

1. What is a special district?

A special district is a quasi-municipal corporation and political subdivision of the State of Colorado formed to provide necessary public services that the county or municipality cannot otherwise provide. It is essentially a tax-exempt financing mechanism used for the installation, operation and maintenance of public infrastructure.

2. How is a special district formed?

The formation and operation of a special district is governed by Title 32 of the Colorado Revised Statutes and other applicable laws. The first step in formation of a special district is submittal of a Service Plan to the jurisdiction in which the property is located. The Service Plan is basically like a city charter and sets forth the powers that the district as government entity will have (i.e., the power to provide water, sanitary sewer, street and other public improvements). Certain jurisdictions have specific requirements for processing of a Service Plan. The Service Plan review and approval process can take 6-9 months, or longer, depending on the complexity of the district structure and the procedural requirements of the approving jurisdiction. Upon approval of the Service Plan by the approving jurisdiction, a Petition for Organization is filed with the District Court requesting the Court order an election on the issues of formation of the district and the incurrence of debt. Following a court hearing, the Court orders the organizational election to be held at the next available election date (May and November in even-numbered years and November in odd-numbered years). The election results are then certified and the Court issues an Order and Decree declaring that the district has been duly organized. The district may then hold its organizational meeting.

3. What public services can a special district provide?

The following list includes the types of services a special district can provide:

- Fire protection
- Mosquito control
- Parks and recreation
- Safety protection
- Sanitation
- Solid waste disposal facilities, or collection and transportation of solid waste
- Street improvements
- Television relay and translation
- Transportation
- Water
- Covenant enforcement

4. How is a special district governed?

A special district is governed by a five or seven member Board of Directors, who are elected by the registered electors within the district to staggered four-year terms. Anyone who is registered to vote in the State of Colorado and resides within the special district or who owns taxable property within the boundaries of the special district is eligible to serve on the Board of Directors. The Board of Directors may hire a manager, employees or consultants to carry out the purposes of the special district and to ensure compliance with all statutory requirements for the special district's operations.

5. How does a special district function after organization?

A special district is a quasi-municipal corporation and political subdivision of the State of Colorado and must comply with the open meeting laws, public bidding requirements, any restrictions in its Service Plan, public budget law and public audit requirements. Typically, the Boards of Directors of a special district meet on a regular basis to handle the business of the District. Many special districts engage a professional management company, general counsel and an accountant experienced with governmental accounting to assist and advise in the District's functions.

6. How does a special district pay for its capital needs and general operations costs?

A special district is authorized to utilize a number of ways to raise revenues, including issuing debt, levying taxes, and imposing fees and charges. The issuance of debt or an increase in taxes first requires an election and approval by the qualified voters of the district, as required by TABOR (Section 20, Article 10 of the Colorado Constitution). The amount of debt proposed at an election will typically be greater than the amount the district intends to issue in order to account for contingencies

and unforeseen circumstances. Methods of raising revenues include:

- **General Obligation Bonds.** Special districts are authorized to issue general obligation bonds, secured by ad valorem property taxes, through the imposition of a mill levy. Property taxes are tax deductible as opposed to fees or assessments imposed by private entities (such as HOAs), which are not.
- **Revenue Bonds.** Revenue bonds are payable from any revenue source of the district. Payment for bonds is generated through fees, charges or other non-tax revenues collected from district residents and customers, which are not tax deductible.
- **Mill Levy.** A district may impose a mill levy which is based on the assessed value of real property as calculated by the County Assessor's office. The mill levy is collected with other property taxes paid to the County.
- **Service Charges and Fees.** A district may impose fees, rates, tolls and charges for programs, services and facilities provided by the district.
- **Grants and Loans.** Through the Colorado Division of Local Government and other state and federal agencies and programs, a special district can be eligible for infrastructure improvement grants and/or very low interest loans under a variety of programs.

7. What limitations exist with respect to a special district's ability to raise fees and taxes?

A special district's fees and taxes are set by its Board of Directors, subject to the limitations imposed by TABOR, Colorado statutes, and the special district's electors through the election process. In addition, limitations may be placed upon the special district's debt issuance or its mill levy by its Service Plan and/or required by the governing jurisdiction during the Service Plan approval process.

8. How is a special district different from a property owners association?

A special district has significantly broader powers than a property owners association ("POA"), including the power to impose property taxes, and other fees and charges, and the power to condemn property. A POA is separate and distinct from a special district, and is generally responsible for enforcing restrictive covenants in the community to help maintain property values. Although a POA is normally responsible for the maintenance and operation of some improvements within a development, it may assess dues to its members but has no ability to impose taxes. A special district uses property taxes and fees and charges to pay for its services. Unlike POA fees, property taxes are tax deductible and collected by the County.

9. What are the benefits of a special district?

- A special district can raise funds for public infrastructure through municipal bonds (or other governmental grant or loan programs if applicable) with favorable rates and terms not available to private entities.
- Special districts are exempt from sales, use and other taxes for equipment, supplies and services allowing lower overhead costs.
- A special district is not in the business of making a profit from the facilities and services provided. Specific statutes govern the expenditures and revenues of special districts.
- State-obligated budget, audit and other financial filing and reporting requirements provide regulatory oversight of a special district's operations.
- A special district is governed by local control over the services that are provided on a community basis. The special district is responsive and accountable for decisions through the election and public hearing processes. The business of the special district is conducted at public meetings.
- Special districts enjoy governmental immunity against certain legal actions thus avoiding expensive lawsuits and corresponding tax or fee increases.
- Because of its local nature, a special district is often better able to address issues of local concern to the community than could a larger county or municipality.