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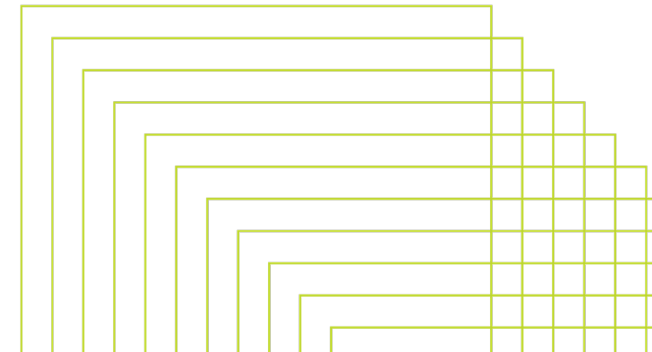
**Metro Districts**

**City of Fruita**  
**May 20, 2025**

Dalton Kelley

# Overview

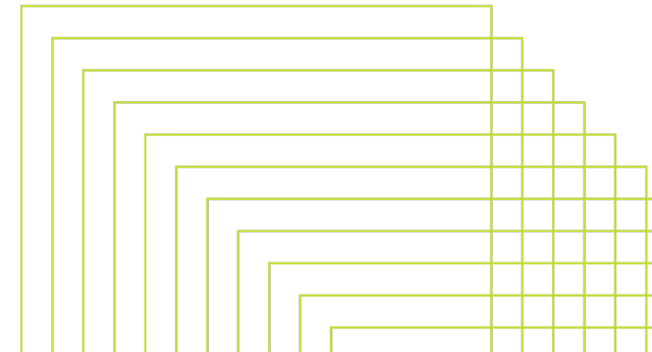
- What are metropolitan districts?
- How are they formed?
- Metro district governance.
- Metro district revenue raising powers.
- What transparency requirements do metro districts have?
- What enforcement rights does the City have?
- Why have a metro district?
- Policy Considerations



# Metro Districts

## What Are They?

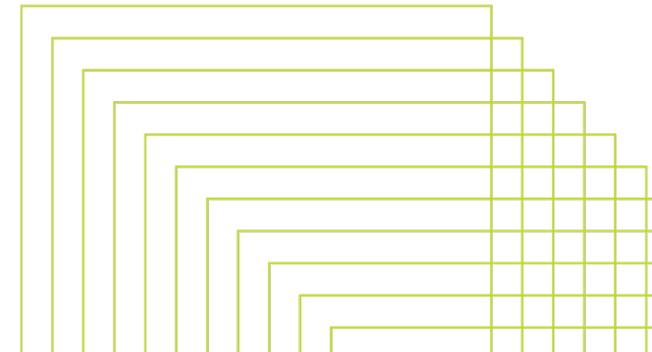
- Formed under C.R.S. Section 32-1-101, *et seq.*
- Independent quasi-municipal corporation and political subdivision of the state.
- Metropolitan districts provide two or more services.
- Services which may be provided include:
  - Fire Protection
  - Mosquito Control
  - Parks and Recreation
  - Safety Protection
  - Sanitation (sewers)
  - Solid Waste disposal or collection and transportation
  - Streets
  - TV relay and translator
  - Water
  - Transportation (Mass Transit)



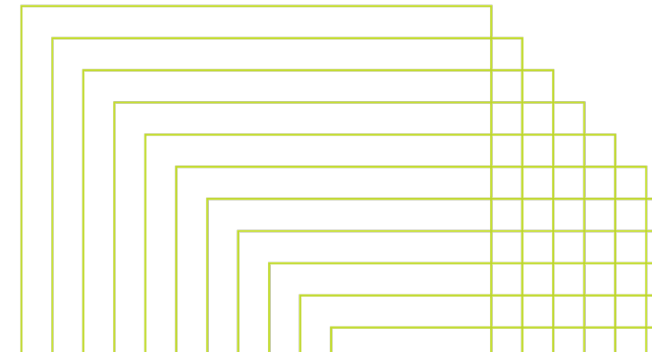
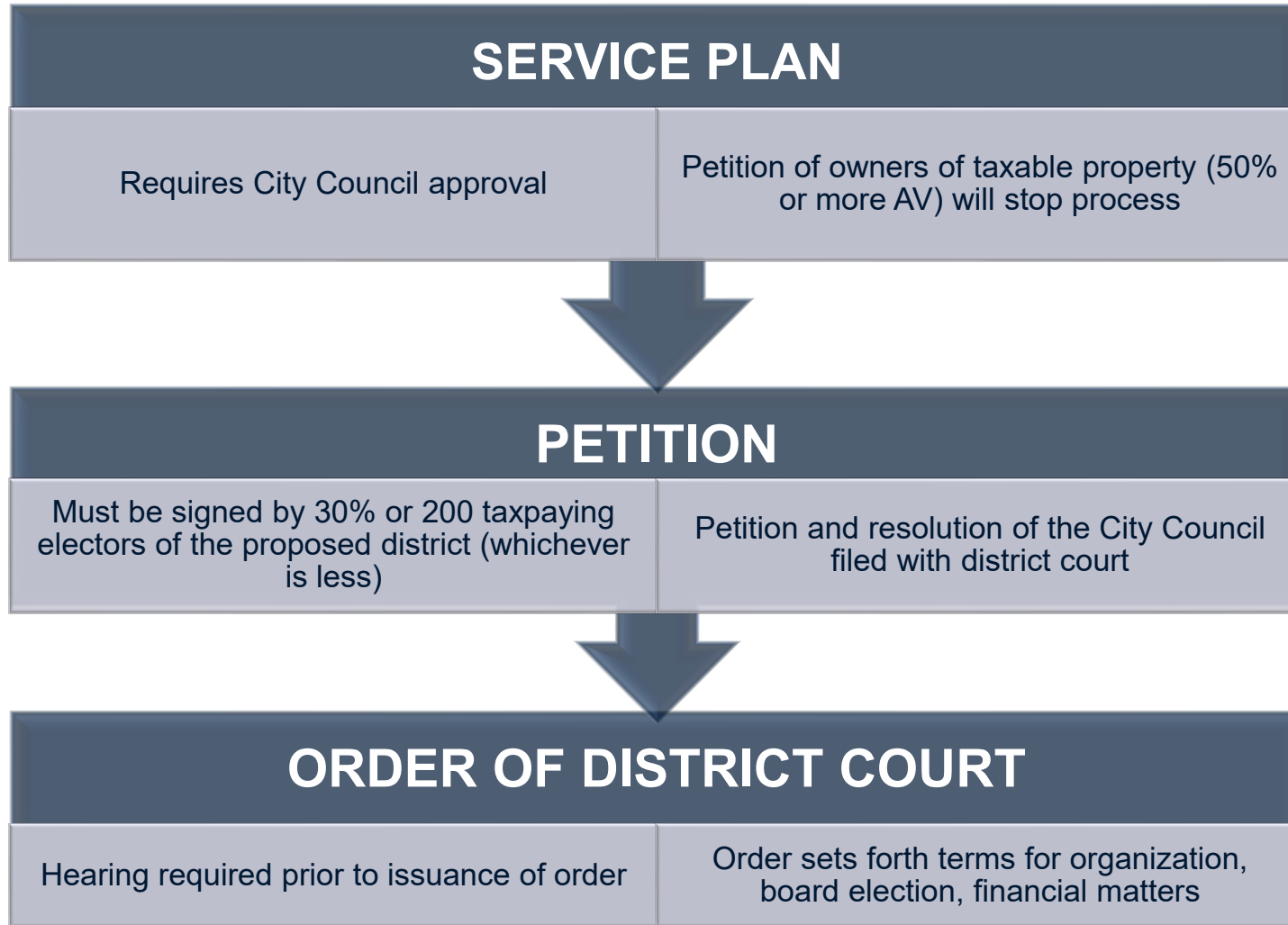
# How are Metro Districts Formed?

If the boundaries of the proposed district are located wholly within the City:

- Petitioner must submit service plan to the City Council and the service plan must comply with criteria in C.R.S. § 32-1-203(2).
- The City Council has the authority to:
  - Approve the service plan without condition or modification;
  - Disapprove the service plan; or
  - Conditionally approve the service plan subject to the submission of additional information relating to, or the modification of, the proposed service plan

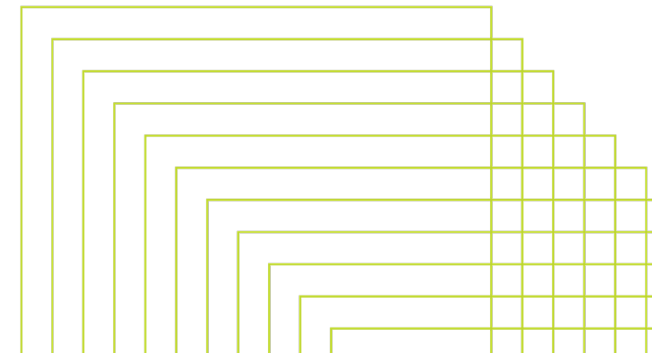


# How are Metro Districts Formed?



# How are Metro Districts Formed?

- If the majority of voters at the organization election vote in favor of organization, then the district court declares the metropolitan district organized.
- The order of the district court finally and conclusively establishes the organization of the metropolitan district.
- The newly formed metropolitan district is a quasi-municipal corporation and a political subdivision of the state of Colorado with all the powers thereof.



# Metro District Governance

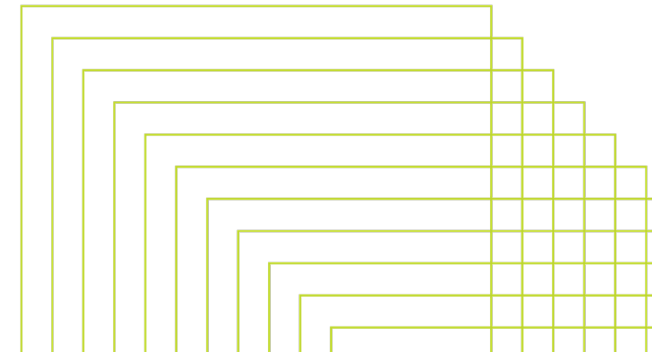
- Board of directors of 5 to 7 members elected by eligible electors of district.
- “Eligible Elector” means a person who, at the designated time or event, is registered to vote pursuant to the “Uniform Election Code of 1992”, articles 1 to 13 of title 1, C.R.S., and:
  - (I) Who is a resident of the special district or the area to be included in the special district; or
  - (II) Who, or whose spouse or civil union partner, owns taxable real or personal property situated within the boundaries of the special district or the area to be included in the special district, whether said person resides within the special district or not.
  - A person who is obligated to pay taxes under a contract to purchase taxable property situated within the boundaries of the special district or area to be included in the special district is considered an owner for purposes of the Eligible Elector definition.
- A metro district has all of the powers given to it under Title 32, except as limited by its service plan.



# Metro Districts

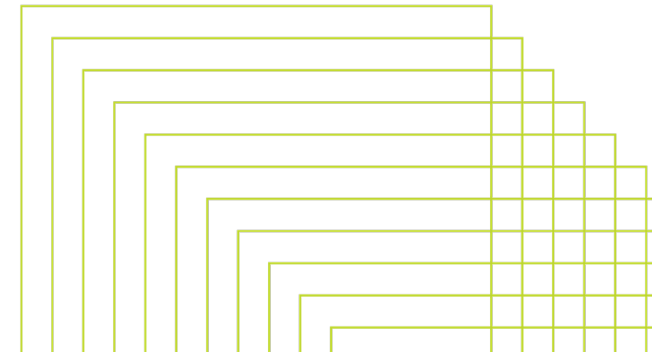
## Revenue Raising Powers

- May levy property taxes on the property within the district.
- May levy special assessments on specially benefitted property within the district.
- May impose fees, rates, tolls, charges and penalties for revenue-producing services or facilities.
- May levy sales taxes for certain purposes on property that is not also within the boundaries of an incorporated municipality, subject to certain conditions (not applicable to District within the City).
- Metropolitan Districts are subject to TABOR, so all taxes and debt must be approved by the metropolitan district's voters at an election.



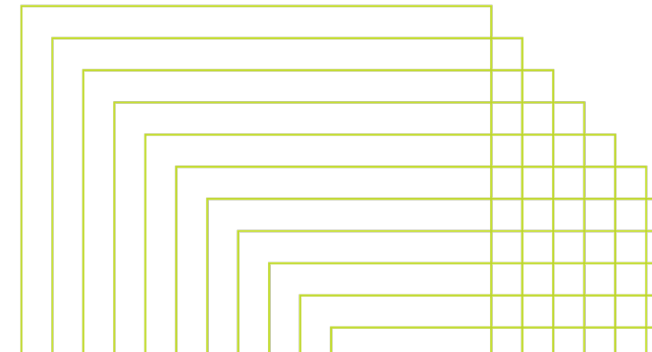
# **Metro Districts Responsibility and Transparency**

- Must have a budget and an audit.
- Subject to open meetings and open records laws.
- Governmental immunity laws apply.
- Board elections every two years.
- Must submit an annual report to the City.
- Must maintain a website updated with required information.



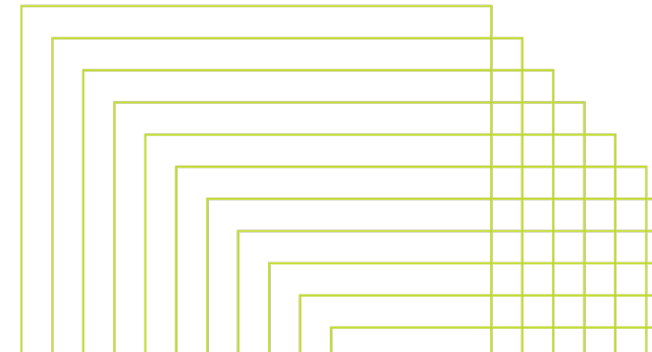
# Metro Districts - Compliance with Service Plan

- The facilities, services, and financial arrangements of the District shall conform so far as practicable to the service plan.
- Material modifications to the service plan may be made by a District's Board by petition to and approval by the City Council in substantially the same manner as is provided for the approval of an original service plan.
  - Changes of a basic or essential nature.
    - Examples: Addition to services, decrease in level of services, decrease in ability to discharge existing or proposed indebtedness, decrease in existing or projected need for organized service in the area.



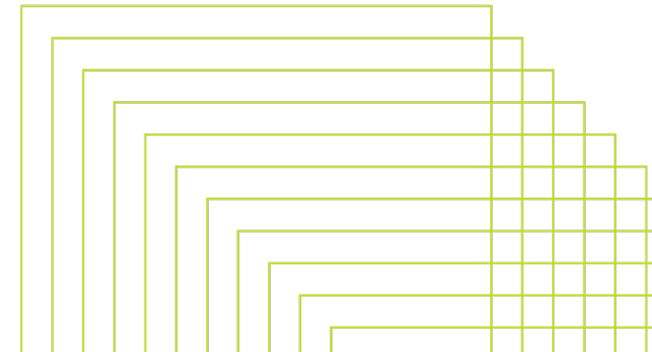
# Metro Districts – Enforcement Mechanisms

- A material modification may be enjoined by the court on its own motion, upon of the motion of the City, or upon motion of an interested party.
  - Interested parties are any existing municipality or special district that has levied an ad valorem tax within the next preceding tax year and that has boundaries within a radius of three miles of the metropolitan district boundaries or residents and property owners within the metropolitan district.
- 45 notice provision of C.R.S. § 32-1-206(3)(b) can foreclose challenges to actions in the notice.
- The City also has any enforcement mechanisms set forth in the service plan or intergovernmental agreement with the metro district.



# Quinquennial Finding of Diligence

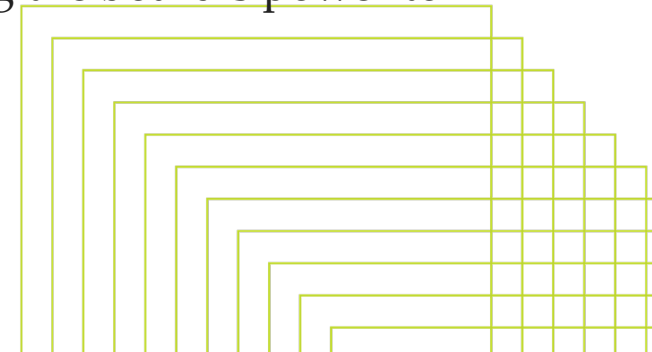
- In every fifth calendar year after the calendar year in which a metro district's ballot issue to incur general obligation indebtedness was approved by its electors, City Council may require the board of such metro district to file an application for a quinquennial finding of reasonable diligence.
- The application shall set forth the amount of the metro district's authorized and unissued general obligation debt, any current or anticipated plan to issue such debt, a copy of the district's last audit or application for exemption from audit, and any other information required by the City Council.
- The City Council holds a public hearing on the application to consider whether the service plan and financial plan of the district are adequate to meet the debt financing requirements of the authorized and unissued general obligation debt based upon present conditions within the District.



# Quinquennial Finding of Diligence

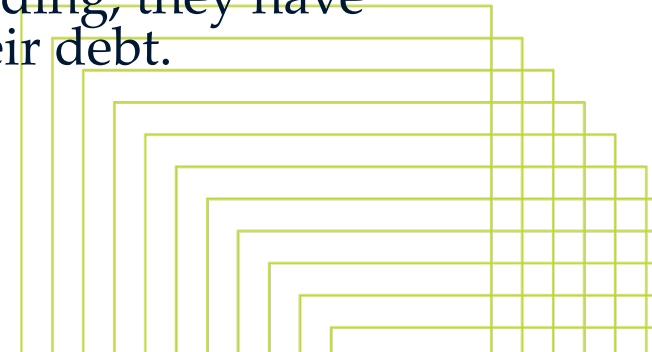
- After the public hearing, the City Council can determine:
  - that the implementation of the service plan or financial plan will result in the timely and reasonable discharge of the metro district's general obligation debt. If the board of county commissioners or the governing body of the municipality makes such a finding, it shall grant a continuation of the authority for the board of the special district to issue any remaining authorized general obligation debt.
  - that the implementation of the service plan or financial plan will not result in the timely and reasonable discharge of the special district's general obligation debt and that such implementation will place property owners at risk for excessive tax burdens to support the servicing of such debt. If the City Council makes such a finding, it shall deny a continuation of the authority of the board of the special district to issue any remaining authorized general obligation debt
  - that the implementation of the service plan or financial plan will not result in the timely and reasonable discharge of general obligation debt and require the board of the metro district to submit amendments or modifications to such plans as a precondition to a finding of reasonable diligence; except that nothing in this section shall be construed as limiting the board's power to issue refunding bonds in accordance with statutory requirements.

The City Council has all available legal remedies to enforce its determination.



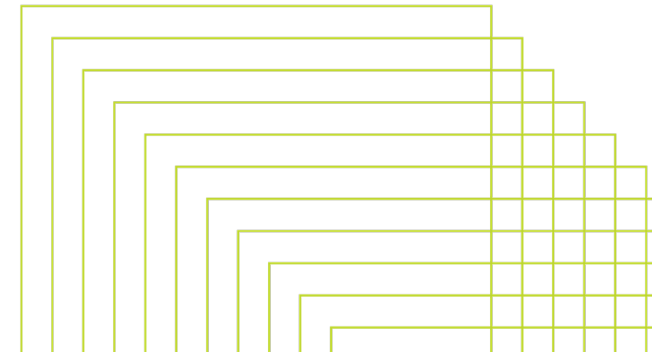
# Why have a metro district?

- Since metro districts are quasi-municipal corporations and political subdivisions of the State of Colorado, they can issue tax-exempt bonds (just like the City).
- Tax-exempt bonds can only be issued to finance public improvements.
- Tax-exempt bonds provide a lower cost of borrowing because the interest is excludable from gross income for the bond holder.
- Developers like to form metro districts to fund public improvements that are needed to serve a site because it allows them to borrow at the lowest cost of capital and the repayment source is future tax revenues.
- Generally, metro districts are used to finance initial infrastructure that is needed to serve a site and that infrastructure is dedicated to the City or other appropriate governmental entities to own and maintain.
  - Most metro districts are not anticipated to provide long-term services.
  - Metro districts can be dissolved, but if they have debt outstanding, they have to continue to exist for the purpose of levying taxes to pay their debt.



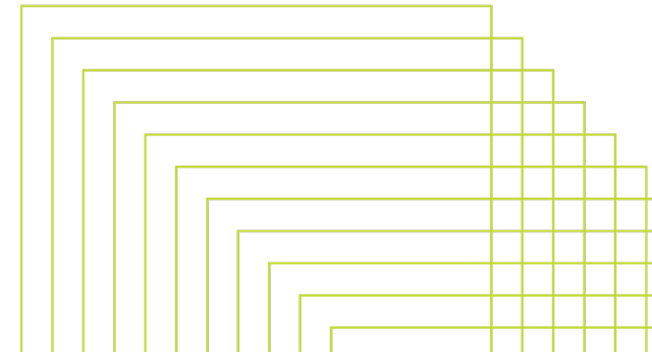
# Metro District Policy Considerations

- Overarching policy question: Do metro districts have a role to play in the City and how it develops over time?
- If so, then what is the criteria for evaluating when metro district formation will be considered?
- Are metro districts available for all developments or only those that provide certain benefits?
  - Examples:
    - Developments that exceed minimum requirements and standards.
    - Public improvements or services that address significant challenges or strategic priorities identified by the City.
    - Community amenities and benefits.



# Key Topics to be Addressed in Service Plans:

- Mill Levy Cap
- Maximum Mill Levy Term
- Debt Limit
- Boundary Adjustment
- Eminent Domain
- Extraterritorial Service
- Sub-districts
- On-going Service
- Disclosure
- Compound Interest
- Annual Report
- Bond Document Review
- Public Improvement Fee
- Competition for grants
- Financial Advisor Review of interest rate



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**QUESTIONS?**

