



FOURTH ESTATE NEWS_{LLC}

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FIGHTING FOR OPEN, ACCOUNTABLE & RESPONSIBLE GOVERNMENT

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Dear City Council Members, Mayor and City Staff,

It's become clear to me, based on ongoing research by the Fourth Estate News Bureau, that we face a day of reckoning over the unchecked proliferation of special taxing districts across Colorado Springs.

The city council has approved an unmanageable crazy quilt of these districts -- shadow governments that operate with virtually no accountability over huge sums of money they collect and spend annually -- without fully understanding the long-term consequences for the city's tax structure, economic vitality and delivery of city services.

What's your tax rate in Colorado Springs? That's a difficult question to answer now because there could be 180 different answers, depending on where you live or do business. Cities are hard to manage under normal circumstances, but ours faces unique challenges. Our city has been balkanized by a seemingly endless addition of distinct taxing districts, with virtually no accountability, oversight or coherent plan. The time has come for the city to take a time out and broadly assess where things stand, before we continue to blindly wander down this potentially untenable path.

I'm respectfully asking city leaders to pause the approval of any new special district, of any kind, for at least one year, while an independent and comprehensive review of special taxing districts is done. We would then know whether the existing districts are delivering the public benefits they promised. Any reform recommendations emerging from the review would ensure that citizens are truly benefitting from the creation of a special taxing district.

Any inconvenience this would cause those applying for district status is regrettable, but in my view justified, given the speed with which these shadow governments are rubber-stamped by City Council, without due diligence or an adequate understanding of the broader implications. Citizens deserve to know the facts about how the proliferation of these entities impacts city finances and operations. They also deserve to know if certain individuals and entities are gaming this system for an unfair advantage.

By my count, there are at least 180 special districts of various types operating across Colorado Springs -- metro, business improvement, water and sanitation, library, school, etc. And we seem to add a new one to this hodgepodge of quasi-governments almost every month. Some of these districts involve commercial properties, others residential. Each district purports to deliver a variety of public benefits. Unfortunately, what participants and the general public get for their expenditures and indebtedness is often hard to discern, given the lack of oversight and transparency with which they operate. Overlapping jurisdictions create confusion. One under consideration by City Council next week proposes bankrolling a soccer stadium with public funds.



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Hundreds of millions of dollars flow through these districts annually with no oversight or accountability. Collectively, the city has granted billions of dollars on bonding authority, from my estimate. Given how the districts function, they appear to *endorse* maximum taxation with minimum representation for the citizens or business within these districts.

I've occasionally heard rumblings from some on City Council that the day is coming when "we really need to get a better handle on the situation," but that day never comes. It seems like the city is creating new districts, mechanically and habitually, almost by rote, without the due diligence and careful analysis these decisions require. And that's not something to take lightly, given the city does have oversight responsibility, at least theoretically, and huge sums of public funds passing through these districts. Without proper city oversight, how sure are we the districts are delivering the public benefits stated in their service plans?

Two recent district-related controversies should raise warning flags that things are going awry within the city's district system. One controversy stemmed from City Council's bizarre and troubling decision to force business owner Michael Roslin to remain inside the newly-formed Creekwalk Marketplace Business Improvement District against his wishes. This act will result in him paying nearly double the mil levy he currently pays, virtually in perpetuity, for streetscape improvements he already voluntarily made. Roslin believes he was lured into district participation on false pretenses. He asked to be excluded before district bonding authority was approved, lessening the impact his exclusion would have on other participants. A majority vote on City Council forced him to remain in the district against his will, with one member of Council telling Roslin that he should sue if he didn't like it. Roslin may sue the city over this act of strong-arm coercion, and deservedly so.

Hot on the heels of that controversy came another district-related debacle. Scheels (moving to Colorado Springs partly in response to a generous "incentives" package) sought exclusion from a special district, raising protests from a few businesses already a part of it. Scheels' 11th-hour decision not to seek exclusion helped council sidestep a vote on the issue. But the questions raised by this and the Michael Roslin fiasco can't be, and shouldn't be, so easily waved-off.

This raises serious questions about how these districts function, what they do, where the money goes and whether they continue to serve the long-term interests of the city.

In June 2009, city staff prepared a Special Districts White Paper. City leaders should go back and read it. Much of what's in the paper is even more relevant today than it was back then. The paper didn't just document an explosion in the number of districts across the city, but it included 15 reform recommendations designed to bring more transparency, accountability and rigorous analysis to the approval process. Those recommendations fell into a black hole and were never seen again, from what I can tell. The challenges, problems, concerns and questions highlighted in the report have only grown more numerous, complicated and urgent in the past ten years.



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It's time to pause the push for additional new districts until we fully understand whether those already in place are functioning as they ought to and delivering the benefits they should. Colorado Springs can't afford to let another decade go by – we can't afford to let another year or two years go by – without coming to grips with this issue and its implications. Please halt the approval of new districts until an independent and comprehensive review of district policies and practices has been conducted.

The attachments we have included with this letter are supportive documents highlighting some of our concerns from our research on special taxing districts in El Paso County. With each document we have included a brief statement regarding its importance to this sensitive topic. If you have any questions, please don't hesitate to contact us:

- *Scheels Tax Credit PIF Signed Ordinance – A reduction of city sales tax obligation that would have otherwise gone directly to the City.*
- *Lowell Metro District 2017 Audited Financial Statement – Example of a special taxing district that is currently in the red and not able to make their debt obligations.*
- *Resolution Sales Tax Increments North Nevada Avenue – The North Nevada Avenue Corridor Urban Renewal may not contribute to the City's tax base for a period of 23 years, not to exceed \$98.8 million.*
- *Gold Hills Mesa Metro #2 Property Tax Statement – Charges for the Gold Hills Mesa Metro District #2 reflected on the County Treasurer's property tax statement. I believe this contributes to the confusion of citizens who live within these districts.*
- *Article: "Colorado's debt-laden metro districts need a dose of sunshine" – Article that discusses the results of a special district in the worst state, bankruptcy.*

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Fourth Estate News Bureau