



BUTLER | SNOW

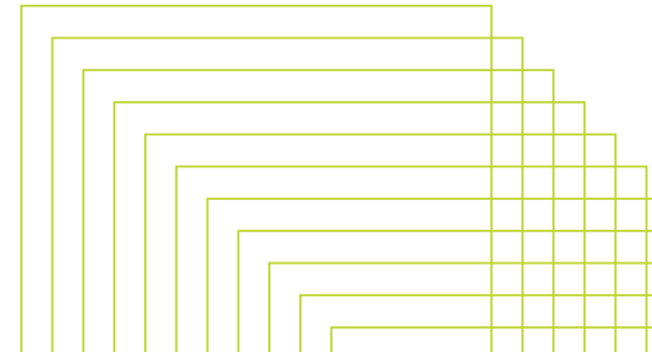
Metro Districts

City of Brighton
May 13, 2025

Dalton Kelley

Overview

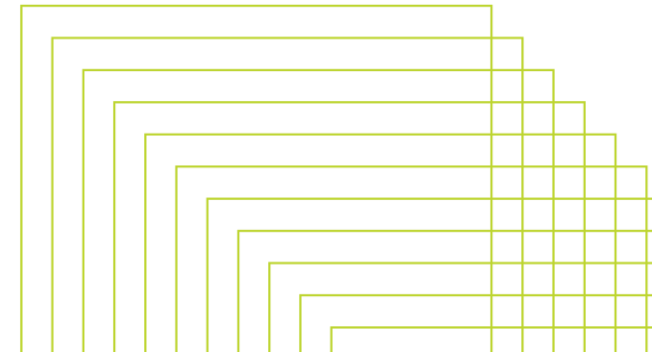
- What are metropolitan districts?
- How are they formed?
- Metro district governance.
- Metro district revenue raising powers.
- What transparency requirements do metro districts have?
- What enforcement rights does the City have?
- Gallagher Refresher
- SB 24-233 and HB24B-1001
- What is a mill levy adjustment and why is it used?
- Mill levy adjustment language.



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)

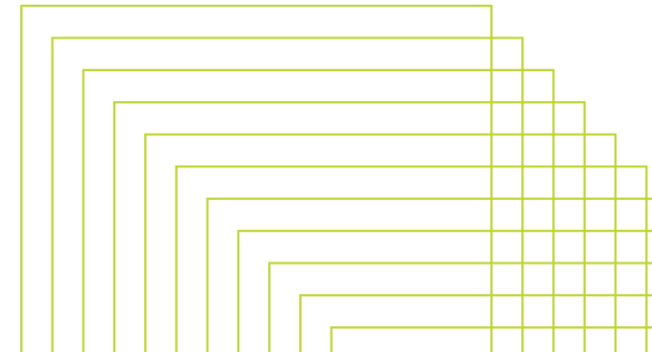


How are Metro Districts Formed?

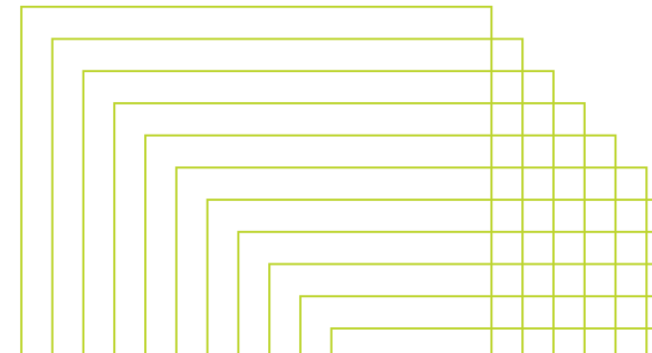
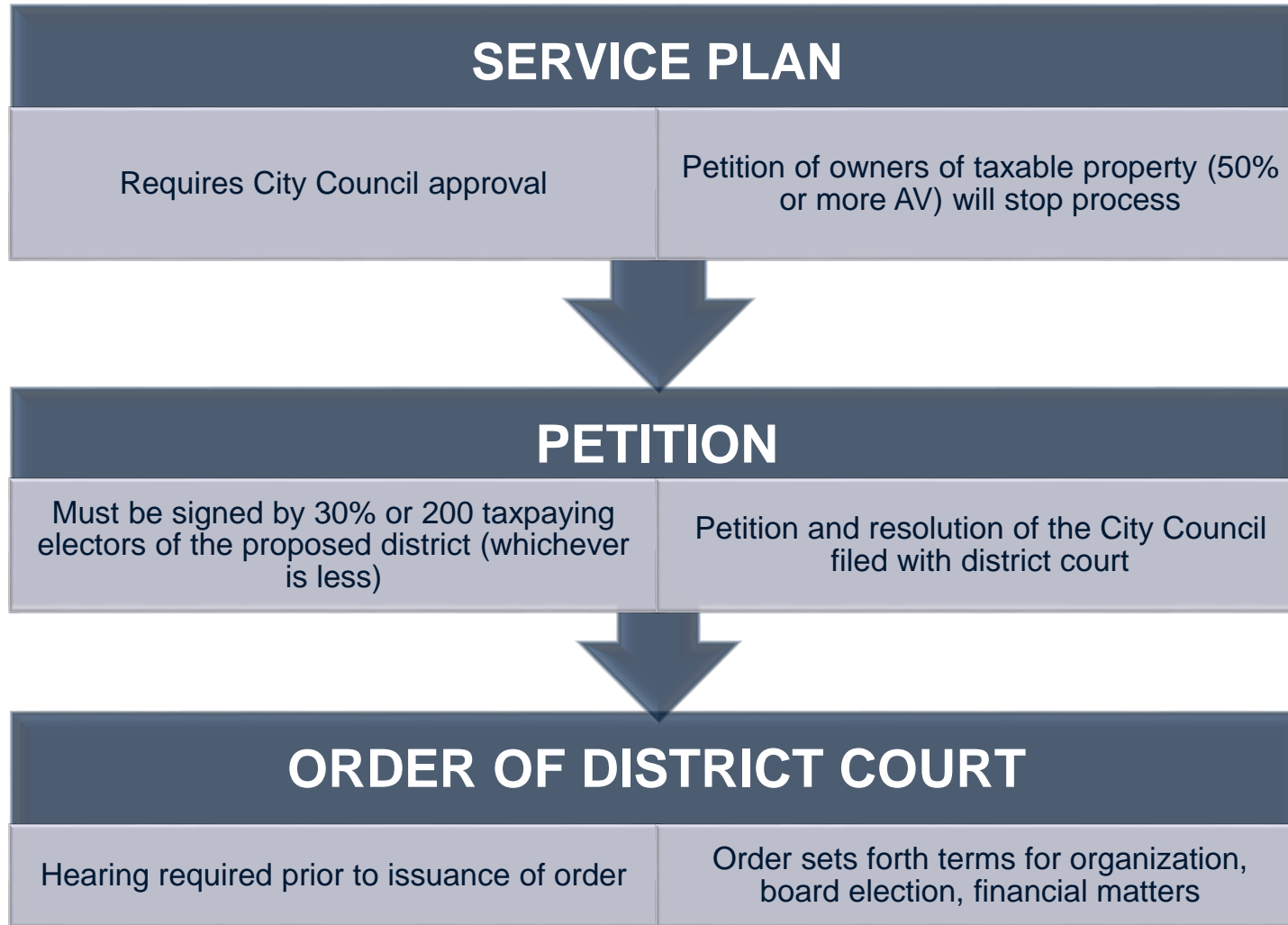
If the boundaries of the proposed district are located wholly within the City:

- 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**

The City of Brighton has a model service plan adopted by the City Council and used as the basis for each metro district proposed.

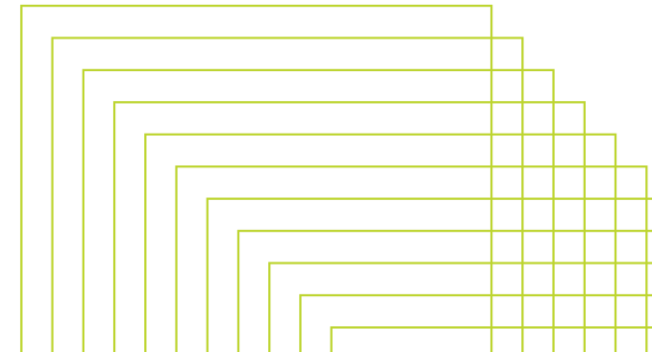


How are Metro Districts Formed?



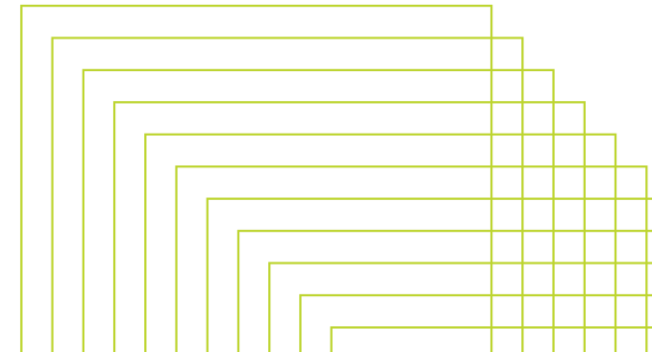
How are Metro Districts Formed?

- 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

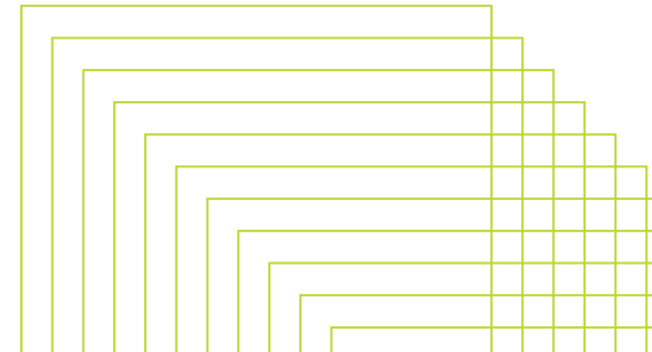
- Board of directors of 5 to 7 members elected by eligible electors of district.
- A metro district has all of the powers given to it under Title 32, except as limited by its service plan.



Metro Districts

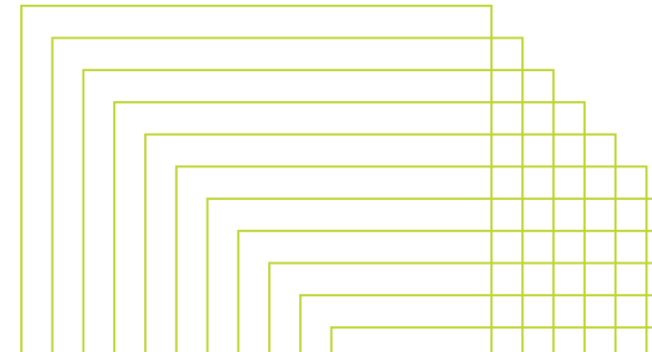
Revenue Raising Powers

- 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.



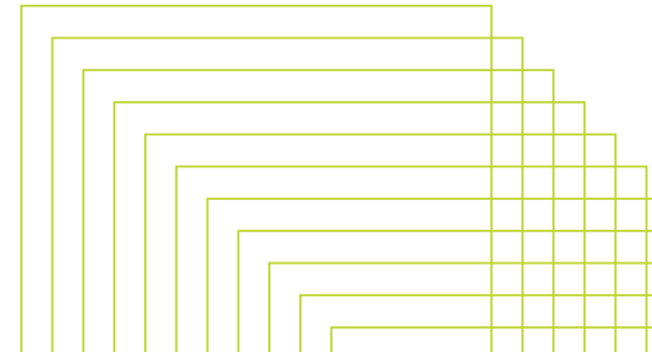
Metro Districts Responsibility and Transparency

- 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.



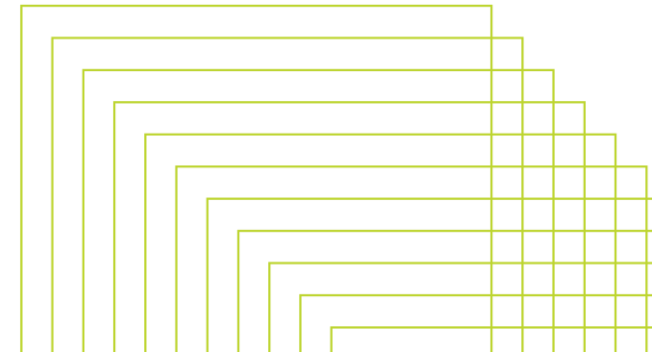
Metro Districts - Compliance with Service Plan (after Formation)

- 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.



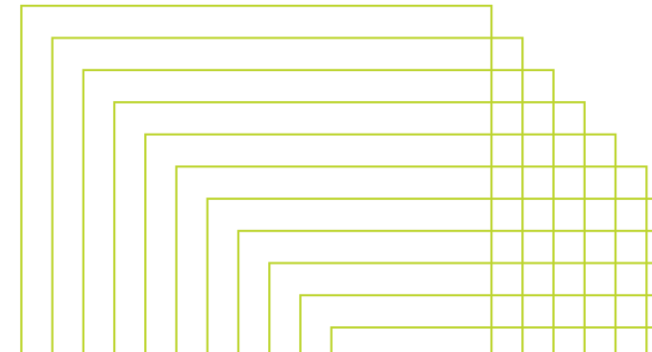
Metro Districts – Enforcement Mechanisms

- A material modification may be enjoined by the court on its own motion, upon 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.
- The City also has any enforcement mechanisms set forth in the service plan or intergovernmental agreement with the metro district.



Quinquennial Finding of Diligence

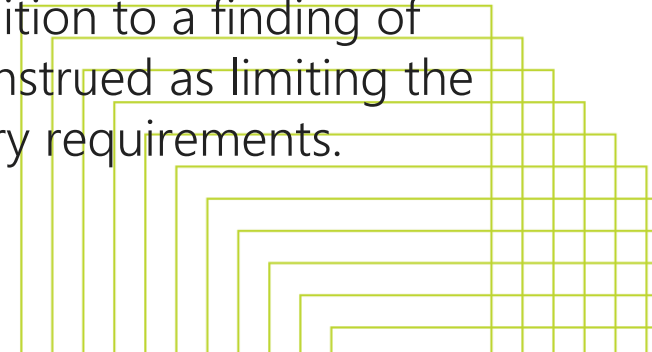
- Every five year after a metro district's ballot issue to incur general obligation indebtedness was approved by its electors, City Council may require the board of such metro district to file an application for a quinquennial finding of reasonable diligence.
- The application shall set forth the amount 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

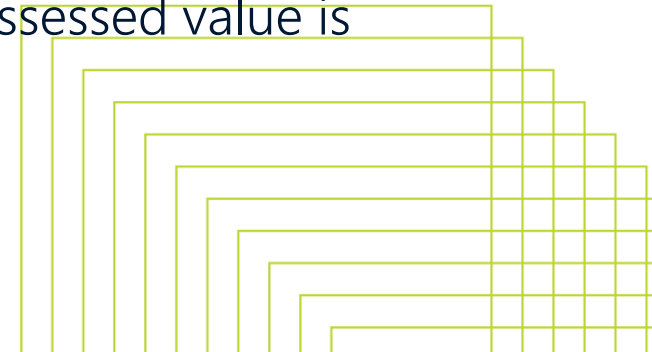
- After the public hearing, the City Council can determine:
 - that the implementation of the service plan or financial plan will result in the timely and reasonable discharge of the metro district's general obligation debt. If the City Council makes such a finding, it shall grant a continuation of the 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.



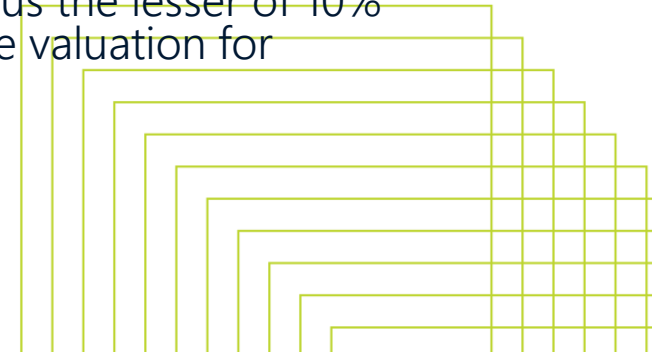
Mill Levy Adjustment – Gallagher Refresher

- The Gallagher Amendment reduced the residential assessment rate resulting in lost property tax revenues to local governments.
 - Required the General Assembly to maintain a 45-55% split statewide with 45% of property tax revenue coming from residential and 55% coming from commercial.
 - Gallagher set the commercial assessment rate at 29%.
 - Gallagher reduced the residential assessment rate over time from 21% to 7.15%.
- Gallagher was repealed in 2020.
- Since the repeal of Gallagher, the General Assembly has considered and passed several bills temporarily reducing the assessment rate for different classes of property and reducing the amount of actual value that assessed value is based on.
- There have also been several referred measures and voter initiatives that have sought to change the assessment rates and the amount of actual value that assessed value is based on.



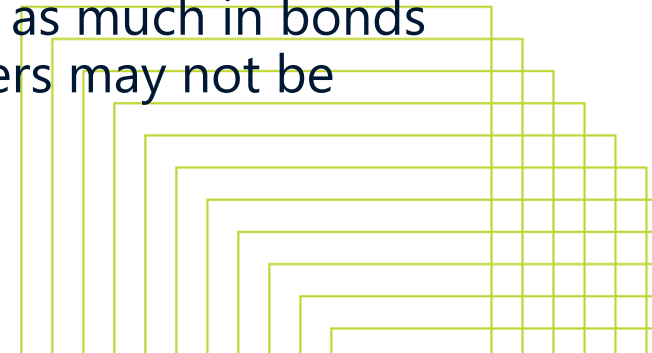
Mill Levy Adjustment - SB24-233 and HB 24B-1001

- For the property tax year commencing on January 1, 2025, if the State Board of Equalization determines that the statewide actual growth is greater than 5.00%, the valuation for assessment for all residential real property other than qualified-senior primary residence real property is 6.15% for a local governmental entity.
- For the property tax year commencing on and after January 1, 2025, if the State Board of Equalization determines that the statewide actual growth is less than or equal to 5.00%, the valuation for assessment for all residential real property other than qualified-senior primary residence real property 6.25% for a local governmental entity.
- For the property tax year commencing on and after January 1, 2026, if the State Board of Equalization determines that the statewide actual growth is greater than 5.00%, the valuation for assessment for all residential real property other than qualified-senior primary residence real property for a local governmental entity is 6.7% of the amount equal to the actual value minus the lesser of 10% of the actual value, \$70,000 as increased for inflation, or the amount that causes the valuation for assessment to be \$1,000.
- For the property tax year commencing on and after January 1, 2026, if the State Board of Equalization determines that the statewide actual growth is less than or equal to than 5.00%, the valuation for assessment for all residential real property other than qualified-senior primary residence real property for a local governmental entity is 6.8% of the amount equal to the actual value minus the lesser of 10% of the actual value, \$70,000 as increased for inflation, or the amount that causes the valuation for assessment to be \$1,000.



What is a mill levy adjustment and why is it used in a service plan?

- Hold harmless provision.
 - The purpose of a mill levy adjustment is to make future legislative changes to the property tax assessment rate have a revenue neutral impact on a district's mill levy revenue.
 - Essentially, the policy choice is that the district can levy 50 mills for debt service based on the property tax assessment rate in effect when the service plan is approved.
- Providing for a mill levy adjustment minimizes or eliminates legislative risk for metro district bondholders as it relates to their repayment source by ensuring that their repayment source will not be reduced due to legislative changes to the property tax assessment rate.
 - If bondholders are required to take legislative risk as it relates to their repayment source, metro districts would not be able to issue as much in bonds (potentially making some projects not pencil) and bondholders may not be willing to purchase the bonds.



Mill Levy Adjustment Language

- Current Language
 - Mill Levy Adjustment: means if, on or after January 1 of the year of approval of the Service Plan, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, the Debt Service Mill Levy, the Operations and Maintenance Mill Levy, and the Maximum Combined Mill Levy may be increased or decreased to reflect such changes, such increases and decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the applicable mill levy, as adjusted for changes occurring after such January 1, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.
- New Language
 - Mill Levy Adjustment: means the annual adjustment that shall be made by the Board in good faith to the Debt Service Mill Levy, the Operations and Maintenance Mill Levy, and the Maximum Combined Mill Levy to increase or decrease the applicable mill levy rate so that, to the extent possible, the actual tax revenues generated by the applicable mill levy are neither diminished nor enhanced as a result of (i) the assessment rate for residential real property being increased or decreased from 6.8% of the actual value of the property, or (ii) any constitutionally or statutorily mandated tax credit, cut, abatement or reduction in actual value enacted after January 1 of the year of approval of this Service Plan.

QUESTIONS?

