

Approved Robert D. Miller 2/14/85  
Date

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

The meeting was called to order by REPRESENTATIVE R. D. MILLER at  
Chairperson

1:30 XXX a.m./p.m. on FEBRUARY 12, 1985 in room 521-S of the Capitol.

All members were present except: Ivan Sand (excused)

Committee staff present: Mike Heim, Legislative Research Department  
Mary Hack, Revisor of Statutes Office  
Gloria M. Leonhard, Secretary to the Committee

Conferees appearing before the committee: (See Page 3.)

Vice Chairman, Robert D. Miller, called for hearings on the following bills:

HB 2163, relating to hospital boards of trustees of cities of the first class; concerning investment of certain moneys.

An overview of the bill was provided by Staff. (See Attachment I.)

Representative Jessie Branson, sponsor of the bill, gave background and intent of the bill. (See Attachment II.)

Rep. Branson introduced Mr. Jack Rose, Chairman of the Board, Lawrence Memorial Hospital; Mr. Robert B. Ohlen, Executive Director; and Mr. D. A. Strathmann, Assistant Executive Director/Finance.

Mr. Strathmann testified in support of the bill. (See Attachment III.)

Committee questions followed. Mr. Strathmann pointed out that the available banks will not give a competitive bid on hospital deposits.

Mr. Dan Wilson, Kansas Hospital Association, testified in support of the bill. Mr. Wilson stressed that this is a time when hospitals need to maximize their returns on their investments.

The hearing on HB 2163 was closed.

HB 2179, concerning cities; relating to the appointment and removal of certain officers.

An overview of the bill was provided by Staff. (See Attachment IV.)

Mr. Jim Kaup, Attorney for the League of Kansas Municipalities, appeared in support of the bill and explained the changes set out in the bill.

Questions followed. It was questioned whether the bill would affect 2nd class cities. Mr. Kaup stated it would apply only to cities of the third class. It was suggested that 2nd class cities be included. Other questions raised were, "May the professional engineer be suspended by the Mayor?"; "What is pay status following suspension?"

Staff pointed out that this area is subject to city home rule.

The hearing on HB 2179 was closed.

HB 2180, concerning cemetery corporations; relating to permanent maintenance funds.

Mr. Mike Heim, Staff, gave an overview of the bill. (See Attachment V.)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT,  
room 512-S Statehouse, at 1:30 ~~xxx~~ p.m. on FEBRUARY 12, 1985

Mr. John Peterson, representing the Kansas Cemetery Association, explained the purpose of HB 2180 to be: (1) To provide additional maintenance; (2) To insure that monies are placed in a permanent maintenance fund; and (3) Require marker fees collected on a non-discriminatory basis.

Committee discussion followed. It was calculated that 10¢ per surface square inch would amount to \$14.40 per square foot.

Mr. Sam McDonough, representing Fairlawn Burial Park Association, Hutchinson, Kansas, testified as a proponent of the bill. (See Attachment VI.)

Mr. McDonough projected the fee should place approximately \$34.56 in trust for a single memorial, \$69.12 for a double memorial; and \$75 for an upright memorial.

Committee questions followed. It was questioned how a monument furnished by another supplier would be handled. The need for a statutory requirement was questioned. It was pointed out that the 10¢ fee is a minimum charge and that the fee could be raised annually if desired.

Mr. Robert E. McCracken, Sr., General Manager, Mount Hope Cemetery Company, testified as a proponent for the bill. (See Attachment VII.)

When questioned, McCracken affirmed that the intent is to replace markers where needed. It was noted that a cemetery might make a person sign a waiver if a monument had been purchased elsewhere.

Mr. David Newcomber, Chairman, KCA Legislative Committee, testified as a proponent to the bill. (See Attachment VIII.) Mr. Newcomber stressed that competition between monument companies will keep charges in line.

Mr. Jeff Southard, Deputy Attorney General, introduced Mr. Jeff Martin, Assistant Attorney General. Mr. Southard testified that the Attorney General does not oppose the bill but has questions about the following areas:

- (1) The way in which the fund can be raised and inequity of charges for monuments, e.g., upright vs those flush with ground.
- (2) The possibility of duplicating a voluntary charge by collection of the mandatory charge.
- (3) What about those signed not to be charged?
- (4) Does maintenance include resetting markers?

Mr. John Wine, Legal Counsel for the Secretary of State's Office, testified he opposes the way the bill is written and noted that the main problems have been addressed in Committee questions and by the Attorney General's representative. Mr. Wine stated he will be available for later discussion.

General Keith Weltmer, State Cemetery Auditor, was introduced by Mr. Wine. Mr. Weltmer indicated his concurrence with the questions raised about the bill and stated he will be available for later discussion.

The hearing on HB 2180 was closed.

Vice Chairman Miller called for introduction of new legislation.

A request for new legislation was presented by Mr. Glenn Cogswell, representing the North Topeka Drainage District. The request regards notice of hearing and hearing on petition for enlargement of district. (Attach. IX.)

Rep. Kenneth Francisco made a motion to introduce the proposed legislation.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT,  
room 521-S Statehouse, at 1:30 ~~am~~/p.m. on FEBRUARY 12, 1985

Rep. Burt DeBaun seconded the motion. The motion carried.

Vice Chairman Miller called for reconsideration of action on HB 2112, a bill which had been amended and placed on the consent calendar on February 7, 1985.

Rep. LeRoy Fry made a motion to reconsider the action on HB 2112. Rep. Phil Kline seconded the motion. The motion carried.

Rep. Phil Kline made a motion that HB 2112 be passed as amended. Rep. Samuel Sifers seconded the motion. The motion carried.

Vice Chairman Miller announced to the Committee that the hearing of HB 2187 scheduled for February 13, 1985, has been cancelled.

The minutes of the meeting of February 7, 1985, were approved as presented.

The meeting adjourned.

Conferees appearing before the committee:

Representative Jessie Branson -- HB 2163  
Mr. D. A. Strathmann, Asst. Exec. Dir./Finance, Lawrence Memorial Hospital  
Mr. Dan Wilson, Kansas Hospital Assn. -- HB 2163  
Mr. Jim Kaup, Atty., League of Kansas Municipalities -- HB 2179  
Mr. John Peterson, Kansas Cemetery Assn. -- HB 2180  
Mr. Sam McDonough, Fairlawn Burial Park Assn. -- HB 2180  
Mr. Robert McCracken, Gen. Mgr., Mount Hope Cemetery -- HB 2180  
Mr. David Newcomber, Chm., KCA Legislative Committee -- HB 2180  
Mr. Jeff Southard, Deputy Atty. General -- HB 2180  
Mr. John Wine, Legal Counsel, Secretary of State's Office -- HB 2180  
Gen. Keith Weltmer, State Cemetery Auditor -- HB 2180  
Mr. Glenn Cogswell, North Topeka Drainage District -- New Legislation

HOUSE COMMITTEE ON LOCAL GOVERNMENT

DATE Feb 12, 1985

NAME	ADDRESS	REPRESENTING
Joe Rore	3430 Lawrence St Lawrence, KS	Lawrence Memorial Hospital
Robert Ohlen	325 Main Lawrence KS 66044	Lawrence Memorial Hospital
D.A. Strathmann	325 Main Lawrence, KS	Lawrence Memorial Hospital
Donald A. Wilson	1263 Topoka	Ks. Hosp Assoc.
Dave Toplikar	Lawrence	Lawrence Journal-World
Mrs R.F. McCracken	Topoka	M. Craven Ass.
David Newcomer	Fairview Village	Johnson County Mem. Gardens
John Peterson	Topoka	Ks Cemetery Assn
James A. Maren Jr	Wichita	Resthaven Cemetery
Kenneth A. Maren	Wichita	Resthaven Cemetery
Sam McDonough	Hutchinson	Fairlaw Cemetery
Sharon McDonough	Hutchinson	Fairlaw Cemetery
ROBERT E. McCracken	1401 WESTOVER TOPEKA	MT. HOPE CEMETERY
W. Keith Weltman	Selina, KS	Sec of State
John Wine	Sec. of State's Offc.	Sec. of State
Bill Graves	Topoka	Sec. of State
ED CARPENTER	TOPEKA	SELF
JOE EATON	Olathe KS	Oaklawn Ceme
Jeff Southard	Topoka	Atty. General

MEMORANDUM

February 11, 1985

TO: House Local Government  
Chairman

FROM: Kansas Legislative Research  
Department

RE: H.B. 2163

(ATTACHMENT I)

2 | 12 | 85

H.B. 2163 permits any city of the first class hospital board of trustees to invest hospital moneys other than tax moneys or moneys otherwise restricted in any manner the hospital board see fit. These investments shall not be subject to K.S.A. 12-1675 which restricts the types of investments that may be made and the location of the financial institution to one located within the city.

JESSIE M. BRANSON  
REPRESENTATIVE, FORTY-FOURTH DISTRICT  
800 BROADVIEW DRIVE  
LAWRENCE, KANSAS 66044  
(913) 843-7171



TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
MEMBER: EDUCATION  
PENSIONS, INVESTMENTS AND BENEFITS  
PUBLIC HEALTH AND WELFARE

(ATTACHMENT II)

2 | 12 | 85

February 12, 1985

TO: Rep. Ivan Sans, Chairman  
and Members  
House Committee on Local Government

From: Rep. Jessie Branson

Re: HB 2163

HB 2163 relates to hospitals of cities of the first class. It pertains to the so-called "home office" statute and provides that idle funds, which are not derived from mill levy taxes, shall not be subject to the provision of K.S.A. 12-1675.

HB 2163 would apply only to Lawrence Memorial Hospital and Coffeyville Memorial Hospital, which are the only two hospitals of cities of the first class in Kansas.

RATIONALE

Like all hospitals nowadays, Lawrence Memorial Hospital faces a difficult task in maintaining a viable service for the community. The advent of DRGs, certain policies on Medicaid reimbursement, etc. have dictated that the Board of Trustees and the hospital administration exercise astute financial management, as well as careful and economical personnel practices, in order to survive and to continue providing high quality of care.

According to the Board and others representing LMH, HB2163 would be of help by preventing a loss of approximately \$120,000 annually. Obviously, these are funds which the hospital sorely needs.

Thank you for your consideration of this proposal.

Attachment 2

JESSIE

MEMORANDUM

TO: The House Committee on  
Local Government

DATE: February 12, 1985

(ATTACHMENT III)

FROM: Lawrence Memorial Hospital  
Lawrence, Kansas

RE: House Bill 2163

2/12/85

Lawrence Memorial Hospital is one of three hospitals in cities of the first class, in the state of Kansas, governed by the provisions of Chapter 13, Article 14b, Kansas Statutes Annotated. We understand that the other two hospitals are now or soon will be exempt from these statutes under the provisions of KSA 13-14b02, which permits cities to pass control of the hospitals to private corporations by means of a management contract. Consequently, only Lawrence Memorial Hospital's operations will be affected by future legislation in this area.

At this time the Board, Administration, and staff of Lawrence Memorial Hospital fully support the passage of legislation proposed in House Bill 2163. We feel this legislation is necessary for the following reasons.

The various sections of KSA 13-14b imply that hospitals in cities of the first class are established through issuance of general obligation bonds, with annual maintenance and operation financed by means of taxes levied against taxable tangible property, as provided for in KSA 12-183. However, only KSA 13-14b14, which addresses investment of monies in a "special improvement fund," specifically requires that the provisions of KSA 12-1675 apply to investment of such funds. Consequently, in 1981, the Kansas State Banking Commissioner rendered an opinion that the invested funds of city hospitals which are generated from operating revenue rather than taxation did not meet the definition of "public monies," and were not subject to the investment restrictions of KSA 12-1675.

On the other hand, the Kansas Attorney General's office has continued to maintain that such funds, regardless of source, are "public monies" as defined in KSA 9-701; and are subject to the investment guidelines for deposit of public monies as stated in KSA 9-1401 and 12-1675. Faced with these conflicting opinions, the hospital has elected to maintain its investment program along the more conservative line corresponding to the Attorney General's opinion. Because we require 100% collateralization of deposits, local banks have consistently bid below competitive rates for these deposits. Passage of legislation as proposed in House Bill 2163 would settle the collateralization issue in so far as hospital funds are concerned. The flexibility this legislation would provide to the hospital's investment program would certainly serve to increase our investment income.

The other major restriction of KSA 12-1675 that would be eliminated with the passage of House Bill 2163 relates to the requirement that the depositories for our invested funds must be financial institutions with home offices located within the city limits of Lawrence.

In the past, this has not been a significant problem due to the fact that a locally owned savings and loan has been willing to both collateralize our deposits and pay a very competitive rate. However, that institution plans to merge with another savings and loan in April, 1985. At that time, the home office will be relocated outside the city of Lawrence; and that institution will no longer be eligible to bid on hospital deposits, under current law. Again, passage of House Bill 2163 would eliminate the home office rule in so far as Lawrence Memorial Hospital is concerned.

The viability of our hospital's investment program is very important to the overall financial strength of our institution. As of December 31, 1984, Lawrence Memorial Hospital carried total investments of slightly more than \$9,600,000. While some of these funds are designated for use in debt service to retire revenue bonds issued for the construction of the hospital, the income earned on these investments plays a vital role in our total earnings picture. For example, during the three year period ending December 31, 1984, investment income comprised \$2,948,000 or 54% of our total new profit. If our investment program is hampered by legislative restrictions (KSA 12-1675) that are intended to safeguard tax-based public monies, the revenues lost as a result of these restrictions would ultimately have to be regained through increased rates for patient care services. Under this scenario, the community we serve is the ultimate loser.

During 1984, when circumstances forced us to accept a non-competitive bid for available deposits, the interest rate received was 2.4% below that of a competitive bid received a few days earlier. If that differential is applied to the average amount of funds available for investment, the income lost over one year could amount to as much as \$230,000. While this is a "worst-case" example, it does point out the fact that considerable sums of money can be earned through a well-managed investment program. For these reasons, we urge your support of House Bill 2163.

Respectfully submitted,

D.A. Strathmann,  
Asst. Exec. Director/Finance

Robert B. Ohlen  
Executive Director

Jack Rose  
Board Chairperson  
Lawrence Memorial Hospital



MEMORANDUM

February 11, 1985

TO: House Local Government  
Chairman

FROM: Kansas Legislative Research  
Department

RE: H.B. 2179

(ATTACHMENT IV)

2/12/85

H.B. 2179 amends K.S.A. 15-204 dealing with the appointment and removal of officers in cities of the third class operating under the mayor-council form of government. The bill provides that the city officers listed in the bill shall hold their offices until their successors have been appointed and qualified. The bill also clarifies that any officer may be removed by a majority of the city council and may be suspended by the mayor.

MEMORANDUM

February 11, 1985

TO: House Local Government  
Chairman

FROM: Kansas Legislative Research  
Department

RE: H.B. 2180

(ATTACHMENT V)

2/12/85

H.B. 2180 amends a statute relating to permanent maintenance funds of cemetery corporations. The bill adds the new requirement that for each burial monument or other memorial installed on a burial lot after July 1, 1985, a fee shall be collected from the lot owner in an amount determined of at least 10 cents per square inch of the memorials foundation area. These moneys shall be deposited in the permanent maintenance fund.

The bill was requested by the Kansas Cemetery Association.

Speaker:

Robert S. McDonough

(ATTACHMENT VI)

2/12/85

Representing:

Fairlawn Burial Park Assoc.  
Hutchinson, Kansas

I would first like to share with you a few excerpts I have copied from a book written by Dr. Hubert Eaton, founder of the Forest Lawn Cemetery in Los Angeles, California. He is listed in the Who's-Who in America as the originator of the "Memorial Park Plan", which revolutionized the cemeteries throughout the United States ... And I quote:

"From the dawn of history, from the earliest man, the human heart has yearned to be remembered. Kings, queens, peasants and slaves alike have known the impulse to be remembered . . . In this material age, there may be those who deny the urge, but their statements express either hypocrisy or a false modesty that secretly hopes it is not taken too seriously. . . Jesus said, "This do in remembrance of Me." And in every one of us there is an irrepressible longing for immortality that makes us shrink from the thought of being forgotten. . . that makes us want to be remembered.

The desire to be remembered has been one of the greatest social forces in human history. It has been persistent and powerful in the past and tremendously significant in the present. It is the dynamic drive behind much of man's achievement. It is the WHY back of cemeteries in the first place.

It has been the force behind the creation of many of our churches and cathedrals, our libraries, parks, colleges, hospitals, orphanages and museums.

Just imagine a world without memorials. If something wiped out all that respects and preserves the names of our predecessors: If everything created or endowed to prolong the memory of any person, place or thing should vanish into quick oblivion, the world, and especially Western Civilization as we know it, would cease to exist . . . The graves in all our cemeteries would become nameless and the honored tombs of the world would cease to be. All the monuments to the notables of the past would vanish and the world's greatest religious structures would suddenly have no being. In churches throughout the world stained glass windows, pipe organs and carillons would vanish and entire chapels and churches would cease to be.

We cannot all endow hospitals or colleges or libraries as memorials, but we should remember that a bronze tablet on a mausoleum crypt, a bronze tablet on a grave in the cemetery or a large upright monument in the cemetery with the family name inscribed on it can be, and is, a memorial just as truly as a library or a statue. Tablets are not as elaborate as statues, to be sure, but they are memorials nevertheless." End quote.

We cemeterians, like most other small businessmen, are required to wear many hats. We are back-hoe operators, truck drivers, lawn mowing, fertilizing and seeding experts, tree surgeons, tree trimmers, road maintainers, water line maintainers, salesmen, bookkeepers, mechanics, purchasing agents and a variety of other requirements . . . We may fall short on some of these requirements and get by with it, but let me assure you of one thing, let something happen to one of the memorials that has been previously installed in one of our cemeteries and we hear about it right away. It may have settled due to the constant shifting of the soil, it may have been damaged by a lawn mower, it may have grass growing over it or it may have just

gotten dirty. . .We hear about it! And the public expects us to take whatever action necessary to correct the problem and we must, or we risk losing their confidence, goodwill and trust.

This is an on-going expense to the permanent maintenance of any cemetery, and when the cemetery is completely sold-out of space this expense will continually be required. We are presently maintaining memorials that were installed in our cemetery over 65 years ago. . .Older than most everyone on this committee, and yet they will require maintenance for years and years to come.

We presently maintain a Voluntary Memorial Care Fund in our cemetery whereby we place \$34.56 in trust for the permanent maintenance of a single memorial, \$69.12 for a double memorial and \$75.00 for an upright memorial. This money is trusted and the interest is returned to the cemetery for memorial maintenance only. . . The permanent maintenance fund is funded by 15% of the purchase price for spaces as is required by K.S.A.17-1311. This, in all probability is adequate to maintain the space. However, once a memorial has been placed or installed on the burial space, it becomes an encroachment and requires additional funding for maintenance. Not all spaces or lots will have a memorial to be maintained.

At the present time a similar memorial maintenance fund is being utilized by most of the permanent maintenance cemeteries in the state, although it is not required by statute. We are here today, requesting this committee to make this a statute requirement. And we ask that you require a minimum of 10¢ per square inch on all memorials to be set aside into the permanent maintenance fund for the purposes I have outlined.

I trust you can see where the mowing, trimming and maintaining of thousands of cherished memorials in a cemetery requires a great deal of expense and should be funded as we have recommended.

Thank you for your attention and consideration.

2/12/85  
**MOUNT HOPE CEMETERY** Company

4700 WEST 17TH STREET • 913/272-1122 ❁ P.O. BOX 4217 • TOPEKA, KANSAS 66604

February 12, 1985

HOUSE COMMITTEE ON LOCAL GOVERNMENT  
State House  
Topeka, Kansas

Dear Committee Member:

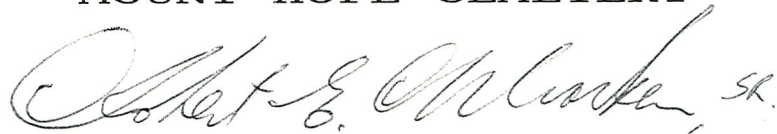
The Mount Hope Cemetery Company of Topeka is in favor of House Bill number 2180!

Mount Hope Cemetery has for a number of years placed, on a voluntary basis, money into a Care of Foundations and Markers Fund. Our fund has \$ 231,352.00 in it.

The Cemetery Trustees recognized soon after starting the Cemetery in 1906 that it costs more to maintain a cemetery lot with a monument or marker on it. Also monuments and markers can become damaged from mowing, vandalism or the natural elements of the weather.

We hope all of you will support this bill.

MOUNT HOPE CEMETERY



Robert E. McCracken, Sr.  
General Manager

KANSAS CEMETERY ASSOCIATION

(ATTACHMENT VIII)

February 11, 1985

2/12/85

To The Committee on Local Government

Re: House Bill 2180  
Permanent maintenance fund contributions for memorials

The KCA board of directors has voted unanimously to introduce and sponsor HB2180. This bill will help Kansas cemeteries and deserves your active support.

The bill requires each cemetery to collect a permanent maintenance fund contribution for each memorial installed after July 1, 1985. Each cemetery will set the amount collected (not less than ten cents per square inch of foundation area) and will collect from the burial lot owner or monument installer prior to installation. All amounts collected must be deposited in the cemetery's permanent maintenance fund and thereafter will be administered as a part of the fund.

The bill has the following advantages:

- \* it recognizes that burial lots with memorials are more expensive to maintain
- \* it fairly allocates memorial maintenance costs to burial lots with memorials
- \* it satisfies the objections of recent federal court cases (Rosebrough, etc.) which criticized cemetery's attempts to collect memorial care fund contributions from memorial installer
- \* it is simple to administer, since it utilizes each cemetery's regular permanent maintenance fund
- \* it requires that contributions be collected on a non-discriminatory basis, so the same contribution is collected regardless of who sells the memorial
- \* it gives each cemetery the flexibility to set its own contribution (above the 10 cent minimum)
- \* it does not apply to markers attached to mausoleum crypts or columbarium niches, where additional maintenance costs are not substantial

In short, HB2180's one-sentence amendment to the permanent maintenance fund law will solve the problem of paying for memorial maintenance costs in a fair and realistic manner consistent with recent federal court decisions.

Sincerely,



David W. Newcomer IV  
Chairman, KCA Legislative Committee

2426

MEMBERS COPY

5 RS 0461

(ATTACHMENT IX)

2/12/85

HOUSE BILL NO. 2426

By Committee on Local Government

AN ACT concerning water supply and distribution districts; relating to the letting of contracts; amending K.S.A. 1984 Supp. 19-3516 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1984 Supp. 19-3516 is hereby amended to read as follows: 19-3516. (a) Any water district board may issue and sell revenue bonds to finance the cost of acquisition, construction, reconstruction, alteration, repair, improvement, extension or enlargement of any such water supply and distribution system. The board shall fix by resolution such rates, fees and charges for the services furnished by such water supply and distribution system as may be reasonable and necessary and provide for the manner of collecting and disbursing such revenues subject to the limitations hereinafter contained.

Revenues derived from the operation of any such water supply and distribution system shall be deposited in a responsible bank within the county in which the greatest portion of such water district is located and the deposits shall be governed by article 14 of chapter 9 of the Kansas Statutes Annotated and shall not be used except for the purpose of: (1) Paying wages and salaries of all officers and employees, (2) paying the cost of operation, (3) paying the cost of maintenance, extension and improvement of such water supply and distribution system, (4) providing an adequate depreciation fund, and (5) creating reasonable reserves for such purposes. All revenues over and above those necessary for the above enumerated purposes shall be placed in a reserve fund which, together with any moneys not currently needed which have been set aside for the purposes described in (4) and (5) above, may be invested in accordance with the provisions of K.S.A.

10-122, and amendments thereto, or K.S.A. 10-131, and amendments thereto. Such reserve fund shall be used solely for improving, extending or enlarging the district's water system or for the retirement of revenue bonds issued hereunder and the payment of interest thereon. Such revenue bonds are hereby made a lien on the water supply and distribution system and on the revenues produced from such water supply and distribution system but shall not be general obligations of the issuing water district. Such revenue bonds shall not be taken into account or in any way be a limitation upon the power of the water district to issue bonds for any other purpose. All revenue bonds issued under this act shall be signed by the chairperson of the issuing water district board and attested by the secretary and shall contain recitals stating the authority under which such bonds are issued; that they are issued in conformity with the provisions, restrictions and limitations of that authority; that such bonds are to be paid by the issuing water district from the revenues derived from the rates, fees or charges herein mentioned and not from any other fund or source; that the same have been registered in the office of the county clerk of the various counties in which the issuing water district is located and in the office of the treasurer of the state of Kansas, respectively; and that such bonds are negotiable. All such bonds, when registered and issued, as herein provided, shall import absolute verity, and shall be conclusive in favor of all persons purchasing such bonds, that all proceedings and conditions precedent have been had and performed to authorize the issuance thereof. The provisions of K.S.A. 10-112, and amendments thereto, shall not apply to any bonds issued under this act.

(b) Revenue bonds issued under this act shall mature not later than 40 years after the date of the bonds; may be subject to redemption prior to maturity, with or without premium, at such times and upon such conditions as may be provided by the water district board; and shall bear interest at a rate not to exceed the maximum rate of interest prescribed by K.S.A. 10-1009, and



amendments thereto. The board may sell such bonds in such manner and for such price as it determines will best effect the purposes of this act. In no case where revenue bonds are issued under this act shall the total amount received therefrom be in excess of the actual cost of the plan or program which includes, in addition to all expenses incurred in the acquiring of a water supply and distribution system, all expenses incurred prior to and including the bond election, the no-fund warrants outstanding under the provisions of K.S.A. 19-3505a, and amendments thereto, and unpaid at the time such revenue bonds are issued and all costs of operation and maintenance of such water supply and distribution system estimated to be necessary for a period of two years immediately following the acquisition of such system and the amount necessary to pay the salaries of the water district board due from the date the first member of the first board is elected. Whenever any such water district board has sufficient revenues to pay the operational and maintenance cost and the board members' salaries, then such expenses shall be paid out of such revenues and any surplus funds remaining from the sale of revenue bonds shall be transferred to the revenue bond sinking fund of the water district. No water district or county in which a portion of such water district lies shall have any right or authority to levy taxes to pay any of the principal of or interest on any such bonds or any judgment against the issuing water district on account thereof, and the provision of K.S.A. 10-113, and amendments thereto, shall not apply to any bonds issued hereunder. All water district boards created by this act shall by appropriate resolution make provisions for the payment of such bonds by fixing rates, fees and charges, for the use of all services rendered by such water district, which rates, fees and charges shall be sufficient to pay the wages and salaries of all officers and employees and the costs of operation, improvement and maintenance of the water supply and distribution system; to provide an adequate depreciation fund and an adequate sinking fund to retire such bonds and pay the interest thereon when due;

and to create reasonable reserves for such purposes. Such fees, rates or charges shall be sufficient to allow for miscellaneous and emergency or unforeseen expenses. The resolution of the water district board authorizing the issuance of revenue bonds may establish limitations upon the issuance of additional revenue bonds payable from the revenues of the district's water supply and distribution system or upon the rights of the holders of such additional bonds and may provide that additional revenue bonds shall stand on a parity as to the revenues of the water district and in all other respects with revenue bonds previously issued on such conditions as specified by the board in such resolution. Such resolution may include other agreements, covenants or restrictions deemed necessary or advisable by the district board to effect the efficient operation of the district's system and to safeguard the interests of the holders of the revenue bonds and to secure the payment of the bonds and the interest thereon.

(c) The water district board shall cause an audit to be made annually by a licensed municipal public accountant or by a certified public accountant of the operations of any water supply and distribution system created hereunder for which revenue bonds have been issued by any water district, and, if the audit discloses that proper provision has not been made for all of the requirements of this section, the water district board shall promptly proceed to cause rates to be charged for the water supply and distribution services rendered which will adequately provide for the requirements set out herein. Within 30 days after the completion of such audit, a copy of the audit shall be filed with the county clerks of the various counties in which such water district is located, and such audit shall be open to public inspection.

(d) The water district board, by a majority vote of the members thereof, may contract for repairs, alterations, extensions or improvements of the water supply and distribution system and issue revenue bonds to pay the cost thereof without submitting to a vote of the electors of such water district the

proposal to contract for the making of such repairs, alterations, extension and improvements and to issue revenue bonds to pay the costs thereof. All contracts for any construction of all or part of the water system, or for repairs, extensions, enlargements or improvements to any such water supply and distribution system created under this act, the cost of which exceeds ~~\$10,000~~ \$25,000 shall be awarded on a public letting by the water district board to the lowest responsible bidder, and in the manner provided by K.S.A. 19-214, 19-215 and 19-216, and amendments thereto, except that the required notice of letting contracts shall be seven days if the cost does not exceed ~~\$25,000~~ \$100,000 and 30 days if the cost exceeds ~~\$25,000~~ \$100,000.

Sec. 2. K.S.A. 1984 Supp. 19-3516 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.