

MINUTES OF THE SENATE COMMITTEE ON LOCAL GOVERNMENT.

The meeting was called to order by Chairperson Mark Parkinson at 9:00 a.m. on February 15, 1994, in Room 531-N of the Capitol.

All members were present except: Senators Ranson and Reynolds

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

Others attending: See attached list (None)

Conferees appearing before the committee:

Sen. Gerald Karr
Arthur W. Solis

SB 690—Relating to the Chase County jail.

Staff explained the bill would transfer property that was acquired by the Chase County Public Building Commission for the purpose of building a jail to the Chase County Board of Commissioners. The bill would also authorize the Board to issue general obligation bonds for the purpose of paying any costs for the construction of the jail. The provisions relating to general obligation bonds would allow the Board to refinance the current debt on the jail at lower interest rates. Staff clarified that the issuance of bonds outside the debt limit could not be handled locally, therefore, the bill is needed. Also, bond holders would like to see a statute to assure who will have the authority for payment.

Sen. Karr testified in support of the bill. (See Attachment 1)

Sen. Downey asked what would happen if this bill is not passed. Staff responded the reality is that it is a county debt, and there is no way to get out of it. The general obligation bond rate would lower the debt. Sen. Karr explained that the bill would enable Chase County to save \$213,000.00 spread over 12 years. He reiterated that Chase County is in a very difficult financial situation.

Arthur W. Solis, a former resident of Chase County, testified in opposition to SB 690 as a concerned citizen. (See Attachment 2)

In regard to Mr. Solis' testimony objecting to the bill because of the tax burden it would cause, the Chairman asked if he would agree that the taxpayers will be eventually burdened anyway due to the actions of past commissioners and that this bill would result in lowering the burden on taxpayers. Mr. Solis responded that his understanding is that revenue bonds are limited to payments from revenue, therefore, taxpayers are not paying on this now, but he agreed that further on taxpayers would be made to pay, but he feels this bill shortens the process.

Mr. Heim said that the county has agreed to pay lease payments, and the same sources would pay off general obligation bonds. Ultimately, a suit will be filed if payments are not made, and the burden will fall on taxpayers.

Sen. Ramirez asked if there is a guarantee that the Commission will lower the levy. Sen. Karr responded that the present commissioners are new, and they have come to grips with the financial realities of the situation, but there is no guarantee that the bill will work. If managed correctly in the next 12 years, Chase County could come out of their financial bind.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON LOCAL GOVERNMENT, Room 531-N Statehouse, at 9:00 a.m. on February 15, 1994.

Sen. Feleciano suggested that the situation could be handled locally by finding another means to finance or by consolidating with other counties.

The Chairman suggested that perhaps the problem could be solved if the bill were amended to require that the county apply any revenue from the jail to the bonds. Mr. Heim felt this would be done without this language, but he agreed that this would be an appropriate way to spell it out.

Sen. Gooch made a motion to conceptually amend SB 690 to provide that any revenue from the jail be dedicated to repayment of bonds and that the bill be passed as amended, Sen. Ramirez seconded, and the motion carried.

The minutes of February 8, 10 and 14 were approved.

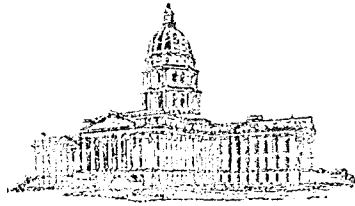
The meeting was adjourned at 9:56 a.m.

The next meeting is scheduled for February 17, 1994.

State of Kansas

Senate Chamber

GERALD L. "JERRY" KARR
SENATOR, SEVENTEENTH DISTRICT
CHASE, COFFEY, GEARY, LYON, MARION,
MORRIS, OSAGE, WABAUNSEE COUNTIES
R.R. 2 BOX 101
EMPORIA, KANSAS 66801



COMMITTEE ASSIGNMENTS
MEMBER: AGRICULTURE
CONFIRMATIONS OVERSIGHT
INTERSTATE COOPERATION
LEGIS. BUDGET
LEGIS. COORDINATING COUNCIL
STATE FINANCE COUNCIL
WAYS & MEANS

Office of Democratic Leader

STATE CAPITOL
TOPEKA, KANSAS 66612-1504
913-296-3245

Statement by Senator Gerald Karr, Senate Democratic Leader Senate Bill 690: Chase County Jail

Thank you, Mr. Chairman, for allowing me to bring Senate Bill 690 to your Committee for your careful consideration. This is an act that is localized to Chase County, a county located in the center of the Flint Hills of Kansas. The County made a decision a few years ago to establish a Public Building Commission to initiate the building of a thirty-two bed jail. This Building Commission then authorized bonds to allow that project to occur.

The County has gone through a series a very serious financial difficulties over the past twelve months. In order to reorganize their finances, and to appropriately address the prompt payment of bonds held for this project, the County has requested that Senate Bill 690 be introduced and passed by the Kansas Legislature. This would allow for the discontinuance of the Public Building Commission, and allow for the transfer of all assets, as well as liabilities for this project directly to

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2-15-94
Attachment 1*

the Board of County Commissioners of Chase County. The Commissioners believe that this would allow a significant savings to Chase County, as they would refinance the jail project with more reasonable interest rates.

It is important that this project move through the process as quickly as possible, in order to not jeopardize the refinancing options. I would ask that you look at this project again as an individual county situation, and address it appropriately. I would be glad to answer any questions.

Thank you.

William T. North

ATTORNEY AT LAW

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February 8, 1994

Sen. Gerald Karr
Senate Minority Leader
State Capitol Building
Topeka, Kansas 66612

RE: Senate Bill 690
Chase County Jail

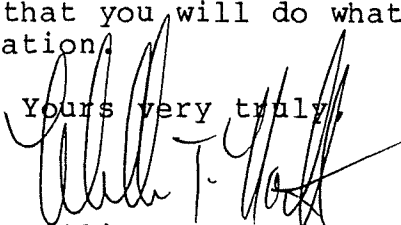
Dear Sen. Karr:

Thank you for your assistance in introducing Senate Bill 690. Your efforts on behalf of Chase County are greatly appreciated.

The savings to Chase County in refinancing the jail are dependent upon interest rates. The federal reserve board is hinting that it may tighten the money supply by increasing interest rates. If interest rates rise too much, it could become disadvantageous to refinance the jail.

With this in mind, I hope that you will do what you can to speed the passage of this legislation.

Yours very truly,



William T. North

WTN/ml

WRITTEN TESTIMONY

Submitted To

SENATE COMMITTEE ON LOCAL GOVERNMENT

By Arthur W. Solis

February 15, 1994

RE: SENATE BILL NO. 690

"AN ACT concerning Chase county, relating to the county jail."

My name is *Arthur Solis*. I was born in Strong City and grew-up in Cottonwood Falls, towns in Chase County. My mother, who will be 69-years old next month, still lives in Cottonwood Falls. I speak in opposition to SB 690.

Summarized, SB 690 would authorize the transfer of the Chase County Detention Facility, the county jail located in Cottonwood Falls, from the Chase County Public Building Commission to the County Board of Commissioners of Chase County. SB 690 would also authorize the Chase County commissioners to refund revenue bonds issued by the Chase County Public Building Commission with general obligation bonds. SB 690 would exempt such general obligation bonds from the statutory limitations on bond indebtedness. This exemption is necessary because, as reported by *The Emporia Gazette*, February 4th, "Chase County's assessed valuation is \$22,281,891."

The Chase County Detention Facility is a 32-bed county jail which opened July 1992. The Chase County Public Building Commission holds a lease-purchase agreement on the county jail. The Chase County Public Building Commission was established to operate the county jail at a profit by housing federal and out-of-county prisoners.

It is my understanding that Chase County Public Building Commission revenue bonds are payable from rents and other revenues of the county jail. It is also my understanding that any general obligations bonds issued by Chase County would be payable from a levy of tax.

I oppose SB 690 for the reason that the fiscal management and operation of the Chase county jail has been less than exemplary. For example, according to local newspapers, the former jail administrator's employment contract required that he receive a percentage of the "gross" revenues of the county jail. As a further example, according to local newspapers, earlier budget forecasts of revenues and expenses for the county jail failed to include full utility expenses or anticipate personnel expenses required to safely man the county jail on a 24-hour basis.

My mother's principal source of income is her social security benefits of little more than \$500. Her only other income is a nominal amount of money earned from childcare. My mother and other older persons on a fixed income should not be required to shoulder an unnecessary tax burden which results from the unwillingness or inability of Chase County to manage and operate the county jail in a fiscally responsible manner.

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Attachment 2*

County Commissioners' special meeting

by Jerry Schwillng

In a special meeting Thursday, Feb. 3, the Chase County Board of County Commissioner moved to allow George K. Baum and Co. and local attorney Bill North to proceed with the process of refunding bonds issued by the Kansas Public Building Commission with General Obligation Bonds and report back to the board, as the process nears completion, for their further approval to proceed.

The process requires the introduction and passage of special legislation.

Senate Minority Leader Jerry Karr, D-Emporia, said that he had filed the bill early Friday afternoon.

"I would think it would be one of those kinds of bills - unless there's some serious opposition develops from Chase County - that will move through the Senate in mid-February," Karr told *The Emporia Gazette*.

He estimated the bill could be on the governor's desk in mid-March.

"It'll take into April - that's if everything runs smoothly," Karr said.

George K. Baum and Co.'s John Edgar will be closely watching interest rates throughout the process. If the advantages of refinancing should be adversely affected in that time period the board can elect to stop the process

and instruct Karr to withdraw the legislation.

According to figures presented by Edgar, the refunding can save the county up to \$56,711.25 over the next 12 years. The yearly savings would range from a (\$2,150) loss in 1995 to \$210,030 savings in 2006, or an average estimated savings of \$4,725 per year.

The \$210,030 figure represents what will be saved in the refunding/reissuing of the bonds by the elimination of the final balloon payment due in 2006 with the existing bonds.

The refunding will not change the life of the bonds. The retirement date of the General Obligation Bonds issued as the result of this refunding would remain the same as the current bonds - September, 2006.

Howard Collett, county attorney, summed it up like this.

Collett said, 1) it removes the Building Commission from the picture, 2) it creates a modest savings for the county over the next 12 years, and 3) the refunding takes advantage of what are likely to be the lowest interest rates in recent economic history.

One negative that Collett pointed out was that the refunding would require explanation to the public and given the political climate in Chase County that may be no simple matter.