

Approved 5-1-87
Date

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Wint Winter, Jr. at
Chairperson

12:15 ~~a.m.~~/p.m. on April 3, 1987 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Arden Ensley, Revisor of Statutes
Lynne Holt, Legislative Research Department
Grace Cooper, Secretary

Conferees appearing before the committee:

E. A. Mosher, League of Kansas Municipalities
Allen Bell, Department of Administration

The meeting was called to order at 12:15 p.m. by the Chairman, Senator Wint Winter, Jr..

Senate Bill 407 - An Act concerning municipalities; relating to the issuance of bonds thereby and to the finances thereof.

Chairman Winter directed the attention of the Committee to the balloon version of SB 407 as presented at a previous meeting by the League of Kansas Municipalities. (Attachment I) Arden Ensley, Revisor of Statutes, said that Section 1 of the bill contains a provision which would broaden the reinvestment authority on proceeds of advance refunding bonds. He observed that the substantive change in Section 1 begins in line 51. He said that presently the proceeds can be invested in direct obligations by bonds guaranteed by the United States government. This investment has been expanded by the addition of municipal obligations which are secured by direct obligations of the United States of America.

The Chairman said that Section 2 of SB 407 broadens the investment authority of the municipalities. It allows municipalities to invest any portion of the proceeds of the bonds in investments which the governing body determines to be prudent.

A motion was made and seconded to amend SB 407 by striking subsection (e) of Section 2. The motion failed.

Mr. Ensley said that Section 3 of SB 407 clarifies that only general obligation bonds are covered by the debt ceiling. The section also contains a definition of revenue bonds. Section 4, he said, broadens advance refunding capabilities to include interest on the bonds, the principal of which may not be refunded. Section 5 is similar to Section 1 and includes municipal obligations which are secured by direct obligations of the United States of America. Section 6 contains a technical amendment which is a change in the name of a publication. Section 7 contains local sales tax authority. A city or county may issue bonds backed by local option sales tax for the payment of all or any portion of the cost of public facilities or improvements of the city or county for which the city or county is authorized pursuant to the Constitution or the laws of Kansas to issue general obligation bonds. These cannot be facilities or improvements to be used for commercial or retail purposes. Section 8 was deleted from the bill by previous action of the Committee. New Section 9 is the short term advance funding section of the bill. The Chairman reminded the Committee that E. A. Mosher, League of Kansas Municipalities, has suggested that this section be stricken from SB 407 because past efforts to obtain somewhat similar legislation in the House has been unsuccessful and therefore inclusion of this section in the bill might jeopardize its passage.

Senator Feleciano moved that SB 407 be amended by striking all of New Section 9. Senator D. Kerr seconded the motion. The motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 529-S, Statehouse, at 12:15 ~~a.m.~~/p.m. on April 3, 1987.

The Chairman called for discussion on New Section 10 of SB 407.

Senator Feleciano moved that SB 407 be amended on page 15, in line 533, by inserting "or become" after the word "are"; in line 534 after the word "entity" and preceding the period by inserting "for those purposes for which such public agencies are authorized pursuant to the Constitution and laws of this state to issue bonds, notes or other evidence of indebtedness"; in line 544, after the period, by inserting "Nothing in this act shall be construed to authorize any separate legal entity to issue or sell bonds, notes or other evidence of indebtedness, or use the proceeds thereof, to purchase, condemn, or otherwise acquire a utility plant or distribution system owned or operated by a regulated public utility."; and by striking all of subsection (d) of New Section 10. Senator Hayden seconded the motion. The motion carried.

The Committee discussed New Section 11 of SB 407. Chairman Winter said that the purpose of this section is to make it clear that the bond proceeds could be used to buy liability insurance.

Senator Karr moved to amend SB 407, New Section 11, in line 565, by renumbering section 11 as section 9; in line 567, after the word "procuring" by inserting "liability"; and in line 568, after the word "insurance" by inserting "or". Senator Daniels seconded the motion. The motion carried.

Senator D. Kerr moved that Senate Bill 407 as amended be reported favorably for passage. Senator Feleciano seconded the motion. The motion carried.

The meeting was adjourned at 1:00 p.m. by the Chairman.

Minutes prepared by Mary Allen.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

April 3, 1987

GUEST LIST

NAME

REPRESENTING

Allen Bell

Dept of Admin

Topeka

Walter Cole

Ransom Co Inc

Topeka

Ed Carter

Manager of 155 Main, Topeka

Jim Jumper

KLFI

Topeka

SENATE BILL No. 407

By Committee on Ways and Means

3-30

0017 AN ACT concerning municipalities; relating to the issuance of
0018 bonds thereby and to the finances thereof; amending K.S.A.
0019 10-131, 10-1009 and ~~72-6764~~ and K.S.A. 1986 Supp. 10-116a,
0020 10-311, 10-427, 10-427a and 12-195, and repealing the existing
0021 sections.

0022 Be it enacted by the Legislature of the State of Kansas:

0023 Section 1. K.S.A. 1986 Supp. 10-116a is hereby amended to
0024 read as follows: 10-116a. Any municipal or quasi-municipal cor-
0025 poration which has issued or may hereafter issue revenue bonds
0026 under the laws of the state of Kansas, may issue, without an
0027 election, revenue bonds pursuant to the provisions of this section
0028 to refund any revenue bond issue or issues, or part thereof, any
0029 interest on such bonds or both such bonds and interest. The
0030 principal amount of any issue of refunding revenue bonds shall
0031 not exceed the aggregate amount of: (a) The principal amount of
0032 the revenue bonds or interest being refunded; (b) the amount of
0033 any interest which has accrued thereon or interest that will
0034 accrue to the date of payment of the bonds being refunded; (c)
0035 the amount of any premium required to be paid should the bonds
0036 be called for redemption and payment; (d) expenses of the
0037 municipal or quasi-municipal corporation deemed by the gov-
0038 erning body to be necessary for the issuance of the refunding
0039 bonds; and (e) expenses incident to the payment of the bonds
0040 being refunded. The refunding revenue bonds may be sold or
0041 exchanged for the bonds being refunded either as a whole or in
0042 installments at any time or times, either at, before, or after the
0043 maturity of the bonds being refunded. If the refunding revenue
0044 bonds are sold more than six months prior to the maturity or
0045 earliest prior redemption date of the bonds being refunded, the

0046 proceeds derived from the sale, together with any other moneys
0047 on hand, shall be placed in escrow under a trust agreement with
0048 a Kansas bank having full trust powers. The proceeds and
0049 moneys shall be invested in direct obligations of, or obligations
0050 the principal of and the interest on which are unconditionally
0051 guaranteed by, the United States of America or municipal obli-
0052 gations which are secured by direct obligations of the United
0053 States of America, and which shall mature or be subject to
0054 redemption by the holders thereof not later than the respective
0055 dates when the proceeds of the obligations together with the
0056 interest accruing thereon and any other moneys or investments
0057 held in escrow will be required for the purposes intended. The
0058 trust agreement shall pledge or assign the moneys and invest-
0059 ments held in trust for the payment of the principal of the
0060 revenue bonds being refunded and may pledge or assign the
0061 moneys and investments held in trust for the payment of the
0062 interest on the revenue bonds being refunded and any redemp-
0063 tion premium thereon. The trust agreement may pledge or assign
0064 any of the obligations or other moneys or investments, or interest
0065 accruing thereon, held in trust, which are in excess of the amount
0066 of the obligations and other moneys and investments held which
0067 is equal to the amount of the principal of the bonds to be
0068 refunded which comes due on the date for which the bonds may
0069 have been called for redemption or irrevocable instructions to ~~all~~
0070 the call bonds for redemption have been given and any re-
0071 demption premium thereon, for the payment of the principal of
0072 and interest on any or all of the refunding revenue bonds and any
0073 redemption premium thereon, and shall contain provisions for
0074 protecting and enforcing the rights and remedies of the holders
0075 of the revenue bonds. The refunding revenue bonds issued
0076 pursuant to this section shall not be general obligations of the
0077 municipal or quasi-municipal corporation, except as herein pro-
0078 vided, and insofar as the same may be made applicable the
0079 issuance of the refunding revenue bonds, the security thereof,
0080 and the rights, duties and obligations of the municipal or quasi-
0081 municipal corporation in respect thereof, shall be governed by
0082 the laws governing such matters with respect to the bonds being

Senate Committee on Economic Development
4-3-87
Attachment I

0083 refunded and all other laws generally applicable to revenue
0084 bonds issued in this state by the municipal or quasi-municipal
0085 corporation.

0086 Sec. 2. K.S.A. 10-131 is hereby amended to read as follows:
0087 10-131. The governing body of any municipality, as defined in
0088 K.S.A. 10-101 *and amendments thereto* which has heretofore
0089 issued or may hereafter issue bonds for any purpose, is hereby
0090 authorized and empowered to invest any portion of the proceeds
0091 of ~~said~~ *such bonds or funds held pursuant to the resolution or*
0092 *ordinance authorizing the issuance of such bonds*, which is not
0093 currently needed, in: (a) Investments authorized by K.S.A. 12-
0094 1675, and amendments thereto, in the manner prescribed therein
0095 ~~or~~; (b) in direct obligations of the United States government or
0096 any agency thereof ~~or~~; (c) in the municipality's temporary notes
0097 issued pursuant to K.S.A. 10-123 ~~or~~ *and amendments thereto*; (d)
0098 in interest-bearing time deposits in commercial banks or trust
0099 companies located in the county or counties in which the mu-
0100 nicipality is located; or (e) *in such other investments as the*
0101 *governing body shall determine in the resolution or ordinance*
0102 *authorizing the bonds*. The interest received on any such in-
0103 vestment shall upon receipt thereof be set aside and used for the
0104 purpose of paying interest on the bonds issued or, ~~when bonds~~
0105 ~~have been approved at an election held under the general bond~~
0106 ~~law, placed in a fund to be~~ used for paying the cost of the project
0107 for which the bonds were issued.

0108 Sec. 3. K.S.A. 1986 Supp. 10-311 is hereby amended to read
0109 as follows: 10-311. (a) "Revenue bonds" mean bonds issued by
0110 any municipality to be paid ~~exclusively~~ from the revenue
0111 derived from the operation of a publicly owned utility, instru-
0112 mentality or facility of a revenue producing character, *or which*
0113 *are not general obligations of the issuing municipality*.

0114 (b) "Municipality" means any city, county, *municipal or*
0115 *quasimunicipal corporation* or other political subdivision of the
0116 state authorized to issue revenue bonds.

0117 (c) Revenue bonds issued by a municipality shall not be
0118 included in computing the total bonded indebtedness of such
0119 municipality for the purpose of determining the limitations on

0120 bonded indebtedness of such municipality.

0121 Sec. 4. K.S.A. 1986 Supp. 10-427 is hereby amended to read
0122 as follows: 10-427. Every municipality of the state of Kansas is
0123 hereby authorized and empowered to refund any bonds, *any*
0124 *interest on such bonds or both bonds and the interest thereon* of
0125 the municipality and may issue refunding bonds of the muni-
0126 cipality therefor. The municipality shall be governed by and
0127 subject to the provisions of article 1 of chapter 10 of the Kansas
0128 Statutes Annotated, and amendments thereto, so far as the same
0129 may be consistent with the provisions of this act. The principal
0130 amount of any issue of any refunding bonds shall not exceed the
0131 aggregate amount of: (a) The principal amount of the issue or
0132 issues or part thereof *or interest* being refunded; (b) the amount
0133 of any interest which has accrued or will accrue to the date of
0134 payment of the bonds being refunded; (c) the amount of any
0135 redemption premium required; (d) expenses of the municipality
0136 deemed by the governing body to be necessary for the issuance
0137 of the refunding bonds; and (e) in the event the proceeds from
0138 the sale of the refunding bonds are to be placed in escrow and
0139 invested, the interest to accrue on the refunding bonds from the
0140 date of delivery to the first or any subsequent available redemp-
0141 tion date or dates selected by the governing body of the muni-
0142 cipality, or to the date or dates of maturity, whichever is deter-
0143 mined by the governing body to be most advantageous or
0144 necessary to the municipality.

0145 Sec. 5. K.S.A. 1986 Supp. 10-427a is hereby amended to read
0146 as follows: 10-427a. (a) Refunding bonds issued under the au-
0147 thority of K.S.A. 10-427, and amendments thereto, may be sold or
0148 exchanged for the bonds being refunded either as a whole or in
0149 installments at any time either at, before or after the maturity of
0150 the bonds being refunded. Such bonds shall be exempt from
0151 statutory limitations of bonded indebtedness and shall not be
0152 included in computing the total bonded indebtedness of the
0153 municipality for the purpose of applying any statute limiting the
0154 bonded indebtedness of the municipality.

0155 (b) If refunding bonds are sold more than six months prior to
0156 the maturity or earliest prior redemption date of the bonds being

0157 refunded, the proceeds derived from the sale, together with any
 0158 other moneys on hand, shall be placed in escrow under a trust
 0159 agreement with a Kansas bank having full trust powers. The
 0160 proceeds and moneys shall be invested in direct obligations of,
 0161 or obligations the principal of and the interest on which are
 0162 unconditionally guaranteed by, the United States of America *or*
 0163 *municipal obligations which are secured by direct obligations of*
 0164 *the United States of America*, and which shall mature or be
 0165 subject to redemption by the holders thereof not later than the
 0166 respective dates when the proceeds of the obligations together
 0167 with the interest accruing thereon and any other moneys or
 0168 investments held in escrow will be required for the purposes
 0169 intended. The trust agreement shall pledge or assign the moneys
 0170 and investments held in trust for the payment of the principal of
 0171 and the interest on the bonds being refunded and any redemp-
 0172 tion premium and shall contain provisions for protecting and
 0173 enforcing the rights and remedies of the holders of the bonds.

0174 Sec. 6. K.S.A. 10-1009 is hereby amended to read as follows:
 0175 10-1009. The maximum stated rate of interest which may be fixed
 0176 on bonds issued by a municipality or taxing subdivision of the
 0177 state of Kansas shall be determined on the day the bonds are sold
 0178 and shall not exceed the ~~20 bond~~ index of ~~tax exempt municipal~~
 0179 ~~treasury~~ bonds published by the weekly ~~Bond Buyer Credit~~
 0180 ~~Markets~~, in New York, New York, on the Monday next preceding
 0181 the day on which the bonds are sold, plus 2%.

0182 The maximum rate of interest specified in this section shall be
 0183 applicable to bonds issued after the effective date of this act
 0184 pursuant to proceedings initiated either before or after the ef-
 0185 fective date of this act.

0186 Sec. 7. K.S.A. 1986 Supp. 12-195 is hereby amended to read
 0187 as follows: 12-195. (a) Except as otherwise provided in subsec-
 0188 tion (b), no city or county shall commit any of the funds or
 0189 proceeds derived from a retailers' sales tax as a guarantee for the
 0190 payment of bonds issued by such city or county.

0191 (b) ~~The board of county commissioners of a county which~~
 0192 ~~imposes a countywide retailers' sales tax may issue revenue~~
 0193 ~~bonds payable from the proceeds thereof for the purpose of~~

0194 ~~paying the state's share of the cost of highway improvement for~~
 0195 ~~which a federal share is to be received.~~

0196 ~~Any tax imposed pursuant to this subsection shall terminate~~
 0197 ~~whenever such revenue bonds and any interest thereon has been~~
 0198 ~~paid in full.~~

0199 (b) *Any city or county which is the recipient of funds derived*
 0200 *from a local option sales tax pursuant to K.S.A. 12-187 et seq.,*
 0201 *and amendments thereto is hereby authorized to issue revenue*
 0202 *bonds to provide for the payment of all or any portion of the cost*
 0203 *of public facilities or improvements of such city or county for*
 0204 *which such city or county is authorized pursuant to the consti-*
 0205 *tution or laws of this state to issue general obligation bonds,*
 0206 *excluding any facilities or improvements to be used for com-*
 0207 *mmercial or retail purposes.*

0208 (1) *Such bonds shall be authorized by ordinance of the gov-*
 0209 *erning body of such city or resolution of the governing body of*
 0210 *such county. The bonds may be issued as registered bonds or*
 0211 *coupon bonds, payable to bearer, and, if coupon bonds, may be*
 0212 *registrable as to principal only or as to principal and interest,*
 0213 *and may be made exchangeable for bonds of another denomi-*
 0214 *nation or in another form. The bonds may be in such form and*
 0215 *denominations, may have such date or dates, may be stated to*
 0216 *mature at such time or times, may bear interest payable at such*
 0217 *times and at such rate or rates, may be payable at such places*
 0218 *within or without the state, may be subject to such terms of*
 0219 *redemption in advance of maturity at such prices, and may*
 0220 *contain such terms and conditions, all as the city or county shall*
 0221 *determine. The bonds shall have all the qualities of and shall be*
 0222 *deemed to be negotiable instruments under the laws of the state*
 0223 *of Kansas. The authorizing ordinance or resolution may contain*
 0224 *any other terms, covenants and conditions that the city or*
 0225 *county deems reasonable and desirable, including without lim-*
 0226 *itation those pertaining to the maintenance of various funds and*
 0227 *reserves, the nature and extent of any security for payment of*
 0228 *the bonds, the custody and application of the proceeds of the*
 0229 *bonds, the collection, transfer and disposition of sales tax reve-*
 0230 *nues, the investing of bond proceeds or any funds pledged to the*

0231 *repayment of the bonds, and the rights, duties and obligations of*
 0232 *the city or county and the owners of the bonds.*

0233 (2) *The authorizing ordinance or resolution may provide for*
 0234 *the execution of a trust indenture between the city or county*
 0235 *and any financial institution within or without the state of*
 0236 *Kansas. The trust indenture may contain any terms, covenants*
 0237 *and conditions that are deemed desirable by the city or county.*

0238 (3) *Any authorizing ordinance or resolution and trust in-*
 0239 *denture relating to the issuance of and security for the bonds*
 0240 *shall constitute a contract between the city or county and the*
 0241 *owners of the bonds, which contract, and all covenants, agree-*
 0242 *ments and obligations therein, shall be promptly performed in*
 0243 *strict compliance with the terms and provisions of such con-*
 0244 *tract, and the covenants, agreements and obligations of the city*
 0245 *or county may be enforced by mandamus or other appropriate*
 0246 *proceeding at law or in equity. The pledge of revenues made by*
 0247 *the city or county shall be valid and binding from the time when*
 0248 *such pledge is made and the revenues so pledged and thereafter*
 0249 *received by the city or county shall immediately be subject to*
 0250 *the lien of such pledge without such physical delivery thereof or*
 0251 *further act on the part of the city or county, and the lien of any*
 0252 *such pledge shall be valid and binding as against all parties*
 0253 *having claims of any kind against the issuer, irrespective of*
 0254 *whether such parties have notice thereof. Neither the authoriz-*
 0255 *ing ordinance or resolution nor any other instrument by which a*
 0256 *pledge is created need be filed or recorded except in the records*
 0257 *of the city or county.*

0258 (4) *The revenue bonds may be sold in such manner, either at*
 0259 *public or private sale, and upon such terms as the city or county*
 0260 *shall determine to be reasonable, including sale at discount. It*
 0261 *shall be plainly stated on the face of such bond that it has been*
 0262 *issued under this act, that the bonds shall be special obligations*
 0263 *of the city or county, payable solely and only from the revenues*
 0264 *derived from the collection of such local sales taxes, and that, in*
 0265 *no event, shall the bonds constitute an indebtedness of the state*
 0266 *of Kansas or the city or county for which the faith and credit of*
 0267 *the state of Kansas or city or county is pledged.*

0268 (5) *Any bonds issued under the provisions of this section and*
 0269 *the interest thereon, shall be exempt from all taxes levied by the*
 0270 *state of Kansas, or any political or taxing subdivision thereof,*
 0271 *except inheritance taxes.*

0272 (6) *Bonds may be issued for the purpose of refunding, either*
 0273 *at maturity or in advance of maturity, any bonds issued under*
 0274 *this section. Such refunding bonds may either be sold or deliv-*
 0275 *ered in exchange for the bonds being refunded. If sold, the*
 0276 *proceeds may either be applied to the payment of the bonds*
 0277 *being refunded or deposited in trust and there maintained in*
 0278 *cash or investments for the retirement of the bonds being*
 0279 *refunded, as shall be specified by the city or county and the*
 0280 *authorizing ordinance or resolution or trust indenture securing*
 0281 *such refunding bonds. The authorizing ordinance or resolution*
 0282 *or trust indenture securing the refunding bonds may provide*
 0283 *that the refunding bonds shall have the same security for their*
 0284 *payment as provided for the bonds being refunded. Refunding*
 0285 *bonds shall be sold and secured in accordance with the provi-*
 0286 *sions of this act pertaining to the sale and security of the bonds.*

0287 (7) *Bonds issued under the provisions of this act shall be*
 0288 *eligible to secure the deposit of public funds under article 14 of*
 0289 *chapter 9 of the Kansas Statutes Annotated and amendments*
 0290 *thereto.*

0291 (8) *Bonds issued under the provisions of this act shall be in*
 0292 *addition to and not subject to any statutory limitation of*
 0293 *bonded indebtedness imposed on such city or county.*

0294 ~~Sec. 8. K.S.A. 72-6761 is hereby amended to read as follows:~~
 0295 ~~72-6761. (a) The board of education of every school district is~~
 0296 ~~authorized to select any site or sites necessary for school district~~
 0297 ~~purposes. When a board determines that it is necessary to pur-~~
 0298 ~~chase or improve a site or sites, or to acquire, construct, equip,~~
 0299 ~~furnish, repair, remodel or make additions to any building or~~
 0300 ~~buildings used for school district purposes, including housing~~
 0301 ~~and boarding pupils enrolled in an area vocational school~~
 0302 ~~operated under the board, or to purchase school buses, the board~~
 0303 ~~may submit to the electors of the unified district the question of~~
 0304 ~~issuing general obligation bonds for one or more of the above~~

0305 ~~purposes, and upon the affirmative vote of the majority of those~~
 0306 ~~voting thereon, the board shall be authorized to issue the bonds.~~
 0307 ~~The board shall adopt a resolution stating the purpose for which~~
 0308 ~~bonds are to be issued and the estimated amount thereof. The~~
 0309 ~~board shall give notice of the bond election in the manner~~
 0310 ~~prescribed in K.S.A. 10-120, and amendments thereto, and the~~
 0311 ~~election shall be held in accordance with the provisions of the~~
 0312 ~~general bond law.~~

0313 ~~(b) In lieu of holding the election authorized by subsection~~
 0314 ~~(a) on the question of issuing general obligation bonds, the~~
 0315 ~~board of education of unified school district No. 512, Johnson~~
 0316 ~~county, is authorized in the 1987-88 school year and in the~~
 0317 ~~1988-89 school year to issue bonds of the school district for one~~
 0318 ~~or more of the purposes specified in subsection (a) in the manner~~
 0319 ~~provided by this subsection. The board shall adopt a resolution~~
 0320 ~~stating the purpose for which the bonds are to be issued and the~~
 0321 ~~estimated amount thereof. The resolution shall state that such~~
 0322 ~~bonds will be issued 30 days after the last publication of the~~
 0323 ~~resolution unless, within such 30 day period, a petition in~~
 0324 ~~opposition to the issuance of such bonds, signed by not less than~~
 0325 ~~5% of the qualified electors of the school district, is filed with~~
 0326 ~~the county election officer of the home county of the school~~
 0327 ~~district. The resolution shall be published once a week for two~~
 0328 ~~consecutive weeks in a newspaper having general circulation in~~
 0329 ~~the school district. If no petition as provided above is filed, the~~
 0330 ~~board is authorized to issue the bonds specified in the resolu-~~
 0331 ~~tion. If a petition as provided above is filed, the board shall~~
 0332 ~~submit the question of whether the bonds shall be issued to the~~
 0333 ~~electors of the school district at an election called for the~~
 0334 ~~purpose. The board shall give notice of the election in the~~
 0335 ~~manner prescribed in K.S.A. 10-120, and amendments thereto,~~
 0336 ~~and the election shall be held in accordance with the provisions~~
 0337 ~~of the general bond law. Upon the affirmative vote of the~~
 0338 ~~majority of those voting thereon, the board shall be authorized~~
 0339 ~~to issue the bonds.~~

0340 ~~(c) No action shall be brought in any court to contest the~~
 0341 ~~validity of any election held under this section, nor to contest any~~

0342 ~~of the proceedings preliminary thereto, except within 90 days~~
 0343 ~~immediately following the certification of the results of the~~
 0344 ~~election.~~

0345 ~~(d) Any board may issue, without an election but with the~~
 0346 ~~written approval of the state board of education, bonds to con-~~
 0347 ~~struct or acquire buildings to be used for school district pur-~~
 0348 ~~poses, including housing and boarding pupils enrolled in an area~~
 0349 ~~vocational school operated under the board, to repair school~~
 0350 ~~district buildings, to acquire equipment or to purchase school~~
 0351 ~~buses, in an amount not to exceed \$20,000. The aggregate~~
 0352 ~~amount of bonds of a board outstanding at any time (exclusive of~~
 0353 ~~bonds specifically exempted from statutory limitations) shall not~~
 0354 ~~exceed 14% of the assessed valuation of tangible taxable prop-~~
 0355 ~~erty within the district, except that bonds issued without an~~
 0356 ~~election under this section shall not be subject to any bonded~~
 0357 ~~indebtedness limitations nor shall the bonds be considered in~~
 0358 ~~determining the bonded indebtedness of any school district, and~~
 0359 ~~The total amount of bonds outstanding which are issued here-~~
 0360 ~~under under this subsection without an election shall not at any~~
 0361 ~~one time exceed \$20,000. In lieu of bonds, temporary notes may~~
 0362 ~~be issued under K.S.A. 10-123, and amendments thereto, and the~~
 0363 ~~notes may be retired, at the option of the board of education, be~~
 0364 ~~retired by tax levies made under K.S.A. 10-113, and amendments~~
 0365 ~~thereto.~~

0366 ~~(e) The aggregate amount of bonds of a board of education~~
 0367 ~~outstanding at any time (exclusive of bonds specifically ex-~~
 0368 ~~empted from statutory limitations) shall not exceed 14% of the~~
 0369 ~~assessed valuation of tangible taxable property within the~~
 0370 ~~school district, except that bonds issued without an election~~
 0371 ~~under subsection (d) shall not be subject to any bonded indebt-~~
 0372 ~~edness limitations nor shall the bonds be considered in deter-~~
 0373 ~~mining the bonded indebtedness of any school district.~~

0374 ~~New Sec. 9. (a) The following words, terms and phrases,~~
 0375 ~~when used in this section shall have the meanings respectively~~
 0376 ~~ascribed to them in this section:~~

0377 ~~(1) "Municipality" shall mean county, township, city, mu-~~
 0378 ~~nicipal university, school district, community college, drainage~~

0379 ~~district, and any other similar political subdivision or taxing~~
0380 ~~district of the state;~~

0381 (2) "governing body" shall mean board of county commis-
0382 sioners of any county, township board of any township, mayor
0383 and councilmen or board of commissioners of any city, board of
0384 education of any school district, board of trustees of any com-
0385 munity college, board of regents of any municipal university,
0386 board of directors of any drainage district and any other govern-
0387 ing body or board of a municipality having authority under the
0388 laws of the state to create indebtedness against the municipality;

0389 (3) "bonds" means any bonds, notes, debentures, interim
0390 certificates or other evidences of indebtedness issued by the
0391 municipality pursuant to this section;

0392 (4) "short-term advance funding" means the financing of
0393 temporary cash shortfalls of a municipality based on the munici-
0394 pality's projected monthly income and expenditures and its
0395 surplus at the beginning of each fiscal year, and such shortfall is
0396 the result of the municipality's projected income being insuffi-
0397 cient to meet the needs of its estimated expenditures, even
0398 though the aggregate income will exceed the aggregate expend-
0399 itures for the fiscal year;

0400 (5) "state" means the state of Kansas.

0401 (b) (1) A municipality is hereby authorized and empowered
0402 to issue bonds from time to time in such amounts as shall be
0403 determined by the governing body of the municipality for the
0404 purpose of financing short-term advance funding of such munic-
0405 ipality. The municipality is further authorized and empowered
0406 to use the proceeds of any bonds issued, together with any other
0407 available funds, for the purpose of paying expenses of authoriz-
0408 ing and issuing the bonds and funding such reserves as the
0409 municipality deems necessary and desirable.

0410 (2) Such bonds shall be authorized by resolution of the gov-
0411 erning body of such municipality. The bonds may be issued as
0412 registered bonds or coupon bonds, payable to bearer, and, if
0413 coupon bonds, may be registrable as to principal only or as to
0414 principal and interest, and may be made exchangeable for bonds
0415 of another denomination or in another form. The bonds may be

0416 ~~in such form and denominations, may have such date or dates,~~
0417 ~~may be stated to mature at such time or times, may bear interest~~
0418 ~~payable at such times and at such rate or rates, may be payable at~~
0419 ~~such places within or without the state, may be subject to such~~
0420 ~~terms of redemption in advance of maturity at such prices, and~~
0421 ~~may contain such terms and conditions, all as the municipality~~
0422 ~~shall determine. The bonds shall have all the qualities of and~~
0423 ~~shall be deemed to be negotiable instruments under the laws of~~
0424 ~~the state of Kansas. The authorizing resolution may contain any~~
0425 ~~other terms, covenants and conditions that the municipality~~
0426 ~~deems reasonable and desirable, including without limitation~~
0427 ~~those pertaining to the maintenance of various funds and re-~~
0428 ~~serves, the nature and extent of any security for payment of the~~
0429 ~~bonds, the custody and application of the proceeds of the bonds,~~
0430 ~~the collection and disposition of revenues pledged to the repay-~~
0431 ~~ment of the bonds, the investing of bond proceeds or any funds~~
0432 ~~pledged to the repayment of the bonds, and the rights, duties and~~
0433 ~~obligations of the municipality and the owners of the bonds.~~

0434 (3) The authorizing resolution may provide for the execution
0435 of a trust indenture between the municipality and any financial
0436 institution within or without the state of Kansas. The trust in-
0437 denture may contain any terms, covenants and conditions that
0438 are deemed desirable by the municipality.

0439 (4) Any authorizing resolution and trust indenture relating to
0440 the issuance of and security for the bonds shall constitute a
0441 contract between the municipality and the owners of the bonds,
0442 which contract, and all covenants, agreements and obligations
0443 therein, shall be promptly performed in strict compliance with
0444 the terms and provisions of such contract, and the covenants,
0445 agreements and obligations of the municipality may be enforced
0446 by mandamus or other appropriate proceeding at law or in
0447 equity. The pledge of revenues made by the municipality shall
0448 be valid and binding from the time when such pledge is made
0449 and the revenues so pledged and thereafter received by the
0450 municipality shall immediately be subject to the lien of such
0451 pledge without such physical delivery thereof or further act on
0452 the part of the municipality, and the lien of any such pledge shall

0453 ~~be valid and binding as against all parties having claims of any~~
0454 ~~kind against the issuer, irrespective of whether such parties have~~
0455 ~~notice thereof. Neither the authorizing resolution nor any other~~
0456 ~~instrument by which a pledge is created need be filed or re-~~
0457 ~~corded except in the records of the municipality.~~

0458 (5) ~~The bonds may be sold in such manner, either at public or~~
0459 ~~private sale, and upon such terms as the municipality shall~~
0460 ~~determine to be reasonable, including sale at discount. It shall~~
0461 ~~be plainly stated on the face of such bond that it has been issued~~
0462 ~~under this section, that the bonds shall be special obligations of~~
0463 ~~the municipality, payable solely and only from the revenues~~
0464 ~~pledged by the municipality, and that, in no event, shall the~~
0465 ~~bonds constitute an indebtedness of the state of Kansas or the~~
0466 ~~municipality for which the faith and credit of the state of Kansas~~
0467 ~~or municipality is pledged.~~

0468 (6) ~~Any bonds issued under the provisions of this section and~~
0469 ~~the interest thereon, shall be exempt from all taxes levied by the~~
0470 ~~state of Kansas, or any political or taxing subdivision thereof,~~
0471 ~~except inheritance taxes.~~

0472 (7) ~~Bonds may be issued for the purpose of refunding, either~~
0473 ~~at maturity or in advance of maturity, any bonds issued under~~
0474 ~~this section. Such refunding bonds may either be sold or deliv-~~
0475 ~~ered in exchange for the bonds being refunded. If sold, the~~
0476 ~~proceeds may either be applied to the payment of the bonds~~
0477 ~~being refunded or deposited in trust and there maintained in~~
0478 ~~cash or investments for the retirement of the bonds being re-~~
0479 ~~funded, as shall be specified by the municipality and the autho-~~
0480 ~~rizing resolution or trust indenture securing such refunding~~
0481 ~~bonds. The authorizing resolution or trust indenture securing the~~
0482 ~~refunding bonds may provide that the refunding bonds shall~~
0483 ~~have the same security for their payment as provided for the~~
0484 ~~bonds being refunded. Refunding bonds shall be sold and se-~~
0485 ~~cured in accordance with the provisions of this section pertain-~~
0486 ~~ing to the sale and security of the bonds.~~

0487 (8) ~~Bonds issued under the provisions of this section shall be~~
0488 ~~eligible to secure the deposit of public funds under article 14 of~~
0489 ~~chapter 9 of the Kansas Statutes Annotated and amendments~~

0490 ~~thereto.~~

0491 (9) ~~Bonds issued under the provisions of this section shall be~~
0492 ~~exempt from any statutory limitation of bonded indebtedness~~
0493 ~~imposed on such municipality.~~

0494 (10) ~~The provisions of the cash basis and budget laws of the~~
0495 ~~state shall not apply to any bonds issued under authority of this~~
0496 ~~section in such a manner as to prevent the intention of this~~
0497 ~~section from being made effective.~~

0498 New Sec. 140. (a) Any interlocal agreement entered into
0499 under the provisions of K.S.A. 12-2901 *et seq.*, and amendments
0500 thereto, may authorize the creation of a separate legal entity to
0501 conduct the joint or cooperative action provided for in the
0502 agreement. Such separate legal entity shall constitute a body
0503 corporate and politic, and shall have, in addition to any other
0504 powers reasonably necessary to the exercise of its function under
0505 the agreement, the following powers to:

- 0506 (1) Sue and be sued in its corporate name;
- 0507 (2) take and hold any property, real or personal, in fee simple
0508 or otherwise;
- 0509 (3) sell, lease, lend or otherwise transfer any property or
0510 interest in property owned by it;
- 0511 (4) make contracts; and
- 0512 (5) have and use a corporate seal.

0513 Any such separate legal entity shall not constitute a municipality
0514 within the meaning of K.S.A. 10-1101, and amendments thereto,
0515 or a political subdivision of the state under any provision of the
0516 law of this state establishing limits on bonded indebtedness. The
0517 provisions of the cash-basis law and budget laws shall not apply
0518 to any obligations incurred by a public agency exercising powers
0519 under K.S.A. 12-2901 *et seq.*, and amendments thereto, to the
0520 extent such obligations are incurred by such public agency to a
0521 separate legal entity created pursuant to K.S.A. 12-2901 *et seq.*,
0522 and amendments thereto, by one or more public agencies in
0523 connection with the provision for the payment of claims against
0524 any public agency of this state caused by the negligent or
0525 wrongful act or omission of any of its employees under circum-
0526 stances where any public agency would be liable for such claims,

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0527 nor to any bonds, notes or other evidence of indebtedness issued
0528 in connection therewith.

0529 (b) In addition to its other powers, any separate legal entity
0530 referred to in this section shall be authorized, subject to any
0531 limitations imposed by contract, to issue bonds, notes or other
0532 evidence of indebtedness, ^{or become} in its own name, on behalf of the
0533 public agencies that are parties to the agreement creating the
0534 separate legal entity. Such bonds, notes or other indebtedness
0535 may be payable from or secured by any property, interest or
0536 income of the separate legal entity, from whatever source
0537 derived, but shall not constitute a charge against or indebtedness
0538 of any public agency on behalf of which such bonds, notes or
0539 other indebtedness are issued. In issuing such bonds, notes or
0540 other indebtedness, the separate legal entity shall act as the
0541 constituted authority of the public agencies on behalf of which
0542 such bonds, notes or other indebtedness are issued, and the
0543 interest on such bonds, notes or other indebtedness shall be
0544 exempt from taxation under the laws of this state.

0545 (c) The duration of any separate legal entity referred to in this
0546 section may be perpetual or as otherwise provided in the agree-
0547 ment under which it was created; however, any property owned
0548 or held by such separate legal entity shall become the property of
0549 the public agencies that are parties to such agreement, according
0550 to the terms of that agreement or as otherwise determined
0551 according to equitable principles, if and when at any time no
0552 bond, note or other indebtedness of the authority is not currently
0553 outstanding and unpaid. No property of such separate legal
0554 entity shall inure to the benefit of any private individual, corpo-
0555 ration or association other than for fair value received.

~~0556 (d) Any separate legal entity referred to in this section may
0557 act by resolution, adopted by the affirmative vote of at least a
0558 majority of its members. The membership of such separate legal
0559 entity may be as provided in the agreement under which it was
0560 created, provided that the governing body of each public agency
0561 that is a party to such agreement is entitled to appoint at least one
0562 member and any successor to such member. The term of any
0563 member may be as provided in such agreement, but shall not be~~

~~0564 less than two years.~~

0565 New Sec. ~~11~~ ^H. Any municipality, as the term is defined in [9
0566 K.S.A. 75-6102 and amendments thereto, may issue general ob-
0567 ligation bonds for the purpose of paying the costs of procuring liability
0568 insurance ^{to provide for the payment of claims against such} [or
0569 municipality caused by the negligent or wrongful act or omission
0570 of any of its employees under circumstances which such munic-
0571 ipality would be liable for such claims.

0572 Sec. ~~12~~ ¹². K.S.A. 10-131, 10-1009 ~~and 72-6761~~ and K.S.A. 1986 [10
0573 Supp. 10-116a, 10-311, 10-427, 10-427a and 12-195 are hereby
0574 repealed.

0575 Sec. ~~13~~ ¹³. This act shall take effect and be in force from and [11
0576 after its publication in the Kansas register.

[for those purposes for which such public agencies
are authorized pursuant to the constitution and laws
of this state to issue bonds, notes or other evidence
of indebtedness.

[Nothing in this act shall be construed to authorize
any separate legal entity to issue or sell bonds, notes
or other evidence of indebtedness, or use the proceeds
thereof, to purchase, condemn, or otherwise acquire
a utility plant or distribution system owned or
operated by a regulated public utility.