

Approved February 16, 1989
Date

MINUTES OF THE SENATE COMMITTEE ON LOCAL GOVERNMENT

The meeting was called to order by Sen. Don Montgomery at
Chairperson

9:00 a.m. ~~p.m.~~ on February 15, 1989 in room 531-N of the Capitol.

All members were present except:

Senators Allen, Gaines, and Petty - Excused

Committee staff present:

Mike Heim, Legislative Research
Theresa Kiernan, Revisor of Statutes
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Susan Seltsam, State Treasurer's Office
Cathy Holdeman, City of Wichita
Jim Kaup, League of Kansas Municipalities

The Chairman informed the committee that he had been asked to request the introduction of a bill for the Registers of Deeds. The bill would require that a certificate of title be filed with the Register of Deeds and that there be a \$5.00 filing fee. It is felt that at present there is a gap in the record of title.

Sen. Ehrlich made a motion to introduce the bill, Sen. Daniels seconded, and the motion carried.

Sen. Burke had a request for the introduction of a bill for the Johnson County water district. Two districts have been consolidated there, and this bill would expand the board from five members to seven.

Sen. Daniels made a motion to introduce Sen. Burke's proposed bill, Sen. Lee seconded, and the motion carried.

The hearing began on SB 85 concerning the general bond law. Susan Seltsam, State Treasurer's Office, testified in support of the bill. (See Attachment I). She added that the thrust of the bill is to protect the bondholder. She acknowledged that the City of Wichita opposes the bill, but noted that Wichita does not do their bond business in Kansas.

Cathy Holdeman, City of Wichita, followed with testimony in opposition to SB 85. (See Attachment II).

Jim Kaup, League of Kansas Municipalities, testified next in opposition to the bill. (See Attachment III). The Chairman asked why the League requests the time extension be limited to non-registered bonds. Ms. Seltsam stood to clarify. She said bearer bonds are the problem, therefore, it would be satisfactory to limit it to non-registered bonds. She added that 45 days as suggested by the League would be better than the present 30 days.

Sen. Daniels had questions about the testimony given by Ms. Holdeman as to the notification to bondholders being changed from 60 to 90 days; the treasurers asked for an increase from 30 to 60 days. Ms. Holdeman said she would check with her finance department and report back to the committee. The committee will hold action on the bill until this information is received.

The Chairman began a discussion of bills previously heard. The amendments for SB 17 will be ready for consideration tomorrow. HB 2061, the identical bill to SB 57, has been referred to this committee. As to SB 61 concerning public building commissions which was heard yesterday, staff had the amendment ready suggested by Sen. Daniels and noted that a clean-up is needed in Section

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON LOCAL GOVERNMENT
room 531-N, Statehouse, at 9:00 a.m./~~a.m.~~^{p.m.} on February 15, 1989.

5, line 88, where "1988 Supp" should be inserted after "K.S.A."

Sen. Daniels made a motion to amend SB 61 on page 2, line 69, by inserting "city" before "county", Sen. Langworthy seconded, and the motion carried.

Sen. Langworthy made a motion to recommend SB 61 favorable for passage as amended, Sen. Daniels seconded, and the motion carried.

A discussion of SB 65 relating to the sale of property by counties began. With regard to "unanimous vote" on line 71 of the bill, Sen. Frahm noted that there is a possible problem which would exist if one member could not be there due to illness. The Chairman said the sale of property usually requires a unanimous vote. Sen. Daniels said there is another bill that will change the unanimous requirement for the sale of property to a majority vote. It was also noted that was concern expressed that although it is not the intent of the bill to force property on adjacent property owners, it may be that it turns out that way. It was the consensus to hold the bill until this problem could be resolved.

The Chairman said the committee would work SB 17 tomorrow and possibly SB 85.

The minutes of February 14 were approved.

The meeting was adjourned.

Joan Finney

TREASURER



900 JACKSON, SUITE 201
TOPEKA, KANSAS 66612-1235

STATE OF KANSAS

TELEPHONE
(913) 296-3171

TESTIMONY OF SUSAN M. SELTSAM, ASSISTANT STATE TREASURER,
BEFORE THE SENATE LOCAL GOVERNMENT COMMITTEE, FEBRUARY 15,
1989

RE: SB 85

Senate Bill 85 contains a technical amendment to the General Bond Law. It changes the 30-day notice provision for a bond call to 60 days.

From time-to-time, bonds are called for payment prior to their date of maturity. Once a bond is called, it ceases to pay interest.

Current law requires that when bonds are called, the paying agent is to be notified at least 30 days prior to the call date. The paying agent must then notify bond holders of the call.

With bearer bonds, which have coupons that are clipped and sent in to the paying agent for collection, there is no source of information on the ownership. Normally, a bank submits numerous coupons for their various customers and after receiving money from the paying agent, the bank then pays the individual bond owners.

The section of the bond law which we seek to have amended directs the paying agent to notify each presenter of interest coupons of the call. The paying agent must go through old payment records to determine who received the last payment of interest on the bond being called. This is a very labor intensive exercise and often takes a great deal of time.

Once the identity of the last presenter of coupons has been established, notice of the call is sent to them. They are then supposed to notify their customers (the individual bond holders), of the bond call.

The change we propose would provide the paying agent with at least 60 days notice of call, so that the research can be completed by the paying agent, notice can be sent and bond holders could be advised in a timely manner that their bonds were being called.

2-15-89
Senate Local Gov't
Attachment I

THE CITY OF WICHITA



DEPARTMENT OF FINANCE
OFFICE OF DIRECTOR
CITY HALL — THIRTEENTH FLOOR
455 NORTH MAIN STREET
WICHITA, KANSAS 67202
(316) 268-4434

February 8, 1989

The Honorable Don Montgomery, Chairperson
Committee on Local Government
Senate Chambers, Statehouse
Topeka, KS 66612

Dear Senator Montgomery:

Senate Bill No. 85 would amend existing law to increase from 30 to 60 days the notification to bondholders of the intent to call bonds prior to maturity.

The industry standard notification requirement is 30 days. City bond ordinances reflect the 30 day notice provision.

The city must notify the paying agent 60 days prior to the call date concerning the intention to call specified bonds prior to maturity. Senate Bill No. 85 would increase the City's requirement to notify the paying agent from 60 to 90 days. This would further restrict the ability of the City to react to favorable interest rate situations, adversely impacting city finances. Relatively modest changes in rates could offer significant savings (if the City could respond in a timely manner to such changes - a condition denied by SB 85). In addition, paying agents would need to establish new administrative procedures to administer existing bond ordinances - a major task.

The small number of problems that may occur in administering the call of bonds does not justify the magnitude of the type of response in Senate Bill No. 85.

I hope your Committee will not recommend Senate Bill No. 85 for passage.

Sincerely,

John Moir

John Moir

Director of Finance/City Clerk

JM/gf

2-15-89

Senate Local Gov't

Attachment II



League
of Kansas
Municipalities

Municipal
Legislative
Testimony

An Instrumentality of its Member Kansas Cities. 112 West Seventh Street, Topeka, Kansas 66603 Area 913-354-9565

TO: Senate Committee on Local Government
FROM: E.A. Mosher, Executive Director
RE: SB 85 -- Time Period for Call of Municipal Bonds
DATE: February 15, 1989

By action of the League's Committee on Finance and Taxation, the League is opposed to SB 85. However, it is not the intent of the League Committee to place an impossible or unworkable time limit on the state treasurer's office or on banks serving as bond paying agents.

In some instances, it is advisable from the municipal stand point to delay the call of bonds as late as possible. Since an ordinance or resolution of the governing body is required, the local action must now be taken several days in advance of the 30 day period.

We understand that the standard of the industry, nationwide, is 30 days.

As Committee members know, all bonds of more than one year must now be registered.

If a 30 day period is now clearly unworkable, we would suggest consideration be given to extending the time period to 40 or 45 days, rather than to a full 60 days. Further, the time extension should be limited to non-registered bonds.

2-15-89
Senate Local Gov't
Attachment III