

SDA 



A GUIDE TO

SPECIAL DISTRICTS



Produced by the

Special District Association of Colorado

303-863-1733 | www.sdaco.org

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SDA Board President
Jim Kullhem



Special District Association of Colorado
Supporting Community-Based Government

On behalf of the Special District Association of Colorado, it is my pleasure to present you with this brief description of special districts in Colorado. I hope it will be a valuable resource when you need information about special districts.

Special districts, as units of local government, fill a vital role in providing fire and rescue services; water and wastewater treatment and delivery; park and recreation amenities; hospitals; libraries; and cemeteries in many of the communities within Colorado. There are currently 2,755 such districts in the state, of which 1,734 are members of the Special District Association of Colorado (SDA).

SDA was established in 1975 to provide better communication, research, legislative input, administrative support, and training opportunities for member districts. SDA exists to help special districts serve the public in the most efficient and economical manner possible. SDA is an effective lobbying and educational organization that strives to serve the needs of special districts and help special district officials fulfill their duties and responsibilities.

In addition to district members, SDA also has 274 associate members. These knowledgeable professionals provide information and services for the operation and development of special districts in Colorado. SDA associate members include attorneys, management companies, accountants, investment advisors, engineers, and other consultants.

SDA has become increasingly more important as the membership has grown and the operation of special districts has become more complex.

If you need more information, please contact SDA Executive Director Ann Terry at 303-863-1733. We are ready to help in any way possible.

Best wishes,

Jim Kullhem

Jim Kullhem
SDA Board President

Serving Special Districts Across the State



*SDA Executive Director
Ann Terry*

SDA has a long and rich history! It is very exciting to see our membership continuing to increase each year and to find new ways to help districts from all corners of the state.

Much like when it was founded over 40 years ago, the continuing goals of the organization include providing membership training, policy development, and lobbying for special districts across Colorado. Training and educational opportunities continue to be developed and expanded, and new membership benefits have been added. Our District Specific Forums offer a unique opportunity for each district type to meet and discuss hot topics specific to their industry, and webinars are offered on a regular basis on a variety of topics, providing the chance for members from around the state to participate. The ever-popular Leadership Academy was introduced in 2012, and over 215 Fellows have graduated from this exciting yearlong program.

In addition, relationships continue to grow between SDA and the other local government associations, such as the Colorado Municipal League; Colorado Counties, Inc.; and the Colorado Association of School Boards. SDA also maintains a strong collaborative partnership with the Colorado Special Districts Property and Liability Pool, the Colorado State Fire Chiefs, and the Colorado Professional Fire Fighters. SDA also works with Water Education Colorado, Colorado Water Congress, and the Colorado Water Conservation Board, among others.

We strive to continually offer resources and support to our members so that they can in turn provide the best possible services for the citizens they serve.

Please call us if you have any questions or if there is any additional information we can provide.

Sincerely,



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A Guide to Special Districts

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A Guide to Special Districts

Overview of Special Districts

Special districts date back to the early mining camps in Colorado. As the camps grew, the residents sought mechanisms to join together to provide certain essential services such as fire protection and sewer service. Special districts of one form or another have been utilized since that time.

Colorado special districts have been instrumental in providing public infrastructure to meet the growing needs of the state's population in the face of increasing demands on cities and counties to keep up with the ever increasing need for urban services.

Although special districts already existed, the legal structure was recognized by an authorizing act of the Colorado General Assembly in 1949 recognizing special districts as a form of local government created to provide certain municipal-type services in unincorporated or rural areas of the state. The General Assembly declared that special local government service districts could be created to provide necessary and desired services within designated boundaries.

In 1981, the General Assembly recodified all the statutory provisions relating to various types of special districts in what is referred to as the Special District Act. The Special District Act constitutes Article 1 of Title 32 of the Colorado Revised Statutes (C.R.S.), which is the general source of most of the statutory authorization, as well as limitations, upon the formation and operation of special districts.

Special districts organized pursuant to Title 32 are political subdivisions of the State of Colorado organized for specific functions. As such, their activities are subject to strict statutory guidelines.

Types of Districts

Colorado statute authorizes the formation of numerous different types of districts.

The services which a district is authorized to provide, the procedure to form the district, the district's funding sources, and the district's governing body are all determined by the statutory provisions pertaining to the type of district involved.

Title 32, Article 1 Special Districts

The Special District Act (Title 32, Article 1, C.R.S.) contains the legal framework for many types of special districts, including:

- » Ambulance Districts
- » Fire Protection Districts (may also provide ambulance and emergency medical and rescue services)
- » Health Service Districts
- » Metropolitan Districts
- » Park and Recreation Districts
- » Sanitation Districts
- » Water Districts
- » Water and Sanitation Districts
- » Health Assurance Districts
- » Mental Health Care Service Districts
- » Tunnel Districts
- » Forest Improvement Districts
- » Colorado New Energy Improvement Districts

Other Common Types of Districts Not Governed by the Special District Act

- » Business Improvement Districts¹
- » Cemetery Districts²
- » Conservation Districts (soil)³
- » Downtown Development Authorities⁴
- » Federal Mineral Lease Districts⁵
- » Irrigation Districts⁶
- » Library Districts⁷
- » Local Improvement Districts⁸
- » Pest Control Districts⁹
- » Public Improvement Districts¹⁰
- » Special Improvement Districts¹¹
- » Water Conservancy Districts¹²
- » Water Conservation Districts¹³

People often confuse non Title 32 districts with the special districts that are created pursuant to the Special District Act. For example, special improvement districts are formed by municipalities, and local improvement districts are formed by counties, usually to provide a particular amenity (e.g., sidewalks or curbs and gutters) in a localized area. The costs of the improvements are then assessed directly against the benefitted property owners. The Board of County Commissioners or the City/Town Council serves as the governing body of the improvement district, and the district dissolves as soon as any debt issued by the county or municipality on behalf of the district is paid off. These types of improvement districts do not have the political autonomy or ongoing existence that a Title 32 special district has.

Business improvement districts, downtown development authorities, and urban renewal authorities are formed as adjunct entities by municipalities. Cemetery districts, library districts, pest control districts, and weed control districts are formed by counties. Irrigation districts, water conservancy districts, and water conservation districts are formed and governed by landowners. All of these types of districts are governed by specific statutes and procedures distinct from the Special District Act.

Note: Please see page 14 for a list of the types of districts which are eligible for SDA membership.

1 Title 31, Article 25, Part 12, C.R.S.
2 Title 30, Article 20, Part 8, C.R.S.
3 Title 35, Article 70, Part 1, C.R.S.
4 Title 31, Article 25, Part 8, C.R.S.
5 Title 30, Article 20, Part 13, C.R.S.

6 Title 37, Article 41, C.R.S.
7 Title 24, Article 90, Part 1, C.R.S.
8 Title 30, Article 20, Part 6, C.R.S.
9 Title 35, Article 5, C.R.S.
10 Title 30, Article 20, Part 5, C.R.S.

11 Title 31, Article 25, Part 5, C.R.S.
12 Title 37, Article 45, C.R.S.
13 Title 37, Article 46-48 and 50, C.R.S.

Formation and Governance of a Title 32 Special District

Service Plan Approval

The formation of a special district begins with the development of a service plan. The service plan includes:

- » A description of the area to be included within the proposed district. A special district does not need to conform to city or county boundaries. Its boundaries can be drawn to include the area to be developed, served, or which covers a community of interest. It can serve less than a full county or city, or it can overlap a city and county or more than one city or county, with the consent of the overlapping cities and counties.
- » A description of the proposed facilities and services to be provided.
- » A financial plan including estimated costs of facilities and proposed indebtedness.
- » Engineering and architectural information regarding facilities and services, and a description of any intergovernmental agreements by which the district's purposes are to be implemented.

The service plan must be submitted for approval by the Board of County Commissioners (BOCC) of each county within which any portion of the district is located, and the City Council of each municipality within which any portion is located.

The BOCC or City Council(s) must provide public notice and hold a public hearing concerning the approval of any service plan.

Following the public hearing, the BOCC or City Council(s) can vote to approve the service plan, to request amendments or clarifications to the service plan, or to deny approval of the service plan. The approving entity can require whatever level of detail they wish to be included in the service plan. The approving entity can also require exclusion of property before approval.

District Court Approval

Once the service plan is approved, a petition is filed with the District Court in the county in which the district is located. The petition must be signed by not less than thirty percent (30%) or two hundred (200) of the taxpaying electors of the district, whichever is smaller. The petition must include information describing the type of district (e.g., water and sanitation district, fire protection district, metropolitan district, etc.); descriptions of the facilities and services to be provided; estimated costs of the facilities; estimated property taxes to be collected in the first year; and a request for the organization of the district.

The Court will review the petition and the service plan for legal sufficiency and will notice and hold a public hearing on the petition. Those who wish to have their property excluded from the district may request exclusion by the Court.

If the Court finds that the petition is in compliance with applicable statutes, it orders the question of the organization of the district to be presented to the residents and property owners within the proposed district boundaries for a vote.

Organizational Election

The organizational election includes organization of the district and selection of the initial board of directors of the district. The organizational election may also include authorization of a property tax mill levy and the authorization of bonds. Any election that includes tax or bond authorization must be conducted in conformity with the TABOR Amendment.

If the election passes, the Court will certify the election and issue an order declaring the district be organized as a separate political subdivision of the state. The order creating the district is recorded in the real property records of the county or counties in which the district is located.

Governing Body and Procedures

Once formed, a special district is governed by an elected board of directors, in whom rests the authority to manage, control, and supervise all the business and affairs of the special district. The board is comprised of either five or seven members, most typically five. The special district board has autonomous authority for governing the district within the scope of the district's powers, just as the City Council has for the governance of a municipality.

The original board members are elected to staggered four-year terms, so that either two or three members of the board come up for election every two years. Special district board elections are held, by statute, on the first Tuesday after the first Monday of May in every even-numbered year.

Special district directors are subject to term limits and may not serve more than two consecutive four-year terms, unless the voters in the district have voted to lengthen or eliminate term limits for the district.

Special districts are subject to the same requirements as other local governments regarding open records, open meetings, conflicts of interest, and other ethical requirements. Each district is subject to Colorado's Local Government Budget Law and Local Government Audit Law, setting forth the requirements of budgeting, accounting, and reporting. The district must hold a public hearing before adopting its annual budget, and a copy of the budget must be filed with the Division of Local Government.

Each district is required to have a certified public audit on an annual basis, unless they are exempt pursuant to the requirement by the State Auditor as allowed by statutes. The audit is to be filed with the State Auditor's Office, the BOCC of the county having jurisdiction over the district's service plan, and a copy is kept on file for access by the public.

Powers Retained by Cities and Counties

Even though a special district may be created to provide the financing mechanism for public infrastructure and services, special districts do not have any "land use" powers, such as planning, zoning, or subdivision approval. This leaves the key land use decisions with the city or county, which can assure that the developments are consistent with land use plans.

Elections

Election Dates

Regular special district board elections are held on the Tuesday following the first Monday of May in even-numbered years. Special district elections are conducted pursuant to state statute. The regular special district biennial election may be cancelled if there are no more candidates than board seats available.

All tax and debt issues of special districts are subject to the election provisions of the TABOR Amendment, and thus may only be held on the November general election date, the November off-year election date, or the district's biennial board election date, as allowed by TABOR. Except for ballot issue elections (mill levy or debt authorization) which are held as part of a district's organizational election, every ballot issue election must be conducted either as part of a coordinated election or in accordance with the Mail Ballot Election Act.

Qualifications to Vote and Serve

An "eligible elector" for purposes of a special district election is a person who is a registered elector in Colorado, and who either (i) resides within the district, or (ii) owns (or whose spouse owns) taxable real or personal property within the district.

Candidates for special district directors must be eligible electors of the district. Serving on a board of directors is a wonderful opportunity to give back to one's community.



Growth of Special Districts

Special districts have proven to be increasingly popular tools in providing services to identified geographic areas. In 1995, there were 875 Title 32 special districts. Today there are approximately 2,193 such districts. Nearly all of this phenomenal growth in recent years is accounted for by the formation of new metropolitan districts.

Metropolitan (Metro) Districts

A metro district is a type of special district that provides at least two different types of services. Therefore, instead of forming a district for each separate function, a metropolitan district is formed which can provide all the necessary services. For example, the East Valley Metropolitan District provides water, wastewater, and trash collection services.

In the years between 2000 and 2004, the number of metro districts in the seven-county Denver metropolitan area more than doubled, growing from 190 to 390. Statewide, the number of metro districts increased from 294 to 653 during the same time period. As of December 2017, this number had grown to 1,567 metro districts.

This growth mirrors Colorado's rapid population growth and increased home building within the past decade.

The decision to allow growth is made through the county or city's land use approval process. The district then facilitates the financing, construction, and operation of the public improvements and services needed for that approved growth.

Reasons for Organizing a Title 32 Special District

There are several different reasons for organizing a Title 32 special district:

- » A special district provides needed infrastructure and services to a specific area, with the cost being borne by the property owners and residents of the area, rather than spread over the entire area of the general purpose government (city or county), as would be required if the city or county provides the infrastructure or service in the area.
- » Services can be provided to growing areas without impacting the budget or reserves of the city or county.
- » There may be no other viable alternative for providing and operating the necessary public facilities, due to remoteness or isolation of location.
- » A special district provides a way of financing the infrastructure up front, with the costs being repaid as development occurs and property values increase.
- » The district is able to finance infrastructure and public facilities through the use of tax-exempt municipal bonds. Unlike HOA fees, the taxes used to repay these bonds are usually deductible for the property owner.
- » The structure of a Title 32 special district provides greater flexibility and autonomy than would a local assessment district, such as a municipal special improvement district or a county local improvement district.

Broadening the Scope of Special Districts

Builders and developers have not been the only ones to discover the merits of special districts. Over the past several years, special interest groups representing a variety of constituencies have brought forth legislative proposals to add new powers for special districts, including new types of special districts. These have included such things as health assurance districts, mental health care districts, and forest rehabilitation and management districts. Interest has also been expressed in broadening special district powers to include animal control and water brokering.

Why Now?

Population is growing so dramatically in many areas of Colorado that the city and county resources are being stretched, and cities and counties are working with special districts as a means of installing the infrastructure to support the growth. For many years, cities and counties were apprehensive of special districts, feeling that special districts fragmented service delivery and allowed for uncontrolled growth beyond the reach of a city's land use planning controls.

Now, partially due to TABOR restrictions, and the realization that the city or county still holds the cards in land use decisions, they are becoming much more willing to work with special districts. In rapidly growing areas, many cities are forming cooperative relationships with developers and the special districts that are being formed. Cities and counties are becoming strong proponents, but also more realistic in adopting development standards for special districts that mesh with the standards of the city or county.



The Wave of the Future

In the E-470 corridor of Adams and Arapahoe Counties, city and county land use approvals have already been given for developments that will total in excess of 50,000 new homes at build-out, and nearly all will be served by metro districts that have been, or are being, formed in this wave of district formation.

Even more startling is the realization that this is just the beginning. Population forecasts provided by the Demography Office of the Division of Local Government point to staggering population growth in the next thirty years. Total population statewide in 2005 was 4,662,534 (more or less), and is projected to grow to 6,391,239 by 2025 and to 7,352,841 in 2035.

Weld County has been identified as one of the fastest growing counties in the United States. In 2005, the population of Weld County was 223,432. By 2025, it is projected to grow to 395,972 and to 527,601 by 2035.

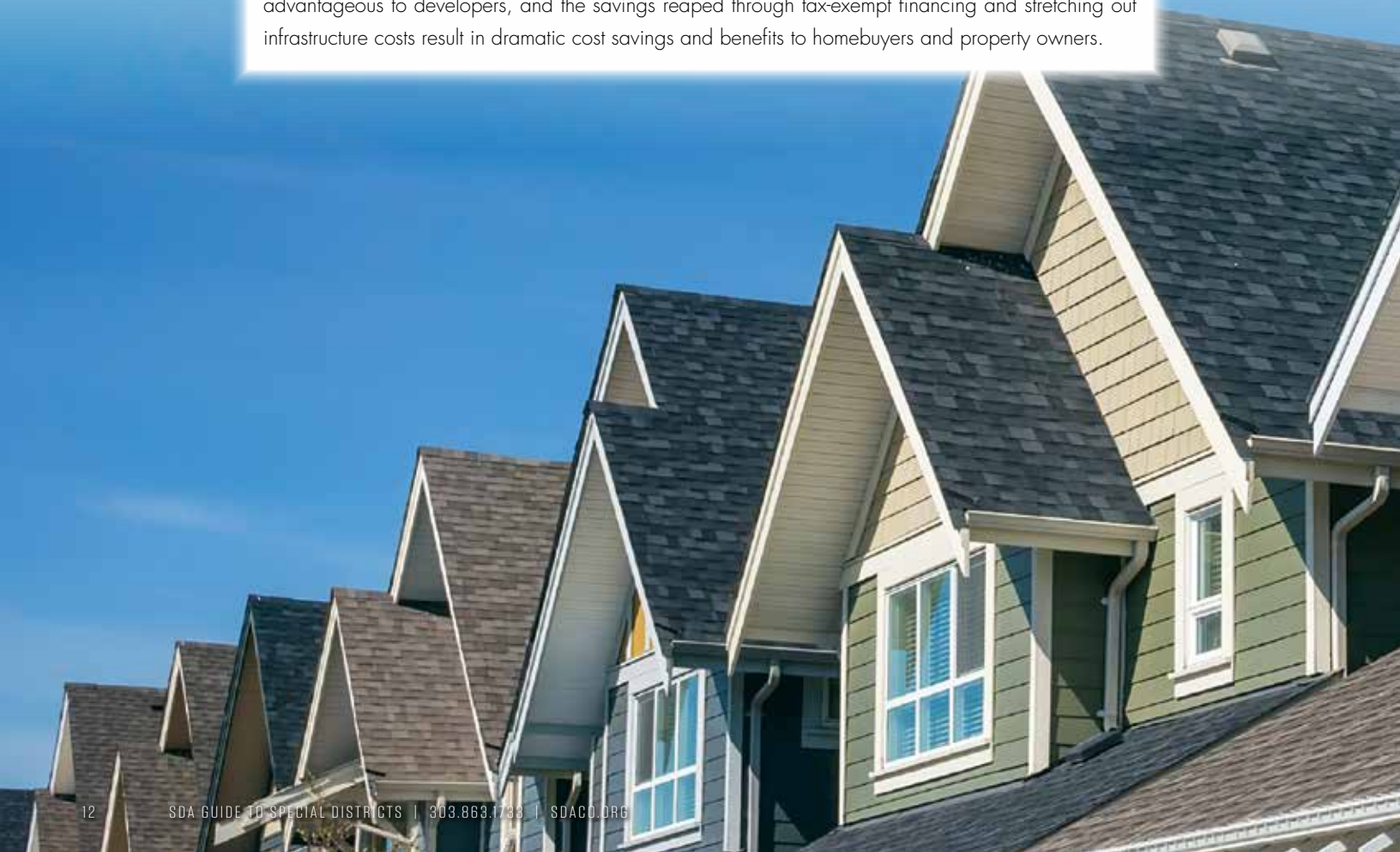
Adams and Arapahoe Counties will see similar growth. Douglas County, which has already gone through an explosion of epic proportions, will likely double by 2035.

Mesa County is projected to grow from approximately 129,000 in 2005 to nearly 197,111 by 2035.

Growth without Straining the Infrastructure

Much of the future development will occur within cities, either as infill or as cities annex property and provide the service infrastructure to support the development. There may be some new municipal incorporations, and existing cities will reap major population growth. Even so, it is likely that the metro district model, either in unincorporated areas or as adjuncts to city facilities within cities, will be a continuing model of growth, both in number and in size.

As a means of financing, metro districts have unique advantages and are proving to be remarkably advantageous to developers, and the savings reaped through tax-exempt financing and stretching out infrastructure costs result in dramatic cost savings and benefits to homebuyers and property owners.



Number of Active Special Districts by Type, 2014-2017

Type of District	2014*	2015*	2016*	2017*
Ambulance Districts	9	9	9	10
Fire Protection Districts	257	257	255	255
Health Service (Hospital) Districts	37	38	38	37
Metropolitan Districts	1394	1468	1522	1567
Park and Recreation Districts	54	55	56	55
Sanitation Districts	70	70	70	68
Water Districts	77	77	77	78
Water and Sanitation Districts	123	123	123	123
Health Assurance Districts	0	0	0	0
Mental Health Care Service Districts	0	0	0	0
Forest Improvement Districts	0	0	0	0

Other Common Types of Districts Authorized Elsewhere than Title 32

Type of District	2014*	2015*	2016*	2017*
Business Improvement Districts	47	50	50	53
Cemetery Districts	81	81	81	81
Conservation Districts (soil)	76	76	76	76
Downtown Development Authorities	12	14	16	16
Irrigation Districts (irrigation drainage)	16	16	16	16
Library Districts	55	56	56	56
Local Improvement Districts	62	62	63	50
Pest Control Districts	17	17	17	16
Public Improvement Districts	78	81	82	84
Special Improvement Districts	46	46	45	41
Urban Renewal Authorities	52	56	59	61
Water Conservancy Districts	52	52	52	52

*As reported by the Department of Local Affairs website

Districts Eligible for SDA Membership as Set Forth in Section 3.01 of the SDA Bylaws

Statutory Authority	Type of District
Title 32 (all Articles)	Ambulance, Fire Protection, Forest Improvement, Health Assurance, Health Service, Mental Health Care Services, Metropolitan, Park and Recreation, Sanitation, Tunnel, Water and Sanitation, Water Districts; also the special statutory districts including, but not limited to, RTD, SCFD, the Football and Baseball Stadium Districts, and the Colorado New Energy Improvement Districts
Title 24, Article 90	Library Districts
Title 29, Article 1, Part 2	Intergovernmental Entities, provided at least one special district is included in the intergovernmental entity
Title 30, Article 20, Part 8	County Cemetery Districts
Title 30, Article 20, Part 13	Federal Mineral Lease Districts
Title 31, Article 25, Part 1	Urban Renewal Authorities
Title 31, Article 25, Part 8	Downtown Development Authorities
Title 31, Article 25, Part 12	Business Improvement Districts
Title 35, Article 5, Part 1	County Pest Control Districts
Title 35, Article 70	Conservation Districts (soil conservation)
Title 37, Articles 1-8	Conservancy Districts (flood control)
Title 37, Articles 20-33	Drainage Districts
Title 37, Articles 40-48	Water Conservation Districts, Water Conservancy Districts, Irrigation Districts
Title 37, Article 90	Ground Water Management Districts

...relationships continue to grow between SDA and the other local government associations, such as the Colorado Municipal League; Colorado Counties, Inc.; and the Colorado Association of School Boards. SDA also maintains a strong collaborative partnership with the Colorado Special Districts Property and Liability Pool, the Colorado State Fire Chiefs, and the Colorado Professional Fire Fighters.

SDA Board of Directors

An eleven member board of directors elected by member districts governs the Association, establishes Association policy, and provides direction to the SDA staff. All board members of the Association must also be on the board of a special district, and not more than two SDA board members may be from any one type of district. Furthermore, at least one SDA board member must come from each of the five geographical areas of Colorado.

Jim Kullhem, President
Prospect Recreation and Park District

Mitch Chambers, Vice President
Southgate Sanitation District

Susan Saint Vincent, Treasurer
Elbert County Library District

Jim Whitfield, Secretary
Apex Park and Recreation District

Sue Blair
Cottonwood Greens Metropolitan District #5

Jim Borland
Fort Collins-Loveland Water District

Kent Bosch
Upper Thompson Sanitation District

Leo Johnson
Southwest Suburban Denver Water
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Larry Moore
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Kathy Morris
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