

Approved March 19, 1990  
Date

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

The meeting was called to order by REPRESENTATIVE ROBERT D. MILLER at  
Chairperson

2:10 a.m./p.m. on MARCH 15, 1990 in room 521-S of the Capitol.

All members were present except:

Representative Lane, excused  
Representative Gomez, excused

Committee staff present:

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

Conferees appearing before the committee:

Senator Jerry Moran  
Jim Kaup, League of Kansas Municipalities

Chairman Miller called the Committee's attention to SB 697.

SB 697 - Act concerning cities and counties; relating to unpaid property taxes.

Chairman Miller recognized Senator Moran, who stated SB 697 is a localized piece of legislation dealing with the City of Bazine, Ness County. The City of Bazine took back title to property owned by a private citizen. The property has unpaid taxes, interest, charges and penalties. The city is willing to pay the back taxes but would like an exemption from interest and penalty charges. Discussion followed.

Chairman Miller closed the hearing on SB 697.

Chairman Miller turned the Committee's attention to SB 511.

SB 511 - Act concerning municipally owned utilities; relating to security deposits.

Chairman Miller recognized Jim Kaup, League of Kansas Municipalities. Mr. Kaup presented written testimony for E. A. Mosher, executive director, League of Kansas Municipalities, and testified in support of SB 511. Mr. Kaup stated SB 511 was requested by the League to broaden the authority of cities owning municipal utilities to invest customer security deposits. (Attachment I) Discussion followed.

Chairman Miller closed the hearing on SB 511.

Chairman Miller called the Committee's attention to SB 478.

SB 478 - Act concerning cities; relating to the limitation on bonded indebtedness.

Chairman Miller asked staff to give an overview of SB 478.

Theresa Kiernan, staff, stated that SB 478 deletes a provision authorizing a higher bonded debt limit for the City of Olathe which will expire on June 30, 1990. Discussion followed.

Chairman closed the hearing on SB 478.

Meeting adjourned at 2:38 p.m.





**League  
of Kansas  
Municipalities**

**Mur al  
Legislative  
Testimony**

An Instrumentality of Its Member Cities. 112 West Seventh Street, Topeka, Kansas 66603 913-354-9565 Fax 354-4186

To: House Committee on Local Government  
Re: SB 511--Investment of Municipal Utility Security Deposits  
From: E.A. Mosher, Executive Director  
Date: March 15, 1990

SB 511 was requested by the League to broaden the authority of cities owning municipal utilities to invest customer security deposits. Excluding editorial changes, two substantive provisions have been added to K.S.A. Supp.12-822, as follows:

(1) On line 40, the investments authorized by K.S.A. 10-131 would be permitted as to security deposits. This is the section which authorizes the investment of the proceeds of municipal bonds and temporary notes. A copy of K.S.A. 10-131 is attached.

(2) Beginning on line 3, page 2, specific provisions are added to authorize the investment of such deposits in time deposits and savings accounts in commercial banks or savings and loan association, guaranteed as to principal and interest.

You will also note that references to investments in various municipal bonds, beginning on line 41, on page 1, are stricken. Given the nature of utility deposits, the comparatively small amount, and the absence of concerns as to their tax deductibility, it appears extremely improbable that municipal utility deposits have ever been invested in municipal bonds, or will be in the future.

The Kansas Corporation Commission, on December 28, 1989, issued an order compelling public and municipal utilities to pay at least 7% per annum interest on security deposits. The KCC order was apparently based on the analysis that one-year U.S. Treasury bill rates "serve as a good proxy since this is the length of time a deposit is typically kept before being refunded to the customer", and that treasury bill rates would continue in 1990 at the same level as in 1989.

Cities do not require municipal utility security deposits in order to earn interest. Further, cities don't have a strong objection to the KCC 7% minimum order. We do think the investment authority as to security deposits should be expanded, so that cities can earn at least as much as they are required to pay in interest, and hopefully, offset some of the administrative costs involved in investing deposit money and annually paying or crediting the interest.

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3-15-90  
Attach. I

President: **Irene B. French**, Mayor, Merriam \* Vice President: **Frances J. Garcia**, Mayor, Hutchinson \* Directors: **Ed Ellert**, Mayor, Overland Park \* **Harry Felker**, Mayor, Topeka \* **Greg Ferris**, Councilmember, Wichita \* **Idella Frickey**, Mayor, Oberlin \* **William J. Goering**, City Clerk/Administrator, McPherson \* **Judith C. Hollnaworth**, Mayor, Humboldt \* **Jesse Jackson**, Mayor, Chanute \* **Stan Martin**, City Attorney, Abilene \* **Richard U. Nienstedt**, City Manager, Concordia \* **Judy M. Sargent**, City Manager, Russell \* **Joseph E. Steineger**, Mayor, Kansas City \* **Bonnie Talley**, Mayor, Garden City \* Executive Director: **E.A. Mosher**

**10-131. Investment of proceeds of bonds or temporary notes and certain funds authorized; disposition of interest received therefrom.** The governing body of any municipality, as defined in K.S.A. 10-101, and amendments thereto, which has issued or may issue bonds or temporary notes for any purpose, is hereby authorized and empowered to invest any portion of the proceeds of such bonds, notes or funds held pursuant to the resolution or ordinance authorizing the issuance of such bonds or notes, which is not currently needed, in: (a) Investments authorized by K.S.A. 12-1675, and amendments thereto, in the manner prescribed therein; (b) direct obligations of the United States government or any agency thereof; (c) the municipality's temporary notes issued pursuant to K.S.A. 10-123, and amendments thereto; (d) interest-bearing time deposits in commercial banks located in the county or counties in which the municipality is located; (e) obligations of the federal national mortgage association, federal home loan banks or the federal home loan mortgage corporation; (f) repurchase agreements collateralized by securities described in (b) or (e) above; (g) investment agreements with or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's investors service or Standard and Poor's corporation; (h) investments in shares or units of a money market fund or trust the portfolio of which is comprised entirely of securities described in (b) or (e) above; (i) receipts evidencing ownership interests in securities or portions thereof described in (b) or (e) above; (j) municipal bonds or other obligations issued by any municipality of the state of Kansas as defined in K.S.A. 10-1101, and amendments thereto, which are general obligations of the municipality issuing the same; or (k) bonds of any municipality of the state of Kansas as defined in K.S.A. 10-1101, and amendments thereto, which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (b) or (e) above. The interest received on any such investment shall upon receipt thereof be set aside and used for the purpose of paying interest on the bonds or notes issued or used for paying the cost of the project for which the bonds or notes were issued.