

The Honorable Roger Reitz, chairman
Senate Committee on Local Government
Statehouse, Room 159-S
Topeka, Kansas 66612

Reference HB2420

Dear Chairman Reitz;

Thank you, Mr. Chairman and members of this Committee, for granting me a hearing on HB 2420.

Mr. Chairman and members of the Committee, in 2005, Junction City faced an awesome task: preparing the community for the return of the First Infantry Division (Big Red One) from Germany back to Fort Riley. At that time the city faced significant pressure from both state and federal officials to respond decisively to this challenge, and respond the city did.

In 2006, the city received approval from the legislature granting temporary relief from KSA 10-308 which allowed the city to increase its outstanding debt up to 40% of the assessed valuation of the city. For Junction City, the limit was raised to 40% thru June 30, 2011; 37% thru June, 2013; and 34% thru June, 2015. On July 30, 2015, the city will again be subject to the 30% debt limit as required by KSA 10-308.

To address the expected housing shortage that would occur with the division's return, the city issued more than \$133 million in bonds in support of both commercial and residential development.

Slower than anticipated troop redeployment as a result of the "surge" in Iraq, increased troop presence in Afghanistan, and a massive global recession brought to light the inherent risk in the city's development strategy. New residential neighborhoods with the infrastructure fully

developed and paid for with the proceeds from the sale of the bonds never filled with homes. The city's expected sales tax growth did not materialize, and collections of special assessments for debt repayment went unpaid.

Once it became apparent that errors in judgment, unrealistic expectations, and numerous other mistakes had been made, the city took immediate action. The City Manager was replaced, a new City Commission was elected, and Columbia Capital Management was retained to develop and plan for returning the city to financial health. The plan, called the Financial Transformation Plan for Junction City, has become the roadmap to beginning the long and difficult journey back.

The city's financial situation, while slowly improving, leaves little room for error. Under the current law, the city's debt issuance in 2012, 2013, 2014, and 2015 would be limited to roughly \$47,000.

Adoption of HB2420 will allow the city to meet its debt payments without the need for further bond restructuring, hold property taxes to current levels, and provide the city with some capacity to borrow for a day-to-day operational and critical capital investment needs over the next seven years.

I have provided you with written testimony from the city's current City Manager, Chief Financial Officer, and the current Mayor. I will stand for questions at this time.

Respectfully,

James Fawcett
State Representative
District 65
24 January, 2012

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