

IMPROVEMENT DISTRICT ACT AMENDMENTS SB #715, Laws 2001

An Improved Tool To Finance Infrastructure!

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Overview

- Applies to municipalities **and** counties
- Amends existing Special Assessment District legislation
 - City
 - County
- District may be created to provide infrastructure improvements, both on-site and **off-site**
 - Act expands permitted purposes beyond the traditional street, water and sewer to include railroad improvements and off-site improvements
- Provides for a special assessment against benefited property or an improvement district property tax
- Create by petition or provisional order methods

Project Funding Planning

- Another Tool in the Toolbox
 - SAD GO Bond

Eligible Projects

- Streets, bridges, roads, etc.
- Storm sewer
- Sanitary sewer
- Water projects
- Flood control or storm drainage
- Utilities (i.e. gas, water, electricity, telephone)
- Railroad spurs, tracks, railyards, rail switches
- On-site or off-site improvements, including fees and charges, necessary for approval of a development to be served by a project

General Obligation Bonds (New)

- Full faith and credit of District pledged (unlimited tax authorized) – Boundary of SAD
- Election required to authorize bonds – Property owners 51%
- Taxes imposed and collected at similar time and manner as other tax impositions
- Final maturity cannot exceed 30 years
- May be sold at public or negotiated sale
- Debt Limitation: Cannot issue more than 25% of the value of properties in the district after improvements made with bond proceeds and after development of the properties in accordance with their planned use
- Do not have to follow Procurement Code for selection and hiring of any professionals (design, engineer, financial, construction)
- Refunding bonds permitted

Special Assessment Bonds

- No election required
- Final maturity may not exceed 20 years (40 semi-annual payments)
- Amount of bonds may not exceed cost of improvements
- Assessments levied against properties are pledged to bondholders
- Amount of assessment limited to actual benefit to tract or parcel of land by reason of the enhanced value as a result of the improvements

Special Assessment Bonds (cont'd)

- Additional taxes (i.e. gasoline or gross receipts tax) may be pledged for certain types of improvements
- Interest rate on bonds cannot exceed rate on deferred assessments
- Administrative fees may be charged by governing body
- What do we need to market bonds?
 - Good development property
 - Standby Contribution Agreement with developer may be needed (cash flow assurance to City/County)
 - Credible development plan
 - Property appraisal before and after improvements

SAD Method Comparison

Assessment Method

- Provisional order allowed
- Proven process with adjustable assessments to fit benefits

ADVANTAGES

- Assessment Burden
- Lien on Property
- 20 year bond (40 semi-annual payments)
- Benefit and Assessment hearings required
- Politically not popular
- Requires assessment clerk

DISADVANTAGES

Go Bond Method

- Tax added to property tax
- Maturity up to 30 years collected as tax impositions
- Tax collected by County Clerk
- Less burden on property owners

- By 51% approval in election
- Property tax based on assessed value which increases with improvements
- Benefit and assessment hearings required
- Churches not taxable

Professionals Needed

- Engineer
- Bond Counsel
- Disclosure Counsel
- Trustee
- Dissemination Agent
- Financial Advisor
- Underwriter
- Investor (or NMFA)