

Road Improvement District FAQs

The following frequently asked questions apply to all of the County's Improvement Districts. Where additional information is provided concerning a specific County Improvement District, it is inset under the answer with the name of the District indicated.

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1. I didn't support the formation of the district and I didn't sign the petition; do I have any recourse during the project?

Answer: Arizona Revised Statute allows for objections or protest to be submitted at different time during the process. In particular A.R.S. §48-917, (Protest against proposed improvement; protest as bar to improvement proceedings; objection to extent of assessment district) and A.R.S. §48-918, (Procedure for making and hearing protests and objections) defines the conditions and proper method.

2. How is the assessment amount for my property figured?

Answer: State law requires that the assessments for properties in an improvement district be assigned "in proportion to the benefits to be received by each lot" (A.R.S. §48-927(C)). The assessment formula will be determined by the District Engineer in consultation with county staff. The assessment formula recommended by the District Engineer must be approved by the Board of Directors for the District at a public hearing. Since the assessment formula is contingent on the design, it is normally developed towards the completion of the project.

3. Why is my property included in this improvement district?

Answer: The improvement district process is authorized by state statute (A.R.S. §48-900 to 988) and all formation requirements and subsequent steps to create a district are set out by state law. Formation of an improvement district requires that petitions be submitted to the Board of Supervisors with signatures representing, at a minimum, "a majority of the persons owning real property or by the owners of fifty-one per cent or more of the real property within the limits of the proposed district." Petitioners set the boundaries of the District when the petitions are first circulated.

4. Is Coconino County contributing any money or other resources to the improvement district?

Answer: The Coconino County Board of Supervisors has adopted a policy that commits financial assistance to improvement districts to improve roads. The amount of money that the County will contribute to the district is based upon the functional classification of the roadways. Specifically, the County will contribute 10% of the costs for roadways classified as local or residential roadways, 25% of the costs for roadways classified as minor collectors and 40% of the costs for roadways classified as major collectors. The County's contribution to the improvement district will be based upon these contribution percentages. The contribution will be applied to the total project costs and these savings to the District will be applied equally among all of the parcels in the District. In addition to a financial contribution to the District, Coconino County staff provides administration of the project at no cost to the district. State law allows counties to charge administration costs back to the district, but Coconino County provides this assistance free to improvement districts.

5. If I pay the bond off early will I still have to pay the full payment of the bond or less is the bond able to be paid off early.

Answer: If you don't pay the cash assessment off before the close of the cash collection period, the bonds will be issued and sold. Once the bonds are sold there could be a substantial penalty for early prepayment, perhaps as much as all the remaining interest to maturity. This is because the bonds continue to be outstanding in \$5000 increments over the balance of the 10 years and cannot be called in an amount that matches the cash flow from any one assessment

6. My entry way would be so close to the road; would I be able to add a small part to my driveway with the contractor or any other company? What are my options if any?

Answer: The County usually allows the contractor and the property owners to arrange for driveway connections on their own. It would not be part of the district contract and the property owner would have to pay the contractor directly.

7. I didn't support the formation of the district and I didn't sign the petition but my property is in the District does my property still get assessed for the improvements?

Answer: Yes. All properties within the boundaries of the improvement district are subject to assessment. Again, the improvement district rules are established by state law and when districts are approved by a majority of the property owners and the Board of Supervisors, all properties in the district are assessed pursuant to state law. The assessment is a lien against the property. If an owner does not pay their assessments, the property is subject to sale by the District in order to pay the delinquent assessments. This is analogous to a property owner not paying their property taxes.

8. What is meant by the "Capital Interest" and "Reserve Fund"?

Answer: "Capitalized interest" is simply the concept of increasing the par amount or principal of the bond borrowing to include bond funds for making the initial interest payments on the bonds. The need for including capitalized interest is a result of the statutory provisions for improvement district financings which do not allow property owners to be assessed for or to begin making assessment payments until the benefit they are receiving (i.e. the improvements being made) is actually constructed and in place. As bond investors are not willing to buy bonds for which the first interest payment is inordinately long (generally they want the first interest payment date to be no later than 8 months after the bonds are issued), there is a need to create funding for making the initial payments on the bonds and that funding is the capitalized interest. From a property owner's standpoint, the important things to know are that there is no way to avoid capitalized interest due to the timing issues outlined above, capitalized interest exists on basically all improvement district financings (as well as on many other types of debt borrowings), property owners

only begin paying assessments once the improvements are installed, and the additional borrowed funds are generally at a more cost effective level or interest rate than the property owner would be able to obtain on their own (say, for instance, if they were to pay their assessment in cash).

The "Reserve Fund" item as the name implies is simply a deposit of bond proceeds into a reserve account for the purposes of making principal or interest payments on the bonds in the event that payments from property owners are delinquent. A reserve fund is necessary on improvement district financings as investors will not buy or invest in the bonds without one. To the extent that there are unused funds in the reserve fund when the final payments come due on the bonds, the monies in the Reserve Fund are used to make the payments and the payments by property owners are waived.

9. Who is paying for the improvements? What are the estimated costs of the project and what will my assessment be? Is there a cap on the amount my assessment can be?

Answer: The improvements will be paid for by the owners of property in the improvement district boundaries. An assessment will be levied against each property in the District which represents each owner's proportional benefit from the improvements. This "proportional benefit" is based upon an assessment formula which is recommended by the District Engineer and approved by the Board of Directors.

10. I won't be able to pay for my assessment in one lump sum. What other options do I have to pay off the assessment?

Answer: Once the assessments are levied, each property owner will be able to pay off their assessment during a forty-day pre-payment period. If the property owner can not or does not wish to pay off the assessment during this period, the assessment will be financed over a ten-year period. A property owner who chooses to finance the assessment over the ten-year period will be required to make payments on the assessment twice a year (on June 1 and December 1) over ten years. The assessment bills are mailed from the County's Special Districts office. All assessments that are financed are subject to a tax-exempt interest rate, which will be added to the assessment total. The interest rate is based upon market conditions at the time the bonds are sold and also on the terms of the bond (for example, the interest rate will be higher if penalty-free, early payoff of the assessments is permitted). The assessment goes with the property and not with the property owner, similar to county property tax. If an owner sells their property and there are outstanding payments left on the assessment, the outstanding balance remains with the property and the new owner. Payoff of the assessment can be negotiated between the seller and the buyer of the property during the sales transaction.

11. Instead of being paved, can asphalt millings be used on the roads which are proposed to be improved?

Answer: While a road “paved” with asphalt millings looks to the casual observer just like a paved road, there are major differences in the strength of the two materials. The County will not accept a roadway for ownership and maintenance built through an improvement district if it is constructed with a surface of asphalt millings. The maintenance costs for facilities with a surface of millings are higher and increases the county’s maintenance burden at the expense of all taxpayers.

The County, however, does allow roadways to be improved with asphalt millings through the maintenance district process. In these instances, the roadways can be improved with asphalt millings through a district, but the maintenance responsibility for the millings would remain with the maintenance district – the County does not accept the roadways into the county system. Each property owner in the maintenance district would be liable for the one-time improvement cost for the millings in addition to an annual maintenance assessment to maintain the millings. The roadways improved through the district would be maintained by a private contractor hired by the maintenance district. The annual maintenance assessment would be in effect for as long as the district is in place.

12. Why am I being asked to dedicate a 30’ right-of-way to the County? What happens if the district does not get all the right-of-way that’s required? What happens to this dedication if the project is not completed?

Answer: State law requires that roadways maintained by a public agency be located on property open to public travel. State law does not allow public dollars to be spent on private roads. Under a current configuration, the property line for each property owner goes to approximately the center of the roadway. The roadway is located on private property, the owner pays taxes on this property and the owner may be liable for any accidents that may occur on that property. Once the right-of-way is dedicated, the public (i.e. Coconino County) will own the property and will accept the liability for that property. The property line for each owner will then be located approximately 30’ from the center of the roadway.

The District must have right-of-way along the entire route of the project limits in order for the improvements to be constructed. If right-of-way is not dedicated to the public by adjacent landowners, the District is authorized by state law to condemn property in order to gain the necessary right-of-way. However, condemnation is not likely and has never occurred in Coconino County as a policy of the Board.

If the project were to not go forward for whatever reason, any dedications which have already been made by property owners in the district would be nullified by the County and ownership of that property would be returned to the property from whence the dedication came. The County would not assume maintenance or liability for the roadway for any of these rights-of-way which are returned to the adjacent property.

13. Why doesn't the County just use county funds to pave all our streets instead of having to initiate an improvement district?

Answer: Less than 5 cents of your property tax dollar actually goes to the County and none of this goes to the Public Works Department for road maintenance or construction. The remaining 95% of your tax dollar goes to fire districts, library districts and school districts. For roadways, the county receives approximately nine million dollars annually from Highway User Revenue Funds (HURF) which are distributed by the state and collected through vehicle license fees, gasoline taxes and vehicle registration fees. No property taxes are spent on building or maintaining roads. Of these nine million dollars distributed to the county through the HURF allocation process, approximately seven to eight million dollars is used each year to maintain and snowplow the existing 1,200+ miles of road in the county system. This leaves approximately one to two million dollars each year to make capital improvements for the county's roadway system. This must be distributed county-wide.

14. Does the County have enough maintenance money to maintain the roads if they get built?

Answer: The County will maintain all roads that are built to county standards and accepted by the Coconino County Board of Supervisors. Coconino County will have the maintenance funding to maintain the new roads added to the county system.

15. What financial responsibility do the property owners have for future county projects on these roadways?

Answer: Once the improvements are built through the improvement district, the one-year warranty period is passed and the roadways are accepted by Coconino County, the property owners will have no further responsibility for costs associated with the roadway. This includes no further responsibility for roadway maintenance or snow removal costs. Additionally, the liability for the roadway will rest upon Coconino County. Presently, the liability for the roadway rests with the adjacent property owners.

16. Why is the County contributing 40% to the proposed improvement district?"

Answer: The decision by the Board of Supervisors to provide a 40% match is based strictly on a Board policy. Without financial support from the County, residents themselves could not afford to take on such a large project through an improvement district. The 40% contribution does apply to collector roads only and not to local roads. The county funding providing a match for the proposed improvement district will come from the Public Works.