WHAT IS A METROPOLITAN DISTRICT?

Metropolitan and Special Districts are authorized by Article-1 of Title-32 of the Colorado state statutes. Districts are units of local government. A special district provides public improvements and services to its property owners and residents. A metropolitan district is a special district that provides two or more types of improvements and services.

- Services typically provided by Districts include:
  - Parks and Recreation
  - Sanitation Sewer and Storm Water Improvements
  - Traffic and Safety Controls
  - Street Improvements
  - Water System Improvements
  - Public Transportation
  - Television Relay and Translation Systems and Fiber Optic Communications Systems
  - Mosquito Control
  - Fire Protection

A district may provide both on-site and off-site improvements.

Districts have the power to perform services directly or through Intergovernmental Agreements (IGA’s) with other governmental entities such as a City, County, or another District. IGA’s are a very powerful tool to facilitate the most cost-effective delivery of District services possible.

DISTRICT PURPOSE

Districts primarily exist to finance public improvements for the use and benefit of the District’s property owners and residents. Eligible operating and capital costs may be financed through the authorization and sale of general obligation bonds which are secured by property taxes from the property within the District. Tax revenues may be coupled with one-time development fees on property within the District and ongoing fees and charges for improvements and services furnished by the District. When properly issued and used for eligible public purposes, income earned from District’s bonds can be exempt from federal and state income taxes to the bond purchaser.

The tax-exempt nature of the bonds generally result in significantly lower infrastructure financing costs than would be the case with private financing alternatives.

Eligible costs for reimbursement with bond proceeds usually include all amounts associated with organizing the District plus engineering, design, administration, legal, accounting, construction management costs associated with the construction of public infrastructure within the District. Off-site infrastructure necessary to serve the District is also eligible for financing with District bonds. The purchase of right-of-way or land
which would otherwise be required to be dedicated for public purpose is not an eligible District expenditure.

Typically, the District’s infrastructure (streets, drainage, water, sewer, parks, landscaping, etc.) are built to the standards and specifications of the City or County in which the District exists. The City or County usually accepts the improvements for ownership and maintenance once the District has constructed them. In many cases, landscape medians, ROW, infrastructure and small parks and open space tracts remain the ownership of the District with on-going maintenance responsibility. The specific infrastructure to be retained in District ownership is a function of negotiation with the city or County during the service plan approval process.

DISTRICT CREATION

Districts are initiated by filing a “service plan” for the proposed district within the City or County that has jurisdiction. If the district is within a City, the City Council has the authority to approve or disapprove the service plan. If the district is in the unincorporated area of a County, the Board of County Commissioners has the authority to approve or disapprove the service plan. Colorado law requires public notice and hearing process if the County is the approving agency. The process is more flexible if a City is the approval agency. Following the City or County’s approval of the service plan the land owners sign a petition for organization, this is filed with the District Court of the County in which the District is located. Following public notice, the Court holds a public hearing and authorizes an election. The election authorizes the creation of the District, elects the first Board of Directors, and approves the authority to issue bonds and other financial matters.

SERVICE PLAN

District services and powers are outlined in a service plan which must be prepared and submitted to the City/County for review and approval. A District’s Service Plan is similar to a City Charter, State Constitution, or contract in that it describes in detail the District’s authority. A service plan typically consists of the following required components:

- General Introduction and District Description
- Location of the District, Map
- General Plans for Development (e.g., proposed services, existing governments and services, need for proposed services, compliance with City/County comprehensive plan and compliance with other long-range plans.)
- Assessed Valuation and Population
- Financial Plan (e.g., proposed bond financing projected property tax mill levies, specific ownership taxes, fees and charges, development fees, capitalized interest and investment issues, proposed capital expenditures and proposed operations and maintenance costs and initial budget.)
• Preliminary Engineering Survey and Facilities Plan
• Compliance with City Standards Specifications
• Intergovernmental Agreements.
• Combined District Organization, TABOR and Debt Election Schedule
• Statutory Criteria for City or County approval.

The amount of detail required depends on the amount of information requested by the City or County.

**TIMEFRAME FOR APPROVAL**

Service plans may require from 3 months to one year for City/County review and approval or denial, depending on the jurisdiction. The procedure is generally faster for a district entity inside an incorporated city or town. District Court approval generally occurs 20 to 40 days after approval by the City or County. The District’s initial organizational election, TABOR election and debt election may then be held. District organizational elections may be held as specified in Court order, usually in February, May, August or November of any year. District financial and bond elections may be held only in November of any year or May of even numbered years. Elections may be combined to reduce costs.

**BOND ISSUE TIMING**

In most cases, bonds may be issued 30 to 45 days following the organizational bond authorization elections.

**DISTRICT OPERATIONS**

Districts are governed by an elected five member Board of Directors. District meetings are typically held monthly. For most metropolitan districts, it is not cost-effective to hire professional contractors who serve at the pleasure of the Board. A District Manager may be retained to represent the Board in planning, directing, coordinating and organizing all of the District’s contractors, services, and contracts with other governments, residents, and property owners.

The District Board adopts an annual budget by December 15th of each year for the following calendar year. At this time, the Board establishes the property tax rate and level of fees and charges, if any, for the property within the District. The District relies on the County Assessor’s Office for certification of assessed values within the District. The preliminary assessed valuation is received by August 25th of each year, and the final assessed valuation is received by December 10th. The District Board of Directors establishes the property tax rate based on these values.

The property tax rate consists of two components:

1. Operations and Maintenance
The operations and maintenance mill levy provides for the on-going operations and maintenance of the District.

2. Debt Service.
   The debt service levy revenue is dedicated to payment of the principal and interest of the District’s outstanding bonds, if any.

An annual audit of the District’s financial statements must be prepared annually and filed with the Colorado Division of Local Government and bondholders, if any. In some cases, an exemption from the annual audit requirement may apply.

SUMMARY

In most cases, Special Districts and Metropolitan Districts in Colorado are viewed as an excellent vehicle for financing required public improvements with double tax-exempt general obligation bonds secured by the property taxes to be collected from future increases in assessed valuation of property within the District as it develops. This use of District bond financing can provide real savings to the District’s developers and landowners which allows a reduction in the price of lots and/or the availability of funds for additional amenities for the project.

DISCLAIMER

Please note that this summary provides a brief description of the responsibilities, powers, and opportunities for special districts and metropolitan districts in Colorado, as outlined in the Special District Act, Article 1, Title 32, and related statutes. Specific application to any District proposal should be reviewed and consulted with legal counsel and a law firm experienced in District matters.

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