



*A Great Place to Grow*

March 14, 2017

To: Chair Caryn Tyson and the Senate Assessment and Taxation Committee  
From: Keith Schlaegel, City of Stockton  
Re: Written Testimony in Support of SB 167

The City of Stockton is currently involved in a swimming pool construction project. The City's Public Building Commission (PBC) is doing the construction and issuing the revenue bonds with the bond and interest being paid by a sales tax which was passed by the city residents this fall.

Through the process of rating the bonding capability of the City by Standard and Poores Global Rating Service I have been informed of another problem with the Tax Lid bill which was passed last year. We were informed that S & P had given us an A- rating, however if **the Tax Lid was not in effect, we would have been earned an A rating.** S & P said they were doing this because with the State's tax lid on Kansas cities, a city cannot just raise property taxes if needed. Bond buyers want to be assured that the city can make their payments and in a worst case scenario, the city could not raise any extra mills without an election. In this scenario, a city could be forced to default on their payments, although, as in our case, the city residents overwhelmingly voted to raise the sales tax to pay for the project.

**To put this in real dollars, our bond attorney told us that the difference in dropping from A to A- could reasonably cost the City up to \$70,000 during the life of the bonds! The higher the rating, the lower the interest rate.**

The tax lid exempts General Obligation bonds, but it limits PBC bonds. I wholeheartedly support repealing this piece of legislation.

Sincerely

Keith Schlaegel  
Stockton City Manager