

## MINUTES OF THE SENATE COMMITTEE ON LOCAL GOVERNMENT.

The meeting was called to order by Chairperson Mark Parkinson at 9:08 a.m. on March 12, 1996, in Room 531-N of the Capitol.

All members were present except: Sen. Ranson

Committee staff present: Mike Heim, Legislative Research Department  
Theresa Kiernan, Revisor of Statutes  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Representative Tom Sloan  
Don Coshalt, Douglas County Property Owners Assn.  
Whitney Damron, City of Kansas City, Kansas  
Kathryn Peters, City of Kansas City, Kansas  
Alan J. Erickson, Springsted Public Finance Advisors

Others attending: See attached list

**Substitute for HB 2829: Concerning municipalities; relating to improvements and the financing thereof.**

Representative Tom Sloan, sponsor of **Sub. for HB 2829**, testified in support as a means to require that elected officials stand behind and be accountable for the information provided to voters at the time of a referendum on a sales tax increase for financing specific capital improvements. He explained that the bill specifies the information local officials must provide to voters prior to an election to approve an increase in taxes to fund public improvements. He distributed copies of letters of support from two Douglas County Commissioners and a Douglas County school board member along with copies of newspaper articles relating to the subject. (Attachment 1)

The Chairman questioned the need for such legislation when local governments should be doing this anyway. Representative Sloan responded that the bill is a continuation of **HB 2209** which was enacted last year and which requires publication of information related to the long-term costs of proposed local bond issues. Further, it is a statewide issue, providing protection for citizens.

Senator Downey maintained that the bill involves a subject that should be addressed at the local level. She noted that, if voters are not content with the actions of their local officials, the remedy would be to vote them out of office. Representative Sloan responded that by the time voters could vote on the officials, the tax increase would have already been put in place. Furthermore, officials may not run for office again, thus, could no longer be held accountable. He noted that the League of Municipalities and the Kansas Association of Counties had representatives assist in drafting **Sub. for HB 2829** and support the bill.

Don Coshalt, Douglas County Property Owners Association, testified in support of the bill. He informed the committee that all of the projects voted upon in Lawrence were doubled after the vote. He explained that, once the projects are approved, the voters are not able to bring anyone to accountability for the increased cost of the project. Furthermore, citizens do not have the control to muster up a sufficient force to stop the increase. He stressed the need for legislative help to require that elected officials present a realistic figure for the cost of the project before the vote on the project. With this, the hearing on **Sub. for HB 2829** was concluded.

**HB 2830: Concerning bonds; relating to the sale thereof.**

Whitney Damron, representing the City of Kansas City, Kansas, stood in support of **HB 2830** to provide greater flexibility to municipal bond underwriters and hopefully increase competition for the purchase of bonds, thereby cutting interest costs. (Attachment 2)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON LOCAL GOVERNMENT, Room 531-N Statehouse, at 9:00 a.m. on March 12, 1996.

Kathryn Peters, Bond Counsel for the City of Kansas City, Kansas, testified in support of **HB 2830**, indicating the intent of the bill was to permit bidders to use a surety bond as a good faith deposit when bidding for the purchase of municipal bonds. (Attachment 3)

Alan Erickson, Springsted Public Finance Advisors, followed with further testimony in support of the bill as it would allow underwriters on bond issues to forego the additional cost, time, and inconvenience of preparing and physically delivering a good faith check. This would result in local governments receiving more bids for their issues that are sold on a competitive basis. (Attachment 4)

Written testimony in support of **HB 2830** was submitted for Nancy Zielke of the City of Kansas City, Kansas Finance Department. She urged support of the bill to allow for increased opportunities for competitive bidding on municipal bonds to provide the lowest rates to the tax and ratepayers. (Attachment 5) With this, the hearing on **HB 2830** was concluded.

Attention was turned to **HB 2811**, which had been previously heard on March 5, regarding redistricting of county commission districts in Shawnee County. Senator Downey commented that written testimony by Nancy Kindling, League of Women Voters (Attachment 6), summarized the situation well. Senator Downey agreed with Ms. Kindling that the place to decide whether the Shawnee County redistricting is fair to all county residents should not be the Legislature but rather should be decided locally. Senator Downey expressed her fear that other counties would follow with similar requests for legislation. Senator Ramirez responded to Senator Downey's comments, noting that the Legislature had passed legislation on a number of special interest issues by counties in the past. He commented that, ideally, these types of problems could be handled by local government; however, this is not always possible.

Senator Ramirez moved to report **HB 2811** favorable for passage, seconded by Senator Reynolds. The motion carried.

The minutes of March 7 were approved.

The meeting was adjourned at 9:40 a.m.

The next meeting is scheduled for March 14, 1996.

# LOCAL GOVERNMENT COMMITTEE GUEST LIST

DATE: March 12, 1996

NAME	REPRESENTING
Whitney Damron	City of KC, KS
Nancy Kunkling	dwr Topeka / Shawnee County
Don Coshatt	Douglas County Property Owners Assn.
Marion Coshatt	" " " " "
Kim Gully	League of KS Municipalities
Kelly Peters	Kansas City, Kansas
Alex Eerubson	Sprungsted, Inc.
Russell Breitenstein	City of K.C.K.
Roger Myers	Cap-journ
Marijane Cates	Intern - PSU
William Reid	Kansas Indep. College Assn
Marta Hauser	Hawaii's Council Bemat
Anno Spiess	KS Assoc. of Counties
BERRY RAY	Johnson Co Commission
Jim Kaup	City of Topeka

TOM SLOAN  
 REPRESENTATIVE, 45TH DISTRICT  
 DOUGLAS COUNTY

COMMITTEE ASSIGNMENTS  
 MEMBER: AGRICULTURE  
 LOCAL GOVERNMENT  
 ENERGY & NATURAL RESOURCES



TOPEKA

HOUSE OF  
 REPRESENTATIVES

STATE CAPITOL BUILDING  
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 1-800-432-3924  
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## TESTIMONY ON HB 2829

March 12, 1996

Thank You Mr. Chairman, members of the Committee. HB 2829 is based on a simple, though controversial premise - that Kansans should be able to trust what elected officials say. HB 2829 requires that elected officials stand behind, and be accountable for, the information provided to voters at the time of a referendum on an "income stream" (e.g., sales tax increase) for financing specific capital improvements.

The 1995 Legislature enacted HB 2209, which requires publication of information related to the long-term costs of proposed local bond issues. Included are specifications of interest rates and costs, attorney costs, and costs associated with prepaying off the bonds. This is similar to the information provided by banks and other financial institutions before consumers purchase a home or car.

The bill before you today is the next logical step in a "Truth in Government" contract. In addition to requiring publication of more accurate construction and other cost estimates, it also requires local officials to hold a public hearing and explain what circumstances changed if project costs will exceed the previously published estimates by more than 20 percent. This process only is in effect if the officials learn that their initial cost estimates were incorrect before contracts are signed. If additional costs are incurred during construction, no explanation is necessary. However, I would expect that the successful contractor, to the extent possible, would have anticipated potential construction difficulties and included such risks in the original bid.

The bill states that after holding a public hearing, local officials may proceed with the project, cancel the project, or hold another referendum. This language balances the right of citizens to be well informed and participate in the decision-making process, while recognizing that in a representative democracy, elected officials have the responsibility to make decisions on behalf of all citizens.

Some local officials will argue against this bill on the grounds they cannot accurately estimate construction and other costs and therefore should not be required to pay the added expenses of holding a public hearing. I ask, Why can't they? Why shouldn't the citizens of Kansas expect their elected officials to have adequate information about a planned construction project before

*Senate Local Gov't  
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 Attachment 1*

Page 2  
HB 2829  
March 12, 1996

beginning the approval and construction phases? Why can't the citizens of Kansas hold their elected officials accountable for poor performance and expect the opportunity to receive information and be able to express their opinions again on whether the projects are "worth" the cost? If the project is desired by the community AND the projected increased costs are reasonable, I have faith that the voters will continue to support the project. But we, as elected officials, must continually earn their trust by providing accurate information.

This bill only applies to capital improvement project funding, it does not apply to referendums on tax increases for general government operations. It does not require completed blue prints or extensive soil compaction tests prior to the referendum. It does require sufficient planning and forethought so the voters will have an accurate "picture" of the project and it's cost before they vote.

The bill also contains provision requiring the specification of a sunset on the capital improvements "income stream" when the project's costs are fully paid. Voters should be asked to re-authorize the tax to fund additional projects if they are desired. It also includes a "hold harmless" provision to protect local officials from lawsuits if they have acted in good faith based on the information available to them at the time of the referendum.

As elected officials this bill asks us, what should be more "politically correct": 1) to underestimate the cost of constructing a new school or recreation center and then significantly inflate the costs as "problems" or "opportunities" are "discovered", or 2) to devote the necessary pre-referendum time to correctly and completely plan the project so voters know the true costs and products? If you believe, as I do, in the true value of planning AND keeping citizen trust, I ask you to favorably recommend HB 2829 for passage.

# Douglas County

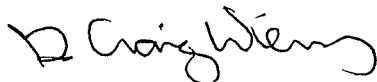
February 16, 1996

Representative Tom Sloan  
State Capitol Building  
Room 446 North  
Topeka, KS 66612-1504

Dear Tom:

I have reviewed the latest revision of House Bill 2829 which you FAXed to me yesterday. I am very pleased with the bill in this form. I believe it provides a procedure for enhanced credibility of the local boards that propose a sales tax. The revised bill also addresses the concerns which I expressed to the Legislative Committee earlier this week. I appreciate your willingness to be flexible in developing a solution that hopefully better addresses all of the needs concerned.

Sincerely,



G. Craig Weinaug  
County Administrator

GCW:jlc

March 3, 1996

Rep. Tom Sloan  
Room 446N  
State Capitol  
Topeka, KS 66612

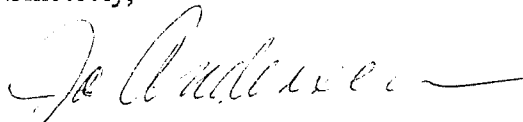
Dear Rep. Sloan,

I'm writing in support of HB 2829 which requires local officials to provide additional information about the true cost of capital construction projects paid for by sales tax revenues. The bill would require more accountability from elected officials to the voters.

The bill addresses only those occasions when local officials discover before contracts are awarded, but after voters have approved both the capital projects to be completed and the method of financing, that project costs will be more that 20% higher than "advertised." In such situations, local officials would be required to hold public hearings to explain why costs have risen. This is good public policy. Whenever conditions change from what officials have proviously told citizens, it is incumbent upon us to provide the corrected information with appropriate explanations.

I believe HB 2829 is necessary to help restore faith and confidence between elected officials and the voters. Please feel free to refer legislators with questions about the need for and value of HB 2829 to me.

Sincerely,



Jo Andersen,  
Lawrence City Commission

DATE: FEBRUARY 12, 1996

MEMO TO: *Rep.* TOM SLOAN

FROM: RENEE KARR  
SCHOOL BOARD MEMBER USD 497

I READ YOUR ARTICLE IN THE JOURNAL WORLD OF SATURDAY FEBRUARY 10 AND WANT YOU AND YOUR COLLEAGUES TO KNOW I SUPPORT THIS ACTION 100 PER CENT.

WHILE OUR SCHOOL DISTRICT HAS MAINTAINED ALL CONSTRUCTION PROJECTS WITHIN BUDGET, I BELIEVE WE WOULD HAVE BEEN CARELESS WITH THE TRUST AND FAITH OF OUR CONSTITUENTS HAD WE ALLOWED THE COSTS TO GO ABOVE WHAT WAS ORIGINALLY APPROVED.

THERE SHOULD NOT BE ANY FEAR OR RELUCTANCE TO GO BACK TO YOUR VOTERS AND ASK FOR MORE FUNDS IF THERE IS GOOD REASON AND SUPPORTING EVIDENCE.

WE ARE ELECTED TO REPRESENT NOT DICTATE!!!

*Sincerely*  
*Renee Karr*  
*USD 497*



Sunday July 9, 1995

been a ploy, because Hodges knew well that Dlugy was one of the most famous chess players in

at 19. The titles are based on numerical ratings, which themselves

well-adjusted, normal, easy-going young man — nothing like the reclusive, anti-social charac-

For me, it's also interesting to come to the Midwest," Dlugy said. "I wouldn't normally do that."

# Parks projects take patience

● **New parks rightfully** get staffers and the public excited, but financial and logistical realities translate into a modified schedule for park construction and improvements.

BY MARK FAGAN  
JOURNAL-WORLD WRITER

Douglas County voters have served up a plateful of cash for new parks projects, but Lawrence officials are trying not to gorge themselves on high expectations.

Building four new adult softball diamonds in southwestern Lawrence will have to wait another year, City Manager Mike Wildgen said, while plans for a new community recreation center in Centennial Park have yet to reach public debate.

"What I don't want to do is get something caught in my throat because we're moving so fast to get things done," Wildgen said Friday, closing out a week that included presentation of his proposed city budget for 1996. "That's not the way to do this. There's a lot of rising expectations, and that's great. On the other hand, we want to make sure these things are done right."

The city expects to receive \$4 million in

1995 and \$5 million in 1996 from the 1-cent countywide sales tax voters approved last November. A large chunk of that revenue is earmarked for parks improvements.

City officials are beginning to understand the complex financial and bureaucratic pictures that dictate which of the \$20 million in projects will get done and when.

All of the city's original plans will be carried out, Wildgen said. Here's a rundown of when and how:

● **Centennial Park Community Recreation Center.** Commissioners will review architectural drawings July 18. After that, designers will need up to six months to finish plans and prepare documents. Construction would take another year. The center, to cost \$12.8 million to \$15.1 million, could open sometime in 1997.

● **Municipal Pool.** Pool renovations — plus inclusion of a second water slide, new diving boards and additional shallow-depth areas for prime sunbathing — remain on track for construction this fall. The \$2.43 million pool would reopen in time for next summer's season, which typically begins by the end of May.

As first proposed, the plans include no additional parking. Wildgen said more

parking discussions would come later.

● **Adult Softball Complex.** The \$2 million plan to build four new softball diamonds adjacent to the Youth Sports Inc. complex, near 27th Street and Wakarusa Drive, at first was slated for construction this fall. The city, however, still needs control of the land, which is owned by the federal government and is likely unavailable until Jan. 1.

It also needs the money.

The project is slated to be ready for play in the summer of 1997.

● **East Lawrence Recreation Center.** The \$2 million project to add a new gym and other improvements is set for next year.

● **YSI improvements.** The \$300,000 project, including construction of a concession stand and restrooms, will be ready this fall and should be open by next summer.

● **Prairie Park and "Dad" Perry Park.** Adding restrooms, shelters, playgrounds and basketball and tennis courts to the two parks — together a \$700,000 job — will continue as planned. Both could have their improvements by next summer.

"Everybody would like all these things as soon as possible, but we can't do that," Wildgen said. "We just can't do it all at once. It's going to take some time."

PHOTO

## return to roots

Lawrence City  
Commissioner Jo  
Andersen visits

# Jail costs could surpass budget

• **Cost considerations** will have a bearing on the Douglas County Jail's design.

By Gwyn Mellinger  
JOURNAL-WORLD WRITER

Until some basic design choices have been made, Douglas County Jail planners won't be able to make a firm estimate of the project's costs.

However, Tom Williams, the project's chief architect, said Thursday the cost could exceed the \$11 million estimate presented to voters in the 1994 sales tax election that financed the project.

That would make it the latest in a series of sales tax-funded capital improvements that is headed over budget.

Lawrence city officials have learned that the cost of their plan to build parks and recreation improvements has multiplied. For example, the proposed Centennial Park Recreation Center would cost more than twice the \$5.7 million budgeted during the sales tax election.

A city-county proposal to expand the facilities for several

health-care agencies will cost at least \$2.5 million more than the \$8.5 million estimate.

Williams said the cost of building the jail could run as high as \$15 million, depending on the final design. Unlike the earlier estimate, that doesn't include the cost of renovating the current jail space in the Judicial & Law Enforcement Center.

Williams said the estimate is likely to jump for these reasons:

- Plans now call for a 196-bed jail, a capacity increase of 26 inmates. That decision was based on a needs assesment that projected jail populations through the year 2010.

- The support areas — such as the kitchen and administrative offices — would be designed to accommodate future expansion and would be capable of serving a 300-bed jail.

- The cost of construction materials has increased.

County officials expect to get help in meeting the increased costs from higher-than-anticipated sales tax receipts. Revenue projections have been increased 12 percent to 15 percent since the sales tax election.

## Jail design options unveiled

Continued from page 1A

11th and New Hampshire.

The committee also was presented with several floor plans for the 85,000-square-foot jail. When they next meet Sept. 19, the committee is expected to choose a basic design.

"I'm 99 percent sure that the finished product will be a mix of those schemes," said Douglas County Administrator Craig Weinaug, a member of the committee.

Williams said construction costs, management efficiencies and effect on the surrounding neighborhood will be considerations in the selection.

One of the design schemes that already has been ruled out is the one used in the drawings county officials used last year to explain the project to voters, who approved a countywide sales tax to finance the project.

Williams said that design, which put a two-story jail on top of a street-level parking garage, posed a security risk, par-

ticularly from such threats as bombings.

"Structurally, it's not the best thing to do, either," he said.

Among the options Williams is giving the design committee, is to put parking on four county-owned lots on the east side of the 1100 block of Rhode Island or to install angle parking on that street.

Anne Patterson, the neighborhood representative on the design committee, said area residents went on record last year in opposition to the idea of turning the lots into a parking lot. At that time, the East Lawrence Improvement Assn. unsuccessfully appealed to the county to sell the lots for residential home sites.

Patterson said Thursday that she hadn't had a chance to poll her neighbors on the option of designating on-street parking to serve the new jail.

"My personal reaction to using the street along that block for parking," she said, "is horror."

# Packwood announces resignation from Senate

Continued from page 1A

ter times in his long career.

Sen. William Roth of Delaware to chairman

# Centennial Park plan tops cost projections

● City commissioners will wait for a financial plan before signing off on five parks projects.

BY MARK FAGAN  
JOURNAL-WORLD WRITER

A new recreation center in Centennial Park will cost at least twice previous estimates, and users likely will have to pay fees just to get in the door, Lawrence city commissioners learned Wednesday.

During a study session to review upcoming parks projects, commissioners informally agreed to spend at least \$12.8 million for the new Centennial Park Community Recreation Center — more than double the \$5.7 million estimated last year by the city's own master plan.

Sales taxes will finance the center and four other projects reviewed Wednesday — everything from restrooms at "Dad" Perry Park to a new gymnasium at the East Lawrence Recreation Center.

"I think that as long as we have the sales tax revenue, we ought to be thinking about a first-class set of recreation facilities — facilities that the community can take pride in, and clearly add to the livability of the city," Commissioner John Nalbandian said. "These will show the value of public investments."

The four largest projects, however, each will require public investments at least twice the size of previous estimates, commissioners learned. Public meetings led to new requests for facilities, equipment and programs, while previous estimates did not always include necessary items such as parking, City Manager Mike Wildgen said.

Wildgen said all projects could be completed using sales taxes, but that he would need to work out the financial possibilities in an options study. Rod Bremby, assistant city manager, said the study likely would take a week to 10 days.

The city's first priority is cutting property taxes by at

See Parks, page 3B



ER/JOURNAL-WORLD PHOTO  
left, Trisha  
more, and Monica



# Parks plan cost estimates see jump

Continued from page 1B

least five mills, as promised during last fall's campaign to win voter approval for the sales tax, Wildgen said.

"If some (parks) project has to get delayed ... that may have to happen," Wildgen said. "Not all of these projects may be able to get done in the first 18 months."

By committing to first-rate projects, however, the city will be getting the highest value for its investment, officials said.

"We're going to have to live with what we do now for a very long time," said Fred DeVictor, director of parks and recreation.

The center planned for Centennial Park will become the city's largest indoor recreation center, at least five times the size of the Holcom Park Recreation Center.

Commissioners decided to work with two options for the project, ranging in cost from \$12.83 million to \$15.12 million. The first option would include two indoor pools, with one for competitive and lap swimming and another for leisure swimming, with a slide and sprays.

The more expensive option would be slightly larger — nearly six times the size of Holcom — and include traditional fitness, swimming and gymnasium space plus a youth center, several classrooms, a wider jogging track, activity room, climbing wall and combination juice bar and deli.

"It's kind of like the mall of opportunities," said Lauren Livingston, president of The Sports Management Group, a San Francisco consultant working on the project.

No matter which option is

concerns in an urbanizing county," Buhler said.

Chappell's statement of support was important because his general agreement with a tentative proposal now being dis-

incorporated into the city water system. That issue has been a sticking point, he said.

"Sewer and street improvements I think can be worked around," he said.

## DOUBLING UP

Here's a list of parks projects to be financed with sales tax revenues, and a list of their original cost estimates compared to current projections:

**Centennial Park Community Recreation Center**, from \$5.7 million (original) to either \$12.83 million or \$15.12 million (current).

**Municipal Pool replacement**, from \$1.04 million to \$2.43 million.

**East Lawrence Recreation Center**, from \$920,000 to \$1.98 million.

**Clinton Lake Adult Softball Complex and Youth Sports Inc. improvements**, from \$804,000 to \$2.34 million.

**"Dad" Perry Park**, from \$201,250 to \$259,604.

chosen, users likely will be asked to pay fees to enter the center. Such fees are standard in centers across the country, Livingston said.

While no specific fees have

been determined, she said, fees typically are paid per visit or per season. A single visit could cost \$1.50, while a season pass could average 10 cents per visit for a user twice a week.

# Plan for private sports facility advances

Plans are under way for a sports facility near Yankee Tank Lake on Clinton Parkway.

BY DAVE TOPLIKAR  
JOURNAL-WORLD WRITER

original plans had called for the ball fields to be available this spring, but he was uncertain when construction would start. The plans call for building

Plans for the facility, which will lie on the city-county border, will go before the Lawrence city

ability of public ball field facilities.

In other action, the planning commission gave its unanimous approval to the



WHITNEY B. DAMRON, P.A.  
COMMERCE BANK BUILDING  
100 EAST NINTH STREET - SECOND FLOOR  
TOPEKA, KANSAS 66612-1213  
(913) 354-1354 ♦ 232-3344 (FAX)

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March 12, 1996

The Honorable Mark Parkinson  
Senate Committee on Local Government  
Room 128-South  
State Capitol Building  
Topeka, Kansas 66612

Re: HB 2830 Bonds; sale; surety bonds.

Dear Chairman Parkinson:

On behalf of my client, the City of Kansas City, Kansas, I appreciate the opportunity to appear before your Committee today and offer a few brief comments in support of HB 2830.

The City requested introduction of HB 2830 before the House Local Government Committee in efforts to provide greater flexibility to municipal bond underwriters and hopefully increase competition for the purchase of bonds thereby cutting interest costs.

You will hear from several conferees today who are much more knowledgeable on bonding issues and can better explain the technical aspects of the bill.

I would note that there were five conferees appearing or submitting testimony in support of the bill in the House hearings with no opponents. HB 2830 was approved by the House on a vote of 122-0.

On behalf of the City of Kansas City, Kansas, I thank you for the opportunity to address your Committee today in support of HB 2830. I would be pleased to stand for questions at the appropriate time. Thank you.

Sincerely,



Whitney B. Damron

WBD:jd

Senate Local Gov't  
3-12-96  
Attachment 2

LAW OFFICES  
BURKE, WILLIAMS, SORENSEN & GAAR

NORMAN E. GAAR\*  
KATHRYN PRUESSNER PETERS  
JANET S. GARMS  
\*A PROFESSIONAL ASSOCIATION

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(805) 987-3468

March 12, 1996

Senator Mark Parkinson  
Chairman of Senate Local Government Committee  
Room 531-North State Capitol Building  
Topeka, Kansas 66601

Re: Support for House Bill 2830 - Concerning Bonds; Relating to  
Sale Thereof

Dear Senator Parkinson  
and Members of the Senate Local Government Committee:

We serve as Bond Counsel for the City of Kansas City, Kansas and other Kansas cities and counties. We appreciate the opportunity to present testimony in support of House Bill 2830.

House Bill 2830 would amend K.S.A. 1995 Supp. 10-106 to permit the use of a surety bond as well as a certified or cashier's check as a good faith deposit for competitive bids to purchase municipal bonds. We support this amendment for the following reasons:

- Provides flexibility for potential bidders
- Reduces the cost to the bidder of making a bid
- Enhances ability of the municipality to obtain bids
- Provides potential to reduce interest costs for long-term financing of capital projects
- Does not lessen the protection to the municipality of a good faith deposit

We encourage the Senate Local Government Committee to favorably consider the amendment of K.S.A. 1995 Supp. 10-106 to permit bidders to use a surety bond as a good faith deposit when bidding for the purchase of municipal bonds.

*Senate Local Govt  
3-12-96  
Attachment 3*

Senator Parkinson  
March 12, 1996  
Page 2

Thank you for your consideration of House Bill 2830.

Sincerely,



Kathryn Pruessner Peters  
BURKE, WILLIAMS, SORENSEN & GAAR

KPP/lt

xc: Mayor Carol Marinovich  
City Council Members  
Dennis M. Hays, City Administrator  
Nancy L. Zielke, Director of Finance/Budget Director  
Russel J. Breitenstein, Deputy Finance Director/City Treasurer  
Whitney B. Damron, City Lobbyist  
Alan Erickson, Vice President, Springsted Public Finance

**SPRINGSTED**  
*Public Finance Advisors*



## TESTIMONY TO KANSAS SENATE COMMITTEE ON LOCAL GOVERNMENT

March 12, 1996

RE: Support for House Bill 2830

BY: Alan J. Erickson, Vice President  
Springsted Incorporated

Springsted is pleased to be able to testify today, to the Senate Committee on Local Government, concerning surety bonds in lieu of good faith checks. As you are aware, many states currently allow underwriters the option of offering a surety bond with their bid on municipal bonds, rather than physically delivering a good faith check.

**How does this affect the market, and the ability of underwriters to bid on bond issues?** By utilizing a surety bond, underwriters can forego the additional cost, time, and inconvenience of preparing and physically delivering a good faith check. This gives them the flexibility to bid on more issues in a given day. Bids are typically taken at times ranging from 10:00 A.M. to 2:00 P.M. during the day. If an underwriter is bidding on an issue early in the day and does not win that bid, they then would be able to bid on other issues later that day. However, it's not feasible for an underwriter to produce a good faith check for every possible sale each day. Therefore, the use of the surety bond gives the underwriter the flexibility to bid on a greater number of issues each day.

**What advantage does this give to local governments in Kansas?** By providing greater flexibility to the underwriter through the use of a surety bond, local governments will see more bids for their issues that are sold on a competitive basis. More bids typically equates to lower net costs for the issuer of the debt. Governments for years have benefited from a bidding process for such things as vehicles, the construction of facilities, and the purchase of office supplies. Generally, the prices for those items have also been lower when the number of bids and the resulting competition increases.



**What has been Springsted's experience with surety bonds?** Springsted brings to market more municipal bond issues each year than any other financial advisor in the country. It has been our experience in the states where the surety bond option is allowed, more bids tend to be received from a variety of underwriters on each issue. I have brought for your convenience today, copies of the surety bid compilations for several issues we have dealt with during during a recent week. The particular examples here are for issues in Minnesota and in Iowa. The number of bids range from five on the low side, to ten on the high side. Also, the underwriters expressing an interest to bid are from the States of Minnesota, Wisconsin, Illinois, New York, California, Florida, and Alabama. It has also been our experience that to date we have not witnessed a single default on the delivery of the good faith deposit.

When administered by an insurance company with the ability to issue surety bonds, which are legal for these transactions, very few problems should be encountered. In addition, we feel that this is merely an evolutionary step being taken in the municipal bond industry, in relation to the use of electronic transmission of data. The entire industry is undergoing change due to the increased sophistication of technology. it may be possible that in several years we will be taking bids for bonds over the Internet.

In conclusion, Springsted endorses the modification of Kansas statutes, as outlined in House Bill 2830. We feel that it will allow for more bids on Kansas debt, resulting in lower costs for Kansas municipalities and ultimately the taxpayers of the State of Kansas.

I thank you once again, for allowing me to testify today.

jil\

KSSente.ltr

Capital Guaranty Insurance Company  
 Steuart Tower - 22nd Floor  
 One Market Plaza  
 San Francisco, CA 94105



Sure-Bid Phone 415/995-8066  
 Sure-Bid Fax 415/995-8090

Attachment I - Authorized Principals List

To: Springsted Inc.  
 85 East Seventh Place  
 Suite 100  
 St. Paul, MN 55101-2143

FAX: 612/223-3002

DELIVER IMMEDIATELY TO: Wendy Olson

For: 96-0118  
 ISD #601, Fosston, Minnesota  
 \$5,600,000 G.O. School Building Bonds,  
 Series 1996A Due: February 1, 1999-2017  
 Date of Sale: 02/13/96 - 12:00pm Central Time  
 Good Faith Deposit Amount: \$56,000  
 Premium Per Bidder: \$30

The following are the Authorized Principals for the above captioned Issue:

- |   |          |
|---|----------|
| 1. Firststar Bank Milwaukee, N.A. (WI 146-49)           | 02/06/96 |
| 2. Dean Witter Reynolds Inc. (IL 134-13)                | 02/09/96 |
| 3. FBS Investment Services, Inc. (MN 139-23)            | 02/09/96 |
| 4. Piper Jaffray Inc. (MN 145-23)                       | 02/09/96 |
| 5. Smith Barney Inc. (IL 144-13)                        | 02/09/96 |
| 6. Griffin, Kubik, Stephens & Thompson Inc. (IL 111-13) | 02/09/96 |
| 7. Dain Bosworth, Inc. (MN 114-23)                      | 02/09/96 |
| 8. Juran & Moody, Inc. (MN 167-23)                      | 02/12/96 |
| 9. Nike Securities, L.P. (IL 135-13)                    | 02/12/96 |
| 10. Sterne, Agee & Leach, Inc. (AL 200-01)              | 02/12/96 |

02/12/96 - 14:46:49

*Luca*

Capital Guaranty Insurance Company  
Steuart Tower - 22nd Floor  
One Market Plaza  
San Francisco, CA 94105



Sure-Bid Phone 415/995-6006  
Sure-Bid Fax 415/995-8090

Attachment I - Authorized Principals List

To: Springsted Inc.  
85 East Seventh Place  
Suite 100  
St. Paul, MN 55101-2143

FAX: 612/223-3002

DELIVER IMMEDIATELY TO: Wendy Olson

For: 96-0119  
Clarksville Community SD, Butler Co., IA  
\$1,220,000 G.O. School Refunding Bonds  
Series 1996A Due: June 1, 2001 - 2009  
Date of Sale: 02/14/96 - 11:00am Central Time  
Good Faith Deposit Amount: \$24,400  
Premium Per Bidder: \$30

The following are the Authorized Principals for the above captioned Issue:

1. Firstar Bank Milwaukee, N.A. (WI 146-49)	02/06/96
2. Dean Witter Reynolds Inc. (IL 134-13)	02/09/96
3. FBS Investment Services, Inc. (MN 139-23)	02/09/96
4. Dain Bosworth, Inc. (IA 114-15)	02/09/96
5. Nike Securities, L.P. (IL 135-13)	02/09/96
6. Piper Jaffray Inc. (MN 145-23)	02/09/96
7. Prudential Securities, Inc. (IL 110-13)	02/09/96
8. Banc One Capital Corporation (WI 170-49)	02/09/96
9. Griffin, Kubik, Stephens & Thompson Inc. (IL 111-13)	02/09/96

02/09/96 - 15:34:26

Capital Guaranty Insurance Company  
Steuart Tower - 22nd Floor  
One Market Plaza  
San Francisco, CA 94105



Sure-Bid Phone 415/995-6666  
Sure-Bid Fax 415/995-8090

Attachment I - Authorized Principals List

To: Springsted Inc.  
85 East Seventh Place  
Suite 100  
St. Paul, MN 55101-2143

FAX: 612/223-3002

DELIVER IMMEDIATELY TO: Wendy Olson

For: 96-0189  
ISD #276, Minnetonka, Minnesota  
\$18,800,000 G.O. Refunding Bonds,  
Series 1996A (MN SD Credit Enhancement  
Program) Due: February 1, 2003-2012  
Date of Sale: 02/15/96 - 10:30am Central Time  
Good Faith Deposit Amount: \$188,000  
Premium Per Bidder: \$95

The following are the Authorized Principals for the above captioned Issue:

- |  |          |
|--|----------|
| 1. Merrill Lynch & Company (CA 103-05)     | 02/09/96 |
| 2. J.P. Morgan Securities Inc. (NY 117-32) | 02/09/96 |
| 3. Piper Jaffray Inc. (MN 145-23)          | 02/09/96 |
| 4. PaineWebber, Inc. (NY 130-32)           | 02/09/96 |
| 5. Dain Bosworth, Inc. (MN 114-23)         | 02/09/96 |

02/09/96 - 15:34:36

Capital Guaranty Insurance Company  
Steuart Tower - 22nd Floor  
One Market Plaza  
San Francisco, CA 94105



Sure-Bid Phone 415/995-8006  
Sure-Bid Fax 415/995-8090

Attachment I - Authorized Principals List

To: Springsted Inc.  
85 East Seventh Place  
Suite 100  
St. Paul, MN 55101-2143

FAX: 612/223-3002

DELIVER IMMEDIATELY TO: Wendy Olson

For: 96-0146  
ISD#622 (N St. Paul-Maplewood-Oakwood) MN  
\$61,075,000 G.O. Refunding Bonds, Ser.  
1996A (MN SD Credit Enhancement Program)  
Due: February 1, 1997 - 2025  
Date of Sale: 02/15/96 - 11:00am Central Time  
Good Faith Deposit Amount: \$610,750  
Premium Per Bidder: \$190

The following are the Authorized Principals for the above captioned Issue:

- |   |          |
|---|----------|
| 1. Morgan Stanley & Co., Inc. (NY 131-32)         | 02/07/96 |
| 2. Merrill Lynch & Company (CA 103-05)            | 02/08/96 |
| 3. J.P. Morgan Securities Inc. (NY 117-32)        | 02/09/96 |
| 4. Norwest Investment Services, Inc. (MN 112-23)  | 02/09/96 |
| 5. Lehman Brothers (NY 100-32)                    | 02/09/96 |
| 6. Raymond James and Associates, Inc. (FL 177-09) | 02/09/96 |
| 7. ABN AMRO Securities (USA) Inc. (IL 176-13)     | 02/09/96 |
| 8. Dain Bosworth, Inc. (MN 114-23)                | 02/09/96 |

02/09/96 - 15:34:31

4-6



CITY OF KANSAS CITY, KANSAS  
FINANCE DEPARTMENT

Nancy L. Zielke, Director of Finance

ONE McDOWELL PLAZA 701 NORTH 7TH STREET, 66101 (913) 573-5270  
FAX 573-5003



March 12, 1996

Senator Mark Parkinson  
Chairman of Senate Committee on Local Government  
Room 531-North State Capitol Building  
Topeka, Kansas 66601

**RE: Support for House Bill 2830 - Revision to Municipal Bond Statutes**

Dear Senator Parkinson  
and Members of the Senate Committee on Local Government:

The City of Kansas City, Kansas appreciates the opportunity to present the following testimony in support of House Bill 2830. The City has sought this legislative change to allow for increased opportunities for competitive bidding on municipal bonds to provide the lowest rates to the tax and ratepayers.

With the advent of a faster-paced and more volatile municipal markets, providing underwriters with options for setting up their good faith deposit makes it easier for underwriters to bid and may also be more cost effective for them. The process of physically cutting a check and shipping it to the municipality before the sale takes several days' lead time. However, municipal underwriters and investors are often now making their buying decision only hours before sale time to take advantage of pricing opportunities or sudden changes in market supply. In that event, the inability to secure a good faith check in time for the sale will typically be the only thing preventing the underwriter from submitting a bid. In addition, unsuccessful bids represent unearned income during the time the unreturned checks remain outstanding.

Offering a surety bond service in lieu of a good faith check makes it easier for an underwriter to bid and will cost them only the nominal fee charged by the insurance company offering the service. If a surety bond is used for a sale, it should be from an insurance company licensed to issue such a bond in the State of Kansas and it still must be submitted to the issuer or its Financial Advisor prior to the opening of bids. The cost of this service is borne by the underwriter and neither the issuer nor the Financial Advisor is charged for the use of the service. The City of Kansas City, Kansas supports proposed changes to the bond statute allowing the option to obtain a surety bond in lieu of a good faith check.

In closing, the City of Kansas City, Kansas urges the House Local Government Committee to consider this modification to the Kansas municipal bond statutes to allow increased opportunities to the bidding on long term debt capital financing. Your consideration of this proposed legislation would be appreciated.

Respectfully submitted,

Nancy L. Zielke  
Director of Finance/Budget Director

cc: Mayor Carol Marinovich  
City Council Members  
Dennis M. Hays, City Administrator  
Whitney B. Damron, City Lobbyist  
Russell J. Breitenstein, Deputy Finance Director/City Treasurer  
Alan Erickson, Vice President, Springsted Public Finance Advisors

Senate Local Gov't  
3-12-96  
Attachment 5

Nancy M Kindling  
1220 SW Urish Road  
Topeka. Kansas 66615  
(913)-273-8578

March 12, 1996

Senator Parkinson, Chairperson, and members of the Local Government Committee:

**HB 2811** is to be voted on this morning in your Local Government Committee. I regret that I was not able to testify on the bill at the committee meeting on the 4th of March. "Other proponents" were allowed to testify but time ran out before "other opponents" were given the opportunity to step forward.

I am a resident of Shawnee County, residing in the "doughnut and not the hole" area. I followed government very closely for 3 years in Shawnee County when the Commission consisted of two Republicans and one Democrat. The politics were as partisan then as they are now and many times I heard residents who reside in the county area say that they needed their own representative to be responsive to them. Sometimes we get that for which we ask.

I am personally not pleased with the new districts. I, however, think the place to decide the legality of the issue is not in the legislature, no matter that the redistricting plan may be a "total abuse of authority".


The proponents of **HB 2811** were a bit disingenuous when they said they did not know at what stage the pending court case was. The plaintiffs had filed a brief for "summary judgment" in their favor. The defense had responded to plaintiffs brief and also asked for "summary judgment" in their favor. The court is awaiting a response to the defense argument which is due sometime this week. The judge hearing the case is fully aware that time is of the essence in deciding this dispute.

I am not an attorney but wonder, if and when this bill passes, of the possibility that the majority on the Shawnee County Commission still can petition the courts to rule in their favor over-riding HB 2811.

Regardless of your view on how the County Commission has redistricted Shawnee County, the place to decide on whether the Shawnee County redistricting is fair to all county residents should not be the legislature. This issue of fairness should be decided in Shawnee County District Court where the case is pending and expected to receive prompt attention. To pass legislation that affects only one county is opening the door to not only having the legislature settle this type of dispute but allowing other issues disagreed upon to be settled on a case by case basis in the legislature. Let us not do that.

The view today is that elected officials can govern best at the level of government closest to the people. I hope that the Senate Local Government Committee will allow **HB 2811** to die in committee. Otherwise my fear will be realized that disagreeing parties in every county will use the legislature to settle their disputes.

Sincerely,

  
Nancy Kindling, Legislative Action Chair  
League of Women Voters Topeka-Shawnee County

Senate Local Gov't  
3-12-96  
Attachment 6