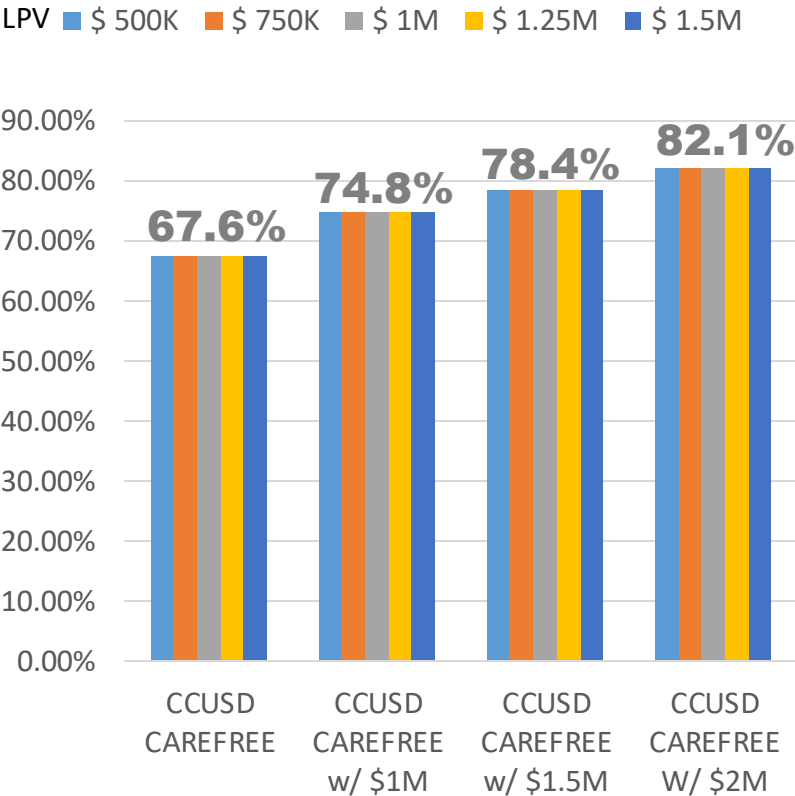


PROPERTY TAX COMPARISON

DOLLAR INCREASE:



PERCENTAGE OF SCOTTSDALE USD; SCOTTSDALE:



Note: Property tax assessments are based on Limited Property Values (LPV) not market value to control any exponential increase in market growth. The average LPV in Carefree is approximately \$630,000.