CHAPTER 365A

SUBORDINATE SERVICE DISTRICTS

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365A.01 TOWNS; SUBORDINATE SERVICE DISTRICTS; PURPOSE.

It is the purpose of sections 365A.01 to 365A.10 to provide a means by which a town as a unit of general local government can effectively provide and finance various governmental services for its residents.

History: *1989 c 277 art 2 s 48*

365A.02 DEFINITIONS.

Subdivision 1. **Subordinate service district.** "Subordinate service district" means a defined area within the town in which special services are provided. The boundaries of a single subordinate service district may not embrace an entire town.

Subd. 2. **Special services.** "Special services" means one or more governmental services or additions to townwide services provided by the town specially for the area and financed from revenues from the area.

History: *1989 c 277 art 2 s 49; 2008 c 154 art 10 s 5*

365A.03 ESTABLISHMENT OF SERVICE DISTRICT.

Notwithstanding any provision of law requiring uniform property tax rates on real or personal property within the town, a town may establish subordinate service districts to provide and finance a governmental service or function that it is otherwise authorized to undertake. A function or service to be provided may include a function or service that the town ordinarily provides throughout the town only to the extent that there is an increase in the level of the function or service provided in the service district over that provided throughout the town.

History: *1989 c 277 art 2 s 50*

365A.04 CREATION.

Subdivision 1. **Petition.** A petition signed by at least 50 percent of the property owners in the part of the town proposed for the subordinate service district may be submitted to the town board requesting the establishment of a subordinate service district to provide a service that the town is otherwise authorized by law to provide. The petition must include the territorial boundaries of the proposed district and specify the kinds of services to be provided within the district.

Subd. 2. **Public hearing.** Upon receipt of the petition, and the verification of the signatures by the town clerk, the town board shall, within 30 days following verification, hold a public hearing on the question of whether or not the requested district shall be established. The notice of public hearing must specify the special services to be provided within the subordinate service district and must specify the territorial

boundaries of the requested district. The notice of public hearing must be published once in a newspaper of general circulation in the town at least 14 days prior to the date of the public hearing.

Subd. 3. **Approval; disapproval.** Within 30 days after the public hearing, the town board by resolution shall approve or disapprove the establishment of the requested district. An approving resolution must specify the special services to be provided within the subordinate service district and must specify the territorial boundaries of the district. A resolution approving the establishment of the district may contain amendments or modifications of the district's boundaries or functions as set forth in the petition.

History: *1989 c 277 art 2 s 51; 2008 c 154 art 10 s 6*

365A.05 PUBLICATION AND EFFECTIVE DATE.

Within 20 days after passage of a resolution authorizing the establishment of a subordinate service district, the town board shall have the resolution published once in a qualified newspaper of general circulation within the town. The resolution must include a general description of the territory to be included within the district, the kind of service to be provided, and a statement of how the service will be financed. A notice must also be mailed to the owner of each parcel within the area proposed to be included in the district. The notice shall be sent to the same address as on the property tax statement. The district shall begin 60 days after publication or at a later date specified in the resolution.

History: *1989 c 277 art 2 s 52*

365A.06 REVERSE REFERENDUM.

Subdivision 1. **Petition.** Upon receipt of a petition signed by at least 25 percent of the property owners within the territory of the proposed district, before the effective date of its establishment as specified in section 365A.05, the establishment shall be in abeyance pending referendum vote within the boundaries of the proposed district.

Subd. 2. **Election.** The town board shall hold a special election within the boundaries of the proposed district on a date authorized by section 205.10, subdivision 3a. The question submitted and voted upon by the property owners within the territory of the proposed district must be phrased substantially as follows:

"Shall a subordinate service district be established to provide (service or services to be provided) financed by (revenue sources)?"

If a majority of those voting on the question favor creation of the district, the district shall begin upon certification of the vote by the town clerk. The town clerk shall administer the election.

History: *1989 c 277 art 2 s 53; 2017 c 92 art 2 s 16*

365A.07 EXPANSION OF BOUNDARIES OF A DISTRICT.

The town board, upon petition, may enlarge any existing subordinate service district under the procedures specified in sections 365A.03 to 365A.06. Only property owners residing in territory to be added to the district shall be eligible to participate in an election, unless at least 25 percent of the property owners residing in the existing district petition to participate, in which case all property owners residing in the proposed enlarged district shall be eligible.

History: *1989 c 277 art 2 s 54*

365A.08 FINANCING.

Subdivision 1. **Budget.** (a) Upon adoption of the next annual budget following the creation of a subordinate service district the town board shall include in the budget appropriate provisions for the operation of the district including either a property tax levied only on property of the users of the service within the boundaries of the district or a levy of a service charge against the users of the service within the district, or a combination of a property tax and a service charge on the users of the service.

(b) A tax or service charge or a combination of them may be imposed to finance a function or service in the district that the town ordinarily provides throughout the town only to the extent that there is an increase in the level of the function or service provided in the service district over that provided throughout the town. In that case, in addition to the townwide tax levy, an amount necessary to pay for the increase in the level of the function or service may be imposed in the district.

Subd. 2. **Bonds.** At any time after the requirements of section 365A.06 have been met and the subordinate service district created, the town board may issue obligations in an amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making capital improvements necessary to operate the subordinate service district and provide the special services in the district, including every item of cost from inception to completion and all fees and expenses incurred in connection with the capital improvements or the financing. The obligations are payable primarily out of the proceeds of the taxes and service charges imposed under subdivision 1, net revenues as described in section 444.075, and special assessments under chapter 429. The town board may by resolution pledge the full faith credit and taxing power of the town to ensure payment of the principal and interest on the obligations if the proceeds of the taxes and service charges are insufficient to pay the principal and interest. Obligations must be issued in accordance with chapter 475, except that an election is not required, and the amount of the obligations is not included in determining the net indebtedness of the town under the provisions of any law limiting indebtedness.

Subd. 3. **Covenants to secure obligations.** In resolutions authorizing the issuance of general or special obligations and pledging taxes and service charges imposed under subdivision 1, net revenues, or special assessments to their payment, the town board may make covenants for the protection of holders of the obligations and taxpayers of the town as it deems necessary, including a covenant that the town will impose and collect charges of the nature authorized by this chapter at the time and in the amounts required to produce, together with any taxes or special assessments designated as a primary source of payment of the obligations, funds adequate to pay all principal and interest when due on the obligations, and to create and maintain reserves securing the payments as may be provided in the resolutions.

History: *1989 c 277 art 2 s 55; 2008 c 154 art 10 s 7; 2009 c 86 art 1 s 67*

365A.09 MS 1996 [Repealed, 1998 c 389 art 3 s 47]

365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE; REFUND OF SURPLUS.

Subdivision 1. **Petition; procedure.** A petition signed by at least 75 percent of the property owners in the territory of the subordinate service district requesting the removal of the district may be presented to the town board. Within 30 days after the town board receives the petition, the town clerk shall determine the validity of the signatures on the petition. If the requisite number of signatures are certified as valid, the town board must hold a public hearing on the petitioned matter. Within 30 days after the end of the hearing, the town board must decide whether to discontinue the subordinate service district, continue as it is, or take some other action with respect to it.

Subd. 2. **Option to refund surplus.** If the district is removed under subdivision 1, after all outstanding obligations of the district have been paid in full, the town board may vote to refund any surplus tax revenue or service charge, or any part of it, collected from the district under section 365A.08. The refund must be distributed equally to the owners of any property within the discontinued district that were charged the extra tax or service fee during the most recent tax year for which the tax or service fee was imposed. Any surplus not refunded under this section must be transferred to the town's general fund.

History: *1998 c 389 art 3 s 16; 2008 c 154 art 10 s 8; 2008 c 331 s 2; 2008 c 366 art 6 s 41*

365A.10 COORDINATION OF DISTRICTS.

If a county establishes a subordinate service district in part of a town under enabling law for counties, a town may not establish a subordinate service district to provide the same service in the part of the town served by the county. If a town establishes a subordinate service district in part of the town under this chapter or other law, a county may not establish a subordinate service district to provide the same service in the part of the town served by the town.

History: *1989 c 277 art 2 s 57*