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Urban Affairs
November 07, 2014

[LR555]

The Committee on Urban Affairs met at 1:30 p.m. on Friday, November 7, 2014, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR555. Senators present: Amanda McGill, Chairperson; Sue Crawford, Vice Chairperson; Colby Coash; and Bob Krist. Senators absent: Brad Ashford and Russ Karpisek.

SENATOR MCGILL: All right, folks. I think we are...we've got the senators here with us that we know are going to be here today. We had one member of our committee put in his resignation the other day, so Senator Lautenbaugh is moving on to bigger and better things a few months early. But we have with us to my far right Senator Bob Krist, then Senator Sue Crawford, our legal counsel in his second official hearing, Trevor Fitzgerald. Of course, I'm Amanda McGill from here in Lincoln and then Colby Coash also from Lincoln. And we've got Katie Chatters down there is the committee clerk. Before we get started, just make sure you silence or turn your phones to vibrate. When you come up, make sure you bring the form that you can find at either doorway so that we have your name and information for the record. And of course, when you get up here say and spell your name for us. We are not going to use the light system today but we do appreciate you being as concise as possible so trying to sum up your thoughts in about five minutes would be really appreciated. And with... [LR555]

SENATOR KRIST: Can we vote on that? [LR555]

SENATOR MCGILL: All right. Do we want to use the lights? I mean generally speaking, I think we'll be okay. With that, Senator Crawford, you can go ahead and open. The room doesn't seem that packed so I think we'll be okay. [LR555]

SENATOR KRIST: Just remember, it is Friday afternoon. [LR555]

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SENATOR MCGILL: Maybe if you're going on ten minutes, I'll give you a look so...or once you hit the five, like, okay. [LR555]

SENATOR CRAWFORD: (Exhibits 1-6) Well, good afternoon, Chairwoman McGill and members of the Urban Affairs Committee. My name is Senator Sue Crawford, C-r-a-w-f-o-r-d, and I represent the 45th Legislative District which includes Bellevue, Offutt, and eastern Sarpy County. Sanitary improvement districts or SIDs are a type of limited-purpose political subdivision that is unique to Nebraska. First created in 1947 and 1949, SIDs are primarily utilized in urban areas to facilitate growth outside of city limits, generally with the expectation that these areas will eventually become part of the city. Using SIDs in this manner ensures that new infrastructure development is paid for by those who will benefit from it and that residents in the center of town are not subsidizing growth on the outskirts. The purpose of LR555 is to examine the interaction between SIDs and nearby municipalities, with a particular eye on how SID residents gain access to basic services. To the extent that county governments have authority within the boundaries of SIDs, the study will also examine the role of counties in providing services to SID residents. As the committee will see from the spreadsheet put together by committee legal counsel, there are 325 SIDs statewide as of last year. Of those 325, more than 80 percent are located in either Douglas or Sarpy County. Douglas County currently has 158 SIDs while Sarpy County currently has 111. The next highest county for SIDs is Cass County, which has just eight. So the SID issue is really a critical issue in Douglas and Sarpy County and quite a few SIDs in Sarpy County, which is why it's an issue that has come to my attention throughout my term here. Last week my office hosted a stakeholder meeting for individuals and organizations that contacted either my office or committee staff regarding LR555. Attendees included county and city officials, SID board members, real estate developers, and attorneys who represent SIDs. Discussion at the meeting centered on five basic topics: One, access to services by SID residents; two, the role and authority of counties and SIDs; three, issues related to annexation of SIDs; four, SID structure and governance; and five, tax implications of SIDs. For many SID residents, the practical effects of living within an SID

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may not be immediately obvious. When buying a house, standard disclosure forms will indicate that a property is in an SID. However, homeowners signing these disclosure forms does not necessarily know what a sanitary improvement district means. As we said, this is a unique feature in Nebraska and this is not necessarily a common term that people from other states would know or even a person who is not from Sarpy or Douglas County would know. Most states have special districts that often overlap with other jurisdictions. So to know that you're buying a house in something called a sanitary improvement district does not convey sufficient information to inform the buyer that the property is outside of the city and doesn't come with the city privileges or services. If I was buying a house (inaudible) I would probably think sanitary improvement district is kind of like rural water district. It's a district that some special...extra special jurisdiction for sanitary something or other. I wouldn't know that it meant that although I have a Bellevue address or an Omaha address, that I am not really a part of or have access to city services. And one of the handouts is an example of the realtor sheet. And the part that tells them they're in an SID is 13, near the bottom of that front sheet. So you'll just see it just says...there's a place there that indicates the SID number that they live in and that's the notification to someone that the property that they're purchasing is in the SID. Most SID boards contract for basic services like snow removal and garbage collection. But SID residents often don't realize that while their street address may say Bellevue, they can't access other city services like the Bellevue Public Library on the same terms as a city resident. Similarly, the election offices in Douglas and Sarpy County regularly field phone calls from angry SID residents who don't understand that since they're outside of city limits they're not allowed to vote in municipal elections. In 2008 the Legislature passed LB768 which allowed an SID to contract with a nearby municipality to provide library services to SID residents. Since that time and despite outreach from cities in Sarpy County to nearby SID boards, no SID has elected to contract with a municipality for library services. And I believe today we have representatives from the Nebraska Library Commission and local library boards to testify about continuing issues that many libraries struggle with in providing library services in SIDs, particularly to children in those districts. Aside from library access and municipal elections, the primary

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issue that city and county officials report hearing about from SID residents is code enforcement. While all classes of municipalities can enforce zoning ordinances in SIDs located inside their extraterritorial zoning jurisdiction or ETJ, the authority of cities to enforce other types of ordinances is inconsistent. For example, the general ordinance authority statute for first-class cities was amended in 1988 to allow the enforcement of those ordinances within the ETJ. But similar general ordinance authority statutes for other classes of municipalities do not contain similar ETJ enforcement language. And while some classes of municipality have authority to enforce health and safety ordinances or garbage ordinances within the ETJ, the statutes dealing with nuisances like weed height do not currently include enforcement authority within ETJ for municipalities. From the perspective of municipalities, SID residents do not pay for municipal property taxes so city code officials likely feel the need to focus enforcement efforts inside of city limits for city residents. From the perspective of SID residents, they argue they pay city sales taxes and are required to follow zoning regulations so code enforcement by the municipality makes sense to keep the properties in the SID in good shape for potential annexation. While the purpose of LR555 is not to advocate for a particular resolution to this code enforcement question within SIDs, the research and discussions that have occurred as part of this study shows a need to at least clarify the authority for municipalities on these issues. And I think the hearing today and the discussions we've had so far have been good to provide a forum for having those discussions about what the issues are and where. And Trevor has done a great job of digging into the statutes to see what the statutes actually say about that authority and where we have inconsistencies in terms of the authority for municipalities. While city code enforcement authority within SID boundaries is vague, the authority of counties or lack thereof is clear. The Legislature granted counties ordinance authority in 2009, but this authority is extremely narrow, limited to the list of subjects spelled out in Nebraska Revised Statute 23-187, a copy of which was distributed to the committee. Legislation that would have expanded this list to allow counties to regulate peddlers, hawkers, and solicitors was introduced last session. Historically there has been a reluctance to give counties ordinance authority of any kind and this...the bill introduced last time was

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stalled also due to this reluctance. For most SIDs the eventual goal is to be annexed by a nearby municipality. Aside from the issues related to basic services that I've already discussed, the process of annexation presents unique challenges, particularly when it concerns older SIDs. In 1971 the SID statutes were amended to require the SIDs within the ETJ obtain municipal approval prior to the construction of streets, sewer lines, and other improvements in order to ensure that the development was consistent with the city's master plan. Since these changes, municipalities will generally work out agreements with the newer SIDs to ensure that the debt loads for the SIDs are manageable and that the SIDs will be on track for annexation. Older SIDs that predate those changes tend to have higher debt loads and lower quality infrastructure that make them less attractive for annexation. Because an SID must be contiguous to city limits in order to be annexed, the presence of some older SIDs that might not be annex ready right outside of city limits can sometimes prevent municipalities from annexing newer, annex-ready SIDs that are further out. At the stakeholder meetings, we began the discussion of some creative ways to address this challenge. The hearing today provides an opportunity for testifiers to offer suggestions for any strategies for moving forward with that issue. Turning to structure and governance issues, SID board elections are unique in that they do not follow the basic principle of one person, one vote. The board of trustees are instead elected by a vote of the property owners in the SID on two separate ballots, one ballot which only residents of the SID can vote on and the other ballot where property owners get one vote for each piece of property that they own in the SID. And one of the handouts summarizes those rules for the two ballots so that you can see that, the way those elections work. In the first and second trustee elections, board members are elected solely on the all-property-owners' ballot with the number of trustees elected on the resident-owners' ballot increasing until the election held eight years after the first election at which point a majority of trustees are elected solely by SID residents. SID elections are also not held during the primary or general election. Elections for SID boards of trustees take place on the first Tuesday after the second Monday in September and are conducted entirely by mail ballot. In preparing to mail ballots for an SID election, the county election commissioner or county clerk must

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contact the register of deeds to designate those SID residents and property owners eligible to vote not more than 75 days prior to the election. This 75-day window commonly falls around the 4th of July holiday which can present challenges to election officials and SID representatives trying to meet the statutory deadlines for SID elections. The committee should have received a copy of draft legislation that would change this window from 75 days to 80 days as well as a letter supporting this change from the Douglas County Election Commission. One SID-related issue that was actually examined by the Legislatures's Tax Modernization Committee last year was the property tax rates within the SIDs as compared to the surrounding municipalities. As you will see from the SID spreadsheet, the statewide average levy rate for SIDs is 64.3 cents compared to a levy rate of 49.9 cents in Omaha and an average levy rate of 57.7 cents in Sarpy County municipalities. While typically property tax rates go down when the SID is annexed, the overall high property tax rates in SIDs could play a role as the Revenue Committee considers property tax relief in the form of what are known as circuit breakers. In addition to the library officials I've already mentioned, a number of city and county officials are here to testify today and potentially SID residents and board members, real estate developers, and attorneys who represent SIDs. I appreciate the opportunity to have this in-depth conversation about SIDs and also want to thank the committee staff for assisting my office in preparing the handouts for today's hearing. Thank you for your time. I'd be happy to try to answer any questions. It's been a great learning experience to learn about... [LR555]

SENATOR MCGILL: I bet. [LR555]

SENATOR CRAWFORD: ...what these entities are. And Trevor has done an excellent job of combing through the statutes to help us figure out and compile all this information about what the issues are relating to SID on those four important fronts. [LR555]

SENATOR MCGILL: Great. Senator Krist I see has a question. [LR555]

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SENATOR KRIST: Thank you, Chair. Just for the record, I want to clarify. You went through an election process criteria chronology. I understand that by statute there is a requirement for two separate ballots for each SID? [LR555]

SENATOR CRAWFORD: That is my understanding. [LR555]

SENATOR KRIST: Okay. So is that...and again, because of familiarity with SIDs and having lived in those that...and been a president of one, we did not have two separate ballots. Is there a time frame where the two-ballot requirement goes away? And the answer is, yes, it phases in. So just for the record I want to make sure that that...because it was, Senator Crawford, a little unclear. [LR555]

SENATOR CRAWFORD: Okay. [LR555]

SENATOR KRIST: But there's a point in time where there's two and then the SID ages and then it becomes mature, if you will, and then it's either on each property or each property owner and actually the SID I think--and we may hear this later--can restrict multiple property owners from having multiple votes within its own guidelines. So I think... [LR555]

SENATOR CRAWFORD: That's an interesting question. I don't know the answer to that. Okay, okay. [LR555]

SENATOR KRIST: Yeah, and I think that's true. Editorial opinion, I think the statutes at least within the election process I think you've hit probably the largest of the issues on the head with the legislation and that is, give them time past the 4th of July to do what they need to do. [LR555]

SENATOR CRAWFORD: Okay. [LR555]

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SENATOR KRIST: I know that that's been an issue, but I think the statutes that are in place right now have done a really fine job of outlining covenants or ordinances within the SID. So thank you for bringing this forward. [LR555]

SENATOR CRAWFORD: All right, thank you. [LR555]

SENATOR MCGILL: All right. I think that's it for you for now. Come and join us back at the table and since this is a legislative resolution hearing, there's no one here for or against and we...so we will just take people first come, first served to come up and speak. We do not have a list of who should start the ball rolling, so whoever feels the fire to get up and talk about SIDs...Mayor. [LR555]

JAY VAVRICEK: Good afternoon, nice to see you. And my name is Jay Vavricek, last name is spelled V-a-v-r-i-c-e-k, and I have the honor and privilege of serving as mayor of Grand Island. So I'll give you a snapshot of this topic because people that live outside the city limits are people and they're just as important as any resident. So consequently, when you look at some of the services that the city provides its residents--some of those same services of course are extended to our neighbors a block outside the city limits or two miles or whatever--but there are some differences and which I'll get to. And I'll ultimately give you a snapshot of what...a SID improvement district was legislated here a year or so ago because I think right now we have just one. So when you look at Grand Island, people that live outside the city limits, obviously, they don't have the police services, they have Hall County Sheriffs. They don't have the street maintenance from the city, it's Hall County. They don't vote in municipal elections, as Senator Crawford indicated. And obviously, they don't pay certain taxes, property taxes, as well as they're avoiding any large tickets for vehicles. So since they license their vehicles in Hall County outside the city limits, they receive that break. But nonetheless, each one contributes in their own way because they're part of our metropolitan statistical area so they're counted in our population base, which is why we're now an urbanized city. But also they are an important customer for all our businesses as well. So when you look at

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that ingredient, they definitely take part in other services. My daughter lives a mile and a half outside the city limits so her two youngsters, my grandchildren, they're at the library all the time. Heartland Public Shooting Park, potentially for that facility, Island Oasis, Lincoln Pool, you go right through all the different amenities, Heartland Events Center, all those different things, the parks that we have. So all those different things are technically not a resident but they have the opportunity to use for services that we provide as you're well aware of. We also have interlocal agreements between Hall County and the city of Grand Island and probably the most maybe of any municipality in the state. So we have an interlocal agreement for ambulance services between city and county. So the Grand Island Fire Department provides that ambulance service to residents and nonresidents in our zoning jurisdiction as well as residents. Emergency management is also a joint department so they have that same opportunity as well as any resident that is in need. Then you go right on down the line. The things that we provide: oversight, the city provides oversight. Planning department and that zoning department, obviously, are determined by our council, which they don't have representation by voting but they definitely do have representation by influence. And so many times people will attend those hearings knowing that indeed that decision is going to affect them. And they do provide influence on decisions. Occupancy permits, conditional use permits, we've had sand and gravel operations, from feedlots, to cell phone towers that are determined at the city council level that also are entrusted as the understanding that the two-mile zoning jurisdiction is a buffer for 45,000 people. So when you look at the services in there, many times those residents are also receiving city electrical services. They're part of the territorial service agreement that we have with the Grand Island utility department. They're a customer, but they may have limited ability for water and sewer. But yet some residents do receive benefits of city water that's been determined, from the city's perspective, to supply, as well as we've had recent experience with pollution that has been also then brought forward (inaudible) entities that's made that extension of water possible. So we have customers in the city on water as well as nonresidents. We just formed a municipal planning organization so we're looking at transportation issues that affect our whole region. And we're just

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concluding...we're going to be announcing a visioning effort here Monday that will hopefully transcend our community in ways we can be better and grow and determine how to do so and they've obviously been a part of that. Education, obviously they're involved in all those components. Typically, the city has been somewhat consistent on annexation policies, so there are some areas outside the city limits that are not contiguous that may some day be annexed. But nonetheless, they stand alone as they do right now. The one sanitary improvement district we determined...four years ago when we took office--and the city administrator is here as well--this was somewhat scoffed at from the city's inability to extend sewer three or four miles south of town to the interstate. Well, ultimately, the council charged the administration that the city would extend that and create a sanitary improvement district knowing that indeed those costs would really not be borne by the ratepayers of the city. So through a number of loans from the state and also the creation of a sanitary improvement district, the sewer itself is going to be extended three miles south of town to the interstate. And the city has a vested interest to do so for a lot of reasons to promote growth and new jobs. But the front door of our community was threatened because a lot of the wastewater pools and so forth there were obsolete and they could no longer have businesses operate without that potential extension. So we do have that, but that was determined by the city council to move forward. And under the circumstances, the only way they would consider it was largely at little or no impact in cost of services. So in terms of this, I'm not familiar with some of the minutiae that you remarked about on boards and timing and so forth. But this particular tool I think was a win-win for the city. Long term it's going to be a fabulous opportunity to promote growth. But I think it's also a win for those front-door businesses that otherwise would have to close their doors or consider their own sanitary improvement districts on their own, which would almost be so expensive that you couldn't even do it. So I think it's proved wisely. Last thing: Between the city of Grand Island while I've been mayor, and also Pam Lancaster, the Hall County Supervisor, we've had a strong relationship where we've tried to cooperate between city and county. And I think when you have that opportunity to cooperate, maybe you can avoid issues or figure out ways to work them out. And then finally, that's not to say that some areas in

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the future may not be sought for annexation, but that would require that an open process annexation policy, knowing that the city would need to replace some services that those residents have now on their own, take on extra costs. And I would not say that that's out of the question in the next ten years. Okay? [LR555]

SENATOR MCGILL: All right. Any questions? Senator Krist. [LR555]

SENATOR KRIST: Your testimony makes me make just a comment... [LR555]

JAY VAVRICEK: Yes, sir. [LR555]

SENATOR KRIST: ...and I see Mayor Black is here so I'll ask him more specifically when he comes up. But the reason that the levies are as high as they are for the SIDs is because the developer is adding municipal services in some of our SIDs, most of our SIDs, that after those residents pay them off the city then annexes them when their debt level goes down. So just so for the record, there's a reason why people pay more in an SID. It's because they are paying for the infrastructure and in the case of you said city building codes, very important that the building code matches the city that potentially will annex them. And of course there are some better building codes than others but I just want to make the point. You're free to comment on that if you'd like to. [LR555]

JAY VAVRICEK: Sure. Yeah. No, I appreciate that information as well. This SID was basically created...borne by the cost for the sanitary improvement district themselves. So with my knowledge, there is no extra cost for any municipal services beyond that. But then hopefully when you look at what we have with potentially new customers as being a city resident, I don't think we're making policies now or treating anyone in any different way thinking they would be annexed or not. Ultimately, I think it comes down does it make sense for the city to promote growth and also expand its tax base and then take on the extra burden of that? But I think your point is well taken. I didn't know about the extra costs that developers have that to recoup that because we're essentially

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providing that at no charge now. And as you can see, when I heard we have 80 percent of these going on in Douglas and Sarpy County, we have one,... [LR555]

SENATOR CRAWFORD: Right. [LR555]

JAY VAVRICEK: ...it just shows the differences that you struggle with a statewide policy, so. Yeah, very good. [LR555]

SENATOR MCGILL: All right. [LR555]

JAY VAVRICEK: Senator McGill, thank you for the opportunity to testify and, ladies and gentlemen. [LR555]

SENATOR MCGILL: Thank you, Mayor. [LR555]

SENATOR CRAWFORD: Thank you, Mayor. [LR555]

JAY VAVRICEK: Thank you, Senator Krist. [LR555]

SENATOR KRIST: Thank you. [LR555]

DAVID BLACK: (Exhibit 7) Since you mentioned me, I figured I'd come up. Thank you. David Black, mayor of Papillion, D-a-v-i-d B-l-a-c-k. Thank you for the opportunity and thank you for the previous hearing that we had as well. I handed out a letter which is most of my testimony, but I made a few other notes so I'll deviate from what I handed out a little bit. But it is the bulk of it and there are some attachments there as well. I'll just start out saying that from Papillion's perspective, we believe that the SID tool is the most effective and powerful economic development tool we have. In the last 20 years, we have grown from a town of 5,000 to we are 20,000 now within the city limits, not the extraterritorial. And that is a lot of SIDs and a lot of SIDs being annexed, so we have

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brought them into the city when it made sense. We do recognize it's a very unique tool to the state of Nebraska and we also recognize within Nebraska it's very unique to Douglas and Sarpy as was mentioned. So again, a statewide policy might be a little hard to think about in some cases. The purpose of the hearing was to examine how cities and villages provide services to residents located in the SIDs. And I think the short answer is, we really don't provide services, the traditional services. And in the simplest terms--and I used this example the other day--follow the money. The SID residents do not pay city property tax through a levy. City services are funded by property tax. If you don't pay property tax, you don't get the service. If you pay the property tax, you get the service. So the simplest thing...way that I...even SID boards and residents themselves, follow the money and that helps to find the services that are provided and when they'll be provided. They are...SIDs by nature are limited purpose. The limited purpose is to help and aid in the development and to get it ready for annexation. One of the handouts I provided is a brief list of services that we do provide. It's the one that's listed ETJ services. A lot of that has to do with the growth and the reasonable growth that was referenced earlier: planning, building, engineering, and those types of things. So we do provide services and those are very valuable services that are provided. But as you think about SIDs, just like any tool, that tool can be used appropriately and inappropriately. And you can find SIDs that are not financially healthy. You can find SIDs that have bad infrastructure. The tool was not used appropriately there. But just like in your own toolbox, if you've got a hammer that's working, you don't throw out all hammers. It is the most effective tool we have from an economic development perspective. Most of the question around health of an SID ultimately centers around debt. It's either the debt level that's going to enable them to be annexed or it's the debt level that's going to prevent them from being annexed. Debt is controlled really at two different places. The first of all is when the development is first created and the city is working with the developer. And one of the first things that's created is the subdivision agreement. That subdivision agreement is a contract. And since now we have two parties developing a contract, we can put in what those contract terms are. In Papillion's case, and I'm only representing Papillion, we believe we have a very good handle on

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what's appropriate in that contract: what's appropriate things for the city to take on, what's appropriate to put under the SID, and what's appropriate for the developer to keep. In the original days of SIDs, I don't think cities understood the SIDs and I think the developers did. And obviously, if you've got two negotiating parties, one doesn't understand and the other one does, some things are going to shift one way or another. We understand it and we've got a good relationship with the developers and I believe we have good negotiators at the table. We've got...one of our policies that we now have in place is we control through subdivision agreement how much general obligation debt that developer can place on that SID. Without something like that, the developer could load up a lot of debt on that SID, putting too much risk on the residents. We don't allow that. We have defined a ratio that we believe is appropriate and we know the types of things that probably belong in there. And we can work with the developers then to define, no, that's not an acceptable risk to put under the SID. You, as a developer own that risk, can keep it. And then if it is appropriate it goes under the SID. That's critically important because if that ratio is kept in line with what would be reasonable, then the moment that SID is approved and if build out occurs, it's on the path for annexation because the debt load was appropriate. After that SID is created, it's now...the next checkpoint is the SID board itself. You mentioned the levy being high and some of that being because of municipal services. And I also heard a comment about property tax relief and it's a very high priority in this state. You want to be very careful that you don't end up solving one problem and creating another problem. The levy that the SID has I don't believe is for municipal services, it's for the debt that funded the infrastructure that created an SID, not municipal services. The...so they're paying for the debt that was the reasonable growth that they are creating. So they put a burden on the system; they are paying for that burden themselves. So if you push for property tax relief within an SID context, if you push for property tax relief, you're lowering the levy. The levy is there to service the debt. If that debt service doesn't get funded at an appropriate level, just like your house mortgage, that debt is going to have an extended life. If that debt has an extended life, you're pushing off annexation. So in property tax relief I would encourage you, don't put the SIDs into that. Back to the subdivision agreement: One of the things

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we are starting to contemplate putting into our subdivision agreements, and we actually have it in a couple, we're forcing the levy to be high. We're saying...the city levy in Papillion's case is 45 cents. That SID, it might be appropriate your levy is 90 cents because you know what? It's accelerating the reduction of the debt by keeping it up. The faster that debt goes away, the faster you're annexed, your 90 cents goes away. You're now at 45 cents with 100 percent city services. So be careful when you think about the level of the levy within the context of an SID; it's a little counterintuitive. As far as annexation, I believe a lot of people in SIDs if they don't think about it, they think it's a very subjective decision. You don't want us because of the cost of services; you don't want us because we have to collect a library fee when you want to check out a book; you don't want us because you're getting extra fees for water and sewer. In effect, it is a pure financial calculation. In Papillion's case, we review 100 percent of the SIDs every other year and we run a financial calculation. I gave you a copy of the last one we did. What's important to see in here is when you look at the revenues, we're only looking at general fund revenues that would come out of that annexation. What that implies is water and sewer rates are not a consideration. When we project our water rates, we know we'll be doing some annexation so we're planning for those double fees to go away and we don't count that double revenue in our annexation policy, so if you ever have any question on how we run an analysis. The other thing we do is we understand not all SID boards are educated on how the SID process itself works, especially once you start getting the residents on the boards and not the developers. We started a practice in Papillion of reaching out purposely to every single SID board and walking through our annexation policy and their specific financial analysis and educating them then on what's in their control that can speed up the annexation process. And a lot of it has to do again with keeping the levy up so you can generate the cash to pay off the debt. And again once that debt service is reasonable, we'll annex. And so we are actively educating the SIDs on that. And I will tell you that this last year I think because of our starting to educate the SID boards, one of our SIDs, the residents I think actually woke up that that is an elected position and they do have representative government. And if they run for the SID board, they're in control of their SID board. Our election

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commissioner told us that SID we worked with, they had the highest turnout he's ever seen in an SID election. They have a 100 percent turnover of the board. We do have representative government within the SIDs. It just happened in Papillion. Over the last two decades, we've tripled in size. And a lot of that has to do with the policy and how I believe we've managed it. They are an excellent tool for us. We do not believe that Papillion would be where it's at without SIDs. I'll make a strong enough statement: It is our economic tool that's led to our success. And in Papillion's case...in the state of Nebraska it's probably safe to say Sarpy is one of the fastest growing counties. Within Sarpy, Papillion is probably the fastest growing, consistently, city in Sarpy. So when you think of state policy and what the model, at least around a ring-city suburban area, Papillion is the model to follow on how to manage SIDs. We have a high quality of life. We've been recognized nationally four years in a row for financial transparency through an independent board. We have a stable, predictable levy. We have the lowest city levy of all cities in the two-county area. And our Moody's bond rating has been at an investment grade for four years. And I was just on a Moody call yesterday to rereview it and they gave us a strong indication it will remain at investment grade. I only say that to show how healthy Papillion is. And I go back to it's because of our economic development and the most effective tool has been the SID structure. A couple of other random thoughts: The libraries, and the library director for...the representative for the state library is here but she also happens to be Papillion's library director. So if I misstate anything, she can fix my misstatements. But in the case of Papillion...because I think libraries is one of the biggest issues that comes up, but I want to give you a context. Our budget--I usually say \$1 million, I think she says \$800,000, but it's \$750,000, somewhere in there--but a third...the comment that an SID resident cannot use the library is not true. When you think of the library, think of two things: services versus circulation. A lot of things occur within a library where you do not check out a book. One hundred percent of the residents of the SIDs can use the library services. You will not walk into a Papillion library and be turned away for programming. And you will...at this point in time, you will not be charged a fee for that programming. Where you will encounter the frustration is when you go to the circulation desk and actually want to

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check out the book, one of many services that's provided. A third of our circulation is to SID residents or people outside the city at least. So if you think of our size of our budget and a third of the circulation is outside the city limits, people outside the city limits are using at least a couple hundred thousand dollars worth of budgeted services. Those people pay a \$45 fee for their library card. Those people that pay \$45 are contributing about \$30,000 to us. So they're getting a couple hundred thousand dollars worth of services for \$30,000. I think it's a benefit to be in an SID and buy a library card. You're getting more services cheaper than a city resident is. And so think through the dollars again. Follow the money when you talk about the services. They're actually getting a pretty big bargain. When that policy did go in about cities being able to contract with SIDs or library boards, both our library director to the library board did reach out to some SIDs. And then I myself when we talked to the SIDs, we talked to everyone and we did offer that up. Do you want to get into an interlocal with us and offer everybody? Every SID board came back and said, no, we don't want a contract for services. Residents can just do what they need to do. So the SID boards didn't want to take advantage of that legislation. The Grand Island mayor mentioned some interlocals and services that are provided. We do a lot of interlocals as well. In the city of Papillion, our city fire department...we actually run fire and EMS for three different jurisdictions. We run fire for the city of Papillion, we picked up the city of La Vista this year, and we also do the rural fire district, so we actually run fire for 60 square miles. One hundred percent of our SID residents receive city fire and EMS. Countywide, we have interlocals where everybody uses one combined 911 center, so it doesn't matter where you live, you get the same 911 center pretty much at the same cost. The sheriff has an interlocal with the police department so city police services will extend into the SID upon invitation by the sheriff. And from the city's perspective, our school district spans almost all of our SIDs. City services are provided into the school district. I have about five police officers dedicated to the schools through the SRO programs and those types of things. Every one of those officers is interacting with an SID resident, an SID child. One...the other idea that...we might hear once in a while that SIDs don't believe they're represented within the city. Technically did they vote out for us? No, but they are a future growth

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area so we're thinking about our future growth area so in that sense they do have some representation. But state legislation does require certain boards and commissions to actually have SID board members on them so they are represented: planning commission, board of adjustment, and those types of things. So they are represented in the process. Last comment...it's not in the handout at all and it's just kind of a random thought I've had. There was a reference made about a certain date when some legislation went in. So you've got predate/postdate issues with some of the SIDs. I don't remember what the date was, but some of the problems I think you see with old SIDs are the ones that are before that date. One of the thoughts that I've had--and it's not legal to do it because of legislation--but if you're thinking of ways to craft legislation maybe to solve a problem, one of the ideas that I've got is, those SIDs in a lot of times tend to be grouped together. And in Papillion's case it tends to be a lot of the SIDs that are east of 72nd Street. So if you're familiar with Papillion, it's the Eagles and those out there by the golf course. Individually they are not ready for annexation because their debt level is too high. So when we run the financial calculation, it does not make sense to annex them and their levy is higher than the city levy. However, if I could draw a boundary around all of those SIDs and put them into one clump through some type of defined district or area and in one package annex that whole fell swoop, overnight they get 100 percent of city services, overnight their levy drops down to 45 cents, the city levy. However, at that moment all of their debt became mine and I have to provide all those services and that's where it ends up not working out financially. If I could take their combined debt, refinance it under my bond rating, I could lower their rate most likely, spread it across all those SIDs. And if I could put a levy on that district just for that debt service so that group of SIDs is still lowering their own debt, that levy for that new debt service or that refinanced debt service plus the city levy is still probably less than the levy they're paying today. So if you talk about property tax relief, that may be one way to accelerate getting rid of those old issues, enable annexation a little bit quicker, provide them all of the services. The new SIDs after that date are being managed responsibly through the subdivision agreements, the levies, and those types of things, at least in Papillion's case. Thank you. [LR555]

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SENATOR MCGILL: All right. Senator Krist. [LR555]

SENATOR KRIST: Where do I... [LR555]

SENATOR MCGILL: You've given us such...he's given us such good information, I'm kind of glad I didn't use the lights, you know, because you would have never fit that in. But there was a lot of really good information in that. [LR555]

SENATOR KRIST: Absolutely, which brings me to my point. Where do I start? First of all, to your last point, what you're suggesting is both a cure for SIDs that may never be ready for annexation based upon debt level at their current rate and also the games that are played by other cities, not yours--and I echo your beating your chest because you guys do a great job in Papillion, and I mean that--but the other issue is the contiguous part of it. If you're able to reach out with...and redefine the boundary and redefine...now by law I would say that has to be a vote of the SID. [LR555]

DAVID BLACK: And I would have no issue with that. I would agree that would probably be required. [LR555]

SENATOR KRIST: Right. Okay, well that...it's a wonderful concept and it should be explored for sure. [LR555]

DAVID BLACK: And at least in our case, by doing that boundary because of a recent annexation we did--because we do, do annexation--in our specific case, that whole area of the Eagles with one annexation we just did at 72nd and Cornhusker was Settlers Creek commercial, I have that point...that contiguous point now to that district that I would define. [LR555]

SENATOR KRIST: And you're redefining a price point, basically, within that contiguous.

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[LR555]

DAVID BLACK: Yep. [LR555]

SENATOR KRIST: Okay. And then, you know, people say all the time, shame on Sacramento for wanting to go bankrupt or shame on whoever. Well, we need to look in the mirror because, of those SIDs out there, Chapter 11s and Chapter 13s are not anomalies. [LR555]

DAVID BLACK: Correct. [LR555]

SENATOR KRIST: I mean it's a high percentage of at least reorganization. So your plan to force the rate...the levy rate to be higher has to be carefully balanced--and I make this point for the record--with how high do you put it there so we don't force those folks into a position where they declare bankruptcy or reorganize. [LR555]

DAVID BLACK: I think the...but I...and I agree with that. There's a balance in there. Too low, you're not expiring your debt; too high, you can't afford to be there. [LR555]

SENATOR KRIST: Right. [LR555]

DAVID BLACK: But I believe some of the annexations might...I mean some of the bankruptcies I think have been caused by two areas. One, an SID was created and then that development never came about, so you didn't get the property valuation to begin with. And in that case--I've got to be real careful how I say this--but bankruptcy might have been used appropriately. Bankruptcy is a relief valve in the system. [LR555]

SENATOR KRIST: No, I agree. I'm just pointing out... [LR555]

DAVID BLACK: And in that case, it restructured things appropriately through the

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bankruptcy process and then it came out. But on the point of the levy though, if that levy remains high, I think it's actually preventing the bankruptcies because the bankruptcy is being created because you can't service the debt. [LR555]

SENATOR KRIST: Right. [LR555]

DAVID BLACK: The idea of keeping the levy up is to ensure the revenue is there to service the debt and expire it faster, yeah. [LR555]

SENATOR KRIST: I agree. I just think that there's a balance that you successfully arrived at. But that's not always the answer, to drive it up so high that they can't. [LR555]

DAVID BLACK: Yeah. [LR555]

SENATOR KRIST: And you know, if you're...are we going to hear from a developer today? If you're a developer and you have...this is how it works. I mean, you understand it, and correct me if I'm wrong. You have 100 lots and you need to sell 82 of those lots in order to basically pay for your debt level. You don't sell 82 lots, you could only sell 60 lots--which you're talking about lack of development--you're in the hole. And the only way to make that up is to either sell the lots or charge more, which forces people not to buy within the development. [LR555]

DAVID BLACK: Obviously, I'm only representing the city, but my day job, I am a commercial lender. And I'm not here representing them so I want to be careful what I say. But with a lot of the lessons learned precession and what they've gone through and some of the bankruptcies, the banks themselves have also learned about risk because they were left holding bags in a lot of cases. And so with the model you will see at least in this area--and I believe there is a home developer here that can validate it--you're starting to see a lot of the commercial lenders, the responsible ones, the

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community banks of Nebraska, they're not doing as much financing approval of the large-lot SIDs they used to have. It used to be you'd come and say, I want to get a 400-lot SID approved, and they could get that financed. And then they are faced with that issue of trying to get them. [LR555]

SENATOR KRIST: Right. [LR555]

DAVID BLACK: What's they're starting to do is phase it in, and the developers are seeing it too. Yes, we have a concept for 400 and we might have land option for 400, but we're only going to do a 100-lot phase and that SID is for that 100 lots. And so there you're staying healthy. [LR555]

SENATOR KRIST: So the utility is... [LR555]

DAVID BLACK: And once that builds out and it's healthy, let's do the next 100, let's do the next 100. [LR555]

SENATOR KRIST: You...the infrastructure and utilities are expanded as the lots are...it's a wonderful concept and they've started to go that direction I understand. Two other things, one my own comment and then another one that I'd like to make and I'd like to have you comment on it because I think you were at the Metropolitan Community College with the tax study when we were talking about some of these very issues. The annexation for anyone has to...you have to follow the rules and the contiguous part of it becomes an issue. But we have to get away from hop skipping over these areas of SIDs, particularly in a metropolitan area because it causes so many problems for Omaha, in particular, and Douglas County especially. And that's obviously not your concern and nothing you can do about it. But for the record, we have to stop doing that. And the last thing is--and I want you to comment on this--if not for the developers making it financially feasible, they would not be doing what they are doing. We're reaching a point--and we talked about it in the tax study--where, let's talk about the bluff

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that separates Sarpy from south Sarpy. Somehow the utilities and the infrastructure are going to have to go over the mountain. It's not cost effective for the developer to do that and I believe you had a comment on that during the hearing. And that is, it may be necessary for the city and the developer to go hand in hand. And we heard a lot of that from Dave Landis on just Lincoln folks here. [LR555]

DAVID BLACK: Three comments about that specifically, and you're right. If you're not familiar with the area, basically from Blair to Highway 370 in Papillion is one drainage basin from the watershed. And all of that infrastructure for sewer and water is in place because stuff does run downhill and so it's all gravity fed. Once you get south of Highway 370 a little ways, you get over the ridge line and you're into a new drainage area that moves down towards the Platte River. And that water and sewage infrastructure is not in place from the broad perspective. And the issue is, the first development over that ridge, its sewage cannot flow naturally down to the Platte River because there's no infrastructure. As a result, if you want to do it you have to pump it over the ridge line to get it into the system that's in place. That's a very expensive proposition and we most likely will not do that. So three quick comments: One, Papillion is not even going to get to the ridge line because it's not in...so we're not going to face the issue because there's a school boundary in the way that I can't get past. So until we solve the school boundary issue, I'm not going to get to the ridge line. And I know it's a little bit off topic, but it is related and I'm sure there will be conversations about that issue later on. If...assume we can resolve the school boundary issue and Papillion and Bellevue can get past that and start growing. The next thing we do is encounter that ridge line. The first thing is--and it talks about the cooperation in Sarpy County and the interlocals. The city of Papillion has its own water system. The city of Springfield has its own sewage plant. I have already been having conversations with Mayor Dill about the development that's in between our two areas, whether it's in our ETJ or outside of our ETJ, but it's our natural area. We don't know who it's going to belong to but it's one of ours and it is going to develop. We're already talking about an interlocal where some of that could connect Papillion water/Springfield sewage. So we need no solution in place,

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we just need an interlocal and a little bit of build out and we can already solve that immediate development area. But to the broader point of the rest of the development outside of that, the Sarpy County itself, the county commissioners are working on a sewer study for the entire county, that side of the ridge line. So the county is driving that and I think it's the appropriate place and they are bringing the cities into that conversation. How is that study funded? What's the...how is it done? And that study is not back but I think there's going to be a logical conclusion that everybody has to play a role in funding that if we want the development to continue. [LR555]

SENATOR KRIST: And your comment about school district is right on because you've got to connect the dots. You've got SIDs, you have TIF, and you have annexation, and you have school districts. [LR555]

DAVID BLACK: And they are interrelated. [LR555]

SENATOR KRIST: And TEEOSA is going to weigh in and drive a lot of things, so you're right on. Thank you. [LR555]

DAVID BLACK: And you can figure out TEEOSA and if you still don't solve the boundary issue, we're still not getting to the ridge line. Thank you. [LR555]

SENATOR MCGILL: Thank you. Oh, Senator Crawford has a quick question for you, Mayor. [LR555]

SENATOR CRAWFORD: I do want to thank you and I thank you for coming to the stakeholder meeting and coming here and for just your thoughtful consideration of how to manage this growth...promote and manage the growth. So I did just want, for the record, to clarify two things so...and also to thank you for sharing your creative idea of dealing with annexation. I appreciate that very much. Now we were talking about the property tax is to pay off the debt. But now does it also go to the snow removal and the

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other services that the... [LR555]

DAVID BLACK: The levy that the SID places--and I've not...I've never been on a board so I'm not an expert in this arena--but the levy is set by the board and that then is the revenue source going to that board. So there are checking accounts growing with all of this revenue. The primary obligation is their debt service. But they do have some other...they're not...I don't believe they're required to contract for any other service. If they don't do anything else, they're in the county, they're going to get county services. So the county is obligated to plow and get the sheriff out there and do those things. If they choose, as the elected officials of that SID, to go beyond basic county services and contract for extra snow removal or private security, they would have the freedom to do that as elected officials. [LR555]

SENATOR CRAWFORD: Okay, great. [LR555]

DAVID BLACK: And if they do that, that's funded through the levy which is then money that's not going to the debt service. [LR555]

SENATOR CRAWFORD: Okay, great. So I just want on the record that it's mostly debt service... [LR555]

DAVID BLACK: Correct. [LR555]

SENATOR CRAWFORD: ...but some of it may be going to the services that they choose to provide an SID. Can you tell me in a city, what percentage of your revenue is for your city services, comes from property tax versus sales tax, occupation tax? [LR555]

DAVID BLACK: Six years ago, seven years ago, almost 100 percent of...I mean, you've always got the little things, grants and federal stuff, but generally if you just look at

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property and sales tax. Eight years ago, probably 90-95 percent of Papillion was property tax. With the growth we've been having and the way we've attempted to purposely manage it, sales tax now exceeds property tax. [LR555]

SENATOR CRAWFORD: Right. Okay, so a higher... [LR555]

DAVID BLACK: So all of our growth has generally been funded by sales tax, which from a property tax relief perspective has been what's allowed us to keep our levy stable, predictable, the lowest in the two-county area. [LR555]

SENATOR CRAWFORD: Right. So just in the terms of follow the money, in your case right now the sales tax is a higher proportion of your budget. And so those SID residents are paying sales tax likely. [LR555]

DAVID BLACK: Which then is what supplements the other services that they get that they...such as the library, all of our events, coming to know our streets, they do get a lot of services and that's how it's funded. [LR555]

SENATOR CRAWFORD: Right. Excellent. Thank you so much. I appreciate that. [LR555]

SENATOR MCGILL: Senator Krist. [LR555]

SENATOR KRIST: One follow-up. I don't know, maybe somebody can correct me, but I don't know of any SID out of all of them that are here that are residential that does not have at least one homeowners association under its umbrella. And the requirement for the SID is many times driven by the homeowners association that says, wait a minute, you're going to maintain those trees, you're going to provide this, you're going to provide that. So there again is the taxpayer, the voter, the homeowners association that is demanding services which forces the SID to do what it does. And some of that has

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driven up then the levies. [LR555]

DAVID BLACK: But that homeowners association is truly representative as the homeowner so it's those residents making that choice. [LR555]

SENATOR KRIST: Absolutely. But they have no taxing authority so that has to go to the SID in order to set the levy. [LR555]

DAVID BLACK: Unless they have HOA fees, which some do. [LR555]

SENATOR KRIST: Well, the fees...yeah. The fees are in a covenant but they can't levy a tax. [LR555]

DAVID BLACK: Correct. Right. Correct. [LR555]

SENATOR KRIST: Okay, thank you. [LR555]

DAVID BLACK: I do believe the city of Papillion is probably the most responsible and probably the most knowledgeable. My assistant city administrator probably understands them from a financial perspective better than anybody in the state of Nebraska. I just offer that up. As you're continuing your research, call on the city of Papillion and we'll offer anything we've got and we'll sit down with you. Thank you. [LR555]

SENATOR MCGILL: All right, thank you, Mayor. Hello. [LR555]

ROBIN CLARK: Good afternoon, Senators. My name is Robin Clark, R-o-b-i-n C-l-a-r-k, and I'm here this afternoon representing the Nebraska Library Association and Sarpy Public Libraries. I would like to give you some information about what we feel like is an access issue in Sarpy County really based largely on the presence of the SIDs and one that we deal with on a weekly basis. We have over 70,000 residents in Sarpy County

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who do not have library services, which we feel like is a basic service for people who live in communities that feel that literacy is important, that education is important. What we are seeing in our libraries is we have people come into the library, they've just moved into the community, they want to get a library card. And we have to tell them, we're really sorry but even though your address is Papillion or Bellevue or La Vista, you live outside the city limits, you live in a SID. And of course their eyes glaze over at that point because none of them know what SIDs are. The real estate people do not educate them about what a SID is or what their services are. At that point, that's our opportunity to educate them on what a SID is and we explain that to them. They are not happy. They want the service. They are not happy that they have to purchase the service. And the service costs them anywhere from \$50 per household up to \$75 per household in Sarpy County. This has been a longstanding problem, which is why the legislation was passed in 2008 with the hopes that that would help solve the library access problem. It has not done so because the SIDs are not interested in doing interlocal agreements. We just feel like because there are so many people and so many children that are affected, even in the La Vista-Papillion school districts we have children in the same classroom who half the class has a library card and the other half of the class lives in a SID and they can't have a library card. And yes, they can have library services in Papillion. In Papillion you don't have to have a library card to come to story times or to come to programs. In other cities in Sarpy County, that is not true. You have to have a library card in order to register for a story time. You have to have a library card in order to use a computer. So there are services that are restricted within Sarpy County because of the SIDs. We are more innovative and more open in Papillion. We really try to not make the access issue more than it needs to be, but it does hinge on being able to check out materials. And even that has not stopped many SID residents. We have over 4,000 cards in Papillion; we serve over 800 families that live in...outside of our city limits. And as Mayor Black said, almost a third of our circulation is outside of our city limits. And at the same time they're only paying \$30,000 towards that. So if you have a family of four--you can follow the money here with me--a library card is \$50 and per capita is about \$40. So they're getting \$160 worth of library services for \$50, which is a

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steal deal if you're in a SID. But what if you can't afford it? And that's where the whole access issue comes. You have 70,000 people who may or may not be able to afford library cards. So you're creating a different population there. You're creating a group of people who don't have access to the materials in the public libraries. And again I believe public libraries are a basic service in most communities, especially in a community that's growing as quickly as the Sarpy County area is. Douglas County has solved this problem. Saunders County has solved this problem with countywide library services. And the Sarpy public libraries meet on a regular basis to try all kinds of brainstorming to work with the county commissioners, to work with our cities to resolve this access issue. And when Senator Crawford started having these conversations about LR555, it just seemed like a natural tie-in to at least let you know again that we would really like to resolve this because we really feel like this group of people need to have access to libraries and literacy and the materials that they can use in their schools, in their homes to be great Nebraska citizens. So thank you very much for your time, Senators. [LR555]

SENATOR MCGILL: Thank you very much. Are there any questions? [LR555]

SENATOR CRAWFORD: Just for the record, so when you're talking about a library card I think you meant it was a family fee. Is that what you're saying? So a family of four would pay \$50 for the family? Just to clarify. [LR555]

ROBIN CLARK: That's correct, yeah. A family card covers everybody in the household, so you could have 12 people in your household and it's still \$50. It's not an individual fee per individual and that's the way almost all of the...that's the way all the Sarpy libraries work. [LR555]

SENATOR CRAWFORD: Can I ask one other follow-up question? [LR555]

ROBIN CLARK: Sure. [LR555]

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SENATOR CRAWFORD: Did you ever get to the point in negotiation with SIDs where you're talking about prices? Was it a price issue or just it didn't even get to that point? [LR555]

ROBIN CLARK: It didn't even get to that point. We couldn't get it past the beginning conversation. [LR555]

SENATOR CRAWFORD: Okay. [LR555]

ROBIN CLARK: It was just, if they want the service, they can go purchase the surface. [LR555]

SENATOR CRAWFORD: Okay, thank you. [LR555]

SENATOR MCGILL: Senator Krist. [LR555]

SENATOR KRIST: So did you ever go to the homeowners association level in that conversation? [LR555]

ROBIN CLARK: I believe Mayor Black... [LR555]

DAVID BLACK: (Speaking from the audience) I went to the SIDs. [LR555]

ROBIN CLARK: He went to the SIDs. I don't know that we ever went to the homeowners' level but I know that we have put that information into several homeowners' newsletters to try to get things excited and had no response. But I will say that there is a group of people who live in Sarpy SIDs right now who are really trying to start a grass-roots movement to do something so the people can have library services in Sarpy County. [LR555]

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SENATOR KRIST: Well, you heard my comments before, I think, that it is the homeowners association that will drive changes at the SID level. So if card services and services like this are important, it will be the families and the kids and the homeowners association that will apply the pressure to the SIDs. [LR555]

ROBIN CLARK: Thank you. Thank you, Senator. [LR555]

SENATOR KRIST: You're welcome. Thank you. [LR555]

SENATOR MCGILL: Thank you, Robin. [LR555]

ROBIN CLARK: Thank you. [LR555]

DENNIS VON MOORLEGHEM: Well, good afternoon. My name is Denny Von Moorleghem, 3758 S. 184th Avenue in Omaha. I represent MOBA, the Metropolitan Omaha Builders Association, from the development side and I'm with Regency Homes. We have developed, I don't know, 5,000 lots over the last 40 years in the Omaha area. All have been through an SID. The SID engine is really what drives Sarpy and Douglas County. We can develop 25 percent more lots or we can develop lots that are roughly \$10,000 cheaper to the original buyer with the SID system. It makes development possible at the level that we used to do it. And we used to do, as Mayor Black said--and by the way, I really can't say much more than he did; he really covered the bases--but we used to do 400-lot subdivisions. And anymore since the housing slowdown...we got a subdivision we just bought from one of the banks that went through bankruptcy; the SID went bankrupt. We got a good deal on the lots. Okay, but the next phase is going to 87 lots out of the next 300, for economic reasons, common-sense reasons, absorption reasons, and all this good stuff. Fiscal agents that can really control the SIDs will not allow full developed subdivisions unless somebody has got some big money behind it, which nobody is going to put out. I mean, it's an economic thing. So the SIDs are really a good thing. The levy that we get from most of the subdivision agreements...I'm on

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about five SID boards and I'm the chairman now of about two. Okay? The levies that we get on the subdivision agreements are about 88 percent. And that's where we start, period. Or we don't start the subdivision for the reasons that you are talking about and Mayor Black was talking about. Okay? Our residents, although they kind of squawk and when the buyers go through the model homes they say, I've got to find someplace without these high taxes. But there is no place. And they do get a value, they get new streets, a new neighborhood, they get new parks, you know, and they're paying for that. So that's really where they end up. Typically, when a subdivision is annexed...and the last one that happened was...that we were involved with, their property taxes went down \$900 to \$1,000 on a \$250,000 house. And they were happy, but they fought to stay within the SID in some cases because they had local representation, because their streets they felt were maintained better and they would rather pay the rate. Okay? So it's really a good thing. It helps everybody all the way around. Mayor Black was right about the school issue, the school boundary issue. That is a big deal. I hope we can address that pretty soon on a local basis. I understand that the school administrators are working hard to get that thing done. The homeowners association input on SIDs that I know of are simply advisory. They have no control. We have trouble getting...as a subdivision matures, we have trouble getting homeowners interested in the homeowners association because it's a lose-lose situation. They get all the complaints and they get no glory. Okay? On the SID level we don't have as much trouble. The last two subdivisions that went close to annexation and one that's about to, the homeowners actually get excited as we, the developers, leave. They've been on the board long enough. They really understand that they've got a chance to help their community, their fellow neighbors, and they start taking pride. We're about to let go of a subdivision in Omaha, in fact, that I'm going to resign from. I'm not going to be around next year because it's about built out. And those homeowners are making decisions I would never make. But they're making them for their fellow neighbors. You know, they're going to do trash service, which as far as I'm concerned is too expensive, all these kind of things. Okay? But that's good. And they're actually kicking me to the side. They're actually...they have meetings...we have meetings with the engineers and they tell me it's

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at 9:00 and it's really 8:30 and their decisions are made when I get there. And that's what we want. We want them to take charge and that really happens in most of the SIDs. Okay, now there's some that have problems. As far as bankruptcy of the SIDs, yeah, with the housing slowdown since 2005, there were a lot of issues. As far as I know, there wasn't one resident hurt. The investors, the warrant holders, the bondholders were hurt and they weren't really hurt because they would spread those warrants out over 15 years instead of 5 and they get 4 percent instead of the 7 percent they had contracted to, but that's better than the .001 percent they get in the bank. So although they stretch it out, it worked pretty well for them. The courts protect the mill levy, as far as I know, for a bankrupt SID. And the subdivision we bought, we're having trouble...we, as developers, who bought the subdivision also bought the non-SID debt. And so the SID can't pay for it so we are, and we have to for market conditions. So if we don't keep the lots mowed, we don't sell lots. Okay? If we don't keep them maintained, nobody is going to live there. So the library issue is interesting because I've been on SID boards for a long time. I never...it's never come up with the residents or anything else. But I didn't know, until the meeting the other day, that an SID could even do a library thing. So maybe...and we get letters, initiatives from whoever it might be, EPA or an engineer, reminding us what our responsibilities are. So maybe that reminder from somebody would help the SID say, well, maybe this is a service we should offer. Or, maybe we should take it to our homeowners association to see if they want to do that, because as the SID matures, they have more money. As the debt is paid down, they have money to spend. And that's why this Quail Hollow is going to look at trash service. Okay? The other thing, Senator Crawford, when we were talking, you were...and we were...I get the impression, but part of this issue is homeowners don't understand the SIDs when they buy a house. Okay? And quite frankly, our salesmen don't and they've been selling houses for us for eight years. They rely on us to know. So...and I gave you copies of the disclosure statements and the law. And maybe you could expand on that. I think that would be a good thing to take...we have a...there's a one-liner there on the real estate contract that identifies the SID. And then we have to give an SID statement which identifies who's on the board and what the debt is and all those good things.

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Maybe that should be expanded to another page to say, here's what the SID does and doesn't do. It's a simple document. It's an only piece of paper. The closing packet--talking in the back a second ago--the closing packet that buyers get when they close a house is about that thick. The closing packet when they buy a house is about six pages, maybe, usually around half a dozen pages. So to add another page to that, okay, would maybe help "aleve," at least on the front end, what's going on, whether it's a new house or an existing house, if it's in an SID, you know, because we get confusion--in fact, it might help--we get confusion all the time. Who's going to plow my streets? In our subdivisions, it's the counties. It's the cheapest way. Okay? But we get calls as a developer or as a builder or as an SID chairman--when's my streets going to get plowed?--especially during the first snowstorm. That way the buyers have just moved in, okay, and whatever it might be. So I think that would be a simple way if you want to explain what's going on. [LR555]

SENATOR CRAWFORD: Thanks. [LR555]

DENNIS VON MOORLEGHEM: Yeah. I didn't really plan to testify today so I'm not really prepared. [LR555]

SENATOR KRIST: I called you out, huh? [LR555]

DENNIS VON MOORLEGHEM: Yeah, you did, so somebody better show up. [LR555]

SENATOR MCGILL: Well, Senator Krist, do you have a specific question? [LR555]

SENATOR KRIST: Couple of them and I won't take very much of your time. You have a great reputation for what you do. [LR555]

DENNIS VON MOORLEGHEM: Oh, well, thank you. I didn't know I had a reputation at all. [LR555]

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SENATOR KRIST: I want you to know that. And you do understand the system. Huh?
[LR555]

DENNIS VON MOORLEGHEM: I didn't know I had a reputation at all, so. [LR555]

SENATOR KRIST: Yeah, I would consider it a reputation. No, I would say that, you know, our experiences may be a slight bit different in terms of the SID involvement. I could not get away with one SID meeting without my homeowners association having representation at the...shaking their finger at us telling us we weren't doing something. So I guess the more mature the HOA is and the more mature the SID is, that relationship becomes closer and closer. [LR555]

DENNIS VON MOORLEGHEM: Well, what really kind of happens is that the people that are interested in the neighborhood are on both. [LR555]

SENATOR KRIST: Yep, absolutely. [LR555]

DENNIS VON MOORLEGHEM: And so they take issues back and forth. And they go (inaudible) because they don't get...20 percent of the people do 80 percent of the work and they're making the decision. [LR555]

SENATOR KRIST: Right. [LR555]

DENNIS VON MOORLEGHEM: And so...and that's what we've experienced, so.
[LR555]

SENATOR KRIST: The other...can you talk...I mean, I think you were at the Metropolitan Community College. Were you at the Tax Review? Maybe not. [LR555]

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DENNIS VON MOORLEGHEM: Um-hum. [LR555]

SENATOR KRIST: Yeah, you were. What do we need to do? I mean, I understand Mayor Black's situation where you take the wastewater, I'll give you the freshwater. I mean, that's a great solution maybe. But what do we do with the rest of the ridge line? I mean how do we make it...how do we take the fastest growing county in the United States and make it even better than what it is right now and develop that area? Or do we? [LR555]

DENNIS VON MOORLEGHEM: It has to happen. Whether it's going to happen in my lifetime is another issue, but I'm pretty old. So I...all we talk about amongst ourselves, it's going to take federal money that isn't there in the short term. I mean, that's what this is all about, federal money that's not there. Most of the meetings we have...we just had a sewer meeting in Omaha where the developers want the sewer system to go one way and the city wants it to go another way. And in the real world, it can't go either way because there's no money. [LR555]

SENATOR KRIST: Right. [LR555]

DENNIS VON MOORLEGHEM: Okay, so...but I think from what I understand, the sewer treatment plant now was mostly funded by the federal government years and years ago. [LR555]

SENATOR KRIST: Right. [LR555]

DENNIS VON MOORLEGHEM: So I don't know. Everybody has got the same goal and that's to make it work. If we can get past the schools in the next...then we can go forward for a little while till we get to that ridge. And there are...like Mayor Black says, I know there are studies going on and have gone on about how to solve that problem. [LR555]

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SENATOR KRIST: Well, thanks for coming up. I appreciate it. [LR555]

DENNIS VON MOORLEGHEM: (Inaudible)...thank you. If you have any questions...any other questions for me? [LR555]

SENATOR MCGILL: All right. I don't see any other questions. Thank you very much for coming down. [LR555]

DENNIS VON MOORLEGHEM: Okay, thanks so much. Bye-bye. [LR555]

SENATOR MCGILL: Next testifier. Looks like we have...how many more people do we have who are interested in testifying? We've got a couple of people standing right now. Sir, you can still come and sit in the front row and be prepared to come up next. Yeah, if you just want to have a seat down there and then...perfect. Welcome. [LR555]

TOM GREEN: (Exhibit 8) Chairwoman McGill, members of the Urban Affairs Committee, my name is Tom Green, and I...T-o-m G-r-e-e-n, and I'm Senator Ken Haar's legislative aide. He represents District 21. Excuse me, I have a bit of a cold today. But the reason I am here today is because our office was contacted by board members of SID 6, more commonly known as Emerald, Nebraska. SID 6 is a small district and it has...my understanding, it has less than 25 different property owners. And state law currently requires each SID to have five board members. And our constituents in Emerald are having a hard time finding individuals willing to serve on the board. And it's my understanding there are currently two board members who are over the age of 90 and, understandably, wish to retire from this responsibility. Board members have been attempting to recruit other property owners to serve on the board but their younger residents are busy with other responsibilities and don't want to be involved in SID issues. I present with you a draft of legislation I've been working on that would allow SIDs with less than 100 property owners to vote to reduce their board members from

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five to three and you have a copy of that. And I've had discussions with the League of Municipalities and they haven't had any concerns. Our office would be more than happy to work with this committee and the others who testified today and who seem very knowledgeable to find a solution to this problem. And if we could get it worked in some way to work it together in an omnibus bill or other SID-related bill, we'd be happy to get that accomplished to help our constituents have a representative board that represents their community; but they want to make sure that they're following the law and have the members that are required. But they also are having a hard time finding that right now, so. I'd be happy to answer any questions today. [LR555]

SENATOR MCGILL: Senator Crawford. [LR555]

SENATOR CRAWFORD: Thank you. Have you heard about any other small SIDs when you started this process? Has anybody else come forward that there are other SIDs that are under this... [LR555]

TOM GREEN: I have...we have not been contacted by anybody else. And Lancaster County, as we've heard, does not have very many SIDs and has traditionally not used the SID process much. So I don't know any more in Lancaster. And it sounds like most SIDs are much larger than this and this is a very small SID. There are only a few in my knowledge that are of this size. [LR555]

SENATOR CRAWFORD: Okay, thank you. [LR555]

SENATOR MCGILL: All right. Well, thank you very much. And give Senator Haar our best as well. [LR555]

TOM GREEN: Thank you. He apologizes he could not make it here today. [LR555]

ALLAN NORDBROCK: Okay, my name is Allan Nordbrock, first name is A-l-l-a-n, last

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name is N-o-r-d-b-r-o-c-k. I live in a...what should I say? I don't...I'm not very good at a speeches like some of these other people. Excuse me. [LR555]

SENATOR MCGILL: That's okay. [LR555]

ALLAN NORDBROCK: I live in SID 280. And when I bought my house...I've just lived there about a year and a half. No, in...yeah, that's when it was, wasn't it? I moved from Iowa and never heard of a SID before. And I thought a SID was like a TIF. I don't know if you have TIFs in Nebraska too. [LR555]

SENATOR MCGILL: Yeah, we do. [LR555]

ALLAN NORDBROCK: And now we were a part of a city. But I am surrounded completely by the city of Bellevue, but I'm not in the city. They...I was told one time they de-annexed me. And when I found out...to find this out is...our neighborhood is mostly farm fields. The SID is mostly farm fields. We've got a car dealership that just moved in about the same time I did and a small subdivision in one corner. And I wanted to get the weeds mowed in the lot, so I called the city because I thought I was in the city. They said, no, you've got to call the county. So I called the county weed commissioner and they said, no, you're part of the city, you've got to call the city. So I called the city back again. And that's...basically, all the people in our neighborhood run into this problem all the time. The city and the county don't know where the dividing line is. And to make it worse, one third, one third of my property taxes goes to the SID, which to me is quite high. Where I moved from, the school district and the city got most of it. This is one third of it goes to the SID. And so I went...looked in the paper, went up to a SID meeting--and they only meet what, about once or twice...it must be twice a year--and no regular time. I went up to the lawyers' office, you know, clear up in Omaha. And when I got there she says, no, they're not meeting because it was a holiday, I don't know, Mother's Day, and nobody was going to show up. And I left my name and address. They never got back to me. I saw again about three weeks later they had another notice in the paper they're

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going to meet. I went up to the meeting, they had the meeting with three people that controlled the...well, that were there. And the meeting was basically controlled by the lawyer. They never discussed anything. Everything was rubber-stamped what the lawyer had said. And this last week I tried to get minutes of that meeting. I called the county clerk. No, we don't have any records of that SID. Called the city, called the city clerk. No, we don't, but you can call them at the planning department, they might have them. Well, they had minutes for the 2013 meeting and a lot of lengthy discussion, according to the minutes, that they did, which they didn't do in the meeting I attended. But the 2014 minutes are nowhere to be had. And at the beginning of the meeting...at the SID meeting they said...made a big deal about the open meeting laws. And the SID is controlled by the...I was going to say the developer but it's changed; it's the property owner. They elect five people and the minutes on the 2/13 minutes, because they elected in 2012, and the 2013 minutes that I got from the city, three people were there. Only one of them was an elected official that had been elected in 2012. And the other two, I don't know who they were. And they said everybody was in attendance when there should have been five. So evidently the SID just is run by the lawyer and that. And to top it all off, in our MUD bill--and that's our... [LR555]

SENATOR MCGILL: Metropolitan Utility District bill or...? [LR555]

ALLAN NORDBROCK: Yeah, I think it's MUD is, let's see, water and the gas because they're down in the sewer in the mud. That's why you want to keep track. We got a letter from the city of Bellevue that said we were supposed to mow and get rid of the weeds between our sidewalk and the traveled street, which is...to me is standard. But when I...a couple of residents got upset about it. But when I went and asked the city, well, we shouldn't have even gotten the letter. So even the city officials do not know where these dividing lines are and this is some of the problems that the residents--and we're all new--have with our city government. And we vote for the trustees and everybody on the ballot represented...on the SID ballot represented the people that own the farm fields. And they get...they can outvote us because they've got more lots. I did get three write-in

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votes, just to let you know. [LR555]

SENATOR MCGILL: (Laughter) Congratulations! [LR555]

ALLAN NORDBROCK: But out of 30-some votes, that's a small...that don't matter. But now I might point out, too, in the general election, which we had on Tuesday, my wife and I were given one ballot and a person...a couple that lives on the next block were given a ballot to vote for the city of mayor. And I...because the reason I brought that up, he asked me about Proposition 1 is something in Bellevue, you know. But we didn't even get the same ballot, so the election commission don't know what's going on and I think that's a problem with the SIDs. It just...people that live in it don't know what's going on. And just to point out that--we have a homeowners association, which it wasn't filed correctly and we had a bunch of legal stuff to go through, but besides that--the homeowners association has nothing to do with a SID. They're two separate things and they don't interact with each other. I guess that's...I'd be willing to answer questions that you have. [LR555]

SENATOR MCGILL: Yeah, yeah. Allan, we're really glad you're here to put a face to some of the issues that Senator Crawford has heard about. I don't know, do you have anything, Senator Crawford? [LR555]

SENATOR CRAWFORD: I was just going to thank you for being here. I really appreciate you coming to talk about what it looks like to you, you know, as a resident and some of the unique issues that are in your SID where you have a mix of a little more rural land right in the middle of the city. It's kind of an interesting, unique situation. [LR555]

ALLAN NORDBROCK: But the...yeah, the city is completely surrounded by us. [LR555]

SENATOR CRAWFORD: Right. I know where you're talking about, yes. [LR555]

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ALLAN NORDBROCK: And another thing. We happen to be in a Omaha School District. So anything with Bellevue School District we can't belong to either, the senior center and stuff like that, just like the library. [LR555]

SENATOR MCGILL: Very confusing situation. Senator Krist. [LR555]

SENATOR KRIST: If you would have known what you do now, would you have bought that house where it was? [LR555]

ALLAN NORDBROCK: Probably not. [LR555]

SENATOR KRIST: Thank you. [LR555]

ALLAN NORDBROCK: Just a minute, I've got to check with my wife. (Laughter) [LR555]

_____ : (Inaudible)...we could have moved the house to someplace that wasn't a SID, we would. [LR555]

SENATOR CRAWFORD: Interesting. [LR555]

ALLAN NORDBROCK: Yeah, she agrees with me, so. [LR555]

SENATOR MCGILL: Well, we appreciate both of you... [LR555]

SENATOR CRAWFORD: Thank you, I appreciate that. I appreciate you coming, thank you. [LR555]

SENATOR MCGILL: ...coming down and sharing that with us. [LR555]

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ALLAN NORDBROCK: You know, it's just frustrating because residents in our neighborhood, they have all kinds of issues. And some are with the SID, some of them are with the builder. Very few of them have got to do with the homeowners association. And they can't distinguish between that. And I think the realtors need to be aware and point out to their prospective customers what a SID really is. [LR555]

SENATOR CRAWFORD: Thank you. [LR555]

ALLAN NORDBROCK: And I've done...I went on-line and found...I've got a whole file of papers here and stuff, so. [LR555]

SENATOR MCGILL: Well, thank you very much, Allan. [LR555]

SENATOR CRAWFORD: Thank you. [LR555]

ALLAN NORDBROCK: And if you've ever got any questions, she's got my phone number. [LR555]

SENATOR MCGILL: Great. Well, thank you. [LR555]

ALLAN NORDBROCK: Check with Senator Crawford, so. Thank you. [LR555]

SENATOR MCGILL: Sounds good, we appreciate you. Anyone else like to testify? Senator Crawford, do you have anything else you'd like to close with? [LR555]

SENATOR CRAWFORD: No, that's fine. I just wanted to thank everyone for your patience and time here. And I really appreciated this opportunity to dig into the statutes and have these discussions with people. I appreciate the people who showed up today to share their perspective. Thank you. [LR555]

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SENATOR MCGILL: And just acknowledging Trevor and the hard work he's done and to... [LR555]

SENATOR CRAWFORD: Yes, absolutely. [LR555]

SENATOR MCGILL: ...doing this research in the short period of time that he's been in the Urban Affairs office. [LR555]

SENATOR CRAWFORD: Absolutely. [LR555]

SENATOR MCGILL: And with that, we'll wrap up our hearing on LR555. Thank you, all. [LR555]