

MINUTES OF THE Senate COMMITTEE ON Local Government

The meeting was called to order by Senator Montgomery at
Chairperson

9:10 a.m./~~XXX~~^{XX} on Thursday, February 7, 1985 in room 531-N of the Capitol.

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

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

Conferees appearing before the committee: Ed Johnson, City Attorney, Topeka, KS.
Ernie Mosher, League of Municipalities
Bill Ervin, Chief, Municipal Accounting Section,
Topeka, KS.
Scott Lambers, City of Overland Park, KS.
Henry Beseau, City Manager, St. Marys, KS.

The Chairman called the meeting to order.

Senator Gaines moved to approve the minutes of the February 5, 1985 meeting. Seconded by Senator Mulich. The motion carried.

Atch. 1. The Chairman ask if everyone had looked over the amendments on S.B. 48. Senator Langworthy noted on line 26 to strike "the", with this correction made, Senator Daniels moved to report the bill favorable for passage. Senator Ehrlich seconded the motion. The motion carried.

Hearings were opened on S.B. 59 which would allow cities to establish a reserve fund outside their general fund budget to purchase or maintain equipment. Ed Johnson, city attorney, of Topeka, Ks., filling in for Charles E. Holt, testified in favor of the bill, his testimony is attached. (See attachment 2) He said they wish to go on record as favoring and strongly supporting S.B. 59.

Ernie Mosher, appeared in support of the bill, his written statement is attached. (See attachment 3)

William Ervin, spoke in opposition to some of the language in the bill, his written statement is a part of these minutes. (See attachment 4)

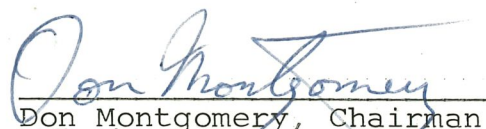
Scott Lambers, City of Overland Park, stated they supported the bill and that the city manager of Lenexa, KS. wanted to be on record in support of it.

Henry Beseau, city manager, of St. Marys, Ks., stated the basic concept is good and would give them more flexibility and save them money.

After discussion, it was the consensus of the committee to strike "internal service" anywhere it appeared in the bill, amend the bill on line 24, following the word source, before the comma, add the language "available for this purpose". Line 24, after the word transferred, included the wording "by the annual budget".

A balloon will be drafted of these amendments and will be looked at, before any action is taken.

The meeting adjourned until Tuesday, February 12, 1985.


Don Montgomery, Chairman

SENATE BILL No. 48

By Senators Burke, Allen, Arasmith, Gordon, Harder,
Hoferer, F. Kerr, Langworthy, Montgomery, Salisbury,
Talkington, Thiessen, Vidriksen, Walker, Werts and Winter

1-22

0019 AN ACT concerning municipalities; authorizing governing
0020 bodies thereof to issue bonds for payment of the costs of
0021 removal or encapsulation of ~~asbestos~~ in public buildings;
0022 conditions.

friable asbestos-containing material

0023 *Be it enacted by the Legislature of the State of Kansas:*

0024 Section 1. (a) When the governing body of any municipality
0025 determines that ~~asbestos~~ exists in any of its buildings and that it
0026 is necessary to provide for the removal or encapsulation of the
0027 ~~asbestos~~, the governing body may issue and sell general obliga-
0028 tion bonds of the municipality for payment of the costs of such
0029 removal or encapsulation.

friable asbestos-containing material

such material

0030 (b) No bonds shall be issued or sold under authority of this
0031 section until a resolution authorizing the issuance and sale of
0032 such bonds is adopted by the governing body and published
0033 once a week for two consecutive weeks in a newspaper having
0034 general circulation in the municipality. The resolution shall
0035 specify the purpose for which bonds are to be issued and the
0036 estimated amount thereof. After adoption of the resolution, the
0037 bonds may be issued and sold unless, within 90 days following
0038 the last publication of the resolution, a petition in opposition to
0039 issuance of the bonds, signed by not less than ~~7 1/2%~~ of the
0040 qualified electors of the municipality, is filed with the governing
0041 body of the municipality. If a petition is filed, the bonds shall not
0042 be issued without the question of issuing the same having been
0043 submitted to and approved by a majority of the qualified electors
0044 of the municipality voting at an election which shall be called for
0045 that purpose or at the next general election. If a special election

1070

*Atch. 1
2/12/85*

(Attachment 1)

0046 is called, the governing body shall give notice thereof in the
0047 manner prescribed in K.S.A. 10-120, and amendments thereto,
0048 and the election shall be held in accordance with the provisions
0049 of the general bond law. No action shall be brought in any court
0050 to contest the validity of any election held under this section, nor
0051 to contest any of the proceedings preliminary thereto, except
0052 within 90 days immediately following the certification of the
0053 results of the election.

0054 ~~(c) If bonds are issued under authority of this section, the~~
0055 ~~bonds shall be issued to mature in not more than five years. The~~
0056 ~~maximum amount of the bonds shall not exceed the actual cost of~~
0057 ~~the removal or encapsulation of the asbestos.~~ (c)

0058 (d) Bonds issued under authority of this section shall not be
0059 subject to any bonded indebtedness limitations nor shall the
0060 bonds be considered in determining the bonded indebtedness of
0061 any municipality. In lieu of bonds, temporary notes may be
0062 issued under K.S.A. 10-123, and amendments thereto, and the
0063 notes may, at the option of the governing body, be retired by tax
0064 levies made under K.S.A. 10-113, and amendments thereto. (d)

0065 (d) No municipality shall accept a bid for the removal or
0066 encapsulation of asbestos from any person or business entity
0067 which does not hold a certificate or license issued by the secre-
0068 tary of health and environment and authorizing the person or
0069 business entity to engage in the removal or encapsulation of
0070 asbestos.

0071 ~~(f) For the purpose of this section, the terms "municipality"~~
0072 ~~and "governing body" have the meanings respectively ascribed~~
0073 ~~thereto by K.S.A. 10-1101, and amendments thereto.~~

0074 Sec. 2. This act shall take effect and be in force from and
0075 after its publication in the statute book.

removable asbestos-containing material

such material as provided by 1985 Senate Bill No. 113

See next page

(e) The secretary of health and environment shall provide, upon request, technical assistance to municipalities in performing asbestos exposure assessments and in selecting appropriate asbestos abatement actions.

(f) When used in this act:

(1) "Municipality" means a municipality as defined by K.S.A. 10-1101, and amendments thereto;

(2) "governing body" means a governing body as defined by K.S.A. 10-1101, and amendments thereto; and

(3) "friable asbestos-containing material" means any material containing more than 1% asbestos by weight which is applied to ceilings, walls, structural members, piping, ductwork or any other part of a building and which, when dry, may be crumbled, pulverized or reduced to powder by hand pressure.



CITY OF TOPEKA

(913) 295-3939

Department of Finance and Revenue

City Hall
215 E. 7th St.
Topeka, KS 66603

February 5, 1985

To: Honorable Don Montgomery, Chairman and Committee Members
Senate Local Government Committee

From: Charles E. Holt, C.P.A., Auditor/Controller
Topeka, Kansas

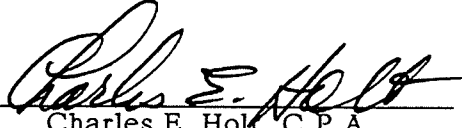
Subject: Support for Senate Bill No. 59

I wish to be on record, as the City of Topeka's professional Finance Officer, as favoring and strongly supporting Senate Bill No. 59. This grants the authority to cities in Kansas to more properly comply with generally accepted accounting principles as is required by K.S.A. Sect. 75-1120a.

I would like to suggest that in line 0021 of the bill that the singular use of the term fund be made plural ie. funds. This is because it would be more appropriate to use separate funds for computer services and a motor pool, as an example, rather than to operate these from a single fund.

It has long been the position of the National Council on Governmental Accounting that the budget for an internal service fund should be an administrative guideline rather than a legal authorization. This results from the fact that the level of activity in an internal service fund is regulated by the demand for services, and that the resources used to pay the fees for services or use of equipment have already been budgeted in the legal sense, ie. the City's General Fund paying a fee to the Computer Services Fund.

Thank you for your attention,



Charles E. Holt, C.P.A.
Auditor/Controller

jh

(Attachment 2)

2/7/85

SENATE BILL No. 59

By Committee on Local Government

1-23

0017 AN ACT relating to cities; authorizing the establishment of an
0018 internal service equipment fund.

0019 *Be it enacted by the Legislature of the State of Kansas:*

0020 Section 1. (a) The governing body of any city may provide,
0021 by adoption of an ordinance, for a municipal equipment fund,
0022 which may be used as an internal service fund to finance the
0023 acquisition of equipment. Moneys may be budgeted, or trans-
0024 ferred to such fund from any source, including rental or other
0025 equipment use charges on the various departments and agencies
0026 of the city, sufficient to finance new and replacement equip-
0027 ment. For the purposes of this act, equipment shall include
0028 machinery, vehicles and any other equipment or personal prop-
0029 erty including, but not limited to, computer hardware and soft-
0030 ware, which the city is authorized to purchase for municipal
0031 purposes.

0032 (b) Moneys credited to such fund from budgeted appropria-
0033 tions or transfers shall not thereafter be subject to the provisions
0034 of K.S.A. 79-2925 to 79-2937, inclusive, and amendments thereto.
0035 In making the budgets of such city, the amounts credited to, and
0036 the amount on hand in, such internal service fund and the
0037 amount expended therefrom shall be shown thereon for the
0038 information of the taxpayers of such city. Moneys in such fund
0039 may be invested in accordance with the provisions of K.S.A.
0040 10-131 and amendments thereto with interest thereon credited to
0041 such fund.

0042 (c) If the governing body of any city determines that money
0043 which has been credited to such fund or any part thereof is not
0044 needed for the purposes for which so budgeted or transferred,
0045 the governing body may transfer, by adoption of a resolution,

SB 59

2

0046 such amount not needed to the fund from which it came and such
0047 retransfer and expenditure thereof shall be subject to the budget
0048 requirement provisions of K.S.A. 79-2925 to 79-2937, inclusive,
0049 and amendments thereto.

0050 Sec. 2. This act shall take effect and be in force from and
0051 after its publication in the statute book.

SB 59—General City Equipment Reserve Fund

Purpose: To specifically authorize cities to establish internal service equipment funds.

Background: Under Kansas budget laws, the general rule is that public funds may not be spent without budget authorization. This spending authority lasts only for the current budget year; unexpended cash continues in the fund but may not be spent unless again budgeted. Exceptions to these general rules exist under several statutes authorizing reserve funds, such as under K.S.A. 68-141g and K.S.A. 68-590 (highways and street equipment), K.S.A. 12-631o (sewerage systems), 12-6a13 (special assessment projects), 12-825d (utilities), as well as for certain "operating" funds (risk management - K.S.A. 12-2615; tort liability - K.S.A. 75-6110). There is no general equipment reserve fund authorization.

In addition, the general rule is that moneys in a fund may not be transferred to another fund, except as provided by law (K.S.A. 79-2934). Again, there are a number of statutory exceptions to this general rule, such as exist for several of the reserve funds noted above. There is no general authorization for cities to transfer moneys to a general equipment reserve fund.

Explanation: SB 59 specifically authorizes cities to establish a municipal equipment operating and reserve fund, from amounts budgeted, to finance new and replacement equipment. (The term "internal service fund" is used in current municipal accounting literature to describe such an intra-governmental fund.) Equipment is defined to include machinery, vehicles and other personal property, such as computer hardware and software.

Rental or other equipment use charges could then be levied on city departments and agencies to finance new and replacement equipment. For example, if police cars are replaced every three years, the police department's annual operating budget (part of the general fund) could be charged one-third of the replacement cost each year, with the amount credited to the equipment fund to finance future replacements.

Subsection (b) clarifies that the fund may be a reserve fund, and requires the receipts and expenditures of the fund to be shown in the annual budget. (This is in addition to the original budgeted appropriations).

Subsection (c) provides that any unneeded moneys in the reserve fund may be retransferred, subject to budget procedure requirements.

Advantages: SB 59 is intended to permit and encourage cities to meet their capital needs for machinery and equipment purposes on a continuing, annually planned basis, rather than deferring costs to the future, which may require no-fund warrants, bonds, or conditional lease-purchase agreements. It would tend to stabilize city revenue requirements, since the annual "real costs" of equipment could be met annually.

It will also facilitate more accurate cost accounting by function or purpose and the multiple use of equipment. For example, the cost of a backhoe could be assigned, according to its use, to the water department (fund), street department (two or more funds) and the sewerage department (general or special fund).

The passage of this bill is supported by the League of Kansas Municipalities. It is a policy objective set forth in the League's convention-adopted Statement of Municipal Policy and has been approved by the League governing body.

Senate Bill No. 59 Hearing, February 7, 1985

William L. Ervin, Chief, Municipal Accounting Section

1. We have a problem with the term "internal service." The authoritative literature of municipal accounting states "Internal Service Funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis." We believe a better term would be "Special Equipment Acquisition and Replacement Reserve Fund."

2. We are concerned with the language "Moneys may be budgeted or transferred to such fund from any source" It would be possible, under this language, to use tax moneys which had been levied for a special purpose to be transferred to this fund for the purchase of utility equipment. This could be considered diversion of funds which is prohibited by K.S.A. 79-2934.

3. We encourage municipalities to use the lease-purchase option of K.S.A. 10-1116b for purchase of equipment. If they do use this option, this proposed bill may not be necessary.

(See attachment 4)

2/7/85