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The Sanitary Improvement District as a Mechanism for Urban Development

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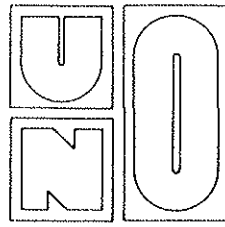
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THE SANITARY IMPROVEMENT DISTRICT AS A MECHANISM FOR URBAN DEVELOPMENT

prepared by: Center for Applied Urban Research
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College of Public Affairs and Community Service
Center for Applied Urban Research

June 12, 1975

The Honorable Eugene T. Mahoney, Chairman
Executive Board of the Legislative Council
Nebraska State Legislature
Room 2100, State House
Lincoln, Nebraska 68505

Dear Senator:

In accordance with the contract dated November 13, 1974 between the University of Nebraska at Omaha and the Nebraska State Legislature, we are pleased to submit our report on Sanitary and Improvement Districts as mechanisms for carrying out urban development in the State of Nebraska.

This report discusses the nature of SID's and the SID development process, SID fiscal operations, and the attitudes of the major participant groups toward SID's. It also offers recommendations for improving the SID process and making the SID a more effective mechanism for carrying out urban development.

Sincerely,

A handwritten signature in cursive script, appearing to read 'R.H. Todd'.

Ralph H. Todd, Ph.D.
Director

Center for Applied Urban Research

THE SANITARY IMPROVEMENT DISTRICT
AS A MECHANISM FOR URBAN DEVELOPMENT

Prepared for the
Miscellaneous Subjects Committee,
Nebraska State Legislature

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Center for Applied Urban Research
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June 5, 1975

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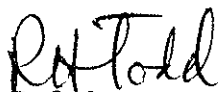
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Full responsibility for content and accuracy rests, of course, with the Center and its staff.


Ralph H. Todd
Director


William B. Rogers
Project Coordinator

INTRODUCTION

The history of the Sanitary Improvement District (SID) in Nebraska is closely tied to the history of urban development in the Omaha Metropolitan Area. The end of World War II freed the pent-up demand for new dwelling units in Nebraska as well as in the rest of the nation. Omaha's stock of platted lots was rapidly used up in the late 40's and pressures were great for opening up new areas. To meet the demand, new dwellings began to spring up on the fringes of the City, but altogether too many of these were served only by wells and septic tanks. As the housing boom developed it became clear that such utilities could not satisfactorily accommodate large concentrations of suburban populations. Yet the City found it difficult to extend water, sewer and other utilities to the new areas, partly because many existing areas of the City were not provided with such services and political necessity demanded that these needs be met first. Consequently, neither the developers nor the City had the organizational capacities or the financial resources to urbanize these fringe areas properly.

The Sanitary and Improvement District concept was originated to provide capital to developers through tax-exempt government financing devices (warrants and bonds) so developers could install standard-quality improvements in their developments. Although the SID has been referred to as a "corporate political body," legally it is a public corporation which operates to install and maintain such improvements as parks, sewers, sidewalks, streets, and utilities. The SID has the authority to levy and collect general real estate taxes and special assessments to pay for its operations.

Enabling legislation for Sanitary and Improvement Districts was passed in 1947, but the general use and acceptance of the SID mechanism did not take place until the early 1950's (after a second SID Act was passed in 1949). As the SID mechanism gained acceptance it became a powerful tool for land development. In Douglas County approximately 30 SID's were created before 1958 (official records begin with SID 31 which was established in 1958). Over the 1958-1959 period, 16 more SID's were established. The boom in SID's

became more apparent in the 1960's. A total of 114 SID's were created during the 1960-1965 period and 60 more were created from 1966-1970. Over the 1971-1974 period, another 58 SID's were established. Similarly, the explosion of SID's became apparent in Sarpy County during the 1960's.

Public Concern Over the SID Process

At the writing of this report (May, 1975) the SID concept has been in operation for more than a quarter century. Throughout this life span, however, the SID has been the subject of criticism and public concern which have led to numerous amendments to the SID law since 1949.

Although the initial amendments to the SID legislation were largely to expand the role of the SID, public concern over the SID process was evident in the early 1950's. The primary concern then was that developers using the SID were continuing to install minimal or substandard improvements. These concerns led to more rigorous demands by the City of Omaha that SID's within its three-mile extra-territorial jurisdiction adhere to minimum improvement standards.

Criticism of the SID became sharper in the 1960's, centering on allegations that SID expenditures were excessive, assessments and mill levies inadequate, and debts upon annexation too large. Some of these concerns were being expressed in the mass media. In 1966 Rene Beauchesne, a Creighton University political scientist writing in the Omaha World Herald, reported that between 1958 and 1966 the City of Omaha had assumed more than \$4.6 million in debts upon annexation of SID's. Professor Beauchesne stated: "These figures indicate that a system which permits the unregulated and irresponsible accumulation of substantial debt is in need of some kind of regulation. The fact that all of this debt is perfectly legal simply shows the need for change in the law." And the law was changed. In fact, it was amended in 1967, 1969, 1971, 1972, 1973, and 1974. For the most part these amendments served to clarify the role of the SID and to provide for the regulation of the SID process.

Purposes of the Study

In 1974 the Miscellaneous Subjects Committee of the Nebraska State Legislature held hearings on SID's to establish a basis for

subsequent legislation. The present report was commissioned by the Nebraska Legislature to look further into the complicated subject of SID's. This report deals with three broad SID topics. These are: (1) the SID development process, (2) the fiscal structure of SID's, and (3) participants in the SID process.

The first Chapter, on the SID development process, is descriptive in nature. It seeks to explain how the SID mechanism works. Included in this Chapter are discussions of the SID law and amendments thereto, the SID process, the composition of SID boards of trustees, and alternative approaches to the urban development process.

The second Chapter analyzes the fiscal structure and operations of SID's and attempts to evaluate the financial impact of SID's. Included in this Chapter are comparisons of the assessed value and debt of annexed and unannexed SID's in Douglas and Sarpy Counties and of SID and non-SID developments. Also included are discussions of expenditures by length of SID life and the financing costs of SID's.

The third Chapter is devoted to a discussion of the views of constituent groups in the SID process. Attention is focused on the views of developers, construction firms, representatives of bond houses, attorneys, City officials, and resident board of trustee members. Specifically, their views on the advantages, disadvantages, and abuses of the SID mechanism and suggested changes in the SID law are presented.

Recommendations for increasing the effectiveness of the SID mechanism are presented in the fourth Chapter of this report.

Chapter I

SID'S AND THE URBAN DEVELOPMENT PROCESS

Nebraska's Sanitary and Improvement District (SID) is only one of several mechanisms available both in Nebraska and elsewhere throughout the nation for carrying out urban development. This Chapter deals with the nature of the SID mechanism and some of the more significant alternative mechanisms, and attempts to evaluate the relative advantages and disadvantages of each.

The SID Law

The 1947 Act. In 1947 the Nebraska State Legislature sought to aid the installation of water, sanitation and drainage improvements in built-up areas outside of incorporated cities by passing the first of two Sanitary and Improvement District Acts. This 1947 Act provides that ten percent of the legal voters resident in a proposed sanitary and improvement district (which has to be outside the boundaries of a municipality) can petition their county board to hold a referendum among all the voters of the proposed district. If a simple majority of those casting ballots vote to form an SID, it shall be deemed established. The voters of the new District then choose a five-person board of trustees from among resident taxpayers. The SID Board is granted the power to establish, maintain and construct water mains, sewers and disposal plants and to dispose of drainage, waste and sewage in a satisfactory manner. To pay for these improvements the SID Board is given the power to levy taxes, to issue warrants (essentially IOU's) for work done, and to float bonds to cover these warrants.

The 1947 Act provides for the construction of water, sanitary and drainage improvements only in already developed urban residential areas outside existing municipalities. It does not allow for the construction of streets and gas and electric lines, nor does it aid the development of new tracts. It is also restricted from aiding any industrial tract of twenty acres or more.

Developers wanted something more to permit the urbanization of raw land, and in 1949 the Legislature responded by passing a second Sanitary and Improvement District Act.

The 1949 Act as Amended. Like the previous Act, the 1949 Act authorizes the Sanitary and Improvement District to undertake certain specified public works and to levy and to collect taxes to pay for these works. It may perform many more functions (31-727)^{1/}, however, and these include authority

- to install:

- (1) electric service lines and conduits,
- (2) a sewer system,
- (3) a water system,
- (4) a system of sidewalks, public roads, street and highways, public waterways, docks or wharfs;

- to contract for:

- (5) water for fire protection and for resale to residents of the SID,
- (6) gas and electricity for street lighting;

- to construct and to contract for the construction of:

- (7) dikes and levees for flood protection;

- to acquire, improve and operate:

- (8) public parks, playgrounds and recreational facilities.

In addition, SID's formed under the 1949 Act are given specific status as public corporations (the 1947 Act is silent on this point). are established through action by the district court rather than the county board, and the court decree creating the SID must be filed in the Office of the Secretary of State in the same manner as articles of incorporation are required to be filed under the general law concerning corporations.

SID's under the 1949 Act as amended are formed to urbanize rural, agricultural land. Thus, a majority of owners having an interest in the real property within the limits of a proposed SID may make and sign articles of association, and may petition the district court to establish the SID as a public corporation (31-727). The articles of incorporation shall propose the names of five or more trustees, who shall be owners of real estate located in the proposed SID, and shall state:

- (a) the name of the proposed SID,
- (b) that same shall have perpetual existence,

^{1/}The numbers in parentheses refer to the section in the Reissue Revised Nebraska Statutes.

- (c) the limits of the SID,
- (d) the names and places of residence of the owners of the land in the proposed SID,
- (e) the description tracts in the proposed SID owned by the organizers,
- (f) the names of owners, and description of their property, who do not join in organizing the district but who will be benefited by it,
- (g) the purpose of the SID (drawn from the above list of authorities), and
- (h) that the owners forming the district obligate themselves to pay all general taxes and special assessments levied against their properties, and to pay the expenses necessary to carry out the purposes of the SID.

The district court in the county in which the SID is located considers the articles of association and hears objections (31-729) to the formation of the SID. Any or all SID landowners not signing the articles may object to the formation of the SID itself or to the inclusion of their land within it. Barring outright denial of formation the district court (31-730) then issues a decree declaring the SID a public corporation of the State and the five trustees previously nominated as the trustees of the SID.

The court may exclude such real estate as will not be benefited from inclusion within the limits of the SID. No lands within any municipal corporation shall be included, and no tract of 20 acres or more which is primarily for industrial purposes shall be included without the written consent of the owner.

Duties of the SID Boards of Trustees include electing a chairman within 30 days, adopting a seal, recording all proceedings and making them available to landowners, and employing an engineer, attorney and clerical help (31-733).

Each trustee must post a personal performance bond of \$500 (31-734).

An election for all trustees must be held within the first 12 months of an SID's formation, and elections must be held every two years thereafter (31-735). At the election held six years after the first election, and at every subsequent election, two members of the board of trustees are to be elected by the legal property owners resident in the SID (31-735). Ample written notice of the election must be given to each landowner in the SID. Votes count one for each acre of unplatted land owned and one for each platted lot owned.

For its corporate purposes the district has the power to pur-

chase or acquire through eminent domain real or personal property within or without its corporate limits (31-736 and 31-737). The district also possesses the power of eminent domain to acquire rights-of-way across public lands (31-738).

The SID has the power to borrow money for corporate purposes by issuing general obligation bonds (31-739). It must levy a tax on the assessed value of all taxable property in the district sufficient to pay the interest and principal on the bonds and to create a sinking fund for maintenance and repair.

The SID must levy special assessments on all parcels in the district which are benefited by the improvements (31-751), except for properties which by law are not assessable. Where such exempt property is specially benefited the owner shall pay the district a sum equivalent to the amount the property has been specially benefited.

The SID can issue bonds to cover the costs of improvements after these have been completed and accepted (31-755). All bonds must mature within 30 years and the first series must mature not later than five years from the date of issue.

To make partial payments as the work progresses, SID's may issue warrants to cover not more than 85 percent of the cost of the work completed (31-755). The board of trustees is to fix the rate of interest on warrants which are to be redeemed from the proceeds of special assessments or from the sale of bonds.

The SID must have its books audited by 30 June of each year (31-740). The audit is to be filed with the Auditor of Public Accounts by 31 December of each year.

When a municipality annexes an SID the SID ceases to exist and the municipality succeeds to all the property and property rights, contracts, obligations and assets of the SID (31-763).

The SID Development Process

Although the 1949 SID law as amended spells out in great detail the legal procedures SID's must observe, it gives few clues as to how the SID development process actually operates in practice. This section describes the essential features of that process as it occurs in Douglas County and relative to the City of Omaha. The SID process in other parts of Nebraska would be similar but might well differ with respect to details.

The process begins when a developer acquires a tract of land or decides to develop a tract which he may have owned for a number of years. The term "developer" as used in this section will usually refer to an individual, although it can and often does refer to a group of associates or to a company. Upon deciding to undertake development, the developer does three things immediately:

1. He initiates a petition to the district court to establish an SID for his tract. The SID is used as a development vehicle only; by law it cannot be used to purchase the development tract.
2. He engages an engineer to design his development: plan the layout of streets, plat the building lots, locate drainage ways, school and park sites, etc.
3. He approaches a bond house for the purpose of negotiating an agreement with it to market the SID's warrants and bonds.^{2/}

The developer's next step in the process is to request a pre-application conference with the Omaha City Planning Department, if his development is within the City's three-mile extra-territorial jurisdiction, or with the Douglas County Planning Commission, if his development is outside the extra-territorial jurisdiction of the City of Omaha. At this conference the developer and his engineer present in sketch form their ideas and intentions with respect to the design of the development, and obtain the reactions and suggestions of the City or County Planning officials.^{3/}

The developer's engineer then proceeds to draw up the preliminary plat of the development, incorporating the suggestions of the planning officials. He also estimates the cost of all improvements and prepares a schedule of those which should be financed by means of special assessments against the platted lots within the development. (The remaining development costs, then, are to be paid out of revenues from the SID's general tax levy either directly or through general obliga-

^{2/} "Warrants" are short-term interest-bearing notes to provide interim financing for the SID's activities - I.O.U.'s., in effect. "Bonds" are long-term obligations for financing the SID's capital expenditures.

^{3/} The preapplication conference, preliminary plat, final plat procedures described briefly herein are set forth in detail in the City's and County's subdivision regulations.

tion bonds which will be paid off out of those revenues.)

When the engineer has completed drawing up the preliminary plat of the development the developer returns to the City or County seeking approval of his preliminary plat. It is at this stage that crucial decisions on streets, sewers, parks and other improvements to be constructed in the development are made. In the City of Omaha, the preliminary plat and other matters related to the development and the SID are reviewed by a cabinet-level committee composed of the Directors of the Planning, Finance, Public Works, Parks and Recreation, Housing and Urban Development and Legal Departments. This committee, established by Mayor Zorinsky shortly after he came into office, has done a great deal to improve the quality of City reviews and to eliminate conflicting requirements imposed on developers by the various City departments.

The City or County has the power to approve or disapprove the preliminary plat; if it disapproves, the developer must modify his preliminary plat to remove the objectionable features before he can move ahead. The City's or County's approval of the developer's preliminary plat assures him approval of his final plat, provided all improvements are installed in accordance with the approved preliminary plat and the City's or County's engineering standards. If the development is located within the City's extra-territorial jurisdiction the schedule of special assessments must be submitted to the City for its review, and it is usually submitted with the preliminary plat. However, the City does not have the power of approval or disapproval of the special assessments schedule; if it has objections to that schedule it can only file those objections with the SID or appeal to the Courts.

Usually, by the time the developer secures approval of his preliminary plat the district court has granted the decree establishing the developer's SID. The first actions of the SID board of trustees are to (a) organize itself by electing a chairman (which is usually the developer) and other officers, (b) employ an engineer and attorney (which are usually the developer's engineer and attorney), (c) employ a clerk, who shall be paid a salary of \$600.00 annually (and who may also be a member of the board of trustees). In addition, as soon as possible after its creation the board of trustees establishes a mill levy to provide funds to cover

its operating expenses. Initially, this mill levy brings in very little money, even though the practice in recent years has been to set it as high as 15 to 20 mills, because the as yet undeveloped land in the SID is assessed as rural, agricultural land.

With approval of his preliminary plat and the granting of the court decree establishing his SID, the developer can then complete the agreement with the bond house for marketing the SID's warrants and bonds. This agreement is made in the name of the SID, rather than in the name of the developer.^{4/} Both developers and bond houses prefer to have this type of financial arrangement right from the beginning. It assures the developer of his financing and facilitates the bond house's marketing of the SID's warrants.

The bond house, before entering into such an agreement with a developer, conducts a thorough investigation both of the developer's financial status and of the development's probable success. Based on the development's estimated development costs and the bond house's prognosis of probable future trends in the housing market, the bond house makes a judgment as to whether or not the proposal has a reasonable prospect of reaching full development, what the general obligation debt to assessed valuation (GO/AV) ratio is likely to be, and what mill levy will likely be needed to pay off the general obligation debt. If the GO/AV ratio is more than 1:5 (GO debt 20 percent of AV), bond houses at the present time feel they would have a difficult time marketing the SID's bonds. Currently, the City of Omaha also uses the 1:5 GO/AV ratio as one element in judging the suitability of SID's for annexation.^{5/}

With consummation of the warrant and bond marketing agreement between the SID and the bond house, the SID is ready to advertise for bids and go to contract for the actual construction of improvements in the development as proposed in the preliminary plat. These

^{4/}At this point the shift of the leadership role from developer to SID should be noted. Although the developer is almost always chairman of the SID Board of Trustees and, because he owns most of the property within the SID, has the controlling voice in the affairs of the SID, the developer qua developer begins to fade into the background and the SID Board of Trustees begins to assume primary responsibility for and direction of development activities.

^{5/}See the sections in Chapter III summarizing the interviews of bond house representatives and Omaha City officials.

contracts are based on the plans and specifications prepared by the developer's engineer (now the SID's engineer), and are authorized by a "resolution of necessity" adopted by the board of trustees at a duly advertised public meeting. This same resolution of necessity enables the developer to proceed with filing for approval of his final plat with the Omaha City Planning Department or the Douglas County Planning Commission. Approval of the developer's final plat, and its recording in the County Clerk's Office, opens the way for him to start marketing his lots (and building his houses if he is both a developer and a builder). The developer may file for final plat approval of only a section of his development at a time, depending on conditions in the housing market. The SID, then, schedules its construction of improvements accordingly.

The construction contracts usually provide for monthly payments on the basis of the contractor's estimate of work completed. This estimate is checked by the SID's engineer and, provided he agrees with the contractor's estimate of work completed, the SID board of trustees at a public meeting authorizes the issuance of warrants for payment of 85 percent of the value of the completed work. The remaining 15 percent of the payment is withheld as a performance surety, to be paid the contractor when all work is completed satisfactorily.

The procedure whereby the contractor actually gets his money becomes rather involved. The SID at this stage has little or no tax revenues or other capital with which to pay the contractor. Consequently, the contractor's bills must be converted into marketable instruments--warrants--which can be sold to raise the money to pay the contractor. The role of the bond house becomes crucial in accomplishing this. Also, a new actor enters the process at this point: the bond counsel. The bond counsel is retained by the bond house to pass on the legality of bond issues and related matters such as the marketing of warrants. The process is approximately as follows:

1. The SID's attorney (who usually is also the developer's attorney and may even be a member of the SID's board of trustees) prepares the warrants and the minutes of the board's meeting at which it authorized the issuance of the warrants, and sends these to the bond house.
2. The bond house registers the warrants with the County

Treasurer, who is designated by law as the fiscal officer for all SID's in the County.

3. The bond house then sends the registered warrants to the contractor for endorsement.
4. At the same time the bond house sends a copy of the board of trustees' minutes and related information on the warrants to the bond counsel for his review.
5. When the bond house receives back the endorsed warrants from the contractor, and the approval of the bond counsel, the bond house can proceed to market the warrants. Usually, but not always, the bond house has purchasers ready and waiting to buy the warrants as soon as the bond house gets the green light from the bond counsel.
6. Upon selling the warrants, the bond house uses the proceeds to pay off the contractor.

The whole procedure, according to one bond house representative, takes from seven to ten days. However, seven of the nine contractors interviewed by CAUR cited problems -- primarily delays -- in converting SID warrants into working capital as a major disadvantage to them of the SID development mechanism.

At the present time the bond houses charge SID's a fee of from three to four percent of the face value of the warrants for their services in registering and marketing the warrants.

The SID as it proceeds with the construction of improvements accumulates I.O.U.'s. in the form of warrants. The bond house watches this process carefully, and at what it judges to be the proper time--depending on the amount of warrant debt accumulated, growth of assessed value in the SID, conditions in the housing market, and prevailing interest rates in the bond market--it advises the SID that it should float a bond issue to pay off the accumulated warrant debt. If the development is large and is being developed in several stages, the SID may float several bond issues over its lifetime.

The bond house advises the SID not only on when to go to a bond issue but also on what the total amount of the bond issue should be, what the repayment schedule should be, and--based on projections of future assessed values in the development--at what rate the mill levy should be set to provide the revenue necessary to meet the repayment schedule. Again, as with the marketing of warrants, each bond issue is reviewed and approved by the bond counsel before

the bond house proceeds with marketing it.

At present bond house fees for marketing SID bond issues are running about 7½ percent of the face value of the issue. This fee can either be added to the cost of the bond (making the cost of a \$1,000 bond \$1,075 to the purchaser for example), or can be added to the bond as a supplementary interest-bearing "B" coupon. According to the bond houses, the preferences of the bond purchasers determine which alternative is used. The City of Omaha, however, has instituted court action contesting the legality of the "B" coupon alternative.

These, then, are the essential aspects of the SID development process. Any additional activities are more or less a repeat of one or more of the actions described. When all of the development decisions with respect to street improvements, sewer and water lines, school and park sites, etc. have been made (usually within approximately five years from the development's start) and home owners have begun to move into the development in significant numbers, the developer is content to have the city annex the SID or to turn its operation over to the home owners.

In the past 15 years particularly the SID mechanism has become the preeminent mode of suburban development in Douglas and Sarpy Counties. There are, however, other alternative mechanisms permitted by Nebraska State law for carrying out such development. These are explored in the next section.

SID Boards of Trustees and Principal Developers

Active SID's in Douglas County were analyzed to determine: (1) the extent to which board of trustee members were residents of their respective SID's, (2) board members who were also listed as principal developers, (3) which boards were controlled by residents and which by principal developers, and (4) how many individuals were on more than one board. The analysis included 108 active SID's identified by SID audit reports for 1973 and by the Omaha-Council Bluffs Metropolitan Area Planning Agency (MAPA) as being in Douglas County.

The basic lists of SID board of trustee members and principal developers, supplied by the Legislature's Miscellaneous Subjects Committee, had been derived from SID audits for the year 1973. These lists were up-dated and supplemented by information of the

Douglas County Clerk's records to obtain current and complete coverage of board members and principal developers for these 108 SID's.^{6/}

Residents and Principal Developers on SID Boards of Trustees.

A total of 548 board members were identified in the 108 SID's. Of these, addresses could be traced for 538. About 145, or 27 percent, of these 538 board members were residents of their respective SID's. Only 28 of the 108 SID's, or 26 percent, had three or more residents on the board of trustees and, thus, could be said to be dominated by residents. In five of these SID's, however, three or more of the resident board of trustee members were also listed as principal developers.

At least 50 percent of all board members were principal developers. This, however, is a conservative figure because it does not include employees of the principal developers who are listed as board members, but are not listed as principal developers. Several instances can be documented where clerks, cashiers, office secretaries, business managers, and other employees of the principal developer serve on the board, but are not listed as principal developers.

Seventy-one of the 108 boards, or almost 66 percent, were dominated by principal developers. Information on the principal developer was missing for two of the 108 SID's. The boards of the

^{6/} It should be noted that in many cases the County Clerk's records were incomplete and fragmented. The only way to ascertain a current board listing for active SID's via the County Clerk's records was to peruse the trustee personal bond filings. In doing this, several problems were encountered: (1) Terminology--bonds were specified in terms anywhere from a two-year period as provided for by statute, to bonds which established a term from the date establishing the SID "indefinitely." (2) Staggered terms--some boards consisted of staggered terms with terms running, for example, from 1965-1966, 1965-1967, and 1964-1966. (3) More than five trustees--no more than five trustees are permitted by statute. While this statutory limit is probably adhered to, some boards had more than five individuals represented by bonds, unaccompanied by documents establishing who replaces who in the process of resignation, re-election, or appointment. (4) Time lags--in a few cases, current bonds are not on file for active SID's. In such cases, the bonds on file were generally for the original trustees at the time the SID was formed. For example, in one case, a still-existing SID had only 1965 bonds.

remaining nine SID's, including the two with no information on the principal developer, were comprised either of residents whose addresses could not be traced or associates of the principal developer who were not listed as principal developers. New SID's, as might be expected, tended to be developer-dominated while most of the SID's where the boards were controlled by residents had been in existence for periods ranging from eight years to 15 years, with the exception of one which was four years old.

The Concentration of SID Board Memberships. The Douglas County Clerk's records list 548 board of trustee members. This is eight more than the 540 board memberships permitted by law for 108 SID's. These 548 board memberships were held by 434 persons. Three hundred sixty-five of these 434 persons were on only one SID board, while 69 were on two or more SID boards. These 69 persons, comprising approximately 16 percent of the total number of persons holding board memberships, held 173, or 33 percent, of the total number of memberships. Several of those on more than one board were attorneys who, in most instances, represent the developer. One person held a total of 13 board memberships. More detailed data is given in Table 1.

A good portion of the board members were related. Twenty-six percent, or 140, of the 548 members were obviously related (i.e., had the same last name and same address or same last name and same SID). Relatives with different last names (e.g., in-laws) could not be identified and so were not counted. This implies that the actual control of the SID's is probably in the hands of fewer persons than the total of 548 would suggest.

Of the 108 SID's in this analysis, only 24 had SID boards with no members on other boards and no obviously related individuals. Of these, only 18 percent of the members were principal developers (four of the 24 SID's had three or more principal developers on the board of trustees) while 62 percent were residents of the SID area. This is in contrast to the 50 percent rate for principal developers and the 27 percent rate for board members residing in their respective SID's as reported in earlier paragraphs.

Alternatives to SID's

Two major interdependent virtues of SID's were praised by SID proponents in CAUR's interviews. They saw the SID concept as a method for ensuring that new developments are constructed with

TABLE 1

CONCENTRATION OF SID BOARD MEMBERSHIPS

Board Memberships Held by One Person	Number of Persons	Percent of Total	Board Memberships ^{a/}	Percent of Total
1	365	84.1	365	66.6
2	48	11.0	96	17.5
3	12	2.8	36	6.6
4	4	0.9	16	2.9
5	2	0.5	10	1.8
6	2	0.5	12	2.2
13	1	0.2	13	2.4
	<u>434</u>	<u>100.0</u>	<u>548^{b/}</u>	<u>100.0</u>

^{a/} Board memberships held by one person times number of persons.

^{b/} The law specifies that each SID Board of Trustees shall have five members. Therefore, 108 boards should have 540 memberships. However, the County Clerk's records list more than five members for some boards.

improvements (i.e., streets, sewers, water lines, recreational facilities, etc.) of high quality geared to the needs of the future. Further, the SID's were seen as governmental entities which permit the financing of these improvements through tax-free warrants and bonds, enabling the developer to install quality improvements beyond the immediate needs of his development. Without SID's, CAUR was told, the quality of improvements in new developments would tend toward the minimum because developers would try to minimize their costs to avoid pricing their developments out of the market. They contended in addition that without SID's, there would be fewer developers, and that this restriction of competition would contribute to lower quality improvements and higher lot costs to home buyers.

The SID concept, therefore, can be viewed as one approach to the twin questions of (a) who decides what improvements are to be installed, and (b) who decides how such improvements are to be financed. If each of these questions is dichotomized (even though it is recognized that a continuum reflects the actual range of alternatives more accurately), four types of development concepts result as illustrated:

TYPES OF DEVELOPMENT CONCEPTS		
Type of Development Concept	Decisions About Improvements Are:	Financing of Improvements Is:
I	Private	Private
II	Private	Public
III	Public	Public
IV	Public	Private

In the immediate post-World War II period development in the Omaha Area followed the Type I concept: decisions as to what improvements were to be installed were strictly private and such improvements as were installed were privately financed. The results were as portrayed by SID proponents in CAUR's interviews. Improvements installed in new developments were minimal or non-existent, with the consequence that when adequate improvements were installed later--usually by the City of Omaha after annexation--the costs were

much higher than they would have been if they had been installed before the homes were built.^{7/} The SID concept, which allowed for the installation of improvements before home construction, represented a very real cost saving over the former Type I development approach.

Use of the Type I development concept, prevalent before World War II, has been virtually eliminated since then as the need for adequate regulation of land subdivision in the public interest has become increasingly recognized.

The SID concept as it appears to have operated in its early stages conformed very closely to the Type II development concept: private decisions (with limited public controls at most) on what improvements are to be installed with the use of public financing. However, from what CAUR has been able to learn of actual practice in the early 1950's, utilization of the SID mechanism did not automatically lead to the installation of standard-quality improvements in new developments. This happened only when the City of Omaha moved to require, through its subdivision control authority within its three-mile extra-territorial zoning jurisdiction, minimum adequate improvements in new developments. Existence of the SID's public financing mechanism greatly facilitated provision of the required improvements, but did not by itself bring about their provision.

Developers soon learned, in fact, that the SID mechanism permitted them to transfer much of the cost of sometimes very plush improvements such as private clubs to the public financing mechanism provided by the SID. Eventually the City of Omaha became concerned over the amount of general obligation debt it was assuming when it annexed such SID's, and began to seek additional authority from the State Legislature to control SID decisions. The result is that the current SID approach retains public financing but has substituted substantially greater public control over improvement decisions. Thus, the current SID approach diverges somewhat from the Type II model.

The Type III development concept shifts decisions on what improvements are to be installed to the public authority while retaining the public financing of improvements. The Lincoln Area.

^{7/} Omaha City Planning Department, A Century of Progress Through Annexation, Report 176 (undated).

operates under this concept almost entirely, and only recently has made use of the SID, or Type II, approach even though the SID law applies to the Lincoln area the same as it does to the Omaha Area.

Lincoln typically annexes the area to be developed (usually not more than 80 acres at a time), installs the improvements, and either pays for the costs out of general revenues or imposes special assessments on the property owner who then has 20 years in which to pay off the assessment. While waiting to collect its special assessments, the City finances these improvements from a revolving fund created by floating "special assessment bonds" backed, however, by the City's general fund in case of default. Lincoln's aggressive policy of annexation before development enables the City to directly control what is done and to add to its tax base immediately. It also has discouraged non-contiguous development, which Lincoln can enforce effectively because it owns the public utilities that serve the area.

Omaha may have been deterred from using the Type III approach by its interpretation of state laws and its own ordinances. Omaha claims it cannot annex land that is rural in character, that its special assessments have to be paid off in 10 years, and that the city cannot issue special assessment bonds.

The Type IV development concept involves public decisions on what improvements to install coupled with private financing of those improvements. The developer, or the new resident through higher lot prices, finances the costs of the improvements. Actual practice does not conform exactly to the theoretical model. In practice the developer does have a substantial area of decision with respect to where and when to develop, but his decisions relative to what improvements are to be installed and how they are to be financed are tightly constrained by local public authorities through subdivision control and other regulations.

The Type IV concept--modified in practice as indicated above--although permitted under Nebraska State law has been rarely used in the Omaha Area. It is, however, the prevailing mode of development throughout the rest of the nation.

The procedure usually followed under the Type IV development concept is that the developer, after receiving approval of his pre-

liminary subdivision plat, files for approval of his final plat and posts a bond assuring the governmental authority that he will install the improvements as indicated in his preliminary plat approval. If he has a large development, he may file for final plat approval and post bond for only one section at a time. Final plat approval, coupled with his posted bond, permits him to start selling his lots and/or building his houses at the same time he is installing his improvements, and to use part of the proceeds from such sales to pay the cost of the improvements.

Conclusions

The following conclusions and observations can be drawn from the foregoing discussion of the SID law, the SID development process, and alternatives to the SID:

1. A very close relationship exists between the developer and the SID board of trustees.

As indicated in the earlier section regarding the SID law, the petition to establish the SID must nominate five persons who are owners of property within the proposed SID as trustees of the SID. Since the developer almost always owns all of the property within the SID, he has to give relatives, friends and/or business associates some sort of interest in the development venture so they can serve on the board of trustees. The developer may propose his wife, adult children, his engineer, and/or his lawyer, among others, as members of the board of trustees. This makes for some interesting relationships which were described in the section on SID boards of trustees and principal developers. (If the "developer" is a bona fide group of associates or a company, this legal requirement presents no problem, of course.) Moreover, since election to the board of trustees is on the basis of property ownership--with one vote for each acre of unplatted land owned and one vote for each platted lot owned--the developer is able to perpetuate his control of the SID board of trustees at least as long as he retains ownership or more than half of the land in the SID.

The consequence of this situation is that the SID becomes simply an extension of the developer and, in effect, invests him with certain governmental powers. Specifically, he is able to make public expenditures and, more important, to incur public debts for which others

eventually have to assume responsibility: home buyers in the SID or city taxpayers, if the SID is annexed. Necessarily, therefore, the question must be raised--as the Legislature's Miscellaneous Subjects Committee has--whether or not the future interests of those home buyers and city taxpayers are sufficiently protected.

2. A very close relationship exists between the SID and the bond house.

As indicated in the description of the SID development process and as revealed by CAUR's interviews of bond house representatives, the bond house is an essential and integral part of the SID development process almost from the very beginning. The bond house in effect acts as fiscal manager for the SID from the time the SID enters into the warrant and bond marketing agreement until the SID is annexed or all debt obligations are paid off: watching the SID's expenditures, making sure mill levies are established when they should be, and keeping tabs on the SID's plans. This extra effort, which is substantially more than a bond house normally exerts when handling bond issues for a city or school district, for example, is cited as the reason why bond houses must charge SID's higher fees.

A strong case can be made that on balance the close supervision of SID finances by the bond houses has had the effect of significantly improving the financial soundness of many SID's. At the same time, however, it is legitimate to ask the question whether or not it is in the best interest of the general public for this supervision to be performed by private agencies with a substantial financial stake in the outcome.

3. The structure of SID's as established by law encourages SID board of trustees to (1) shift the financing of development as much as possible to a general obligation basis, and (2) keep the property tax mill levy low in the early stages of the development.

This conclusion follows quite naturally from the earlier conclusion on the close relationship between the developer and the SID board of trustees. The more improvements cost the developer, through his control of the SID board of trustees, can shift to general obligation financing--hence to the home buyer and ultimately to the municipality upon annexation--the less he has to pay through special assessments on his lots. This is not said as a condemnation of developers;

it would require an unusually high degree of altruism on the part of a developer not to push this division as far as he legitimately can to his own advantage. In addition, it is to the developer's direct financial advantage to keep the property tax mill levy low during the early stages of the development--again through the control the law gives him of the SID board of trustees--so as to minimize his outlay for taxes on his unsold lots and to provide a selling point to prospective home buyers.

4. Although the SID is credited with spurring the development of urban areas in Nebraska (particularly Omaha), urban development has taken place both in Nebraska and nationally without the SID mechanism.

Over the 1960-1970 period, the City of Omaha's population grew by 15.2 percent (including annexations).^{8/} Development during this period of time was almost exclusively via the SID, or Type II development approach (private decisions on improvements and public financing.) Yet, the City of Lincoln which is a prime example of the Type III development approach (public decisions on improvements and public financing) grew at a rate of 16.3 percent. Although the two cities differ substantially in size, the fact remains that a city in Nebraska can successfully use a development concept other than the SID.

Nationally, of the 242 metropolitan areas (other than Omaha) reported in the 1970 Census, 89 (36.8 percent) had higher rates of population growth than did Omaha; a further indication that urban development can take place without the SID.^{9/} Hence, the occurrence of urban growth in Nebraska via the SID should not obscure the fact that it has also taken place without the SID--a fact which questions the purported superiority of the SID to other (e.g., Type III and Type IV) development concepts.

^{8/} U.S. Bureau of the Census, United States Summary, Number of Inhabitants, Table 40, Population Annexed to Central Cities of Standard Metropolitan Statistical Areas Between 1960 and 1970, by SMSA. (Data relate to the legal limits of the central cities and standard metropolitan statistical areas as defined for 1970.)

^{9/} Ibid. The data refer to the legal limits of the 242 central cities as defined for 1970. The "inside central cities" totals were used for the larger SMSA's.

5. The Type II and Type III development concepts reduce the amount of front-end money required of the developer in the development process.

Both Type II and Type III development concepts provide for public financing of improvements. Hence, they constitute a definite advantage in the development process from the standpoint of developers. The element of public financing of improvements allows the developer to reduce the amount of risk capital invested in the project and, consequently, provides an opportunity for lower lot and housing costs and for higher-quality improvements. The financial advantages offered also encourage more competition from smaller developers who could not pay the high costs associated with providing improvements. It should be noted, however, that this is a two-way street. The same advantages offer the potential for over-building an area, and encourage marginal developers to enter the field.

6. The Type II and Type III development concepts permit incorporation of regional needs into developments.

The public financing feature of development concepts II and III are particularly relevant to securing the provision of excess capacities of water and sewer trunk lines, traffic thoroughfares, etc. required to meet present and future regional needs over and above the needs of the particular development. The provision of such excess capacities clearly is the responsibility of the governmental authority rather than the developer. Under development concept II--the SID approach--these excess capacities can be financed through general obligation bonds issued by the SID, which are later assumed by the municipality if and when the SID is annexed; under development concept III these excess capacities can be financed directly by the municipality either out of general revenues or through general obligation bonds of its own. Development concepts I and IV--utilizing private financing of improvements--lack a ready mechanism for providing the excess capacities required by present and future regional needs during the development process; hence, these usually have to be provided later by the public authority at greatly increased expense. From the standpoint of the general public interest, this capability to provide for regional needs is probably the single most important advantage of development concepts II and III.

7. The quality of improvements installed in new developments depends at least as much on the standards established and enforced by the public authority as on the method(s) available for financing the cost of those improvements.

This conclusion is supported by the fact that initial use of the SID mechanism in the Omaha area in the early 1950's had little appreciable effect on the quality of improvements installed in new developments. It was only when the City adopted and began enforcing minimum improvement standards through its subdivision regulations that standard quality improvements were obtained. This conclusion is also supported by a nationwide survey of 1,115 cities over 10,000 population conducted in the spring of 1973.^{10/} Nine hundred twenty-five, or 83 percent, of these cities had subdivision regulations requiring the installation of improvements by developers. Ninety percent of the cities with such regulations rated them as being very effective or effective in accomplishing their purpose. In addition, almost half of the cities included in this survey required developers either to dedicate land for public purposes such as parks or make a cash contribution in lieu of such a dedication.

8. The laws concerning voting for SID boards of trustees may conflict with the constitutional principle of one-person one-vote.

Voting for the SID board of trustees is restricted to property owners and is based on one vote for each acre of unplatted lot. In elections held six years after the first election, two of the board members are elected by resident owners.

A number of United States Supreme Court cases have extended the principle of one-person one-vote to local government (Avery vs. Midland County, 390 US 474) and to special districts (Hadley vs. Junior College District, 397 US 50). Property qualifications for school board elections (Kramer vs. Union School District, 395 US 621), and for general obligation bond elections (Phoenix vs. Kolodziejewski, 399 US 204) have been struck down specifically.

It should be noted that the rarely used 1947 SID Act extended the right to vote in SID elections to legal voter residents whether

^{10/} Steve Carter, Murray Frost, Claire Rubin, and Lyle Sumek, Environmental Management and Local Government (Washington, D.C.: Office of Research and Development, U.S. Environmental Protection Agency, 1974), p. 39.

or not they were property owners in the SID, and did not count votes on the basis of the amount of property owned.

In addition, some of the other states utilizing devices similar to the SID use the one-person one-vote principle (imposed either by legislation or the courts). For example, in *Burrey vs. Embarcadero Municipal Improvement District* (97 Cal. Rpts. 203), the California courts ruled in 1971 that the improvement district created by the state legislature could not have votes cast on the basis of assessed value or be restricted to landowners.

Chapter II

THE FISCAL STRUCTURE OF SANITARY AND IMPROVEMENT DISTRICTS

Sanitary and improvement districts constitute an important segment of the Omaha Area's economy. In 1973, a peak year for SID development activity, SID's contributed approximately \$28.5 million to the Omaha Area economy as measured by the volume of warrants registered that year in the County Treasurer's Office. This Chapter analyzes the fiscal structure whereby SID's carry out their activities and the impact of those activities on taxes and public debt in the Omaha Area. All percentages were derived from original data.

Assessed Value and Debt

An understanding of the relationship between bonded debt and assessed value for annexed and unannexed SID's provides a basis for understanding the tax burden (both past and present) imposed by SID's on home buyers and on City residents when SID's are annexed. A total of \$310,254,520 in assessed property values is associated with SID's in Douglas and Sarpy Counties. In the process of building this tax base, a total of \$101.4 million in bonded debt has been issued for SID's in the two counties (\$84.3 million in Douglas and \$17.1 million in Sarpy). As of January 20, 1975, \$91,941,500 remained outstanding (\$76,058,000 for Douglas and \$15,883,500 for Sarpy).^{11/}

Table 2 presents an overview of the significance of SID's by showing the amount of bonded debt, assessed value and debt ratios for the two counties, the annexed and unannexed SID's, and the other parts of the counties which are not affected by SID's. SID's currently account for 21.9 percent of the total assessed value for the two counties and 72.4 percent of the general obligation bonded debt. The percentages differ by county with SID's accounting for 20.2 percent of the assessed value and 71.0 percent of the bonded debt in Douglas County versus 34.6 percent of the assessed value and 79.3 percent of

^{11/} Nebraska State Auditor's Office. Bonded debt unless otherwise indicated refers to general obligation bonds. In addition to the amounts shown above there was \$70.8 million in registered warrants outstanding as of December 31, 1974 for Douglas County SID's. The amount currently outstanding in Sarpy County was not compiled.

TABLE 2

ASSESSED VALUES, GENERAL OBLIGATION BONDED DEBTS, AND DEBT RATIOS
FOR DOUGLAS AND SARPY COUNTIES^{a/}

County	Assessed Value (AS) (35% Valuation)	General Obligation Bonded Debt (GO)	Debt Ratio (GO/AS x 100)
Douglas	1,253,958,659 ^{b/}	107,064,000	8.5
Sarpy	165,839,231 ^{c/}	20,023,500 ^{d/}	12.1
Total Douglas-Sarpy County	\$1,419,797,890	\$127,087,500	9.0
<u>Douglas County^{e/}</u>	1,253,958,659	107,064,000	8.5
Annexed SID's	119,123,667 ^{g/}	42,272,500	35.5
Unannexed SID's	133,743,105	33,785,500	25.3
Other	1,001,091,887	31,006,000	3.1
Omaha City Proper (excludes annexed SID's)	941,747,118	29,930,000	3.2
All Other	59,344,769	1,076,000	1.8
<u>Sarpy County^{f/}</u>	165,839,231	20,023,500	12.1
Annexed SID's	15,210,905	4,210,000	27.7
Unannexed SID's	42,176,843	11,673,500	27.7
Other	108,451,483	4,140,000	3.8
Cities/Villages (excludes annexed SID's)	69,463,924	4,140,000	6.0
All Other	38,987,559	-0-	-0-

^{a/} Includes the assessed value of all property (real and personal) as of January 1, 1975 and excludes the general obligation debt of school districts.

^{b/} Estimated by Douglas County Assessor's Office as of January 1, 1975.

^{c/} Data from "1974 Abstract of Assessments and Levies, Sarpy County."

^{d/} Includes \$15.9 million in SID debt as of 1/20/75 (State Auditors Records) and \$4.05 million in general obligation debt outstanding in Bellevue, Papillion, Gretna, Springfield and LaVista (exclusive of debt associated with annexed SID's). The debt of the above-mentioned villages was from First Mid-America, Statistical Information of Nebraska Municipal Subdivisions, 1974.

^{e/} The breakdown between annexed SID's and city proper debt was provided by the City Finance Department. The general obligation debt was also provided by the City Finance Department.

^{f/} Bonded debt data was obtained from the State Auditor's Records and is as of January 20, 1975. The allocation of debt between unannexed and annexed SID's was derived from the listing on "1974 Abstracts of Assessments and Levies, Sarpy County." Since information on assessed values of annexed SID's in Sarpy County was not available, the ratio of bonded debt to assessed value for unannexed SID's in Sarpy was applied to estimate the assessed value for annexed SID's.

^{g/} Inflated by use of the price index for new single family houses sold in the North Central Region of the United States (see Table 4).

the bonded debt in Sarpy County.

Annexed Douglas County SID's. For the purposes of this section SID's can best be examined by looking at annexed and unannexed SID's separately. Table 3 presents assessed values, bonded debts, and debt ratios for Omaha (including annexed SID's) over the 1960-1975 period.^{12/} Over this period, Omaha's assessed value increased by 115 percent (\$493 million to \$1,061 million) while the bonded debt increased by 533 percent (from \$11.4 million to \$72.2 million).

As Table 3 indicates most of Omaha's absolute increase in general obligation bonded debt from 1960 to 1975 is attributable to debt obligations incurred by the City through annexation of SID's. The City of Omaha's bonded debt increased by \$60.9 million from 1960 to 1975, \$42.3 million of this increase, or almost 70 percent, can be traced to annexed SID's. In contrast, the City's assessed value increased by \$567.9 million from 1960 to 1975. However, only \$119.1 million of this increase or approximately 21 percent, is attributable to annexed SID's. In computing the values associated with annexed SID's, assessed values were adjusted for inflation. Thus the dollar value of an SID that was annexed, for example in 1961, is stated in terms of 1975 dollars. This was accomplished by use of the price index for new single family houses sold in the NorthCentral Region of the United States (see Table 4).

Of even greater significance is the fact that nearly all of the increase in Omaha's debt ratio (debt as a percent of assessed value) can be attributed to debt assumed by the annexation of SID's. Omaha's debt ratio in 1960 was 2.3. In 1975 its debt ratio stands at 6.8; an increase of 4.5. Without the debt associated with the annexation of SID's, Omaha's bonded debt would have increased by \$18.5 million between 1960 and 1975 while its assessed value would have increased by \$448.7 million. Its debt ratio, then, in 1975 would stand at 3.2. Therefore, 3.6 or 80 percent, of the 4.5 increase in Omaha's debt ratio between 1960 and 1975 is attributable to the debt assumed by the City from annexed SID's, while only 0.9, or 20 percent, of that increase is attributable to the increase in non-SID associated debt.

^{12/} SID's annexed to Omaha only.

TABLE 3

ASSESSED VALUES, GENERAL OBLIGATION BONDED^{a/} DEBTS, AND
DEBT RATIOS FOR OMAHA, 1960-1975

Year	Assessed Value (AS) (35% Valuation)	General Obligation Bonded Debt (GO)	Debt Ratio (expressed as a percent) (GO/AS x 100)
1960	\$ 493,006,073	\$ 11,391,000	2.3
1961	518,706,683	14,989,187	2.9
1962	532,556,795	16,814,187	3.2
1963	560,732,890	27,229,000	4.9
1964	580,616,230	31,359,000	5.4
1965	617,611,225	33,831,000	5.5
1966	642,783,245	34,588,000	5.4
1967	798,654,950	36,119,000	4.5
1968	702,509,878	40,165,500	5.7
1969	760,638,713	40,685,500	5.3
1970	783,376,465	51,462,500	6.6
1971	796,942,789	76,781,500	9.6
1972	936,418,475	81,811,500	8.7
1973	972,251,755	78,265,500	8.0
1974	1,014,353,590	79,034,500	7.8
1975	1,060,870,785	72,202,500	6.8
Omaha Proper: (941,747,118)		(29,930,000)	(3.2)
Annexed SID's (119,123,667) ^{b/}		(42,272,500)	(35.5)

^{a/} First Mid-America, Inc., Statistical Information of Nebraska Municipal Subdivisions, 1960-1975. The City Finance Department of Omaha provided bonded debt data for 1970 through 1974 and assessed value data for 1973 and 1974. All data are as of January 1 of the respective years.

^{b/} Estimated by accounting for inflation. See Table 4. The assessed value includes SID's annexed in 1959.

TABLE 4

ASSESSED VALUE OF ANNEXED SID'S IN 1975 DOLLARS^{a/}

Year	Total Assessed Value (35% Valuation)	(Jan. 1975=100) Price Index of New One-Family Houses Sold in North Central Region	Adjusted SID-Value in 1975 Dollars
1959	\$ 1,258,440	56.7	\$ 2,219,471
1960	681,925	58.0	1,175,733
1961	1,141,430	58.4	1,954,503
1962	---	58.9	---
1963	---	59.4	---
1964	24,515,035	58.7	41,763,262
1965	1,480,945	60.7	2,439,778
1966	5,396,295	63.8	8,458,143
1967	6,527,285	66.4	9,830,248
1968	13,121,589	70.2	18,691,722
1969	11,838,855	76.9	15,395,130
1970	1,012,015	77.2	1,310,900
1971	2,753,880	79.6	3,459,648
1972	1,610,810	84.1	1,915,351
1973	9,700,525	92.3	10,509,778
1974	---	--	---
Total	\$81,039,029	--	\$119,123,667

^{a/} Construction Reports, C27-74-4, Price Index of New One-Family Houses Sold (includes the value of lot) for North Central Region of U.S. Bureau of the Census, Department of Commerce, March, 1975. Price indices for 1959-1962 were estimated through the relationship between the Consumer Price Index of housing and the price index of new one-family houses sold in the North Central Region.

Omaha's net long-term debt from 1968 to 1973 is presented in Table 5. Omaha's net debt grew by 141 percent over the 1968-1973 period versus an average debt growth of 33.1 percent for the 42 largest cities in the United States. In fact, only Washington, D.C., had a rate exceeding Omaha's. And, as the City-proper/annexed SID relationships indicate, a major part of the debt increase can be attributed to Omaha's annexation of SID's.

Two additional points concerning the debt of annexed SID's merit comment. First, as Table 6 illustrates, a higher mill levy on SID's before their annexation would have lowered the obligation passed on to the City. If the total City mill levy had been applied in each year of SID existence before annexation, another \$3.3 million in revenue would have been raised and thus not added to the City's debt.

Second, Omaha's debt attributable to annexed SID's imposes a major burden on residents of the City. Almost \$2.2 million per year must be paid for interest charges on the \$42.3 million annexed SID debt currently outstanding. In other words an estimated two mills annually are needed on the City's total assessed valuation to service the debt incurred by annexed SID's. (This is based on an effective average interest rate of 5.09 percent for City-issued general obligation bonds.) If the City were to retire the bonded debt associated with annexed SID's (i.e., \$42,272,500) over a 20-year period at 5.10 percent, it would cost \$67,516,825 or about \$3.4 million per year.^{13/} Since a one-mill levy in Omaha at the present time yields approximately 1.1 million dollars in revenue, this cost amounts to 3.2 mills per year. It would cost an individual with a \$20,000 home approximately \$22 per year for the next 20 years. The levy on a \$30,000 home would be \$34 per year and for a \$40,000 home the cost would be \$45 annually. On a per capita basis the levy amounts to a \$12 to \$13 burden annually on each individual in the City of Omaha over the 20 years.

Another way of viewing the significance of the debt is to examine

^{13/} The interest rate used was 5.10 percent rather than 5.09 for the sake of convenience. This allowed the use of the Thorndike Encyclopedia of Banking & Financial Tables (New York: Warren, Gorham and Lamont, 1973).

TABLE 5

GROWTH IN NET LONG TERM DEBT OUTSTANDING FOR 42 LARGEST CITIES^{a/}

City	Year		Percent Change 1968-1973	City	Year		Percent Change 1968-1973
	1968-69 (\$000)	1972-73 (\$000)			1968-69 (\$000)	1972-73 (\$000)	
1. Atlanta	226,006	460,829	103.9	22. Milwaukee	209,771	204,666	-2.4
2. Baltimore	497,249	494,866	-0.5	23. Minneapolis	79,307	103,353	30.3
3. Birmingham	106,997	205,311	91.9	24. Newark	86,247	142,911	65.7
4. Boston	169,425	335,791	98.2	25. New Orleans	220,309	225,847	2.5
5. Buffalo	153,893	210,619	36.9	26. New York	6,151,928	7,994,047	29.9
6. Chicago	783,422	1,058,784	35.2	27. Norfolk	119,278	176,395	48.0
7. Cincinnati	224,459	233,413	4.0	28. Oakland	55,026	78,632	42.9
8. Cleveland	273,109	258,075	-5.5	29. Oklahoma	246,594	276,033	11.9
9. Columbus	129,211	230,620	78.5	30. Omaha	42,576	102,400	140.5
10. Dallas	267,174	379,256	42.0	31. Philadelphia	796,648	1,046,406	31.4
11. Denver	226,645	277,470	22.4	32. Phoenix	150,971	202,842	34.4
12. Detroit	526,477	637,431	21.1	33. Pittsburgh	89,855	100,135	11.4
13. Fort Worth	115,707	163,569	41.4	34. Portland	47,958	30,367	-36.7
14. Honolulu	175,668	201,960	15.0	35. St. Louis	152,126	155,089	2.0
15. Houston	390,932	474,594	21.4	36. St. Paul	114,964	154,481	34.4
16. Indianapolis	127,349	245,005	92.4	37. San Antonio	170,904	201,413	17.9
17. Kansas City	251,059	269,551	7.4	38. San Diego	123,754	129,061	4.3
18. Long Beach	30,832	53,719	74.2	39. San Francisco	277,078	339,407	22.5
19. Los Angeles	1,167,691	1,758,228	50.6	40. Seattle	252,520	340,888	35.0
20. Louisville	146,688	188,037	28.2	41. Toledo	31,961	43,978	37.6
21. Memphis	345,411	460,793	33.4	42. Washington, D.C.	261,853	665,210	154.0

^{a/} City Government Finances, 1968-69 (Table 6) and 1972-73 (Table 7), Social and Economic Statistics Administration, Bureau of the Census, U.S. Department of Commerce. Net long-term debt is the long-term debt outstanding minus long-term debt offsets (i.e., cash and investment assets of sinking funds and other reserve funds which are held for redemption of long-term debt).

TABLE 6

ADDITIONAL REVENUE THAT ANNEXED SID'S COULD HAVE GENERATED IF
OMAHA'S MILL LEVY WERE APPLIED IN EACH YEAR OF EXISTENCE BEFORE ANNEXATION

Year	City Levy	Assessed Value of SID's Prior ^{a/} to Annexation	Additional Revenue if City Mill Levy were Applied to Annexed SID's
1960	20.4	\$ 9,439,350	\$ 120,615
1961	22.4	11,831,018	204,097
1962	22.4	22,189,490	393,601
1963	22.4	35,273,198	621,641
1964	22.9	46,180,031	587,639
1965	23.9	28,102,948	305,450
1966	21.2	35,423,070	352,854
1967	25.5	30,369,542	385,775
1968	25.0	31,140,832	299,669
1969	26.2	19,464,720	150,721
1970	26.2	9,891,390	-31,223
1971	24.6	10,818,875	-51,780
1972	25.6	9,575,305	-76,843
Total			\$3,262,216

^{a/} Compiled by CAUR from data provided by First Mid-America, Inc., Statistical Information of Nebraska Municipal Subdivisions, 1960-1973.

the cost to Omaha residents based on the portion of Omaha's current mill levy that is used to retire debt. Currently 9.5 mills are applied to debt retirement. Since the City is currently responsible for \$72.5 million in debt and since 59 percent of the debt can be attributed to annexed SID's, it follows that approximately 5.6 mills are being applied annually to pay off the debt of annexed SID's. At this rate, and assuming the assessed value for the City remains constant, it would take approximately nine years to pay off the SID-associated debt, costing the homeowner with a \$30,000 home about \$59 per year over the nine-year period.

Is it possible for the annexed SID's to pay off their own debt? Given their total bonded debt of \$42.3 million, a constant assessed value of \$119.1 million, an effective interest rate of 5.10 percent, a 20-year debt retirement period (the typical term for an SID bond issue), and a 9.5 mill levy (that portion of the City levy applied to debt retirement), the annexed SID's could not pay off the debt. For example, the first year's interest charge would be about \$2.2 million while revenues from property would be about \$1.1 million. To pay off the annual interest alone would require a tax of 18.1 mills applied to the assessed value of the annexed SID's. In order to pay off in 20 years the debt the City assumed when it annexed these SID's, it would be necessary to apply the total revenue derived from the assessed value of the annexed SID's at the current City mill levy of 28.3 mills.

Unannexed Douglas County SID's. In addition to the annexed SID's, another 135 unannexed SID's are developed or being developed in Douglas County. The total assessed value of these SID's as of December 31, 1974 was \$133.7 million while the net debt (bonds and registered warrants outstanding minus cash and investments and special assessments receivable) was \$88.0 million. Their overall debt ratio, therefore, is 68.8. Outstanding bonds accounted for \$33.8 million of the net debt, yielding a bonded debt ratio of 25.3.

The debt ratios of unannexed SID's vary considerably. Most of this variation can be related to the length of life of the SID and it is normal to expect very new SID's to have high debt ratios. This is borne out by Table 7. Nine unannexed SID's were established during the 1958-1961 period, 50 were established between 1962 and 1966, 39 between 1967 and 1971, and 37 from 1972 through 1974. The respective

TABLE 7

BONDED DEBT AND NET DEBT RATIOS BY SELECTED TIME PERIODS
FOR UNANNEXED SID'S IN DOUGLAS COUNTY^{a/}

Year Established	Total Number of SID's	Assessed Value (35% Valuation)	Bonds Outstanding	Bonded Debt Ratio (expressed as a percent)	Net District Debt	Net Debt Ratio (expressed as a percent)
1958-1961 ^{b/}	9	\$ 21,803,980	\$ 1,438,000	6.60	\$ 1,553,341	7.12
1962-1966 ^{c/}	50	62,066,615	16,627,500	26.79	18,546,441	29.88
1967-1971 ^{d/}	39	43,719,425	15,620,000	35.73	39,618,554	90.62
1972-1974 ^{e/}	37	6,153,085	-0-	---	28,254,680	459.20
	135	\$133,743,105	\$33,685,000 ^{b/}	25.19	\$87,973,016 ^{b/}	65.78

^{a/} Compiled by CAUR from data provided by the City of Omaha, Finance Department. Data are as of December 31, 1974.

^{b/} The assessed value for SID 45 was not available, consequently, the \$100,000 bonds outstanding and the \$166,244 net district debt were not included.

^{c/} The total number of SID's (50) excludes SID 173 which had an unknown assessed value and no debt.

^{d/} The total number of SID's (39) excludes SID's 197, 211, and 213 which had no assessed value and no debt.

^{e/} The total number of SID's (37) excludes SID's 270 and 274 which had no assessed value and no debt.

net debt ratios for each group as of December 31, 1974 were: 1958-61 (7.1); 1962-66 (29.9); 1967-71 (90.6); and 1972-74 (459.2). The respective bonded debt ratios for the first three groups were 6.6, 26.8, and 35.7. (No bonded debt had been issued for SID's established since 1972.) Further detail on bonded debt and net debt of unannexed SID's by year of establishment from 1958 through 1974 is presented in Table 8, and the financial picture of all unannexed SID's in Douglas County as of December 31, 1974 is given in Appendix B.

Sarpy County SID's. Table 9 presents financial data on Sarpy County municipalities. As of December 31, 1974 the Cities of Bellevue, Papillion, Gretna, Springfield, and LaVista had a total assessed value of \$84.7 million and a total bonded debt of \$8.4 million, resulting in a bonded debt ratio of 9.9. The total bonded debt balance as of January 20, 1975 for all Sarpy County SID's was \$15.9 million. Annexed SID's had a debt balance of \$4.2 million, which constitutes slightly more than 50 percent of the total \$8.4 million debt for the five municipalities in Sarpy County.

Sarpy County SID's which have not been annexed had a total assessed value of \$42.2 million as of December 31, 1974 and a bonded debt balance of \$11.7 million as of January 20, 1975, yielding a bonded debt ratio of 27.7. This debt ratio is about 2.7 times as high as that for Sarpy County's five municipalities and about the same as the ratios associated with unannexed SID's in Douglas County.

Administrative Costs of SID and Non-SID Development

This section compares administrative costs as a proportion of total construction costs for SID and non-SID development in order to determine the reasonableness of SID administrative costs. The Public Works Department of the City of Omaha provided information on a portion of the Millard Heights addition as representative of City-administered development. Although most of Millard Heights was developed as an SID, the City installed the improvements for a portion consisting of 91 contiguous lots after Millard Heights was annexed by the City. CAUR then selected four SID's--146, 167, 189 and 233--with characteristics very similar to this portion of Millard Heights for purposes of comparison.

Table 10 compares administrative costs (cost for engineering, testing, legal services and miscellaneous), as a proportion of total

TABLE 8

BONDED DEBT AND NET DEBT RATIOS BY YEAR
FOR UNANNEXED SID'S IN DOUGLAS COUNTY^{a/}

Year Established	Number of SID's	Assessed Value 1974-75 (35% Valuation)	Bonds Outstanding	Bonded Debt Ratio (expressed as a percent)	Net District Debt	Net Debt Ratio (expressed as a percent)
1958	1	\$ 5,748,620	\$ 400,000	6.96	\$ 931,350	16.20
1959 ^{b/}	1	NA	100,000	--	166,244	--
1960	2	2,359,380	367,000	15.55	269,547	11.42
1961	5	13,695,980	671,000	4.90	352,444	2.57
1962	8	13,989,250	3,306,000	23.63	2,513,872	17.97
1963	10	11,970,235	3,394,000	28.35	3,618,289	30.23
1964	9	10,026,690	3,732,000	37.22	3,754,020	37.44
1965	8	4,537,650	1,540,000	33.94	3,437,258	75.75
1966 ^{c/}	15	21,542,790	4,655,500	21.61	5,223,002	24.24
1967	6	17,985,280	7,145,000	39.73	10,594,784	58.91
1968 ^{d/}	7	4,613,920	2,525,000	54.73	1,645,431	35.66
1969 ^{e/}	7	3,655,715	1,175,000	32.14	3,525,282	96.43
1970	3	1,121,525	1,100,000	98.08	2,908,676	259.35
1971	16	16,342,985	3,675,000	22.49	20,944,381	128.16
1972	22	5,491,420	-0-	--	19,006,408	346.11
1973 ^{f/}	12	606,840	-0-	--	8,701,798	1433.95
1974	3	54,825	-0-	--	546,474	996.76
Total	135	\$133,743,105	\$33,785,500	25.19 ^{g/}	\$88,139,260	65.78 ^{g/}

^{a/}Compiled by CAUR from data provided by the City of Omaha, Finance Department. Data are as of December 31, 1974.

^{b/}Assessed value data was not available for SID 45.

^{c/}The total number of SID's (15) excludes SID 173 which had an unknown assessed value and no debt.

^{d/}The total number of SID's (7) excludes SID 197 which had no assessed value and no debt.

^{e/}The total number of SID's (7) excludes two SID's which had no assessed value and no debt (SID 211 and SID 217).

^{f/}The total number of SID's (12) excludes two SID's which had no assessed value and no debt (SID 270 and SID 274).

^{g/}Calculations exclude 1959 bonded debt and net district debt.

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TABLE 9

ASSESSED VALUES, GENERAL OBLIGATION BONDED DEBTS,
DEBT RATIOS, AND MILL LEVIES FOR SARPY COUNTY URBAN AREAS^{a/}

Sarpy County Cities	Assessed Value (35% Valuation)	General Obligation Bonded Debt	Bonded Debt Ratio	Mills
Bellevue	\$49,797,747	\$4,845,000	9.7	21.5
Papillion	14,482,451	994,000	6.9	23.0
Gretna	3,648,847	469,000	12.9	26.9
Springfield	1,537,438	498,000	32.4	35.0
LaVista	15,208,346	1,544,000	10.2	26.4
Total	\$84,674,829	\$8,350,000	9.9	26.6

^{a/} Assessed values from "1974 Abstract of Assessment and Levies, Sarpy County, Nebraska." Bonded Debt is balance per State Auditor's Records on January 20, 1975.

TABLE 10

ADMINISTRATIVE AND CONSTRUCTION COSTS
FOR SID AND NON-SID DEVELOPMENTS^{a/}

SID and Non-SID Projects	Construction Cost	Administrative Cost	Total Cost	Administrative Cost As Percent of Construction Cost
Millard Heights:				
Sanitary Sewer	\$ 36,088.10	\$ 4,330.57	\$ 40,418.67	12.0
Paving and Storm Sewer	131,121.93	15,724.62	146,856.55	12.0
SID's				
<u>Sanitary Sewer</u>				
SID 146	6,081.99	4,296.50	10,378.49	70.6
SID 167	16,129.27	13,572.73	29,702.00	84.2
<u>Paving and Storm Sewer</u>				
SID 167 ^{b/}	6,894.96	4,568.20	11,463.16	66.3
SID 167	110,011.21	67,701.49	177,712.70	61.5
SID 189	41,463.04	14,512.06	55,975.10	25.9
SID 233	171,875.32	49,156.03	221,031.24	28.6
SID 146	26,462.47	8,951.77	35,414.24	33.8
Total	\$378,918.26	\$162,758.78	\$541,677.04	42.9

^{a/} Public Works Department and Finance Department, City of Omaha.

^{b/} Paving only.

construction costs for these four SID's with such costs for the 91-lot portion of the Millard Heights' addition. The data in Table 10 indicate strongly that administrative costs are excessively high in SID developments as compared to similar non-SID (in this case City) developments. The City of Omaha charges 12 percent of the total construction cost for administrative costs. This guideline has been used in the City's past projects, including the Millard Heights' development. In comparison with the City's 12 percent fee, administrative costs associated with the sample SID construction projects ranged from 25.9 percent to 84.2 percent of total construction costs. The two SID's completing sanitary sewer improvements had administrative cost percentages from six to seven times higher than the City rates. For paving and storm sewer improvements, the administrative rates were about 3.5 times higher than the City rate.

Further detailed data on administrative and construction costs for annexed and unannexed SID's in Douglas County are given in Appendix C. These data show that administrative costs (represented by the columns entitled "Legal Fees," "Engineering and Architectural Costs," "Fiscal Agent Fees" and "Other Costs" in Appendix C) vary significantly among both annexed and unannexed SID's. Also, for the annexed SID's these four categories of administrative costs were about 17.6 percent of total construction costs while for the unannexed SID's they were about 20.1 percent of total construction costs. It should be noted that the data in Appendix C are not comparable to the Data in Table 10. Some costs included in the "Equipment and Service Cost" column of Appendix C would be classed as administrative costs according to the City of Omaha's definition and some would be classed as construction costs.

Distribution of Improvement Costs Between Special Assessment and General Obligation Financing.

A comparison of the distribution by SID's of improvement costs between special assessment and general obligation financing methods with the distribution of such costs in non-SID developments points up some significant differences which provide additional insight into the impact of SID financial operations on taxes and public debt. Data for the 91-lot portion of the Millard Heights addition and for SID's 146, 167, 189 and 233 were again used for this comparison, and are given in Table 11.

TABLE 11

COMPARISON OF THE ALLOCATION OF SPECIAL ASSESSMENTS AND
GENERAL OBLIGATION ASSESSMENTS BY CITY AND SID PROJECTS^{a/}

Type of Development	Special Assessment	General Obligation	Total	General Obligation As Percent of Total Assessment
<u>Paving and Storm Sewer</u>				
SID 167	\$157,464.80	\$20,247.90	\$177,712.70	11.4
SID 233	145,915.48	75,115.87	221,031.35	34.0
SID 189	22,809.44	33,165.66	55,975.10	59.3
SID 146	10,797.02	10,797.02	21,594.04 ^{b/}	50.0
Millard Heights ^{c/} (Omaha Develop.)	111,417.00	36,100.00	147,518.00	24.5
<u>Paving Only</u>				
SID 167	5,070.66	6,392.50	11,463.16	55.8
<u>Sanitary Sewer</u>				
SID 146	5,824.54	1,697.91	7,522.45 ^{d/}	22.6
SID 167	25,278.32	4,423.68	29,702.00	14.9
SID 233	64,050.24	-0-	64,050.24	-0-
Millard Heights	40,418.67	-0-	40,418.67	-0-

^{a/} City of Omaha Public Works Department (for the Millard Heights area) and City of Omaha Finance Department (for the SID's).

^{b/} Excludes \$13,820.20 Special Assessment to School District #1.

^{c/} Includes the following Paving and Storm Sewer construction: Woodsdale Circle from Sky Park Drive to Cul De Sac, Glenwood Circle from Sky Park Drive to Cul De Sac, Winthrop Circle from Sky Park Drive to Cul De Sac, Winslow Place from Old Cherry Road to Harrison, Brookridge Drive from Sky Park Drive to Harrison, South Dale Drive from Winslow Place to Sky Park Drive, South Dale Drive from Winslow Place to Cul De Sac, Crestline Drive from Hillsdale Road to Brookridge Drive.

^{d/} Excludes \$2,856.04 Special Assessment to School District #1.

The data in Table 11 indicate that the SID's placed a larger proportion of their debt (paving and storm sewer and sanitary sewer) into general obligation than did the City of Omaha for the 91-lot portion of the Millard Heights addition. The City, for example, put only 24.5 percent of its paving and storm sewer debt into general obligation (e.g., assessed to the street fund) while the combined percent of paving and storm sewer debt put into general obligation by the four SID's was 29.2. Similarly, although the sanitary sewer improvement work done by the City in Millard Heights was all specially assessed, two of the three SID's completing sanitary sewer work had some (14.9 and 22.6 percent) of the cost put into general obligation.

SID Expenditure Patterns.

Total warrant costs and interest paid (including accrued interest) were coded and computerized for 80 selected SID's in Douglas County. Of the 80 SID's, 27 had been annexed. The per SID value of warrants for the 80 SID's ranged from \$4,469 to \$1,775,086, while warrant length of life ranged from only a few months to over 13 years.

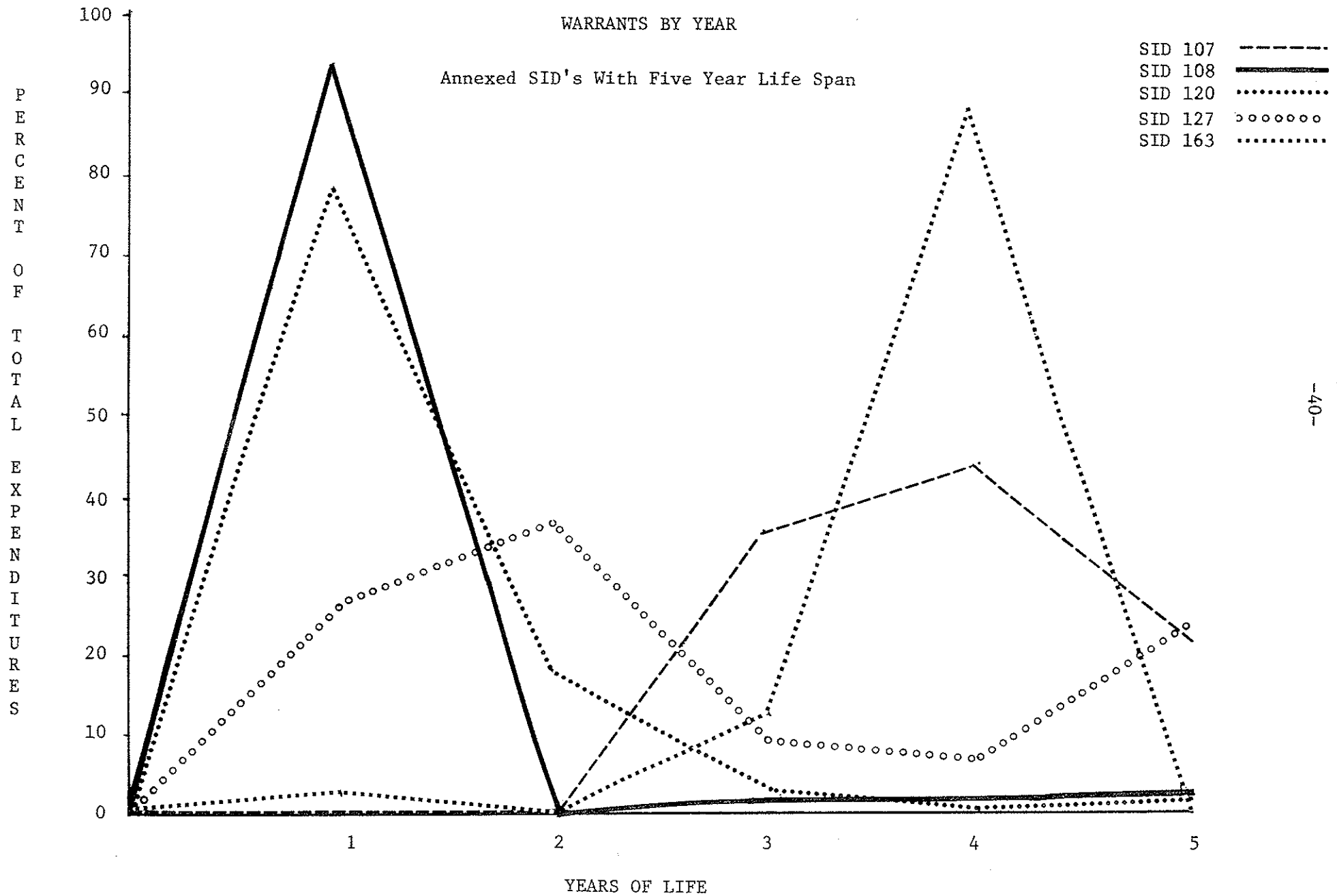
SID Expenditure Profile. One of the objectives of the analysis summarized in this section was to ascertain whether or not an expenditure profile for SID's is evident. This analysis was limited to annexed SID's because active SID's are still spending money, and, therefore, it is not possible to determine final costs. Total warrant cost per year was used as the measure of expenditures. Eight annexed SID's were dropped from the analysis because of incomplete warrant data during their initial stage of development. An analysis of the warrant data for the remaining 19 annexed SID's shows wide variations in expenditures by year. A clear example of this is given in Graph 1 which indicates the proportion of warrants issued in each year for the five annexed SID's in the sample with a five-year life span before annexation. The data show a scattered expenditure pattern with some SID's committing the bulk of their expenditures in the early stages of life and others committing their expenditures in the later stages.

Similarly, an examination of SID's to determine whether more of the expenditures occurred in the first or second half of life indicates no clear pattern. This analysis indicates that for the

GRAPH 1

WARRANTS BY YEAR

Annexed SID's With Five Year Life Span



six SID's with under \$100,000 in warrants, one-half had greater expenditures in the first half. For the five with \$100,000 to \$300,000 in warrants, two had greater expenditures in the first half, and the three SID's with expenditures from \$300,000 to \$700,000 two had greater expenditures in the first half. Finally, for the three largest SID's (those with expenditures over \$700,000), two had their greatest expenditures in the first half of their life. (Two of the 19 SID's were eliminated from this analysis because they had issued warrants in only one year and this analysis used whole years.) The results of the analysis represents a nearly equal division of expenditures and consequently are inconclusive with respect to a correlation between expenditures and the first or second half of an SID's life.

SID Expenditures by Length of Life. A second objective of this analysis was to determine what proportion of SID expenditures occurred before the sixth year of an SID's life. This is an important age because of the 1974 amendment to the SID law which requires two of the board of trustee members to be elected by the resident property owners in the SID the first election after the SID is five years old. Table 12 indicates that virtually all of the remaining 19 annexed SID's analyzed in this section issued their warrants before they were six years old. Only four issued any warrants after their fifth year. These were SID's 55, 59, 84 and 129. Of these four, two (Nos. 84 and 129) incurred more than 90 percent of their total costs by the end of the fifth year and the third (No.55) incurred more than 73 percent. Only No. 59 did not fit the general pattern, incurring 79 percent of its total costs after the fifth year. Among the four, expenditures per SID after the fifth year ranged from \$5,200 to \$593,000.

The pattern of expenditures by year of life for the 19 annexed SID's analyzed is depicted on Graph 2. The detailed data on which Table 12 and Graph 2 are based are given in Appendix D.

Financing Costs of SID's.

This section focuses on the costs associated with financing SID development. These include charges for marketing warrants,

GRAPH 2

AVERAGE ANNUAL EXPENDITURES OF ANNEXED SID'S*

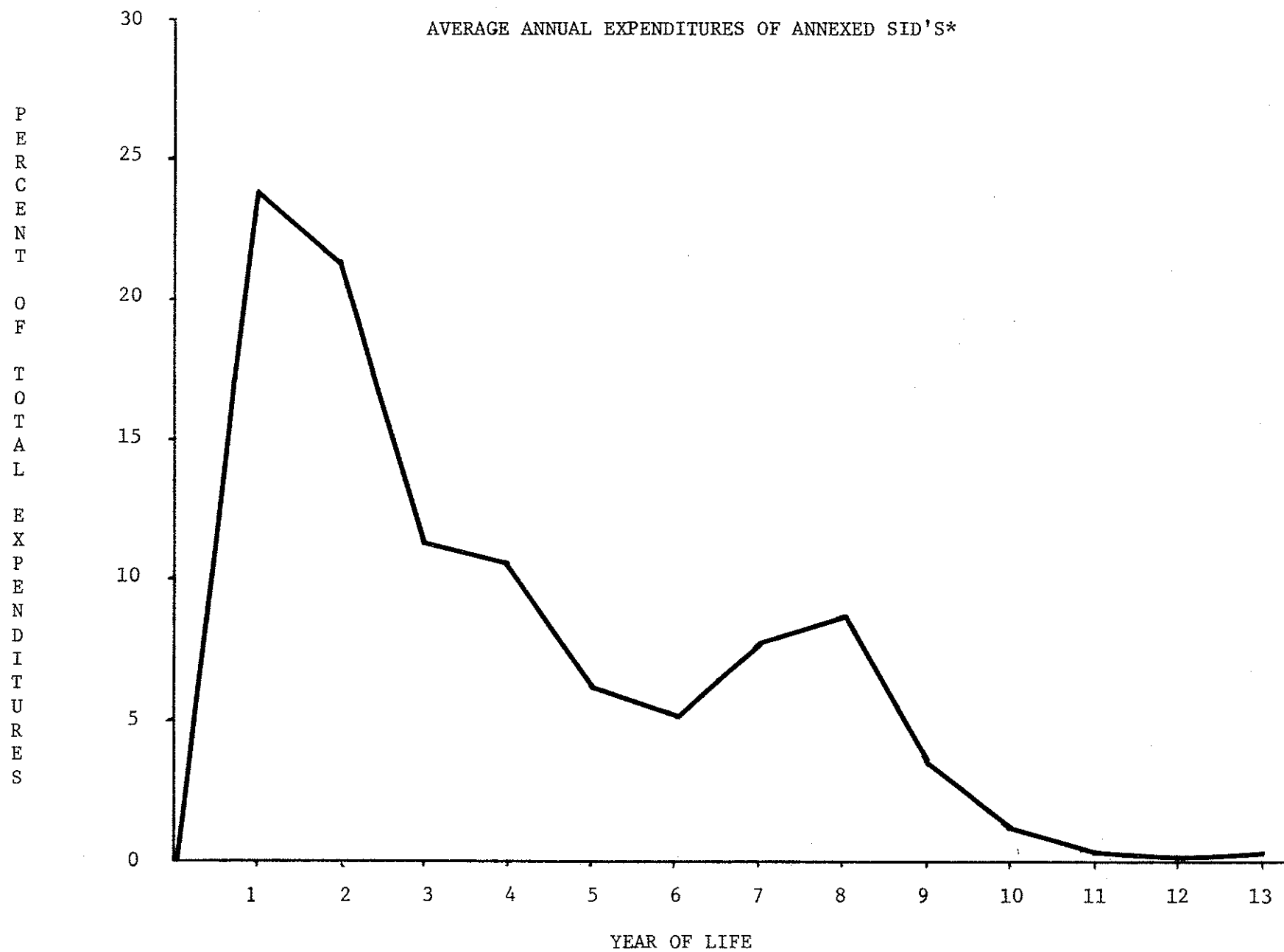


TABLE 12

PERCENTAGE OF TOTAL WARRANT COST INCURRED
BY THE SIXTH YEAR OF EXISTENCE, ANNEXED SID'S

SID #	Percent of Cost Incurred Before Sixth Year	SID #	Percent of Cost Incurred Before Sixth Year
47	100.0	159	100.0
55	73.5	163	100.0
59	21.0	164	100.0
84	98.2	176	100.0
85	100.0	200	100.0
107	100.0	207	100.0
108	100.0	214	100.0
120	100.0	215	100.0
127	100.0	217	100.0
129	91.8		

interest charges for allowing warrants to go unpaid before converting them to general obligation debt, bond marketing fees associated with converting the warrants to bonded debt, and finally the annual interest on the bonded debt. Special attention is given to the interest costs of unpaid warrants.

Financing Costs of an SID Development. An example of the costs associated with SID development will suffice to demonstrate that financing costs are considerable. Suppose that an SID incurs \$100 in expenditures. It issues and sells a \$100 warrant to raise the necessary cash to pay off this claim. There is, however, a 4 percent charge for marketing the warrant, raising the debt to \$104. Suppose further that the warrant is outstanding for one year at 8 percent interest (the average length of life for warrants) before the SID moves to a bond issue and pays off the warrant. The total debt at the end of year one will then be \$112.32. Next, the SID pays a 7½ percent bond marketing fee, raising the total debt by \$8.42 to \$120.74. Assuming the bond can be marketed at 6.10 percent (one percentage point higher than Omaha's interest charge for bonded debt) and that the debt is to be retired in 20 years, a total of \$209.28 will be needed to pay off the debt. This is about \$36 higher than the \$173.33 which would have been required to pay off the original warrant value of \$100 over a 20 year period at 6.10 percent.

What should be noted is that the general obligation debt includes the interest cost of allowing the warrants to go unpaid for the year as well as the marketing fees for issuing warrants and for paying off the warrants by converting them to general obligation bonds. Consequently, a portion of the bonded debt is incurred to pay off interest which amounts to paying interest on interest, and another portion is incurred to pay off marketing fees.

Data obtained from the 73 SID's which were analyzed in the previous section on the expenditure profile of SID's were used to determine the actual extent to which interest on unpaid warrants is a part of total development costs. A total of 19 annexed SID's and 54 unannexed SID's were included in the sample.

Annexed SID's. For the 19 annexed SID's, interest costs were 10 percent of the total value of registered warrants. This ranged from a low of 0.6 percent for one SID which was annexed in its first

year of active life to 29.6 percent for an SID which was active for nine years before annexation. The median life of warrants before being paid off was about one year. Although this varied from 36 days to 5.8 years among the 19 SID's, the majority of the SID's had warrants whose life span ranged between 300 and 600 days before being paid off.

Interest as a percentage of total warrant cost varied somewhat by the length of active life of the SID. Four of the 19 annexed SID's were active for seven or more years before annexation, and their interest cost averaged 12 percent of the total warrant cost. (This average is a weighted average as both the interest and warrant costs were added for the four SID's with interest then calculated as a percentage of total warrant cost.)

Six SID's which had warrant costs for four and five years before annexation had interest that averaged 9.0 percent of total warrant costs. The remaining nine SID's, which had warrant costs for three or less years before annexation, had interest that averaged 6.8 percent of the total value of warrants.

What are the implications of this for the City? Interest costs for the annexed SID's averaged 9.1 percent of the total development costs (i.e., registered warrants plus interest on the warrants). Applying this rate to the \$42.3 million general obligation debt of the City of Omaha which is associated with annexed SID's it can be concluded that about \$3.85 million of that debt was interest accrued on SID warrants. It would take a 2.6 mill levy per year for 20 years on the \$119.1 million estimated current assessed value of the annexed SID's to pay off the debt associated solely with interest costs passed on to the City upon annexation, assuming a 5.10 percent rate of interest. For the homeowner with a \$40,000 home, this translates into \$36.40 per year for 20 years.

Unannexed SID's. Interest costs as a percentage of warrant costs are even higher for the 54 unannexed SID's in the sample, averaging 11.2 percent and varying from a low of 1.6 to a high of 55.0 percent. In addition, the life span of warrants before being paid off is considerably greater in the unannexed SID's, the median being 1.9 years. Length of warrant life varied from 0.5 years to 8.7 years. Six of the 30 SID's for which a warrant life span could be calculated had average life spans of three or more years.

Thirteen of the unannexed SID's had warrant costs for seven or more years, and in these cases the interest cost averaged 12.4 percent of total registered warrant costs. Of the 14 SID's which were active from four to six years, interest costs were 14.6 percent of total warrant costs. The percentage drops for the remaining 27 SID's (those active for three or less years). In the latter cases, interest was 8.5 percent of the total value of warrants.

The data show that unannexed SID's are leaving their warrants unpaid for a longer period of time than those which have been annexed. If these SID's should be annexed, they would pass an even greater interest burden from warrants on to Omaha taxpayers.

A detailed picture of interest costs and warrant life by SID is presented in Appendix E.

Conclusions.

The following conclusions and observations can be drawn from the foregoing analysis of the fiscal structure of SID's:

1. The debt associated with both annexed and unannexed SID's in Douglas and Sarpy Counties is large.

This, in itself, does not indict the efficiency of the SID mechanism. Many of the SID's have high debt ratios because the cities requested expenditures for the development of parks, wider streets, and other amenities which serve other areas of the respective cities. In the case of Omaha, the City requested a championship golf course in the Applewood SID and got it; similarly, Omaha requested an indoor swimming pool in the Montclair SID and got it. As a result, the debt for the respective SID's rose. Many other instances can be cited, including outsize storm sewers, wider streets and larger parks, all of which have driven up the cost of development. Further, several of the SID's annexed in the past have had unfavorable debt ratios, but were annexed to pick up the sales tax revenue associated with the commercial establishments in the development.

2. The bonded debt ratio for annexed SID's in Omaha is substantially higher than the ratio for the City-proper.

This, combined with the fact that the annexed SID's in Omaha could not pay off their debt under the City formula of 9.5 mills for debt retirement applied against the current assessed value of those SID's, calls into question the wisdom of past annexation

decisions. Conversely, the data lend substantial support to Mayor Zorinsky's "go slow" policy on further SID annexations.

3. The available evidence indicates that SID administrative costs are excessively high.

Some of these higher costs might be justified on the basis of the extra attention the engineers, lawyers, and bond houses have to give SID matters because of the lack of know-how within the SID board of trustees. Also, the ability of the engineers, lawyers and bond houses to respond quickly to SID needs has a certain price. However, none of these factors would appear to justify completely the difference between these costs to SID's and those of the City of Omaha for essentially similar work. Nor do they explain or justify the wide range of such costs among the SID's themselves. The data clearly indicate a need for better oversight of these costs on the part of the appropriate public authority and/or the provision of an alternative source from which SID's may obtain these administrative services, such as the municipal or county governments within whose jurisdiction they lay.

4. More effective control is needed over the division by SID's of improvement costs between special assessment and general obligation financing.

Although the data CAUR was able to assemble is not conclusive, it does show a tendency for SID's to allocate a greater share of improvements costs to general obligation financing than does the City of Omaha, for example. As pointed out in conclusion No. 3 Chapter One, this tendency is due in part to the structure of the SID law which encourages developers to shift improvement costs away from special assessment financing and into general obligation financing. This tendency is, however, due also in part to the fact that what constitutes a legitimate general obligation cost from the viewpoint of the SID may well be considered a special benefit to properties within the SID from the viewpoint of the city or county government within whose jurisdiction the SID lays. From the viewpoint of the residents within an SID, for example, a tennis court for the use of all residents within the SID may legitimately be considered a general obligation cost. From the viewpoint of the city or county as a whole, however, the tennis court would be viewed as a special benefit for the residents of the SID whose cost

should be specially assessed against the benefited properties.

5. The available data indicate that the 1974 amendment to the SID law requiring the election of two board of trustee members from resident property owners in the SID at the first election after the SID is five years old is not effective in accomplishing its purpose.

The purpose of this amendment was to give resident property owners in SID's a voice in SID affairs. However, the data presented in the section of this Chapter on SID expenditure patterns demonstrate that, in the large majority of cases, by the end of the fifth year the important decisions with respect to the SID's development have already been made. Thus, resident membership on the board of trustees beginning the sixth year of the SID's life is too late to give resident property owners an effective voice in the important decisions regarding the SID.

6. SID general obligation debt could be reduced substantially by requiring SID's to pay warrant interest and warrant and bond marketing fees out of general tax revenues.

The data presented in the section of this Chapter on the financing costs of SID's indicate this reduction could be as much as 20 percent of the SID's general obligation debt. Admittedly, such a requirement would increase the financial burden on the developer in the early stages of the development since the property tax mill levy would have to be substantially higher than under present requirements and the developer owns most of the property in the SID during the early stages of development. But, surely, a viable enterprise can at least pay the interest and related charges on its development capital. Moreover, deferring the payment of this interest and these fees permits the developer (sic, SID Board of Trustees) to transfer the responsibility for paying them from himself to home buyers in the SID and, if the SID is annexed by a municipality, to the taxpayers of that municipality.

Chapter III

VIEWS OF PARTICIPANTS IN THE SID PROCESS

An important part of any activity is how participants in the activity view it. Accordingly, CAUR conducted a series of in-depth interviews of the major participants in the SID development process: developers, contractors, bond houses, attorneys, City officials, and resident board members of SID's. The purposes of these interviews were, first, to ascertain the attitudes of the various participants toward SID's and their perceptions of the SID development process and, second, to learn about the inner workings of that development process. The information obtained from these interviews is summarized in this Chapter.

Developer Views of the SID as an Urbanizing Mechanism

CAUR conducted in-depth, open-ended interviews with twelve developers. Many of the twelve tended to view the SID mechanism as a blessing for all involved. They felt the SID was especially effective in aiding capital accumulation, lowering development costs and in creating more orderly urban growth. Nearly every developer believed that without SID's there would have been little or no growth west of Omaha's 72nd Street. They pointed out that there is open, developable land in and around Council Bluffs much closer and more convenient to Omaha's central business district than was the land developed in recent years in West Omaha. The land around Council Bluffs, however, has not been extensively urbanized because large amounts of front-end money are required for development in Iowa where nothing comparable to Nebraska's SID mechanism exists. It was also noted that the ease of capital accumulation allowed the SID to install high-quality improvements. Most developers believed that the SID mechanism reduces the costs of development, but they were not of one mind when it came to the processes by which this occurs. Some held that the ease of capital accumulation (actually, eliminating the need to borrow front-end money) permits tract development on a large enough scale to keep the cost per unit of housing lower than in a non-SID development.

Supporters of this view, however, were not able to muster any hard evidence to demonstrate the validity of the proposition. Others suggested that the ease of capital accumulation gives incentive to numerous small developers who, owing to the difficulty of obtaining appropriate quantities of front-end money, would not normally be in the housing construction market. The resulting competition reduces the average price per home. Again, no hard evidence was made available to support this opinion. There was general agreement among developers that the cost of money to an SID developer through the use of tax exempt warrants and bonds helps to keep development costs lower than they would be in a non-SID operation. Notwithstanding this argument, those developers who had been involved in non-SID developments in Nebraska and other states felt that SID costs are higher than those in non-SID developments because the developer has no incentive to cut costs when they are being paid out of tax revenues. Here again no evidence was produced to verify the claim.

Another reason developers felt that SID homes are cheaper than non-SID homes lies in the fact that development costs are assigned to taxes on an SID house instead of being included in the purchase price of the house; the normal situation in non-SID developments. The home buyer in an SID is able to deduct these property taxes from his income tax. In the non-SID tract the home buyer has to borrow not only the price of the house itself but also that portion of the total sale price which has gone into development costs.

Most developers believed that developer control of the SID insures orderly development and produces results superior to anything the city or other levels of government would be able to accomplish. In short, private enterprise can do the job better than the public sector. Developers then, retain complete control of the SID and the development process does tend to be orderly.

Developers tended to see the disadvantages of the SID mechanism in terms of abuses and omissions or in terms of certain constituent groups receiving fewer benefits than others. Many felt they are being unnecessarily regulated by government agencies and misunderstood by both home buyers and the citizenry in general.

Each developer believed that he ran a good SID, one that was sensitive to quality while keeping costs down.

Each developer acknowledged that abuses have taken place in the operation of the SID mechanism but asserted that these have been few in number and all in the past. Abuses mentioned ranged from a developer's selling a ravine in the SID for a park and then financing improvements on the park with general obligation bonds to a recommendation by an engineering firm that an SID make an improvement which would have cost 22 times the figure for which the developer finally constructed the improvement.

Some developers felt that in the past the City of Omaha failed to exercise an "educational" role in shaping SID's and that this omission led to abuses. The City was so anxious to add properties with high assessed valuations to its tax rolls by annexing SID's that it was willing to absorb far too many needless and expensive improvements which were "G.O.'ed" by the SID. Had the City rejected annexation of one or more of the profligate SID's, the fiscal responsibility of all SID's would have improved sharply according to some developers.

Regarding the Cavanaugh Amendments (LB 313),^{14/} more than half of the developers thought the amendment requiring warrants to be paid off in three years (operation and maintenance) or five years (capital outlays) is an acceptable limitation. This simply means floating bonds to pay off warrants which for the most part are held or backed by bond houses anyway. Most developers, however, said that requiring bonds to mature commencing not more than two years from the date of issue would kill the SID as a development mechanism. More than two years are required, under

^{14/}The following question was asked all interviewees (see Appendix F): Senator Cavanaugh's bill LB 313 suggests a number of changes in the SID law. What will be the impact on SID operations from the following amendments:

- A. Requiring warrants to be paid off in three years (operation and maintenance) or five years (capital outlays)?
- B. Requiring bonds to mature in equal installments commencing not more than two years from the date of issue?
- C. Permitting SID's to enter into joint projects with other SID's?
- D. County approval of recreation projects if not within the City's jurisdiction?

normal market conditions, to build a sufficient tax base within the SID. Failing this base the taxes levied on the undeveloped property would be exorbitant.

Developers felt that joint SID recreational projects would be a good idea. The process could, for example, produce a larger park tailored to the needs of all citizens of the annexing municipality. Developers also felt that county approval of recreational projects is acceptable but they questioned a county's capacity to deal adequately with this kind of problem.

Views of Contractors Involved in SID's

Telephone interviews were conducted with nine construction firms known to have completed work for SID's. The views expressed by these nine contractors are summarized in this section.

The contractors interviewed expressed the belief that developers are the recipients of most of the advantages offered by the SID mechanism. Mentioned most frequently was the developer's ease of accumulating capital through the warrant and bond processes. This ease of capital accumulation, most contractors maintained, allows the developer to provide large-scale, high-quality improvements which would be impossible without such a mechanism. One contractor pointed out, "Iowa does not have such a mechanism and this has really had the effect of preventing development in the Council Bluffs area." Other advantages mentioned by the contractors were (1) the placement of control closer to those most affected by the decisions made, and (2) the lower development costs brought about by the ease of capital accumulation.

The contractors were not pleased with their experiences in converting into working capital warrants received for work performed in SID's. Most of the contractors interviewed had in their possession what they considered to be "bad warrants." One contractor was holding approximately \$500,000 in warrants that were at least six months old. Another stated that he was holding a warrant for work done over nine years ago.^{15/} In order to minimize the risk involved, all of the contractors interviewed stated they have

^{15/} Notwithstanding the fact that warrants are intended to provide interim financing, there is no statutory requirement limiting their duration.

started doing some type of investigation prior to contracting for SID work. These investigations are limited to conversations with project engineers, attorneys, developers and bond houses. One contractor was convinced that such investigations would become more intense if the warrant problem continues. Some of the contractors interviewed expressed the wish that pre-arrangement of financing be written into contracts. Yet, those who claimed to have had problems converting warrants into working capital have not adjusted their bids to cover such a risk, saying that SID projects constitute a large portion of the work currently available and that their investigations minimize the risk involved.

Aside from the warrant problem, the contractors thought that additional abuses exist in the SID concept--for example, the "questionable" integrity of certain developers. "...They put things through that are not really beneficial to property owners. For example, a developer might sell a parcel of land to the SID to be developed into a golf course. Oftentimes the selling price is exorbitant, and the land isn't really suitable for a golf course or anything else." It was also stated that SID's often make unnecessary improvements knowing the SID will soon be annexed and that the City will assume the debt. One view was that certain developers are "taking money off the top." When asked if this was a common abuse, the reply was, "...this was happening a lot more than one may think."

Generally, contractors claimed that the SID concept is basically good, but there is substantial room for improvement. "The law needs more teeth," one contractor remarked. Others suggested the formation of a committee with representatives from all the parties involved in the SID development. Included in changes suggested by contractors to make the SID mechanism more effective were the need for tighter control and for the establishment of an agency to oversee SID projects.

Views of Bond House Representatives Involved with the SID Process

Representatives of two Omaha-based bond houses were interviewed relative to their SID activities. Neither bond house relies on SID's for a major portion of its business. One indicated that SID warrants and bonds comprise only about 12 percent of its total

business volume.^{16/}

The bond house representatives cited several advantages of the SID mechanism:

1. Promotes Orderly, High-Quality Growth. The SID mechanism has made possible the orderly development of the Omaha urban area in accordance with overall plans. It has also proven to be a flexible instrument for the provision of regional facilities such as major traffic streets, sanitary trunk sewer lines, recreational facilities, etc.
2. Facilitates Expansion of the City. One bond house representative asserted, "Omaha wouldn't be west of 72nd Street if it hadn't been for the SID mechanism." The SID mechanism has allowed the City of Omaha to expand without having to make an immediate and direct financial contribution to the construction of streets, sanitary sewers, parks and other physical facilities. The annexation of SID's after all improvements are made eliminates the necessity for annual City appropriations (and/or bond elections) for capital expenditures in areas outside the City or in newly-annexed areas. Moreover, it has allowed the City to see beforehand what it would be annexing and, thus, be better able to decide whether or not it wanted to annex specific developments.
3. Expedites the Development Process. The SID mechanism, working through private enterprise, has much less red tape and delay than does the City. The SID's private engineer one bond house representative asserted, can complete the engineering design and specifications for a development nine months to one and one-half years sooner than could the City of Omaha's Public Works Department. Payments to contractors and others can be made in 10 to 15 days, compared to the City's 60-day average. The representatives also felt that SID costs overall were as low or lower than City costs.
4. Provides New Source of Financing for Urban Development. The representatives felt that the capability of the SID to tap the tax-exempt municipal bond market was of crucial importance. Without this capability, developers would have access to very limited financial sources, and development would have to proceed on a small scale, piece-meal basis.

Discussing disadvantages in the SID operation the bond house representatives tended to act as apologists for the SID mechanism and to place the blame for problems elsewhere. "Bad publicity,"

^{16/} In addition to expressing their views on the SID process which are summarized in this section the bond house representatives provided much invaluable information and data on the SID process and SID finances which were utilized in writing Chapters I and II.

they asserted, was a basic problem. Developers who are not capable or who have "a piece of ground and plan on getting bailed out at the most profitable time" were viewed as part of the cause of this bad publicity. Basically, the representatives felt that most of the defects in the SID legislation have been corrected. They were concerned that if the law is changed too much and made too difficult, bond houses and attorneys would have to raise their fees.

Cited by one representative as a disadvantage was the City's failure in its review process to insure adequate interconnecting streets between SID's.

Asked about the degrees of influence participating groups have over SID operations, the bond house representatives replied that the answer depends on the stage of the SID process. At the beginning of the project developers and bond houses have the most influence (but not necessarily too much). Lawyers and City and County officials also have a great deal of influence at this stage. Residents have no influence in the early stages, but this is not necessarily bad. They contended that the amount of influence each of the various participant groups has obviously shifts over time.

Both representatives approved of developers retaining control of the board of trustees as long as there was development work still to be done, and went on to criticize residents of SID's for "... not getting involved until something happens." They both declined to rank the value of the SID to participant groups. One did say that the developer benefited the most. The other stated, "Omaha citizens aren't hurt one bit." Another comment was that home buyers in SID's are now protected by the Real Estate Board policy requiring brokers to inform prospective buyers of the SID's mill levy.

Regarding abuses in SID operations, the representative of one bond house felt all abuses of the SID mechanism were in the past. The representative of the other bond house stated that the only recent abuses which have come to his attention were some instances where SID's had paid for parking areas in apartment complexes out of general obligation funds.

The bond house representatives' response to the LB 313 proposed that warrants be paid off in three years (operation and maintenance)

or five years (capital outlays) was negative. One comment was that, although it would help in the marketing of warrants, it could hurt developments and home purchasers in some cases by forcing the SID to set an unreasonably high mill levy in the early years of the development.

The bond house representatives were split on the LB 313 proposal that bonds mature in equal installments. One representative approved provided "equal installments" were taken to mean equal amortized payments and not merely equal payments on the principal. The other's view was that this would be an undersirable limitation on the financing flexibility of SID's; he cited as an example a developed SID where the residents recently approved a bond issue to construct a swimming pool. The SID's present general obligation bonds will be paid off in 1985. The residents, through their board of trustees, wanted the bond issue for the swimming pool to come due in the period after 1985 so as not to increase the present mill levy. This would not be possible if this requirement were placed in the law.

Both representatives also expressed criticism of two other features of LB 313:

1. The requirement that the minutes of all SID Board of Trustee meetings be sent to the City was thought an unnecessary cost-raiser. "What purpose would this requirement serve?" and, "Who is going to read all these minutes?" were the comments.
2. The requirement that notice of all SID Board of Trustee meetings be sent to the City and County was thought to be entirely unnecessary, since notice of all such meetings is now published in the Daily Record.

On how costs for a project under an SID compare to those in a non-SID situation, one bond house representative felt that SID and non-SID developments cannot really be compared because of differences in scale. Non-SID developments in the City tend to be much smaller and involve less extensive improvements than do SID developments. Interest rates on City bond issues are a little less than what SID's can get; over the years they have been about one-half percent lower. Attorneys tend to charge SID's slightly more than other clients because of the extra functions of a governmental administrative nature they have to perform for the

SID's. Costs under the SID approach are definitely lower. Construction costs, particularly are lower because under the SID approach the contractor is assured of getting his money promptly.

Commenting on the need for guidelines to determine which debt should be financed by special assessment and which should be financed by general obligation, the representatives said bond houses tend to align with the City in favoring a high special assessment/general obligation ratio in opposition to the developer whose preference is for a low special assessment/general obligation ratio. The City and the bond houses like to see, as a rule of thumb, about 65 percent of total development costs specially assessed against benefited properties. Only the proportion of oversize facilities (streets, water and sewer lines, etc.) in excess of the normal size required just to serve the benefited property should be financed by general obligation.

The following additional points were raised by the bond house representatives regarding the operation of SID's:

1. No need was seen for the SID to hold public hearings. A better procedure would be for the SID to invite the "knowledgeable" people such as the developer, attorney and bond house representative to its meetings where important decisions are to be made in order to get their input.
2. It is very difficult to work with OPPD and MUD. OPPD demands payment before work is done, and MUD has a formula which is very difficult to follow at best.
3. Residents are not politicians. They don't know what they can do and can't do. Residents just want to be informed. They don't really want to watch all the contracts; they don't have time. The "watchdog function" can be met by one resident sitting in on board of trustee meetings. Ninety percent of residents would be satisfied indefinitely to maintain this level of participation.
4. Homeowner associations are a good idea. They can feed ideas to the board of trustees and keep residents better informed of what the SID is doing and why.
5. The bond houses would like to see annual or semi-annual interest on warrants. This could cut interest rates by as much as one percent.
6. Omaha exercises greater control over SID's than does Bellevue. Major Zorinsky is "hamstringing" the SID's. City residents use SID streets, but the SID is given no credit for having provided them.

7. An annexation agreement between the SID and the City (worked out at the time the City is reviewing and approving the SID's development plan) would be of great help in marketing the SID's bonds. (The North Omaha Industrial Complex has an annexation agreement with the City.)

Views of Attorneys Involved in the SID Process

This section presents the views of four attorneys who are serving as legal counsel for SID's, plus the views of one of the bond attorneys.

The advantages of the SID concept of development as perceived by attorneys are similar to those expressed by other participant groups--that is, the primary advantages of SID's relate to the nature of their financing. The use of tax-exempt instruments (warrants and bonds) enables the developer to get needed capital for improvements at lower interest rates than conventional financing. This has several consequences according to the attorneys. One is that it permits the smaller developer to enter the housing market, which results in increased competition and, thus, produces lots at a lower cost per lot. The saving to the developer results in higher quality developments; developments are larger, more orderly, and there is less need for the developer to cut corners on improvements. Another is that if developers had to finance the installation of improvements there would be a tendency to do no more than the minimum required and future needs would not be adequately planned. But, by being able to pass along the cost of these general benefit improvements through general obligation (G.O.) taxes--rather than raising the price of each lot and thus being more likely to affect sales adversely--the developer is willing to install improvements for the future.

The attorneys claimed that other governmental entities are unable and/or not interested in providing such services as roads, sewers, recreational facilities, and utilities to newly developing areas. Nebraska counties--reflecting the rural nature of the state, both today and in the post-World War II era when the SID legislation was passed--have been quite limited in their ability to provide urban facilities. The City is constrained by financial problems, debt limit requirements, and inadequate expertise and/or vision to

to provide facilities outside its corporate limits. Where a city is willing to annex vacant land and install facilities (e.g., Lincoln) according to one attorney, SID's are rarely used.

The attorneys did not perceive any current disadvantages or problems, contending that legislation in recent years has eliminated the abusive practices of a small minority of developers. One attorney suggested that residents currently are not as informed as they should be about the SID's purpose and operation. Another suggested that residents be brought into the picture earlier, while still another said he was opposed to increasing the power of the residents over SID operations because they do not have as much financial investment involved as the developer.

The views expressed by SID attorneys about the influence of the developers in the SID process were either a defense of the developers' influence on the grounds that it is their money and initiative which is responsible for the SID and development or a denial that developers have power. Several attorneys stated that the developers' actions are now closely controlled by the City--e.g., their subdivision plats, engineering plans, recreational facilities, and assessment ratios must be approved by the City.

Regarding the influence of City officials, the attorneys tended to stress that it was considerable and at times a burden to the development process. For instance, one attorney noted that conflict between City departments was so great that developers began requesting City Council approval of agreements between them and a City department. This insured there would be a formal commitment by the City government to the terms of the agreement. The Zorinsky Administration in Omaha was credited with the creation of an interdepartmental committee to insure that the administration speaks with a single voice. One attorney termed the City's influence the biggest hurdle facing the developer in the development process. On the other hand, most either considered the City's influence appropriate or indicated they could live with it.

Several attorneys accused the City of Omaha of being at least partially responsible for past problems associated with SID's. They pointed out that the City has sole discretion to decide whether an SID should be annexed, and that some of the high costs

and subsequent debt absorbed by the City were due to their own requirements. Several specifically referred to the rush of annexations in 1968 and 1969 which they attributed to a desire by the City to expand its total population count in the decennial census in 1970, upon which future State and Federal representation and aid would be based.

The attorneys' views of the residents' influence on the process was split on some points. One attorney was sympathetic to earlier participation on the SID board at least for resident-owners, while another announced he was opposed to any increase in their power, and a third thought their power was "about right." The first attorney suggested that even minimal participation by the residents on the board would serve as a useful watchdog function, although he thought it would be more appropriate if it came after the completion of the construction stage (perhaps when the development was 20 percent sold or filled). Several of the attorneys observed that resident participation is difficult to generate even when the developer desires it. Examples of this included not being able to find a resident slate when the developer wanted to give up control of the board, and only one vote being cast out of 350 eligible voters who had been notified by mail of the election. One attorney suggested residents would not be as critical of their SID if they participated in its operation, while another observed that when they had participated the SID was not as successful partly because the residents, not having as much money at stake as the developer, were less careful about costs.

The attorneys related bond house influence over SID operations to the nature of the money market. When money is tight the ability of the bond house to influence SID decisions increases. In addition, the fact the bond houses are likely to be competing with each other would limit their influence. The attorneys indicated that the bond house becomes involved right from the first steps in the creation of an SID. In fact, one said, "Without the bond houses to make a market in warrants there would be no SID's; therefore their desire to make money has to be tolerated." Several commented that bond houses could be faulted for not exercising a tighter rein on SID expenditures.

Some attorneys are of the opinion that bond houses want to handle both warrants and bonds of an SID; therefore, public bids on bonds would not be possible. Although interest rates are higher for privately placed bonds than public ones, the private route allows more flexibility--e.g., there are no SEC restrictions nor required guarantees. The public system also has extra delays (therefore, extra costs) because the market conditions might not be advantageous for a bond issue, while with a private issue it is possible to get a commitment in anticipation of improved bond market conditions. Also, if the desired rate cannot be secured on a public bid, it is unlikely that it could be secured from the private market once it is known that the public bids were considered too high.

The influence of attorneys and engineers in the SID process depends on their client. Some developers are easily persuaded while others are more independent of their advisers. Some attorneys viewed their role and that of engineers as merely following the law or expediting the development process. The influence of engineers was viewed as limited because of the supervision of their work by the City. The attorneys noted, however, that the relationship between the residents and the developer is frequently strained. Residents, more often than not, will replace the attorney when they gain control of the board, but the pool of experienced SID attorneys is quite limited so the new attorney, more than likely, has served other developers in other SID's.

Most of the attorneys agreed, directly or indirectly, with the idea of a time limit on warrants. Some, though, questioned its advisability of time limits, citing the difficulty involved in predicting the future state of the economy or other factors beyond the control of developers (e.g., sewer moratoriums). None of the attorneys felt the five-year expiration date on construction warrants was long enough although one foresaw no problems for a three-year limit on operation and maintenance warrants. A seven-year time limit for construction warrants was suggested by some of the attorneys.

The attorneys said LB 313 ignored the consequences of not being able to pay off a warrants. Their concern was whether the result would be the SID declaring bankruptcy, or being forced to

issue bonds prematurely without an adequate financial base, or simply ignoring the deadline and letting interest continue until the SID is able to redeem the warrant. The dilemma here is reminiscent of the old adage of trying to get blood out of a turnip. The SID is already under pressure to go to bonds as soon as it can. Therefore, if the SID is unable to pay off its warrants because its assessed value is insufficient to support a bond issue, little could be accomplished by this amendment. Default on warrants or premature bonds are the anticipated outcomes according to the attorneys.

Most of the attorneys were not in favor of level debt payments on bonds. Those that supported the principle felt that the requirement should not begin until after the fifth year of the bond issue. One suggestion was that the proportion of the debt paid each year should somehow be geared to the growth of assessed value in the SID rather than to equal payments.

One consequence envisioned was that if this portion of LB 313 becomes law there will be a heavy burden placed on early residents in SID's because they may have to pay off bond debts before there is adequate assessed value. A second consequence foreseen was that requiring bonds to mature in equal installments would render SID's useless as a development tool. It is too difficult, it was maintained, to plan costs because of the instability in the housing industry. Provision must be made, therefore, not only for "slippage," but also for "ballooning" of payments on the principle toward the end of the bond's life. Since no one can guarantee a builder how many houses will sell, no one can guarantee the success of equal installment financing. A third consequence predicted was defaults on bonds without adequate assessed value behind them and the issuance subsequently of refund bonds. The view was that legislated deadlines do not respect the money market; the maturity date should be determined by the market place, not by the will of legislators.

Regarding how costs for a project under an SID compare to those of a non-SID development, the most attorneys felt that SID costs are lower than comparable non-SID developments although one opinion was that the overall costs of SID's are a bit higher. Some of the component costs (e.g., attorney costs), however, are greater

in SID developments. One attorney remarked that this was due, in part, to extra functions performed--such as serving as the administrative arm of a political subdivision.

The same attorney also thought that engineering fees are higher in SID's, but that these are due to the extra burden of authorizing all work by resolution which becomes the engineer's responsibility to draft. He also indicated that developers are less likely to drive as hard a bargain in an SID development as in a private venture. The other view was that engineering fees for SID's do not differ from non-SID situations.

Some critics of SID's have claimed there are many opportunities for abuse. Has the SID concept been abused in recent years? Are there any aspects still open to potential abuse? When these questions were put to them, no attorney cited any area of SID operations still open to abuse. They generally believed there have been few abuses and the amendments to the SID law in recent years have curtailed the possibilities for abuses. One attorney suggested the City's earlier annexation policy was a virtual blank check to SID developers. Another questioned whether "abuses" may not be merely differing perceptions of what should be the appropriate public policy toward SID's.

In explaining why many SID's have high debt ratios, the attorneys commented that for the data to be accurately evaluated, the debt forced upon the SID's by Omaha's request for added facilities (e.g., Applewood golf course, or Montclair's indoor pool) should be excluded. One of the attorneys called attention to the potential for additional development, in some cases, after the area is annexed and observed that residential areas generally show a less favorable debt ratio than commercial areas (most SID's are residential developments). In addition, he noted that other forms of revenue may stem indirectly from SID's--specifically, sales tax revenue--and do not appear in this debt ratio.

Views of Omaha City Officials Involved with the SID Mechanism

CAUR interviewed key officials of four City of Omaha departments: Planning, Finance, Public Works and Parks and Recreation. Their views on the SID process are presented in this section.

In early years, Omaha became involved in the SID process only when the SID was a subject of annexation. Now, however,

according to the City officials interviewed, the City is interested from the day the SID is created, primarily because of poor performance in the early years. An interdepartmental review committee to deal with SID's was established in 1973. The committee is composed of the Directors of Public Works, Planning, Finance, Parks and Recreation, Housing and Community Development, and the City Attorney. This committee now reviews all special assessment and general obligation financing decisions for all improvements (i.e., paving, storm and sanitary sewers and park and recreation facilities).

The establishment of the SID review committee was prompted by the large volume of requests for the annexation of SID's coming before the City Council. Other contributing factors were the high prices SID's were paying for park land (the debt for which was then being picked up by the City when it annexed the SID's), and the fact that reviews and approvals of SID plans were being handled by fifth and sixth echelon employees.

City officials were of the opinion that developers in the Omaha Area are not large enough nor is Omaha's rate of population growth large enough to support development on the basis of the private investment model. In some states--for instance, Colorado--private developers can easily manage development of subdivisions with all the prerequisites for "total" living, including golf courses and other recreational amenities. But this requires extensive private investment, a fast production process (e.g., 15 or more houses per day, and a sufficient number of buyers to fill the subdivision quickly. In Omaha, the small developer could not afford this sort of project and, because of Omaha's smaller population base and slower growth, even a major developer would find it difficult. "We simply have not had the growth in population to justify that kind of development; Nebraska does not have access to the financial resources--e.g., Texas oil money--that Colorado has," one official remarked. Without the SID mechanism, developments would be much smaller and this would hamper the securing of adequate storm sewer trunk lines, adequate park and recreational facilities, adequate school sites, adequate provision for traffic thoroughfares, etc.

The City officials viewed the SID as basically a good instru-

ment to develop land, and asserted that it is the only vehicle provided by the State of Nebraska which allows for the total development of an area including parks and recreational facilities. One official declared that without the SID it is very unlikely Omaha would have as much park and recreational space as it now has. The City's control over new developments on the private decision--private investment model is hampered by the fact that it cannot withhold water, gas and electric services in order to force compliance with adequate improvement standards. These services are supplied by independent utility authorities--Omaha Public Power District (OPPD) and Metropolitan Utilities District (MUD). The City could, however, utilize its control over the sewerage collection and treatment system for this purpose but has never chosen to do so.

Omaha has the authority to build roads, storm sewers, sanitary sewers, parks, etc., outside the City limits within its three-mile zoning jurisdiction. Again, however, the City has never chosen to do so. This would be controversial, and would likely have the immediate effect of raising the City's mill levy. A further advantage of SID's, according to the City officials, therefore, is that it is a painless way of getting adequate public improvements in new developments without having to go through City Council every time. Under the SID procedure, by the time these capital expenditure matters get to the City Council they have been transformed into an annexation question and have lost their identity as capital expenditures for areas outside the City.

The City officials asserted: (a) without the SID mechanism, there would now be a housing shortage in the Omaha Area (instead of the current surplus) and rents would be substantially higher; (b) the SID concept has aided the development of industrial tracts in the metropolitan area; (c) installation of improvements through the SID mechanism, before the construction of houses, results in very substantial savings over what it would cost the City to install such improvements after the area is annexed and most of the homes constructed; (d) without the SID mechanism the development field in the Omaha Area would be dominated by a few large firms; and (e) most developers in the Omaha Area could not

borrow the necessary front-end money to carry out non-SID development.

Regarding disadvantages, the City officials believed that the SID mechanism as it now exists will continue to cause economic adversity in building because it encourages over-speculation. They asserted there is a misuse of the SID vehicle in the development and financing of urban growth, and this misuse ultimately hurts the City. In past years, abuses did occur in the development process--although their frequency was probably low. There are at least seven examples where developers took unacceptable land (e.g., ravines) and sold them to the SID as park land. Another problem with the SID's is the division of improvement costs between special assessment financing and general obligation financing. Here, again, developer-dominated boards play a big role, and abuses are still possible today because of developer-dominated boards.

City taxpayers, according to the City officials, have ended up paying for many things that should have been provided at the expense of the developer; these included such things as:

1. Grading of the site, construction of internal streets, sidewalks, parking areas in planned unit developments, relocation of power lines, etc.
2. Paying Metropolitan Utilities District (MUD) fees for water main extensions out of general obligation funds. The City has a case in court now to force SID's to pay these fees out of special assessment funds, which is the practice in the City.^{17/}

The City officials maintained that the developer's main interest is to develop an area and sell lots and houses. Many developers have no interest from that time on and do not look at the "total" living of people who will be there. In the early

^{17/}MUD has for years been authorized to build water and gas mains anywhere in the Omaha Metropolitan Area. MUD also is authorized to set its own service limits. Developers who want water lines extended to their subdivisions have to lay "cash" on the table for the basis system of six-inch mains.

MUD finances the trunk mains out of water revenues and builds the entire system with its own labor crews. Developers can do the same for gas or MUD would build the whole system and collect directly from home buyers through a combination of connection charges and gas rates.

years, the SID worked strictly according to developer preferences, and some past decisions are causing problems today--e.g., unsuitable land set aside as parks, swimming pools which were constructed too small, and areas where neighborhood parks and recreation facilities were not set aside at all. The recent amendments to the SID law have helped, particularly those providing that the acquisition and development of parks and recreation facilities have to be approved by the local entity of government that would be faced with the prospect of annexation.

Developers, the City officials feel, have too much influence in the SID process, but LB 313 would force them to face up to their responsibilities; i.e., to levy higher mill rates and be more responsible fiscally. City and County officials have about the right amount of influence, but their powers should be written into the law. The City officials felt that establishment of the interdepartmental review committee has strengthened the City's ability to deal on par with developers. The view at City Hall is that bond houses, lawyers, engineers and architects have about the right amount of influence in the SID development, while SID residents need to be more involved.

The City officials believed that SID abuses have occurred mainly on matters that the City wasn't able to control. Many abuses grew out of the anticipation that the City would annex the SID. This anticipation encouraged developers to be more extravagant, secure in the knowledge that the City would come along and pick up the tab. It also encouraged engineers to over-design facilities. This anticipation of annexation also encouraged bond houses to go along with questionable financing proposals. Such abuses, according to the City officials do not occur as often in SID's outside the City's three-mile zoning jurisdiction (and so beyond the prospect of City annexation), or in Sarpy County where most SID's have no prospects of being annexed.

In the past, engineers, lawyers and bond houses tended to overcharge, but this is not as prevalent today due partly to the publicizing of several cases of overcharging and partly to the increasing sophistication of developers. Also, the City has

questioned engineering fees which seem to be grossly out of line. One City official mentioned that the special assessment/general obligation ratio is still out of line and the City does not have sufficient authority to control it. The City's position is that SID's should follow the City's policy on the SA/GO ratio. Mill levies should be adequate to cover the financial obligations of the SID. Yet, neither the City nor any other unit of general local government has authority to assure this. The City taxpayer has been the big loser; he has had to pay for much he shouldn't have had to.

Steps to tighten the law should include requirements that SID Board of Trustees levy a tax each year high enough to pay both the district's operating costs and the interest on the debt, except at the inception of the district when there usually isn't enough tax valuation for this to be possible.

The City must have and exercise the right to reject projects which it does not believe are justified, and to set standards for carrying out the projects. The City will have to assume the debt and maintain the project after the SID is annexed and, therefore, should have the controlling voice. At some point in the SID development, the method of electing trustees should be changed to give more weight to the ownership of homes and less to undeveloped lots owned by the developer. This might be done by giving the developer one vote only instead of one vote for each of his lots when the SID is, say, fifty percent filled.

Regarding costs for a project under an SID compared to those in a non-SID development, City officials believed it is definitely cheaper to go the SID development route rather than the strictly private development route because SID's can secure capital at three to four points below prevailing interest rates on the private capital market. Construction costs in the two situations were judged to be about the same, while fees for attorneys and engineers were thought to be higher for SID's than for private developments.

The City's basic objective with respect to the division of development costs between special assessment and general obligation financing by SID's is to insure that the home buyer in the SID pays the same cost which a home buyer in the City would pay. The City

Public Works Department does have special assessment/general obligation (SA/GO) standards--though not in written form--relative to streets, but none for storm sewers; storm sewers are financed totally with general obligation funds. The Public Works Department's SA/GO standards are:

Improvements financed through special assessments.

1. Paving of residential streets (excluding intersections and drainage).
2. Sanitary sewerage collector lines.
3. Site development costs (grading, landscaping, etc.), if the developer doesn't pay for them directly.
4. Water, gas and electric lines. (City doesn't object to SID financing as long as costs are specially assessed).

Improvements financed through general obligations.

1. Storm sewers.
2. Major traffic streets.
3. Residential street intersections and drainage.

One City official indicated he would be in a position to prepare written guidelines to aid developers in decision-making. These guidelines should, he thought, be written in the law rather than established as a City policy. If written as a City policy the guidelines would be too susceptible to changes in administration.

Although the City possesses a veto power over all improvements made by a district when the SID falls within the zoning jurisdiction of the municipality, the City still needs more control over the SID process. The City officials indicated that LB 313 as originally submitted would provide the additional control needed over the financial arrangements of SID's. The following changes were also suggested:

1. The public needs to be made more aware of the situation with SID's. "Residents don't have enough voice, but it is difficult to crank them in."
2. For about one and a half years now the City has been requiring a financial projection of costs and bond issues. A funding plan for warrants should also be required. SID's should establish a mill levy at least high enough to pay the interest on warrants.
3. The City needs to know more about what goes on in the

SID Board meetings. It should receive notice of board meetings and their agenda, and copies of the minutes of all meetings.

4. The City should see to it that all parks in the development are completed before sales to home owners or, at a minimum, disclosure to a potential buyer as to what type of property adjoins his and what that property will be used for. For example, parks will be set aside and master-planned, but the potential buyer of an adjoining lot is never informed that he will have a tennis court right beside him.
5. One City official would like to see the SID law changed so that at least eight percent of usable land is set aside for parks and recreation. The park set-aside should be approved by the City Planning and Parks and Recreation Departments, and the City Council. This land should be set aside at no cost to the City, its cost being added to the price of lots. (Currently it is being sold to the SID and financed through general obligation).
6. The City now requires that land set aside for parks and recreation be approved by Parks and Recreation, but this is a matter of policy and needs to be written into the SID law. Without it being written into the law, there is no guarantee that administration changes will not upset the present policy.
7. Written guidelines for the developer are not available, but they should be. These guidelines should be developed by the City Planning Department in cooperation with the City Attorney, Finance Department, Parks and Recreation and other City agencies.
8. No municipal entity should be controlled by the people who stand to benefit the most from the entity--in this case the developers and the home buyers. The "sweetheart" nature of the developer--SID Board of Trustees relationship is prone to abuse. The SID concept was originated by developers to help developers. This fact has to be kept in mind when dealing with SID's, and it has been the source of many of the problems with SID's over the years.

The City's interdepartmental SID review committee (mentioned earlier) was ten to fifteen years too late according to City officials. If a review committee had been in operation some years back, the City officials believed it would have had the following beneficial results:

1. More SID development costs would have been financed through special assessment and less through general obligation financing.

2. Fewer high-cost storm sewers would have been built and there would have been more reliance on open surface drainage.
3. Some of the grosser abuses which occurred probably could have been prevented.

The complaints of developers about the red tape which recent amendments have introduced into the SID development process were described by one City official as "a lot of baloney." He asserted that these amendments have simply brought the operations of SID's out from behind closed doors into the open for public scrutiny, and have inserted some checks and balances into the process.

Two City officials declared that several unannexed SID's in Douglas County are in serious financial difficulty. As a result tax delinquencies and foreclosures can be expected to increase. In response to a question about what can be done to rescue financially troubled SID's and who should be looking after the interests of future home buyers in such SID's, the City officials responded that the City was not the financial watch-dog of SID's. Later, however, they cited instances such as Happy Hollow View and Sunnyslope where the City did annex and, thus, bailed the residents out of bad financial situations.

Views of Resident Board of Trustee Members

Telephone interviews were conducted with 16 residents who are members of the board of trustees of their respective SID's. None of these resident members were developers.^{18/} Their views are in this section.

Most of the resident-trustees were of the opinion that the primary advantage of the SID process is in the provision of

^{18/} Some resident-trustees sought seats on their respective SID Board of Trustees in order to perform watchdog functions over the expenditure of monies and the levying of taxes. Some ran because of their anger with the actions or failures of the developer. These included an alleged park "boondoggle," poor construction and maintenance, and bills submitted and paid that were different than the bid price for work. Some were unclear why they had run and made such statements as "someone had to do it" and "the developer wanted out." Only one person ran on a positive program: to get more street lights. Four others gave no response to this question.

financing which greatly reduces the developer's need for front-end money. A few of the resident-trustees saw "nothing positive" in the SID concept. Others were conscious of the need for local control of a local enterprise such as an SID development.

Viewed as primary disadvantages were high taxes, lack of city services, too much influence by the City and the developers, and possibilities for abuse in the SID process. "The developer was ripping off the residents," one commented.

Commenting on the success of their particular SID's, half of the resident-trustees interviewed viewed their SID as being successful in serving the home owners. Several praised their developer for keeping the SID in the black and for working with the board of trustees. A few, however, felt that the SID was a failure in terms of serving its home owners.

Some resident-trustees thought developers, lawyers and engineers have too much influence over SID's. A few felt that bond houses and City and County officials also have too much influence. Most thought that residents have about the right amount of influence.

Most resident-trustees thought the LB 313 amendment requiring warrants to be paid off in three years (operation and maintenance) or five years (capital outlays) is unacceptable because it is "too restrictive" and it will leave the SID in a "hopeless situation" trying to pay off large debts with a low assessed valuation. Some thought it was acceptable, possibly reflecting the fact that their SID has gone from warrants to bonds already so the problem does not exist for them.

Most resident-trustees also were opposed to the LB 313 amendment requiring bonds to mature in equal installments commencing not more than two years from the date of issue. As in the case of warrants, they felt this amendment would be too restrictive and that it would be impossible to meet the deadline.

Resident-trustee views were favorable on the proposal that SID's notify residents of all SID meetings and that developers and realtors who sell property in SID's inform prospective buyers of the SID financial structure, including the district's debt and mill levy.

Conclusions

In the preceding sections of this Chapter, CAUR has attempted to summarize impartially the views of the various participants in the SID process, and to refrain from evaluating the validity of those views. There are, however, a number of valid conclusions and observations which CAUR believes can be drawn. These are presented in this section.

1. CAUR's interviews of SID participants revealed little adverse opinion with respect to the SID concept in general.

The participants interviewed almost unanimously endorsed the SID mechanism in principle. With only a couple exceptions, the criticisms voiced were directed toward specific aspects of the SID concept or process, and not toward the SID mechanism as a whole. The only two criticisms which approached being wholesale condemnations of the SID concept were voiced by one City of Omaha official and a resident-member of an SID Board of Trustees. The official stated: "The SID is a bad law. Whenever public powers are given to those who stand to benefit most from the exercise of those powers there are bound to be abuses." The resident spoke of abuse of the SID process: "The developer is ripping off the residents. Fees for the attorney and engineer are too high. This is because the developer can pass the cost on and because there is nobody on the board to object."

2. There was unanimous endorsement by all participants of the SID as a financing mechanism.

Developers, contractors, bond house representatives, attorneys, even City officials and resident-trustees all cited the SID's capacity for securing development capital as one of its major advantages. This perception conforms with reality; the SID is an effective instrument for financing urban development as had been pointed out in the earlier Chapters of this report. In this connection, it is worth noting that as of this writing, CAUR was unable to find a single instance of default on SID bonds in the approximately 25 years the concept has been in use in the Omaha Area--in spite of all the problems and difficulties some SID's have experienced.

Because its value as a financing mechanism is widely recognized and endorsed, use of the SID mechanism is almost certain to continue in the Omaha Area.

One aspect of the SID as a financing mechanism is worth special note. It was pointed out by several interviewees that the SID provides a means for financing the excess capacities of utilities, traffic thoroughfares, recreational areas, etc., to meet regional needs in addition to just the needs of residents within the SID. Although the City of Omaha has authority to build such facilities--or to participate in their financing--outside the City limits, to do so would require City Council action on each such proposal. SID's provide a convenient way of getting public improvements adequate for regional needs in new developments without having to go through the City Council every time, with all the controversy and delay that procedure would normally entail.

3. There was general recognition that the interests of developers and SID residents can conflict with the interests of the City and its taxpayers on the issues of SID mill levies and general obligation debt.

Many of the participants recognized that it is to the advantage of the developer (particularly in the early stages of the development when he owns most of the land) and, later, to the advantage of the SID home owner to keep the SID mill levy down. In fact, a low mill levy is a selling point for an SID. Yet, if the City is to annex the SID at some future date, it is to the advantage of the City and its taxpayers to assume as little debt as possible; hence, the SID mill levy should be high in order to pay off as much of the debt as possible before annexation. Similarly, it was recognized to be to the advantage of the SID residents and developers to finance as much of the development's improvements through general obligation bonds rather than special assessments, because it is the former than can be passed on to the City upon annexation while the developer and the SID home owners must pay the special assessments.

4. There was general opposition from many of the participants to the provision of LB 313 requiring bonds to mature in equal installments

commencing not more than two years from the date of issue.

This opposition was particularly strong among developers, bond house representatives and attorneys. It involves two basic issues. The first issue relates to the requirement that bond issues mature in equal installments. If "equal installments" mean equal payments on the principal, this provision would require SID's to make higher total payments (principal and interest) at the beginning of the payout period because interest payments would be highest then. Consequently, SID's would be required to make the highest payments precisely when they are least able to do so. This would appear to place an unreasonable burden on the SID. If "equal installments" mean equal amortized payments (in which the proportion of each payment applied to the principal gradually increases over time while the proportion applied to interest gradually decreases over time), then this requirement would not appear to place an unreasonable burden on the SID.

The second issue relates to the requirement that bonds begin maturing not more than two years from the date of issue. The major objection raised to this requirement was that bond purchasers prefer bonds with not less than a five-year maturation. Thus, SID bonds with maturations of two, three and four years would be harder to sell, and it would probably be necessary to raise the interest on them in order to sell them. This, if true, would appear to be a cogent objection to requiring SID bonds to begin maturing within two years of the date of issue.

5. There was also general concern about the proposed requirement that warrants must be paid off in three years (operation and maintenance) or five years (capital outlays).

Apart from some developers who considered this proposal, "an acceptable limitation," sensing its interpretation to mean floating bonds to pay off warrants (which for the most part are held or backed by bond houses anyway), most of the other participants viewed the amendment negatively. They argued that the SID is already under pressure to go to bonds as soon as it can. Therefore, if the

SID is unable to pay its warrants because its assessed value is insufficient to support a bond issue, little could be accomplished by this amendment. One view expressed was that, in fact, there will be additional costs caused by going to bonds without considering bond market conditions, especially since bonds usually are not callable for the five years from the date of issue.

CAUR's findings, however, as presented in Chapter II, demonstrate that most of SID expenditures will be committed in the first five years; therefore this kind of limitation appears reasonable.

6. Most of the participants in the SID process think it is only appropriate that residents have no role in the early stages of the SID's development.

Most developers believe that because crucial decisions have to be made regarding the development of the complete project, and because residents tend to think only of their own location, developer control of decisions is absolutely necessary in the early stages of development. They argue that it is their investment and they should, therefore, have control. The view changes when looked at from the standpoint of those residents living in unfilled SID's or stuck with the task of paying off large debts incurred in the early stages of development. CAUR's general finding from interviews with the resident board members confirms the developers' reasoning; i.e., many residents are committed to keeping their taxes down and assuring development only of their own section of the SID.

At the same time, developers, bond house representatives and attorneys, for the most part, recognized there are positive aspects to resident participation as opposed to control of the SID process. Some of the positive aspects mentioned were that it would permit residents to observe the decision-making process and to understand better the reasons for decisions, and to provide a communication link between the SID Board of Trustees and residents.

7. The opinion was widely held among the participants interviewed that the City has brought a lot of its present problems from annexed SID's on itself.

There was general feeling that if the City of Omaha had done a better job in past years of supervising SID's some of the debt it absorbed upon annexing SID's could have been avoided. There was general feeling, also, that a substantial part of the high development costs incurred by SID's (and subsequent debt absorbed by the City upon annexation) was due to the City's own requirements imposed on the SID's. There was widespread opinion, moreover, that these requirements were sometimes imposed arbitrarily. All participants, however, readily agreed that the City had very much improved its performance in recent years on all these counts.

Although all participants were under the impression that the City of Omaha had formal, written standards for the division of improvement costs between special assessment and general obligation financing and other matters relating particularly to SID fiscal operations, CAUR was unable to find them. Not even the City officials interviewed were able to produce them. The establishment in written form of municipal policies on these matters would seem to be a prerequisite to the consistent, even-handed application of requirements on the SID's. Furthermore, it would seem entirely reasonable to expect municipalities to have such standards in written form and available to SID's before municipalities are permitted to apply them.

Chapter IV

RECOMMENDATIONS

CAUR's analyses of the SID development mechanism and related matters presented in the foregoing chapters reveal several shortcomings of the SID mechanism. This Chapter presents CAUR's recommendations for correcting these shortcomings and improving the effectiveness of SID's as a mechanism for urban development.

Recommendation 1.

The SID legislation should be amended to transfer the authority to establish SID's from the district court to the city council for the area within a city's extra-territorial jurisdiction, and to the county board of commissioners for the area outside the extra-territorial jurisdiction of any city. Existing procedures for hearings, recording and etc. should be retained.

Justification.

CAUR's investigations demonstrate clearly that SID's have had both immediate and long range impacts on tax rates and public expenditures in Douglas and Sarpy Counties as well as on the overall pattern of urban growth. The Douglas County Surveyor, for example, has estimated that Douglas County will have to purchase approximately \$1,000,000 in additional equipment if it is required to assume responsibility for snow removal in SID's. It would appear logical, therefore, that the establishment of entities with such far-reaching impacts as the SID's should be made the responsibility of the duly elected representatives of those cities and counties affected. As such, SID's would then have the attributes of an instrumentality of city and county governments, in the same manner as street improvement districts and many other similar special purpose districts now do, and the responsibility for their proper supervision would be clearly established.

Recommendation 2.

The SID legislation should be amended to authorize the city government within its area of extra-territorial jurisdiction, and the county government outside the extra-territorial jurisdiction of any city, to review and approve

not only the development plans of the SID as at present but also the SID's division of development costs between special assessment and general obligation financing and its annual mill levy.

Recommendation 3.

Coupled with Recommendation 2, above, the SID legislation should be amended to require cities and counties desiring to exercise the above review powers to adopt and promulgate, as the basis for their reviews and approvals, written guidelines and standards with respect to recreational, park, school and other sites for public facilities within the SID's internal improvements; the division of improvement costs between special assessment and general obligation financing; and the relationship of the SID's annual mill levy to its total debt and assessed valuation.

Justification for Recommendations 2 and 3.

CAUR's investigations have shown:

1. There is a definite tendency to over-use general obligation financing for the construction of improvements in SID's.

Although in recent years the City of Omaha and the bond houses have been able to restrain this tendency somewhat, it is still a problem whose consequences appear in the large bonded debt situations in both annexed and unannexed SID's in Douglas and Sarpy Counties.

2. As was pointed out in Chapter II, there is a tendency for SID Boards of Trustees (sic, developer) to keep mill levies unrealistically low in the early stages of the SID's development. On this point the interests of the developer are directly opposed to the interests of the bond house and the city or county government. The developer wants to keep the mill levy low so as to minimize his outlay for taxes on his unsold lots and to provide a selling point to prospective home buyers. The bond house, on the other hand, wants the mill levy to be reasonably high in order to insure adequate revenue to pay off the SID's warrants and bonds. The city, also, wants to see a high mill levy in order to minimize the amount of debt the city must assume if and when it annexes the SID. The bond house has only the power of persuasion; the responsible city or county should have review and approval authority over the SID's mill levy.

3. In the City of Omaha, conflicting requirements are sometimes imposed on the SID's by different departments. This situation has been corrected for the most part by the establishment of the Mayor's interdepartmental review committee. Nevertheless, written guidelines for SID's should be provided by each city and county government exercising SID review and approval authority.

These factors render it imperative, in CAUR's judgment, to give the appropriate city or county government this additional review and approval authority over special assessment/general obligation financing of SID development costs and SID mill levies, coupled with official written guidelines and standards on which developers can rely in planning and carrying out their developments.

Recommendation 4.

It is recommended that the SID legislation be amended to place a time limit of three years on the life of operation and maintenance warrants and a time limit of five years on the life of construction warrants provided at least 30 percent of the platted lots are occupied by residents by the expiration of the three year limit or at least 50 percent by the expiration of the five year limit. In the latter case, the redemption of warrants should proceed with the pace of development (e.g., after three years for operation and maintenance and five years for construction warrants, outstanding warrant value shall be redeemed in proportion to the percentage of platted lots which are occupied by residents if that percentage is less than 30 percent or 50 percent respectively).

Recommendation 5.

The SID legislation should be amended to require redemption of SID bonds in equal amortized payments beginning not more than five years after the date of issue.

Recommendation 6.

The SID legislation should be amended to require annual payment of interest due on warrants.

Justification for Recommendations 4, 5 and 6.

The basic purpose of these recommendations is to inject more fiscal responsibility into SID operations while preserving as much as possible their freedom and flexibility of operation. The proposal in LB 313 to limit the life of operation and maintenance warrants to three years and the life of construction warrants to five years is

basically sound in CAUR's opinion. However, it should be provided with a safety valve in the form of the suggested exception related to the stage of development so that unforeseen problems, such as recessions which may slow the planned development, will not put developers in an untenable position.

Requiring SID bonds to be redeemable in equal amortized installments would moderate the "ballooning" of bond principal payments at the end of the payout period while not forcing unreasonably high total (interest and principal) payments on SID's at the beginning of the payout period when they are least able to make such payments.

It was indicated by one of the bond house representatives that the requirement of at least annual payment of interest due on warrants could reduce the prevailing interest rate on warrants by as much as one percentage point. Moreover, it would force SID Boards of Trustees to set more realistic mill levies from the outset. Further, it would significantly reduce the amount of debt to be financed through bond issues by eliminating accumulated warrant interest from that debt.

Recommendation 7.

The SID legislation should be amended to authorize an SID to enter into an agreement with a city, if the SID is within the area of the city's extra-territorial jurisdiction, or with a county, if the SID is outside the extra-territorial jurisdiction of any city, to perform all legal, engineering and administrative services for the SID. Such agreements should be permitted to include the city or county acting as the SID's agent in the sale of its warrants and bonds. The agreement should, among other things, specify the fees to be paid the city or county by the SID for the performance of these services.

Justification.

CAUR's investigations have shown that the legal, engineering, and bond agent fees paid by SID's in Douglas and Sarpy Counties are considerably higher than what the City of Omaha calculates its costs to be for similar services on development activities within the City. SID's, therefore, should be given the opportunity to avail themselves of these services if they believe it would be to their financial advantage to do so.

Recommendation 8.

The SID legislation should be amended to require each SID to issue annually a prospectus for potential investors in the SID's warrants and bonds, and home buyers, describing briefly the SID's development plans, estimated development costs and division of such development costs between special assessment and general obligation financing, and the SID's past and current annual mill levies, all as approved by the appropriate city or county government. The legislation should further require that the latest edition of this prospectus be furnished to the purchaser of warrants, bonds or property of or within the SID by the seller of said warrants, bonds or property, and that failure to provide the prospectus shall be sufficient grounds for nullifying the sale.

Justification.

Little or no information about the SID, its mill levy, financial condition and future plans is available to investors in SID warrants and bonds or to home buyers. Such a prospectus should facilitate the sale of the SID's warrants and bonds. This would compensate, partially at least, for the trouble and expense of its preparation.

In addition, new home buyers seldom realize they are even in an SID until a problem arises. The Greater Omaha Real Estate Board has attempted to remedy this problem by adopting a policy that all realtors shall furnish information on the SID to prospective home purchasers. However, the effectiveness of this Real Estate Board policy is questionable since it lacks any kind of enforcement. A legal requirement is needed, backed up by penalties for non-compliance.

Recommendation 9.

The SID legislation should be amended to provide for greater and earlier involvement of SID residents in the governance of their districts. Specifically, it is recommended that there be annual elections combined with two-year terms, thus allowing turnover of the board in two years. Resident interests on the board should be guaranteed through one or more of the following methods:

- (a) Granting the right to vote only to residents after some determined stage of development is reached (say 20 percent of the units are occupied).
- (b) Cumulative voting, thereby enabling the election of a representative of a minority through the aggregating of votes.

- (c) Requiring that in the first election to be held after the district is 20 percent filled, that two residents be elected to the board.

Recommendation 10.

The SID legislation should be further amended to provide city and/or county representation on SID Boards of Trustees where 90 percent or more of the district is commercial or industrial. For those SID's, if the SID is within the extra-territorial authority of a city, one member of the board of trustees should be appointed by the Mayor of the respective city. For those SID's outside the extra-territorial authority, one member should be appointed by the County Commissioners. The residency requirement established in Recommendation 9 would be waived.

Justification for Recommendations 9 and 10.

CAUR's profile of SID expenditures indicates that the greater part of an SID's decisions on expenditures are made before the sixth year of the SID's life. Recent changes in the SID statute to give home buyers a role in SID decision-making, by requiring that at least two residents of the SID be elected to the board of trustees six years after the first election of trustees, therefore, are largely ineffective simply because most of the critical decisions are made before this requirement becomes operative. For these reasons CAUR believes that a more effective approach to giving home buyers an effective role in SID decisions, when it counts, would be to relate the board of trustee resident membership requirement to stages of development (e.g., 20 percent of the platted lots in the SID occupied by residents) as well as in terms of length of life. In this way residents would be assured of a meaningful role in the SID which develops rapidly as well as in the one that develops slowly.

Although CAUR's analysis suggests that residential control in the early stages of development may be dysfunctional for the development process, the residents do need to be on the board at an early stage. Having resident participation will allow the residents an opportunity to watch over the decision process, to gain an understanding of their SID, and to participate in the crucial decisions made during the early stages. Residents do need the opportunity to participate in determining what the future of their SID will be.

Recommendation 11.

Municipalities should make more use of their authority to enter into annexation agreements with SID's.

Justification

One bond house representative stated that, in his opinion, an annexation agreement would greatly facilitate the sale of SID warrants and bonds, and might also lower their interest rates. It would, therefore, have considerable advantages for the SID. It would also have a significant advantage to the annexing municipality in that it would give the municipality greater bargaining power with the SID to secure improvements, etc., which might be very beneficial to the municipality and its citizens but which the municipality might not have the authority to require. Moreover, the offering or withholding of annexation agreements could be an important tool for guiding the municipality's long-range growth and development.

Recommendation 12.

A manual or handbook of SID procedures should be prepared for the guidance of SID Board of Trustee members and others involved in the SID process.

Justification.

The SID process, through the many amendments to the law over the years and the growth in procedural requirements, has become so complex as to be almost incomprehensible to the average person. Even lawyers have had to specialize in order to master all its complexities. Particularly in the Omaha Metropolitan Area, an SID procedures' manual would be of great assistance to resident board of trustee members and others wishing to gain a general familiarity with the process. Such a manual, perhaps, could be prepared by the Homebuilders Association in cooperation with the City and County governments or under the auspices of the Metropolitan Area Planning Agency. The manual might well have applicability statewide; in which case the State Government and/or the State League of Municipalities might wish to participate in its preparation.

APPENDIX A

DETAILED SUMMARY OF SANITARY AND IMPROVEMENT DISTRICT LAW

31-727, SID Formation. Sanitary and Improvement Districts (SID's) may be formed by a majority of the owners having an interest in real property within the limits of the proposed SID. The SID can be situated in one or more counties.

SID Purpose. The purpose of the SID is to install:

- (1) electric service lines and conduits
- (2) a sewer system
- (3) a water system
- (4) a system of sidewalks, public roads, streets and highways, public waterways, docks or wharfs and related appurtenances,

To contract for:

- (5) water for fire protection and for resale to residents of the district
- (6) gas and electricity for street lighting,

To construct and to contract for:

- (7) construction of dikes and levees for flood protection,

To acquire, improve and operate:

- (8) public parks, playgrounds and recreational facilities.

Legislative Bill 313, Cavanaugh Amendment to 31-727, January 21, 1975; pertaining to purposes of SID:

Provided, that sanitary and improvement districts located in any county which has a city of the metropolitan class within its boundaries or in any adjacent county which has adopted a comprehensive plan may contract with other sanitary and improvement districts to acquire, build, improve, and operate public parks, playgrounds, and recreational facilities for the joint use of the residents of the contracting districts.

SID Articles of Association. For the above-stated purpose the majority of owners may make and sign articles of association in which shall be stated:

- (a) the name of the district
- (b) that same shall have perpetual existence
- (c) the limits of the district
- (d) name and places of residence of the owners of land in the district
- (e) description of the several tracts of land held in the district by these organizers

- (f) names of owners and description of real estate of those who do not join the organization but who will be benefited by it
- (g) the purpose of the corporation.

Articles must further state that the owners of real estate in the SID are willing to obligate themselves to pay taxes which may be levied against all properties in the district, to pay special assessments, and to pay the expenses that may be necessary to carry out the stated purpose of the SID.

Articles shall propose the names of five or more trustees who shall be owners of real estate located in the proposed SID.

No SID shall perform any new functions other than those for which it was formed, without amending its articles.

Articles are filed with the clerk of the district court of the county in which the SID is situated along with a petition praying that the district be declared a sanitary and improvement district under sections 31-727 to 31-762.

Legislative Bill 313, Cavanaugh Amendment to 31-727, January 21, 1975; defining operation and maintenance expenses, capital outlay, warrants, general obligations:

Operation and maintenance expenses shall mean and include, but not be limited to, salaries, cost of materials and supplies, cost of ordinary repairs, replacements and alterations, cost of surety bonds and insurance, cost of audits and other fees, and taxes;

Capital outlay shall mean expenditures for construction of major permanent facilities having an expected long life, including, but not limited to, street paving and curbs, storm and sanitary sewers, and other utilities;

Warrant shall mean a short-term interest bearing order payable on a specified date issued by the board of trustees of a sanitary and improvement district in anticipation of the receipts of property tax revenue, special tax revenue, or the proceeds of the sale of general obligation bonds issued by a district at a later date; and

General obligation bond shall mean a long-term written promise to pay a specified sum of money, referred to as the face value or principal amount, at a specified maturity date or dates in the future, plus periodic interest at a specified rate.

31-728, Notification of Landowners. Owners of real estate within the proposed SID must be notified in writing that articles of association have been filed in the district court.

31-729, Objections to SID Formation. Those not signing the articles of association may object in writing to the formation of the SID stating: (a) why the SID should not be organized, and (b) why their land will not be benefited by the improvements proposed.

31-730, District Court. The district court approves the SID, elects the five trustees previously nominated, excludes real estate of those who prove they will not be benefited by the SID, excludes SID formation within a municipal corporation, and excludes tracts of 20 acres or more outside municipal corporations if these tracts are used primarily for industrial purposes--unless the owner of the tract gives his written consent to its inclusion.

31-731, SID Certified. The SID is to be certified by the district county clerk and sent to the Secretary of State within 20 days.

31-732, SID Shall be a Body Corporate and Politic. The SID shall be a body corporate and politic called by number and county.

31-733, Board of Trustees Duties. The board of trustees shall:

(a) elect a chairman within 30 days of the formation of the SID, (b) adopt a seal, (c) record proceedings which shall be open to all SID landowners, and (d) appoint, employ, and pay for an attorney, engineer, and clerical help. The clerk shall receive a salary of \$600 annually.

31-734, Trustee Personal Performance Bonds. Each trustee of any such district shall, prior to entering upon his office, execute and file with the county clerk...his bond, with one or more sureties, to be approved by the county clerk running to the State of Nebraska in the penal sum of five hundred dollars....

Legislative Bill 313, Cavanaugh Amendment to 31-734, January 21, 1975; pertaining to the amount of bond:

....running to the State of Nebraska in the penal sum of five thousand dollars....

Suit may be brought on said bonds by any person, firm or corporation that has sustained loss or damage in consequence of breach thereof.

31-735, SID Elections for Five Trustees. An election for five trustees must be held within the first 12 months, and an election must be held

each two years thereafter. Written notice of the election must be mailed to each landowner 15 days prior to the election. One vote may be cast for each acre of unplatted land and one vote may be cast for each platted lot. Corporations holding land may vote as individuals.

31-736, SID Acquisition of Property. Within and without its corporate limits, the SID may purchase or condemn real or personal property for its corporate purposes.

31-737, SID Power of Eminent Domain. The SID possesses the power of eminent domain over private property.

31-738, SID Power to Acquire Right of Way. The SID may acquire right-of-way across public lands by eminent domain.

31-739, SID Power to Issue Bonds and Levy Taxes. The SID may borrow money for corporate purposes and issue its general obligation bonds therefore, and shall annually levy a tax on the assessed value of all the taxable property in the district....sufficient to pay the interest and principal on the bonds and for the purpose of creating a sinking fund for maintenance and repairing of any sewer or water system or electric lines and conduits in the district, for the payment of any hydrant rentals, for the maintenance and repairing of any sidewalks, public roads, streets and highways, public waterways, docks or wharfs, and related appurtenances in the district, and for the cost of maintaining and operating public parks, playgrounds, and recreational facilities.

Legislative Bill 313, Cavanaugh Amendment to 31-739, January 21, 1975; pertaining to joint SID public developments:

....facilities, or, where permitted by section 31-727, for the contracting with other sanitary and improvement districts for building, acquiring, maintaining, and operating public parks, playgrounds, and recreational facilities for the joint use of the residents of the contracting districts.

It shall be required to levy a tax to make up any deficiencies caused by the nonpayment of any special assessments.

The county treasurer is ex officio treasurer of the SID and will collect taxes. The county treasurer may collect connection and service charges upon authorization of the trustees, and shall dispense funds of the SID only on warrants authorized by the trustees.

Legislative Bill 313, Cavanaugh Amendment to 31-739, January 21, 1975; pertaining to first bond maturation date and the prevention of "ballooning":

Any general obligation bonds issued pursuant to this section shall mature in substantially equal annual or semiannual installments commencing not more than two years from the date of issue.

31-740, SID Powers, Approval of Plans, Audits. The board of trustees of any district organized under sections 31-727 to 31-762 shall have power to provide for establishing, maintaining, and constructing electric service lines and conduits, water mains, sewers, and disposal plants, and disposing of drainage, waste, and sewage of such district in a satisfactory manner; for establishing, maintaining, and constructing sidewalks, public roads, streets, and highways, including the grading, changing grade, paving, repaving, graveling, regravelling, widening or narrowing roads, resurfacing or relaying existing pavement, or otherwise improving any road, street, or highway within the district; for establishing, maintaining and constructing and contracting for the construction of dikes and levees for flood protection for the district; and may contract for electricity for street lighting for the public streets and highways within the district, and shall have power to provide for acquisition, maintenance and operation of public parks, playgrounds and recreational facilities;

Legislative Bill 313, Cavanaugh Amendment to 31-740, January 21, 1975; pertaining to purposes and powers of the SID:

....facilities and, where permitted by section 31-727, for contracting with other sanitary and improvement districts for the building, acquisition, improvement, maintenance, and operation of public parks, playgrounds, and recreational facilities for the joint use of the residents of the contracting districts;

provided, that power to construct clubhouses and similar facilities for the giving of private parties within the zoning jurisdiction of any city or village is not included in the powers granted herein. Any sewer system established shall be approved by the Department of Health. Prior to the installation of any of the improvements provided for in this section, the plans for such improvements, other than for public parks, playgrounds and recreational facilities,

Legislative Bill 313, Cavanaugh Amendment to 31-740, January 21, 1975; pertaining to SID contracts and joint action with other SID's:

....the plans or contracts for such improvements, other than for public parks, playgrounds and recreational facilities, whether a district acts separately or jointly with other districts as permitted by section 31-727,

shall be approved by the public works department of any municipality when such improvements or any part thereof are within the area of the zoning jurisdiction of such municipality,

Legislative Bill 313, Cavanaugh Amendment to 31-740, January 21, 1975; pertaining to SID plan approval by county board:

....municipality; provided, that if such improvements are without the area of the zoning jurisdiction of any municipality, plans for such improvements shall be approved by the county board of the county wherein such improvements are located,

and plans and exact costs for public parks, playgrounds and recreational facilities shall be approved by resolution of the governing body of such municipality or county. Such approval shall relate to conformity with the master plan and the construction specifications and standards theretofore established by such municipality or county; (These two latter words constitute another amendment.)

31-740, SID Audit. SID books will be examined by a CPA June 30 of each year. The audit shall be filed with the Auditor of Public Accounts by 31 December. The audit contents shall include:

- (1) gross income from all sources
- (2) amount spent for sewage disposal
- (3) amount spent for water mains
- (4) gross amount of sewage processed in SID
- (5) cost per 1000 gallons of processing sewage
- (6) amount expended each year for
 - (a) maintenance

- (b) new equipment
- (c) new construction work
- (d) property purchased
- (7) detailed statement of all items purchased
- (8) number of employees
- (9) salaries and fees paid employees
- (10) total amount of taxes levied on SID property
- (11) all other facts necessary to give an accurate and comprehensive view of the cost of carrying on the activities and work of such sanitary and improvement district.

31-740, SID Penalty for Noncompliance. If the SID does not comply with the SID audit provisions, the Auditor of Public Accounts shall appoint a CPA to conduct the audit. The fee becomes a lien against the district.

31-740, SID Nonpayment of Sewage Service Charges to Metropolitan City. If the SID does not pay the city for sewage services, the city may sue or assess special taxes on the SID.

31-740.01, Amending SID Articles of Association. The following process must be followed to amend SID articles of association. A majority of the board must propose the amendment. A notice of meeting to adopt the amendment must appear in a newspaper of general circulation. If no opposition occurs the amendment is filed with the County Clerk and the Secretary of State. The opposition petition, if any, must be signed by owners representing the majority of the front footage of real estate in the SID. The district court will hear the amendment motion and opposition.

31-741, SID Contract Bids. Contracts for construction work of more than \$500 must be let to the lowest responsible bidder on notice of not less than 30 days.

31-742, SID Use Charge for Sewer or Water Systems. The SID may impose a use charge on those served by sewer or water systems.

31-743, Septic Tank Provisions. When a sewer system has been established in the SID, all septic tanks shall be dispensed with.

31-744, SID Resolution to Make Improvements. The resolution to make improvements shall refer to the plans and specifications....which shall have been made and filed before the publication of such resolution by the engineer employed for such purpose....Such engineer shall also make and file, prior to the publication of such resolution, an estimate of

the total cost of the proposed improvement. The proposed resolution shall state the amount of such estimated cost. The board of trustees shall have power to assess to the extent of special benefits, the cost of such portion of said improvements as are local improvements, upon properties found specially benefited thereby.

Legislative Bill 313, Cavanaugh Amendment to 31-744, January 21, 1975; pertaining to special assessments:

....estimated cost. The board of trustees shall assess, to the extent of special benefits, the cost of such improvements upon properties specially benefited thereby.

31-745, SID Hearing on Resolution and Public Notice. The time and place of the SID hearing on resolutions must be given public notice. The last publication must be in a newspaper of general circulation not less than 5 days nor more than 14 days prior to the hearing time.

31-746, Objections to Resolution. A resolution shall not be passed if a petition signed by owners representing a majority of the front footage is filed with the SID clerk.

31-747, Trustee Compliance with 31-744 to 31-746. The SID Trustees' compliance with 31-744 to 31-746 enables them to make improvements.

31-748, SID Letting of Contracts. Notice of a contract to be let shall be published the same day each week for two consecutive weeks in a newspaper of general circulation. The notice shall state the extent of work, the kinds of material to be bid upon, the engineer's estimate of cost, the time when bids will be received, and the amount of certified check required to accompany the bid.

31-749, Engineer's Complete Statement of Improvements. The engineer's complete statement of improvements shall be filed with the clerk of the SID within 10 days of acceptance of work. The statement is to contain the costs of improvements, the plat of the property in the district, and a schedule of the amount proposed to be assessed against each separate piece of property in the SID.

31.749, Objections to the Engineer's Statement of Improvements. Written objections to the engineer's statement of improvements must be filed within 20 days with the board of trustees.

31-749, Assessing Special Benefits. The cost of such improvements in the district which are within the area of the zoning jurisdiction of any municipality shall be assessed to the full extent of special benefits against the property in the zoning jurisdiction of such municipality.

Legislative Bill 313, Cavanaugh Amendment to 31-749, January 21, 1975; pertaining to comparability of costs and assessments between SID and municipality:

....municipality, and in the same manner and to the same extent as the costs of such improvements are assessed in such municipality.

31-749, Notice of Assessments. If the SID is within the zoning jurisdiction of a municipality, the costs and schedules of amounts to be assessed for improvements will be given to the municipality within seven days of publication of the engineer's statement.

The amount to be assessed for improvements against each separate piece of property shall be given to each owner within five days of publication of the engineer's statement.

31-750, Board of Equalization and Adjustment. SID trustees shall sit as the board of equalization and adjustment on the proposed assessments.

31-751, Special Assessments. Special assessments shall be levied by SID trustees on all parcels in the SID which are benefited by the improvements.

31-752, Exclusion of Property from Assessment. Nonassessable property in the SID is excluded from assessment EXCEPT where it has been specially benefited.

31-752, Objections to Assessments. Special assessment objections are taken to the district court.

31-752, SID Special Assessments. The board of trustees may find that any part or all of such improvements made are of general benefit to the district except that the board shall levy special assessments to the extent of special benefits to such property.

31-753, Special Assessment Delinquency for Property Holders. Taxes are due 50 days after the levy. After this, delinquent accounts are charged seven percent per annum. Such assessments shall become delinquent in ten equal installments over as many as ten years.

31-754, Sinking Funds for Special Assessments. All special assessments shall go into a sinking fund to defray the cost of improvements. The excess, if any, may be transferred to other funds.

31-755, SID Bonds. For the purpose of paying the cost of improvements herein provided for, the board of trustees, after such improvements have been completed and accepted shall have the power to issue negotiable bonds of any such district, to be called sanitary and improvement district bonds, payable in not to exceed thirty years and such bonds shall be payable serially with the first maturity not later than five years from the date of issue and bearing interest payable semiannually. Such bonds may either be sold by the district or delivered to the contractor in payment for the work, but in either case for not less than their par value.

Legislative Bill 313, Cavanaugh Amendment to 31-755, January 21, 1975; pertaining to equalizing bond installments:

....serially and shall mature in substantially equal annual or semiannual installments commencing not more than two years from the date of issue....

31-755, SID Warrants. For the purpose of making partial payments as the work progresses, warrants may be issued by the board of trustees upon certificates of the engineer in charge showing the amount of work completed and materials necessarily purchased and delivered for the orderly and proper continuation of the project, in a sum not to exceed eighty-five percent of the cost thereof.

Legislative Bill 313, Cavanaugh Amendment to 31-755, January 21, 1975; pertaining to statutory duration of warrants issued for capital outlays:

Warrants issued for capital outlays of the district shall become due and payable not later than five years from the date of issuance.

Such warrants shall draw interest at such rate as fixed by the board of trustees and endorsed on the warrants, from the date of presentation for payment and shall be redeemed and paid from the proceeds of special assessments or from the sale of the bonds issued and sold as in foreshaid or from any other funds available for that purpose.

Legislative Bill 313, Cavanaugh Amendment to 31-755, January 21, 1975; pertaining to statutory duration of warrants issued for operation and maintenance:

Warrants issued for operation and maintenance expenses of the district shall become due and payable not later than three years from the date of issuance.

31-756, Approval of Bond Issue. SID trustees must petition the district court to approve a bond issue.

31-757, Notice of Petition. The clerk of the district court will publish the notice of petition.

31-758, Unchallenged Petition. The district court deems an unchallenged petition to be true.

31-759, Validating the SID and the Bond Issue. The district court shall examine the legality and validity of proceedings for organization of the SID and all other proceedings which may affect the legality and validity of the bonds.

31-761, SID Spatial Enlargement. The SID may be enlarged by a petition of all owners to be annexed, or a petition of persons owning not less than 50 percent of the area to be annexed but not signed by persons owning all the area to be annexed. All property annexed to the SID is subject to all taxes regardless of when they were incurred.

31-763, Annexation of SID's by City. When an SID is annexed by a city, the city obtains all property and property rights of the SID and is liable for all valid SID obligations. The city collects all taxes, and can maintain all special assessments. The city cannot change special benefits or increase any assessments made by the SID.

31-764, Annexor's Challenge to SID Accounting. The trustees shall within 30 days of the effective date of the merger submit to the city a written accounting of all assets and liabilities, contingent or fixed, of the district. Unless the city or village within 30 days thereafter brings an action against....

Legislative Bill 313, Cavanaugh Amendment to 31-764, January 21, 1975; pertaining to statute of limitations on SID liability for accounting to city:

....city or village within one year thereafter brings an action against....

APPENDIX B

FINANCIAL SUMMARY UNANNEXED SANITARY AND IMPROVEMENT DISTRICTS DOUGLAS COUNTY December 31, 1974

SID	1974-75 35% Valuation	Bonds Outstanding	Registered Warrants Outstanding	Less Cash and Investments	Less Special Assessment Receivable	Net District Debt	Debt Ratio (%)
31	\$5,748,620	\$400,000	\$975,341	\$330,641	\$113,350	\$931,350	16.20
45	-	100,000	86,530	20,286	-	166,244	-
57	1,947,020	285,000	13,440	88,721	930	208,789	10.72
62	412,360	82,000	-	21,242	-	60,758	14.73
69	486,630	66,000	22,364	17,607	8,451	62,306	12.80
73	2,600,875	230,000	1,441	166,123	85,823	(20,506)	(0.79)
75	2,423,110	230,000	-	56,643	3,908	169,449	6.99
81	26,645	-	13,724	5,928	5,895	1,908	7.16
85	7,637,730	-	-	-	-	-	0.00
86	547,635	145,000	5,803	9,608	-	141,195	25.78
95	7,380,460	1,565,000	113,724	476,921	88,338	1,113,465	15.09
99	426,590	40,000	5,005	2,526	731	41,747	9.79
100	358,680	80,000	-	4,409	-	75,591	21.07
103	431,875	250,000	319,570	154,266	37,750	377,554	87.42
106	918,500	65,000	-	20,771	10,519	33,710	3.67
111	1,634,895	550,000	1,718	54,942	2,743	494,033	30.22
113	923,880	190,000	-	16,740	-	173,260	18.75

APPENDIX B
(continued)

SID	1974-75 35% Valuation	Bonds Outstanding	Registered Warrants Outstanding	Less Cash and Investments	Less Special Assessment Receivable	Net District Debt	Debt Ratio (%)
114	\$ 265,060	\$ 31,000	-	\$ 27,535	-	\$ 3,465	1.31
115	2,481,130	825,000	-	203,808	\$ 2,753	618,439	24.93
116	1,807,515	544,000	\$ 57,409	160,922	-	440,487	24.37
117	234,630	-	161,557	14,546	66,137	80,874	34.47
121	367,350	185,000	4,529	36,130	20,296	133,103	36.23
122	1,751,195	385,000	-	50,674	-	334,326	19.09
124	3,766,730	1,300,000	97,707	412,999	91,509	893,200	23.71
126	1,778,930	690,000	843,182	139,357	153,254	1,240,571	69.74
128	215,860	-	93,419	8,450	223	84,746	39.26
129	1,189,560	-	-	8,318	-	(8,318)	(0.69)
133	572,460	50,000	-	10,311	166	39,523	6.90
134	670,530	-	793,472	26,185	-	767,287	114.43
135	505,300	135,000	3,034	27,225	-	110,808	21.93
136	768,995	390,000	-	84,744	42,400	262,856	34.18
137	531,610	108,000	-	31,291	2,409	74,299	13.98
140	1,832,790	399,000	-	91,921	7,877	299,202	16.32
142	2,499,735	1,800,000	-	291,595	46,978	1,461,427	58.46
143	2,215,725	650,000	-	127,139	9,000	513,860	23.19
145	429,545	200,000	98,594	60,723	13,116	224,756	52.32
149	1,577,520	295,000	-	105,335	-	189,665	12.02
151	29,665	-	184,974	5,427	46,603	132,943	448.15

APPENDIX B
(continued)

SID	1974-75 35% Valuation	Bonds Outstanding	Registered Warrants Outstanding	Less Cash and Investments	Less Special Assessment Receivable	Net District Debt	Debt Ratio (%)
152	\$1,035,465	\$ 565,000	-	\$ 46,578	\$ 22,816	\$495,606	47.86
155	250,615	120,000	40,963	32,093	5,820	123,050	49.10
157	759,825	-	824,648	10,582	-	814,066	107.14
158	1,398,320	258,500	625,442	131,765	36,987	715,190	51.15
160	383,805	70,000	430	4,110	3,428	62,892	16.39
161	272,300	490,000	1,007,675	378	-	1,497,298	549.87
162	228,455	-	140,035	6,796	11,501	121,138	53.29
165	1,673,150	395,000	25,320	63,125	921	356,275	21.29
166	1,959,130	1,050,000	168,591	78,209	22,713	1,117,668	57.05
167	443,660	-	577,565	1,366	473,928	102,272	23.05
168	766,855	290,000	-	52,644	-	237,356	30.95
170	35,430	-	9,811	3,200	-	6,611	18.66
171	3,452,595	500,000	-	294,004	23,309	182,687	5.29
172	928,045	240,000	-	37,337	38,775	163,888	17.66
173	-	-	-	-	-	-	-
174	3,073,490	910,000	15,112	119,402	25,369	780,341	25.39
175	819,325	-	-	54,299	7,396	(61,696)	(7.53)
177	1,002,925	-	1,133,512	40,535	710,748	382,230	38.11
178	59,480	-	-	1,665	-	(1,665)	(2.80)
179	384,015	12,000	-	9,554	503	1,943	0.51
182	5,537,180	1,000,000	1,329,682	727,159	362,621	1,239,902	22.39

APPENDIX B
(continued)

SID	1974-75 35% Valuation	Bonds Outstanding	Registered Warrants Outstanding	Less Cash and Investments	Less Special Assessment Receivable	Net District Debt	Debt Ratio (%)
184	\$ 9,190	-	-	-	-	-	0.00
187	1,946,580	\$ 650,000	\$1,131,891	\$ 29,349	-	\$1,752,542	90.03
188	10,872,550	4,925,000	2,177,230	384,203	\$117,524	6,600,503	60.71
189	4,023,355	1,125,000	978,487	145,401	7,460	1,950,626	48.48
190	408,955	195,000	1,176	1,906	13,544	180,727	44.19
193	730,670	250,000	-	90,759	14,198	145,043	19.85
194	3,170	-	-	19,015	15,641	(34,656)	(1093.26)
195	1,321,080	1,375,000	224,637	350,837	526,331	722,470	54.69
196	1,098,420	550,000	28,790	176,337	157,474	244,979	22.30
197	-	-	-	-	-	-	-
198	830	-	60	30	-	30	3.64
201	31,845	-	54,284	1,029	-	53,255	167.23
202	916,635	275,000	-	122,964	53,527	98,509	10.75
203	166,435	-	284,364	6,850	35,440	242,073	145.45
204	1,682,345	675,000	14,730	(561)	413,927	276,365	16.43
205	1,078,675	325,000	-	40,884	-	284,116	26.34
206	1,557,370	500,000	1,654,003	111,112	30,432	2,012,459	129.22
208	35,820	-	-	-	-	-	0.00
209	2,810	-	-	-	-	-	0.00
210	160,170	-	1,785,303	9,586	539,259	1,236,458	771.97
211	-	-	-	-	-	-	-

APPENDIX B
(continued)

SID	1974-75 35% Valuation	Bonds Outstanding	Registered Warrants Outstanding	Less Cash and Investments	Less Special Assessment Receivable	Net District Debt	Debt Ratio (%)
213	\$ 196,480	-	-	-	-	-	0.00
217	-	-	-	-	-	-	-
218	20,720	-	-	-	-	-	0.00
219	535,295	1,100,000	1,484,013	291,518	319,219	1,973,276	368.63
220	4,450	-	210,346	548	-	209,799	4714.58
221	581,780	-	733,855	8,253	-	725,602	124.72
222	2,404,010	-	1,671,658	8,040	-	1,663,619	69.20
223	659,240	-	226,042	10,032	98,282	117,728	17.86
224	2,373,545	1,000,000	2,901,541	469,705	1,102,115	2,329,722	98.15
225	590,835	-	158,892	4,319	-	154,573	26.16
226	89,425	-	140,557	222	-	140,335	156.93
227	303,370	-	1,842,585	413,293	240,047	1,189,245	392.01
228	716,655	950,000	539,858	136,436	548,648	804,773	112.30
229	1,594,810	-	4,644,311	14,633	-	4,629,678	290.30
230	1,399,770	-	1,871,846	33,753	-	1,838,093	131.31
231	32,105	-	-	-	-	-	0.00
232	10,775	-	257,488	4,307	-	253,181	2349.70
233	1,919,550	525,000	874,977	62,313	1,241	1,336,423	69.62
234	34,975	-	-	-	-	-	0.00
235	2,401,440	-	1,924,913	161,507	-	1,763,406	73.43
236	775,110	-	4,168,671	20,087	-	4,148,584	535.23

APPENDIX B
(continued)

SID	1974-75 35% Valuation	Bonds Outstanding	Registered Warrants Outstanding	Less Cash and Investments	Less Special Assessment Receivable	Net District Debt	Debt Ratio (%)
237	\$ 341,950	-	\$ 56,402	\$ 13,730	-	\$ 42,671	12.48
239	74,940	-	645,722	1,839	-	643,883	859.20
240	730,395	1,200,000	-	206,360	461,290	532,250	72.89
241	440,785	-	1,923,887	6,113	-	1,917,774	435.08
242	991,395	-	918,818	349,297	251,900	317,621	32.04
243	100,380	-	1,257,399	10,137	-	1,247,261	1242.54
244	40,110	-	1,171,376	25	-	1,171,351	2920.35
245	38,540	-	259,168	-	-	259,167	672.46
246	4,920	-	316,896	63	-	316,832	6439.68
247	347,960	-	1,495,974	12,775	-	1,483,199	426.26
248	14,655	-	142,540	7	-	142,533	972.59
249	143,755	-	1,240,300	14,868	-	1,225,432	852.44
250	1,675,340	-	1,481,050	58,172	-	1,422,878	84.93
251	12,315	-	371,818	45	-	371,773	3018.86
252	57,965	-	891,819	330	-	891,490	1537.98
253	5,610	-	950,116	57	-	950,059	16935.10
254	49,140	-	503,893	57	-	503,836	1026.31
255	422,540	-	150,640	3,267	-	147,372	34.88
256	63,350	-	814,151	6	-	814,146	1285.16
257	117,700	-	4,137,265	923	-	4,136,341	3514.31
258	156,240	-	23,386	2,294	-	21,092	13.50

APPENDIX B
(continued)

SID	1974-75 35% Valuation	Bonds Outstanding	Registered Warrants Outstanding	Less Cash and Investments	Less Special Assessment Receivable	Net District Debt	Debt Ratio (%)
259	\$ 224,510	-	\$ 103,903	\$ 316	-	\$ 103,587	46.14
261	474,295	-	928,017	9,235	-	918,782	193.72
262	9,825	-	94,946	-	-	94,946	966.37
263	39,655	-	137,008	114	-	136,894	345.21
264	61,220	-	1,697,354	-	-	1,697,353	2772.54
265	100,395	-	2,001,947	141	-	2,001,805	1993.93
266	77,410	-	156,403	104	-	156,299	201.91
267	44,040	-	1,448,417	35	-	1,448,382	3288.79
268	145,250	-	669,271	2,875	-	666,396	458.79
269	5,560	-	152,862	55	-	152,807	2748.32
270	-	-	-	-	-	-	-
271	29,480	-	386,770	-	-	386,769	1311.97
272	27,165	-	1,928,005	-	-	1,928,005	7097.38
273	18,760	-	32,141	-	-	32,141	171.33
274	-	-	-	-	-	-	-
275	48,080	-	53,942	-	-	53,942	112.19
276	12,250	-	268,962	-	-	268,962	2195.61
277	29,345	-	-	-	-	-	0.00
278	13,230	-	223,570	-	-	223,570	1689.87
Total	\$133,743,105	\$33,785,500	\$70,817,972	\$8,908,716	\$7,555,495	\$88,139,261	65.8 ^{a/}

^{a/} Excludes SID 45.

Source: City of Omaha Finance Department.

APPENDIX C

AMOUNT OF WARRANTS BY TYPE OF EXPENDITURE

ANNEXED SID'S

SID	Total Amount	Type of Cost						Total
		Construction Costs	Equipment And Service Cost	Legal Fees	Engineering and Architectural Costs	Fiscal Agent Fees	Other Costs	
47	\$1,775,085	73.8	11.6	1.9	6.3	6.2	0.2	100.0
55	6,504	83.2	3.5	4.0	6.3	1.9	1.1	100.0
59	749,457	80.3	9.9	3.2	5.8	0.0	0.9	100.0
84	287,091	82.1	11.4	0.0	3.2	3.3	0.0	100.0
85	455,182	88.1	2.1	1.9	8.0	0.0	0.0	100.0
107	155,086	81.6	4.3	4.1	7.2	2.4	0.4	100.0
108	46,338	60.1	6.0	5.8	3.9	24.2	0.0	100.0
120	45,002	80.4	3.6	8.6	6.1	1.3	0.0	100.0
127	438,378	80.9	10.7	3.8	4.4	0.0	0.2	100.0
129	211,313	65.5	6.1	5.5	9.5	7.8	5.6	100.0
159	21,477	83.8	1.1	5.0	10.1	0.0	0.0	100.0
163	133,007	65.6	7.0	3.8	10.4	3.2	10.0	100.0
164	34,691	63.6	18.6	9.2	5.9	2.8	0.0	100.0
176	22,720	82.1	6.9	0.0	9.6	0.0	1.5	100.0
200	55,983	67.6	6.9	9.3	11.8	4.4	0.0	100.0
207	670,686	84.9	4.6	2.3	8.0	0.2	0.0	100.0
214	160,960	77.7	0.9	5.5	9.5	6.1	0.2	100.0
215	69,408	72.8	5.5	8.4	13.2	0.0	0.0	100.0
217	126,886	78.1	0.7	4.0	11.2	5.9	0.1	100.0
Total	\$5,465,237	78.0	8.3	2.9	6.9	3.2	0.7	100.0

APPENDIX C

AMOUNT OF WARRANTS BY TYPE OF EXPENDITURE

UNANNEXED SID'S

SID	Total Amount	Type of Cost						Total
		Construction Costs	Equipment And Service Costs	Legal Fees	Engineering and Architectural Costs	Fiscal Agent Fees	Other Costs	
31	\$ 5,839,807	74.5	4.1	3.3	8.6	7.2	2.4	100.0
45	247,347	91.0	0.0	5.1	1.7	2.2	0.0	100.0
62	13,369	19.9	56.0	16.8	2.5	0.0	4.8	100.0
69	90,463	21.7	37.5	7.9	5.3	0.0	27.6	100.0
75	368,205	87.3	1.2	3.0	5.0	2.4	1.1	100.0
81	17,346	71.7	10.0	4.6	6.6	0.0	7.0	100.0
95	4,725,773	82.4	3.3	2.6	8.3	2.0	1.4	100.0
128	131,894	82.0	6.8	5.8	2.4	2.1	1.0	100.0
133	89,501	58.9	2.4	5.1	4.1	1.8	27.7	100.0
135	172,598	81.7	3.1	5.3	6.2	3.4	0.4	100.0
137	177,407	87.8	1.7	1.5	8.1	0.0	0.9	100.0
143	617,411	65.5	15.1	2.9	5.9	3.0	7.7	100.0
151	186,217	59.5	31.1	3.3	4.8	1.3	0.0	100.0
155	96,003	83.2	3.5	4.0	6.3	1.9	1.1	100.0
170	40,350	63.1	3.3	21.0	7.3	5.3	0.0	100.0
172	198,135	70.1	7.4	5.2	10.0	6.0	1.3	100.0
179	62,624	77.5	2.0	7.0	12.7	0.7	--	100.0
190	213,466	61.6	21.8	4.9	10.3	1.0	0.4	100.0
191	130,592	74.7	12.1	3.1	10.0	0.0	0.0	100.0
193	226,241	62.7	11.3	2.1	8.6	4.8	10.5	100.0
199	133,738	82.3	3.0	2.0	10.7	2.0	0.0	100.0
201	38,688	66.1	2.4	9.2	22.3	0.0	0.0	100.0
205	200,703	87.4	0.6	3.5	8.3	0.0	0.1	100.0
206	1,563,181	77.7	3.1	5.7	10.1	3.2	0.1	100.0
210	1,671,651	72.8	13.9	2.6	7.4	3.3	--	100.0
220	82,619	74.6	2.2	5.6	13.3	4.3	0.0	100.0
223	237,704	77.4	1.3	5.2	11.5	3.9	0.7	100.0
224	2,943,384	83.3	2.3	2.4	7.8	3.8	0.4	100.0
225	157,196	84.1	5.3	5.9	0.0	3.8	0.9	100.0

APPENDIX C
(continued)

AMOUNT OF WARRANTS BY TYPE OF EXPENDITURE

UNANNEXED SID'S

SID	Total Amount	Type of Cost						Total
		Construction Costs	Equipment and Service Costs	Legal Fees	Engineering and Architectural Costs	Fiscal Agent Fees	Other Costs	
227	1,662,006	82.7	2.4	2.3	7.4	4.8	.5	100.0
228	1,276,989	79.0	6.1	3.4	6.8	4.5	.2	100.0
229	4,049,559	85.7	1.3	3.6	5.5	3.9	.1	100.0
232	371,936	77.1	1.0	2.3	15.8	3.7	.2	100.0
233	1,249,090	84.0	1.6	2.6	8.8	.3	--	100.0
237	56,402	86.8	0.0	.7	2.6	3.7	--	100.0
239	592,328	80.5	1.7	4.2	8.9	4.5	.2	100.0
241	1,757,662	83.4	1.6	4.5	5.8	3.8	.9	100.0
243	1,216,916	88.7	6.2	0.0	0.0	4.2	1.0	100.0
245	259,168	80.2	1.4	3.2	14.8	0.0	.3	100.0
246	261,016	85.2	1.6	2.2	8.2	2.9	--	100.0
247	1,501,760	83.5	.9	.3	9.3	.3	.3	100.0
249	1,170,278	88.0	2.3	2.4	7.3	0.0	--	100.0
252	845,402	86.7	1.2	1.3	.4	3.2	3.6	100.0
254	431,006	80.4	1.7	5.5	.9	3.4	.1	100.0
255	150,463	92.6	.9	3.1	2.8	.5	.1	100.0
256	772,364	86.1	6.8	1.8	5.3	0.0	--	100.0
257	3,237,995	83.9	1.3	2.3	8.6	3.9	--	100.0
259	103,903	52.8	25.6	3.0	13.8	4.5	.5	100.0
261	155,982	0.0	0.0	1.6	98.3	.2	--	100.0
262	43,160	70.8	4.7	1.7	17.2	3.8	1.9	100.0
263	72,280	66.2	15.1	5.0	11.3	2.4	--	100.0
264	1,244,531	77.7	1.9	6.9	8.3	4.3	1.0	100.0
266	111,469	81.6	5.0	3.2	10.2	0.0	--	100.0
272	646,557	67.5	.7	.1	28.1	3.4	.3	100.0
Total	\$43,853,835	80.2	3.7	3.1	8.2	3.7	1.0	100.0

--less than 0.1

APPENDIX D

EXPENDITURES BY YEAR OF LIFE^{a/}

SID	1	2	3	4	5	6	7
47	150,411	441,043	107,925	203,397	200,366	289,011	415,060
55	507	690	885	2,952	1,746		
59	307	1,134	1,257	141,395	24,623	8,491	33,868
84	70,283	55,627	241,046	0	0	0	0
85	67,550	210,462	210,568				
107	60,612	71,345	32,659				
108	53,417	0	928	712	1,303		
120	40,765	9,717	1,100	0	1,096		
127	124,454	177,724	43,644	29,369	95,623		
129	330	0	12,981	154,501	46,207	13,047	4,569
159	1,995	20,057					
163	103	0	15,846	124,018	460		
164	37,401	915	307	1,579			
176	24,012						
200	55,408	51,923					
207	449,752	245,025	37,310				
214	105,160	63,748					
215	71,952						
217	127,652						
Total	1,442,071	1,349,410	706,456	657,923	371,424	310,549	453,497
	23.8	22.3	11.7	10.9	6.1	5.1	7.4

See footnote at end of table.

APPENDIX D
(continued)

EXPENDITURES BY YEAR OF LIFE^{a/}

SID	8	9	10	11	12	13	
47	73,539	14,128	67,391	10,329	8,248	11,997	1,992,845
55							6,780
59	422,498	156,198					789,771
84	0	5,121					372,077
85							488,580
107							164,616
108							56,360
120							52,678
127							470,814
219							231,635
159							22,052
163							140,427
164							40,202
176							24,012
200							107,331
207							732,087
214							168,908
215							71,952
217							127,652
Total	496,037	175,447	67,391	10,329	8,248	11,997	6,060,779
	8.2	2.9	1.1	.2	.1	.2	100.0

^{a/} Includes the 19 annexed SID's for which complete data on warrants was available by year, from the 80 selected Douglas County SID's for which CAUR coded and computerized warrant cost data.

APPENDIX E

INTEREST AS A PERCENT OF TOTAL WARRANT COST

ANNEXED SID'S

SID	Years of Active Life	Registered Warrant Cost	Interest Cost ^{a/}	Interest as a Percentage of Warrant Cost	Average Length of Warrant Life (in years)
47	13	\$1,775,085	\$217,756	12.3	1.0
55	5	6,504	277	4.3	0.9
59	9	749,457	40,316	5.4	0.9
84	9	287,091	84,986	29.6	5.8
85	3	455,182	33,400	7.3	1.2
107	3	155,086	9,531	6.1	0.9
108	5	46,338	9,966	21.5	2.2
120	5	45,002	7,677	17.1	2.7
127	5	438,378	32,435	7.4	1.2
129	7	211,313	20,321	9.6	1.6
159	2	21,477	577	2.7	0.7
163	5	133,007	7,419	5.6	0.9
164	4	34,691	5,512	15.9	2.1
176	1	22,720	1,290	5.7	1.0
200	2	55,983	1,348	2.4	0.4
207	3	670,686	61,401	9.2	1.4
214	2	160,960	7,949	4.9	0.6
215	1	69,408	2,544	3.7	0.3
217	1	126,886	765	0.6	0.1
Total		\$5,465,254	\$545,470	--	--
Average	--	---	---	10.0	--
Median	--	---	---	--	1.0

^{a/} Includes interest paid and interest accrued as of June 30, 1974.

APPENDIX E

INTEREST AS A PERCENT OF TOTAL WARRANT COST

UNANNEXED SID'S

SID	Length of SID Life (years)	Warrant Cost	Interest Cost ^{a/}	Interest as a Percentage of Warrant Cost	Average Length of Warrant Life (in years)
31	12	\$5,839,807	\$376,684	6.5	1.1
45	15	247,347	83,306	33.7	6.2
62	9	13,369	2,271	17.0	2.6
69	13	90,463	31,017	34.3	2.4
75	3	368,205	191,884	52.1	8.7
81	7	17,346	9,534	55.0	3.2
95	13	4,725,773	661,763	14.0	2.2
128	11	131,894	58,436	44.3	2.2
133	9	89,501	4,969	5.6	0.8
135	8	172,598	56,426	32.7	4.8
137	5	117,407	12,961	11.0	1.4
143	10	617,411	121,910	19.7	2.6
151	10	186,217	88,824	47.7	-- ^{b/}
155	6	96,003	40,535	42.2	4.7
170	6	40,350	5,166	12.8	1.7
172	7	198,135	41,571	21.0	2.2
179	1	62,624	1,408	2.2	0.5
190	8	213,466	20,988	9.8	1.2
191	3	130,592	11,050	8.5	1.2
193	5	226,241	52,732	23.3	2.8
199	3	133,738	7,997	6.0	0.9
201	3	38,688	14,000	36.2	--
205	5	200,703	47,401	23.6	3.0
206	6	1,563,181	255,418	16.3	2.7
210	6	1,671,651	160,636	9.6	1.7
220	5	82,619	15,100	18.3	--
223	4	237,704	35,546	15.0	1.4
224	4	2,943,384	468,953	15.9	0.9
225	4	157,196	29,375	18.7	--
227	4	1,662,006	233,828	14.1	--
228	4	1,276,989	189,554	14.8	2.1

See footnotes at end of table.

APPENDIX E
(continued)

INTEREST AS A PERCENT OF TOTAL WARRANT COST

UNANNEXED SID'S

SID	Length of SID Life (years)	Warrant Cost	Interest Cost ^{a/}	Interest as a Percentage of Warrant Cost	Average Length of Warrant Life (in years)
229	3	\$4,049,559	\$388,907	9.6	--
232	3	371,936	33,230	8.9	1.5
233	4	1,249,090	130,238	10.4	1.4
237	1	56,402	8,958	15.9	--
239	3	592,328	41,496	7.0	1.3
241	3	1,757,662	155,086	8.8	--
243	3	1,216,916	132,551	10.9	--
245	2	259,168	15,953	6.2	--
246	2	261,016	11,854	4.5	--
247	3	1,501,760	165,481	11.0	--
249	3	1,170,278	84,644	7.2	--
252	3	845,402	44,250	5.2	--
254	3	431,006	32,458	7.5	--
255	2	150,463	11,701	7.8	--
256	2	772,364	48,409	6.3	--
257	2	3,237,995	175,560	5.4	1.0
259	2	103,903	7,692	7.4	--
261	2	155,982	5,914	3.8	--
262	2	43,160	2,598	6.0	--
263	2	72,280	2,017	2.8	--
264	2	1,244,531	60,683	4.9	--
266	2	111,469	1,796	1.6	--
272	2	646,557	18,292	2.8	--
Total	--	\$43,853,835	\$4,911,011	--	--
Average	--	--	--	11.2	--
Median	--	--	--	--	1.9

^{a/} Includes interest paid and interest accrued as of June 30, 1974.

^{b/} Average length of warrant life not presented because all of the warrants for unannexed SID's have not matured. Thus, their average life span cannot be calculated.

APPENDIX F

QUESTIONNAIRE (sample)

The following is the basic questionnaire used in the CAUR study of SID's, with modifications directed toward specific SID participants; i.e., contractors, bond house representatives, residents of SIDs, lawyers and city officials.

At the request of Senator Cavanaugh's Miscellaneous Subjects Committee, the Center for Applied Urban Research is investigating the SID (Sanitary Improvement District) concept as applied in Nebraska. We are concerned primarily with whether the SID is a proper and effective method of promoting orderly urban development, whether changes in the SID law could be made to increase the effectiveness of SID's, and whether alternative methods of urban development might be more appropriate.

As a developer:

1. What do you see as the primary advantages of the SID concept for urban development?

2. What do you think are the primary disadvantages of the SID?

3. Do you think any of the following groups have too much or too little influence over SID operations?

- A. Developers
- B. City & County Officials
- C. Residents of SID's
- D. Bond houses
- E. Lawyers
- F. Engineers
- G. Architects

(Probe: What effect does this have on the development process?)
(take individually)

4. Of the following groups, rank who benefits (from most to least) from the SID concept? Are any hurt by the SID?

- A. Developers _____
- B. Homeowners _____
- C. Bond houses _____
- D. Architects _____
- E. Engineers _____
- F. Citizens _____
- G. Lawyers _____

5. Some critics of SID's have claimed there are many opportunities for abuse. Has the SID concept been abused in recent years? Are there any aspects still open to potential abuse?

6. What effect have real estate market conditions had upon SID operations?
7. Senator Cavanaugh's bill LB 313 suggests a number of changes in the SID law. What will be the impact on SID operations from the following amendments:
 - A. Requiring warrants to be paid off in three years (operation and maintenance) or five years (capital outlays)?
 - B. Requiring bonds to mature in equal installments commencing not more than two years from the date of issue?
 - C. Permitting SID's to enter into joint projects with other SID's?
 - D. County approval of recreation projects if not within the City's jurisdiction?
8. How do costs for a project under an SID compare to those in a non-SID situation? (higher, lower, same) What types of costs (e.g., construction, lawyer fees) are higher or lower in the SID concept?
9. Do you have any guidelines for determining which debt should be financed by special assessment and which should be "G.O.'ed"? If not, could such guidelines be helpful? What factors do you consider in determining which debt should be special assessed?
10. Have the SID's you have been involved with developed a financial plan covering debt, assessment, mill levies? If yes, may we have a copy?
11. What changes would you suggest to make the SID more effective?
12. Are there any other comments you would like to add?

MODIFICATIONS

Additional Questions Asked of Bond House Representatives

13. What factors do you normally consider when deciding whether or not to undertake the marketing of an SID bond issue?
14. How do you handle the purchase and re-sale of warrants? (Directly, through a subsidiary or other procedure.)

What do you see as the advantages of your procedure over alternative procedures?

15. What basis do you use in establishing your fees and/or discounts for:

- A. Purchasing warrants?
- B. Re-selling warrants?
- C. Marketing SID bond issues?

What are these fees and/or discounts, normally?

Are these fees and/or discounts different from those you charge for selling non-SID bonds, public and/or private, and if so how?

- 16. What is the role of the bond counsel?
- 17. What factors do you consider when advising SID's about the mill levy?
- 18. What factors do you consider when advising SID's about G.O. vs. special assessment?
- 19. What is your opinion about requiring that a prospectus be issued on warrants or SID bond purchases?

Specified Questions Asked of Resident Board of Trustees

As a resident and member of your SID Board:

- 20. What is your opinion of the success of your SID in serving the homeowners?
- 21. Why did you run for the board of trustees?
- 22. Michael Albert, of the Douglas County Board had proposed that SIDs notify residents of all SID meetings and that developers and realtors who sell property in SIDs inform prospective buyers of the SID financial structure, including the district's debt and mill levy. What is your opinion about these two proposals?