

SPECIAL COMMUNITY BENEFIT DISTRICTS

Special Taxing District Coordinator
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SPECIAL COMMUNITY BENEFIT DISTRICTS

DEFINITION

A Special Community Benefit District (SCBD) is a geographic district of the County established by legislation of the County Council to provide public benefits to properties that would not otherwise receive these benefits. Districts have been established in Anne Arundel County for a variety of purposes, including the maintenance and improvement of community property; insect and pest control, and the maintenance of private roads.

ADMINISTRATIVE GUIDELINES

The law concerning Special Community Benefit Districts appears in Article 6, Section 2 of the Anne Arundel County Code. The Office of the Budget has developed administrative guidelines to implement the law. The following guidelines include the process for establishing and operating a Special Community Benefit District.

Once the decision to enter into the process has been made by a community association, two steps must be completed to become a SCBD. First, a petition must be prepared, circulated and validated; and, second, legislation must be adopted by the County Council and signed by the County Executive. The central point of all districts is that they are formed to confer to properties special benefits not otherwise available to them. These benefits must be public purposes, much like the functions performed by a government.

PETITION PROCESS

The formulation of the petition and completion of the signature process is one of the most difficult and important steps to be accomplished. The petition must identify the properties to be included in the district and must set forth the purpose of the district. The designation of properties may be done several ways: 1. by a metes and bounds description of the area; 2. by a reference to a subdivision plat, including the book and page number of the plat; 3. by a listing of the property parcels as shown on the tax map of the State Department of Assessments and Taxation; or, 4. by a listing of each property by property tax account number. (See Sample Petition following this section.)

The petition must also indicate the method of taxation for the district. There are three methods of taxation currently in use. The tax may be a uniform assessment for each tax account or each lot, or a uniform rate of assessment applied to the taxable base of a property. The first method provides for an equal payment for each tax account. The second provides for a uniform payment for each lot owned. The third relies on the taxable value of the properties to determine the tax due. In the last method, the total taxable base of the community is used to determine the tax rate necessary to support the proposed budget.

The name of the community association that will be responsible for administering the expenditure of the special tax assessments must be specified in the petition. This association must meet the three criteria set forth in the Anne Arundel County Code, Article 6, Section 2-102.

The petition must also include an affidavit concerning ownership of property. All persons who sign a petition must own property within the proposed SCBD.

Before circulating petitions for signatures, the community must consult the County's Office of the Budget for approval of the petition format. The Special Taxing District Coordinator will coordinate review of the petition by the Office of Law and the State Department of Assessments and Taxation. The Special Taxing District Coordinator will notify the community association that the format and content of the petition have been approved. The community association will then photocopy the final petition and provide each property owner with the opportunity to sign a petition.

SAMPLE PETITION

I (We), the undersigned, property owner(s) of Bay Front hereby petition the County Council of Anne Arundel County to establish the Bay Front Special Community Benefit District, in accordance with the Anne Arundel County Code, Article 6, Section 2-103. The limits of the proposed Bay Front Special Community Benefit District are: those lands shown on the plats of Bay Front, Plat Book 30, folio 26, and Plat Book 30, folio 99, as recorded in the Plat Records of Anne Arundel County, Maryland.

The purposes of the district are:

1. To maintain and improve community property;
2. To provide for insect and pest control; and,
3. To defray the costs associated with the completion of the above, including repayment of any loan, interest thereon, and any necessary insurance costs.

It is requested that the method of taxation be a uniform assessment per tax account*.

The Bay Front Community Association, Inc., a civic or community association that meets the criteria set forth in the Anne Arundel County Code, Section 2-102, shall be responsible for administering the special community benefit district assessments in furtherance of the purposes of the Bay Front Special Community Benefit District.

I (We), the undersigned, affirm under the penalties of perjury that I am (we are) the owner(s) of the property whose address is _____ within the proposed Bay Front Special Community Benefit District.

**PLEASE SIGN YOUR FULL NAME AS IT APPEARS ON YOUR DEED.
IF YOU ARE UNSURE, SPELL OUT YOUR FIRST, MIDDLE AND LAST NAMES.
ALL OWNERS OF RECORD MUST SIGN.**

		_____ I vote YES
_____ Signature and Printed Name	_____ Date	_____ I vote NO

		_____ I vote YES
_____ Signature and Printed Name	_____ Date	_____ I vote NO

*As alternatives, the method of taxation may be a fixed assessment per platted lot or a fixed rate of assessment per tax account.

SIGNATURE PROCESS

The owners of over 50% of the properties in the proposed SCBD must sign a petition asking for creation of the district. Every property owner should be given an opportunity to sign a petition, even if they have previously expressed opposition to the formulation of a Special Community Benefit District. Petitions sent to nonresident property owners should be sent by Registered Mail, Return Receipt Requested. Only petitions with current property owners' signatures and all owners of record signing will be counted for approval. Each property counts as one vote. For this purpose, "property" has been defined as that which is included in a property tax account. For example, if an individual owns two lots and receives two tax bills, each property tax account would constitute a vote. On the other hand, if an owner of two lots receives only one tax bill, that property tax account would constitute one vote. The only variance to this example is when a district is being formed on the "per platted lot" basis. In that case, each lot counts as one vote.

Criteria for Counting Petitions

The County uses the following criteria for counting votes in favor of the formation of the district:

<u>Types of Property Ownership</u>	<u>Signatures Required</u>	<u>Number of Votes</u>
1. Husband and Wife	2	1
2. Partnership	2	1
3. Individual, Firm, Association, Corporation, Trustee or other legal entity	1 (Legal Representative)	1
4. Multiple Ownership	1 (Legal Representative)	1

In the case of multiple ownership, all owners must sign if there is no document designating a legal representative.

To determine the percentage of votes in favor of the district, the number of certified petitions is divided by the number of property tax accounts to be included in the district. If the district is formed on a "per platted lot" basis, the number of lots represented by certified petitions is divided by the total number of lots in the district.

VALIDATION

The signed petitions are collected by the community and forwarded to the Office of the Budget. The Special Taxing District Coordinator reviews each petition and ascertains that the signature names are the same as the property owners of record (as determined from the Consolidated Property File) and that the property is within the boundaries of the proposed Special Community Benefit District.

Once the petitions have been counted and verified and at least the minimum percentage of signatures has been certified, the Special Taxing District Coordinator will prepare a request for legislation to create the district. If the request is approved by the Administration, it will be forwarded for preparation of legislation.

LEGISLATIVE PROCESS

Upon completion of the required internal reviews and approvals, the County Executive will send the proposed legislation to the County Council for their action.

The County Council will advertise the proposed legislation in the local newspaper at least once a week for four weeks. The cost of the advertising is billed directly to the community association. The advertising details the boundaries of the district, the purpose for its formation, and the date of the public hearing. The hearing is an opportunity for those who are proponents and opponents of the legislation to share their opinions with the County Council. Upon completion of the public hearing, the Council will vote to approve or deny the legislation. If the Council votes to deny, no further action takes place.

The Special Community Benefit District is established when the legislation is passed by the Council and is signed by the County Executive. The bill becomes law forty-five (45) days after the County Executive signs it. The district cannot expend funds until a budget is formally approved by the County Council.

If a proposed SCBD is going through the process of being established during the budget cycle, the responsible association may submit a proposed budget that is contingent upon County Council approval of the legislation to establish the SCBD. Generally, the legislation must be introduced and a public hearing scheduled prior to March 31 of the calendar year if taxes are to be collected July 1 of that year.

BUDGET PROCESS

Appropriation

Each year the Special Community Benefit Districts are given an opportunity to prepare a budget for the next fiscal year. The budget preparation cycle begins in October and ends January 31 of the next calendar year. The County Code requires that all budget requests be submitted to the County on or before January 31 preceding the beginning of the next fiscal year on July 1. During the October through January period, the Board of Directors of the association responsible for expending the SCBD assessments must prepare a budget outlining the proposed expenditure items and the proposed tax rate. The budget must be presented to the property owners for their comments no later than December 31. It is the duty of the Board to prepare, adopt, and submit a final budget to the County.

Anne Arundel County Code, Article 6, Section 8-106:

Special taxing districts.

(a) Unless otherwise provided by law, special taxing district budget requests shall be prepared by the board of directors of the civic or community association administering the district and submitted to the property owners for their comments not later than December 31 of each year or the date approved by the Budget Office, not later than January 14.

(b) Final budget requests shall:

(1) be submitted to the Budget Office on or before January 31 of each year; and

(2) conform to the requirements of the Budget Office.

(c) Each budget request shall provide:

(1) for the collection and administrative charge of five percent of the funds collected in the district, but not less than \$100 nor more than \$2,000, to be paid into the general fund of the County;

(2) for the appropriation of unencumbered or unexpended surplus of the district's taxing district account; and

(3) the rate of special taxing district tax.

(Code 1967, S9-200(a); Bill No. 17-88)

Upon receipt by the County, the budget will be checked for mathematical accuracy and for consistency with the legislated purposes of the district. Any discrepancies will be brought to the attention of the association's budget contact person and will be corrected before the budget is finally accepted by the Office of the Budget. The County Executive will include approved SCBD budgets in the proposed County budget presented to the County Council annually on the first working day of May. The County Council will hold two public hearings on the Operating Budget, at which time these budgets are subject to discussion and comment by the public. The County Council will enact all special tax rates during May, as it does the County property tax rate and certain other rates.

**SPECIAL COMMUNITY BENEFIT DISTRICT
BUDGET REQUEST FOR FY 2004**

A. District Name _____
 B. Community Association Name _____
 C. Mailing Address _____
 D. Contact Person _____
 Phone Number(s) _____

BUDGET REQUESTED FOR FISCAL YEAR JULY 1, 2003 THROUGH JUNE 30, 2004

E. Specific Purpose and Item	Amount
Administrative Fee is 5% of Tax Revenue Amount (Item K below) with a minimum of \$100 and a maximum of \$2,000.	F. Sub-total _____ G. Administrative Fee _____ H. BUDGET TOTAL _____

SOURCES OF FUNDING

I. Taxable Assessment _____ OR, Number of Tax Accounts/Lots _____
 J. x Requested Tax Rate _____
 K. Tax Revenue Amount _____
 L. County-held Funds _____
 (estimate for 6/30/03)
 M. Sub-total _____
 N. Available Fund Balance _____
 O. Other Revenues _____
 P. TOTAL APPROPRIATION _____ (This equals BUDGET TOTAL above)

Q. CERTIFICATION OF ASSOCIATION REPRESENTATIVES

I hereby certify that the budget request above has been approved by the Board of Directors of this association; that the budget has been presented to the property owners for their comments; and that the funds requested are for the purposes authorized in the laws governing our special taxing district.

PRESIDENT/CHAIRMAN OF THE BOARD

TREASURER

NAME _____ NAME _____
 TITLE _____ TITLE _____
 DATE _____ DATE _____
 SIGNATURE _____ SIGNATURE _____

EXPLANATION OF BUDGET REQUEST FORM

The budget request form has alphabetic notations along the left column that correspond to the following:

- A. District Name: Name of the district as it was originally established and as it appears in the County Code.
- B. Community Association Name: Name of the community association that administers the expenditure of special tax funds. (Meets the three criteria in Article 6, Section 2-102 of the County Code.)
- C. Mailing Address: Address to be used for all future mailings. If the community association has a post office box, please use that address.
- D. Contact Person and Telephone Number(s): Name and phone number(s) of the person knowledgeable and responsible for completing this form and the one to whom budget correspondence will be addressed.
- E. Specific Purpose and Item: Detail of proposed expenditure items. These items must coincide with the purposes in the legislation that established the tax district. That portion of the available fund balance not being used to support FY2004 expenditures must be explained--escrow for project in FY2005, for example.
- F. Sub-total: Sum of the budget line items. To determine the amount of new money needed to support this sub-total, subtract the County-held funds (L). This number is 95% of the total new money needed, since there is a 5% administrative fee charged by the County. Divide the number obtained above by .95 to determine the new money (tax revenue amount, item K) needed. If the administrative fee that results from this (subtract the 95% number from the tax revenue amount) is more than \$2,000 or less than \$100, the fee is set at these upper and lower limits. To determine the tax rate, divide the tax revenue amount (K) by the number of tax accounts or lots, or the taxable assessment (taxable assessment divided by \$100).

EXAMPLE:

Taxable Assessment \$2,500,000
Tax Revenue Amount Required \$12,500
 $\$12,500/\$25,000$ (number of \$100's in assessable base) = \$.50
Tax Rate = \$.50

or
Number of Tax Accounts 500
Tax Revenue Amount Required \$12,500
 $\$12,500/500 = \25.00
Tax Rate = \$25.00 per tax account

- G. Administrative Fee: Administrative fee paid to the County. The amount is 5% of the **tax revenue amount (item K)**, not less than \$100 or more than \$2,000.
- H. BUDGET TOTAL: Sum of the Sub-total (F) and the Administrative Fee (G).

- I. Taxable Assessment: Number provided by the Special Taxing District Coordinator. By State law, beginning in FY2002, the taxable assessment is 100% of the assessment, not 40% as in previous years.
- Number of Tax Accounts/Lots: For districts that tax on a per tax account or per lot basis, number supplied by the Special Taxing District Coordinator.
- J. Requested Tax Rate: Tax rate needed to support the budget. See item F.
- K. Tax Revenue Amount: Number obtained by multiplying the tax rate by the appropriate multiplier. See examples at F.
- L. County-held Funds: Estimate of the County-held cash available to the SCBD on 6/30/03 after FY2003 tax collections and FY2003 expenditures. The County must appropriate this amount before the district may spend it. We will reevaluate this number in April 2003 before the budget is finalized. If you know that the number provided should be modified, please contact the Special Taxing District Coordinator.
- M. Sub-total: Sum of tax revenue (K) and County-held funds (L).
- N. Available Fund Balance: Please see the budget letter from the Special Taxing District Coordinator.
- O. Other Revenues: Revenues generated from SCBD funds. These include rental income from community properties maintained with special tax funds and interest.
- P. TOTAL APPROPRIATION: Sum of Sub-total (M), Available Fund Balance (N) and Other Revenues (O).
- Q. Certification: Certification completed by the President/Chairman of the Board and Treasurer of the community association that administers the expenditure of special tax funds

EXPENDITURES

Expenditure of special community benefit district assessments must be consistent with line items approved in the annual budget adopted by the County Council. The fiscal year begins July 1, although taxes are not overdue until after September 30. The County's first disbursement of SCBD assessments to the association does not generally occur until 30 days following the closing of the tax payment period. All disbursement checks are forwarded to the association treasurer or other designated officer.

BONDING

The association must submit a performance bond to the County's Office of Finance before any funds can be disbursed to the association. The bond must be in an amount equal to, or greater than, the budget appropriation. The bond may be for one or more years and may be made out for the position of treasurer rather than an individual. The disbursement may not exceed the annual budget appropriation and/or the limits established in the performance bond. Funds collected in excess of the appropriation will be held for appropriation the next fiscal year.

AUDIT REQUIREMENTS

Article 19, Section 40, of the Annotated Code of Maryland stipulates requirements for audits of all special taxing districts in the State, and the methods by which the audits must be completed.

In summary of the Code, for any tax district with annual expenditures greater than \$50,000, an audit is mandatory annually. For SCBD's with expenditures of less than \$50,000, an annual financial report is required and once every four years a full audit is due.

It is the responsibility of the Anne Arundel County Auditor's staff to insure compliance with the State code. A copy of their guidelines follows:

- A. Article 19, Section 40 of the Annotated Code of Maryland describes certain reporting and auditing procedures for special taxing districts within Maryland. These requirements can be summarized as follows:
 1. All special taxing districts having moneys disbursed or expended by a person or body independent of the County government must file a financial report each year, no later than 90 days following the close of their fiscal year. This report must contain the following:
 - Balance Sheet
 - Statement of Revenues
 - Statement of Expenditures and Encumbrances
 - Statements of Changes in Fund Balance
 2. Special taxing districts having annual expenditures greater than \$50,000 are required to have this financial report audited each year.
 3. Special taxing districts having annual expenditures less than or equal to \$50,000 are required to have an audit every four years, unless the County determines on

a case-by-case basis that more frequent audits are required. (Note: This does not exempt the district from the filing requirements outlined in No. 1 above.)

4. If a special taxing district does not submit a financial report and audit report as specified above, the County may withhold the distribution of the taxes imposed on behalf of the district.

The following comments should clarify several of the most often asked questions relating to these requirements.

1. The statement of revenues and statement of expenditures and encumbrances should be presented in a format that compares actual figures to approved budgeted amounts.
 2. Amounts that were due to the association from Anne Arundel County but not disbursed as of June 30, should be included as a receivable (Due from Anne Arundel County) on the balance sheet. This information is provided to each district in September of the subsequent fiscal year by a letter from Anne Arundel County and can be verified through the Anne Arundel County Office of Finance 410-222-1414.
 3. The above reporting and auditing requirements became effective on July 1, 1983. Since audit reports are significantly more involved than unaudited financial statements, we recommend that each association responsible for the expenditure of SCBD assessments consult with a Certified Public Accountant or other qualified advisor well in advance of the close of the fiscal year.
- B. Further questions concerning these reporting and auditing requirements can be addressed by referring to the audit guide which is issued to each district or by telephoning the County Auditor's Office at 410-222-1138.

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