

Approved March 31, 1992  
Date

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

The meeting was called to order by REPRESENTATIVE M. J. JOHNSON at  
Chairperson

2:00 a.m. on MARCH 24, 1992 in room 521-S of the Capitol.

All members were present except:

Representative Darlene Cornfield, excused  
Representative Judith Macy, excused

Committee staff present:

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

Conferees appearing before the committee:

Gerry Ray, Intergovernmental Officer of the Johnson County Board of Commissioners  
Bob Totten, Public Affairs Director for the Kansas Contractors Association  
Bob Walshire, President of Andrews & Walshire Construction, Inc.  
Mike Welch, President of BRB Contractors, Inc.  
Beverly Bradley, Kansas Association of Counties  
Jim Kaup, League of Kansas Municipalities  
Mike Lackey, Assistant Secretary & State Transportation Engineer for KDOT  
Larry Emig, Chief of Local Projects, KDOT  
Willie Martin, Sedgwick County

Chair called for hearings on SB 727.

SB 727 - Townships; board of county commissioners to serve as governing body.

Gerry Ray, Johnson County, testified in support of SB 727 and said Johnson County Commission requested the bill to address problems with township governing bodies brought about by the reduced area and population due to annexation. She said it would allow the Board of County Commissioners to assume the duties and responsibilities of a Township Board by a petition initiated by the residents of the township or by Resolution of the County Commissioners. (Attachment 1) Ms. Ray answered questions from committee.

Representative Brown said she would offer three amendments when the committee worked the bill and she had talked with the sponsors of the bill and they basically agreed with some of them.

There were no opponents to SB 727 and the Chair closed the hearing.

SB 186 - County roads and bridges, filing of project cost estimates.

Staff gave a briefing of SB 186.

Bob Totten, Public Affairs Director for the Kansas Contractors Association, appeared in support of SB 186 and said the contractors around the state are not allowed the opportunity to bid on certain roads and bridge projects because they are presently being done by local government work crews. He said the projects, do not appear to be cost effective by virtue of construction time and ownership of specialized equipment which is under-utilized and said that private contractors with their experience, expertise and equipment to fit the job are by far the most cost effective construction projects for infrastructure improvement. (Attachment 2)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

room 521-S Statehouse, at 2:00 XX a.m./p.m. on MARCH 24, 1992

Bob Walshire, President of Andrews & Walshire Construction, testified in support of SB 186 and said the private contractor can do various street and highway projects in the state for less money than what is being done by our public works departments. (Attachment 3)

Mike Welch, President of BRB Contractors, Inc., testified in support to SB 186 and said his industry is concerned about the encroachment of county crews performing work presently done by private contractors. He said it is a common belief that private contractors have the experience and expertise to do a better job of building bridges and roads than what county crews can do on an irregular basis. (Attachment 4)

Mr. Walshire said the bill would be a good mandate to let everyone look at what it costs to build these projects. Chair asked if counties weren't supposed to keep records. Mr. Walshire said counties are supposed to keep the records but they are not mandated to keep track of their own labor costs. They are supposed to put out a notice 30 days in advance of doing project over \$10,000.00 but they won't do this if they are going to take bids on this project.

Representative Holmes asked if projects involving federal money, if counties are required to use "force accounting" which requires inclusion of not only direct costs but also indirect costs. Mr. Walshire responded by saying that it depends on the kind of work that they do and the terminology that you are using is normally just a direct cost and then the percentages are put in for overhead factors.

Mike Lackey, KDOT, said Larry Emig, Chief of Local Project, who could respond to that question. Mr. Emig said whatever counties want to be reimbursed for, they have to document that cost.

No further questions and the Chair called for testimony from the opponents.

Gerry Ray, Johnson County, said the Johnson County Commissioners do not support SB 186 because they feel it generates requirements for counties that demand an additional time commitment that is unnecessary and offered suggested amendments from the Public Works Department. (Attachment 5)

Beverly Bradley, Kansas Association of Counties, appeared in opposition to SB 186 and said counties should be able to manage the public works department of the county to the best advantage possible to the taxpayers, as determined by the county engineer and the county commissioners, whether it be contracting for road and bridge work or doing it with their own county employees. (Attachment 6)

Ms. Bradley provided copies to committee of a letter from the Barton County Commissioners in opposition to SB 186. (Attachment 7)

Jim Kaup, League of Kansas Municipalities, appeared in opposition to new Section 3 of SB 186 as passed by the Senate and asked for the committee's amendment to delete Section 3. (Attachment 8)

Mike Lackey, Kansas Department of Transportation, testified in opposition to SB 186 and requested that new Section 4 be deleted thereby removing the agency from the proposed legislation. (Attachment 9)

Willie Martin, Sedgwick County, testified in opposition to SB 186 and said their engineering department makes every effort to hold down cost whether it be a project that the county itself is performing or whether it is put out for bid. (Attachment 10)

The conferees responded to questions from committee.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

room 521-S, Statehouse, at 2:00 ~~a.m.~~<sup>p.m.</sup> on MARCH 24, 1992

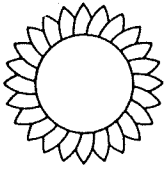
Representative Hendrix asked what they did in case of an emergency. Mr. Walshire said he had suggested to the Senate Committee that an emergency clause be put in the bill and that most cities and counties have the means to immediately contract a private sector. He said what he meant by emergency clause is to give the power to do emergency to do the work yourself, yourself meaning the counties, or to contract it out with someone who is competent. Counties will spread the work amongst the contractors.

The Chair closed the hearing on SB 186.

A motion was made by Representative Thompson to approve the minutes of March 19, 1992. It was seconded by Representative Boston and the motion carried.

The meeting was adjourned at 3:20 p.m.





**Johnson County  
Kansas**

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March 24, 1992

HOUSE LOCAL GOVERNMENT COMMITTEE

HEARING ON SENATE BILL 727

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL OFFICER  
JOHNSON COUNTY BOARD OF COMMISSIONERS

Madam Chairman, members of the Committee, my name is Gerry Ray, representing the Johnson County Commission. Thank you for the opportunity to talk to you about Senate Bill 727. The Johnson County Commission requested the bill to address problems with township governing bodies brought about by the reduced area and population due to annexation.

Senate Bill 727 would allow the Board of County Commissioners to assume the duties and responsibilities of a Township Board by a petition initiated by the residents of the township or by Resolution of the County Commissioners.

For several years we have faced problems with two townships in Johnson County. One is Shawnee Township, which has no residents and consists only of a landfill. The other is Monticello Township that has 134 residents and no one available to serve on the Township Board. These two situations have presented many problems, the major ones being the preparation of budgets required under state law and the administration of unexpended funds that remain in the township treasuries. The existing statutes allow the disorganization and consolidation of townships that are contiguous. However, ours are not contiguous and the statutes do not provide a process to deal with them.

It was once believed that problems with inactive townships was a problem experienced as a community grew and urbanized. This year, however, it came to light that some of the rural areas are also confronted with the same situation, that is the lack of people to serve as township officials. Apparently there are townships in several areas around the state in which the residents desire a way to eliminate the township and come under the county government.

We believe that Senate Bill 727 provides adequate authority for the County to deal with the issue as well as safeguards for the residents through the provision for a protest petition. The bill offers a solution to a dilemma that has existed in Johnson County for some time and we urge the Committee to recommend it favorably for passage.

Thank you for the time you have given to help us resolve this ongoing problem.

*LR*  
*3-24-92*  
*Attach. 1*



# THE KANSAS CONTRACTORS ASSOCIATION, INC.



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Newton, Kansas

DON POPEJOY, Vice President  
Ulysses, Kansas

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## TESTIMONY

BY THE

KANSAS CONTRACTORS ASSOCIATION

Before the House Local Government Committee

Regarding Senate Bill 186 Regarding County Roads

March 24, 1992

Madam Chairman and members of the House Local Government Committee, thank you for the opportunity to appear before you today to provide the industry's position on Senate Bill 186.

I am Bob Totten, Public Affairs Director for the Kansas Contractors Association. Our Association represents over 330 heavy, highway and municipal utility contractor and associate member firms in the Kansas construction industry. In addition, our members build roads and highways throughout the midwest.

The Association appears today in support of this Senate Bill. It is our position that contractors around the state are not allowed the opportunity to bid on certain road and bridge projects because they are presently being done by local government work crews. These projects, in our opinion, do not appear to be cost effective by virtue of construction time and ownership of specialized equipment which is under-utilized. We

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Kansas City, Missouri  
ROBERT WALSHIRE  
Topeka, Kansas  
FRED WIMAN  
Mission Hills, Kansas

LY  
3-24-92  
attach 2



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believe that private contractors with their experience, expertise and equipment to fit the job are by far the most cost effective constructing projects for infrastructure improvement.

When this bill was first introduced last year, it only addressed county work crews and did not include as it now does cities over 50,000 in population and state projects over \$50,000.00 in cost. When the Kansas Senate chose to include cities and state government when considering this measure, we were very pleased, although our first concern centered only on county work projects since that is where we were most familiar. In that regard, I will address that area of government.

At the present time, when we try to determine whether a private contractor could perform construction work less expensively than the county, the figures we receive do not include all of the items we use when we bid on a project. This bill would change that so the public could easily determine an accurate cost of each road and bridge project in the county costing more than \$50,000.00.

This is an update of the day labor act which was passed more than 80 years ago in 1917. It has allowed the county to avoid filing accurate project cost figures which include county labor

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costs. It has proved to be a stumbling block to access accurate county project costs and ultimately problems in determining the cost benefits of private contractors constructing county projects.

The emergence of this trend among local governments threatens to disrupt a long standing relationship between government and private enterprise. An alarming indicator of this trend is the sales ratio of the major equipment dealers. Fifteen years ago, one equipment dealer's sales were split one-third each to the government, mining and construction. In 1990, 72 percent went to government sales with the balance going to mining and construction. The construction industry has developed and grown in response to public capital improvements such that, state and local governments can undertake capital improvements knowing that private sector construction firms can construct these improvements at a reasonable cost to the public. The industry is therefore very sensitive to government infrastructure spending to the extent that when projects are constructed with government forces, the size of our market is directly reduced.



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This measure is to help the public determine whether counties are doing an efficient job in building these important projects. The measure would require county engineers or his designate to file with the county clerk the approved plans for a project that uses county labor to construct projects which exceed \$50,000.00. This would be documented using generally accepted accounting principles so the public could adequately compare costs on each project.

Right now, counties have to provide 30 days notice for projects in excess of \$10,000.00. The only change this bill requires is that it include projects that use county forces and funds.

I want to call your attention to a letter I have given you from Kennedy and Coe, an accounting firm the Kansas Contractors Association hired last year to review the Saline County Public Works Department budget. This letter which is backed up by a full report shows that the Saline County Public Works Department is weak in showing what an actual construction project costs.

In a summary of costs for a ten month period, the CPA firm could not account for about \$88,000.00 in the over \$600,000.00 spent in their county. With this report we have made a

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recommendation to Saline County officials on how to improve their accounting procedures. Saline County officials have been receptive to this input and at this time have not indicated they will need to add any staff to accomplish this goal.

We are also doing the same thing in Shawnee County with another accounting firm. Although their report is not final, preliminary indications show similar problems right here in Topeka involving cost accounting procedures in their Public Works Department.

You can readily realize the importance of full public disclosure of advance job estimates if cost comparisons are to be made between private and public sector construction matters. Advance estimating and accurate job costing are key activities in controlling efficiency. This seems even more important when our state and local government entities are facing tough times and we need to control our tax dollars.

In closing, I ask that you support Senate Bill 186 and I am available to answer your questions.

# KENNEDY AND COE

CERTIFIED PUBLIC ACCOUNTANTS

UNITED BUILDING P. O. BOX 1100

SALINA, KANSAS 67402-1100

913 - 825-1561

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R. MICHAEL BEATTY, C.P.A.  
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RALPH E. REITZ, C.P.A. (RETIRED)  
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L. M. MERTZ, C.P.A. (RETIRED)  
PAUL A. MOTT, C.P.A. (RETIRED)  
ADLEY E. JOHNSON, C.P.A. (RETIRED)

February 7, 1992

Mr. Robert Totten  
The Kansas Contractors Association, Inc.  
316 S. W. 33rd St.  
P.O. Box 5061  
Topeka, KS 66605-5061

Dear Mr. Totten:

Enclosed please find two copies of the Independent Accountants' Report on the Design and Effectiveness of the Internal Control Structure of the Saline County Road and Bridge Department Job Cost Accounting System as of October 31, 1991.

It is our understanding that your impetus for requesting our study and evaluation of the internal control structure and design of the Saline County job cost accounting system was as a result of representations made by former Saline County personnel as to the County's ability to perform certain functions at a cost less than could be done by independent contractors. Although we cannot ascertain whether or not the aforementioned representation is accurate, we can attest that the system presently in use by the Saline County Road and Bridge Department is not generating information which accurately represents Saline County's cost to perform a specific activity or project. As indicated in our report, there are numerous weaknesses in the internal controls over their job cost accounting system. These weaknesses make an accurate assessment of their true cost to complete a specific project infeasible.

Generally accepted accounting principles for a governmental entity vary significantly from the generally accepted accounting principles followed by construction contractors. Some of these differences are as follows:

- \* Unlike a contractor which maintains one financial statement for all of the company's activities, a county may spread the cost of the Road and Bridge Department into several different funds. For example, debt associated with the purchase of equipment might appear in a Debt Service Fund, the purchase of the asset itself may come from a Capital Outlay Fund, the cost of the portion of a construction project contracted from an outside contractor would appear in a Special Projects Fund and the costs of employee benefits and certain other administrative costs might appear in the General Fund.



Mr. Robert Totten  
The Kansas Contractors Association, Inc.  
February 7, 1992  
Page 2

- \* A construction contractor records depreciation of equipment annually and spreads the cost over the estimated useful life of the asset, while a county generally treats the purchase as an expenditure in the year acquired, then does not recognize depreciation on the equipment.
- \* A construction contractor records interest expense on the debts related to equipment acquisitions and their operating line of credit, while the county records all interest expense to the Debt Service Fund. Therefore, interest expense related to the construction support activities of the Road and Bridge Department never get directly tied to that Department.

Because of the above differences in accounting methods, it will require numerous reconciliations between a county's regular accounting records and a county's job cost accounting system to recognize the effect of the above differences. Saline County attempted to recognize many of the above differences in putting together their job cost accounting system, however due to the many weaknesses in the system itself, we were able to determine that they had not considered all possible costs.

There is a "hidden cost" that also should be considered when trying to compare a contractor's job cost accounting system with that of a county. This hidden cost that does not ever appear in the county's accounting records is the cost of lost revenues for the county that might have otherwise been received had an independent contractor owned the equipment used on the project. These lost revenues would include property taxes paid by an independent contractor, heavy vehicle use tax, tags and licenses and sales taxes on the equipment purchases. We were not able to determine the amount of the "hidden cost" for the Saline County Road and Bridge Department without extensive additional procedures beyond the scope of this engagement.

We are also enclosing a summary of the job cost records for the Saline County Road and Bridge Department for the ten months ended October 31, 1991. The total costs captured on this summary is \$541,805.90, but the total commodities expenses incurred by the Department for this same time period was \$630,396.01, leaving \$88,590.11 of costs that have not been accounted for in the job cost system.

The process of determining the actual cost of activities and projects performed by a county road and bridge department is complicated, but is attainable. Saline County is on the right track and, with a few significant modifications to their system can provide management with the information to determine their actual cost of operations as compared to a outside contractor.

If you would like to discuss the information in our report further, or need any additional information, please contact me.

Very truly yours,

*Shannon L. Buchanan*  
Certified Public Accountant



**ANDREWS & WALSHIRE CONSTRUCTION, INC.**

TESTIMONY

BEFORE HOUSE LOCAL GOVERNMENT COMMITTEE

SENATE BILL 186

March 24, 1992

Madam Chairman and Members of the Committee:

Thank you very much for allowing me to testify this afternoon. I am Bob Walshire, President of Andrews & Walshire Construction, Inc. here in Topeka. We primarily do asphalt paving with some concrete work and milling.

I am in support of Senate Bill 186. This legislation is to provide two things - efficiency in government and the opportunity for contractors to bid on work presently done by our local governments. We feel when you are comparing apples to apples, the private contractor can do various street and highway projects in the state for less money than what is being done by our public works departments.

This measure, Senate Bill 186, would require the counties, cities and the state to account for every penny that is to be spent on a project. These figures are already being compiled, but they are not in a form which would allow you or I to determine the actual costs of a project.

Wouldn't you like to know your government dollars are being spent economically? In two cases of which I am most familiar, it is hard to determine if that is true. In both Saline and Shawnee counties, where we, the Kansas Contractors Association, have contracted with CPA firms to review the county engineering budgets, we have found the compiled figures are inadequate. These counties determine how many hours were worked and how much materials were used, but they are not tracked to determine how that relates to a specific improvement. I feel by passing Senate Bill 186,

*By  
3-24-92  
Attack. 3*

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counties could determine whether a job is being done economically. If it is not, the project should be put out for bid in hopes our Kansas contractors who pay taxes can perform the work.

When I speak of public works departments keeping track of what a project costs -- they do not include the costs relating to depreciation, equipment operating expense, pension plans, and the exact costs relating to the hours spent on the job like we do in the private sector. Many times counties buy very expensive and specialized equipment and only put a few hours a year on this equipment. This in itself is very wasteful. In our review of the two counties mentioned, I must say we have seen many discrepancies on what is included in project costs. But mainly, it is impossible to currently determine what a major improvement has cost the county.

Since our review of the Saline County road and bridge department, public officials have determined many projects can be more economically built through private enterprise. Last month, they began putting out for bid all the bridges to be built in that county.

Saline and Shawnee counties are not isolated situations in the state and that is why we are seeking state legislation to change it.

In addition, I want to outline concerns I have as a local taxpayer. I have been dismayed to see a paving job in southwest Shawnee County being done by local county crews. I am disappointed for two reasons: 1) The project was not put out for bid so I did not get a chance to get the job; and 2) They are using a crew of 15 to do a job I know only takes 7 people. I get it twice. I do not get the opportunity to bid on the job and I have to pay enough taxes for employees not necessary to complete the task.

This is happening in Shawnee County. Other contractors throughout the state have told me similar stories. When we are trying to save every penny in operating our local governments, why is it we are spending money unwisely? When we first talk to local governments about this, they complain that it will be an

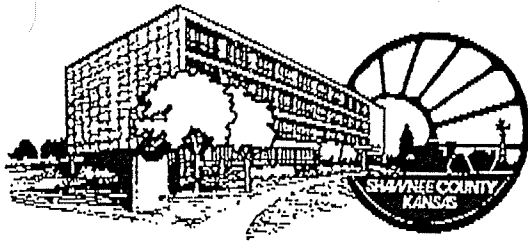


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accounting nightmare, meaning the addition of more staff people. I dare say, if you could add a staff person to save you a half million dollars, wouldn't you do it? I THINK YOU WOULD.

I want to close and tell you several county officials in Saline and Shawnee counties agree with us. Here in Topeka, County Commissioner Eric Rucker has supported our position on Senate Bill 186. He has seen the expansion of county government and I add his letter to my testimony for your review.

I thank you for your time and I stand ready for any questions.



Shawnee County  
Board of Commissioners

Rm. 205, Courthouse Topeka, Kansas 66603-3970  
(913) 291-4040

Winifred Kingman, 1st district  
Velma Paris, 2nd district  
Eric K. Rucker, 3rd district

January 13, 1992

The Honorable Audrey Langworthy  
State Senator  
Statehouse  
Topeka, Kansas 66603

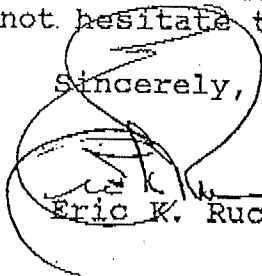
Dear Senator Langworthy:

I am very aware of the increased cost in government and being a County Commissioner for the past five years, I have held the line in spending money on unnecessary programs. One of the basic issues I am supportive of, calls for private industry to do jobs presently done by the county. Senate Bill 186 furthers this idea.

Senate Bill 186 calls for a detailed cost analysis of road and bridge projects on the county level. I believe this would give county officials and administrators the opportunity to determine how efficient their county public works department really are. If they are not efficient, then it would allow more projects to be let for bid and allow private industry to do the jobs in an economical fashion. By letting private industry do the work, more taxes would be paid and less money would be spent on governmental bureaucracy.

I ask you to support this measure and make every effort to have this matter passed out of committee and onto the Senate floor. If you have any questions, please do not hesitate to contact me.

Sincerely,

  
Eric K. Rucker

**BRB Contractors, Inc.**  
**HEAVY AND UNDERGROUND CONSTRUCTION**

Phone (913) 232-1245  
Fax # (913) 235-8045



400 N.W. Curtis Street

P.O. BOX 8128  
TOPEKA, KANSAS 66608-0128

**TESIMONY OF  
MIKE WELCH  
PRESIDENT OF BRB CONTRACTORS, INC.**

BEFORE THE HOUSE COMMITTEE ON LOCAL GOVERNMENT  
COMMITTEE REGARDING SENATE BILL 186

MADAM CHAIRMAN, AND MEMBERS OF THE SENATE LOCAL  
GOVERNMENT COMMITTEE:

THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU  
TODAY TO PROVIDE ADDITIONAL COMMENTS ON SENATE BILL  
186.

MY NAME IS MIKE WELCH. I AM PRESIDENT OF BRB  
CONTRACTORS, INC. OF TOPEKA. WE ARE A FIRM THAT BUILDS  
WATER AND WASTEWATER TREATMENT PLANTS, PIPELINES,  
BRIDGES AND UNDERGROUND CABLE INSTALLATIONS THROUGHOUT  
KANSAS AND THE MIDWEST.

I AM APPEARING IN SUPPORT OF SENATE BILL 186. AS MR.  
WALSHIRE SAID, OUR INDUSTRY IS CONCERNED ABOUT THE  
ENCROACHMENT OF COUNTY CREWS PERFORMING WORK PRESENTLY  
DONE BY PRIVATE CONTRACTORS. IT IS A COMMON BELIEF  
THAT PRIVATE CONTRACTORS HAVE THE EXPERIENCE AND  
EXPERTISE TO DO A BETTER JOB OF BUILDING BRIDGES AND  
ROADS THAN WHAT COUNTY CREWS CAN DO ON AN IRREGULAR  
BASIS.

THIS MEASURE IS DESIGNED TO DETERMINE WHETHER COUNTY  
FUNDS ARE BEING SPENT EFFICIENTLY AND WHETHER PRIVATE  
CONTRACTORS COULD DO THE WORK MORE ECONOMICALLY.

RIGHT NOW, WHEN YOU TRY TO COMPARE FIGURES REGARDING  
GOVERNMENT WORK VERSUS PRIVATE INDUSTRY, THE FIGURES  
ARE LIKE COMPARING APPLES AND ORANGES. FOR INSTANCE,  
IF A ROAD GRADER IS OWNED BY THE COUNTY TO PERFORM SNOW  
REMOVAL IN THE WINTER, IT IS FREE IN THE SUMMERTIME FOR  
GRADING A WATERLINE. SINCE THE MEN ARE ON COUNTY  
PAYROLL ANYWAY, THEY ARE FREE, OR ONLY CHARGED ACTUAL  
WORK TIME ON A PARTICULAR JOB. (I.E., NO CHARGE FOR  
VACATION TIME, FOR THE 11 DAYS OF HOLIDAY PAY AND FOR  
FIVE DAYS OF SICK LEAVE. . .) IN OTHER WORDS, 11  
PERCENT OF THE PAY IS JUST FORGOTTEN ABOUT. BESIDES

*24*  
*3-24-92*  
*Attach. 4*



THE BENEFIT PAY OVERLOOKED, WE FIGURE FOR A FULL YEARS WORK, CONSTRUCTION CREWS LOSE AN AVERAGE OF ONE DAY PER WEEK FOR BAD WEATHER. WHERE DOES THE COUNTY MAN GET CHARGED FOR THIS TIME? PRIVATE ENTERPRISE PAYS FOR ACTUAL WORK TIME. WHEN COUNTY CREWS ADD TO THEIR CREW SIZE FOR A PARTICULAR PROJECT THAT IS MORE LABOR INTENSIVE THAN THEIR OTHER PROJECTS, WHAT DO THEY DO WITH THE "EXTRA" PEOPLE AFTER THAT PARTICULAR JOB ENDS? YOU ARE RIGHT, THEY KEEP THEM ON THE PAYROLL. WHAT HAPPENS IF A COUNTY EMPLOYEE LACKS THE MOTIVATION TO PERFORM EFFICIENTLY? USUALLY IT IS VERY DIFFICULT FOR THE COUNTY TO GET RID OF LAZY PEOPLE. THE PRIVATE SECTOR ADJUSTS ITS CREW SIZE AS NEEDED, AND TERMINATES THE UNMOTIVATED WORKER.

A COUNTY FOREMAN IS A "JACK-OF-ALL-TRADES". IN MANY CASES, HE OR SHE CANNOT HAVE INTIMATE KNOWLEDGE OF THE DIFFERENT TYPES OF WORK REQUIRED TO BE DONE. IN THE PRIVATE SECTOR, FIRMS SPECIALIZE AND BECOME MORE EFFICIENT.

A COUNTY CREW HAS NO COMPETITION TO REQUIRE IT TO SHARPEN ITS SKILLS. ON THE OTHER HAND, PRIVATE ENTERPRISE HAS THE OPPORTUNITY TO "LOSE" A JOB IF IT CANNOT PERFORM MORE EFFICIENTLY THAN ITS PEERS.

IN ORDER FOR COUNTY CREWS TO PERFORM THE WORK TRADITIONALLY PERFORMED BY THE PRIVATE SECTOR, IT MUST INVEST IN CONSTRUCTION EQUIPMENT AND MAINTENANCE FACILITIES. ON A COUNTY PROJECT, WHERE DOES THE MAINTENANCE FACILITY WITH ITS HEATING BILL AND STAFF GET CHARGED? IS IT AN EFFICIENT AND WELL-MANAGED OPERATION?

AS THE PAYROLL INCREASES FOR COUNTY CREWS, WHO TAKES CARE OF THE ADMINISTRATIVE EXPENSE. WHERE DOES THIS GET CHARGED? WHO TAKES CARE OF THE PERSONNEL ADMINISTRATION AND WHERE IS IT CHARGED?

THE PRIVATE SECTOR, AS WELL AS THE PUBLIC SECTOR, HAS EXPERIENCED MUCH HIGHER COSTS FOR LIABILITY INSURANCE AND HEALTH INSURANCE. ARE THESE COSTS THAT CAN BE IGNORED BY THE PUBLIC SECTOR AND NOT ALLOCATED TO THE WORK ACTIVITY?

AS ONE COUNTY CREW TURNS TO TWO OR THREE CREWS WITH GROWTH, THEN EXTRA MANAGEMENT STAFF IS REQUIRED TO KEEP THEM "LINED OUT". WHERE DOES THIS COST GO?

THE ABOVE "HIDDEN" COSTS OF CONDUCTING A CONSTRUCTION OPERATION, WHETHER PRIVATE OR PUBLIC, INFLATE THE FIELD COSTS (LABOR AND MATERIAL). IN OUR STUDIES, COUNTY COST ACCOUNTING IS AT BEST ELEMENTARY. THE ACCOUNTING NOT ONLY DOES NOT ADEQUATELY ACCOUNT FOR WHERE THE

FIELD COSTS ARE CHARGED, BUT ALSO, FAILS TO EVEN ACKNOWLEDGE THE SECONDARY COSTS OF WORKERS BENEFITS, SICK AND FUNERAL PAY, BAD WEATHER IDLE DAYS, CONSTRUCTION EQUIPMENT PURCHASE AND MAINTENANCE COSTS, ADMINISTRATIVE OVERHEAD, FLUCTUATIONS IN STAFF REQUIREMENTS, OFFICE SPACE FOR WORKERS NOT ENGAGED IN ACTIVITIES, INSURANCE COSTS, TRAINING COSTS, OSHA SAFETY COSTS, NEGLIGENCE LIABILITY, AND ETC. THE COUNTY SHOPS ALSO DO NOT PROVIDE ANY TAX BASE.

WE ARE HOPEFUL THAT PASSAGE OF SENATE BILL 186 WILL ALLOW PROPER ACCOUNTING PROCEDURES TO DETERMINE THE MOST ECONOMICAL METHOD OF CONSTRUCTING AND MAINTAINING THE INFRASTRUCTURE. IT ALSO WILL ASSIST COUNTY COMMISSIONERS AND TAXPAYERS WHO WISH TO MANAGE THEIR GOVERNMENTAL SERVICES. WE TALK A LOT ABOUT BETTER QUALITY IN AMERICA, ESPECIALLY IN THE PRIVATE SECTOR. QUALITY STARTS WITH MANAGEMENT AND ACCOUNTABILITY. CAN WE EXPECT QUALITY FROM THE PRIVATE SECTOR, WHILE OVERLOOKING IT IN THE PUBLIC SECTOR?

BY PASSING SENATE BILL 186, YOU WILL BE SENDING A MESSAGE THAT THE "OLD SHOE BOX" APPROACH TO ACCOUNTING WAS OBSOLETE FIFTY YEARS AGO. THE COMPUTER AGE HAS BEEN HERE FOR TWENTY YEARS. BUSINESSES THAT HAVE NOT ADAPTED TO QUALITY CHANGE ARE FAILING, BECAUSE THEY CANNOT COMPETE. THERE IS NO ROOM FOR HEDGING DUE TO LACK OF FACTS. COUNTIES MUST CHANGE TOO, BECAUSE WHEN THEY "GO OUT OF BUSINESS", THE TAXPAYER GOES WITH THEM!

AS YOU CAN WELL SEE, THERE ARE HIDDEN CHARGES WHEN YOU ASK THE COUNTY TO RELEASE THEIR FIGURES ON THE PROJECT INVOLVED. IN MOST CASES, THE COUNTIES ONLY TELL YOU WHAT THE FIELD COSTS ARE (FIELD LABOR & MATERIAL), NOT THE COST FOR VACATIONS, PENSION BENEFITS, COST OF THE EQUIPMENT INVOLVED AND THE OTHER VARIOUS ADMINISTRATIVE COSTS.

NOW LET ME MAKE MYSELF CLEAR. WE ARE NOT PROPOSING THAT THE COUNTIES STOP DOING MINOR REPAIR OR MAINTENANCE WORK, EVEN THOUGH THE AMOUNT OF THE WORK MIGHT BE SUFFICIENT TO INTEREST PRIVATE SECTOR, SPECIALIZED TEMPORARY MANPOWER AGENCIES, OR JUSTIFY THE TEMPORARY CONTRACTING OF RETIRED OR PART-TIME WORKERS. WHAT WE ARE CONCERNED WITH ARE PROJECTS IN EXCESS OF FIFTY THOUSAND DOLLARS; ESPECIALLY THE PROJECTS INVOLVING SEVERAL MILES OF PAVING, BRIDGES, PIPELINES AND THE LIKE. WE DO NOT FEEL THAT GOVERNMENT SHOULD

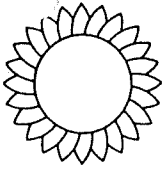
BECOME LARGE ENOUGH AND POWERFUL ENOUGH TO TAKE OVER THE PRIVATE SECTOR, AND ADD TO THE OUT-OF-CONTROL EXPENSE TO THE TAXPAYER.

BY PASSING SENATE BILL 186, YOU WILL ASSURE US OF THE CHANCE TO REVIEW THE FIGURES AND DETERMINE IF WE CAN DO THE PROJECT FOR LESS MONEY. WE BELIEVE ONCE THAT IS ACCOMPLISHED, WE WILL BE ABLE TO SHOW OUR COUNTY OFFICIALS HOW MUCH MORE EFFICIENT IT WOULD BE FOR THE PROJECTS TO BE DONE BY COMPETENT OPERATORS IN THE PRIVATE SECTOR.

I AM PLEASED TO SEE A COMMITTEE LIKE THIS RESPONDING TO THE VOICE OF QUALITY IN MANAGEMENT. I AM PLEASED TO SEE THAT THERE ARE WOMEN AND MEN REPRESENTING THE PEOPLE OF OUR GREAT STATE WHO WANT TO AT LEAST QUESTION THE ASTRONOMICAL GROWTH OF GOVERNMENT AT THE EXPENSE OF THE PRIVATE SECTOR.

AS A BUSINESSMAN AND AN OUTSPOKEN PROPONENT OF FREE ENTERPRISE AND OPPONENT OF GOVERNMENTAL MONOPOLY, I SINCERELY THANK YOU FOR YOUR TIME AND WOULD BE HONORED TO RESPOND TO ANY QUESTIONS.





**Johnson County  
Kansas**

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March 24, 1992

HOUSE LOCAL GOVERNMENT COMMITTEE

HEARING ON SENATE BILL 186

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL OFFICER  
JOHNSON COUNTY BOARD OF COMMISSIONERS

Madam Chairman, members of the Committee, thank you for the opportunity to speak to you on Senate Bill 186. The Johnson County Commissioners do not support the bill because they feel it generates requirements for counties that demand an additional time commitment that is unnecessary.

The Senate Committee amended the bill to raise the amount of a project to \$50,000 before the requirements are triggered. The Committee also changed the criteria for reporting and accounting standards. Both of these amendments helped a great deal to make the proposed process manageable.

In Johnson County Senate Bill 186 will affect about eight road projects and four bridge projects that are currently planned. The Public Works Department estimates that it will take sixteen hours additional per project to prepare the plans and specs for filing and eight additional hours per month to prepare the monthly reports and final statement. This totals to about 480 hours per year that the department must produce. Due to budget problems in the County for both 1992 and 1993, this will have to be accomplished without additional staffing.

Based on a recommendation from the Public Works Department, the County Commission requests the following amendments be made to SB 186:

- ... Delete the requirement for filing the estimate 30 days in advance of the work. If retained this will prevent emergency work and remove flexibility in scheduling the work hours.
- ... Delete the requirements for filing "sworn" statements.
- ... Delete the requirements for filing monthly statements. Statements of this frequency serve no practical purpose.
- ... To better define the type of work to which the statute applies, change the word "surface" to "pave" (page 1, line 23) and "repair" to "reconstruct" (page 1, line 24).
- ... File the reports at the County Engineer's Office rather than the County Clerk's. This will provide a more logical public access to the information.

We would urge the Committee to approve the above amendments in order to provide some relief to the county employees that will be ultimately responsible to carry out the bill's provisions.

*24  
3-24-92  
Attach 5*

Again the County does not agree that the bill is necessary, however if the Legislature feels it will better serve the public, we feel the requested amendments are imperative to provide the necessary latitude to make the provisions of the bill manageable.

Thank you for your time and I would be happy to stand for questions.



"Service to County Government"

1275 S.W. Topeka Blvd.  
Topeka, Kansas 66612  
(913) 233-2271  
FAX (913) 233-4830

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Geary County Commissioner  
(913) 238-7894

**Executive Director**  
John T. Torbert, CAE

To: Representative Mary Jane Johnson, Chairperson  
Members House Local Government Committee

From: Bev Bradley, Deputy Director  
Kansas Association of Counties

Re: SB 186 Filing of Cost Estimates, County Roads  
and Bridges

Thank you for the opportunity to appear in opposition to SB 186. The bill as amended by the Senate Local Government Committee does not affect as many counties as it did in the original form. We still believe that it is an unnecessary mandate that will require many extra hours of office time for the large counties.

Section 1 says that not less than 30 days before beginning to construct, surface or repair any road with employees of the county, the cost of which exceeds \$50,000, the approved plans and specifications and an estimate of the cost shall be filed in the office of the county clerk for public inspection. This applies to counties having a population of at least 50,000.

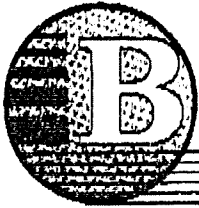
Section 2 states that "No less than 30 days prior to beginning the construction or repair of any bridge or culvert, the cost of which exceeds \$50,000, using employees of the county, the approved plans and specifications and the county engineer's estimates of the cost shall be filed in the county clerk's office for public inspection."

This also applies to counties having a population of at least 50,000.

Does this mean that emergency repairs to a road or bridge, that need to be done immediately, cannot be done if the project will cost more than \$50,000 and the county's population is over \$50,000? It seems to us that this should not be the intent of the bill.

We believe that counties should be able to manage the public works department of the county to the best advantage possible to the taxpayers, as determined by the county engineer and the county commissioners, whether it be contracting for road and bridge work or doing it with their own county employees.

LY  
3-24-92  
Attach. 6



# Barton County KANSAS

Office of County Commissioners

(316) 793-1847

Courthouse

P. O. Box 1089

Great Bend, KS 67530

March 23, 1992

Kansas House Local Government  
Committee Members  
State Capitol  
Topeka, KS 66612

Dear Committee Members:


Barton County has been notified by the Kansas Association of Counties that Senate Bill 186 is active, and the House Local Government Committee will hear testimony on this bill.

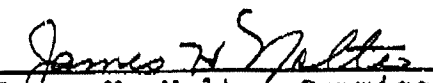
Barton County reaffirms its opposition to this bill. SB186 will obviously increase the paperwork of the engineer's office, add cost to County projects and significantly delay the start and completion of construction projects.

The concept of this bill is obvious. The contractors and consulting engineers want to acquire paperwork to support their opinion that contract work is less expensive. Barton County does not support the contractors' nor the consulting engineers' opinions. Barton County believes that Kansas Counties should not be burdened with additional paperwork at taxpayers expense to support an organization's opinions.

Sincerely,

\_\_\_\_\_  
Jeanette A. Shirer, Chairman

  
\_\_\_\_\_  
Marlin C. Isern, Commissioner

  
\_\_\_\_\_  
James H. Nolte, Commissioner

LY  
3-24-92  
Attach. 7





**League  
of Kansas  
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 112 W. 7TH TOPEKA, KS 66603 (913) 354-9565 FAX (913) 354-4186

**TO:** House Committee on Local Government  
**FROM:** Jim Kaup, League General Counsel  
**RE:** SB 186; Public Improvement Cost Estimates  
**DATE:** March 24, 1992

The League appears in opposition to new section 3 of SB 186, as passed by the Senate.

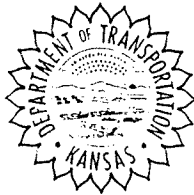
Section 3 requires cities over 50,000 population (Kansas City, Leavenworth, Olathe, Overland Park, Topeka and Wichita) to file for public inspection plans and cost estimates at least 30 days prior to commencing all street and bridge projects of an estimated cost of \$50,000 or more. These cities would also be required to keep "an accurate itemized account of the expenditures for labor, materials and hourly equipment costs...file a sworn statement of the expenditures ...each month...(and the) statements of costs shall conform to generally accepted accounting principles."

The League views section 3 as an unnecessary interference by the state into the operations of cities, and as such, contrary to the principle of constitutional Home Rule. It is a mandate that will create costs--in both dollars and time--to public improvement projects. The 30 day filing requirement can create hardship in emergency situations such as the collapse of a bridge.

The League also calls attention to the apparent conflict with K.S.A. 13-1331. That statute, applicable to all cities of the first class has for many years required copies of public improvement projects plans and specifications to be filed with the city clerk at least 20 days prior to letting contracts. K.S.A. 13-1331 applies to all improvements costing more than \$1,000. How is K.S.A. 13-1331 to be reconciled with SB 186 when a city contracts for improvements?

We respectfully request this Committee's amendment to SB 186 to delete Section 3.

*LY*  
*3-24-92*  
*Attach 8*



Michael L. Johnston  
Secretary of Transportation

KANSAS DEPARTMENT OF TRANSPORTATION  
Docking State Office Building  
Topeka 66612-1568  
(913) 296-3566  
FAX - (913) 296-1095

Joan Finney  
Governor of Kansas

**TESTIMONY BEFORE  
HOUSE LOCAL GOVERNMENT COMMITTEE  
REGARDING S.B. 186  
ROAD AND BRIDGE COST ESTIMATES AND REPORTS  
MARCH 24, 1992**

Mr. Chairman and Committee Members:

I am here today for the Department of Transportation to provide testimony in opposition to Senate Bill 186 as amended by the Senate Committee of the Whole. The bill, as amended, now directly affects the Department of Transportation.

New Section 4 provides that, "at least 30 days prior to construction, surfacing, repairing or maintaining any state road or state highway as defined by K.S.A. 68-101, and amendments thereto, or any bridge, or letting contracts therefore, the project engineer shall file the approved plans and specifications and an estimate of the cost thereof in the office of the clerk of the county in which such project is located for public inspection." The provisions of this section makes no distinction between work on a state highway that is intended to be let to contract and work that is intended to be completed by state forces which is commonly referred to as routine maintenance.

Highway projects to be let to contract are governed by very rigid requirements with the project being let to be the lowest responsible bidder. Providing an engineering estimate of cost for public inspection 30 days prior to construction would seriously affect the true competitive bidding process by exposing what the agency has determined to be the reasonable cost of the project.

If the intent of Section 4 was to address work on state highways that is done by state forces, the section would be focusing on what the agency commonly refers to as routine maintenance. Routine maintenance covers work activities such as patching pot holes which are usually performed by our forces on an as-needed basis. Plans, specifications and costs estimates are not prepared for this type of work and would, therefore, not be available to file with a county clerk. In addition, because of its very nature, routine work which is performed as needed is not tracked and accounted for by specific project identifiers and could not presently be segregated into projects as apparently intended by the proposed bill. Currently, maintenance activities such as surface maintenance, shoulder maintenance, and bridge maintenance are tracked by route, county and maintenance section by the maintenance Management System and all other activities are tracked by maintenance sub-area. Significant revision to our Maintenance Management System would be required to provide routine maintenance costs on a project basis. Few, if any, individual routine maintenance activities would exceed \$50,000 per year in an individual county.

LY  
3-24-92  
Attach. 9

In conclusion it should be pointed out that the Department of Transportation currently does all major maintenance work by contract under the Program identified as the Substantial Maintenance Program, and such work is managed as any other highway project to be let to contract causing the same conflict with this proposal as previously discussed. The remaining work done by state force is very routine in nature and is performed on an as-needed basis without plans, specifications or cost estimates. The Department of Transportation opposes SB 186 as currently drafted and would respectfully request that new Section 4 be deleted thereby removing the agency from the proposed legislation.

That concludes my testimony. I will be glad to respond to any questions you may have.



**SEDGWICK COUNTY, KANSAS**

**INTERGOVERNMENTAL COORDINATOR**

**WILLIE MARTIN**

COUNTY COURTHOUSE • 525 N. MAIN • SUITE 315 • WICHITA, KANSAS 67203 • TELEPHONE (316)383-7552

TO: Local Government  
FROM: Willie Martin, Intergovernmental Coordinator  
DATE: March 27, 1992  
SUBJ: Senate Bill 186

Madam Chair and Members of the Committee:

I am Willie Martin, representing the Board of Sedgwick County Commissioners. I appreciate this opportunity to testify in opposition to Senate Bill 186.

Since its reorganization in the late 1970's, half of the Sedgwick County Public Services work force was eliminated. Following the reduction of staff, all of the asphalt hot-mix equipment was sold, and to this date we do not have a hot mix plant. Therefore, we are not in direct competition with private contractors.

At the present time we patch pot-holes with hot mix which we purchase from local contractors. We use cold mix for other maintenance problems. The cost of a cold mix application is approximately \$20,000/mile depending mainly on the distance of haul from our west yard (which is where we make the cold mix). This cost includes all material, labor, benefits, and equipment rental.

The cold mix application is strictly short term. It lasts from three to five years depending on traffic. It "holds" a road until we can schedule it in Sedgwick County's Capital Improvement Program. All of the roads in the CIP are reconstructed by private contractors.

To submit plans and cost estimates to the County Clerk's office for our cold mix projects would be a waste of taxpayers money, and could potentially interfere with the design of major projects.

*LM*  
*3-24-92*  
*Attach 10*