

Background Paper 83-4

GENERAL IMPROVEMENT DISTRICTS



## General Improvement Districts

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# GENERAL IMPROVEMENT DISTRICTS

## I

### INTRODUCTION

Every legislative session, questions and proposals arise which deal with general improvement districts (GID) and other methods of providing local services. The purpose of this background paper is to acquaint the legislator with Nevada's laws on these subjects, look at the current situation in the state, and briefly discuss some of the concepts associated with use of these districts.

During the 1975 legislative session, several major issues associated with GID's were brought before the legislature. An interim study was conducted, and it culminated in the printing of Legislative Counsel Bureau Bulletin No. 77-11, "Creation, Financing and Governance of General Improvement Districts." The 1977 legislature enacted several pieces of legislation as a result of the study. The most notable measures were designed to ensure the financial soundness and stability of GID's in the state. Since 1977, modifications to the statutes governing GID's (chapter 318 of NRS) have been less comprehensive in character.

## II

### PURPOSE AND USES OF GENERAL IMPROVEMENT DISTRICTS

The purpose of a general improvement district is to provide municipal-type services to an area which needs them, but which may not need or want the full range of services implied by incorporation. General improvement districts are most effectively used where it will be necessary to carry out ongoing operation and maintenance of a facility or service. Other types of districts, which are discussed later in this paper, are more efficiently used when a local area simply wants to install improvements which will require no operation or for which operation will be assumed by an existing unit of local government.

Nevada Revised Statutes 318.116 specifies the following services which a GID may provide:

1. Electricity
2. Mosquito and pest abatement
3. Cemeteries
4. Swimming pools
5. Community TV cable
6. Streets and alleys
7. Curbs, gutters and sidewalks
8. Sidewalks only
9. Storm drainage
10. Sanitary sewers
11. Street lighting
12. Garbage and refuse collection and disposal
13. Recreation facilities
14. Water
15. Fencing
16. Fire protection
17. Space heating

### III

#### CREATION OF A GENERAL IMPROVEMENT DISTRICT

Boards of county commissioners have a great deal of authority in determining whether or not a general improvement district is created and what powers it will have.

#### Procedures

Initiation of a GID can be by a board of county commissioners on their own initiative or by any owner of property within a proposed district. Neither of these actions creates a district but merely starts a process.

After initiation by either method, the county clerk notifies every property owner in the area affected by the proposal to create a district. If a majority of the landowners file written protests, the district is not created. If written protests do not constitute a majority, a hearing is held. Subsequent to the hearing at which proponents must demonstrate that the public convenience and necessity requires the creation of a district, the county commissioners may vote to establish the district. There is no requirement that the commissioners vote to establish a district even if need is shown and fiscal soundness probable.

Concurrent with the notice and hearing process, the proposed service plan has to be prepared which provides all the

financial data necessary to determine if the district is economically feasible. This plan includes an outline of all the facilities to be built and how they are to be paid for. The commissioners may modify a service plan as a condition of district creation if the financial picture so requires.

#### Criteria To Be Met

According to NRS 318.070, a GID may not be created unless it is shown that:

1. Creation of the district is required by public convenience and necessity; and
2. Creation of the district is economically sound and feasible.

Nevada Revised Statutes 308.060 provides the criteria by which the proposed service plan of the district is evaluated.

### IV

#### OPERATION OF A GENERAL IMPROVEMENT DISTRICT

##### Board of Trustees

The board of county commissioners function as the initial trustees. They are responsible for setting up proper accounting, auditing and management procedures, as well as establishing an initial budget for the district. After establishing this administrative framework, the county commissioners appoint the initial five-member board of trustees who serve until trustees are elected through the general election process.

##### Finances

The methods of obtaining finances for a GID are relatively broad. The district may levy ad valorem taxes, charge fees, levy special assessments, or use any combination of these actions. They may borrow money and issue the following securities:

1. Short-term notes, warrants and interim debentures;
2. General obligation bonds, with voter approval;

3. Revenue bonds, without voter approval; and
4. Special assessment bonds.

Explanations of the details associated with borrowing, bonds and special assessments is found in NRS 318.275 through 318.350. It is significant to note that a district may not incur a total indebtedness (excluding revenue bonds, special assessment bonds, and other securities constituting special obligations which are not debts) which exceeds 50 percent of the assessed valuation of the taxable property (excluding motor vehicles) in the district.

## V

### CORRECTIVE ACTION

If a GID gets into financial or management trouble, a procedure has been established through NRS 318.515 for review and action by the board of county commissioners. Under this provision, notification by the state department of taxation or a petition signed by 20 percent of the qualified electors in the district may initiate the county commission's activities. After a public hearing is held, the county commissioners may take any of the following actions:

1. Adopt an ordinance constituting the board of county commissioners, ex officio, as the board of trustees of the district;
2. Adopt an ordinance providing for the merger, consolidation or dissolution of the district;
3. File a petition in district court for the appointment of a receiver for the district; or
4. Determine by resolution that management and organization of the district will remain unchanged.

## VI

### GENERAL IMPROVEMENT DISTRICTS IN NEVADA

The state department of taxation's "Local Government Green Book-Statewide Indebtedness Report of Nevada Local Governments" lists 69 general improvement districts in the state. They are as follows:



GENERAL IMPROVEMENT DISTRICTS IN NEVADA

CLARK COUNTY

Clark County Sanitation No. 1  
Kyle Canyon Water  
Moapa Valley TV District  
Overton Power District No. 5  
Overton Water District

DOUGLAS COUNTY

Cave Rock Estates  
East Fork Fire District  
Elk Point Sanitation  
Gardnerville Ranchoes  
Indian Hills GID  
Kingsbury GID  
Lakeridge GID  
Logan Creek Estates  
Marla Bay GID  
Minden/Gardnerville San.  
Oliver Park GID  
Round Hill GID  
Sierra Estates GID  
Skyland GID  
Tahoe Douglas Sewer  
Topaz Ranch Estates  
Zephyr Cove GID  
Zephyr Heights GID  
Zephyr Knolls GID

ELKO COUNTY

Carlin TV District  
Elko TV  
Starr Valley Cemetery  
Tuscarora Water District

ESMERALDA COUNTY

Fish Lake Valley TV  
Goldfield TV  
Silver Peak TV

EUREKA COUNTY

Diamond Valley Rodent  
Diamond Valley Weed  
Eureka TV

HUMBOLDT COUNTY

McDermitt Sanitation  
Paradise Valley Sewer  
Quinn River TV  
Orovada Water District  
Orovada Cemetery District  
Humboldt TV  
Warmouth Sewer District

LANDER COUNTY

Argenta TV  
Lander County Sewer

LINCOLN COUNTY

Alamo Sewer and Water  
Lincoln County TV  
Pahranagat Valley TV  
Lincoln County Power  
Alamo Power

LYON COUNTY

Penrose GID  
Walker River Weed

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GENERAL IMPROVEMENT DISTRICTS IN NEVADA	
<u>MINERAL COUNTY</u>	<u>WASHOE COUNTY</u>
Mineral County TV	Black Springs GID
<u>NYE COUNTY</u>	Crystal Bay GID
Beatty GID	Gerlach GID
Beatty Water and San	Horizon Hills GID
Pahrump Swim Pool	Incline Village GID
Railroad Valley GID	Palomino Valley GID
Smoky Valley TV	Sun Valley Water/San
<u>PERSHING COUNTY</u>	Verdi TV
Lovelock Meadow Water District	<u>WHITE PINE COUNTY</u>
Lovelock Valley Weed	Baker TV
Pershing County TV	White Pine TV

In practice in Nevada, GID's range from small-budget cable TV or mosquito abatement districts to something like Incline Village General Improvement District which operates water, sewer, refuse collection and recreation facilities including beaches, a golf course, bowling alley and ski resort. Most GID's finance the provision of services primarily by use of fees. Only the Sun Valley Water and Sanitation District is listed as having any outstanding or approved general obligation. Review of the budgets of each district (in the state department of taxation) would provide specifics relative to finances, including income, expenditures, types of revenue sources and indebtedness.

## VII

### DISCUSSION OF GENERAL IMPROVEMENT DISTRICTS

Prior to 1977, the main criticisms of GID's were their occasional financial shakiness, and their use by developers as a device to have landbuyers pay for off-site improvements through assessments rather than purchase price. Both of these defects

were addressed by the legislature in 1977. Currently, there must be a service plan that fully explains finances, and the county commissioners must initially set up the financial procedures of the district. General improvement districts are subject to the criteria in NRS 308.060 by which the proposed service plans are evaluated. Also, specific language was added to the legislative declaration in NRS 318.015 which states that the chapter is "\* \* \* not intended to provide a method for financing the costs of developing private property."

The biggest advantage of a GID is flexibility. A GID may provide one service or all 17 authorized in the law. Also, county commissioners may amend the ordinance creating a district to add or subtract powers as needs change. General improvement districts may levy ad valorem taxes, charge fees, levy special assessments or do any combination. They may issue general obligation bonds with voter approval and revenue bonds without approval. This is considerable fiscal flexibility.

The law requires that every GID have a board of trustees, that they be elected at regular county elections, and that they comply with the financial reporting requirements of Nevada local governments. The latter requirement means that proper books must be maintained and annual audits performed. These necessities require a staff whose size is dependent upon the size and functions of the district.

## VIII

### OTHER METHODS OF PROVIDING LOCAL IMPROVEMENTS AND SERVICES

In addition to the statutes relative to GID's (NRS 318), the Nevada laws authorize other mechanisms which may be used to provide local improvements and services. As previously stated, a GID is designed to provide municipal-like services to an area which needs them, but which may not need or desire the full range of services associated with incorporation. General improvement districts are most effectively used to carry out ongoing services and maintenance.

For one-time capital improvements and operation of projects in some cases, special improvement and special assessment districts are often more appropriate. Chapter 271 of NRS is the major statute which deals with special districts. This chapter applies to counties, cities, unincorporated towns and other political subdivisions of the state (such as general

improvement districts) which are authorized to acquire projects and defray the costs through special assessment. The procedure for establishing a special improvement district under chapter 271 of NRS may be initiated by the appropriate governing body or through petition. However, the petition requires signatures representing 90 percent of the assessments to be levied.

In addition to general improvement districts (NRS 318) and special improvement districts (NRS 271), Nevada law authorizes the following mechanisms for providing certain facilities and services:

SPECIAL DISTRICTS OTHER THAN THOSE ESTABLISHED UNDER NRS 318 OR 271		
<u>Statutory Authority</u>	<u>Type</u>	<u>Estimated Number</u>
1. NRS 244A.597-244A.667	County Fair and Recreation Boards	8
2. NRS 269	Unincorporated Towns	-
3. NRS 279	Urban Renewal and Community Redevelop- ment	1
4. NRS 309	Local Improvement Districts	1
5. NRS 379	Libraries	3
6. NRS 380	Law Libraries	-
7. NRS 386	School Districts	17
8. NRS 404	Road Districts	1
9. NRS 473	Clarke-McNary Fire Protection Districts	5
10. NRS 474	Fire Protection Districts	18*
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SPECIAL DISTRICTS OTHER THAN THOSE ESTABLISHED  
UNDER NRS 318 OR 271

<u>Statutory Authority</u>	<u>Type</u>	<u>Estimated Number</u>
11. NRS 539	Irrigation Districts	3
12. NRS 541	Water Conservancy Districts	2
13. NRS 543	Flood Control Districts	1
14. NRS 547	Agricultural Districts	0
15. NRS 548	Conservation Districts	30
16. NRS 555	Weed and Rodent Control Districts	2*
17. Special Acts Las Vegas Sewage District Las Vegas Valley Water District Tax Increment Districts in City Charters of Sparks and Reno		

\*Several Fire Districts, Weed Control Districts and Rodent Control Districts have been established under NRS 318 as GID's.

IX

CONCLUSION

It is not possible to say whether a particular form of local government is good or bad in the abstract. One must know the needs of an area and the wishes of the people involved to determine what is best. If service delivery is the only or main consideration, a GID is well-suited. If a particular project needs to be built to benefit a well-defined area, a special improvement or special assessment district would be appropriate. As noted in the previous chart, the Nevada

statutes also provide the mechanisms for creating several types of very specialized districts. Likewise, if the people in an area feel it is important to take charge of their governance across the board, they probably need to incorporate. No matter which form of local governmental entity is chosen, a considerable amount of planning and forethought is necessary to ensure a successful venture.