

Approved February 21, 1989

Date

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

The meeting was called to order by Representative Robert D. "Bob" Miller at
Chairperson

1:37 a/m./p.m. on February 16, 1989 in room 521-S of the Capitol.

All members were present except:

Representative Kerry Patrick, Absent
Representative Vern Williams, Absent

Committee staff present:

Mike Heim, Legislative Research Dept.
Theresa Kiernan, Revisor of Statutes' Office
Connie Smith, Committee Secretary

Conferees appearing before the committee:

Representative Susan Roenbaugh
Dayle Gillespie, Administrator of the St. John District Hosp.
Don Knappenberger, attorney for the St. John Hospital Board
Tom Bell, Kansas Hospital Assn.
Don Siefert, City of Olathe
Jim Kaup, League of Municipalities
Tom Lynch, Member of Board of Public Utilities
Dennis Shockley, City of Kansas City, Kansas

Chairman Miller called for hearings on the following House Bills:

HB 2233 - Act concerning hospital districts; relating to the disorganization and reorganization of certain districts.

Representative Roenbaugh testified on HB 2233 which was requested by a group from Stafford Co. Representative Roenbaugh introduced Dayle Gillespie and Don Knappenberger from St. John. (Attach. 1)

Dale Gillespie stated that he did not have written testimony and would be able to answer questions later after Mr. Knappenberger testified.

Don Knappenberger testified in support of HB 2233 and stated it does have statewide application. (Attach. II)

Discussion followed.

Tom Bell expressed concern and answered questions from the Committee.

Discussion followed.

Hearing closed on HB 2233.

HB 2207 - Act relating to cities; concerning the limitation of bonded indebtedness.

Don Siefert testified in support of HB 2207 and stated it would help both the city and school district respond to the needs of the community. (Attach. III)

Jim Kaup, testified that the League was in support of the bill and asked the Committee maintain the bill with statewide application as opposed to special legislation for the city of Olathe.

Discussion followed.

Hearing closed on HB 2207.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

room 521-S, Statehouse, at 1:37 a./m./p.m. on February 16, 1989

HB 2256 - Act concerning the board of public utilities; relating to the sale of certain property.

Representative Johnson one of the sponsors of HB 2256 gave background and intent of the bill.

Tom Lynch testified in support of HB 2256 stating they are asking for the right for the citizens to have a binding vote.

Dennis Shockley stated that the City of Kansas City, Kansas supports the concept of HB 2256 with their suggested amendment which would allow any future City Council to receive bids prior to the submission of one proposal to the voters. (Attach. IV)

Discussion followed.

Hearing closed on HB 2256.

Motion was made by Representataive Johnson and seconded by Representative Turnbaugh to amend HB 2256 and pass out favorably. Motion includes technical clean up of Section C. Motion discussed by Committee and the motion carried.

Chairman Miller stated that there would be a revised agenda in regard to HB 2079. The new bill draft number HB 2429 will be heard instead of HB 2079.

Chairman Miller stated he had a request from Representative Sprague to introduce a bill dealing with bonding authorities. (Attach. V)

A motion was made by Representatiave Mollenkamp and seconded by Representative Samuelson to introduce the bill by Representative Sprague. The motion carried.

The meeting adjourned at 2:30 p.m.

STATE OF KANSAS

SUSAN ROENBAUGH
REPRESENTATIVE, ONE HUNDRED FOURTEENTH DISTRICT
R.R. 1
LEWIS, KANSAS 67552-9803



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HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIRMAN: AGRICULTURE AND SMALL
BUSINESS
MEMBER: ENERGY AND NATURAL RESOURCES
TRANSPORTATION

HOUSE COMMITTEE ON LOCAL GOVERNMENT

February 16, 1989

By Representative Susan Roenbaugh

Thank you Mr. Chairman for holding a hearing on HB 2233. I am appearing as a proponent.

Quite simply HB 2233 would require all residents of a county to be part of a hospital district for taxing purposes.

It's my pleasure to introduce two gentlemen from Stafford County who will give some testimony on the measure this afternoon.

Mr. Dayle Gillespie, Administrator of the St. John District Hospital and Don Knappenberger, attorney for the St. John Hospital Board.

Mr. Chairman, again I thank you for the opportunity to appear before you.

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ATTACH. I

Don J. Knappenberger
Board Attorney for The St. John District Hospital

Mr. Chairman - Members of the Committee;

I want to thank you for allowing me to address your committee in favor of H.B. 2233.

In order for many of you to understand the background for this legislation, I would like to advise you briefly of how the hospital laws have developed in the State of Kansas. There are county hospitals which are governed by the laws contained in K.S.A. Chapter 19-4601 et. seq. and there are district hospitals which are governed by K.S.A. 80-2501 et. seq. About 40 years ago, several counties chose to form hospital districts for each city in a county in order to allow them to have a hospital in each city rather than one hospital for the entire county. At that time a viable hospital could exist around the doctors in each city and it was good for each town to have their own hospital. To give you an example, Stafford County, where I reside, formed 5 hospital districts within the county. Each city had a district formed to allow them to start a hospital to provide medical care.

Each of these districts have maintained their same boundaries since their inception. There are 3 areas in our county which are not in a viable hospital district. The taxpayers of these areas are not taxed in any hospital district. The residents of these areas, however, utilize our facilities or the facilities of neighboring hospitals. Some of these patients are medically indigent. By that I mean they make enough money they do not qualify for Medicaid or Medikan, yet they don't make enough to afford private health insurance such as Blue Cross and Blue Shield or some other private health insurance provider. There are also many senior citizens who cannot afford a supplemental insurance policy to medicare. The hospitals are, therefore, required to provide services to these patients since all public hospitals have an open admissions policy which prevents us from discriminating against patients. We cannot deny anyone medical treatment just because the patient cannot afford to pay. This, then, forces the taxpayers of the district hospital to provide tax funds to pick up the burden of health care for those who are medically indigent.

Residents of a district which levies no real estate taxes for an active hospital completely escape from taxation and do not share in the expense of providing medical services, even though they utilize those services. It really does not make any difference whether one particular family will utilize a physician within our hospital district or another public hospital

somewhere else. They are realizing the benefit of a public health care facility somewhere, and are not paying anything to any taxing district for any form of health care.

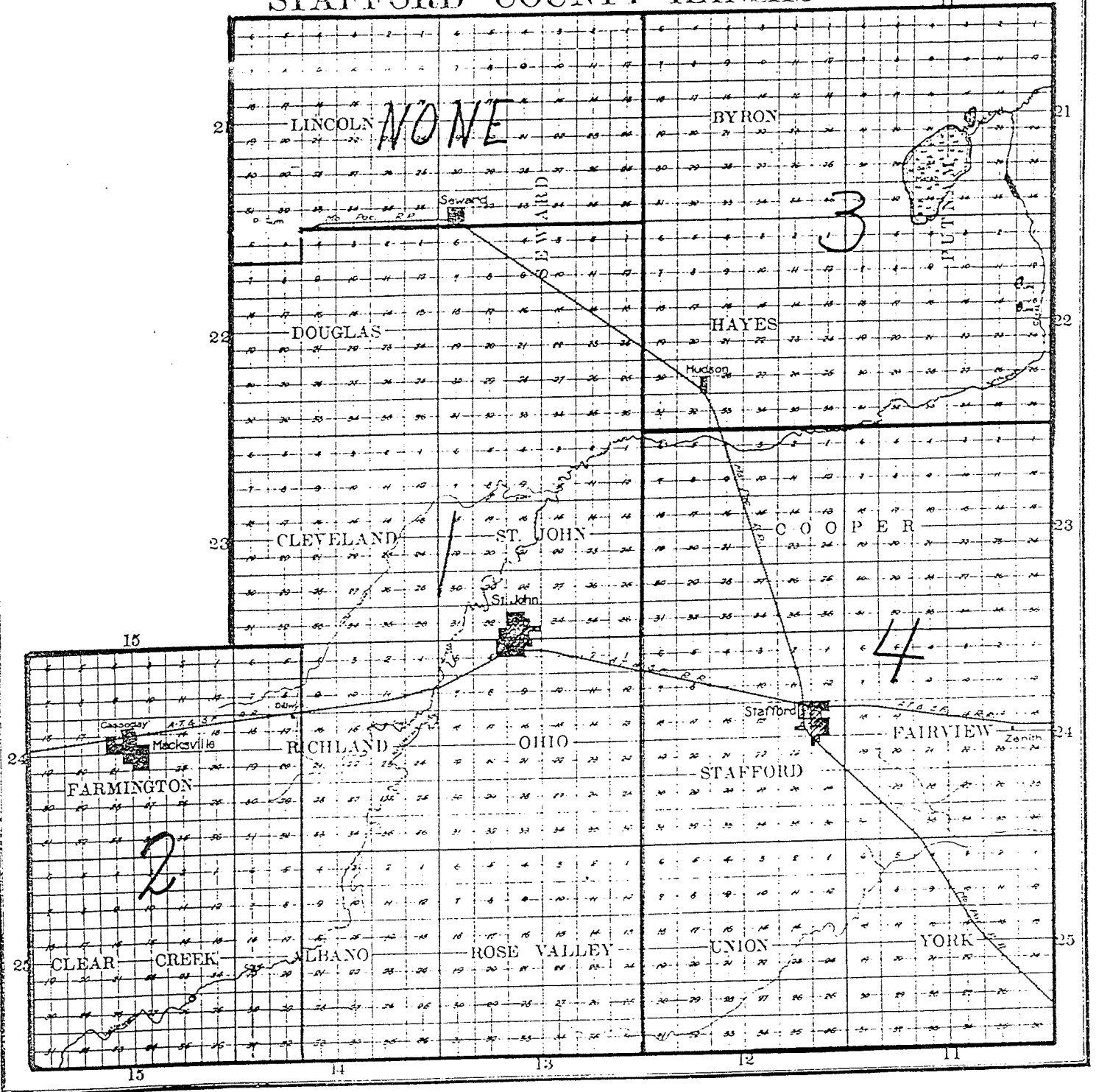
I don't think that I need to stand here and spend hours telling you about the current state of rural health care. The Governor has announced his initiatives in this area and named a task force to explore what other things need to be done. This measure is only one small step toward a collage of problems that must be addressed by the legislature.

I would encourage the House and State Senate to endorse a concurrent resolution to the U. S. Congress which would support an increase in the Medicare reimbursements formula. I would also request a commitment by you to ask Congress to make the reimbursement the same for a rural hospital as it does for urban hospitals. It costs the same for us to care for a patient as it does in the city. We all have to compete for the same nurses, who are in short supply, and we purchase the same expensive medical equipment.

I trust that your committee will look aggressively at all of the rural health care legislation which comes before it since this is one of the largest areas for economic development for rural communities, namely, health care and all of its related fields. Just as an example, our small hospital provides a local payroll of nearly \$600,000.00. These are health care dollars which remain in our community and provide necessary jobs as well as rural health care. If these dollars roll over just 4 times in our small community, that keeps many of our main street businesses open.

Thank you for your time and attention today and I would ask you to vote favorably for H. B. 2233.

STAFFORD COUNTY KANSAS



Hospital Districts

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CITY OF OLATHE

MEMORANDUM

TO: Members of the House Committee on Local Government
Donald R. Seifert, Development Services Director

FROM: House Bill 2207 - Municipal Debt Limit

SUBJECT: February 16, 1989

DATE:

Thank you for the opportunity to appear today before the Committee to discuss a matter of importance to both the City of Olathe and the Olathe School District. Facing rapid growth and the uncertainty of reappraisal, the City is concerned about its continued ability to finance needed capital improvements under existing statutory debt limitations.

For many years, the Olathe School District has been in an expansion mode. To accommodate the growing number of school children in our community, since 1972 the district has built 11 new elementary schools, 4 new junior high schools, a second senior high school, and numerous additions to existing buildings. In a continual effort to provide excellent school facilities, the district has become one of Olathe's major developers and property owners. The community has been very supportive of this effort through passage of five school bond issues during this period.

The Olathe city government has facilitated the school district's progress through the use of benefit district financing for street and utility extensions to these new schools. As a real estate developer, the district is responsible for financing its fair share of public improvements. To finance these costs,

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ATTACH III

the district participates in City benefit districts with other landowners and makes annual payments in the form of special assessments. The district does not have clear authority to capitalize such costs in a bond issue. It relies on the advantages offered by City benefit districts in planning, managing, and paying for its school construction program.

The bottom line in this is that Olathe, like all cities in Kansas, operates under a statutory limit on bonded indebtedness based on a percentage of assessed valuation. This percentage will likely be adjusted downward following reappraisal. Under the pressure of our growth, debt required to finance necessary public improvements is projected to increase faster than growth in our assessed valuation, thus squeezing the City's debt margin. The capital improvement plan adopted by our governing body recognizes the need for some \$110 million in street improvement projects alone in the next 5 years. Presently the City's debt margin is approximately \$31.5 million.

In calculating a city's legal debt limit, present law provides for certain exceptions. Bonds issued to pay the costs of water and sewer lines and streets abutting City property are not included. In HB 2207, we are requesting that bonds issued for streets abutting school district property also be excluded from the calculation. In Olathe, this would increase our debt margin by an additional \$2 million, which is equal to our outstanding debt for school district street projects.

With the City's projected growth, construction of new public schools is inevitable in Olathe. A bond issue is planned for mid-1989 which would include a third high school, three new elementary schools, and land for another junior high. These schools will all require perimeter street construction. The

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City and school district have an excellent relationship in the use of benefit districts to finance school related improvements. However, the City would like to preserve as much of its debt limit as possible to finance the tremendous amount of capital improvements needed by this community. Your approval of HB 2207 would help both the City and school district respond to the needs of the community.

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Testimony of Dennis M. Shockley representing
the City of Kansas City, Kansas on HB 2256

February 16, 1989

Last summer and fall, the governing body of Kansas City, Kansas contemplated the sale of its municipally owned and operated electric and water departments with an estimated value at that time of approximately \$650 million. The City Council went through a laborious process of study and finally prepared bid specifications asking that interested parties submit proposals. Two proposals were submitted to the City, and were ultimately rejected.

During this process the City Council took formal action stating their intention of placing any proposed sale before the voters of the City and abiding by the result of that vote. However, the City was advised by our legal staff that such an "advisory election" could not be held by the Wyandotte County Election Commissioner, because of the lack of statutory authority as established by various opinions of the Kansas Attorney General's office. Therefore, if the City Council had accepted one of the two proposals, it would have had to hold its own election in order to fulfill its commitment to the voters. The City has held one previous such "advisory" election in 1985 when ballots were mailed to registered voters, and the vote was supervised and tallied by a local CPA firm.

It seems to my City Council, however, that when you are contemplating the sale of a \$650 million asset of the City, that a "standard" election would be more appropriate, held under the auspices of the local election commissioner. There certainly would be less chance for voter fraud, and the election would have more validity, if it was held by the County Election Commissioner. And so we generally support the concept of HB 2256.

However, we would like to suggest one amendment which I have attached to this testimony. It would clarify what we consider to be vague language in the bill. This amendment would allow any future City Council to receive bids prior to the submission of one proposal to the voters. Thus, the voters would know exactly what they are voting on.

In conclusion, the City Council of Kansas City, Kansas supports our citizens' right to vote on issues of communitywide importance. The potential sale of an asset the magnitude of our water and electric utility, should warrant such a vote.

The City of Kansas City, Kansas supports HB 2256 with our suggested amendment.

Attachment

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ATTACH. II

HOUSE BILL NO. _____

By Representatives Johnson, Dillon, Jones, Justice,
Peterson, Reardon, Sutter, Turnbaugh and Wisdom

AN ACT concerning the board of public utilities; relating to
the sale of certain property.

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

Section 1. (a) Prior to the sale of the municipal waterworks plant or municipal electric-light plant owned and operated pursuant to K.S.A. 13-1220, and amendments thereto, the governing body of the city shall provide for a feasibility study in the proposed sale. Such study shall be conducted by a professional consultant which has expertise in the area of valuation and appraisal of electrical and water systems. The study shall explain in detail the positive and negative impact on the community, the city government and the utility system if such system is sold. Such consultant shall establish and include in its report criteria to be used when evaluating bids received for purchase of such waterworks or electric-light plant, or both. In addition to the detailed study, a summary of the benefits and negative impact of the sale shall be provided by the consultant and shall accompany such study. Such report and summary thereof shall be available for public inspection. The summary of the report and notice of the hearing at which the governing body proposes to take any action concerning the feasibility study or the sale of such property, or both, shall be published once each week for three consecutive weeks in the official city newspaper. Such notice shall be published no sooner than one week before any such public hearing. Following such hearing, the governing body may adopt a resolution proposing to sell the waterworks plant or the electric-light plant, or both and

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advertise for bids and receive bids prior to the submission to an election of a proposal to sell.

(b) No waterworks plant or electric-light plant may be sold unless the proposal of such sale is submitted to and approved by a majority of the qualified electors of the city voting at an election called and held thereon. Such election shall be at a special election or at the general election held in November. Such election shall be called and held in the manner provided by the general bond law.

(c) If the voters approve the sale of the waterworks plant or electric-light plant, or both, the professional consultant which conducted the feasibility study required by subsection (a) shall evaluate all bids received for the purchase of the waterworks and electric-light plants. Based on such evaluation, the governing body of the city may reject any or all bids. In the event that all bids are rejected, nothing in this section shall be construed as requiring the governing body to sell the waterworks or electric-light plant.

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

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HOUSE BILL NO. _____

By *Bert Gorman - City Clerk -*
(Date 2/16/89)

AN ACT concerning certain cities; relating to the governing body thereof; amending K.S.A. 14-1304 and repealing the existing section. *Bonding Authorities*

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

Section 1. K.S.A. 14-1304 is hereby amended to read as follows: 14-1304. The mayor and each of said the commissioners shall, before entering upon the duties of his--or--her office, shall give a good and sufficient surety bond, to be executed by a responsible bonding company authorized to do business in Kansas, payable to and for the use and benefit of any such city, in the sum of ~~five-thousand-dollars~~ \$5,000, conditioned for the faithful discharge of his-~~er~~-her duties, and that he-~~er~~-she such officer will save the city harmless from all loss caused by neglect of duty or malfeasance in office, or for the willful expenditure or misappropriation of any moneys, property or securities of such city in violation of law~~7-and-said-bond7~~. Before being accepted, such bond shall be approved by the ~~district-judge-in-and-for--the county-wherein-such-city-is-situated~~ city attorney.

The cost of such surety bonds shall be borne by such city: Provided7-That. In any city of the second class where the mayor or one of the commissioners is the custodian of any money or negotiable securities belonging to such city as the part of any trust fund, or other fund of the city, amounting to more than ~~five-thousand-dollars~~ \$5,000, that such custodian of such money or securities shall furnish a surety bond as herein provided in a sum equal to the total amount of such money and securities in his--~~er~~-her-hands such person's possession as such custodian. The cost of such bond ~~to~~ shall be borne by the city.

Sec. 2. K.S.A. 14-1304 is hereby repealed.

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

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ATTACH II