

Case Study II:

District Formation in Sullivan County: Hamlet of Callicoon Water District

In 2018, the Town of Delaware, NY formed the Hamlet of Callicoon Water District, taking over a century-old private water system. The transition aimed to ensure regulatory compliance and enable vital infrastructure improvements.



Image retrieved from www.townofdelaware-ny.us

FINANCIAL SUPPORT FOR DISTRICT FORMATION AND INFRASTRUCTURE PROJECTS

District formation involves costs such as legal fees, public outreach, and MPR preparation. Financial support is available, but many funding options require district formation as a prerequisite and recommend prioritizing it before seeking project financing. Funding typically ties to specific infrastructure projects, not just district formation. Forming a district before applying for funding also lowers the risk of project disruption due to referendum, giving your community a competitive edge.

- USDA Rural Development (USDA RD) offers [Predevelopment Planning Grants](#) that can support district formation, particularly for eligible low-income communities planning USDA RD water or waste disposal projects for both water and sewer.
- USDA RD's [Water & Waste Disposal Loan & Grant Program](#), although requiring the establishment of a Special District Government before applying, supports funding for legal and engineering fees related to drinking water and wastewater projects.
- New York Department of State (NY DOS) provides [Local Government Efficiency \(LGE\) Grants](#), for shared service agreements among multiple local governments, potentially aiding water and sewer projects with funding for legal, consultant, capital, equipment, and personnel costs not exceeding three years.

- [Northern Border Regional Commission \(NBRC\)](#) offers planning grants for water and sewer projects within the NBRC Service Area, providing funds for both water and sewer (up to \$500,000 match).
- New York State Office of Community Renewal (NYS OCR) administers the [Community Development Block Grant \(CDBG\)](#), which can support community planning initiatives, including preliminary engineering for water, sewer, and stormwater projects, and other Community Needs Assessments.
- The New York State Environmental Facilities Corporation (NYS EFC) offers various grants and programs, including [Wastewater Infrastructure Engineering Planning Grants](#) for sewage, [Intermunicipal Grants](#) for joint wastewater or drinking water projects, and the [Water Infrastructure Improvement \(WIIA\)](#) program for critical wastewater and drinking water infrastructure projects. These programs support project planning, design, and construction services to result in eligible infrastructure improvements.



SCAN ME

TO ACCESS
ADDITIONAL
RESOURCES AND
RELEVANT
REGULATIONS

HAVE QUESTIONS OR NEED ASSISTANCE?
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Special District
Formation in NYS:

A Quick Guide for Town Boards



AT A GLANCE

If your community is thinking about forming a new water or sewer district, it can be confusing to know where to start. To simplify the process, the [Syracuse University Environmental Finance Center \(SU-EFC\)](#) in collaboration with the [NYS Tug Hill Commission](#), the [New York Water Environment Association \(NYWEA\)](#), and [Lewis County, NY](#), have prepared this quick guide to outline the important steps and considerations for communities considering forming a new district.

WHY FORM A NEW WATER OR SEWER DISTRICT?

There are different reasons why a community may want to create a new district, including but not limited to:

- Developing a new infrastructure project
- Shifting water or sewer services from private to public ownership
- Connecting previously unconnected residences
- Service affordability
- Improve eligibility for grants or loans
- Formalize an undocumented district

WHAT YOU CAN EXPECT

District formation goes beyond working with a lawyer or engineer. You will need to go to your town board, hold a public hearing, go through a procurement process, and more. But, before you can get started, your community must decide:

- Whether your town wants to move forward with forming a special district or constructing new infrastructure
- What residents are going to receive the service provided by the district
- How the district formation process and any related-infrastructure projects will be funded

Before you get started, consider the importance of involving stakeholders early on. Engaging with your community early in the process can build support for your project, foster understanding, and help secure funding down the line. Good communication builds trust and ensures you're working toward your community's best interests.

Note: Your community cannot commit to creating a new district without prior compliance with the [State Environmental Quality Review Act \(SEQR\)](#). For more information on SEQR, please visit the [NYS DEC website](#).

For New York State towns, the district formation process can be started in two different ways:



1. Property owner petition (Town Law Article 12)



2. Town board initiated procedure (Town Law Article 12-A)

Case Study I:

Water District Formation in [Lewis County](#): Town of Turin, NY

In October 2023, the Town of Turin in Lewis County, NY, established Water District No. 2, expanding access to municipal water for 179.0 equivalent dwelling units by incorporating current and future users through an intermunicipal agreement with the Village of Turin.



Image courtesy of Lauryn Tabolt

PROCUREMENT STANDARDS

As you start the district formation process, consider procurement requirements right from the start. Following the [NYS Environmental Facilities Cooperation's Architectural/ Engineering Services Procurement guidelines](#) before you request bids for a Map, Plan, Report (MPR) is vital if you wish to apply for NYS EFC funding later on.

MAP, PLAN, REPORT.

After deciding to create a special district, your town board must pass a resolution allocating funds for a general map, plan, and report (MPR) - subject to [permissive referendum](#). This report outlines the proposed district's facilities, improvements, and services, along with estimated hook-up fees and typical property costs. An engineer or firm licensed in New York State should prepare it under town officials' supervision. After finishing the MPR, you must file it with your town clerk.

What is considered a "typical property"?

This refers to a property with an assessed value similar to the most common value in the district or extension.

AVENUES FOR DISTRICT FORMATION



I. PROPERTY OWNER PETITION

Under [Town Law Article 12](#), property owners in proposed district area may start district formation by submitting a petition to their Town Board.

1. Petition must include a map with proposed boundaries and max expenditure details.
2. Petition must be signed by owners of over one-half of total assessed valuation of taxable property.
3. Once filed, town board calls a [public hearing](#). Before adopting a district, board must first decide by resolution if (1) hearing notice was published [correctly](#); (2) what property owners benefit; (3) if district formation serves public interest. Board may then approve or deny district formation.
4. If district formation involves incurring debt, approval from the [State Comptroller](#) is needed.
5. State Comptroller decides if district formation serves public interest and does not unfairly burden property owners.
6. After State Comptroller approval, the town board may adopt an order forming the district.

Note: Through the property owner petition process, there is no opportunity for [permissive referendum](#).



II. TOWN BOARD INITIATED PROCEDURE

Under [Town Law Article 12-A](#), a town board may create a district on its own motion without a petition.

1. After determining the district boundaries, completing the MPR, and filing it with the town clerk, the town board must hold a public hearing. All other steps are the same as steps 3-6 of the property owner petition procedure.
2. Resolution notice of district formation must be published within 10 days, noting that it is subject to a [permissive referendum](#).

Permissive referendum in NYS enables residents to vote on town board decisions, typically through a petition though it can occur without one. For more information, refer to [Town Law Article 7](#).