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March 2, 2018

The Honorable Julia Lynn, Chairperson  
The Honorable Gene Suellentrop, Vice Chairperson  
And Members of the Senate Commerce Committee  
Statehouse, Room 548-S  
Topeka, Kansas

**Re: SB 432**

Ladies and Gentlemen:

Gilmore & Bell acts as bond counsel to many political subdivisions in the State. We have acted as bond counsel on almost all of the STAR Bonds issued in the State, including by Wichita, Manhattan, Dodge City, Hutchinson, Goddard and the Unified Government of Wyandotte County/Kansas City, Kansas. We are also working with several cities that are actively working on STAR Bond projects, including Olathe, Atchison and Salina.

We wanted to raise certain technical issues with the committee regarding SB 432 for your consideration.

**Section 1 STAR bond underwriting commission:**

STAR bonds are a unique financing vehicle with unusual characteristics such as multiple term bonds and super-sinker provisions. There is concern that potential members of the STAR bond underwriting commission may not have the necessary expertise to properly evaluate STAR bond project applications for financial viability from the standpoint of these unusual characteristics. Also, concerning is that a member of the STAR bond underwriting commission could not participate in a decision if they reside in the city or county or own a business in the city or county. This could result in 1-1 tie votes on whether to approve and would that be considered a denial or would the final decision be the Secretary of Commerce. In addition, there is no timeframe for a decision by the STAR bond underwriting commission.

**Section 5:**

Page 12 of the bill provides that a city or county may not submit a STAR bond application if a previous STAR bond project had less than 50% of the projected revenues or the city or county has defaulted on any STAR bonds.

There are a number of factors that can impact the STAR bond revenues and some of those are outside of the control of the city or county. For example, the Legislature could enact legislation that would reduce or eliminate the sales tax on groceries. If a STAR bond project has a grocery store located within the STAR bond district, this change in law could impact the STAR bond revenues available for a project.

In addition, it's not clear in these provisions of the bill if a STAR bond district or TIF district was created, but if a STAR bond plan, or TIF plan was never adopted or if bonds were never issued, would these "failure" provisions apply? It is not clear in our reading of the proposed provisions.

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**Section 6:**

Page 15 of the bill adds additional requirements to the feasibility study. The Secretary of Commerce has current authority to request all necessary information regarding approval of a STAR bond project and these additional requirements seem vague and unduly burdensome.

As STAR bond counsel to many cities we are in the position that we are required to interpret the Act and we would encourage the Legislature to make sure that the provisions of the Act are clear.

Thank you for your consideration

Sincerely,

A handwritten signature in black ink, appearing to read "G.A. Anderson", written in a cursive style.

Gary A. Anderson