Approved February 5, 1985
Date

MINUTES OF THE Senate COMMITTEE ON Local Government.

The meeting was called to order by Senator Don Montgomery at
Chairperson

9:08 a.m.XXX on Wednesday, January 30, 1985 in room 531-N of the Capitol.

All members were present except: Senator Ehrlich who was excused.

Committee staff present: Mike Heim, Emalene Correll, Theresa Kiernan, and Lila McClaflin

Conferees appearing before the committee:

Senator Joe Norvell
Gerry Ray, Johnson County Board of Commissioners
Fred Allen, Kansas Association of Counties
Kim Dewey, Board of Sedgwick County Commissioners
Dennis M. Shockley, Federal and State Affairs, City of Kansas City, Ks.
Scott Lambers, Overland Park, Ks.
Ernie Mosher, League of Kansas Municipalities
Judy Anderson, City of Wichita, Ks.

The Chairman called the meeting to order.

Senator Daniels moved to approve the minutes of the January 29, 1985 meeting, seconded by Senator Gaines. The motion carried.

Senator Norvell appeared before the Committee in regard to S.B. 14, he stated S.B. 12, which the Committee passed yesterday, should take care of their problems in Trego County, therefore, he did not think they would need to amend S.B. 14. He introduced a delegation from Trego County that was in support of his remarks. (See attachments 1 and 2)

Senator Montgomery opened the hearings on S.B. 14, concerning counties, relating to the limitation of bonded indebtedness. Jerry Ray, spoke in favor of adopting the bill, she stated, it would fulfill the needs of Johnson County. Fred Allen said, they had requested the bill last spring and he had testified before the Interim Committee in favor of it. Kim Dewey testified for it. (See attachment 3)

Hearings on S.B. 15, concerning cities relating to the limitation of bonded indebtedness. Dennis Shockley testified in behalf of the bill. (See attachment 4) Scott Lambers of Overland Park, stated a limit was not necessary for the first class cities. Ernie Mosher, testified in favor of adopting the bill.

Senator Daniels questioned whether second and third class cities should have a bonded indebtedness limit.

The Chairman ask if anyone was present in opposition to S.B. 14 and S.B. 15, there was none.

After Discussion on the bills, Senator Mulich moved to report S.B. 14 favorably for passage, Senator Bogina seconded the motion. The motion was adopted. Senator Mulich moved to report S.B. 15 favorably for passage, Senator Allen seconded the motion. The motion was adopted.

The meeting was adjourned at 10:43 a.m. by the Chairman. The next meeting of the Committee will be at 9:00 a.m. on Tuesday, February 5, 1985.

Don Montgomery

Don Montgomery, Chairperson

Date: January 30, 1985

GUEST REGISTER

SENATE

LOCAL GOVERNMENT

NAME	ORGANIZATION	ADDRESS
Scott Lambers	City of OP	OP
Phil Anderson	—	Budget Div
Kim Dewey	Sedgwick Co.	525 N. Main 67203
Gerry Ray	Johnson Co	Olathe
Phil Wolfe	Nichols & Wolfe	Topeka, KS
David J. Harding	Trego Co. Attorney	WaKeeney
Stacy D. Gano	Trego Co. Economic Development	WaKeeney
Donald Harvey	Trego County Comm.	WaKeeney
Thomas W. Rhoden	Trego County Clerk/appraiser	WaKeeney
Lloyd Freeman	Mayor - WaKeeney City	WaKeeney Ks.
Judy Anderson	City of Wichita	Wichita
[illegible]	[illegible]	League

Published
WESTERN KANSAS WORLD
January 30, 1985
J. J. Millard

To the People of Trego County:

I am a firm believer that the people have a "right to know" the details of all decisions made by their government. The news media and the elected and appointed officials are equally obligated to inform the public in an unbiased and forward manner.

A news article was printed in last week's issue of the Western Kansas World regarding a meeting held during the afternoon of January 14, of County officials, hospital board members, hospital administration and interested persons of the community. The meeting subject was proposed legislation which is presently in the Local Government Committee of the Kansas Senate and which will affect the renovation and construction project of our local hospital that was approved by the voters on November 6, 1984.

The article contained some statements which I feel need to be clarified and expanded upon for the benefit of the public. The omission of needed information is certainly no fault of the reporter for the World who was in attendance at the meeting. She contacted me after the meeting in an earnest request for more information and clarification of the events in order to write her news article. It is now apparent that I was too busy with office duties and other official commitments at the time to offer her the full explanation of details that were warranted by her request.

I often find myself guilty of assuming that all other persons are as familiar with the integral parts of the finances of government, a part of which is bond obligations and a pertinant subject at this time, as persons who work with these mechanics of administration on a daily basis. This is an unfair assumption on my part. And understandably most individual members of the public are not vitally interested in the details of taxation until and after they receive their annual gift from the County Treasurer in November in the form of property tax statements.

I was quoted in the article as saying that the bond cost would be an approximate $2,725,000. This is an incorrect figure; and the quote probably occured by a misunderstanding of my answer to another question at that time. The article also incorrectly credited the authorship of the present bill under consideration by the Senate Committee. I am writing this article to offer an explanation and clarification of those two points as public information.

1) The bond issue authorized by the voters at the November 6 election by a vote of near three to one in favor was for a total $2,400,000. We are hopeful that this total amount will not be needed. However, that is the maximum amount that bonds can be issued in this case. The present outstanding bonded indebtedness for the Trego County Law Enforcement Center is $325,000. Therefore, if new bonds are issued and sold for the hospital project, the total Trego County bonded indebtedness would be $2,725,000 which is not considered as a high figure for counties in general.

(Attachment 1)
1/30/85

2) The present bill being considered by the Senate Committee was labeled as the Montgomery Bill. This statement is in error. Senator Montgomery is the chairman of the Senate Local Government Committee, and I am certain that the good Senator would desire to have this bill not labeled individually to any member of the committee or any Senator as this is a proposal of the legislative interim committee group that was assigned the project of bonded indebtedness limitations of counties among other topics. This group met during the interim months of the 1984 and 1985 sessions. They forwarded their findings and recommendations to the Senate Committee, and same has been formed into the bill presently being considered by the Local Government Committee. We may be assured that Chairman Montgomery will conduct the proper and fair hearings on the proposed legislation to the benefit of himself and the other members of the committee. The Senate Committee will then forward their recommendations to the Senate as a whole and in turn the bill will be considered by the State House of Representatives. Favorable reaction of both houses will result in the bill being sent to the Governor for signature. If he signs same, that will complete the process of the proposed legislation becoming a law.

By a Kansas law K.S.A. 10-301 seq., which was orginally activited in 1879, the bonded indebtedness of counties was limited to one percent of the property tax roll valuation of the county. With the influx of inflation injected into construction costs, it was very apparent that the old law was outdated; and there was a need to change in order to allow counties to make the necessary construction for continuation and demands of progressive government. Needless to say, the one percent limitation would hardly allow construction of many or sizeable structures that would be needed for continuation of governmental activities of the counties. In fact, some single family residences constructed in recent years have cost nearly as much as the one percent limitation would give to a few Kansas counties of small population and tax valuation bases.

I am sure that it is understood by the legislature that there may be cases that it will be necessary for amendments or new sections to be added to the present bond debt limitation because of circumstances relative to an individual county. In these cases the legislation can be granted by isolation of that county directly by name or on a basis of tax roll valuation and population and still maintain the integrity and the intent of the original law for all counties. This has been a necessary practice in the case of many laws of the state.

Some county officials, myself included, have contended that there was a need for modernization of K.S.A. 10-306 to reflect a realistic percentage figure coinciding with county needs and the construction costs of today. This topic has been a plank item of the legislative platform of the Kansas Association of Counties for several years.

At the time that the Law Enforcement Center was constructed, Trego County requested special legislation, as would allow us to construct the Law Enforcement Center facility. The authorization for construction of the facilty was given to the relative county officials by an election held prior to the passage of the enabling legislation. That event was prompted by our county jail being condemned as unsuitable for the housing of county prisoners. We were faced with a choice of the hazardous and expensive task of transporting prisoners to be housed in a recently constructed facility located in another county which met the standards and was approved by the Governor's "Jail Standard Committee" or the construction of a modern jail facility in our county. The voters of Trego County addressed the question and met the challenge at a Special Election held for that purpose.

The need for renovation and construction of an addition to the Trego County Hospital parallels that of the Law Enforcement Center. At the time that the choice by vote was offered last fall to Trego County voters, it was known that we would need enabling legislation to issue and sell the bonds. The question was placed on the ballot because our hospital was being operated under waivers pending renovation or a show of interest and good faith to "Get Our Act Together". Federal government agencies that mandate compliances to regulations and requirements for health care facilities dictated the circumstances.

Our hospital, built thirty-five years ago, has not had any extensive maintenance and repair other than the construction of the Long Term Convalescence Care wing a few years later. The costs of this construction was partially defrayed by a grant obtained under authority of the federal Hill-Burton Act. The reason that extensive repair has not been made during the interim years is simply that there has not been an avenue for enough tax monies to carry out these projects and to purchase needed medical facility equipment.

The base for bond debt limitation is the current year's tax roll valuation of all personal, real estate and public utility property which is certified to the state by the County Clerk by abstract on November 1. The 1982 valuation of exempt farm machinery and business aircraft which was exempt by legislation that year is added to make a new total for bond issue purposes.

The valuation of motorized vehicles upon which the tax is paid at the time of license tag purchases is not presently included in the base for bond limitation, as the vehicle tax is paid on a coded classification of the vehicle multiplied by the average of all tax levies of the county for the prior year. However, there is a proposal pending legislative action that the vehicle valuation could be added. I personally endorse this proposal.

The 1984 valuation (tax base) of taxable property of Trego County is $54,527,610; the 1982 valuation of farm machinery and business aircraft is $3,048,018; and the 1984 valuation of motorized vehicles is $2,664,414.

Trego County is fortunate to have a sincere hardworking Board of Directors of the county hospital. The plans for renovation and needed construction to insure compliance with federal regulations mandated by the agencies of health care activities are not "Blue Sky" or "Gingerbread". I feel that the hospital board deserves support of the community in their efforts of planned renovation and construction in order to continue operation of the institution for the purpose it was created.

During the period of time before the Special Election was held, a number of public information meetings were held at the hospital and with clubs and organizations of the county. And yes, the issue of renovation and construction was dissected and put back together many times in daily conversations over the counters and tables of the "Coffee Clubs" of the town. Also during that period an ad appeared in this newspaper which said it all. The ad read: "When your heart stops beating, do you have time to drive to Hays to the hospital?"

Sincerely yours,

Thomas W. Rhoden, CKA
County Clerk/Appraiser

Trego County Kansas
Courthouse
WaKeeney, Kansas 67672

Thomas W. Rhoden, CKA
COUNTY CLERK-APPRAISER
216 MAIN
PHONE 913-743-5773

TREGO COUNTY

ASSESSMENT VALUATIONS AND
BONDED INDEBTEDNESS LIMITATION INFORMATION

1984	(Nov. 1) Certified Valuation of taxable property of county	$54,527,610
1984	Valuation of Motorized Vehicles (K.S.A. 79-5100)	$ 2,664,414
1982	Valuation of Farm Machinery and Business Aircraft	$ 3,048,018

County Population (Jan. 1, 1984) by Appraiser	4,474
County Population (July 1983) U.S. Bureau of Census	4,220

Bonded Indebtedness:

Trego County Law Enforcement Center Outstanding (Jan. 1, 1985)	$330
Proposed issue and sale of bonds for rennovation and construction, Trego County Hospital (maximum authorized by Election held Nov. 6, 1984)	$ 2,400,000

Special Question Election:

For issue of bonds: 1577

Against issue of bonds: 573

Respectfully submitted:

Thomas W. Rhoden

Thomas W. Rhoden, CKA
County Clerk

1/30/85

(Attachment 2)

OFFICIAL

STATE OF KANSAS

Question Submitted Election

November 6, 1984

TREGO COUNTY

COLLYER TOWNSHIP

COLLYER CITY PRECINCT

SHALL THE FOLLOWING BE ADOPTED?

"SHALL TREGO COUNTY, KANSAS ISSUE AND SELL GENERAL OBLIGATION BONDS IN AN AMOUNT NOT EXCEEDING $2,400,000 TO PROVIDE FUNDS TO PAY THE COST OF CONSTRUCTING, FURNISHING AND EQUIPPING ADDITIONS TO THE TREGO COUNTY-LEMKE MEMORIAL HOSPITAL CONSISTING OF ADMINISTRATIVE, OUT-PATIENT AND ACUTE CARE FACILITIES AND REMODELING EXISTING PATIENT, NURSES, DOCTORS, TREATMENT AND DIAGNOSTIC FACILITIES UNDER THE AUTHORITY OF CHAPTER 98 1984 KANSAS SESSION LAWS?"

To vote in favor of any question submitted upon this ballot, make a cross or check mark in the square to the right of the word "Yes"; to vote against it, make a cross or check mark in the square to the right of the word "No".

Yes ☐

No ☐

SEDGWICK COUNTY, KANSAS

DEPARTMENT OF ADMINISTRATION

FOREST TIM WITSMAN
COUNTY ADMINISTRATOR

COUNTY COURTHOUSE • 525 N. MAIN • WICHITA, KANSAS 67203-3703 • TELEPHONE 268-7575

Senate Committee on Local Government
January 30, 1985
Proposal No. 35 - Senate Bill 14

Testimony of Kim C. Dewey
Sedgwick County, Kansas

An examination of local government debt limitations in effect in the other 49 states reveals that Kansas has by far the most restrictive limits in terms of counties. The surrounding states of Colorado and Nebraska impose no limits, while Oklahoma and Missouri allow a ceiling of five percent.

Counties have had to come to the Legislature for increases in their debt limitations with greater frequency in recent sessions. This should be an indication to the Legislature that the current limitation is unreasonably low. The requests for exceptions will continue to increase as counties across the State are forced to deal with deteriorating infrastructure, particularly court-houses and jails. In many cases, the issuance of general obligation bonds for major capital projects falls within the 1% limitation, even when approved by referendum.

Sedgwick County does not have an immediate need for debt room. In fact, due to prudent management of our debt, we currently do not have any outstanding non-exempt debt. We cannot be sure when we may have a need for a major capital project which would exceed or greatly strain our limitation.

(Attachment 3)
1/30/85

The simplest solution to these impending problems would be to remove the limits all together, as is the case in Colorado and Nebraska. The limitations serve no useful purpose, as there are other restraints both political and economic which keep local bond financing at manageable levels.

In lieu of abolishing the limits, the county limitations should be raised, and the 3% limit provided in Senate Bill 14 would be sufficient in most cases. We do not favor complicated indexing formulas to determine debt limitations, and do not favor a system of requesting exemptions from the Board of Tax Appeals.

CITY OF KANSAS CITY, KANSAS

ONE CIVIC CENTER PLAZA
KANSAS CITY, KANSAS 66101
(913) 573-5017

DENNIS M. SHOCKLEY
FEDERAL AND STATE AFFAIRS

January 29, 1985

Senator Don Montgomery, Chairman
Senate Local Government Committee
Statehouse
Topeka, KS 66612

Dear Senator Montgomery:

Attached please find a copy of the testimony given this summer to the special interim committee on local government by our City's Budget Director, John Moir. It explains why we now support S.B. 15, which would remove the 17% limitation on Kansas City, Kansas.

Attached also find a page from our City's legislative package (Objective #3).

Sincerely,

Dennis M. Shockley
Federal and State Affairs

DMS:pjm

Attachments

(Attachment 4)

CITY OF KANSAS CITY, KANSAS

MEMORANDUM

TO: Special Interim Committee on Local Government

FROM: John Moir, City Budget Director John Moir

DATE: August 21, 1984

SUBJ: PROPOSAL NO. 35 - BONDED DEBT LIMITS

Thankyou, Mr. Chairman, for the opportunity to discuss the statutory limitation of municipal debt and how the limitation affects the City of Kansas City, Kansas (KCK).

KCK debt can be divided into three parts: current debt outstanding; debt to be issued pursuant to the City's new six year capital budget; and, debt to be issued pursuant to the City's economic development and Council district programs. The existing and potential KCK debt is planned and budgeted over the planning period 1984 - 1989 and is summarized as follows:

1.	Existing debt....................	$ 26.7 million
2.	Capital Budget debt.............	38.0 million
3.	Economic Development & Council District Debt....................	32.0 million
	TOTAL DEBT....................	$ 96.7 million

The current debt limit for KCK is $66 million. At some point during the next five years, the debt limit could obstruct the orderly administration of the debt financed share of the City's capital program.

The City's six year **capital budget** identifies capital projects and project costs totalling approximately $100 million over the period 1984-1989. These projects include streets, bridges, viaducts, storm sewers, sanitary sewers, traffic signalization, airport facilities, recreation facilities, public buildings, and major long-lived equipment (such as fire trucks and telecommunications systems). The capital budget costs are financed from all available funding sources with debt financing used as a last resort. The capital budget includes 62 percent "pay-as-you-go" and 38 percent debt financing methods.

KCK assessed valuation declined by $11.1 million or 3.2% from 1982 to 1983 and increased only $.9 million or .3% in 1984. Economic development to induce private investment is the foremost goal of public policy in KCK.

(Attachment 4)
1/30/85

On October 4, 1983, KCK citizens approved by a margin of 60% to 40% a 1/2 cent city sales tax and a 1/2 cent county-wide sales tax. The City Council pledged 1/2 of the proceeds of these new sales taxes for **economic development and council district programs.** The economic development program provides bonding authority of $26 million for existing industrial areas and new industrial parks. The six council districts are authorized $1 million each in bonding authority. These programs are intended to encourage new private investment in KCK and to provide for improvements within each of the six councilmanic districts. The other 1/2 of the proceeds of these new sales taxes is used to provide a two year freeze on increases in the general property tax rate, which has been 68.7 mills since 1983.

The public policy behind the debt limit statute is the avoidance of irresponsible debt accumulation by municipalities. Debt should not be incurred to finance annually recurring operating expenses. Also, debt should not be incurred beyond the community's reasonable ability to retire such debt.

How do we determine what is the community's reasonable debt limit? Certainly, the debt limit should be based on the community's wealth and ability to pay. Therefore, the debt limit should not be based on an arbitrary percentage of assessed valuation, when assessed valuation does not reflect fair market value of property on the tax rolls. **Table I** reveals the relationship between assessed valuation and fair market value in KCK and the obvious gap that occurs as a result of not providing for the orderly and timely reappraisal of property. On the whole, assessed valuation is less than 10% of fair market value. This example reflects the situation statewide.

If the current debt limit were applied against assessed valuation computed at 30% of fair market value, the KCK debt limit would increase from $66 million to $145 million (fair market value of $2,851,038,251 X .30 = assessed valuation of $855,311,475 X .17 = debt limit of about $145,402,951).

Alternatively and practically speaking, the potential problem with the debt limit for KCK could be resolved simply by increasing the percentage limitation of current law from 17% to 25%.

The question of what constitutes the debt carrying capacity of a community may be addressed by looking at the methods used by financial analysts to evaluate the investor risk associated with municipal bond issues. Financial analysts use many different factors to measure risk, including debt ratios and trends in assessed valuation, tax limitations, labor force, retail sales, bank deposits, and other local financial data. The debt ratios identify the total general debt burden of the community. **Table II** shows how the net debt for KCK taxpayers is calculated to include city residents share of the debt issued by overlapping taxing districts (such as the county government, the local community college, and local school district). While the city debt is only $26.7 million, the total net debt burden of KCK taxpayers is $43.4 million.

Once net debt is defined, two significant ratios can be calculated: net debt per capita and net debt as a percentage of fair market value. **Table III** illustrates the three major categories of net debt burden: low, moderate, and high. **Table IV** translates the ratios into specifics for KCK. Present KCK net debt is low and about $267 per capita, equivalent to 1.2% of fair market value. If all proposed debt was issued immediately, KCK net debt would be low to moderate, equivalent to $699 per capita and 4.0% of fair market value. This evaluation conflicts with the restrictions imposed by the current debt limitation law.

Independent financial analysis indicates that the City's proposed debt is low or moderate and, therefore, does not represent a problem. However, this same debt burden would not be allowed under current state law. The conclusion is obvious--current law should be amended to permit reasonable and responsible debt administration. Elimination of the debt limit would be consistent with the concept of home rule and the most desireable action. **Raising the percentage limitation from 17% to 25% would eliminate the potential problem for Kansas City, Kansas.**

Table I

1984 KCK Assessed Valuation Vs. Fair Market Value

Category of Property	Assessed Value /	% of Fair Market Value =	Current Fair Market Value
Real Estate	$221,836,720	.091	$2,437,766,154
Personal Property	89,926,926	.300	299,756,420
State Assessed Utilities	34,054,703	.300	113,515,677
Total Value	$345,818,482		$2,851,038,251

Table II

Sample Calculation of KCK Net Debt Including Overlapping Taxing Districts

City of Kansas City, Kansas, Debt................	$ 26,725,000
Wyandotte County Debt...........................	1,024,600
Unified School District 500 Debt.................	14,550,000
Kansas City, Kansas, Community College Debt.....	1,071,600
Total Net Debt for KCK Taxpayers.............	$ 43,371,200

Table III

Categories of Debt Ratios--General Rules

Category of Debt	Debt per Capita	Debt to Market Value
Low	$ 0 to $ 400	0% to 4.0%
Moderate	401 to 700	4.1% to 8.0%
High	701 to 1,000	more than 8.0%

Table IV

KCK Debt Ratios Present versus Projected Assuming All Projected Debt Was Issued in 1984

Ratio	Present	Projected
Debt per Capita	$ 267 (low)	$ 699 (moderate)
Debt to Market Value	1.2% (low)	4.0% (low)

OBJECTIVE #3:

Support legislation to eliminate the bonded debt limit of Kansas City, Kansas.

OVERVIEW:

Current state law, K.S.A. 10-308, establishes a bonded debt limit for the cities of Kansas City, Overland Park, Topeka and Wichita at 17% of assessed valuation. The other 20 cities of the first class have no bonded debt limit. The arbitrary ceiling is anachronistic and should be changed. Cities of the second and third class are set at 25% of assessed valuation and the League of Kansas Municipalities is lobbying to have that requirement removed as well. It should be noted that the City of Kansas City, Kansas is nowhere near its bonded debt limit.

COMMENTS:

Introduce bill to remove the limit.

(Attachment 4)
1/30/85