Summary Notes/Draft

Special District Working Group

November 2, 2021, 2:30p.m.

***Location:* City Administration Building, Room 102, 30 South Nevada Ave., Colorado Springs, Colorado**

And Microsoft Teams meeting (room camera did not operate, but room was projected on a personal computer)

Meeting started a little after 2: 30 p.m.

Attendees (In person or on Teams): All Working Group members except Wayne Williams, plus Wysocki, Tassi, Schueler, Massey, McDaniel, Angela Gilpin, Lisa Bigelow, Kari Parsons (EPC), Page Saulsbury- for part of the meeting, Elena Lobato

Note: Organization of these summary notes may not always follow the exacted chronological progression of the meeting

1. **Opening Remarks from Chief of Staff**

Mr. Greene not available for this part of the meeting. However, he and Mayor Suthers appeared later to welcome the Working Group and recognize its efforts going forward. Mr. Wysocki welcomed the group initially.

1. **Working Group and Staff Introductions**

Working Group members and key staff introduced themselves with a focus on their special district experience.

Carl also generally described the types of district-related applications that come before Council and the typical process: Council Budget Committee followed by Work Session followed by Council hearing.

1. **Contents of Working Group Binder and High-Level Summary of the Task-** Carl Schueler

Carl went through each item in the binder with a focus on the 3 documents to be updated. His suggestions and follow-up discussions included:

1. Carl suggested this can be a “legislative” process with full communication; however, discussion of district agenda items currently under review by Council should be avoided.
	1. This Working Group will recommend any changes to the documents to City Council.
2. He suggested the Special District Policy could be restructured, modified, but kept brief, and have a purpose statement/strategic goal added per the audit recommendation.
3. He suggested the model service plans could be annotated and systematically reviewed for clarity and updates, but with the current format and structure retained
4. For the BID Operating Plan and Budget model, the suggested only limited updates and changes may be necessary, along with incorporation of new policy recommendations, as necessary.
5. **Working Group Approach and Topics-** All

There was consensus that draft documents could be shared on a publicly facing site, these meetings would not be recorded, but summary notes would be kept.

With respect to the timeframe for competition of Working Group task, Peter suggested the end of the first quarter of 2022 would be a good target. Carl suggested a target would be having this wrapped up by Council by the summer of 2022.

Topics and Expectations

Each Working Group member was given an opportunity to provide their overall thoughts on topics and expectations for the process.

 Note: In some case there was an interplay of follow-up comments among WG members as each provided their comments in sequence, including concurrence with prior comments, in some cases.

Councilwoman Henjum

* Understands the importance and role of districts, but has an overall concern with their proliferation and implications for the fiscal health of the City (i.e., reticence of district residents to support city-wide property tax initiatives)
* Impact on the “consistency and feel” of the whole City, as it becomes divided into numerous jurisdictional areas, with different services, improvements and amenities)
* Observation that the regular and high dollar legislative district decisions being made by Council are important and can lack overall context

Tim Hoiles

* Very concerned about what is happening with districts, and that people do not know the extent to which taxation and financial obligation decision that affect them are being made.
* There is a district disclosure problem
* His observation is some districts are being managed with a lack of ethics

Doug Stimple

* He is in favor of districts, and the question to the group should be – “Do you believe these are effective tools”. If so, City policy direction should be positive, but also address and minimize concerns and negative externalities.
* With respect to districts contributing to “haves and have nots” this is a concern; however, his observed experience thus far is that metropolitan district residents generally support broader tax issues.
* With their projects (e.g. Flying Horse Ranch), they make special effort to disclose to the extent of providing a district related flash drive to purchasers at closing
	+ He later noted that they recently needed to have an election among about 4,200 electors to increase their operational mill levy- and it was overwhelmingly successful.
* People have misused districts in places
* Without district financing, the cost of improvements financing would be higher, with these costs being translated into a higher home price.
	+ Doug later commented that public improvements costs are particularly expensive to finance privately if the improvements are dedicated to another public entity (e.g., the City). The improvements are not available as a source of collateral for the financing.
	+ He also later added that district residents can also effectively be “double taxed” when they, for example pay the capital and maintenance costs for parks (also noted by Scott Smith).

Russ Dykstra

* Based on his observations across the State, he believes Colorado Springs has an appropriate process, and one which is better than most. It generally has a good balance between City oversight and avoidance of micromanaging or arbitrary approaches.
* He suggests there can be a liability concern for cities that get too deep into the details of district authority or management.
* He discussed the nexus between TABOR and the use, need and proliferation of districts
	+ Ms. McDaniels confirmed that (with the exception of a few COPs- Certificates of Participation) the City does not issue debt for the purposes of financing (non- enterprise) City public infrastructure.

Mike Taylor

* Concurrence with several prior comments
* One specific goal would be to try to catch up disclosure with current practice and technology
	+ Ms. Henjum and McDaniels reiterated that the information can be complex and confusing

Sara Vaas

* Also agreed that district information and implications are confusing, and that CONO would like to help
* Residents desire amenities and may not realize they will end up paying for these.
* There are some similar issues and concerns with the HOA boards she works with
* There are equity concerns, along with the question of why the City is not doing more.

There was discussion here about resident boards and the challenges associated with getting volunteers for these

Kevin Walker

* Districts are successful financing tool, and if there are development-specific amenities being provided the residents this is a particularly appropriate mechanism
* Districts also allow a specific nexus with the properties benefiting most from particular public improvements
* There has also been a “pushing back” of responsibilities for certain public improvements (e.g., detention ponds or smaller parks) to districts.
* It has been a challenge to get/ keep resident on boards of directors
* Kevin would specifically like to look at the 10.0 mill O & M mill levy cap since this is ordinarily insufficient to meet the ongoing operations and maintenance revenue needs of districts as they have evolved.

Clarissa Thomas

* Her main point is it does not make sense to add more complexity to the real estate closing process. The disclosure form process is already cumbersome and comparatively more difficult for purchasers in Colorado
	+ District information and disclosure is confusing
* Realtors were part of the SB 21-262 process.
* Districts are generally a great mechanism to fund improvements and services
	+ She also mentioned the value of a budget balancing tool “Balancing Act” that could be helpful for consumer education related to district costs and financing

Scott Smith

* Colorado Springs has a good and sophisticated process. Therefore, the focus should be on addressing the conflicts in the documents.
* The IRS has limited some to the public financing options that used to be available for developers.
* In most cases, the current model (at 30 Gallagher adjusted debt service mills for residential districts) does not cover the whole amount of infrastructure costs.
* Expectations for “developer pay” tend to get higher; for example, requirements to install interceptor sewer lines.

Carrie Bartow

* The model and process we have now is good.
* The 10-mill operational mill levy cap should be looked at
* There is a liability concern with getting too much “under the hood” with Council involvement in the details of district finances and management.

Carl provided updates on which metropolitan districts currently have Council-approved O&M levies greater than 10 mills.

1. **Other Items-**

There were no distinct other items

1. **Future Meeting Schedule and Next Steps-** Carl Schueler

Doodle poll for next meeting

Next meeting topics**:**

* Summarize SB 21-262
* Focus on public education
* Begin work on Special District Policy introductory statement

Note: For the next meeting staff will also be providing some additional pertinent district data and begin the process of annotating the current documents

Meeting concluded a little after 4:00 p.m.