

## **Explanation of a Sanitary Improvement District**

A Sanitary and Improvement District ("SID") is a municipal corporation, much like a small city or village, formed pursuant to Nebraska statutes to aid the development of land parcels outside cities. A SID does not have police powers and its primary function is to install and maintain public streets, sewers, utilities and recreation areas. A SID ceases to exist when its land parcel becomes annexed by city.

In many land developments, a developer borrows money from a bank to construct sewers, streets, common grounds and other amenities and to finance the short-term expenses of operation. The developer recovers these costs by including them in the price of the lots.

Through a SID, the developer arranges financing through the sale of municipal warrants and bonds for the construction of improvements and for SID's operations. The cost of the improvements and operations is repaid by principal and interest payments on the bonds and warrants; these payments are funded over a number of years by tax dollars, the payment of special assessments levied for the infrastructure improvements collected from the owners within the SID, and reimbursements from other sources.

### **The SID Board**

A five-member board governs a SID. The board is responsible for the construction and maintenance of the public improvements and for planning and maintaining the financial well-being of the SID, including setting its tax rate. It makes no laws or ordinances. The property owners within the SID elect board members once every two years. Each lot casts one vote. The board members choose a Chairman and a Clerk. The Board makes decisions using the advice of experienced legal, accounting, brokerage and engineering professionals.

### **Typical Natural History Of A SID**

In the early years of a SID, the developer owns most of the land/lots and controls the SID Board. It is common for the developer and its designees to be members of the SID Board. During these early first development years financial projections for the SID are proposed and then finalized. A long-term financial plan for the SID is eventually established. The plan usually estimates that about 95% of a SID's lots will be sold within 5-6 years providing tax revenue to repay the SID debt and to maintain the public improvements.

As a SID grows in age, the Developer designated board members are replaced by SID Board members who are usually homeowners because the Developer owns fewer lots and the SID residents cast most of the votes. SID elections are designed to give those persons residing within a SID an increasing voice in the affairs of the SID as it develops.

If homes are built more quickly than anticipated, tax revenue may exceed projections for a number of years, and the SID is termed "doing well." When the opposite occurs, a SID is "doing poorly."

Upon full development, approximately 80% or more of the tax dollars collected by a SID go for servicing the construction debt. A small amount of money not designated to pay warrant and bond principal and interest is committed to providing required operational services. The principal operational services and requirements are retaining professional advice, maintaining public improvements and grounds, and managing an emergency cash reserve fund for expected repairs to the SID's public improvements.

Usually, a SID Board's goal is to maintain the lowest tax rate possible. A SID's best chance for making improvements requested by the homeowners requires constantly monitoring the cost of required services and properly budgeting receipts and expenditures. The County Treasurer is the Ex Officio Treasurer of the SID and collects and deposits all special assessments and taxes.

SID Board meetings are open to the public. The Board members, because they are both elected officials and residents of the area, respond to the needs of the homeowners. Board members attempt to act in the best interest of all SID residents and act with the advice of their professional consultants.