

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT.

The meeting was called to order by Chairman Vickrey at 3:30 p.m. on January 23, 2003 in Room 519-S of the Capitol.

All members were present except:

Committee staff present:

Mike Heim - Legislative Research Department  
Kathie Sparks - Legislative Research Department  
Theresa Kiernan - Office of Revisor of Statutes  
Maureen Stinson - Committee Secretary

Conferees appearing before the committee:

Rep. Tom Sloan, District 45, Kansas House of Representatives  
Elmer Ronnebaum, General Manager, Kansas Rural Water Association  
Neil Dobler, Director of Public Works, City of Topeka  
Don Rankin, Director of Water Supply, City of Topeka  
Gayle Bayless, Manager, Shawnee County Rural Water District #7  
Gary Hanson, Attorney, Shawnee County Rural Water District #7  
Derl Treff, Director of Investments, Pooled Money Investment Board, State of Kansas  
Janis C. Bunker, Sr. V.P. & Trust Officer, Trust Co. of Kansas  
Craig Jordan, President, Index Powered CD  
Eric Donaldson, Asst. V.P. & Controller, Silver Lake Bank  
John J. Haas, President, Ranson Financial Consultants, LLC, Wichita

Others attending:

See attached list

The Chairman opened the hearing on:

**HB 2003: Rural water supply districts; acquisition of system by adjoining municipality**

Rep. Tom Sloan addressed the committee in support of the bill (Attachment 1). He stated that the reason this bill is before the committee is because there has to be a way to legally transfer assets, assume customer billing responsibilities and the continuation of service when a rural water district is acquired in whole by a city. He explained that the bill was requested to facilitate the acquisition of a Shawnee County Rural Water District by the City of Topeka.

Chair introduced another proponent, Elmer Ronnebaum, General Manager, Kansas Rural Water Association (Attachment 2). He said that a rural water system may want to get out of the business of being a rural water system because smaller communities are facing increasingly complex regulations and requirements. As a representative of the Kansas Rural Water Association, he asked that the committee give favorable support of the bill.

Neil Dobler, Director of Public Works, City of Topeka, appeared next before the committee to speak in

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favor of the bill (Attachment 3). He informed the committee that although the rural water district and the city agree on acquisition terms, it appears that adequate legislation is not in place to allow them to proceed. He stated that the bill under consideration would remedy that situation. On behalf of the Mayor and the Department of Public Works, he asked for the committee's support of the bill.

Also testifying in favor of the bill was Don Rankin, Director of Water Supply, City of Topeka (Attachment 4). He expressed that the bill offers the opportunity for the rural water district and the city to work together for the common good of their customers without obligating either party to accept undesirable conditions. He stated that the bill does not create the opportunity for hostile takeovers of rural water districts by cities nor obligate a cities to merge a rural water district into the city's system. Mr. Rankin explained that the bill also creates clear legal means to merge a rural water district system within the city system. On behalf of the Mayor and the City of Topeka, he asked for the committee's support of the bill.

Gayle Bayless, Manager, Shawnee County Rural Water District #7, testified in support of the bill (Attachment 5). She stated that reduced water bills and full time active management by the City of Topeka would be a huge benefit to the patrons of the district. On behalf of Shawnee County Rural Water District #7, she asked the committee for favorable action on this bill.

The last proponent, Gary Hanson, Attorney, representing Shawnee County Rural Water District #7, testified (Attachment 6). He explained that the bill is modeled after K.S.A. 19-3512, a statute concerning Water Supply and Distribution Districts, under which Water District No. 1 in Johnson County has successfully annexed territory and acquired water systems on several occasions. He stated that there are instances where considerable efficiency can be obtained by merging a small water system like Rural Water District #7 into a larger one. He urged favorable support of the bill.

There were no opponents to the bill.

Chairman Vickrey closed the hearing on **HB 2003**.

Chairman Vickrey opened the hearing on:

**HB 2011: Investments of public moneys; duration; equity-linked certificates of deposit**

Rep. Tom Sloan spoke in support of the bill and informed the committee that the bill has two components: first, equity-linked certificates of deposit are authorized as an investment option and second, the time for which municipalities may invest idle funds is extended from two to five years (Attachment 7). He stated that equity-linked certificates of deposit and the bill are not a "threat" to the Pooled Money Investment Board. He asked the committee members to give local officials another tool with which to manage their responsibilities on behalf of the citizens of Kansas.

Speaking next as a proponent of the bill was Janis C. Bunker, Sr. V.P. & Trust Officer, Trust Co. of Kansas (Attachment 8). She said that equity linked certificates of deposit would give local government organizations the ability to enjoy the growth found in equity investments with no exposure to loss for their

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principal. She further stated that when local government purchases an equity linked CD at their local bank, it also benefits that bank since the money remains in the community.

Craig Jordan, President, Index Powered CD, testified in favor of the bill (Attachment 9). He submitted that the ability to offer the equity linked CD product to local municipal or other public units by Kansas community banks could provide a conduit to maintain additional local funds in the community. He urged that the additional source of funds deposited in the community bank for the 5 year period of time assists bankers in meeting the needs of the community while offering the public unit additional investment opportunities.

Another proponent, Eric Donaldson, Asst. V.P. & Controller, Silver Lake Bank explained to the committee that the bill would further support the growth of critically needed longer term core deposits in Kansas community financial institutions (Attachment 10). He expressed that the bill opens new avenues for local governmental entities, Kansas financial institutions and Kansas communities.

John J. Haas, President of Ranson Financial Consultants, testified in support of the bill with certain amendments (Attachment 11). He recommends that local units of government be allowed to invest with local credit unions since the NUCA is similar to the FDIC. His major concern about the bill is allowing local units of government to invest in equity-linked certificates of deposit. He summarized that he would like to see the bill passed with amendments adding credit unions as an authorized investment provider and the removal of equity-linked CD's as an authorized investment.

Derl Treff, Director of Investments, Pooled Money Investment Board, State of Kansas, appeared before the committee as the sole opponent to the bill (Attachment 12). He expressed concern that the inclusion of equity-linked certificates of deposit as an investment option for municipalities would significantly increase the risk level of a municipality's investment portfolio. He submitted that providing this as an investment alternative to all cities, counties, school districts, rural water associations, fire districts, community colleges etc. in the State of Kansas would be a significant departure from the risk characteristics of the current investment options (U.S. treasuries, Kansas bank CD's and the Kansas Municipal Investment Pool). He states that the varying levels of financial expertise within each municipality compound this risk.

The Chairman closed the hearing on **HB 2011**.

Rep. Kassebaum submitted a bill request to the committee concerning township roadways. Without objection, it will be introduced as a committee bill.

Don Moler, League of Kansas Municipalities, presented two bill requests. He stated that the first request concerns legal publications on the internet. He informed the committee that the second request relates to idle fund investments in Non-Kansas Chartered Banks. Without objection, both bill requests will be introduced as committee bills.

The meeting was adjourned at 4:55 P.M.

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The next meeting is scheduled for January 28.