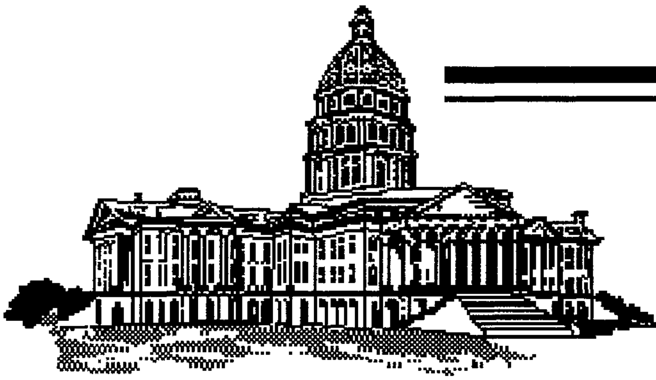

PERFORMANCE AUDIT REPORT

Reviewing The Process For Issuing Bonds In Wyandotte County and Kansas City, Kansas

A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
November 1993

93-48

Legislative Post Audit Committee

Legislative Division of Post Audit

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PERFORMANCE AUDIT REPORT

REVIEWING THE PROCESS FOR ISSUING BONDS IN WYANDOTTE COUNTY AND KANSAS CITY, KANSAS

OBTAINING AUDIT INFORMATION

This audit was conducted by Murlene Priest, Cindy Lash, and Allan Foster. If you need any additional information about the audit's findings, please contact Ms. Priest at the Division's office.

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REVIEWING THE PROCESS FOR ISSUING BONDS IN WYANDOTTE COUNTY AND KANSAS CITY, KANSAS

Summary of Legislative Post Audit's Findings

When issuing bonds, have these municipalities followed all laws applicable to the selection of bond professionals? Only one State law addresses the selection of bond professionals, and it requires a competitive sale for most non-refunding, newly issued general obligation bonds. Over the past 10 years, both Kansas City and Wyandotte County have followed this law. Although the law provides only limited guidance for the selection of bond professionals, industry literature and bond experts we contacted suggested a number of good business practices such as hiring independent financial consultants and periodically soliciting bids for bond counsel services that should help to ensure the selection of competent professionals at the lowest cost to the municipalities. Neither Kansas City nor Wyandotte County consistently followed all these practices.

How do the costs of bonds issued since 1983 by Wyandotte County, Kansas City, and the Board of Public Utilities compare with costs of similar bond issues in other municipalities? For the bonds we could compare, the data were inconclusive; Kansas City's underwriter costs were lower in relation to the comparison bonds just about as often as they were higher. We could not make any comparisons for Wyandotte County because they issued so few bonds, and good comparables were not available. Kansas City's bond counsel's fees appeared significantly higher than two other Kansas cities that selected their bond counsel competitively, but the way that fee schedules were developed and costs were billed made it difficult to tell. We also found that Kansas City may have paid higher-than-market interest rates on some negotiated bonds it issued for itself and on behalf of the Board of Public Utilities. Having interest rates set high relative to the market may have cost the City--and ultimately the taxpayers--more than $2 million on a sample of bonds we reviewed.

For bonds that have been refinanced since 1983, have the interest savings been enough to justify the cost of refinancing the old debt? Since 1983, Kansas City and the Board of Public Utilities have issued 16 bonds and Wyandotte County has issued two bonds that refunded existing bonds. The City saved about $6.6 million and the County saved $1 million on the sample of refundings we reviewed. The City and the County each had at least one refunding where the interest savings was not enough to justify the cost. Officials told us that those refundings were done for reasons other than interest savings. Finally, we found that through a series of bond refinancings in recent years, the City has postponed payment of large amounts of debt into the future, which may have a significant impact on future tax levies.

What was the cost of insurance policies associated with bonds issued by these municipalities since 1983, and how did the policies impact bond ratings and interest rates? Since 1983, the City and the County have spent more than $6 million to insure a total of 17 bond issues worth $829 million. Bonds are insured to improve their bond ratings, which in turn reduces the interest rates municipalities have to pay. An insured bond typically receives a AAA rating because of the insurance policy. The consultant we hired was able to analyze the interest rate differential for only one bond, and the City more than recovered the cost of the insurance premium on that bond. Lower interest rates are not the only way municipalities can recover insurance costs. For bonds that are refinanced, federal law allows a municipality to recover insurance costs through increased earnings on government securities purchased to pay off the old bonds. For the sample of bonds we reviewed, we did not find any instances where the municipalities recovered the full insurance premium through increased interest income alone.

Have there been significant political contributions or other related-party transactions between the professionals involved in bond issues and elected or administrative officials from the municipalities? We found that bond professionals who served as lead underwriters, bond counsel, and the like for bonds issued by the City, County, or Board of Public Utilities generally made campaign contributions to elected officials in those municipalities. Such contributions appear to be common in the industry. We did not find that employees or officials who were responsible for making decisions about awarding bond business had worked for any of the law firms or investment banking firms that received bond business. Three individuals who had previously worked for the City have worked for investment banking or law firms that have done business with the City. We did not turn up any instances of related-party transactions.

This report contains several recommendations for the City and the County to improve their bond practices. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials.

Barbara J. Hinton

Barbara J. Hinton
Legislative Post Auditor

REVIEWING THE PROCESS FOR ISSUING BONDS IN WYANDOTTE COUNTY AND KANSAS CITY, KANSAS

Municipalities issue bonds to finance such things as public improvements, educational and correctional facilities, public housing and other public buildings, and some industrial enterprises. Many of these bonds are repaid with taxes collected by the municipality or by revenues generated by the bond project. No matter what the use of the bond or how it will be repaid, all bonds will generate costs to the municipalities in the form of services provided by underwriters and bond counsel, and charges for many other services related to the bond issue. These costs may be taken out of the bond money the municipality gets, or it may be paid from the municipalities' general fund.

Legislative concerns have been expressed about the way Wyandotte County, Kansas City, and the Kansas City Board of Public Utilities have been issuing bonds since 1983. Specific concerns related to potentially excessive bond-issuance costs and fees, which may translate into higher tax bills for the taxpayers of the municipalities. Another specific concern was whether negotiated bond deals for bond underwriting services had added unnecessarily to the costs of issuing bonds. Other concerns related to the need for bond insurance policies and their effect on the bond rating and costs of issuing bonds. Finally, legislators were concerned that there may be significant political contributions or other transactions between the bond principals and municipal officials. This performance audit addresses the following questions:

1. **When issuing bonds, have Wyandotte County, Kansas City, and the Board of Public Utilities followed all laws applicable to the selection of bond professionals?**

2. **How do the costs of bonds issued since 1983 by these municipalities compare with costs of similar bond issues in other municipalities?**

3. **For bonds that have been refinanced since 1983, have the interest savings been enough to justify the cost of refinancing the old debt?**

4. **What was the cost of insurance policies associated with bonds issued by these municipalities since 1983, and how did the policies impact bond ratings and interest rates?**

5. **Have there been significant political contributions or other related-party transactions between the professionals involved in bond issues and elected or administrative officials from the municipalities?**

To answer these questions, we reviewed applicable State statutes and contacted representatives of the Revisor of Statutes Office, the Attorney General's Office, and others knowledgeable about municipal bonds. We examined a sample of Kansas City bonds and compared their issuance costs and other factors with other, similar Kansas bonds and with national information. We conducted extensive analyses of interest rates, insurance costs, and bond ratings for the bonds we sampled. Finally, we reviewed campaign finance reports and statements of substantial interest by municipal officials, corporate annual statements, income tax returns, and employment histories of municipal officials. We also surveyed bond professionals and municipal officials to determine what gifts or compensation they had either received or provided.

In conducting this audit, we followed all applicable government auditing standards set forth by the U.S. General Accounting Office, except we could not verify the accuracy of the data and analyses provided by national bond information services, nor the information provided by other cities. These limitations are noted, as applicable, in the report.

In general, Kansas City does not competitively select its bond professionals except for those situations in which it is required to do so by law. In addition, the City and the County have not consistently followed a number of good business practices that industry experts suggest, such as hiring an independent financial advisor to protect their interests, and periodically soliciting bids for bond counsel services.

Because of significant limitations in the data available for comparing underwriters' costs, our results were generally inconclusive. For the bonds we could compare, Kansas City's underwriter costs were lower in relation to the comparison bonds about as often as they were higher. Other Kansas cities that select bond counsel competitively appeared to pay significantly lower fees than Kansas City, but the way that fee schedules are structured makes it difficult to tell. We also found that several negotiated general obligation bonds issued by Kansas City generally had higher interest rates than may have been necessary to sell them, and may have cost the City more than $2 million.

Since 1983, Kansas City and Wyandotte County have issued 18 bonds worth about $834 million that refinanced earlier bonds. Overall, both the City and County saved money on the bond refundings we reviewed. However, local officials have not established needed savings targets for deciding when to refinance a bond. Refundings and new bond issues in Kansas City have deferred payments into the future, which could have a significant impact on future tax levies.

For most of the bond issues we examined, it was not possible to determine whether the City and County recouped insurance costs through reduced interest rates, as the literature suggests will happen. For our sample, the City recouped only part of these insurance costs through increased earnings on escrow accounts--the other way in which such costs can be recovered. Other Kansas cities we contacted generally did not insure their bonds as frequently as Kansas City and Wyandotte County did, but some of these cities had higher bond ratings and less reason to insure their bonds.

Finally, we found that professionals who did bond work for Kansas City, Wyandotte County, and the Board of Public Utilities made campaign contributions to the elected officials in the municipalities. Our work did not discover any business relationships from which bond professionals or local officials benefited at taxpayer expense. State law does not require all key local officials who could be in a position to influence bond decisions to file statements of substantial interest.

Overview of Municipal Bonds
In Kansas City and Wyandotte County

The Kansas Constitution and State law allows cities and counties to borrow money by issuing bonds to construct projects such as streets, sewers, utilities, jails, and the like. Provisions in State and federal law also allow municipalities to finance affordable housing projects and various industrial enterprises by issuing private activity bonds.

Cities and Counties Use Bonds To Finance Major Public Improvements

Cities and counties may borrow money from the public to build major projects for several reasons. One reason is that municipalities generally do not have large uncommitted sums of money available to pay for major public improvements. Borrowing the money—and paying it back over a long period of time—helps keep tax rates relatively stable.

Another reason is that the useful life of most projects may be 20 years or longer. Thus, it would not be fair to impose a one-year tax on current residents to pay for the entire cost of a project. By spreading the payments out over a longer period, residents tend to pay for a project in relation to the amount of long-term benefit they derive from it.

Municipal bond issues can take a number of different forms, both short-term and long-term. The box of definitions on the next page describes some of the more common types of debt instruments that have been used by Kansas City, Wyandotte County, and the Kansas City Board of Public Utilities over the years. Short-term debt instruments like temporary notes often are issued to finance public improvements while they are being built. Once a project is completed and all the costs are known, the short-term financing usually is consolidated into longer-term debt in the form of a bond.

As described below, major distinctions exist in how the various types of bonds are repaid:

- General obligation bonds are repaid from a municipality's general tax revenues.
- Revenue bonds are bonds that are repaid exclusively from earnings of a public enterprise. Examples include sewer system and hospital revenue bonds.
- Private activity bonds, such as industrial revenue bonds, must be repaid by the businesses that are using the city or county's tax-exempt status to obtain financing for their business expansions. The city or county is not responsible for the repayment of private activity bonds.

General Bond Definitions

Certificate of Participation - A lease-purchase agreement in which a municipality agrees to make installment payments on an asset (new building, telephone system, computer, etc.). Municipalities pay higher interest rates on certificates of participation than on bonds because certificates are riskier to the investor. Lease payments are dependent on annual appropriations from the governing body of the municipality, and in lean years, municipalities might fail to appropriate money for the lease.

General Obligation Bond - Bonds that are backed by the full faith and credit of the issuing municipality, and are generally repaid from taxes. General obligation bonds often are used to finance major public projects like schools, public buildings, street repairs, convention centers, and the like.

Mortgage Revenue Bonds - Bonds whose proceeds are loaned to low- and moderate-income home buyers. The bonds are paid off as the homebuyers make their monthly mortgage payments. The program allows banks to use the bond proceeds to make low-interest mortgages for eligible homebuyers.

Private Activity Bonds - Bonds whose proceeds are used by a private firm to finance its activities. There are three types of private activity bonds: industrial development, multi-family housing, and mortgage revenue bonds. The principal and interest is paid from revenues of the borrower (private company, housing developer, or homebuyer).

Revenue Bonds - Bonds that are secured by a specific source of revenue, such as sewer fees, airport fees, or utility payments.

Temporary Notes - Temporary financing for public projects, which usually must be repaid within a year. Sometimes temporary notes are used for small projects, but they also might be used as interim financing for major projects. Once the major project is completed, a longer-term revenue or general obligation bond is issued to repay the temporary notes.

Zero-Coupon Bond - These bonds are issued at a deep discount from their face value (called "par"), and increase to full value at maturity. No interest is paid until the bond matures. Both U.S. Savings Bonds and capital appreciation bonds are types of zero-coupon bonds.

Municipal bonds usually are issued for a set period—such as 15 or 20 years—similar to a typical home loan. However, when interest rates drop, bonds can be refinanced or "refunded," the term used in the bond industry.

Municipalities incur a variety of costs when they issue bonds. Just as families pay closing costs when they obtain home loans, municipalities incur costs for issuing bonds to pay for major projects. Bond attorneys are hired to review the bond documents to ensure that all legal procedures are followed, and to render an opinion as to whether the interest the municipality pays on the bonds is tax-exempt to the investors who buy the bonds. Underwriters (usually a securities firm) are hired to sell the bonds to individuals or to institutional investors, such as insurance companies. Additional costs may be incurred for having the bond documents printed, having the bonds rated by a rating agency, having the bonds delivered by courier services, having accountants review some of the bond documents, and the like. (Some of these professionals and their roles are described in more detail in a box on the next page.)

Municipal bonds can be sold either on a competitive basis or a negotiated basis. In a competitive bond sale, the municipality carries out all the activities needed to prepare a bond for sale, such as setting the maturity dates, preparing the official statement, obtaining a rating, and timing the sale. The municipality then advertises the coming bond sale, accepts bids, and awards the right to purchase the bonds to the lowest qualified bidder. This open, competitive process avoids allegations of impropriety, and ensures that the municipality will pay as low an interest cost as possible in the free marketplace. However, it restricts the ability of the municipality to modify the bond based on changes in the marketplace.

In a negotiated sale, the municipality begins by selecting an underwriter, based on such factors as the underwriter's expertise, financial resources, experience, and compatibility with the municipality. The underwriter and the municipality negotiate the underwriter's "discount." If the agreed-upon discount is two percent of the bond amount, for example, the underwriter would pay the municipality the amount of the bond, less two percent. (For example, a two percent discount fee on a $10 million bond is $200,000, so the underwriter would give the municipality only $9.8 million. Generally, the underwriter would be able to sell the bonds for at least $10 million, so he or she would get to keep the $200,000 difference.)

Municipal Bond Professionals' Roles and Responsibilities

Bond Counsel - In general, bond counsel prepare pertinent legal documents and ensure that the proposed sale is in accordance with local, state, and federal laws and regulations. Their role is to ensure the legal integrity of the bonds. This involves such things as certifying that the issuer has the legal authority to issue bonds; drafting a bond ordinance, resolution, trust indenture, and other legal documents; and providing a legal opinion that the securities are exempt from federal, state, and local income taxes.

Financial Advisor - Financial advisors assist a municipality in determining the size of a bond issue, the bond's maturity, and the security pledged for payment of the debt. They also may assist the issuer in determining the best method of selling the bond. A financial advisor may take on some or all of the following responsibilities:

- evaluating funding alternatives
- evaluating the fairness of a bond's pricing, terms, and ratings
- reviewing proposals submitted by underwriters
- designing the bond structure
- determining the most advantageous time to sell the bonds
- evaluating bids in a competitive sale
- overseeing pricing and ordering activity in a negotiated sale
- closing the transaction

A financial advisor may be independent, or may be from a firm that bids on an issuer's bonds. In the latter case, the Municipal Securities Rulemaking Board requires that a paid financial advisor resign before the actual bond sale, and obtain the municipality's permission to bid on the bonds.

Paying Agent - The paying agent is responsible for transmitting payments of interest and principal from an issuer, such as a city, to the bondholders. The paying agent (frequently a bank), also may provide other services, such as reconciling the securities and coupons paid, and destroying paid securities and coupons.

Special Bond Counsel - Municipalities are responsible for protecting their own legal interest in a bond transaction. This function may be performed by an outside attorney with the title of special bond counsel, or may be performed by a municipality's own legal staff if they have sufficient familiarity with bonds.

Trustee - A trustee is a financial institution with trust powers acting in a fiduciary capacity for the benefit of the bondholders. Trustees protect the interest of the bondholders by monitoring the issuer's compliance with security provisions in bond documents.

Underwriter - The primary function of the underwriter is to purchase bonds from the issuer and sell—or remarket—them to investors. The underwriter may acquire the securities either by winning a competitive bid, or through negotiation with the issuer. In both competitive and negotiated sales, underwriters may join together and form a syndicate, consisting of a senior managing underwriter and several co-managers, to buy the bonds. By forming syndicates, underwriters spread the risk of selling an issuer's bonds and ensure broad market distribution. In a negotiated sale, the senior manager will be responsible for coordinating information between the issuer and other members of the finance team, coordinating meetings and document review, overseeing the development of presentations to rating agencies and application for insurance, and pre-marketing the bonds.

In a negotiated sale, the underwriter and the municipality work together on bond-preparation activities, and the underwriter can pre-market the bonds, which increases the likelihood they will be sold quickly. Negotiated sales are more flexible than competitive, in that the sale date, the interest rate, and the structure of the bond can be changed to take advantage of market conditions. Negotiated sales are most appropriate when the bond is unusual or complex, when it is very large or very small, when the bond market is particularly volatile, or when the bond may be difficult to market because of events associated with either the municipality or the project, such as litigation.

From 1983 to 1993, Kansas City, Wyandotte County, And the Board of Public Utilities Issued or Refinanced More Than $3 Billion in Debt

The City issued by far the largest amount of debt—$2.3 billion. That debt includes more than $1.7 billion in private activity bonds the City issued on behalf of other entities. For these private activity bonds, the entities that borrowed the money are responsible—either directly or indirectly—for repaying this debt. The Board of Public Utilities issued just over $485 million in debt, while the County had only 30 bond issues and temporary notes that totaled about $134 million over the same 10-year period. The number and amount of bonds issued, and the costs of issuing those bonds as detailed in bond transcripts and files at the City and County, are presented in the table on the following page.

Specific issues related to the costs of these bonds and temporary notes are discussed in detail in later sections of this report. It should be noted that all bonds for the Board of Public Utilities have been issued through the City Finance Department using the same procedures the City uses to issue its own bonds. Unless specifically stated otherwise, throughout the remainder of this report bonds issued by the Board of Public Utilities are included with other bonds issued by the City.

Summary of Public Debt Issued
In the Kansas City Area
1983-1993

	# of Bonds	Amount of Bonds	Cost of Issuing Bonds	Average Cost Per $1,000
KANSAS CITY				
General Obligation Bonds	21	$ 343,352,981	$ 5,839,741	$17.18 (a)
Revenue Bonds	6	34,084,219	1,247,785	36.61
Temporary Notes	248	279,539,497	1,331,132	4.77 (a)
Certificate of Participation	1	1,039,000	53,961	51.94
Subtotal/Avg.	276	$658,015,697	$8,472,619	$12.95
Private Activity Bonds *(repaid by the recipient or other special funds)*				
Multi-Family Housing	10	$ 43,779,228	$ 1,068,089 (b)	$29.04 (b)
Mortgage Revenue	13	352,045,000	4,352,600 (b)	17.21 (b)
Industrial Revenue	92	1,332,689,706	7,910,433 (b)	20.55 (b)
Subtotal/Avg.	115	$1,728,513,934	$13,331,122	$19.76 (b)
Total—Kansas City	391	$2,386,529,631	$21,803,741	
BOARD OF PUBLIC UTILITIES				
Revenue Bonds	7	$ 485,333,810	$ 12,239,151	$25.22
WYANDOTTE COUNTY				
General Obligation Bonds	4	$ 59,595,750	$ 935,825	$ 15.70
Temporary Notes	25	22,260,000	219,435	12.71 (c)
Certificate of Participation	1	52,505,000	459,924	8.76
Total/Avg—Wyandotte	30	$ 134,360,750	$ 1,615,184	$12.49
Grand Total	428	$3,006,224,191	$35,928,076	

(a) The cost-of-issuance information for a $3.4 million general obligation bond and a $277,000 temporary note was not available. Both items were excluded from calculating the cost and average cost of issuance.

(b) Complete cost-of-issuance information for many of these bonds was not available. Information was available for $384.9 million in industrial development bonds, $259.9 million in mortgage revenue bonds, and $36.8 million in multi-family housing bonds. Many times the only costs of issuance available were estimates of actual costs, and did not include any fees paid by the enterprises issuing the bonds. In calculating the cost and average cost of issuance for each category, we excluded all bonds without cost information.

(c) The cost of issuing one $5 million temporary note is not included here because it was included in the cost of the certificate of participation on the same project.

When Issuing Bonds, Have Wyandotte County, Kansas City, and the Board of Public Utilities Followed All Laws Applicable to the Selection of Bond Professionals?

Only one State law addresses the selection of bond professionals, and it requires a competitive sale for most newly issued general obligation bonds. Over the past 10 years, both Kansas City and Wyandotte County have followed this law when issuing bonds. Although the law provides only limited guidance for the selection of bond professionals, industry literature and bond experts we contacted suggested a number of good business practices that should help to ensure the selection of competent professionals at the lowest cost to the municipalities. These include hiring an independent financial advisor, and obtaining bids for bond counsel services and underwriter services for negotiated bond sales. Neither Kansas City nor Wyandotte County consistently followed these practices. Some Kansas cities we contacted followed these practices more often than Kansas City or Wyandotte County, but others did not. These and related findings are discussed in the sections that follow.

Only One State Law Addresses the Selection of Bond Professionals, And Both Kansas City and Wyandotte County Have Followed It

To determine what laws apply to the selection of bond professionals, we reviewed applicable State statutes, and contacted representatives from the Revisor of Statutes Office and the Attorney General's Office. We also contacted other people knowledgeable about municipal bonds, such as representatives from the Kansas Development Finance Authority, the League of Kansas Municipalities, the Government Finance Officers Association, the Municipal Securities Rulemaking Board, the Public Securities Association, and the National Conference of State Legislatures. We found that State laws generally do not address how bond professionals—such as bond counsel and underwriters—should be selected when cities and counties issue municipal bonds.

K.S.A.10-106 is the only State law that addresses the selection of these professionals. It requires municipalities to use an open and competitive process for selecting bond underwriters for all newly issued general obligation bonds. The law applies only to underwriters, and does not address other professionals such as bond counsel and financial advisors. Certain types of bonds are exempt from the requirement for a competitive sale. For example, general obligation bonds that are being refinanced, revenue bonds, and bonds with a total amount of $100,000 or less may be sold under either a competitive or a negotiated process.

During the past 10 years, Kansas City had 17 newly issued general obligation bonds, and Wyandotte County had 2 such issues. To determine whether the City and the County complied with State law, we reviewed the bids received for a sample of 13 of these bonds (11 for the City and 2 for the County).

In each case we examined, both the City and the County held a competitive sale for each bond, as required, and sold the bond to the bidder who offered the lowest cost.

Kansas City and Wyandotte County Have Not Consistently Followed a Number of Good Business Practices That Industry Experts Suggest Should Be In Place

Bond literature we reviewed and knowledgeable professionals we contacted during the audit suggested a number of good business practices that municipalities should follow when contracting with bond professionals. Several of the more frequently mentioned practices are as follows:

- municipalities should have an independent financial advisor
- municipalities should periodically send out requests for qualifications and bids for bond counsel services
- municipalities should use requests for proposals for underwriting services, even on negotiated bond sales
- municipalities should use "true interest costs," rather than "net interest cost," when determining the lowest bidder in a competitive sale

Because State law generally places few restrictions on how municipalities acquire the services of bond professionals, we looked at what controls the City and County had established locally to ensure that these services were acquired at the lowest cost to the taxpayers. Specifically, we looked to see if City and County officials were following the practices outlined above. If not, they cannot be sure they are acquiring bond services at the least cost to taxpayers.

We found that the County does not have any ordinances, resolutions, or official policies that address the selection of bond principals. The City passed a policy in 1983 requiring competitive selection of bond counsel, consultants, and the like. However, it opted to "grandfather" the long-standing relationship with its bond counsel, special bond counsel, and underwriters. In sum, neither municipality consistently applies the suggested practices for selecting bond professionals.

Neither the City nor the County has employed an independent financial advisor on a regular basis. A financial advisor's responsibility is to recommend a financing structure that will allow the municipality to sell a bond at the lowest interest rate, or in a way that is most consistent with its financial needs. For example, a bond can be structured so that portions of the principal mature at different intervals and at different interest rates. It also can be structured to allow the municipality to make interest payments throughout the bond's life, and principal payments only at the end.

In a competitive sale, a financial advisor might help the municipality structure the bond issue and meet with bond-rating agencies. In addition, in a negotiated sale the advisor may perform an independent market survey just before the sale to see if the interest rates proposed by the underwriter are appropriate, and indicates whether the underwriter's and bond counsel's fee appears to be reasonable in light of market conditions. The role of the financial advisor is to look out for the municipality's best interest.

City officials told us they rely for financial advice on a member of an investment banking firm that underwrites bonds for the City. The advisor is not under contract to the City, but is "on call" to the City, and provides services at no charge. This arrangement, however, cannot provide the City with an independent financial advisor as described above.

The Municipal Securities Rulemaking Board, the self-regulated rulemaking organization for municipal securities dealers, has advised that it generally is not in a municipality's best interest to enter into a financial advisory relationship with a firm that intends to underwrite its bonds. The Board notes that a conflict of interest exists when a professional acts as both financial advisor and purchaser of the bond in a negotiated sale. The conflict exists because the professional's goal as a financial advisor is to make sure the municipality gets the best structure and the lowest interest rate feasible on its bond, but his or her goal as a purchaser is to buy bonds that pay a high interest rate, because they will be easier to sell to the public and can maximize an underwriter's profits. As noted above, the financial advisor also is the person who advises the municipality on the reasonableness of the interest rates on its bonds.

Because the City did not have a contractual relationship with its financial advisor, it is not in violation of this securities rule. This arrangement, however, clearly does not provide the City with independent financial advisory services. City officials supplied us with a final draft copy of a request-for-proposal for independent financial advisory services they said they intended to issue before the end of October 1993.

The County employed an independent financial advisor for two of its five issues—1987 certificates of participation for initial construction of the new County jail, and a 1989 bond that refunded an existing jail bond. In both cases, the financial advisors were not affiliated with the firms subsequently chosen to underwrite the bonds.

Neither the City nor the County periodically solicits bids for bond counsel services. A bond counsel is an independent expert who provides an objective legal opinion concerning the validity, security, and tax status of bonds issued by municipalities. The role of the bond counsel is to ensure that the structure of the bond complies with all federal and State laws, and to determine whether interest paid on a bond is exempt from federal taxation. The bond counsel safeguards the interests of the eventual bondholders by ensuring that municipalities conform with all accepted practices.

Bond literature and knowledgeable professionals we spoke with identified many reasons why a municipality would benefit from having an ongoing relationship with a bond counsel, rather than selecting a new counsel for each issue. They indicated that, in an ongoing relationship, the bond counsel can help with the early planning and structuring of the bond, is familiar with the municipality's needs and restrictions, is available between issues, and provides continuity in the financial planning and management of the municipality.

The literature and bond professionals also indicated, however, that even when municipal officials are satisfied with their bond counsel they should check periodically to determine whether the fees they are paying are reasonable. By sending out a request-for-proposal for bond counsel services every few years, a municipality receives the advantages of an ongoing relationship with bond counsel, while at the same time assuring that it pays reasonable fees for quality services. Based on the responses it receives, a municipality might decide to select a new bond counsel, renegotiate fees with its existing bond counsel, or make no changes.

Both the City and the County have had an ongoing relationship with a single bond counsel—Mr. Norman Gaar, a long-time Kansas City bond attorney. (On two bond issues the County contracted with a different bond counsel, but on its most recent issue, it rehired Mr. Gaar's firm just before the bond was issued.) Officials of both the City and the County point to the consistency, experience, and high quality of service provided by their bond counsel. In addition, City officials stated that their bond counsel is a member of a nationally recognized bond firm in Kansas City, Kansas, that his reputation saves them money on ratings and insurance, and that his name improves the sale of their bonds.

In reviewing the Fall 1992 Bond Buyer's Municipal Marketplace Directory, we noted that nine law firms in the Kansas City metropolitan area are qualified to provide legal opinions on bonds. We also talked with an official at Moody's, who told us that the rating and salability of a bond generally are not affected by the name of the individual attorney providing the legal opinion. The official said that Moody's generally considers any firm listed in the Directory as acceptable for providing legal opinions on bonds.

City officials said that before they appointed their current bond counsel in the late 1970s, they obtained fee quotes from a number of firms. The City has not issued a request-for-proposals or obtained fee quotes for bond counsel services since that time. Although City officials told us that they periodically call other bond counsel to check fees, they do not maintain any documentation of those calls.

County officials indicated they have not issued a request-for-proposals or obtained fee quotes from other firms because a very limited number of attorneys in the area are trained as bond counsel.

Both the City and the County also employed the same special bond counsel—Mr. Jack Steineger, also a long-time Kansas City attorney—and had an ongoing relationship with him until he retired from private practice in 1990. The City originally hired the special counsel to look after the City's interests when private activity bonds were issued, although he later worked on general obligation bonds as well. According to City officials, since his retirement these duties have been taken over by the City Attorney's Office, and some follow-up work has been assumed by the City's bond counsel.

County officials said the special bond counsel worked for them on an "as-needed" basis. They said the bond counsel notified them when a special bond counsel was needed. In addition, the County placed the special bond counsel on retainer for approximately one year before he retired, to act as a consultant on bond matters.

The County generally solicited proposals from more than one underwriter when completing a negotiated bond sale, but the City did not. As described in the overview, municipal bonds are sold either by competitive or negotiated sale. In a competitive sale, a municipality issues a "notice of bond sale" that describes the bonds and requests bids. Usually the firm that submits the lowest bid is allowed to sell the bonds. In a negotiated sale, a specific underwriter is selected before the bond sale occurs, and the municipality negotiates the underwriter's fee.

The bond literature indicates that proposals should be solicited from several underwriters—even on negotiated sales—to help ensure that the municipality is able to sell its bonds at the least cost to the taxpayers.

On two of their three negotiated bond sales, County officials solicited either requests-for-proposals or requests-for-qualifications from multiple underwriters. On the third negotiated issue, a 1993 bond that refunded a previous bond of the Sandstone Amphitheater, officials indicated that an underwriter was selected directly, without soliciting proposals, in order to save time. They said the bankruptcy of the Sandstone theater in 1992, as well as advantageous interest rates, made it necessary to act quickly. See the box on page 13 for related information.

City officials have not used a request-for-proposal on any of their negotiated bond sales, but said they checked with other underwriters and other cities to see if the fees proposed by the underwriter were reasonable. City officials also said that many of their early negotiated bond sales came about after underwriters approached them with innovative proposals for refinancing existing bonds. In these cases, they worked with the underwriter who made the initial proposal. Our review showed that the City has used two different firms to act as lead underwriter for all its negotiated general obligation and revenue bonds between 1983 and 1992.

Other Kansas Cities We Contacted Use a Variety of Practices in Selecting Bond Professionals

We talked with city officials in Emporia, Olathe, Salina, Topeka, and Wichita to find out what procedures they used to select financial advisors, bond counsel, and underwriters. In general, we found as many differences as similarities between the cities in how they select bond professionals.

Three of the cities—Olathe, Topeka, and Wichita—rely on independent financial advisors. In Olathe and Wichita, the advisors are selected after a request-for-proposals, either on a bond-by-bond basis, or for a specified length of time. Topeka has had a longstanding arrangement with a single financial advisor. In each case, the financial advisor's firm cannot be involved with underwriting the cities' bonds. Wichita officials said they recently had added staff to increase their in-house bond expertise, and in the future would contract for financial advisory services only for particularly complex bonds.

Salina is most similar to Kansas City, in that the firm that serves as its financial advisor automatically underwrites Salina's negotiated bonds. However, Salina selected its financial advisor for a five-year period based on a request-for-proposals. Emporia generally does not use a financial advisor.

The cities we contacted select their bond underwriters in a variety of ways. Olathe sells all bonds and temporary notes by competitive bid. Officials in Salina, Topeka, and Wichita said nearly all their bonds and notes are sold by competitive bid, but for the few that are negotiated, Salina uses its financial advisor's firm to underwrite the bonds, while Wichita and Topeka send out requests for proposals. In Emporia, a small pool of underwriters was selected based on a request-for-proposals in 1989, and bids are taken within the pool for each bond.

Bonds for the Sandstone Amphitheater Have Been Controversial and Costly for County Taxpayers

Sandstone Amphitheater is an outdoor entertainment facility built on land owned by Wyandotte County. In 1987, the owners wanted to make capital improvements to increase attendance and revenues at the facility. In 1988, the Wyandotte County Commission passed a resolution of intent to issue general obligation bonds for those capital improvements, and immediately issued $4.7 million in temporary notes. The note proceeds were loaned to the new owners, WES Kansas, to begin construction. In May 1990, a general obligation bond for $5.0 million was issued to retire the temporary notes. WES Kansas entered into a lease agreement with the County to repay its loan. The terms of the lease indicated that, should WES Kansas default on its payments, the Sandstone facility would revert to the County.

Often, when municipalities assist revenue-producing facilities such as airports and hospitals in obtaining long-term debt financing, they do so by issuing revenue bonds for the facility. In these cases, the bond is secured by income from the facility. In contrast, under a general obligation bond, the municipality backs the bond with its full taxing power. According to the County's bond counsel, underwriters advised the County Commission that bonds for Sandstone would be unsaleable without the backing of the County's taxing authority. The 1988 resolution authorizing general obligation bonds for Sandstone cited the economic benefit to the County of subsidizing the business, but subsequent Commissioners questioned the wisdom of requiring taxpayers to back this bond.

Although Sandstone had an initial increase in attendance and revenues under the new ownership, by 1991 it experienced a significant decline. In January 1992, the owners were late making their lease payments to the County. In late April, Commissioners were notified that WES Kansas had defaulted on the lease, and on April 22, 1992, the company filed for Chapter 11 bankruptcy. To prevent default of the bond, the County was required to take over payments. As part of its bankruptcy plan, WES Kansas proposed to continue entertainment events at Sandstone. However it was unable to do so, and the Court allowed the County to terminate the lease.

In December 1992, the County entered into a lease with another company to operate Sandstone. The County is now responsible for making the bond repayments, although it is expected that revenues from the new lease will be sufficient to cover the payments. In 1993, the Sandstone bond was refinanced to take advantage of lower inerest rates.

Cities also select bond counsel in a variety of ways. Olathe and Wichita use a request-for-proposals, and contract with bond counsel for a two-to-three year period. Salina and Topeka each have had a longstanding agreement with their bond counsel. Emporia contracts for bond counsel on a bond-by-bond basis, but is considering moving to an ongoing relationship with a bond counsel based on a review of proposals.

How Do the Costs of Bonds Issued Since 1983 by These Municipalities Compare With Costs of Similar Bond Issues In Other Municipalities?

We found that the current data available has significant limitations for making meaningful comparisons of individual bonds' issuance costs. For the bonds we could compare, the data were inconclusive; Kansas City's underwriter costs were lower in relation to the comparison bonds just about as often as they were higher. Other Kansas cities that select bond counsel competitively appeared to pay significantly lower fees than Kansas City, but the way that fee schedules are structured makes it difficult to tell. An analysis of 10 of the 15 negotiated general obligation and revenue bonds issued between 1983 and 1992 showed that Kansas City had paid higher-than-market interest rates on many of these bonds. Having interest rates set higher than necessary for these bonds may have cost the City--and ultimately the taxpayers--more than $2 million. Finally, we found that the way the City structures its bonds has also resulted in potentially significant unnecessary interest costs. These and related findings are discussed in more detail in the sections that follow.

For Our Comparisons, We Tried To Identify Bonds That Were Similar to the Kansas City and Wyandotte County Bonds in Terms of Type and Amount, But There Are Serious Limitations In the Data Available for Other States

For our review, we selected a sample of 148 (35 percent) of the 428 bonds and temporary notes issued by Kansas City and Wyandotte County over the past 10 years. We wanted to compare the cost of issuing these bonds with the cost of bonds issued by other municipalities in Kansas, Missouri, Nebraska, Oklahoma, and Iowa. Most bond experts we talked to, and current bond literature we reviewed, suggested looking at the "gross spread" on the bonds. Gross spread primarily represents the moneys received by the underwriter.

To identify comparison bonds in these other cities and states, we contracted with Securities Data Company—a widely recognized New Jersey firm that compiles detailed information on municipal debt offerings throughout the country, including information on underwriters' costs. (The firm is the best source available for obtaining the cost of issuing bonds throughout the country. Although this information is not audited, Securities Data officials said they obtained it from official bond documents and from telephone calls to municipal bond issuers and underwriters. See the profile on the next page for more information on the Company.)

We asked Securities Data Company to provide us with detailed information on bonds issued in the five-state area between 1983 and 1992, with face amounts similar to our sample of Kansas City and Wyandotte County bonds. For temporary notes in our sample, we asked Securities Data Company to identify comparison temporary notes only among other Kansas cities and counties.

Securities Data Company

During this audit, numerous bond professionals told us that Securities Data Company of Newark, New Jersey was the only source for information about bonds that would be comparable to the Kansas City and Wyandotte County bonds in our sample. Founded in 1980, Securities Data compiles information on municipal bonds—including some issuance costs—from official bond documents, as well as from bond underwriters or trustees. Such information is provided to underwriters, bond counsel, financial advisors, and business newspapers such as *The Wall Street Journal* and *The Bond Buyer.*

Company officials report that they maintain an on-line database with more than 150 data items on over 100,000 municipal bonds and temporary notes dating back to 1980, as well as a library with more than 60,000 official statements of new bond issues.

Although Securities Data Company was able to help us match-up bonds with our sample, it did not have the cost of issuing many of these bonds.

Securities Data originally provided us with information on 1,701 bonds and notes in the five-state region that were broadly similar in size and type to the bonds and notes in our sample. As bond experts advised us, we then narrowed this comparison pool to bonds that were issued within one year before or after the bonds in our sample.

We also had to exclude bonds in the Securities Data pool that did not include any issuance costs. A number of these were industrial revenue bonds, whose costs are paid for by the businesses that receive the money and are not reported to Securities Data. (Issues related to industrial revenue bonds in Kansas City are discussed in the profile on the next page.) For many other bonds, Securities Data simply did not have cost information in its database. Of the original group of bonds sent to us by Securities Data, 41 percent had cost information. When we could obtain issuance-cost information for other Kansas bonds from the State Treasurer's Office, we did so.

In all, however, we were left with only 31 of our original sample bonds and notes for which two or more comparison bonds—with cost data—were available. This was far fewer bonds than we had hoped for.

During this audit, we performed numerous analyses and comparisons for the remaining bonds in our sample. At each stage, the limitations of the Securities Data information for making meaningful comparisons became more and more apparent. The major limitations are summarized below:

- *The bond-issuance cost information that Securities Data reported included only the underwriters' costs.* A number of other issuance costs—such as bond counsel fees, trustee fees, printing costs, accountants' fees, bond insurance and rating fees, and registration fees—are not included in the database. Thus, the issuance cost information available does not represent the total cost of issuing the bonds or notes.

- *When we compared Securities Data's reported costs for Kansas City's and other Kansas bonds with actual issuance costs we gathered, we found that Securities Data's costs were not always accurate.* Whenever we became aware of errors in the data we made adjustments to correct them. However, Securities Data officials told us the costs they show are not audited and therefore we cannot be completely sure of their accuracy.

- *Although we initially made comparisons on both competitively bid and negotiated bond issues, we concluded that comparisons for competitively issued bonds were not valid because we could not get complete information on underwriters' costs for all the bonds in our sample.* For some bonds, it was obvious from the information reported that some or all of the bond underwriter costs had been paid up-front through an underwriter's fee. For other bonds, however, the underwriter costs were not paid up front. When underwriters don't charge municipalities discount fees, they make their money by selling bonds at a slightly higher-than-market interest rate. The underwriter usually receives a premium from the bond buyer (an amount greater than the face value of the bond) for selling such bonds, and the municipality's costs are "buried" in the higher interest rate it must pay over the life of the bond. In those instances where Securities Data Company had underwriter fee information, it included both sources of underwriter compensation. In those instances where Securities Data Company was missing this information for competitive bonds, we were unable to obtain it from other sources. (This was not a problem for competitively issued temporary notes because we gathered total cost information from the State Treasurer's Office.)

Attorney Fees for Industrial Revenue Bonds Have Been A Source of Controversy

INDUSTRIAL REVENUE bonds are handled differently than other City-issued bonds. The costs of issuance are paid by the company that receives the bond proceeds, and frequently are paid from a combination of bond proceeds and other company funds. Determining the actual cost of issuance for these bonds is extremely difficult, because City records show only the expenses that were paid from bond proceeds.

To find out more about private companies' experience with issuing industrial revenue bonds, we sent surveys to 55 companies that were granted authority to issue those types of bonds between 1983 and 1993. We received 20 responses, a response rate of only 36 percent. The response rate may have been low because most of these bonds were issued before 1986.

GENERALLY THE FIRMS that responded were satisfied with the bond counsel and underwriters they dealt with in issuing the bonds. They reported that the costs of issuing the bonds averaged 3.5 percent of the value of the bonds, but ranged from one percent to 12 percent. About half the respondents said that, overall, the costs were about what they expected to pay, and about 25 percent of the respondents reported that they thought the attorney fees were unreasonable.

When we reviewed the City's files for industrial revenue bonds, we also found extensive correspondence between officials of General Motors Corporation and the City concerning bond counsel fees. The City issued $1.1 billion in industrial revenue bonds for General Motors in 1986 and 1987 to finance construction of a new automobile assembly factory in the Fairfax district.

City officials required all companies receiving industrial revenue bonds to retain the legal services of the City's bond attorney and its special bond counsel, rather than select their own attorney. Their rationale was that the City chose to develop a long-term relationship with its bond attorneys, which would not end with a particular issue, and that those attorneys' advice and consultative services would always be available to the City at no cost. In our interviews with bond officials in other cities in Kansas, we found that these cities all allowed industrial revenue bond recipients to select their own bond attorneys.

Officials of General Motors strongly protested the fees Kansas City bond counsel proposed charging, and obtained fee quotes from 10 nationally recognized law firms. Based on these quotes, GM offered the City's bond atorneys a combined fee of $200,000 (which was near the top of the range cited in the quotes they received). Eventually, Kansas City bond counsel fees were negotiated to $590,000, which according to file correspondence was considerably lower than the attorney's contract with the City provided.

CITY OFFICIALS INDICATED in a letter to General Motors that before selecting its bond attorneys in 1979, the City obtained fee quotes from a number of reliable bond counsel, and checked the competitiveness of these quotes. Although City officials have stated they periodically obtain fee quotes to check the bond counsel's fees, they do not maintain documentation of these fee quotes.

These and other limitations further eroded the pool of bonds that we could use and report on. Ultimately, for example, we did not have comparable bonds to use in comparing the three bonds Wyandotte County has issued through a negotiated process. Although we made every effort to ensure that we made the most accurate comparisons of issuance costs possible for the relatively few bonds that remained in our sample, we think that the results of our analyses in this area should be viewed with some caution, and should be viewed only as indicators of relative cost relationships.

For Bonds That Were Issued by Negotiated Sale During the Past 10 Years, Kansas City's Bond Issuance Costs Were Lower Than Other Bonds About as Often as They Were Higher

The underwriter costs for the Kansas City and Wyandotte County bonds in our sample ranged from $7.06 to $29.95 per $1,000 of bond issued. For the comparison bonds, the underwriter costs ranged from $5.00 to $48.26 per $1,000. (A complete listing of the comparison bonds for each Kansas City bond is listed in Appendix A.)

As noted earlier, to compare bond issuance costs we grouped bonds by type, dollar amount (no more than 20 percent larger or smaller than the bond in our sample), and date of issue (issued no more than one year earlier or later than the bond in our sample). We then compared each Kansas City bond to every other bond in its comparison group. The size of the comparison groups ranged from 2 to 22.

In determining whether the City's bond issuance costs were higher or lower than the issuance costs for its comparison bonds, we did not make just straight dollar comparisons. Bond experts advised us that a number of major factors could very legitimately increase or decrease issuance costs. These included the number of years until the bond matured, how the bond was rated, and whether the bond was issued competitively or by negotiated sale.

For example, bond experts told us you would expect that a bond with a longer maturity and a lower bond rating would have higher issuance costs than a shorter-maturity bond with a higher bond rating, all other things being equal. The reason: longer maturities and lower bond ratings tend to make bonds harder for underwriters to sell. (Unfortunately, for bonds whose issuance costs seem to be <u>legitimately</u> higher or lower than their counterparts, there is no consistent way to determine whether the <u>amount</u> of the difference is justified. The box on the next page explains these factors and how they affect bond costs.)

In making our comparisons, then, we did not count a City bond as higher than other comparison bonds <u>unless it was higher than you would expect, given all the factors that could influence bond-issuance costs, compared to at least half of the other bonds in its comparison group</u>. Although this approach is conservative, we think that it was the best approach to take with the information we had available. The table on page 20 shows the results of these comparisons.

Many Factors Can Affect the Cost of Issuing Bonds

Bond professionals told us that a number of factors can influence the up-front costs of issuing municipal bonds. Some of the more significant factors are described below.

- **The date the bonds are issued**—If all other factors are the same, bonds issued during the same time period, or at least within the same year, should have fairly similar costs of issuance. Costs for bond professionals' services have declined during the past 10 years. As a result, identical bonds issued several years apart most likely will have different costs.

- **The amount of the bond issue**—If all other factors are the same, a \$5 million bond issue generally should have higher costs per \$1,000 of bonds issued than a \$20 million issue, because there is a certain level of costs associated with any bond issue. An increase in the size of the issue will not necessarily cause a proportional increase in the total cost of issuing the bonds.

- **The type of bonds being issued**—For example, if all other factors are the same, general obligation bonds should be easier to sell and have a lower cost of issuance than revenue bonds, because the general obligation bonds are backed by the general taxing authority of the municipality that issues the bonds. Revenue bonds, such as hospital revenue bonds, are backed by the credit-worthiness of the revenue-producing business.

- **The maturity date of the bonds**—If all other factors are the same, bonds that mature in five years should be easier to sell and should have lower issuance costs than bonds that mature 20 years in the future, because buyers of the bonds view the shorter-term bonds as less risky and therefore more desirable.

- **The rating placed on the bonds**—Both Moody's and Standard and Poor's rate the investment quality of municipal bonds. If all other factors are the same, a bond issue that receives a high rating (AA or AAA) from one of these bond-rating agencies should be easier to sell and have lower issuance costs than a bond that receives a lower rating (A or B). Municipal bonds don't have to be rated. But because bank regulations allow banks to invest only in municipal bonds rated A, AA, or AAA, it is desirable for municipalities to get bond ratings.

- **Whether the bonds are sold through competitive or negotiated sale**—Before 1990, bonds that were sold by competitive sale tended to have lower issuance costs than bonds that were sold by negotiated sale. According to bond literature, however, since 1990 the cost of negotiated bond sales has declined to the point where the cost of both types is similar.

Comparison of Issuance Costs for Kansas City, Wyandotte County, and a Sample of Bonds from Kansas and Other States

Name and Ranking	Date	Amount (in mill.)	Underwriter's Cost per $1,000	No. of Comparisons	Cost Range of Comparisons (per $1,000)
Kansas City Negotiated Bonds					
Higher than Expected					
Public Building Revenue	Feb-84	$ 6.02	$25.00	3	15.50 to 27.25
Sewer Sys. Rev. Refunding	May-84	5.43	29.95	2	15.50 to 23.50
Single Family MRB	Oct-85	22.92	25.00	3	13.78 to 27.50
GNMA Collater. Mortg.	Sep-88	25.00	23.51	22	9.25 to 24.19
Refunding Improvement Bonds	Aug-91	25.36	16.90	2	6.60 to 14.00
Sewer Sys. Rev. Refunding	Aug-91	3.60	13.56	7	5.00 to 48.26
Lower than Expected					
Single Family MRB	Oct-84	$34.00	$23.00	3	20.54 to 27.50
Refunding Bond	Jul-86	30.58	12.93	2	20.00 to 20.21
Utility System Refunding Bond	Jul-86	32.91	10.50	4	19.91 to 24.88
GNMA Collateralized Mortgage	May-88	25.00	10.39	22	9.25 to 24.19
Single Family MRB	Jun-91	40.00	7.06	6	6.65 to 20.00

Name and Ranking	Date	Amount (in mill.)	Total Expenses per $1,000	No. of Comparisons	Cost Range of Comparisons (per $1,000)
Kansas City Temporary Notes					
Higher than Expected					
Leo Alvey Park Development	Dec-87	$0.23	$11.26	5	6.70 to 60.00
52nd Terrace & Lakewood	Aug-91	0.33	7.59	5	2.50 to 10.05
52nd Terrace & Lakewood	Oct-89	0.41	5.61	5	3.44 to 12.16
52nd Terrace & Lakewood	Sep-90	0.41	6.98	8	2.50 to 25.83
1988 Concrete Street Repair	Oct-88	0.45	5.00	7	2.99 to 12.16
Grinding & Overlay	Nov-88	0.56	15.23	9	2.99 to 12.16
Parallel Parkway Rehabilitation	Feb-93	0.78	7.72	3	2.28 to 8.05
Public Parking Facility	Jun-92	1.93	9.20	3	1.25 to 13.19
Lower than Expected					
Exterior Renov.-Fire Station	Mar-90	$0.12	$13.68	4	5.91 to 61.34
Palavista Redevelopment	Jul-92	0.13	5.59	4	15.00 to 37.48
55th Street Viaduct Rehab.	Feb-89	0.27	7.09	7	2.50 to 50.59
Quindaro Blvd. St. Improve.	May-88	0.75	6.47	3	2.96 to 7.52
7th Street Viaduct Improve.	Mar-92	0.84	2.26	4	2.28 to 8.05
Goddard Avenue Viaduct	Apr-91	2.12	6.76	2	7.04 to 10.10

Kansas City has had 15 general obligation and revenue bond issues in the past 10 years that were sold through a negotiated process. We were able to compare a total of 13 of those bond issues. As the table shows, six of the City's negotiated bond issues had underwriter costs that were higher than you would expect, while five City bonds had underwriter costs that were lower than you would expect. The remaining two issues, which are not shown in the table, had costs that were either higher or lower than the comparison bonds, but for explainable reasons.

Finally, the table shows that for the 18 temporary notes for which we had comparison notes, Kansas City's total costs were higher than expected eight times and lower than expected six times. For the remaining four notes, the costs varied as we would have expected in relation to the comparison notes. It should be pointed out that all of these temporary notes were issued by competitive sale. Our testwork showed that when the City issued a bond on a competitive basis, it always accepted the lowest bid. In essence, then, the City received the lowest interest rate the competitive market place would bear on those notes.

We did not find any particular pattern to the bonds and notes that had higher-than-expected issuance costs. Those particular bonds ranged in size from \$3.6 million to \$25.4 million, with an average size of about \$15 million. The temporary notes ranged in size from \$231,000 to \$1.9 million, with an average size of about \$638,000. Neither the bonds nor the notes were issued during any particular time period.

We asked City officials about the bonds and temporary notes for which their costs appeared to be higher-than-expected. For these bonds, City officials reported several reasons:

- For bonds that were refunded before the 1987 changes in federal tax law, all costs of issuance could be recovered through higher yields on the bonds. Because of this, there was no incentive to keep costs of issuance low.

- Some of the City's bonds are entirely or partially made up of zero-coupon bonds, which have a higher cost of issuance

- One mortgage revenue bond issue had to be marketed several times; the City was unable to start originating mortgages with the money available because interest rates had dropped.

- For bonds issued as part of a series, issuance costs for the series may have been "loaded" onto one of the bonds

For nearly all the temporary notes where the cost was higher than expected, City officials said this was because they had paid the City's bond attorney to perform legal work required for the project itself (for example, land acquisition for street projects or additional legal work on "problem" projects), and had counted these costs as part of the issuance costs.

Bond Attorney Costs In Kansas City May Be Higher Than In Some Other Kansas Cities, But the Way that Fee Schedules Are Developed and Records Are Kept Makes It Difficult To Tell

During the audit we gathered fee schedules and talked with officials from Kansas City, Olathe, Topeka, and Wichita. A summary of the fee schedules each of those Cities provided to us is shown in the table on the top of the next page.

Comparison of Bond Counsel Fees in Selected Kansas Municipalities

	Non-Competitive Process		Competitive Process	
Type of Bond	**Kansas City**	**Topeka**	**Olathe**	**Wichita**
General Obligation Bonds				
$250,000	$1,150	$1,150	$575	$125
$1 million	2,900	2,900	1,350	500
$5 million	8,400	8,400	4,350	2,500
$10 million	12,150	12,150	6,850	4,750
$25 million	19,650	19,650	14,350	10,750
$50 million	32,150	32,150	26,850	20,750
Revenue Bonds				
$250,000	1,450	1,450	575	250
$1 million	3,950	3,950	1,350	1,000
$5 million	11,950	11,950	4,350	5,000
$10 million	16,950	16,950	6,850	10,000
$25 million	28,200	28,200	14,350	20,500
$50 million	46,950	46,950	26,850	38,000
Temporary Notes				
$100,000	300	150	150	15
$500,000	500	500	325	75
$1 million	1,000	1,000	650	150
$2 million	2,000	2,000	1,300	300

Based on a comparison of these fee schedules, it appears that Topeka and Kansas City, which do not competitively bid their bond counsel services, pay higher fees that Olathe and Wichita that do periodically use a competitive bidding process.

Kansas City's bond counsel told us that a comparison of fee schedules for bond counsel does not provide a true comparison of costs because of varying levels of service that may be built into the fee schedule. For example, he told us that Kansas City relies very heavily on bond counsel to draft many documents and perform other work involved with bond issuances that other cities may do internally with city legal staff. He also told us that he advised the City on methods of financing, helped determine the structure of the bond, and helped in planning the best time to market the bonds. Accordingly, those costs are included in Kansas City's fee schedule and may not be in the fee schedules of other cities. He also told us that certain legal work that would be more appropriately assigned as project legal costs rather than bond issuance costs have been billed together in a lump sum and tend to make Kansas City's bond counsel costs appear high.

Within the scope of this audit, we could not audit all the legal costs associated with each bond project in various cities to determine how much of the work was actually done by bond counsel and how much was done with city legal staff. We called officials in Olathe, Topeka, and Wichita, and they told us that their city attorneys' offices generally handle the legal proceedings related to the actual project being funded by the bonds, but city legal staff have minimal involvement with the actual process for issuing the bonds.

Based on a limited sample of billings we reviewed, we also noted that Kansas City's bond counsel sometimes charged additional fees for bond-related services that the other cities told us they routinely received under their fee schedules. This included such things as preparing and examining ordinances and resolutions, reviewing the notice of bond sale, and assisting the City in preparing the official statement. Also, based on our review of that sample of Kansas City's bond counsel billings for bonds and notes issued in 1983-1992, we found that other expenses (such as photocopying, telephone charges, and delivery fees), added an average of about 20 percent onto the bond counsel's total fees.

We also noted that Kansas City's bond counsel charged additional fees for each note in a series of temporary notes. Other cities we contacted had a minimum fee for the series as a whole, but did not charge for each note in the series. Kansas City's bond counsel said that he charges for each note because his office prepares and prints all the notes, whereas other cities have their own staffs do this work. The fact that Kansas City is charged for each note is important because unlike Olathe and Wichita, which say they try to minimize the number of notes in a series, Kansas City tends to issue a relatively large number of notes. City officials told us that breaking the notes into smaller denominations makes the notes easier to market and allows the City to get better interest rates. However, by doing so they may be driving up their legal costs.

During the review of the draft audit, the City's bond counsel provided us with a schedule that he says separates out the work he does for Kansas City that would be classified as assistant city attorney work or bond project costs. That schedule is included in Appendix F, Tab Nine, of the City's response to this audit. He also told us that, in the future, he would start separating out those costs when he bills the City in connection with municipal bond work.

Some Negotiated Kansas City General Obligation Bonds Had Higher Interest Rates Than May Have Been Necessary To Distribute Them to Investors

The total cost of bonds comprises issuance costs and interest costs. Interest costs are the most significant of these two by far, because they are larger and continue for a longer period of time. Interest costs are determined by the interest rate stated on the bonds. The rate is set at the time the bonds are issued.

Within the larger context of selling bonds, the issuer and the underwriter can have opposing objectives. To minimize costs, the issuer would like to see the interest rate set as low as possible and still be able to sell the bonds. The underwriter would like to see the interest rate set somewhat higher, because when interest rates are set higher relative to the market rate, the bonds are easier for the underwriter to sell.

For example, assume that a municipality is selling a 10-year, $10 million bond. If that bond is sold for 6.1 percent when the current market interest rate is 6 percent, the reoffering price is $74,000 more than if the bond had sold at the current market rate, and the municipality would be paying a higher interest rate for the life of the bond.

Our review focused on bonds issued on a negotiated basis. As described earlier, bonds can be issued on a competitive basis or on a negotiated basis. When bonds are sold on a competitive basis, underwriters bid against each other for the opportunity to sell the City's bonds. Because the interest rate is set in a competitive market place, it is likely to be the lowest rate possible under the circumstances.

When bonds are sold on a negotiated basis, the City selects an underwriter and negotiates the terms of the sale. The interest rate is set by the issuer in consultation with the underwriter. The issuer and underwriter must assess shortly before the bond sale what the going interest rate will be for bonds of similar risk at the time of issue. Underwriters understand the bond market much better than the issuer. Without an independent financial advisor, Kansas City does not have a way to assess the appropriateness of the rate that ultimately is set.

A municipality generally can rely on market forces to set interest rates in competitive bond sales. However, it cannot rely on these same competitive forces to set rates in negotiated bond sales. For this reason, we limited our review to negotiated bonds, and focused on general obligation and revenue bonds. Our review covered 10 of the 15 such bond issued between 1983 and 1992. With one exception, the Kansas City bonds in our sample were insured. In addition, the capital appreciation portions of the bonds issued were eliminated from our analysis because of the difficulty in determining a "fair" standard for that type of bond.

Our analysis in this area was performed jointly with a widely respected consultant. For this analysis, we contracted with Delphis Hanover Corporation, a widely known Connecticut firm that performs relative price rate analyses on municipal bonds and collects historical information on bond issues. Delphis Hanover provided all the

Delphis Hanover Corp.

Delphis Hanover is a Connecticut company that provides bond-pricing data to municipalities. Bond professionals we talked with said the company was the municipal bond industry's prime source of in-depth market data. The company assists municipal officials in setting interest rates for bonds (this is called "pricing" bonds in the industry), conducts seminars and conferences on pricing bonds, and performs research to determine the relative performance of bonds.

Delphis Hanover has a database of information about bonds going back to 1963. That database includes information about bond interest rates, yields, size ($1 million and up for competitive bonds, $10 million and up for negotiated bonds), call features, maturities, structures, issuers, sale types, ratings, insured status, and the like.

According to its literature, the company's "daily index" is designed to pinpoint day-to-day changes in the overall municipal bond market, and to provide the ability to measure any bond against both the national market and any other bond. The index allows comparisons of yields of various bonds and maturities to be made on a given day. Delphis Hanover's clients include municipal market professionals, banks, institutional investors and financial advisors, and federal and state government entities.

data and assisted in the analysis comparing interest rates for Kansas City bonds to average interest rates nationwide for all bonds sold with similar bond ratings. See the profile at left for more information on Delphis Hanover.

Because bond interest rates fluctuate daily, Delphis Hanover has developed an index scale for tracking bond yields. On this scale, 100 is roughly equivalent to the average interest rates AAA-rated uninsured bonds were sold for, and 88 is roughly equivalent to the average interest rate BAA-rated uninsured bonds were sold for. (Higher-rated bonds have lower interest rates because they are viewed as safer, and lower-rated bonds have higher interest rates because they are riskier.) Insured bonds receive a AAA-rating, but usually sell in the marketplace as though they were AA-rated uninsured bonds (96 on the index scale). Delphis Hanover's common index scale allows meaningful comparisons to be made among bonds that sold on different dates.

If the interest rates set for the Kansas City negotiated general obligation and revenue bonds in our sample were higher than the national market interest rate for other insured bonds, the Kansas City bonds would show up on the scale as selling at the interest rate of a lower-rated bond. That would suggest either that investors viewed these Kansas City bonds as more risky, or that the rates were set higher than they needed to be.

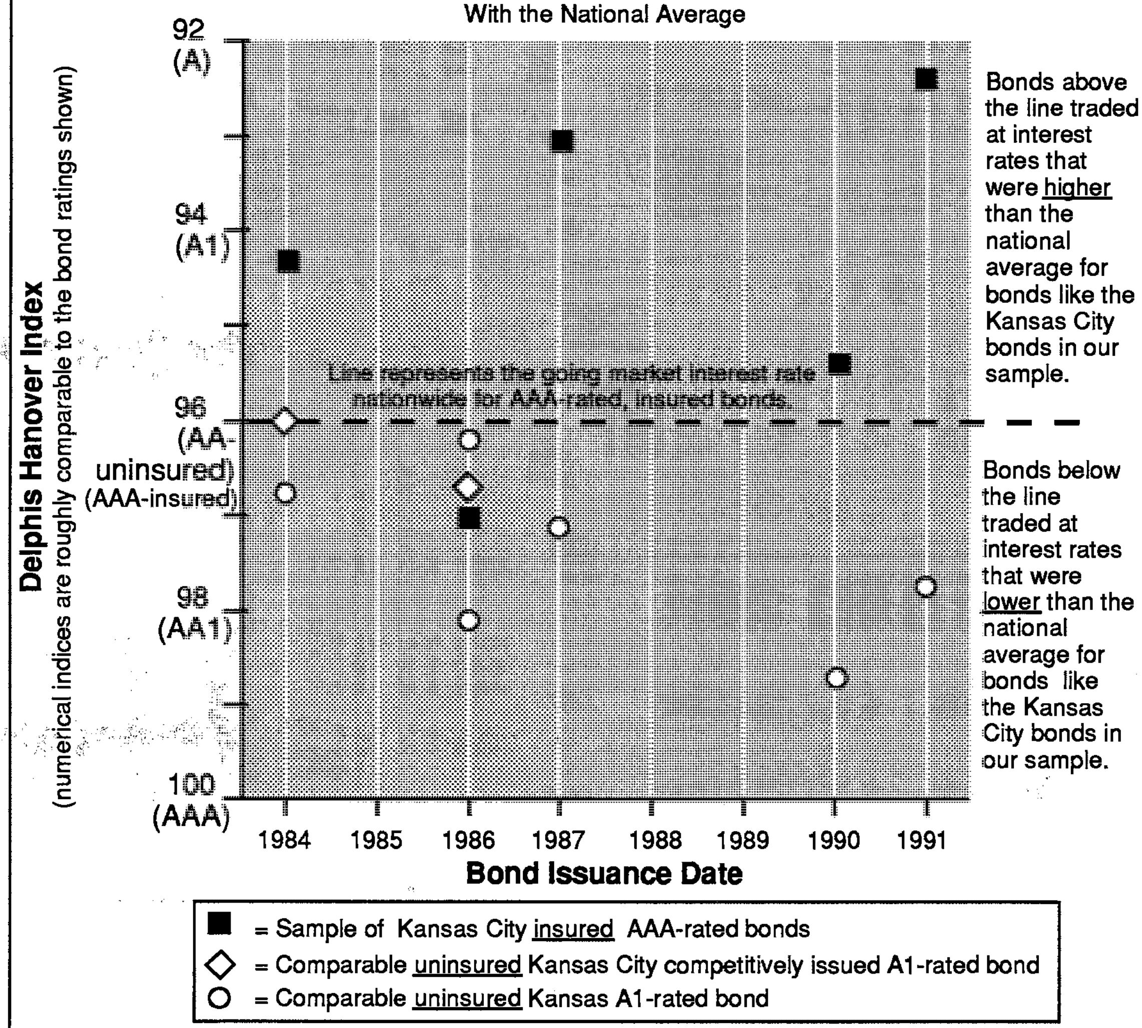
To show how other Kansas bonds sold compared to the national average, for the negotiated general obligation bonds, Delphis Hanover chose a sample of uninsured Kansas general obligation bonds that had been rated A1, the bond rating just below AA. Generally, you would expect Kansas City's insured bonds to be offered at a lower interest rate than other Kansas uninsured, A1-rated bonds.

Delphis Hanover also selected a sample of other insured and uninsured Kansas public utility bonds to show how they sold compared to the national average. The results of these analyses are reported separately below for the negotiated Kansas City general obligation bonds and Board of Public Utilities bonds we reviewed. (Appendix B graphs comparative information for bonds in our sample.)

Four of the five sample Kansas City negotiated general obligation bonds reviewed were offered at interest rates that were higher relative to the market than bonds with the same bond rating. As Figure 1 at the top of page 26 shows, for three of these bond issues the difference was significant. By contrast, most of the uninsured Kansas bonds shown on the figure did better than the average bonds in the national market. They also were offered at lower interest rates than the Kansas City bonds.

The fact that two of the negotiated Kansas City general obligation bonds in our sample, and two other competitively issued Kansas City bonds Delphis Hanover provided information about were offered at near-market interest rates or lower-than-market interest rates suggests that investors generally did not consider Kansas City bonds to be riskier than normal.

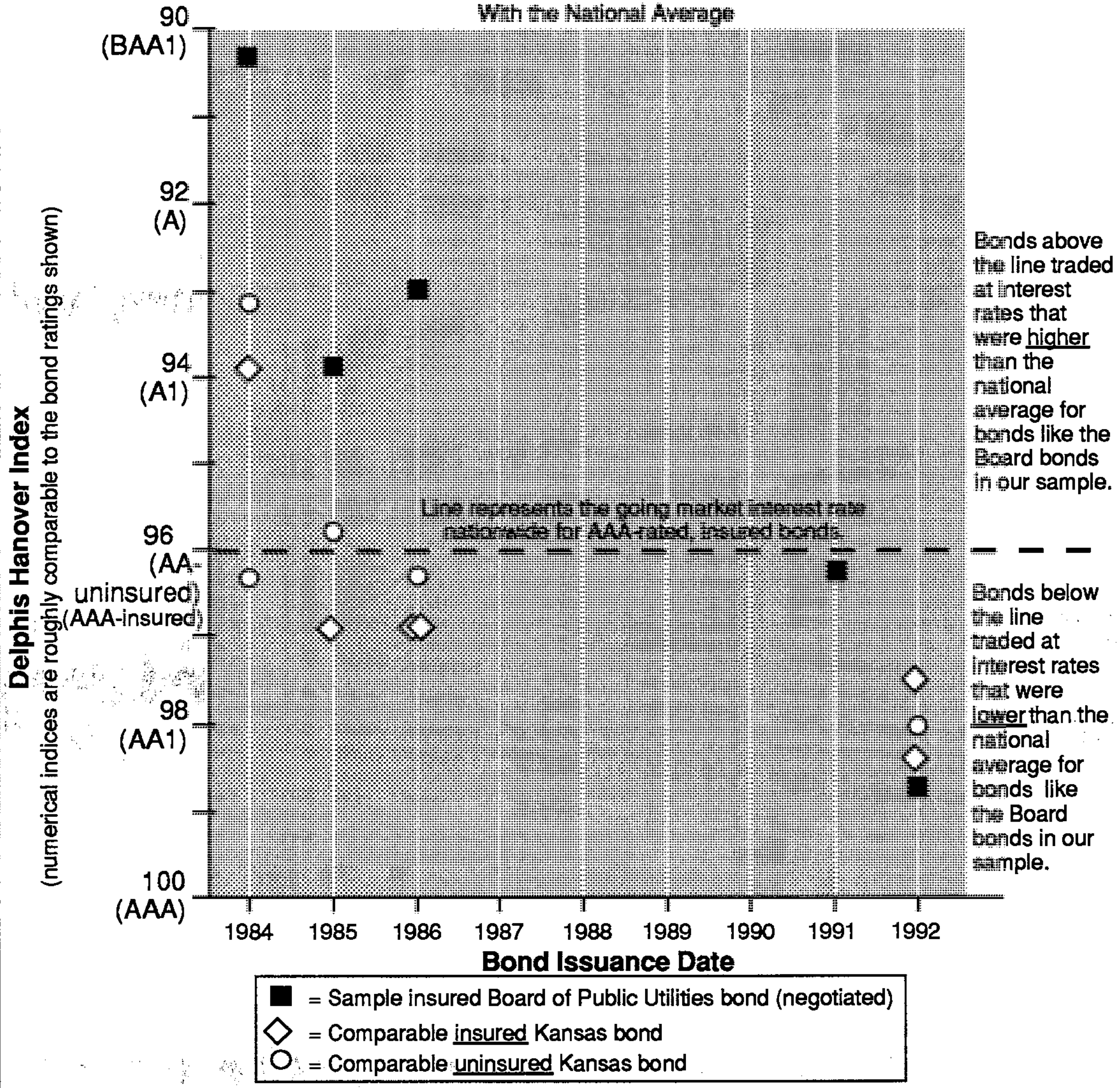
FIGURE 1
Kansas City General Obligation Bonds
Compared with Other Kansas Bonds and
With the National Average



Our analysis showed that four of the five sample Kansas City negotiated, general obligation bonds were offered at interest rates that were higher than the going national market interest rates for insured bonds. For example, although the 1991 Kansas City bond issue was insured and should have traded like a AA-rated bond, it sold at a higher interest rate usually associated with bonds with a less favorable A rating. By contrast, most of the uninsured Kansas bonds were offered at lower interest rates than the national average or the Kansas City bonds. (Portions of the bond issues may have had different maturity dates and consequently different numerical indices. Index placements shown are the average for all maturity dates.)

We asked Kansas City's bond underwriters if there was anything about the bonds that would explain the high rates. They said the size of the four issues caused the interest rates to be higher because the bonds had to be sold on the national market, rather than in Kansas. However, our comparison was to the national average instead of to the other Kansas bonds. Therefore, this did not apppear to explain why the Kansas City bonds did so poorly compared to the market.

FIGURE 2
Kansas City Board of Public Utilities Bonds
Compared with Other Kansas Bonds and
With the National Average



Three of the five sample bonds for the Board of Public Utilities were offered at interest rates that were higher than the going national market interest rates for insured bonds. For all three of those bond issues, the difference was significant. One of the sample Board bond issues had an interest rate that was significantly lower than the going market rate. Except for 1984, the other Kansas bonds shown generally were offered at lower interest rates than the national average.

Three of the five sample negotiated bonds for the Board of Public Utilities were offered at interest rates that were higher than the going market interest rates for insured bonds. As Figure 2 at the top of page 27 shows, for all three of those bond issues the difference was significant. The figure also shows that one of the Board bond issues had an interest rate that was significantly lower than the going market rate. Except for 1984, the other Kansas bonds shown on the figure generally were offered at lower interest rates than the national average.

Unlike the Kansas City negotiated general obligation bonds, it appeared to us that the general pattern of higher interest rates for the Board of Public Utilities negotiated bonds was the result of investors viewing those bonds as being riskier than normal. The Board had a technical default on a bond issue in the early 1980s. As the figure shows, the interest rates on the Board's bond issues in the mid-1980s were higher than the going market interest rates, while the interest rates on the Board's bond issues in the early 1990s were either about the same as or lower than the going market interest rate. This pattern is consistent with an investor attitude of caution immediately following the default, and then of gradually increasing confidence. In addition, we noted that a bond the Board issued competitively in 1987 (not shown on the figure) also had an interest rate higher than the going market rate for bonds with the same rating.

Having Higher-Than-Market Rates for These Sample Bonds May Have Cost the City More Than $2 Million

To determine what these five Kansas City bonds would have cost if they had sold at market rates for insured bonds, we substituted the average interest rates paid on insured AAA-rated bonds on the day Kansas City's bonds were issued, for the actual rates paid on the Kansas City bonds. The following table shows the results of this analysis.

Additional Costs Kansas City May Have Incurred From Interest Rates That Were High Relative to the Market

Date of Issue	Amount of Bond	Total Principal and Interest Payments At Actual Interest Rates	Total Principal and Interest Payments At AA-Rated Interest Rates	Additional Cost
8/1/87	$ 67,030,000	$ 101,263,110	$ 99,893,069	$ 1,370,041
8/1/90	97,725,000	169,464,429	169,141,510	322,919
4/15/84	26,725,000	40,123,518	39,861,551	261,967 (a)
8/15/91	25,362,980	48,521,182	48,416,462	104,720 (a)
Total	$ 216,842,980	$ 359,372,239	$ 357,312,592	$ 2,059,647

(a) These calculations do not include the costs associated with the capital appreciation portions of these two bonds.

As the table shows, the City may have paid as much as $2 million more in interest costs than necessary for these negotiated general obligation bonds. (A sizable amount of the 1984 and 1991 issues was made up of capital appreciation bonds, which were excluded from this analysis because it is hard to predict what the AA-rated interest rate for them would have been.) In addition, the fifth bond, a 1986 issue, had interest rates lower than the national average, and the City saved about $92,000 because of this better rate.

The way the City and Board structure their bonds results in unnecessary costs. Municipal bonds are nearly always set up so that portions of the total amount borrowed come due at different times. In this way, municipalities can avoid having to pay a burdensome amount of money at any one time. For example, for a 10-year, $10 million bond issue, $1 million in principal might mature or come due each year for the life of the bond. Because people demand higher rates of interest for money borrowed for longer periods, interest rates increase as maturities lengthen. So, the maturity schedule might look like this:

Maturity Date (October 1)	Principal Amount	Interest Rate
1994	1,000,000	4.0%
1995	1,000,000	4.1%
1996	1,000,000	4.2%

However, many of the Kansas City and Board of Public Utilities bonds have two maturities in each year, and the same interest rates are always assigned to both maturities. This would make the Kansas City maturity schedule look like this:

Maturity Date	Principal Amount	Interest Rate
4/1/94	500,000	4.0%
10/1/94	500,000	4.0%
4/1/95	500,000	4.1%
10/1/95	500,000	4.1%

With this structuring, even though bonds are maturing twice a year, interest rates increase only once a year. This practice appears to violate the general rule of interest rates going up as the length of the maturity increases.

Based on data provided to us by Delphis Hanover and with its assistance in analyzing this information, we were able to determine that the earlier interest rate each year was set <u>higher</u> than it needed to be, rather than the later interest rate being set lower than it needed to be.

To see what the cost of this practice was for a selected bond, we calculated how much those higher interest rates cost the City for the 8/1/87 Kansas City negotiated general obligation refunding bond in our sample. Our calculations showed that Kansas City's interest costs over the life of this bond were high by about $234,500. Because of time constraints we did not calculate these costs for other bonds, but most of Kansas City's and the Board of Public Utilities' negotiated bonds are structured in this same way.

A Delphis-Hanover representative told us that before the advent of computers, interest rates on semiannual maturities often were the same. However, with computers there is no reason to use the same interest rates. He told us that it is industry custom to do this, because it makes half the bonds in any one bond issue very easy to sell. He added, however, that knowledgeable issuers and financial advisors do not allow bonds to be structured this way. The Delphis official indicated that the different interest rates on semi-annual maturities is common during the early years of many bond issues because the time differences are more critical during these years. In our opinion, the fact that Kansas City uses the same interest rate on semi-annual maturities illustrates one of the disadvantages of Kansas City obtaining financial advice from a person who is employed by the underwriting firm.

For Bonds That Have Been Refinanced Since 1983, Have the Interest Savings Been Enough To Justify the Cost of Refinancing the Old Debt?

Since 1983, Kansas City and the Board of Public Utilities have issued 16 bonds and Wyandotte County has issued two bonds that refinanced existing bonds. The total amount of these 18 bond issues was $834 million. For a sample of these bonds we found that, overall, both the City and the County appeared to have saved money on the bonds they refunded, but each had at least one refunding where the interest savings was not enough to justify the cost. Officials told us that those refundings were done for reasons other than interest savings. Neither the City nor the County--nor other Kansas cities--have established specific savings targets that must be achieved before a bond issue will be refinanced. Finally, we found that through the series of bond refinancings in recent years, the City has postponed payment of large amounts of debt into the future, which may have a significant impact on tax levies down the road. These and related findings are discussed in the sections that follow.

City and County Governments May Issue New Bonds to Refinance Existing Bonds for a Number of Acceptable Reasons

Through our review of bond literature and our discussions with persons knowledgeable about bonds, we learned that there are a number of acceptable reasons for municipalities to issue new bonds to pay off existing bonds.

The most common reason for refinancing bonds is to take advantage of lower interest rates. Just as homeowners may be able to reduce their monthly mortgage payment by refinancing their mortgages, cities and counties can take advantage of lower interest rates to reduce their debt payments.

Bonds may be refinanced so that restrictive covenants that applied to the old bonds, but are no longer needed, can be removed. For example, some bonds used to require the money for principal and interest payments to be on deposit with a paying bank long before those payments were actually due. Such restrictions helped ensure that the moneys would be available when needed. However, technological advances like electronic fund transfers

How the Refinancing Process Works

When a municipality refinances an old bond, it essentially borrows money at current interest rates to pay off bonds that were issued in the past. Often, the old bonds cannot be paid off immediately with the money generated from the sale of the new bonds because of legal provisions preventing the bonds from being paid off before a specified date. Thus, the municipality buys government securities with the money it receives from the sale of the new bonds, and places those securities in an escrow account dedicated to repaying the old bonds as they come due.

When bonds are refunded, the old bonds are no longer considered to be a debt of the municipality. They are removed from the municipality's financial statements even though they may not have been completely paid off, because the money to pay them off already is in an investment account.

have reduced the amount of time it takes to get the money to the paying bank. By refinancing old bonds to remove such covenants, municipalities can keep these moneys invested until much closer to the time when payments are due.

Another reason to refinance existing debt may be to better match up the timing of interest payments with city or county revenues. For example, a city that receives a large amount of tax revenue in June, but has a bond with a large interest payment due in March, could refinance that debt to move the interest payment's due date to June or July.

Since 1983, Kansas City and Wyandotte County Have Issued 18 Refunding Bonds Worth About $834 Million

The table below and on the next page shows the 18 bonds that have been issued by the City and the County in the past 10 years to refinance old debt.

**Kansas City and Wyandotte County Refundings
1983 to 1993**

Type of Bond	Date	Amount (in millions)	Purpose of the Refunding
Board of Public Utility:			
Utility System Revenue Bonds	8/1/84	$133.3	Refunded 1962-1982 Utility Bonds
Utility System Revenue Bonds	6/15/85	131.3	Refunded 1984 Utility System Bonds
Utility System Revenue Bonds	7/1/86	32.9	Refunded 1985 Utility System Bonds with maturities in 1995, 1996, 1997, & 2004
Utility System Revenue Bonds	6/1/91	67.5	Refunded part of the 1986 Utility System Bonds
Utility System Revenue Bonds	2/1/92	80.4	Refunded remainder of the 1985 Utility System Bonds
Kansas City General Obligation Bonds (GO Bonds):			
General Obligation Refunding	4/15/84	$26.7	Refund previous benefit district debt and GO Bonds
General Obligation Refunding	7/1/86	30.6	Refund 1984 GO Bond and other 1984-1985 temporary notes
General Obligation Refunding	8/1/87	67.0	Refund 1986 Internal Improvement Bond and part of 1986 Refunding Bond
General Obligation Refunding	8/28/90	97.7	Refund 1986 & 1987 refunding bonds, & $28.6 million in 1986-1989 Internal Improvement Bonds
General Obligation Refunding	8/15/91	25.4	Refund portion of 1990 refunding bond & various temporary notes
City Revenue Bonds:			
Public Building Revenue Bonds	2/1/84	$6.0	Refund 1978R public building bond
Sewer System Revenue Bonds	5/15/84	5.4	Refund 1961, 1964, 1967, & 1976 sewer system bonds
Sewer System Revenue Bonds (A)	8/1/91	3.6	Refund 1984 Sewer Bond and part of 1990 GO bonds
Sewer System Revenue Bonds (B)	8/1/91	16.7	Refund part of 1990 GO Bond dealing with sewer systems

City Mortgage Revenue Bonds:			
Single Family Mortgage Bonds	11/8/86	$29.1	Restructure 1980 Series A Single Family Mortgage Bonds
Special Obligation Bonds	1/1/92	27.9	Refund 1979 Series A Mortgage Revenue Bonds
Total Kansas City Refundings:		**$781.5**	
Wyandotte County General Obligation Bonds:			
Criminal Justice Center	7/15/89	$47.4	Refund 1985 park bond and 1987 certificate of participation for jail
Sandstone Refunding	2/1/93	5.1	Refund 1990 Sandstone Bonds
Total County Refundings:		**$52.5**	
GRAND TOTAL		**$834.0**	

As the table shows, in some instances the refunding bond was used to consolidate several bonds into one. In one instance, a refunding bond was issued to change the payment source from the general fund to sewer fees. In this case, part of the 1990 general obligation bonds were directly related to sewer systems in new benefit districts. In order to pay the bonds out of revenues collected from sewer users' fees, the City refinanced the 1990 general obligation bond and issued new sewer revenue bonds. In some instances, refinancing old bonds resulted in a lower interest rate.

For the Sample of Bonds Refundings We Reviewed, the City Saved a Total of $6.6 Million and the County Saved About $1 Million, Taking Into Account the Time-Value of Money

To determine whether the City and County saved money when issuing new bonds to replace existing bonds, we selected a sample from the 18 refunding bonds issued in the last 10 years. In selecting our sample, we focused on six bonds that were issued solely to refinance existing debt. Many of the other 12 bonds had a twofold purpose—to finance new projects, and to consolidate older bond issues. We did not include these bonds in our analysis because we were unable to gather information to separate out the refunding costs from the new project costs.

Of the six bond issues we reviewed, four were issued by the City and two were issued by the County. We reviewed each of these transactions. The table at the top of the next page shows the results of our analysis.

As the table shows, the City spent about $3.2 million on four bonds it issued solely to refinance existing debt. After expenses were taken into account, the City experienced a gain of about $6.6 million, taking the time-value of money into account. The County spent about $750,000 on two bond issues solely to refinance old debt. After expenses were taken into account, it received about $1 million in present-value cost savings for its taxpayers.

Kansas City Taxpayer Savings From Refunding Bonds
(all amounts in millions)

Date	Bond (in millions)	Cost of Issuing These Bonds	Amount Taxpayers Saved/(Lost) on the Refunding, Accounting for Issuance Costs: Total $ Saved/(Lost) Over Time	$ Saved/(Lost) Adjusted for the Time-Value of Money
Kansas City / BPU Refunding Bonds				
1984	General Obligation Bond ($26.7)	$1.1	$3.0	$ 2.4
1984	Revenue Bond ($6.0)	0.3	7.1	3.7
1987	General Obligation Bond ($67.0)	1.3	(8.8)	0.7 (a)
1991	Sewer Revenue Bond (Series A and B) ($20.3)	0.5	13.6	(0.2)
	Total Kansas City	**$3.2**	**$14.9**	**$6.6**
Wyandotte County Refunding Bonds				
1989	General Obligation Bond ($47.4)	0.6	$2.9	$(0.3)
1993	General Obligation Bond ($5.1)	0.1	2.5	1.3
	Total Wyandotte County	**0.7**	**$5.4**	**$1.0**

(a) This refunding, considered by itself, actually had a present-value loss of $1.3 million. However, the City completed the refunding to free-up about $7.0 million in cash which would have been used to make principal and interest payments on the old bonds during the first year after the refunding. Because the payment on the new bonds was lower than on the old bonds, the City generated a "savings." Part of this "savings" was used to repay $2.4 million in outstanding temporary notes. Had the temporary notes not been repaid from these "savings," another bond would have had to have been issued to repay the note. The savings in paying off the temporary notes rather than issuing new bonds was considered in calculating this savings.

The City did not save money on the combined 1991 sewer bond refunding we reviewed. In 1991, the City lost about $200,000 when it combined and refinanced some sewer revenue bonds and some general obligation bonds into a $20.3 million sewer revenue bond.

According to City officials, this refunding was not done to save money. Officials told us that the general obligation bonds had been issued in 1990 to fund a number of sewer system projects that really should have been paid from sewer system revenues rather than from general tax revenues. By combining these bonds with the sewer system revenue bonds, City officials were able to charge the sewer users for the cost rather than all taxpayers in general.

The County lost about $300,000 when it issued a $47.4 million bond in 1989 to refinance some existing bonds. County officials also told us they did not refinance the old bonds to save money. Instead, they said, they did so to even-out their tax levies of the next several years. In addition, the County was able to shorten the length of the new bond.

By Lowering Their Bond Payments, the City and County Were Able to Free Up Funds for Other Uses

One of the questions raised in this audit was whether the City and County had reaped any "windfalls" by refinancing existing bonds. In the short-term, refinancing a bond can free up money in two primary ways. First, the refinancing can eliminate covenants on certain types of bonds that required money to be kept in reserve accounts. Second, and more importantly, refunding a bond can lower or postpone the principal and interest payments the municipality owes. Especially in the year a bond is refunded and maybe the following year, the municipality already will have set its budget and mill levy to cover the level of payments required for the old bonds. If the payment on the new bonds is lower than on the old bonds, the City may collect more taxes than are needed to pay for the new bonds. Until a new budget and mill levy are established, it will receive tax revenues that can be used for other purposes. For the bond refinancings in our sample, the following table shows the effect on debt payments in the first year following the refunding.

Date	Bond Issued to Refinance Old Bond(s)	Amount (in millions)	Required Payments(a) Old Bond (in millions)	New Bond	Difference
Kansas City:					
1984	GO Bond	$ 26.7	$ 5.0	$ 4.5	$0.5
1984	Revenue Bond	6.0	0.7	0.4	0.3
1987	GO Bond	67.0	9.8	2.8	7.0
1991	Sewer Revenue Bond (Series A and B)	20.3	0.8	1.2	(0.4)
Wyandotte County:					
1989	GO Bond	$47.4	$0.0	$1.7	$(1.7)
1993	GO Bond	5.1	1.2	0.5	0.7

(a) The required payments are based on the two semi-annual payments made in the 12 months immediately following the date the refunding bonds were issued for both the old and new bonds.

As the table shows, in four cases the municipalities reduced their debt service in the year after they refinanced their bonds. Those amounts varied from as little as $300,000 to as much as $7 million. Two refundings—one for the City and one for the County—actually increased the bond payments due in the year immediately after the refunding.

Given the scope of this audit, we could not audit the City's and County's expenditures to determine how they used the moneys freed up by the refunding bonds in our sample. However, officials from both municipalities told us they generally left the "extra" tax revenues in the bond and interest payment fund so they could reduce the amount of money they would have to put into the fund the following year. In addition, Kansas City used about $2.4 million of this "extra" money to pay off temporary notes that were coming due.

We also reviewed other bond refundings between 1983 and 1993 to identify those in which the municipalities were able to eliminate reserve accounts. We found only one. In 1987, the City refunded a 1980 mortgage revenue bond and freed about $2.9 million from the old bond's reserve account. Before 1986, federal law required fairly large reserve accounts on mortgage revenue bonds. These reserves were designed to help pay bond holders if a large percentage of the mortgages financed by the bond defaulted. In 1986, the federal tax law changed so that large reserves were no longer required. City officials reported that about one-third of the $2.9 million windfall went to the general fund, while the remainder went to housing programs.

Kansas City and Wyandotte County Officials Have Not Established Specific Savings Targets for Deciding When to Refinance a Bond

Current bond literature we reviewed and industry professionals we contacted suggested that all bond refundings done for cost savings should generate at least two-to-five percent savings over the old bonds' interest costs, taking into account the time-value of money. Some cities across the nation have established even higher standards.

The City Administrator said he would consider refinancing a bond if the present-value savings between the old bond and the new one (which takes into account the time value of money) was as little as $50,000. However, he had no absolute minimum savings level. County officials said they do not have a specific savings target on bond refundings because they have had very little bond activity. City officials have recently proposed a policy of adopting a savings target of three percent for refinancing bonds.

City and County officials said they also generally look at factors other than cost savings when making decisions about refinancing bonds. As noted earlier, they may consider whether bond restrictions need to be changed, whether the decision is politically sound, and how the refunding will affect the overall debt structure of the City.

Other Kansas cities also generally don't use specific targets when making decisions about refinancing their bonds. During this audit, we also contacted officials in five Kansas municipalities—Emporia, Olathe, Salina, Topeka, and Wichita—to find out about their policies and practices for refinancing general obligation and revenue bonds. The following table shows how extensively these other cities have refinanced their existing bonds over the past 10 years. It indicates that half the bonds Emporia has issued refinanced existing bonds. Of the bonds issued in Kansas City and Olathe, between 37 and 40 percent refunded existing bonds. The other three cities' percentages of total bonds issued that refinanced existing bonds were much smaller.

Bond Refinancing Activities
For Selected Kansas Cities, 1983 to 1993

City	# of Refunding Bonds Issued	Total # of Bonds Issued	Refundings as a % of Total Bonds
Emporia	2	4	50.0%
Kansas City	14	35	40.0
Olathe	6	16	37.5
Salina (a)	4	18	22.2
Topeka	3	16	18.8
Wichita	9	51	17.6

(a) Salina could provide only seven years of bond information.

Officials we talked with in the five cities shown above indicated that all the bonds they issued to refinance existing bonds were done to save money on bond indebtedness. In addition, they told us they generally don't have specific criteria to follow when making decisions about refinancing, although they have used a savings target as an indicator of whether a bond refunding was justified. For example, officials in Emporia said they do not consider refunding any bonds that would generate less than $100,000 in present-value savings. Officials in Salina and Topeka indicated their targets were from 2-5 percent present-value savings compared to the old outstanding debt, although these officials also indicated they have refinanced bonds with lower levels of savings. Wichita officials told us they always save a minimum of two percent.

As It Has Refinanced Existing Bonds and Issued New Bonds, Kansas City Has Deferred Payments Into the Future, Which Could Have a Significant Impact on Its Tax Levies

As described below, two of the three entities have increased their debt payments markedly over the past 10 years or so.

- Kansas City's total principal and interest payments required to pay off general obligation outstanding debt rose from $43.2 million in 1982 to a high of $173.5 million in 1990, or more than triple. By 1992, outstanding debt had dropped slightly to $148.9 million.

- Wyandotte County's total principal and interest payments required to pay off general obligation outstanding debt rose from $4.4 million in 1985 to $75 million in 1993.

- The Board of Public Utilities' total principal and interest payments required to pay off bonds declined steadily from $390 million in 1983 to $135 million in 1989, but began rising the next year and reached $370 million by 1992.

Both the County and the Board of Public Utilities have structured their debt so that they have about the same amount of principal and interest payments coming due each year. Currently, the County generally has about $6 million due each year, and the Board has about $19 million due each year. However, the City has changed its debt structure several times in the last 10 years through various refinancings and new debt issuances. One of the results of these changes is that Kansas City has pushed much of its general obligation debt repayment into the future.

To analyze the City's debt structure, we reviewed the long-term general obligation debt repayment schedules for December 1982 through December 1992. Information for selected years is shown in the accompanying table. When the columns are read down, you can see the total amount of bond payments due each year. When the columns are read across, you can see how the amount owed each year has changed over time, either because new bonds were issued or old bonds were refinanced and the structure of the payments modified.

As the table shows, between 1982 and 1992, the structure of Kansas City's debt changed many times. However, the important changes took place in 1989 and

Kansas City's Debt Repayment Schedule and Outstanding General Obligation Debt for Selected Years

Payment Year	Amount of Debt Owed as of this year... 1982	1986	1988	1989	1990	1992
1983	$ 4.6					
1984	4.5					
1985	4.2					
1986	4.0	$ 0.1				
1987	3.9	11.1				
1988	3.6	11.0	$ 5.4			
1989	3.3	11.0	11.7			
1990	3.0	10.9	11.6	$ 15.7		
1991	2.7	10.9	11.6	15.4	$ 7.6	
1992	1.6	11.1	11.7	15.5	5.5	
1993	1.4	11.4	11.6	15.2	8.2	$ 8.4
1994	1.2	11.3	11.5	14.7	9.0	9.2
1995	1.1	11.3	11.4	13.9	8.9	9.1
1996	1.0	11.3	11.4	13.7	9.1	9.3
1997	0.9	7.1	12.1	14.3	10.4	10.6
1998	0.8	0.1	12.1	14.2	15.4	15.5
1999	0.7	0.1	<0.1	2.1	15.5	15.6
2000	0.7	<0.1	<0.1	2.0	15.7	14.8
2001	0.1	<0.1	<0.1	1.9	15.9	16.0
2002			<0.1	1.8	17.3	17.4
2003				1.7	17.5	17.6
2004				1.0	17.7	5.3
2005						0.1
2006						0.1
2007						0.1
Total Payments (a)	$ 43.2	$ 118.7	$ 122.0	$ 143.3	$ 173.5	$ 148.9

(a) Numbers in the columns do not add to the total because of rounding.

1990. In 1989, Kansas City restructured its debt payments to lengthen them considerably, extending its debt to 2004. The debt also was structured that year so that large amounts were due in the first nine years, and then the amounts due decreased sharply after 1998. In 1990, the City restructured its debt again, but this time relatively small payments were due in the early years, and the large payments were pushed much farther into the future.

One way the City accomplished this restructuring is through the use of capital appreciation bonds. Of the three general obligation bonds the City has issued since 1990, two have included significant numbers of capital appreciation bonds within those bond issues. Capital appreciation bonds, also called zero coupon bonds, allow the City to borrow money and not pay any principal or interest until the bond matures.

Since most of the City's $25.1 million in capital appreciation bonds do not mature for 10-15 years, the City has the use of the money for all that time without making <u>any</u> payments. However, it will have several large payments due when the bonds mature. For the $14.6 million in capital appreciation bonds issued in August 1991, for example, the City makes no payments until 2002, but then must begin repaying $31.9 million in five semiannual payments when the bonds mature between March 2002 and March 2004. In general, because the interest on a capital appreciation bond compounds and is due in one large payment at maturity, the amount of interest owed is higher than for other general obligation bonds.

The City's practice of postponing large payments due until the future may have a significant impact on tax levies down the road. In 1993, the City will make about $8.4 million in bond payments (see the top figure of the last column on the table), which represented about nine percent of its budget. By 1998, if the City doesn't issue any new bonds or refinance any old ones, it will owe $15.5 million. Assuming the City's budget will increase by an annual rate of two percent between 1994 and 1998 (the average annual increase between 1986 and 1993 was 2.3 percent), the $15.5 million bond payment will represent 15 percent of the City's budget.

When these large payments come due, the City's options will be to raise taxes to cover the increased debt load, or refinance the bonds to once again delay repayment. At that time, however, interest rates may be much higher than rates on the current bonds. In addition, the City may have other capital projects it needs to finance, which could increase the already sizable debt in those years.

In its response to a draft copy of this audit, the City explained that its debt restructuring was done in part to help meet a projected operating budget shortfall that began in 1991. City officials indicated that the restructuring allowed them to use moneys that would have been committed to debt payment in the early 1990s to fund operating budgets until future tax revenues were available from economic growth and from tax abatements expiring on companies such as General Motors.

We asked the City to provide us with information about the revenues it expects to collect from corporations that have been granted tax abatements. The information provided, which we did not attempt to verify, is shown in the table below.

Summary of the Estimated Taxes Due from Corporations Granted Tax Abatements 1994 to 2003 (a)

Year	Estimated Taxes
1994	$ 169,240
1995	390,331
1996	730,623
1997	1,041,884
1998	1,116,783
1999	1,142,148
2000	1,265,474
2001	1,265,474
2002	1,333,225
2003	1,350,562
Total Estimated	$9,806,745

(a) City officials did not includes taxes for the General Motors plant in these estimates. According to the Finance Director, there is some question about when those tax abatements will expire. City officials said the estimated taxes due from General Motors will be between $3.6 million and $4 million. We noted that, based on when those bonds were issued, portions of those taxes should become due in the years 1994 to 1998.

The City also has approved a 3.9 percent property tax increase for 1994. In response to the draft report, City officials said that, to meet the City's restructuring plan, an additional property tax increase of four percent will be needed in every other budget year until 2002.

The information shown in the table above does not take into account that some of these companies already have been making payments to the City in lieu of taxes. Once those companies lose their tax abatements, they will stop making "in lieu of" payments, and will begin paying the taxes shown in the table. Thus, the net new revenues generated from these companies will not be the full amounts shown in the table.

What Was the Cost of Insurance Policies Associated With Bonds Issued by These Municipalities Since 1983, and How Did the Policies Impact Bond Ratings and Interest Rates?

Since 1983, the City and the County have spent more than $6 million to insure a total of 17 bond issues worth $829 million. Bonds are insured to improve their bond ratings, which in turn reduces the interest rates municipalities have to pay. The literature suggests that municipalities can save about one-tenth to one-quarter of one percent on the interest rate by insuring a bond. For one bond the City insured during the past 10 years, the consultant we hired could determine that the bond received a low enough interest rate to more than recover the cost of the insurance premium. For a variety of reasons, the consultant could not make that determination for the other insured bonds.

Lower interest rates are not the only way municipalities can recover insurance costs. For bonds that are refinanced, federal law allows a municipality to recover insurance costs through increased earnings on government securities purchased to pay off the old bonds. When we tested seven such bonds, we did not find any where the municipality recovered the full insurance premium through increased interest income alone. These and related findings are discussed in more detail in the sections that follow.

Since 1983, Kansas City and Wyandotte County Have Spent $6.1 Million to Insure 17 Bond Issues Worth a Total of $829 Million

We reviewed City and County bond records to determine which bond issues had been insured, and at what cost. The table below and at the top of the next page summarizes this information.

Bonds Insured by Kansas City and Wyandotte County—1983 to 1993 (a)

Kansas City Bonds:	Bond Date	Bond Amount (in millions)	Insurance Premium
Public Building Revenue Refunding Bonds	2/1/84	$ 6.0	$78,029
GO Refunding Bonds	4/15/84	26.7	260,841
Sewer System Revenue Refunding Bonds	5/15/84	5.4	56,632
BPU Revenue Refunding Bonds	8/1/84	133.3	1,938,000
BPU Revenue Refunding Bonds	6/15/85	131.3	352,790
BPU Revenue Refunding Bonds	7/1/86	32.9	168,432
GO Refunding Bonds	8/1/87	67.0	455,684
BPU Revenue Zero Coupon Bonds (b)	5/22/90	30.0	156,113
GO Refunding Improvement Bonds	8/28/90	97.7	475,257
BPU Revenue Refunding Bonds	6/1/91	67.5	329,900
Sewer System Revenue Refunding Bonds	8/1/91	3.6	25,448
Sewer System Revenue Refunding Bonds	8/1/91	16.7	82,357
GO Refunding Improvement Bonds	8/15/91	25.7	136,054
BPU Revenue Refunding Bonds	2/1/92	80.4	527,098
Kansas City Totals (c)		**$723.9**	**$5,042,635**

Wyandotte County Bonds:			
Certificate of Participation— Criminal Justice Center (b)	8/1/87	$52.5	$835,162
Criminal Justice Center (Refunding & Improvements)	7/15/89	47.4	227,655
Sandstone Refunding 1993A	2/1/93	5.1	25,000
Wyandotte County Totals (c)		**$105.0**	**$1,087,817**
GRAND TOTAL (c)		**$828.9**	**$6,130,452**

(a) In addition to the 14 Kansas City bonds listed in the table, the City also insured three mortgage revenue bonds totaling $79.3 million with insurance costs of $376,000, and two industrial development bonds worth $33.7 million with insurance costs of $833,000. Because these bonds are not direct obligations of the City and the associated expenses were paid by the entities that received the money from the bond sale, we did not include them in our analysis of insurance costs.
(b) These bonds did not refinance earlier bonds.
(c) Totals may not add because of rounding.

The table shows that 13 of the 14 insured City bonds and 2 of the 3 insured County bonds had been issued to refinance existing bonds. Officials told us they generally only insure refunding bonds, because the law allows them to recover the insurance premiums for these bonds through increased earnings on government securities purchased and placed in an escrow account to pay off the old bonds. For bonds that do not involve refunding, insurance premiums must be recovered through lower interest rates.

Only two of the Kansas City bonds issued since 1990 have not been insured, and both of those bonds were not rated. As a result, the City does not have a current municipal bond rating. Wyandotte County issued an uninsured bond in 1990 that was rated A1 by Moody's. According to officials from Moody's, the County would still carry that bond rating.

For Most of the Bond Issues We Examined, It Was Not Possible To Determine Whether the City and County Recouped Insurance Costs Through Reduced Interest Rates

When a bond is insured, the insurance company promises to assume all principal and interest payments if the issuer defaults on the bond. Generally, insurance policies improve a bond's rating, which in turn reduces the interest rate municipalities have to pay their bondholders. In addition, insurance makes bonds easier to sell to investors because it lowers their risk and increases the pool of investors willing to buy them. Insurance normally allows a bond to trade as though it were a AA-rated bond.

According to industry literature we reviewed, a municipality can expect to save about one-tenth to one-quarter of one percent on the interest rate by purchasing insurance on a bond issue. This would translate to a savings of about $20,000-$50,000 per year in interest costs on a $20 million bond issue. The savings would vary depending on the original rating of the bond. The lower the original rating, the greater the potential savings.

To determine whether Kansas City and Wyandotte County recovered the cost of insurance policies on the bonds they insured, we contracted with Delphis-Hanover Corporation. (This company is described more fully in the box and text on page 24.)

For one of the bonds the City issued for the Board of Public Utilities, Delphis-Hanover was able to provide us with an estimate of what the interest rates would have been if the bond issue had not been insured. We then were able to compare this information with the actual interest rates paid on the bonds to estimate the savings achieved by purchasing insurance. The following table shows the results of those calculations.

Effect of Insuring the $80.4 Million Board of Public Utilities Revenue Refunding Bond (2-1-92)

	Total Principal & Interest Paid	Total Principal & Interest (taking into account the time-value of money
Estimated payments without insurance:	$179,827,635	$ 79,988,895
Payments with insurance:	177,113,896	78,925,619
Interest savings by insuring the bond:	$2,713,740	$1,063,277
Less the insurance premium:	527,098	527,098
Estimated net savings after paying the insurance premium:	$2,186,642	$536,179

As the table shows, for this bond issue we estimated that insurance lowered the interest rates enough to save about $2.2 million in interest costs over the life of the bond issue. When the time-value of the interest payments was taken into account, the benefit from having insurance was about $536,000.

Unfortunately, Delphis-Hanover was unable to provide similar information for any of the other 16 bonds the City and County have insured. For seven of these bonds, Delphis Hanover did not have sufficient comparable information to analyze them. Nine other bonds in our sample had interest rates that Delphis-Hanover determined were higher than normally would be warranted by their insured bond rating. (See pages 23 to 28 for a detailed discussion of this issue.) When insured bonds' interest rates are higher than normal for their rating, Delphis-Hanover officials told us, it is not possible to accurately estimate how much higher the interest rates would have been without insurance.

It certainly is possible, according to bond literature, that the municipalities were able to recover their insurance costs for these bonds by receiving lower interest rates. However, without estimates of the rates the bonds would have had without insurance, it was not possible for us to measure the savings.

Tax laws require the bond counsel to sign a certificate stating that the municipality will save more in interest costs because of the insurance than the cost of the premium. The bond counsel for all but one of the City and County bonds told us he bases his certification on cost analyses performed by the underwriters showing the interest savings from purchasing insurance. However, neither the underwriters nor City officials were able to produce any documentation of such analyses on these bonds.

A representative for the bond counsel indicated these calculations often were not committed to paper—they tended to be done informally in a group setting, with the City or County officials, underwriter, and bond counsel determining whether the bonds needed insurance.

For Bonds We Reviewed, the City and County Recouped Only a Part of the Insurance Cost Through Increased Earnings On Escrow Accounts

Achieving a lower interest rate is not the only way that municipalities can recover the cost of insurance premiums for bond issues. If a bond is issued to refinance an existing bond, the insurance premium on the new bond also may be recovered through improved earnings on the investment account established to pay off the old bonds.

Here's how: When a municipality refinances an existing bond, it essentially borrows money at current interest rates to pay off old bonds that were issued in the past. Often, the old bonds cannot be paid off before a specified date. Thus, the municipality buys government securities with the money it receives from the sale of the new bonds, and places those securities in an escrow account dedicated to paying off the old bonds as they come due.

To prevent municipalities from reaping windfalls by issuing bonds at low interest rates and investing the proceeds at higher interest rates, federal law limits the interest municipalities can earn on escrow accounts. The account cannot earn more than the interest rate, or "yield," on the new bonds, plus a small percentage to allow the municipality to recover the amount it paid for insurance. However, this does not guarantee that the municipality will recover its insurance premium. Sometimes municipalities cannot find investments that will enable them to earn the maximum amount permitted by law, or even an interest rate as high as that of their new bonds. In such cases, the municipalities may not be able to recover part of, or even any of, their insurance premium through investment income.

The City and County did not recover the entire insurance premium in any of seven bonds we reviewed. During our interviews, Kansas City officials were under the impression that their refunding bonds had recovered the entire insurance premium through excess earnings in the escrow account. In addition, Wyandotte County officials told us they only purchase insurance if they can recover their premium costs through increased earnings in the escrow account of refunding bonds.

To determine how much of the insurance premium was recovered, we calculated for seven refunding bond issues the maximum interest earnings that would be allowed without insurance, and the actual interest earnings achieved on the escrow account. We then calculated the difference, taking into account the time-value of money. This calculation tells how much of the insurance premium the municipality recovered through investment earnings. The following table shows the amount recovered for each of the bonds.

Date	Bond (in millions)	Insurance Premium	Amount Recouped in Escrow Account	% Recovered
8/1/87	KC GO Refunding ($67.0)	$455,684	$342,078	75%
6/1/91	BPU Refunding ($67.5)	329,900	46,573	14
8/28/90	KC GO Refunding ($97.7)	475,257	56,751	12
8/1/91	KC Sewer Rev. Refunding ($16.7)	82,357	6,319	8
2/1/92	BPU Refunding ($80.4)	527,098	0	0
8/15/91	KC GO Refunding ($25.4)	136,054	0	0
7/15/89	Wy. Co. GO Refunding ($47.4)	227,655	0	0

As the table shows, three of the bonds did not achieve a high enough yield in the escrow account to recover any of the insurance premium. One bond recovered three-fourths of its insurance costs, and the other three bonds recovered 8-14 percent of their costs.

Other Kansas Cities We Contacted Generally Did Not Insure Their Bonds As Frequently as Kansas City and Wyandotte County

We asked officials in Emporia, Olathe, Salina, Topeka, and Wichita how they decide when to insure a bond issue. We found that these other Kansas cities generally did not insure bonds as often as Kansas City and Wyandotte County. But some of these cities had less reason to insure their bonds because those bonds would already be rated AA without insurance.

Officials said they tended to insure specific types of bonds, and all based their decisions on cost analyses performed by themselves, financial advisors, or underwriters. For example, both Olathe and Wichita said they routinely insure their revenue bonds because these bonds generally have a lower credit rating, which would result in higher interest rates. Both cities said they require cost analyses from their underwriters, and Wichita will insure other types of bonds based on the cost analyses the underwriter provides. On the other hand, Topeka does not insure any of its bonds, mainly because the City has a AA rating, and insurance is not cost-effective for that rating. It is important to note that we did not audit the other cities as we did Kansas City, so we cannot say whether they are following the procedures they outlined.

Have There Been Significant Political Contributions or Other Related-Party Transactions Between the Professionals Involved in Bond Issues and Elected or Administrative Officials From the Municipalities?

We found that a number of investment bankers, bond attorneys, and bankers who received compensation for work associated with City, County, or Board of Public Utilities bond issues have made campaign contributions to candidates for the governing bodies of those municipalities. Many of those contributions were the maximum allowed by law.

In reviewing City and County personnel records, we did not find that employees or officials who were responsible for making decisions about awarding bond business had worked for any of the law firms or investment banking firms that received bond business. Three employees left the City and went to work for investment banking firms or law firms that do bond work for the City.

In looking for related-party transactions, we were limited to information we could obtain through interviews or questionnaires, or through reviewing municipal records or corporate records on file with the Secretary of State. Our review in this area did not turn up any instances of related-party transactions. Finally, we noted that State law does not require all local officials who could be in a position to influence bond decisions to file statements of substantial interest. These findings will be discussed in the sections that follow.

Generally, Professionals Who Did Bond Work For Kansas City, Wyandotte County, and the Board of Public Utilities Made Campaign Contributions to the Elected Officials of Those Entities

Recently, the Bond Buyer and other financial publications have reported concerns that the bond business in municipalities across the country—particularly for negotiated bond sales—is being manipulated by securities firms making contributions to elected officials. The Wall Street Journal reports that New Jersey, Florida, California, and Oklahoma all have proposed or are considering greater limitations on negotiated bond transactions, and that 17 major securities firms just recently signed an agreement to voluntarily stop making political contributions to local officials.

Kansas laws governing local elections limit the contributions a candidate for local office can receive from any individual or political committee to $500 per election, primary or general. Campaign finance disclosure laws in effect since 1989 require a candidate's campaign treasurer to report political contributions to the county election officer. For cash or in-kind contributions exceeding $50, the report must show the name and address of the contributor. For contributions exceeding $150, the report also must show the contributor's occupation.

To determine whether bond professionals and bankers who did business with one of the municipalities contributed to the campaigns of elected officials, we reviewed the campaign finance reports of all elected City, County, and Board officials who have held office since local officials have been required to file those reports. We also reviewed a publication called The Bond Buyer's Municipal Marketplace, which lists bond professionals such as dealers and underwriters, financial advisors, municipal bond attorneys, and the like, for cities across the country. We assembled a listing of more than 300 such professionals who have offices in the Kansas City area on either the Kansas or Missouri side.

We found that it is not uncommon for bond professionals and bankers--as well as for members of other professions--to contribute to compaigns of officials for locally elected office. The same would be true for officials running for State offices.

The accompanying table shows officials who held elected office between 1991 and 1993, and received contributions from bankers or bond professionals whose firms served in recent years as lead underwriter, bond counsel, trustee, or the like, for bond-related business of the City, County, or Board of Public Utilities.

Campaign Contributions to Elected Officials from Bond Professionals With Lead Roles 1991 to 1993

	Lead Bond Underwriters	Bond Counsel	Bankers Acting as Trustees/ Fiscal Agents	Total Bond-Related Contributions	Percent of Total Contrib.
City Council:					
Frank Corbett	$ 500	$ 200	$600	$1,300	11.9%
Carol Marinovich	1,000	200	350	1,550	12.3
Ron Mears	0	0	600	600	10.8
Elmer Sharp	500	0	100	600	3.9
William Young	500	150	0	650	9.8
W. Fred Zimmerman	0	0	380	380	2.5
Mayor:					
Joseph Steineger	1,250	2,500	1,000	4,750	4.6
Board of Public Utilities:					
John Feeback	1,000	0	500	1,500	8.9
Thomas Lynch Sr.	0	0	1,250	1,250	6.3
Robert Milan	0	0	360	360	33.3
C. R. (Bob) Singleton	1,000	0	600	1,600	8.8
Paul Gorup	0	0	700	700	7.1
County Commission:					
Nancy Burns	0	0	500	500	3.1
Richard Kaminski	0	0	500	500	2.5
Frank Lipovitz	100	0	0	100	.9
Verdis Robinson	250	0	430	680	2.2
Totals	**$6,100**	**$3,050**	**$7,870**	**$17,020**	**4.9%**

As the table shows, 16 officials who have held elected office since campaign contribution reports have been required, received an average of about five percent of their total reported contributions from individuals, lead underwriting firms, bond counsel, or banks that have been awarded bond business. Although the amounts of the contributions generally are not large, in a few cases they make up a fairly significant portion of the total contributions these individuals reported. For example, four members of the City Council received contributions from these firms and individuals that approached or exceeded 10 percent of their total contributions. One member of the Board of Public Utilities received about one-third of his total campaign contributions from area bankers that served as fiscal agents for City bonds. However, the total amount of those contributions was only $360.

The majority of the contributions from bond counsel came from principals and staff of the firm of Burke, Williams, Sorensen, and Gaar, which has served almost exclusively as the City and County's bond counsel for about 30 years. Contributions from bond underwriters were primarily from principals and staff of the investment firm of B.C. Christopher. A complete listing of the contributions from all types of bond professionals--whether or not we could determine if they worked directly with the municipalities on bond issues--is shown in Appendix C.

We Did Not Discover Any Business Relationships From Which Bond Professionals and City, County, or Board Officials Jointly Benefitted

In looking for business relationships between City, County, and Board officials, and principals of the firms that did bond business with those entities, we performed a number of tests. Those tests included the following:

- We reviewed statements of substantial interest required to be filed by certain public officials to determine any compensation those officials received from, or any business relationships they had with, bond professionals.
- We reviewed corporate annual statements on file with the Secretary of State's Office to determine whether municipal officials or bond professionals were officers or major stockholders of any of the firms that were allowed to issue industrial revenue bonds through the City.
- We reviewed income tax returns for the past three years for a number of municipal officials and bond professionals who were Kansas residents to determine whether these individuals shared any common sources of compensation or income.
- We reviewed employment histories of municipal officials who were in a position to influence decisions about bond business to determine whether they had ever worked for any of the firms that were doing business with the municipalities.
- We contacted news media to determine whether they had reported any interrelationships between municipal officials and bond professionals that we could substantiate.

- We surveyed municipal officials and bond professionals and asked them to report any business relationships they had or any gifts or compensation they had either provided or received.

Our review of tax records did not provide the basis for any of the findings, conclusions, or recommendations drawn in this report. Generally, the only relationships the other tests revealed were that some of the professionals who handle bond work for the municipalities formerly were employed by the City. We also noted that State law does not require key local officials to report outside compensation and business interests, as State employees are required to do. These issues are discussed in more detail below.

Three cases came to our attention where individuals who once worked for the City later went to work for firms that did bond business with those municipalities. During the audit, we reviewed personnel records of non-elected individuals who could be in a position to influence decisions about firms receiving business related to municipal bonds. Our review was made to determine if any of these employees had ever worked for any of the firms that received business from the City, County, or the Board. We did not find any instances where current municipal officials had worked for any of those firms. We did find three instances in which individuals who had been employed by the City later went to work for firms that did bond work for the City.

The first case was an individual who served as an assistant to the Mayor from 1975 to 1981. This individual went to work for the investment firm of Stern Brothers in 1982, and subsequently went to work for the firm of B.C. Christopher in 1986. In reviewing the 28 negotiated general obligation, public utility, city revenue, and mortgage revenue bonds issued by the City between 1983 and 1993, we noted that these firms were the lead underwriters or co-managers in 89 percent of the transactions when this individual was associated with the firms.

The second case involved an attorney who worked for the City in the capacity of General Counsel for the Board of Public Utilities from 1979 to 1988. This attorney joined the firm of Burke, Williams, Sorensen, and Gaar in 1988. The firm of Burke, Williams, Sorensen, and Gaar, and principals of that firm who had formerly been associated with the firm of Gaar and Bell, had served as bond counsel for all three entities for quite some time before this attorney joined the firm.

In the third case, an individual served as assistant to the Mayor from 1972-1975, then later worked for a series of bond-underwriting firms. From 1976 to 1987, he worked with George K. Baum, and from 1987 to 1988 he worked with Stern Brothers. Those two firms were the lead underwriters or co-managers on six negotiated general obligation, public utility, city revenue, and mortgage revenue bonds issued by the City between 1983 and 1988. In 1989, this individual also served as the independent financial advisor for the County.

In one other case we noted, an elected Board of Public Utilities member served on the Board while employed as an account executive with two underwriting firms. During this time, these firms did not act as lead underwriter for any bonds issued for the Board.

State law does not require all officials who could be in a position to influence bond decisions to file statements of substantial interest. Statements of substantial interest are forms filled out annually by elected officials, candidates for office, and certain government employees to disclose any ownership or business interests they have outside their capacity as a governmental official, and any compensation or gifts they have received from business interests. At the State level, the types of employees who must file annually include people responsible for making major policy decisions, contracting, purchasing, procuring, inspecting, regulating, awarding grants, and the like. At the local level, employees must file only before acting on any matter that will affect any business in which the employee has a substantial interest.

During this audit we heard many rumors and allegations of bond professionals providing gifts, lodging, expensive meals, and entertainment to public officials in return for bond business. The only means we have to substantiate those allegations is if such gifts or gratuities are reported somewhere, or if someone could provide us with documentation of those gifts.

We reviewed statements of substantial interest that were on file with the County election officer. Those statements did not show any relationships between municipal officials and the firms and professionals that do bond work for the City, the County, and the Board.

To obtain additional information in this area, we surveyed 81 elected officials, bond professionals, attorneys, and City, County, and Board of Public Utilities staff. We asked them to report information about business relationships or contributions and gifts they may have provided or received during the past 10 years. Those surveys were returned to us by 49 of those individuals--36 municipal officials and 13 bond professionals. We asked whether bond professionals had provided anything of value to municipal officials exceeding $50 in any given year. The only things that bond professionals reported providing, or municipal officials reported receiving, were political contributions.

We also asked the survey recipients about their business relationships with each other. Although there were a few reported business relationships, those that were reported tended to be bond professionals with other bond professionals. Although some of the law firms that represented the City or County on bond deals also represented some municipal officials on private matters, we did not receive any reports of municipal officials in business with bond professionals.

Conclusion

Bond industry literature we reviewed during this audit suggest that negotiated bond sales have their place, and if properly controlled, can sometimes be advantageous to the municipality that is issuing the bonds. During the audit, we found that Kansas City and Wyandotte County have not implemented and followed some of the controls needed to ensure that negotiated bond sales are done at the least cost to the taxpayers. Paramount among those controls is the use of a qualified independent financial advisor. The audit shows that interest rates probably were set higher than they needed to be on several of Kansas City's negotiated bonds, and that the way rates are set on bonds with dual maturities causes the City to pay potentially significant unnecessary interest costs. Both of these problems might have been avoided if the City had sought advice from an independent advisor rather than seeking advice from the firm that was underwriting its bonds.

The audit also shows that neither the City nor the County have controlled their bond counsel costs through the use of periodic competitive bidding procedures. Other Kansas cities that select bond counsel competitively appeared to pay significantly lower fees than Kansas City, but the way that fee schedules are structured makes it difficult to tell.

By operating within a relatively closed system with regard to the bond counsel and underwriters they use, the City has subjected itself to concerns about possible conflicts of interest. By implementing some of the controls outlined in this report, it can help allay those concerns.

Recommendations

1. To ensure that their interests are adequately protected when issuing municipal bonds, Kansas City and Wyandotte County should obtain the services of a qualified independent financial advisor. The advisor should be someone that is completely independent of the firms being used to sell the bonds.

2. To ensure that they are able to issue bonds at the lowest cost to the taxpayers, Kansas City and Wyandotte County should do the following:

    a. Send out requests for qualifications and bids on bond counsel services at least every three-to-five years.

b. Solicit proposals from more than one underwriter when issuing bonds through a negotiated sale.

c. For serial bonds, either have amounts maturing only once each year, or if semi-annual maturities are used, reduce the interest rate paid on the bonds that mature in the first part of the year to more accurately reflect the length of time those bonds are outstanding.

3. To ensure that it has an accurate record of all legal costs associated with bond issues, the City should require its bond counsel to clearly indicate on his billings what charges are assignable to issuing bonds, and what charges are assignable to legal services for the projects being financed by those bonds.

4. For bond refinancings done for cost-saving purposes, the City and County should establish specific savings targets that must be achieved before they refinance a bond, and should adhere to those policies unless there are compelling reasons to do otherwise.

5. To ensure that the City and County can demonstrate that the use of insurance policies is cost-effective, they should document analyses showing that insurance costs will be recouped through either lower interest rates or higher earnings on escrow accounts.

6. To ensure that local officials who could be in a position to influence bond decisions are required to report their business dealings, the Legislature should consider amending State law to require local officials who are responsible for making major policy decisions, contracting, purchasing, and the like, to file statements of substantial interest, just as State employees are required to do.

APPENDIX A

List of the Kansas City Bonds In Our Sample, With the Comparison Bonds from Kansas and Other States

The following pages list the bonds used in our comparative analysis during this audit.

They include the following information for each Kansas City bond, and the comparison bonds:

1. Sale date
2. Issuer (municipality that issued the bond. Sometimes the same City or County bond will be listed twice, because it had different maturities.)
3. Issue description (type of bond)
4. Amount of issue
5. Type of bid (negotiated or competitive)
6. Tax Code (taxable, tax-exempt, or alternative minimum tax)
7. Serial or term bond
8. Maturity year
9. Ending serial maturity
10. Length of bond
11. Moody's Investment Services bond rating
12. Standard and Poor's bond rating
13. Gross spread (primarily the underwriter's fees)
14. Lead underwriter
15. Bond counsel
16. Credit enhancement type (whether the bond is insured)

Sale Date	Issuer	Issue Description	Amount of Issue ($ mils)	Type Bid Negotiated or Competitive	Tax Code Taxable, Exempt, or Alt. Min. Tax	Serial or Term	Maturity Year	Ending Serial Maturity	Length	Moody' Rating	S&P Rating	Gross Spread	Lead Underwriter	Bond Counsel	Credit Enhance-ment Type
GENERAL OBLIGATION BOND COMPARISONS															
7/1/86	**Kansas City-Kansas**	**GO Refunding Bonds**					**$30.58M**								
7/1/86	**Kansas City-Kansas**	**GO Refunding Bonds**	**30.58**	**N**	**E**	**S**		**4/1/92**	**5.8**		**AA**	**12.93**	**CHRISTOPHER**	**GAAR-BELL**	-
7/8/85	Lenexa-Kansas	GO Refunding & Improv Bond	28.55	N	E	S	3/1/86	9/1/95	10.2	Aaa	AAA	20.00	G-BAUM	GAAR-BELL	INS
11/19/85	Omaha-Nebraska	GO Refunding Bonds	28.50	N	E	S	12/1/86	12/1/02	17.0	Aaa	AAA	20.21	KIRKPATRICK	KUTAK	-
8/15/91	**Kansas City-Kansas**	**Refunding Improvement Bonds**					**$25.363M**								
8/15/91	**Kansas City-Kansas**	**GO Ref & Improvement Bon**	**25.36**	**N**	**E**	**S**	**3/1/92**	**3/1/04**	**12.6**	**Aaa**	**AAA**	**16.90**	**CHRISTOPHER**	**BURKE-WILLIAMS**	**INS**
8/15/91	**Kansas City-Kansas**	**GO Ref & Improvement Bon**	**25.36**	**N**	**E**	**S**	**3/1/02**		10.6						
12/10/91	Wichita-Kansas	GO Refunding Bonds	22.52	C	E	S	5/1/92	5/1/01	9.4	Aa	AA	6.60	PBS	HINKLE-EBERHART	-
5/19/92	Lawrence-Kansas	Refunding & Improvement Bor	23.83	N	E	S	9/1/92	3/1/04	11.8	Aa	NR	14.00	CHRISTOPHER	GILMORE-BELL	-
REVENUE BOND COMPARISONS															
2/1/84	**Kansas City-Kansas**	**Public Building**					**$6.02M**								
2/1/84	**KCK**	**Public Building**	**6.02**	**N**	**E**	**S**		**8/15/92**	**8.5**	**AAA**	**AAA**	**25.00**	**STERN-BROS**	**GAAR-BELL**	**INS**
8/31/83	Sioux City-Iowa	Hospital Facility Rev Bonds	7.00	N	E	S	9/1/86	9/1/94	11.0	A	A	27.25	BEPW	CHAPMAN-CUTLER	-
8/31/83	Sioux City-Iowa	Hospital Facility Rev Bonds	7.00	N	E	T	9/1/13		30.0						
9/26/83	Wamego-Kansas	Pollution Control Rev Ref Bon	5.90	N	E	T	8/30/13	-	29.9	NR	A+	15.50	BEPW	STINSON	-
10/5/84	Lawrence-Kansas	Water & Sewage Ref Rev Bon	5.84	N	E	S	11/1/85	11/1/95	11.1	NR	AAA	23.50	STERN-BROS	GAAR-BELL	INS
5/15/84	**Kansas City-Kansas**	**Sewer System Revenue Refunding**					**$5.425M**								
5/15/84	**Kansas City-Kansas**	**Sewer System Revenue Ref B**	**5.43**	**N**	**E**	**S**	**12/1/84**	**12/1/94**	**10.6**	**NR**	**AAA**	**29.95**	**STERN-BROS**	**GAAR-BELL**	**INS**
10/5/84	Lawrence-Kansas	Water & Sewage Ref Rev Bon	5.84	N	E	S	11/1/85	11/1/95	11.1	NR	AAA	23.50	STERN-BROS	GAAR-BELL	INS
9/26/83	Wamego-Kansas	Pollution Control Rev Ref Bon	5.90	N	E	T	8/30/13	-	29.9	NR	A+	15.50	BEPW	STINSON	-

Sale Date	Issuer	Issue Description	Amount of Issue ($ mils)	Type Bid Negotiated or Competitive	Tax Code Taxable, Exempt, or Alt. Min. Tax	Serial or Term	Maturity Year	Ending Serial Maturity	Length	Moody' Rating	S&P Rating	Gross Spread	Lead Underwriter	Bond Counsel	Credit Enhance-ment Type
8/1/91	**Kansas City-Kansas**	**Sewer System Revenue Refunding**					**$3.6M**								
8/1/91	**Kansas City-Kansas**	**Sewer System Ref Rev Bonds**	**3.55**	**N**	**E**	**S**	**5/1/02**	**11/1/04**	**13.3**	**Aaa**	**AAA**	**13.56**	**CHRISTOPHER**	**BURKE-WILLIAMS**	**INS**
4/17/92	Hays-Kansas	Wtr & Sewage Sys Revenue Bd	3.35	N	E	S	9/1/93	9/1/06	14.4	Aaa	AAA	48.26	G-BAUM	GILMORE-BELL	INS
4/17/92	Hays-Kansas	Wtr & Sewage Sys Revenue Bd	3.35	N	E	T	9/1/12		20.4						
10/29/91	Webster City-Iowa	Electric Revenue Refunding Bd	3.82	C	E	S	12/1/92	12/1/02	11.1	A	NR	13.25	LEHMAN	DORSEY	-
2/13/91	Atlantic-Iowa	Water Revenue Bonds	2.83	C	E	S	12/1/92	12/1/12	21.8	Aaa	AAA	10	CLAYTON-BROWN	CLAPP/	INS
11/21/91	Waterloo-Iowa	Sewer Revenue Bonds	3.26	C	A	S	5/1/94	5/1/06	14.5	Aaa	AAA	14.84	CHILES	AHLERS	INS
12/3/91	Olathe-Kansas	Water & Sewer Rev Bonds	2.86	C	E	S	1/1/92	1/1/12	20.1	Baa1	A+	16.15	A-G-EDWARDS	GILMORE-BELL	-
12/19/91	Kansas City-Missouri	Tax Increment Revenue Bonds	3.75	N	E	T	11/1/14	-	22.9	NR	A+	5	G-BAUM	GILMORE-BELL	-
4/16/91	Eldridge-Iowa	Electric Revenue Ref Bonds	3.11	C	E	S	6/1/96	6/1/03	12.1	Baa1	NR	14	PIPER	AHLERS	-

UTILITY BOND COMPARISONS

Sale Date	Issuer	Issue Description	Amount of Issue ($ mils)	Type Bid Negotiated or Competitive	Tax Code Taxable, Exempt, or Alt. Min. Tax	Serial or Term	Maturity Year	Ending Serial Maturity	Length	Moody' Rating	S&P Rating	Gross Spread	Lead Underwriter	Bond Counsel	Credit Enhance-ment Type
7/1/86	**Public Utilities Bd.**	**Utility System Revenue Refunding**					**$32.91M**								
7/1/86	**Kansas City-Kansas**	**Utility Sys Rev Ref Bonds**	**32.91**	**N**	**E**	**S**	**3/1/87**	**3/1/97**	**10.7**	**NR**	**AAA**	**10.50**	**CHRISTOPHER**	**HAYNES-MILLER**	**INS**
8/2/85	Columbia-Missouri	Water & Electric Sys Rev Bond	32.76	N	E	S	10/1/86	10/1/00	15.2	A1	AA	19.91	SBH	STINSON	-
8/2/85	Columbia-Missouri	Water & Electric Sys Rev Bond	32.76	N	E	T	10/1/05		20.2						
11/25/85	Oklahoma City Muni Improv Au	Water System Revenue Bonds	37.94	N	E	S	11/1/86	11/1/98	12.9	NR	AAA	21.80	STIFEL	SHIRK	INS
11/25/85	Oklahoma City Muni Improv Au	Water System Revenue Bonds	37.94	N	E	T	11/1/05		19.9						
11/25/85	Oklahoma City Muni Improv Au	Water System Revenue Bonds	37.94	N	E	T	11/1/18		33.0						
12/3/85	Little Blue Valley Sewer Dt	Sewer System Revenue Ref Bo	32.76	N	E	S	10/1/86	10/1/96	10.8	NR	AAA	24.88	STERN-BROS	LINDE	INS
12/3/85	Little Blue Valley Sewer Dt	Sewer System Revenue Ref Bo	32.76	N	E	T	10/1/00		14.8						
12/3/85	Little Blue Valley Sewer Dt	Sewer System Revenue Ref Bo	32.76	N	E	T	10/1/07		21.8						
9/17/85	Wichita-Kansas	Water Utility Revenue Ref Bon	27.38	N	E	S	4/1/86	10/1/93	8.0	A	A+	21.50	STERN-BROS	GAAR-BELL	-

MORTGAGE REVENUE BOND COMPARISON

Sale Date	Issuer	Issue Description	Amount of Issue ($ mils)	Type Bid Negotiated or Competitive	Tax Code Taxable, Exempt, or Alt. Min. Tax	Serial or Term	Maturity Year	Ending Serial Maturity	Length	Moody' Rating	S&P Rating	Gross Spread	Lead Underwriter	Bond Counsel	Credit Enhance-ment Type
9/15/83	**Kansas City-Kansas**	**Single Family Mortgage Revenue**					**$25.0M**								
9/15/83	**Kansas City-Kansas**	**Single Family Mortgage Reve**	**25.00**	**N**	**E**	**S**		**12/1/01**	**18.2**		**A+**	**24.00**	**CHRISTOPHER**	**GAAR-BELL**	
9/15/83	**Kansas City-Kansas**	**Single Family Mortgage Reve**	**25.00**	**N**	**E**	**T**	**12/1/97**		**14.2**						
9/15/83	**Kansas City-Kansas**	**Single Family Mortgage Reve**	**25.00**	**N**	**E**	**T**	**12/1/03**		**20.2**						
9/15/83	**Kansas City-Kansas**	**Single Family Mortgage Reve**	**25.00**	**N**	**E**	**T**	**12/1/14**		**31.2**						
1/20/83	Philadelphia Hospitals Authority	Revenue Bonds	25.72	N	E	T	8/1/93	-	10.5	Aa	AAA	26.58	BUTCHER	COHEN-SHAPIRO	MTG
1/20/83	Philadelphia Hospitals Authority	Revenue Bonds	25.72	N	E	T	8/1/03		20.5						
1/20/83	Philadelphia Hospitals Authority	Revenue Bonds	25.72	N	E	T	8/1/22		39.6						

Sale Date	Issuer	Issue Description	Amount of Issue ($ mils)	Type Bid Negotiated or Competitive	Tax Code Taxable, Exempt, or Alt. Min. Tax	Serial or Term	Maturity Year	Ending Serial Maturity	Length	Moody' Rating	S&P Rating	Gross Spread	Lead Underwriter	Bond Counsel	Credit Enhance-ment Type
7/14/83	Fontana Redevelopment Agency	Single Family Mortgage Rev B	23.37	C	E	S	7/1/85	1/1/90	6.5	NR	AAA	21.78	MILLER-SCHR	-	MTG
9/15/83	Orange Co Housing Finance Au	Home Mortgage Revenue Bond	30.00	N	E	S	6/1/85	12/1/97	14.2	Aa	AA-	23.95	MLCM	BRYANT-MILLER	MTG
9/15/83	Orange Co Housing Finance Au	Home Mortgage Revenue Bond	30.00	N	E	T	12/1/02		19.2						
9/15/83	Orange Co Housing Finance Au	Home Mortgage Revenue Bond	30.00	N	E	T	12/1/03		20.2						
9/15/83	Orange Co Housing Finance Au	Home Mortgage Revenue Bond	30.00	N	E	T	12/1/13		30.2						
9/15/83	Orange Co Housing Finance Au	Home Mortgage Revenue Bond	30.00	N	E	T	12/1/14		31.2						
2/24/84	NYC Trust for Cultural Resourc	Collateralized Revenue Bonds	20.00	N	E	S	1/1/88	1/1/99	14.9	Aaa	AAA	15.00	GS	HAWKINS	MTG
2/24/84	NYC Trust for Cultural Resourc	Collateralized Revenue Bonds	20.00	N	E	T	1/1/04		19.9						
2/24/84	NYC Trust for Cultural Resourc	Collateralized Revenue Bonds	20.00	N	E	T	1/1/19		34.9						
10/1/84	**Kansas City-Kansas**	**Single Family Mortgage Revenue**					**$34.0M**								
10/1/84	**Kansas City-Kansas**	**Single Family Mortgage Reve**	**34.00**	**N**	**E**	**S**		**10/1/98**	**14.0**		**AAA**	**23.00**	**G-BAUM**	**GAAR-BELL**	**INS**
10/1/84	**Kansas City-Kansas**	**Single Family Mortgage Reve**	**34.00**	**N**	**E**	**T**	**10/1/01**		17.0						
10/1/84	**Kansas City-Kansas**	**Single Family Mortgage Reve**	**34.00**	**N**	**E**	**T**	**10/1/03**		19.0						
10/1/84	**Kansas City-Kansas**	**Single Family Mortgage Reve**	**34.00**	**N**	**E**	**T**	**4/1/16**		31.5						
11/7/84	Thousand Oaks-California	Single Family Hsg Mtg Rev Bo	31.00	N	E	S	12/1/85	12/1/99	15.1	Aaa	NR	25.91	SLAE	JONES-HALL	MTG
11/7/84	Thousand Oaks-California	Single Family Hsg Mtg Rev Bo	31.00	N	E	T	12/1/03		19.1						
11/7/84	Thousand Oaks-California	Single Family Hsg Mtg Rev Bo	31.00	N	E	T	12/1/04		20.1						
11/7/84	Thousand Oaks-California	Single Family Hsg Mtg Rev Bo	31.00	N	E	T	12/1/10		26.1						
11/7/84	Thousand Oaks-California	Single Family Hsg Mtg Rev Bo	31.00	N	E	T	12/1/17		33.1						
1/15/85	Biloxi-Mississippi	Mortgage Revenue Bonds	31.14	N	E	T	8/1/95	-	10.5	Aa	AA	27.50	PAINE-W	WATKINS	MTG
1/15/85	Biloxi-Mississippi	Mortgage Revenue Bonds	31.14	N	E	T	8/1/05		20.6						
1/15/85	Biloxi-Mississippi	Mortgage Revenue Bonds	31.14	N	E	T	8/1/24		39.6						
4/25/85	Atlanta Urban Residential Fin A	Single-Family Mortgage Rev B	30.00	N	E	S	10/1/86	10/1/01	16.4	Aaa	NR	20.54	DWR	KUTAK/PARKS	MTG
4/25/85	Atlanta Urban Residential Fin A	Single-Family Mortgage Rev B	30.00	N	E	T	10/1/05		20.4						
4/25/85	Atlanta Urban Residential Fin A	Single-Family Mortgage Rev B	30.00	N	E	T	10/1/16		31.5						
10/1/85	**Kansas City-Kansas**	**Single Family Mortgage Revenue**					**$22.92M**								
10/1/85	**Kansas City-Kansas**	**Single Family Mortgage rever**	**22.92**	**N**	**E**	**S**		**8/1/98**	**12.8**		**AAA**	**25.00**	**G-BAUM**	**GAAR-BELL**	**INS**
10/1/85	**Kansas City-Kansas**	**Single Family Mortgage rever**	**22.92**	**N**	**E**	**T**	**8/1/02**		16.8						
10/1/85	**Kansas City-Kansas**	**Single Family Mortgage rever**	**22.92**	**N**	**E**	**T**	**8/1/06**		20.8						
10/1/85	**Kansas City-Kansas**	**Single Family Mortgage rever**	**22.92**	**N**	**E**	**T**	**2/1/17**		31.4						
6/20/85	Fontana Redevelopment Agency	Single Family Mortgage Rev B	24.40	N	E	S	12/1/85	12/1/98	13.5	NR	AAA	27.50	MILLER-SCHR	HAWKINS	INS
6/20/85	Fontana Redevelopment Agency	Single Family Mortgage Rev B	24.40	N	E	T	12/1/04		19.5						
6/20/85	Fontana Redevelopment Agency	Single Family Mortgage Rev B	24.40	N	E	T	6/1/12		27.0						
6/20/85	Fontana Redevelopment Agency	Single Family Mortgage Rev B	24.40	N	E	T	6/1/18		33.0						
12/10/85	Ontario-California	Single Family Mortgage Rev B	20.77	N	E	S	6/1/86	12/1/03	18.0	NR	AAA	23.00	MILLER-SCHR	HAWKINS	MTG

Sale Date	Issuer	Issue Description	Amount of Issue ($ mils)	Type Bid Negotiated or Competitive	Tax Code Taxable, Exempt, or Alt. Min. Tax	Serial or Term	Maturity Year	Ending Serial Maturity	Length	Moody' Rating	S&P Rating	Gross Spread	Lead Underwriter	Bond Counsel	Credit Enhance-ment Type
12/10/85	Ontario-California	Single Family Mortgage Rev B	20.77	N	E	T	12/1/06		21.0						
12/10/85	Ontario-California	Single Family Mortgage Rev B	20.77	N	E	T	12/1/08		23.0						
12/10/85	Ontario-California	Single Family Mortgage Rev B	20.77	N	E	T	12/1/12		27.0						
12/10/85	Ontario-California	Single Family Mortgage Rev B	20.77	N	E	T	12/1/18		33.0						
9/26/86	Santa Rosa-California	Insured Rev Ref Bonds	23.38	N	E	S	6/1/90	6/1/00	13.7	Aaa	NR	13.78	SBH	ORRICK	MTG
9/26/86	Santa Rosa-California	Insured Rev Ref Bonds	23.38	N	E	T	6/1/94		7.7						
9/26/86	Santa Rosa-California	Insured Rev Ref Bonds	23.38	N	E	T	6/1/14		27.7						
5/1/88	**Kansas City-Kansas**	**GNMA Collateralized MRB**					**$25.0M**								
5/1/88	**Kansas City-Kansas**	**GNMA Collateralized Mortg**	**25.00**	**N**	**E**	**S**		**11/1/02**	**14.5**		**AAA**	**10.39**	**STERN-BROS**	**BURKE-WILL**	
5/1/88	**Kansas City-Kansas**	**GNMA Collateralized Mortg**	**25.00**	**N**	**E**	**T**	**5/1/15**		**27.0**						
5/1/88	**Kansas City-Kansas**	**GNMA Collateralized Mortg**	**25.00**	**N**	**E**	**T**	**11/1/19**		**31.5**						
6/10/87	Harris Co Housing Finance Cor	Single Family Mtg Rev Bonds	26.00	N	A	S	12/1/88	12/1/01	14.5	NR	AAA	10.77	SLB	VINSON	MTG
6/10/87	Harris Co Housing Finance Cor	Single Family Mtg Rev Bonds	26.00	N	A	T	12/1/07		20.5						
6/10/87	Harris Co Housing Finance Cor	Single Family Mtg Rev Bonds	26.00	N	A	T	12/1/17		30.5						
6/15/87	Tarrant Co Housing Finance Co	Single Family Hsg Mtg Rev Bo	23.50	N	E	S	7/1/89	7/1/01	14.1	NR	AAA	12.65	PBS	HUTCHISON/KELLY	MTG
6/15/87	Tarrant Co Housing Finance Co	Single Family Hsg Mtg Rev Bo	23.50	N	E	T	1/1/15		27.6						
6/15/87	Tarrant Co Housing Finance Co	Single Family Hsg Mtg Rev Bo	23.50	N	E	T	1/1/19		31.6						
11/6/87	Broward Co Housing Finance A	Home Mtg Rev Bonds	28.50	N	A	S	11/1/89	11/1/97	10.0	NR	AAA	16.94	DWR	GREENBERG	MTG
11/6/87	Broward Co Housing Finance A	Home Mtg Rev Bonds	28.50	N	A	T	5/1/16		28.5						
11/6/87	Broward Co Housing Finance A	Home Mtg Rev Bonds	28.50	N	A	T	5/1/19		31.5						
11/13/87	Minneapolis-St Paul Hsg Fin Bd	Single Family Mtg Rev Bonds	27.63	N	A	S	5/1/89	11/1/02	15.0	NR	AAA	15.25	MILLER-SCHR	HOLMES	MTG
11/13/87	Minneapolis-St Paul Hsg Fin Bd	Single Family Mtg Rev Bonds	27.63	N	A	T	11/1/13		26.0						
11/13/87	Minneapolis-St Paul Hsg Fin Bd	Single Family Mtg Rev Bonds	27.63	N	A	T	11/1/15		28.0						
11/13/87	Minneapolis-St Paul Hsg Fin Bd	Single Family Mtg Rev Bonds	27.63	N	A	T	11/1/18		31.0						
3/23/88	Palmdale-California	Single Family Mtg Rev Bonds	25.55	N	E	S	9/1/89	9/1/00	12.5	Aaa	NR	9.25	PBS	BALLARD	MTG
3/23/88	Palmdale-California	Single Family Mtg Rev Bonds	25.55	N	E	T	9/1/11		23.5						
3/23/88	Palmdale-California	Single Family Mtg Rev Bonds	25.55	N	E	T	9/1/11		23.5						
3/23/88	Palmdale-California	Single Family Mtg Rev Bonds	25.55	N	E	T	3/1/17		29.0						
4/29/88	Waukesha Co Housing Authorit	Mortgage Revenue Bonds	25.00	N	A	S	11/1/88	11/1/98	10.5	NR	AAA	11.60	BAIRD	FOLEY-LARDNER	MTG
4/29/88	Waukesha Co Housing Authorit	Mortgage Revenue Bonds	25.00	N	A	T	5/1/04		16.0						
4/29/88	Waukesha Co Housing Authorit	Mortgage Revenue Bonds	25.00	N	A	T	11/1/09		21.5						
4/29/88	Waukesha Co Housing Authorit	Mortgage Revenue Bonds	25.00	N	A	T	11/1/13		25.5						
4/29/88	Waukesha Co Housing Authorit	Mortgage Revenue Bonds	25.00	N	A	T	11/1/19		31.5						
6/7/88	New Orleans Home Mtg Author	Single Family Mtg Rev Bonds	30.00	N	E	S	12/1/89	12/1/00	12.5	Aaa	NR	9.46	CRANSTON	CHAFFE-MCCALL/*	MTG
6/7/88	New Orleans Home Mtg Author	Single Family Mtg Rev Bonds	30.00	N	E	T	12/1/14		26.5						
6/7/88	New Orleans Home Mtg Author	Single Family Mtg Rev Bonds	30.00	N	E	T	12/1/19		31.5						
6/16/88	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	23.17	N	A	S	12/1/89	12/1/02	14.5	Aaa	NR	15.33	WM-HOUGH	BRYANT-MILLER	MTG
6/16/88	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	23.17	N	A	T	12/1/06		18.5						
6/16/88	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	23.17	N	A	T	12/1/11		23.5						
6/16/88	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	23.17	N	A	T	12/1/18		30.5						
8/18/88	East Baton Rouge Mtg Fin Auth	Single Family Mtg Rev Ref Bo	26.98	N	A	S	2/1/91	8/1/03	15.0	Aaa	NR	20.27	SBH	FOLEY-JUDELL	MTG
8/18/88	East Baton Rouge Mtg Fin Auth	Single Family Mtg Rev Ref Bo	26.98	N	A	T	8/1/08		20.0						

Sale Date	Issuer	Issue Description	Amount of Issue ($ mils)	Type Bid Negotiated or Competitive	Tax Code Taxable, Exempt, or Alt. Min. Tax	Serial or Term	Maturity Year	Ending Serial Maturity	Length	Moody' Rating	S&P Rating	Gross Spread	Lead Underwriter	Bond Counsel	Credit Enhance-ment Type
8/18/88	East Baton Rouge Mtg Fin Auth	Single Family Mtg Rev Ref Bo	26.98	N	A	T	2/1/17		28.5						
8/18/88	East Baton Rouge Mtg Fin Auth	Single Family Mtg Rev Ref Bo	26.98	N	A	T	8/1/20		32.0						
9/9/88	Palm Beach Co Housing Financ	Single-Fam Mtg Rev Bonds	20.00	N	A	S	3/1/91	9/1/00	12.0	Aaa	NR	16.35	SBH	MUDGE-ROSE	MTG
9/9/88	Palm Beach Co Housing Financ	Single-Fam Mtg Rev Bonds	20.00	N	A	T	9/1/07		19.0						
9/9/88	Palm Beach Co Housing Financ	Single-Fam Mtg Rev Bonds	20.00	N	A	T	9/1/20		32.0						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	S	3/1/92	3/1/00	11.5	NR	AAA	17.25	MILLER-SCHR	HOLMES	MTG
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	9/1/02		14.0						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	3/1/06		17.5						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	3/1/07		18.5						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	9/1/12		24.0						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	9/1/12		24.0						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	9/1/16		28.0						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	S	6/1/90	12/1/97	9.2	Aaa	NR	9.94	PAINE-W	ECKERT/H-G-LYNCH	MTG
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	S	6/1/90		1.7						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	T	12/1/15		27.2						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	T	12/1/16		28.2						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	T	6/1/20		31.7						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	T	12/1/20		32.2						
9/27/88	Fort Worth Housing Finance Co	Single Family Mtg Rev Bonds	21.47	N	A	S	12/1/91	12/1/08	20.2	NR	AAA	14.98	PBS	MCCALL	MTG
9/27/88	Fort Worth Housing Finance Co	Single Family Mtg Rev Bonds	21.47	N	A	T	12/1/11		23.2						
9/27/88	Fort Worth Housing Finance Co	Single Family Mtg Rev Bonds	21.47	N	A	T	6/1/21		32.7						
10/21/88	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	21.26	N	A	S	9/1/90	9/1/04	15.9	NR	AAA	20.00	RAUSCHER-REF	HUTCHISON	MTG
10/21/88	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	21.26	N	A	T	9/1/08		19.9						
10/21/88	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	21.26	N	A	T	9/1/19		30.9						
10/21/88	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	21.26	N	A	T	9/1/20		31.9						
11/25/88	Dallas Co Housing Finance Cor	Single Family Mtg Rev Bonds	26.00	N	A	S	9/1/90	9/1/01	12.8	NR	AAA	24.19	RAUSCHER-REF	MCCALL	MTG
11/25/88	Dallas Co Housing Finance Cor	Single Family Mtg Rev Bonds	26.00	N	A	T	9/1/08		19.8						
11/25/88	Dallas Co Housing Finance Cor	Single Family Mtg Rev Bonds	26.00	N	A	T	9/1/19		30.8						
11/25/88	Dallas Co Housing Finance Cor	Single Family Mtg Rev Bonds	26.00	N	A	T	9/1/20		31.8						
2/9/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	28.90	N	E	S	3/1/91	9/1/99	10.6	Aaa	NR	18.44	SBH	MUDGE-ROSE	MTG
2/9/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	28.90	N	E	T	9/1/09		20.6						
2/9/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	28.90	N	E	T	9/1/20		31.6						
3/1/89	Canadian Co Home Fin Auth	Single Family Mtg Rev Bonds	20.00	N	E	S	3/1/93	9/1/01	12.5	Aaa	NR	15.35	RAUSCHER-REF	FLOYD-BRANDEN	MTG
3/1/89	Canadian Co Home Fin Auth	Single Family Mtg Rev Bonds	20.00	N	E	T	9/1/09		20.5						
3/1/89	Canadian Co Home Fin Auth	Single Family Mtg Rev Bonds	20.00	N	E	T	9/1/22		33.5						
3/1/89	Canadian Co Home Fin Auth	Single Family Mtg Rev Bonds	20.00	N	E	T	3/1/23		34.0						
3/3/89	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	24.59	N	A	S	9/1/91	9/1/01	12.5	Aaa	NR	18.00	RAUSCHER-REF	HUTCHISON	MTG
3/3/89	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	24.59	N	A	T	9/1/09		20.5						
3/3/89	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	24.59	N	A	T	9/1/20		31.5						
3/3/89	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	24.59	N	A	T	3/1/21		32.0						
3/9/89	Travis Co Housing Finance Cor	Single Family Mtg Rev Bonds	27.61	N	A	S	10/1/92	10/1/02	13.6	NR	AAA	14.72	FIB-DENVER	HUTCHISON	MTG
3/9/89	Travis Co Housing Finance Cor	Single Family Mtg Rev Bonds	27.61	N	A	T	10/1/13		24.6						
3/9/89	Travis Co Housing Finance Cor	Single Family Mtg Rev Bonds	27.61	N	A	T	10/1/22		33.6						
3/30/89	Prince Georges Co Housing Aut	Single Family Mtg Rev Bds	21.00	N	A	S	4/1/91	10/1/07	18.5	NR	AAA	10.12	JOHNSTON-LEMO	MEYERS-BILL	MTG
3/30/89	Prince Georges Co Housing Aut	Single Family Mtg Rev Bds	21.00	N	A	S	10/1/03		14.5						
3/30/89	Prince Georges Co Housing Aut	Single Family Mtg Rev Bds	21.00	N	A	T	10/1/12		23.5						

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3/30/89	Prince Georges Co Housing Aut	Single Family Mtg Rev Bds	21.00	N	A	T	10/1/20		31.5						
4/5/89	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	25.74	N	A	S	12/1/91	12/1/99	10.7	Aaa	NR	13.60	WM-HOUGH	BRYANT-MILLER	MTG#
4/5/89	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	25.74	N	A	T	12/1/05		16.7						
4/5/89	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	25.74	N	A	T	12/1/12		23.7						
4/5/89	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	25.74	N	A	T	6/1/21		32.2						
5/5/89	Duval Co Housing Fin Auth	Single Family Mtg Rev Ref Bo	27.11	N	A	S	11/1/91	11/1/00	11.5	NR	AAA	11.84	DBL	LIVERMORE	MTG
5/5/89	Duval Co Housing Fin Auth	Single Family Mtg Rev Ref Bo	27.11	N	A	T	11/1/09		20.5						
5/5/89	Duval Co Housing Fin Auth	Single Family Mtg Rev Ref Bo	27.11	N	A	T	11/1/11		22.5						
5/5/89	Duval Co Housing Fin Auth	Single Family Mtg Rev Ref Bo	27.11	N	A	T	11/1/22		33.5						
9/1/88	**Kansas City-Kansas**	**GNMA Collateralized MRB**					**$25.0M**								
9/1/88	**Kansas City-Kansas**	**GNMA Collateralized Mortg**	**25.00**	**N**	**E**	**S**		**11/1/03**	**15.2**		**AAA**	**23.51**	**STERN-BROS**	**BURKE-WILL**	
9/1/88	**Kansas City-Kansas**	**GNMA Collateralized Mortg**	**25.00**	**N**	**E**	**T**	**11/1/10**		**22.2**						
9/1/88	**Kansas City-Kansas**	**GNMA Collateralized Mortg**	**25.00**	**N**	**E**	**T**	**11/1/20**		**32.2**						
11/6/87	Broward Co Housing Finance A	Home Mtg Rev Bonds	28.50	N	A	S	11/1/89	11/1/97	10.0	NR	AAA	16.94	DWR	GREENBERG	MTG
11/6/87	Broward Co Housing Finance A	Home Mtg Rev Bonds	28.50	N	A	T	5/1/16		28.5						
11/6/87	Broward Co Housing Finance A	Home Mtg Rev Bonds	28.50	N	A	T	5/1/19		31.5						
11/13/87	Minneapolis-St Paul Hsg Fin Bd	Single Family Mtg Rev Bonds	27.63	N	A	S	5/1/89	11/1/02	15.0	NR	AAA	15.25	MILLER-SCHR	HOLMES	MTG
11/13/87	Minneapolis-St Paul Hsg Fin Bd	Single Family Mtg Rev Bonds	27.63	N	A	T	11/1/13		26.0						
11/13/87	Minneapolis-St Paul Hsg Fin Bd	Single Family Mtg Rev Bonds	27.63	N	A	T	11/1/15		28.0						
11/13/87	Minneapolis-St Paul Hsg Fin Bd	Single Family Mtg Rev Bonds	27.63	N	A	T	11/1/18		31.0						
3/23/88	Palmdale-California	Single Family Mtg Rev Bonds	25.55	N	E	S	9/1/89	9/1/00	12.5	Aaa	NR	9.25	PBS	BALLARD	MTG
3/23/88	Palmdale-California	Single Family Mtg Rev Bonds	25.55	N	E	T	9/1/11		23.5						
3/23/88	Palmdale-California	Single Family Mtg Rev Bonds	25.55	N	E	T	9/1/11		23.5						
3/23/88	Palmdale-California	Single Family Mtg Rev Bonds	25.55	N	E	T	3/1/17		29.0						
4/29/88	Waukesha Co Housing Authorit	Mortgage Revenue Bonds	25.00	N	A	S	11/1/88	11/1/98	10.5	NR	AAA	11.60	BAIRD	FOLEY-LARDNER	MTG
4/29/88	Waukesha Co Housing Authorit	Mortgage Revenue Bonds	25.00	N	A	T	5/1/04		16.0						
4/29/88	Waukesha Co Housing Authorit	Mortgage Revenue Bonds	25.00	N	A	T	11/1/09		21.5						
4/29/88	Waukesha Co Housing Authorit	Mortgage Revenue Bonds	25.00	N	A	T	11/1/13		25.5						
4/29/88	Waukesha Co Housing Authorit	Mortgage Revenue Bonds	25.00	N	A	T	11/1/19		31.5						
6/7/88	New Orleans Home Mtg Author	Single Family Mtg Rev Bonds	30.00	N	E	S	12/1/89	12/1/00	12.5	Aaa	NR	9.46	CRANSTON	CHAFFE-MCCALL/*	MTG
6/7/88	New Orleans Home Mtg Author	Single Family Mtg Rev Bonds	30.00	N	E	T	12/1/14		26.5						
6/7/88	New Orleans Home Mtg Author	Single Family Mtg Rev Bonds	30.00	N	E	T	12/1/19		31.5						
6/16/88	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	23.17	N	A	S	12/1/89	12/1/02	14.5	Aaa	NR	15.33	WM-HOUGH	BRYANT-MILLER	MTG
6/16/88	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	23.17	N	A	T	12/1/06		18.5						
6/16/88	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	23.17	N	A	T	12/1/11		23.5						
6/16/88	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	23.17	N	A	T	12/1/18		30.5						
8/18/88	East Baton Rouge Mtg Fin Auth	Single Family Mtg Rev Ref Bo	26.98	N	A	S	2/1/91	8/1/03	15.0	Aaa	NR	20.27	SBH	FOLEY-JUDELL	MTG
8/18/88	East Baton Rouge Mtg Fin Auth	Single Family Mtg Rev Ref Bo	26.98	N	A	T	8/1/08		20.0						
8/18/88	East Baton Rouge Mtg Fin Auth	Single Family Mtg Rev Ref Bo	26.98	N	A	T	2/1/17		28.5						
8/18/88	East Baton Rouge Mtg Fin Auth	Single Family Mtg Rev Ref Bo	26.98	N	A	T	8/1/20		32.0						
9/9/88	Palm Beach Co Housing Financ	Single-Fam Mtg Rev Bonds	20.00	N	A	S	3/1/91	9/1/00	12.0	Aaa	NR	16.35	SBH	MUDGE-ROSE	MTG
9/9/88	Palm Beach Co Housing Financ	Single-Fam Mtg Rev Bonds	20.00	N	A	T	9/1/07		19.0						

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9/9/88	Palm Beach Co Housing Financ	Single-Fam Mtg Rev Bonds	20.00	N	A	T	9/1/20		32.0						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	S	3/1/92	3/1/00	11.5	NR	AAA	17.25	MILLER-SCHR	HOLMES	MTG
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	9/1/02		14.0						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	3/1/06		17.5						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	3/1/07		18.5						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	9/1/12		24.0						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	9/1/12		24.0						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	9/1/16		28.0						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	S	6/1/90	12/1/97	9.2	Aaa	NR	9.94	PAINE-W	ECKERT/H-G-LYNCH	MTG
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	S	6/1/90		1.7						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	T	12/1/15		27.2						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	T	12/1/16		28.2						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	T	6/1/20		31.7						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	T	12/1/20		32.2						
9/27/88	Fort Worth Housing Finance Co	Single Family Mtg Rev Bonds	21.47	N	A	S	12/1/91	12/1/08	20.2	NR	AAA	14.98	PBS	MCCALL	MTG
9/27/88	Fort Worth Housing Finance Co	Single Family Mtg Rev Bonds	21.47	N	A	T	12/1/11		23.2						
9/27/88	Fort Worth Housing Finance Co	Single Family Mtg Rev Bonds	21.47	N	A	T	6/1/21		32.7						
10/21/88	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	21.26	N	A	S	9/1/90	9/1/04	15.9	NR	AAA	20.00	RAUSCHER-REF	HUTCHISON	MTG
10/21/88	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	21.26	N	A	T	9/1/08		19.9						
10/21/88	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	21.26	N	A	T	9/1/19		30.9						
10/21/88	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	21.26	N	A	T	9/1/20		31.9						
11/25/88	Dallas Co Housing Finance Cor	Single Family Mtg Rev Bonds	26.00	N	A	S	9/1/90	9/1/01	12.8	NR	AAA	24.19	RAUSCHER-REF	MCCALL	MTG
11/25/88	Dallas Co Housing Finance Cor	Single Family Mtg Rev Bonds	26.00	N	A	T	9/1/08		19.8						
11/25/88	Dallas Co Housing Finance Cor	Single Family Mtg Rev Bonds	26.00	N	A	T	9/1/19		30.8						
11/25/88	Dallas Co Housing Finance Cor	Single Family Mtg Rev Bonds	26.00	N	A	T	9/1/20		31.8						
2/9/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	28.90	N	E	S	3/1/91	9/1/99	10.6	Aaa	NR	18.44	SBH	MUDGE-ROSE	MTG
2/9/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	28.90	N	E	T	9/1/09		20.6						
2/9/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	28.90	N	E	T	9/1/20		31.6						
3/1/89	Canadian Co Home Fin Auth	Single Family Mtg Rev Bonds	20.00	N	E	S	3/1/93	9/1/01	12.5	Aaa	NR	15.35	RAUSCHER-REF	FLOYD-BRANDEN	MTG
3/1/89	Canadian Co Home Fin Auth	Single Family Mtg Rev Bonds	20.00	N	E	T	9/1/09		20.5						
3/1/89	Canadian Co Home Fin Auth	Single Family Mtg Rev Bonds	20.00	N	E	T	9/1/22		33.5						
3/1/89	Canadian Co Home Fin Auth	Single Family Mtg Rev Bonds	20.00	N	E	T	3/1/23		34.0						
3/3/89	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	24.59	N	A	S	9/1/91	9/1/01	12.5	Aaa	NR	18.00	RAUSCHER-REF	HUTCHISON	MTG
3/3/89	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	24.59	N	A	T	9/1/09		20.5						
3/3/89	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	24.59	N	A	T	9/1/20		31.5						
3/3/89	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	24.59	N	A	T	3/1/21		32.0						
3/9/89	Travis Co Housing Finance Cor	Single Family Mtg Rev Bonds	27.61	N	A	S	10/1/92	10/1/02	13.6	NR	AAA	14.72	FIB-DENVER	HUTCHISON	MTG
3/9/89	Travis Co Housing Finance Cor	Single Family Mtg Rev Bonds	27.61	N	A	T	10/1/13		24.6						
3/30/89	Prince Georges Co Housing Aut	Single Family Mtg Rev Bds	21.00	N	A	S	4/1/91	10/1/07	18.5	NR	AAA	10.12	JOHNSTON-LEMOI	MEYERS-BILL	MTG
3/30/89	Prince Georges Co Housing Aut	Single Family Mtg Rev Bds	21.00	N	A	S	10/1/03		14.5						
3/30/89	Prince Georges Co Housing Aut	Single Family Mtg Rev Bds	21.00	N	A	T	10/1/12		23.5						
3/30/89	Prince Georges Co Housing Aut	Single Family Mtg Rev Bds	21.00	N	A	T	10/1/20		31.5						
4/5/89	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	25.74	N	A	S	12/1/91	12/1/99	10.7	Aaa	NR	13.60	WM-HOUGH	BRYANT-MILLER	MTG#
4/5/89	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	25.74	N	A	T	12/1/05		16.7						
4/5/89	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	25.74	N	A	T	12/1/12		23.7						
4/5/89	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	25.74	N	A	T	6/1/21		32.2						

Sale Date	Issuer	Issue Description	Amount of Issue ($ mils)	Type Bid Negotiated or Competitive	Tax Code Taxable, Exempt, or Alt. Min. Tax	Serial or Term	Maturity Year	Ending Serial Maturity	Length	Moody' Rating	S&P Rating	Gross Spread	Lead Underwriter	Bond Counsel	Credit Enhance-ment Type
5/5/89	Duval Co Housing Fin Auth	Single Family Mtg Rev Ref Bo	27.11	N	A	S	11/1/91	11/1/00	11.5	NR	AAA	11.84	DBL	LIVERMORE	MTG
5/5/89	Duval Co Housing Fin Auth	Single Family Mtg Rev Ref Bo	27.11	N	A	T	11/1/09		20.5						
5/5/89	Duval Co Housing Fin Auth	Single Family Mtg Rev Ref Bo	27.11	N	A	T	11/1/11		22.5						
5/5/89	Duval Co Housing Fin Auth	Single Family Mtg Rev Ref Bo	27.11	N	A	T	11/1/22		33.5						
6/2/89	De Kalb Co Housing Authority	Single Family Mtg Rev Bonds	20.69	N	A	S	12/1/92	12/1/00	11.5	NR	AAA	16.29	FIB-DENVER	CHAPMAN-CUTLER	MTG
6/2/89	De Kalb Co Housing Authority	Single Family Mtg Rev Bonds	20.69	N	A	T	6/1/18		29.0						
6/2/89	De Kalb Co Housing Authority	Single Family Mtg Rev Bonds	20.69	N	A	T	6/1/22		33.0						
7/21/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	20.12	N	A	S	3/1/92	9/1/04	15.1	Aaa	NR	14.79	SBH	MUDGE-ROSE	MTG
7/21/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	20.12	N	A	T	9/1/11		22.1						
7/21/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	20.12	N	A	T	9/1/21		32.1						
6/1/89	**Kansas City-Kansas**	**GNMA Collateralized MRB**					**$25.0M**								
6/1/89	**Kansas City-Kansas**	**GNMA Collateralized Mortg**	**25.00**	**N**	**E**	**T**	**11/1/20**		**31.4**		**AAA**	**26.60**	**CHRISTOPHER**	**BURKE-WILL**	
6/7/88	New Orleans Home Mtg Author	Single Family Mtg Rev Bonds	30.00	N	E	S	12/1/89	12/1/00	12.5	Aaa	NR	9.46	CRANSTON	CHAFFE-MCCALL/*	MTG
6/7/88	New Orleans Home Mtg Author	Single Family Mtg Rev Bonds	30.00	N	E	T	12/1/14		26.5						
6/7/88	New Orleans Home Mtg Author	Single Family Mtg Rev Bonds	30.00	N	E	T	12/1/19		31.5						
6/16/88	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	23.17	N	A	S	12/1/89	12/1/02	14.5	Aaa	NR	15.33	WM-HOUGH	BRYANT-MILLER	MTG
6/16/88	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	23.17	N	A	T	12/1/06		18.5						
6/16/88	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	23.17	N	A	T	12/1/11		23.5						
6/16/88	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	23.17	N	A	T	12/1/18		30.5						
8/18/88	East Baton Rouge Mtg Fin Auth	Single Family Mtg Rev Ref Bo	26.98	N	A	S	2/1/91	8/1/03	15.0	Aaa	NR	20.27	SBH	FOLEY-JUDELL	MTG
8/18/88	East Baton Rouge Mtg Fin Auth	Single Family Mtg Rev Ref Bo	26.98	N	A	T	8/1/08		20.0						
8/18/88	East Baton Rouge Mtg Fin Auth	Single Family Mtg Rev Ref Bo	26.98	N	A	T	2/1/17		28.5						
8/18/88	East Baton Rouge Mtg Fin Auth	Single Family Mtg Rev Ref Bo	26.98	N	A	T	8/1/20		32.0						
9/9/88	Palm Beach Co Housing Financ	Single-Fam Mtg Rev Bonds	20.00	N	A	S	3/1/91	9/1/00	12.0	Aaa	NR	16.35	SBH	MUDGE-ROSE	MTG
9/9/88	Palm Beach Co Housing Financ	Single-Fam Mtg Rev Bonds	20.00	N	A	T	9/1/07		19.0						
9/9/88	Palm Beach Co Housing Financ	Single-Fam Mtg Rev Bonds	20.00	N	A	T	9/1/20		32.0						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	S	3/1/92	3/1/00	11.5	NR	AAA	17.25	MILLER-SCHR	HOLMES	MTG
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	9/1/02		14.0						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	3/1/06		17.5						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	3/1/07		18.5						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	9/1/12		24.0						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	9/1/12		24.0						
9/9/88	Dakota Co Hsg & Redev Auth	Single Family Mtg Rev Ref Bo	22.48	N	A	T	9/1/16		28.0						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	S	6/1/90	12/1/97	9.2	Aaa	NR	9.94	PAINE-W	ECKERT/H-G-LYNCH	MTG
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	S	6/1/90		1.7						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	T	12/1/15		27.2						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	T	12/1/16		28.2						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	T	6/1/20		31.7						
9/15/88	Pittsburgh Urban Redev Authori	Single Family Mtg Rev Bonds	27.85	N	A	T	12/1/20		32.2						
9/27/88	Fort Worth Housing Finance Co	Single Family Mtg Rev Bonds	21.47	N	A	S	12/1/91	12/1/08	20.2	NR	AAA	14.98	PBS	MCCALL	MTG
9/27/88	Fort Worth Housing Finance Co	Single Family Mtg Rev Bonds	21.47	N	A	T	12/1/11		23.2						

Sale Date	Issuer	Issue Description	Amount of Issue ($ mils)	Type Bid Negotiated or Competitive	Tax Code Taxable, Exempt, or Alt. Min. Tax	Serial or Term	Maturity Year	Ending Serial Maturity	Length	Moody' Rating	S&P Rating	Gross Spread	Lead Underwriter	Bond Counsel	Credit Enhance-ment Type
9/27/88	Fort Worth Housing Finance Co	Single Family Mtg Rev Bonds	21.47	N	A	T	6/1/21		32.7						
10/21/88	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	21.26	N	A	S	9/1/90	9/1/04	15.9	NR	AAA	20.00	RAUSCHER-REF	HUTCHISON	MTG
10/21/88	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	21.26	N	A	T	9/1/08		19.9						
10/21/88	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	21.26	N	A	T	9/1/19		30.9						
10/21/88	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	21.26	N	A	T	9/1/20		31.9						
11/25/88	Dallas Co Housing Finance Corp	Single Family Mtg Rev Bonds	26.00	N	A	S	9/1/90	9/1/01	12.8	NR	AAA	24.19	RAUSCHER-REF	MCCALL	MTG
11/25/88	Dallas Co Housing Finance Corp	Single Family Mtg Rev Bonds	26.00	N	A	T	9/1/08		19.8						
11/25/88	Dallas Co Housing Finance Corp	Single Family Mtg Rev Bonds	26.00	N	A	T	9/1/19		30.8						
11/25/88	Dallas Co Housing Finance Corp	Single Family Mtg Rev Bonds	26.00	N	A	T	9/1/20		31.8						
2/9/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	28.90	N	E	S	3/1/91	9/1/99	10.6	Aaa	NR	18.44	SBH	MUDGE-ROSE	MTG
2/9/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	28.90	N	E	T	9/1/09		20.6						
2/9/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	28.90	N	E	T	9/1/20		31.6						
3/1/89	Canadian Co Home Fin Auth	Single Family Mtg Rev Bonds	20.00	N	E	S	3/1/93	9/1/01	12.5	Aaa	NR	15.35	RAUSCHER-REF	FLOYD-BRANDEN	MTG
3/1/89	Canadian Co Home Fin Auth	Single Family Mtg Rev Bonds	20.00	N	E	T	9/1/09		20.5						
3/1/89	Canadian Co Home Fin Auth	Single Family Mtg Rev Bonds	20.00	N	E	T	9/1/22		33.5						
3/1/89	Canadian Co Home Fin Auth	Single Family Mtg Rev Bonds	20.00	N	E	T	3/1/23		34.0						
3/3/89	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	24.59	N	A	S	9/1/91	9/1/01	12.5	Aaa	NR	18.00	RAUSCHER-REF	HUTCHISON	MTG
3/3/89	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	24.59	N	A	T	9/1/09		20.5						
3/3/89	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	24.59	N	A	T	9/1/20		31.5						
3/3/89	El Paso Housing Finance Corp	Single Family Mtg Rev Bonds	24.59	N	A	T	3/1/21		32.0						
3/9/89	Travis Co Housing Finance Corp	Single Family Mtg Rev Bonds	27.61	N	A	S	10/1/92	10/1/02	13.6	NR	AAA	14.72	FIB-DENVER	HUTCHISON	MTG
3/9/89	Travis Co Housing Finance Corp	Single Family Mtg Rev Bonds	27.61	N	A	T	10/1/13		24.6						
3/9/89	Travis Co Housing Finance Corp	Single Family Mtg Rev Bonds	27.61	N	A	T	10/1/22		33.6						
3/30/89	Prince Georges Co Housing Aut	Single Family Mtg Rev Bds	21.00	N	A	S	4/1/91	10/1/07	18.5	NR	AAA	10.12	JOHNSTON-LEMOI	MEYERS-BILL	MTG
3/30/89	Prince Georges Co Housing Aut	Single Family Mtg Rev Bds	21.00	N	A	S	10/1/03		14.5						
3/30/89	Prince Georges Co Housing Aut	Single Family Mtg Rev Bds	21.00	N	A	T	10/1/12		23.5						
3/30/89	Prince Georges Co Housing Aut	Single Family Mtg Rev Bds	21.00	N	A	T	10/1/20		31.5						
4/5/89	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	25.74	N	A	S	12/1/91	12/1/99	10.7	Aaa	NR	13.60	WM-HOUGH	BRYANT-MILLER	MTG#
4/5/89	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	25.74	N	A	T	12/1/05		16.7						
4/5/89	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	25.74	N	A	T	12/1/12		23.7						
4/5/89	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	25.74	N	A	T	6/1/21		32.2						
5/5/89	Duval Co Housing Fin Auth	Single Family Mtg Rev Ref Bo	27.11	N	A	S	11/1/91	11/1/00	11.5	NR	AAA	11.84	DBL	LIVERMORE	MTG
5/5/89	Duval Co Housing Fin Auth	Single Family Mtg Rev Ref Bo	27.11	N	A	T	11/1/09		20.5						
5/5/89	Duval Co Housing Fin Auth	Single Family Mtg Rev Ref Bo	27.11	N	A	T	11/1/11		22.5						
5/5/89	Duval Co Housing Fin Auth	Single Family Mtg Rev Ref Bo	27.11	N	A	T	11/1/22		33.5						
6/2/89	De Kalb Co Housing Authority	Single Family Mtg Rev Bonds	20.69	N	A	S	12/1/92	12/1/00	11.5	NR	AAA	16.29	FIB-DENVER	CHAPMAN-CUTLER	MTG
6/2/89	De Kalb Co Housing Authority	Single Family Mtg Rev Bonds	20.69	N	A	T	6/1/18		29.0						
6/2/89	De Kalb Co Housing Authority	Single Family Mtg Rev Bonds	20.69	N	A	T	6/1/22		33.0						
7/21/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	20.12	N	A	S	3/1/92	9/1/04	15.1	Aaa	NR	14.79	SBH	MUDGE-ROSE	MTG
7/21/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	20.12	N	A	T	9/1/11		22.1						
7/21/89	Palm Beach Co Housing Financ	Single Family Mtg Rev Bonds	20.12	N	A	T	9/1/21		32.1						
9/15/89	Allegheny Co Residential Fin A	Single Family Mtg Rev Bonds	22.90	N	A	S	12/1/92	6/1/02	12.7	NR	NR	12.90	RUSSELL	BASKIN-FLAH/*	MTG#
9/15/89	Allegheny Co Residential Fin A	Single Family Mtg Rev Bonds	22.90	N	A	T	12/1/04		15.2						
9/15/89	Allegheny Co Residential Fin A	Single Family Mtg Rev Bonds	22.90	N	A	T	12/1/09		20.2						
9/15/89	Allegheny Co Residential Fin A	Single Family Mtg Rev Bonds	22.90	N	A	T	6/1/10		20.7						
9/15/89	Allegheny Co Residential Fin A	Single Family Mtg Rev Bonds	22.90	N	A	T	12/1/14		25.2						

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9/15/89	Allegheny Co Residential Fin A	Single Family Mtg Rev Bonds	22.90	N	A	T	6/1/17		27.7						
9/15/89	Allegheny Co Residential Fin A	Single Family Mtg Rev Bonds	22.90	N	A	T	12/1/22		33.2						
2/23/90	Palm Beach Co Housing Financ	Single Fam Mtg Rev Bonds	25.70	N	A	S	9/1/92	9/1/02	12.5	Aaa	NR	15.71	SBH	MUDGE-ROSE	MTG
2/23/90	Palm Beach Co Housing Financ	Single Fam Mtg Rev Bonds	25.70	N	A	T	9/1/11		21.5						
2/23/90	Palm Beach Co Housing Financ	Single Fam Mtg Rev Bonds	25.70	N	A	T	3/1/22		32.0						
3/7/90	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	21.25	N	A	S	12/1/92	12/1/02	12.7	Aaa	NR	13.99	WM-HOUGH	BRYANT-MILLER	MTG
3/7/90	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	21.25	N	A	T	12/1/11		21.8						
3/7/90	Clay Co Housing Finance Auth	Single Family Mtg Rev Bonds	21.25	N	A	T	6/1/22		32.3						
3/21/90	East Texas Housing Fin Corp	Single Fam Mtg Rev Bonds	24.05	N	A	S	6/1/94	6/1/01	11.2	NR	AAA	14.55	FIB-DENVER	MAYOR	MTG
3/21/90	East Texas Housing Fin Corp	Single Fam Mtg Rev Bonds	24.05	N	A	T	12/1/10		20.7						
3/21/90	East Texas Housing Fin Corp	Single Fam Mtg Rev Bonds	24.05	N	A	T	12/1/12		22.7						
3/21/90	East Texas Housing Fin Corp	Single Fam Mtg Rev Bonds	24.05	N	A	T	12/1/16		26.7						
3/21/90	East Texas Housing Fin Corp	Single Fam Mtg Rev Bonds	24.05	N	A	T	12/1/23		33.7						
3/28/90	Dallas Housing Finance Corp	Single Fam Mtg Rev Bonds	20.50	N	A	S	6/1/94	12/1/01	11.7	NR	AAA	12.52	FIB-DENVER	HUTCHISON	MTG#
3/28/90	Dallas Housing Finance Corp	Single Fam Mtg Rev Bonds	20.50	N	A	T	12/1/10		20.7						
3/28/90	Dallas Housing Finance Corp	Single Fam Mtg Rev Bonds	20.50	N	A	T	12/1/13		23.7						
3/28/90	Dallas Housing Finance Corp	Single Fam Mtg Rev Bonds	20.50	N	A	T	12/1/16		26.7						
3/28/90	Dallas Housing Finance Corp	Single Fam Mtg Rev Bonds	20.50	N	A	T	12/1/23		33.7						
6/8/90	Kern Co Housing Authority	Single Family Mtg Rev Bonds	27.75	N	A	T	12/1/02	-	12.5	NR	AAA	16.25	MAGNUS-SEC	BEST-BEST	MTG
6/8/90	Kern Co Housing Authority	Single Family Mtg Rev Bonds	27.75	N	A	T	12/1/07		17.5						
6/8/90	Kern Co Housing Authority	Single Family Mtg Rev Bonds	27.75	N	A	T	12/1/12		22.5						
6/8/90	Kern Co Housing Authority	Single Family Mtg Rev Bonds	27.75	N	A	T	12/1/23		33.5						
6/1/91	**Kansas City-Kansas**	**Single Family Mortgage Revenue**					**$40.0M**								
6/11/91	**Kansas City-Kansas**	**Collat Mtg Rev Bonds**	**40.00**	**N**	**A**	**S**	**6/1/95**	**12/1/03**	**12.5**	**NR**	**AAA**	**7.06**	**CHRISTOPHER**	**BURKE-WILL**	**MTG**
6/11/91	**Kansas City-Kansas**	**Collat Mtg Rev Bonds**	**40.00**	**N**	**A**	**T**	**12/1/11**		20.5						
6/11/91	**Kansas City-Kansas**	**Collat Mtg Rev Bonds**	**40.00**	**N**	**A**	**T**	**12/1/14**		23.5						
6/11/91	**Kansas City-Kansas**	**Collat Mtg Rev Bonds**	**40.00**	**N**	**A**	**T**	**12/1/23**		32.5						
6/6/90	Dade Co Housing Finance Auth	Single Family Mtg Rev Bonds	32.50	N	A	S	3/1/93	3/1/02	11.7	Aaa	NR	6.65	PAINE-W	BRYANT-MILLER	MTG
6/6/90	Dade Co Housing Finance Auth	Single Family Mtg Rev Bonds	32.50	N	A	T	3/1/17		26.8						
6/6/90	Dade Co Housing Finance Auth	Single Family Mtg Rev Bonds	32.50	N	A	T	9/1/07		17.2						
6/6/90	Dade Co Housing Finance Auth	Single Family Mtg Rev Bonds	32.50	N	A	T	9/1/22		32.3						
6/27/90	Palm Beach Co Housing Financ	Single Fam Mtg Rev Bonds	45.10	N	E	S	9/1/93	9/1/05	15.2	Aaa	NR	13.37	SBH	MUDGE-ROSE	MTG#
6/27/90	Palm Beach Co Housing Financ	Single Fam Mtg Rev Bonds	45.10	N	E	T	9/1/12		22.2						
6/27/90	Palm Beach Co Housing Financ	Single Fam Mtg Rev Bonds	45.10	N	E	T	3/1/23		32.7						
7/25/91	Dade Co Housing Finance Auth	Single Family Mtg Rev Bonds	38.06	N	A	S	3/1/94	9/1/04	13.1	Aaa	NR	12.95	PAINE-W	GREENBERG/*	MTG
7/25/91	Dade Co Housing Finance Auth	Single Family Mtg Rev Bonds	38.06	N	A	T	9/1/11		20.1						
7/25/91	Dade Co Housing Finance Auth	Single Family Mtg Rev Bonds	38.06	N	A	T	9/1/23		32.1						
8/20/91	Bolingbrook & Waukegan-Illinc	Var Rte Collat Mtg Rev Bonds	37.25	P	E	T	1/1/23	-	31.4	NR	NR	20.00	STIFEL	CHAPMAN-CUTLER	MTG
12/5/91	Travis Co Housing Finance Cor	Residential Mtg Rev Bonds	45.27	N	E	S	12/1/95	12/1/04	13.0	NR	AAA	15.50	FIB-DENVER	FULBRIGHT	MTG
12/5/91	Travis Co Housing Finance Cor	Residential Mtg Rev Bonds	45.27	N	E	T	12/1/11		20.0						
12/5/91	Travis Co Housing Finance Cor	Residential Mtg Rev Bonds	45.27	N	E	T	12/1/17		26.0						
12/5/91	Travis Co Housing Finance Cor	Residential Mtg Rev Bonds	45.27	N	E	T	12/1/20		29.0						

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12/5/91	Travis Co Housing Finance Cor	Residential Mtg Rev Bonds	45.27	N	E	T	12/1/25		34.0						
12/5/91	Travis Co Housing Finance Cor	Residential Mtg Rev Bonds	45.27	N	E	T	6/1/02		10.5						
4/14/92	East Baton Rouge Mtg Fin Auth	Single Fam Mtg Rev Ref Bond	38.31	N	E	T	4/1/22	-	30.0	Aaa	NR	10.66	HOWARD-WEIL	BREAZEALE	MTG
4/14/92	East Baton Rouge Mtg Fin Auth	Single Fam Mtg Rev Ref Bond	38.31	N	E	T	4/1/32		40.0						
6/3/92	Delta Co Home Mtg Finance Au	Single Family Mtg Rev Bonds	47.70	N	A	S	6/1/96	12/1/05	13.5	NR	AAA	11.25	PAINE-W	ORRICK/P-S-JUE	MTG
6/3/92	Delta Co Home Mtg Finance Au	Single Family Mtg Rev Bonds	47.70	N	A	T	12/1/11		19.5						
6/3/92	Delta Co Home Mtg Finance Au	Single Family Mtg Rev Bonds	47.70	N	A	T	6/1/14		22.0						
6/3/92	Delta Co Home Mtg Finance Au	Single Family Mtg Rev Bonds	47.70	N	A	T	12/1/25		33.5						

KANSAS CITY TEMPORARY NOTE COMPARISON

Sale Date	Issuer	Issue Description	Amount of Issue ($ mils)	Type Bid Negotiated or Competitive	Tax Code Taxable, Exempt, or Alt. Min. Tax	Serial or Term	Maturity Year	Ending Serial Maturity	Length	Moody' Rating	S&P Rating	Total Issuance Cost	Lead Underwriter	Bond Counsel	Credit Enhance-ment Type
4/1/89	**Kansas City-Kansas**	**Exterior Renovation Fire Station No. 7**						**$0.117M**							
4/1/89	**Kansas City-Kansas**	**Temporary Improvement Not**	**0.12**	**C**	**E**	**T**	**3/31/90**		**1.0**	**NR**	**NR**	**11.11**	**UTD-MISSOURI-B**	**BURKE-WILL**	
12/6/88	Derby-Kansas	Temporary Improvement Notes	0.14	N	E	T	12/1/89	-	1.0	NR	NR	6.86	FIRST-SEC-KS	GILMORE-BELL	-
12/27/88	Coming-Kansas	Temporary Improvement Notes	0.12	N	E	T	12/15/89	-	1.0	NR	NR	11.76	MID-CONTINENT	GILMORE-BELL	-
2/28/89	Junction City-Kansas	Temporary Improvement Notes	0.11	N	E	T	12/1/89	-	0.8	NR	NR	5.91	CENTRAL-NB-KS	GILMORE-BELL	-
5/8/89	Muscotah-Kansas	Temporary Improvement Notes	0.10	N	E	T	5/15/90	-	1.0	NR	NR	36.39	MID-CONTINENT	GILMORE-BELL	-
3/1/90	**Kansas City-Kansas**	**Exterior Renovation Fire Station No. 7**						**$0.117M**							
3/1/90	**Kansas City-Kansas**	**Temporary Notes**	**0.12**	**C**	**E**	**T**	**2/28/91**		**1.0**	**NR**	**NR**	**16.30**	**UTD-MISSOURI-B**	**BURKE-WILL**	
2/28/89	Junction City-Kansas	Temporary Improvement Notes	0.11	N	E	T	12/1/89	-	0.8	NR	NR	5.91	CENTRAL-NB-KS	GILMORE-BELL	-
5/8/89	Muscotah-Kansas	Temporary Improvement Notes	0.10	N	E	T	5/15/90	-	1.0	NR	NR	36.39	MID-CONTINENT	GILMORE-BELL	-
2/15/91	Lindsborg-Kansas	Temp Improvement Notes	0.12	C	E	T	8/15/91	-	0.5	NR	NR	38.33	G-BAUM	GILMORE-BELL	-
3/1/91	Hamilton-Kansas	Temporary Improvement Notes	0.11	C	E	T	3/1/92	-	1.0	NR	NR	61.34	COOPER	GILMORE-BELL	-
3/1/90	**Kansas City-Kansas**	**Palavistat Redevelopment District**						**$0.128M**							
7/1/92	**Kansas City-Kansas**	**Temporary Improvement Not**	**0.13**	**C**	**T**	**T**	**6/30/93**		**1.0**	**NR**	**NR**	**5.59**	**SEC-BK-KC**	**BURKE-WILL**	
7/1/91	Bel Aire-Kansas	Temporary Improvement Notes	0.15	C	E	T	7/1/92	-	1.0	NR	NR	15.21	FIRST-SEC-KS	GILMORE-BELL	-
8/28/91	Mulvane-Kansas	Temporary Improvement Notes	0.10	N	E	T	9/1/92	-	1.0	NR	NR	15.00	RANSON-CAP	GILMORE-BELL	-
12/3/91	Gardner-Kansas	GO Temporary Notes	0.14	C	E	T	12/1/92	-	1.0	NR	NR	37.48	CHILES	GILMORE-BELL	-
7/15/92	Ellsworth-Kansas	Temporary Improvement Notes	0.13	N	E	T	1/1/93	-	0.5	NR	NR	28.27	RANSON-CAP	GILMORE-BELL	-
12/1/87	**Kansas City-Kansas**	**Leo Alvey Park Development**						**$0.231M**							
12/1/87	**Kansas City-Kansas**	**Temporary Notes**	**0.23**	**C**	**E**	**T**	**11/30/88**		**1.0**	**NR**	**NR**	**11.26**	**UTD-MISSOURI-B**	**BURKE-WILL**	
5/15/87	Bonner Springs-Kansas	Temporary Notes	0.25	C	E	T	5/14/88	-	1.0	NR	NR	60.00	G-BAUM	GILMORE-BELL	-
9/19/88	Goddard-Kansas	Temporary Improvement Notes	0.20	N	E	T	10/1/89	-	1.0	NR	NR	8.79	SUBURB-WEST-BK	GILMORE-BELL	-
10/27/88	Valley Center-Kansas	Temporary Improvement Notes	0.21	N	E	T	11/1/89	-	1.0	NR	NR	50.59	VALLEY-NB-AR	GILMORE-BELL	-

Sale Date	Issuer	Issue Description	Amount of Issue ($ mils)	Type Bid Negotiated or Competitive	Tax Code Taxable, Exempt, or Alt. Min. Tax	Serial or Term	Maturity Year	Ending Serial Maturity	Length	Moody' Rating	S&P Rating	Total Issuance Cost	Lead Underwriter	Bond Counsel	Credit Enhance-ment Type
11/21/88	McPherson-Kansas	Temporary Improvement Notes	0.25	C	E	T	12/1/89	-	1.0	NR	NR	6.70	UTD-MISSOURI-BK	GILMORE-BELL	-
12/21/88	Reno Co-Kansas	Temporary Improvement Notes	0.25	N	E	T	12/15/89	-	1.0	NR	NR	8.00	HUTCHINSON-NB	GILMORE-BELL	-
2/1/89	**Kansas City-Kansas**	**55th Street Viaduct Rehabilitation**						**$0.268M**							
2/1/89	**Kansas City-Kansas**	**Temporary Notes**	**0.27**	C	E	T	**1/31/90**		**1.0**	**NR**	**NR**	**7.09**	**G-BAUM**	**BURKE-WILL**	
10/27/88	Valley Center-Kansas	Temporary Improvement Notes	0.21	N	E	T	11/1/89	-	1.0	NR	NR	50.59	VALLEY-NB-AR	GILMORE-BELL	-
11/14/88	McPherson-Kansas	Temporary Improvement Notes	0.33	N	E	T	12/1/89	-	1.0	NR	NR	2.50	UTD-MISSOURI-BK	GILMORE-BELL	-
11/21/88	McPherson-Kansas	Temporary Improvement Notes	0.25	C	E	T	12/1/89	-	1.0	NR	NR	6.70	UTD-MISSOURI-BK	GILMORE-BELL	-
12/21/88	Reno Co-Kansas	Temporary Improvement Notes	0.25	N	E	T	12/15/89	-	1.0	NR	NR	8.00	HUTCHINSON-NB	GILMORE-BELL	-
6/12/89	North Newton-Kansas	Temporary Improvement Notes	0.22	N	E	T	6/15/90	-	1.0	NR	NR	18.18	KIRCHNER	GILMORE-BELL	-
11/15/89	Newton-Kansas	Temporary Improvement Notes	0.30	C	E	T	11/1/90	-	1.0	NR	NR	11.06	CHILES	GILMORE-BELL	-
2/13/90	Junction City-Kansas	Temporary Improvement Notes	0.23	N	E	T	11/15/90	-	0.8	NR	NR	4.00	BK-ONE-KS	GILMORE-BELL	-
8/1/91	**Kansas City-Kansas**	**52nd Terrace & Lakewood Benefit Dist.**						**$0.326M**							
8/1/91	**Kansas City-Kansas**	**Temporary Notes**	**0.33**	C	E	T	**7/31/92**		**1.0**	**NR**	**NR**	**7.59**	**UTD-MISSOURI-B**	**BURKE-WILL**	
4/1/91	Rose Hill-Kansas	Temp Imp Notes	0.35	N	E	T	4/1/92	-	1.0	NR	NR	2.50	BK-FOUR	GILMORE-BELL	-
6/15/91	Independence-Kansas	Temporary Improvement Notes	0.33	C	E	T	6/15/92	-	1.0	NR	NR	7.08	BK-FOUR	GILMORE-BELL	-
9/1/91	Baldwin City-Kansas	Temp Improvement Notes	0.35	C	E	T	9/1/92	-	1.0	NR	NR	2.80	BK-FOUR	GILMORE-BELL	-
9/1/91	Haven-Kansas	Temp Improvement Notes	0.35	C	E	T	9/1/92	-	1.0	NR	NR	0.00	FIRST-SEC-KS	GILMORE-BELL	-
12/1/91	Derby-Kansas	Renewal Temp Improv Notes	0.32	C	E	T	6/1/92	-	0.5	NR	NR	10.05	FIRST-SEC-KS	GILMORE-BELL	-
4/1/92	Rose Hill-Kansas	Renewal Temp Improve Notes	0.35	C	E	T	4/1/93	-	1.0	NR	NR	4.80	BK-FOUR	GILMORE-BELL	-
5/1/88	**Kansas City-Kansas**	**Kaw Drive-65th to 86th St. Sanitary Sewer**						**$0.354M**							
5/1/88	**Kansas City-Kansas**	**Temporary Notes**	**0.35**	C	E	T	**4/30/89**		**1.0**	**NR**	**NR**	**6.92**	**UTD-MISSOURI-B**	**BURKE-WILL**	
8/8/88	Ellsworth-Kansas	Temporary Improvement Notes	0.36	N	E	T	5/15/89	-	0.8	NR	-	29.40	RANSON	GILMORE-BELL	-
11/14/88	McPherson-Kansas	Temporary Improvement Notes	0.33	N	E	T	12/1/89	-	1.0	NR	NR	2.50	UTD-MISSOURI-BK	GILMORE-BELL	-
3/1/89	Independence-Kansas	Renewal Temp Improvement N	0.37	N	E	T	2/15/90	-	1.0	NR	NR	0.00	FIRST-SEC-KS	GILMORE-BELL	-
10/1/89	**Kansas City-Kansas**	**52nd Terrace & Lakewood Benefit District**						**$0.410M**							
10/1/89	**Kansas City-Kansas**	**Temporary Notes**	**0.41**	C	E	T	**9/30/90**		**1.0**	**NR**	**NR**	**5.61**	**BK-FOUR**	**BURKE-WILL**	
11/8/88	Manhattan-Kansas	GO Temporary Improvement N	0.45	C	E	T	9/15/89	-	0.9	NR	NR	4.41	COUNTRY-CLUB-E	GILMORE-BELL	-
12/6/88	Plainville-Kansas	GO Temp Improv Notes	0.45	C	E	T	12/1/89	-	1.0	NR	-	3.44	MID-CONTINENT	GILMORE-BELL	-

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2/7/89	Manhattan-Kansas	Temporary Improvement Notes	0.46	C	E	T	12/15/89	-	0.9	NR	-	12.16	G-BAUM	GILMORE-BELL	-
3/1/89	Independence-Kansas	Renewal Temp Improvement N	0.37	N	E	T	2/15/90	-	1.0	NR	NR	0.00	FIRST-SEC-KS	GILMORE-BELL	-
5/30/89	Junction City-Kansas	Renewal Temp Improv Notes	0.46	N	E	T	6/15/90	-	1.0	NR	NR	4.19	COLUMBIAN	GILMORE-BELL	-
6/11/90	Douglas Co-Kansas	Temporary Notes	0.43	C	E	T	6/1/91	-	1.0	NR	NR	6.38	CHILES	GILMORE-BELL	-
9/1/90	**Kansas City-Kansas**	**52nd Terrace & Lakewood Benefit District**						**$0.410M**							
9/1/90	**Kansas City-Kansas**	**Temporary Notes**	**0.41**	C	E	T	**8/31/91**		**1.0**	**NR**	**NR**	**6.98**	**UTD-MISSOURI-B**	**BURKE-WILL**	
6/11/90	Douglas Co-Kansas	Temporary Notes	0.43	C	E	T	6/1/91	-	1.0	NR	NR	6.38	CHILES	GILMORE-BELL	-
4/1/91	Rose Hill-Kansas	Temp Imp Notes	0.35	N	E	T	4/1/92	-	1.0	NR	NR	2.50	BK-FOUR	GILMORE-BELL	-
6/15/91	Independence-Kansas	Temporary Improvement Notes	0.33	C	E	T	6/15/92	-	1.0	NR	NR	7.08	BK-FOUR	GILMORE-BELL	-
7/1/91	Rose Hill-Kansas	Temporary Improvement Notes	0.44	C	E	T	7/1/92	-	1.0	NR	NR	25.83	BK-FOUR	GILMORE-BELL	-
8/14/91	Roeland Park-Kansas	Municipal Temporary Notes	0.49	C	E	T	8/14/92	-	1.0	NR	NR	8.41	COUNTRY-CLUB-E	BURKE-WILLIAMS	-
9/1/91	Baldwin City-Kansas	Temp Improvement Notes	0.35	C	E	T	9/1/92	-	1.0	NR	NR	2.80	BK-FOUR	GILMORE-BELL	-
9/1/91	Haven-Kansas	Temp Improvement Notes	0.35	C	E	T	9/1/92	-	1.0	NR	NR	0.00	FIRST-SEC-KS	GILMORE-BELL	-
12/18/91	Sedgwick Co-Kansas	Temporary Improvement Notes	0.45	C	E	T	12/1/92	-	1.0	NR	NR	13.87	CHILES	GILMORE-BELL	-
4/1/92	Rose Hill-Kansas	Renewal Temp Improve Notes	0.35	C	E	T	4/1/93	-	1.0	NR	NR	4.80	BK-FOUR	GILMORE-BELL	-
10/1/88	**Kansas City-Kansas**	**1988 Concrete Street Repairs**						**$0.450M**							
10/1/88	**Kansas City-Kansas**	**Temporary Notes**	**0.45**	C	E	T	**9/30/89**		**1.0**	**NR**	**NR**	**5.00**	**BK-FOUR**	**BURKE-WILL**	
11/8/88	Manhattan-Kansas	GO Temporary Improvement N	0.45	C	E	T	9/15/89	-	0.9	NR	NR	4.41	COUNTRY-CLUB-E	GILMORE-BELL	-
11/15/88	Junction City-Kansas	Temporary Improvement Notes	0.50	N	E	T	12/1/89	-	1.0	NR	NR	5.00	CENTRAL-NB-KS	GILMORE-BELL	-
12/6/88	Plainville-Kansas	GO Temp Improv Notes	0.45	C	E	T	12/1/89	-	1.0	NR	-	3.44	MID-CONTINENT	GILMORE-BELL	-
2/7/89	Manhattan-Kansas	Temporary Improvement Notes	0.46	C	E	T	12/15/89	-	0.9	NR	-	12.16	G-BAUM	GILMORE-BELL	-
3/1/89	Independence-Kansas	Renewal Temp Improvement N	0.37	N	E	T	2/15/90	-	1.0	NR	NR	0.00	FIRST-SEC-KS	GILMORE-BELL	-
5/30/89	Junction City-Kansas	Renewal Temp Improv Notes	0.46	N	E	T	6/15/90	-	1.0	NR	NR	4.19	COLUMBIAN	GILMORE-BELL	-
6/5/89	Liberal-Kansas	Temporary Improvement Notes	0.52	N	E	T	6/1/90	-	1.0	NR	NR	5.23	FIRST-SEC-KS	GILMORE-BELL	-
6/19/89	Harvey Co-Kansas	Temporary Improvement Notes	0.50	N	E	T	12/15/89	-	0.5	NR	NR	2.99	BK-FOUR	GILMORE-BELL	-
11/1/88	**Kansas City-Kansas**	**1988 Grinding & Overlay Program**						**$0.555M**							
11/1/88	**Kansas City-Kansas**	**Temporary Notes**	**0.56**	C	E	T	**10/31/89**		**1.0**	**n/a**		**15.23**	**SEC-BK-KC**	**BURKE-WILL**	
11/8/88	Manhattan-Kansas	GO Temporary Improvement N	0.45	C	E	T	9/15/89	-	0.9	NR	NR	4.41	COUNTRY-CLUB-E	GILMORE-BELL	-
11/15/88	Junction City-Kansas	Temporary Improvement Notes	0.50	N	E	T	12/1/89	-	1.0	NR	NR	5.00	CENTRAL-NB-KS	GILMORE-BELL	-
12/6/88	Plainville-Kansas	GO Temp Improv Notes	0.45	C	E	T	12/1/89	-	1.0	NR	-	3.44	MID-CONTINENT	GILMORE-BELL	-
2/7/89	Manhattan-Kansas	Temporary Improvement Notes	0.46	C	E	T	12/15/89	-	0.9	NR	-	12.16	G-BAUM	GILMORE-BELL	-
5/30/89	Junction City-Kansas	Renewal Temp Improv Notes	0.46	N	E	T	6/15/90	-	1.0	NR	NR	4.19	COLUMBIAN	GILMORE-BELL	-

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6/5/89	Liberal-Kansas	Temporary Improvement Notes	0.52	N	E	T	6/1/90	-	1.0	NR	NR	5.23	FIRST-SEC-KS	GILMORE-BELL	-
6/19/89	Harvey Co-Kansas	Temporary Improvement Notes	0.50	N	E	T	12/15/89	-	0.5	NR	NR	2.99	BK-FOUR	GILMORE-BELL	-
11/14/89	Manhattan-Kansas	Temporary Improvement Notes	0.61	C	E	T	9/15/90	-	0.8	NR	NR	4.40	BK-FOUR	GILMORE-BELL	-
11/14/89	Junction City-Kansas	Temporary Improvement Notes	0.66	C	E	T	3/1/90	-	0.3	NR	NR	4.28	BK-FOUR	GILMORE-BELL	-
11/14/89	Junction City-Kansas	Temporary Improvement Notes	0.66	C	E	T	11/15/90		1.0						
12/1/89	**Kansas City-Kansas**	**N. 98th St. Sanitary Sewer Imrovement Dist.**						**$0.585M**							
12/1/89	**Kansas City-Kansas**	**Temporary Notes**	**0.59**	**C**	**E**	**T**	**11/30/90**		**1.0**	**NR**	**NR**	**5.13**	**BK-FOUR**	**BURKE-WILL**	
11/15/88	Junction City-Kansas	Temporary Improvement Notes	0.50	N	E	T	12/1/89	-	1.0	NR	NR	5.00	CENTRAL-NB-KS	GILMORE-BELL	-
3/21/89	Liberal-Kansas	Temporary Improvement Notes	0.70	C	E	T	2/1/90	-	0.9	NR	NR	2.96	UTD-MISSOURI-BK	GILMORE-BELL	-
4/4/89	Derby-Kansas	Temporary Improvement Notes	0.70	N	E	T		-		NR	NR	7.52	FIRST-SEC-KS	GILMORE-BELL	-
5/10/89	Manhattan-Kansas	Temporary Improv Notes	0.69	C	E	T	2/15/90	-	0.8	NR	NR	7.02	COUNTRY-CLUB-I	GILMORE-BELL	-
6/5/89	Liberal-Kansas	Temporary Improvement Notes	0.52	N	E	T	6/1/90	-	1.0	NR	NR	5.23	FIRST-SEC-KS	GILMORE-BELL	-
6/19/89	Harvey Co-Kansas	Temporary Improvement Notes	0.50	N	E	T	12/15/89	-	0.5	NR	NR	2.99	BK-FOUR	GILMORE-BELL	-
11/14/89	Manhattan-Kansas	Temporary Improvement Notes	0.61	C	E	T	9/15/90	-	0.8	NR	NR	4.40	BK-FOUR	GILMORE-BELL	-
11/14/89	Junction City-Kansas	Temporary Improvement Notes	0.66	C	E	T	3/1/90	-	0.3	NR	NR	4.28	BK-FOUR	GILMORE-BELL	-
11/14/89	Junction City-Kansas	Temporary Improvement Notes	0.66	C	E	T	11/15/90		1.0						
3/22/90	McPherson-Kansas	Temporary Improvement Notes	0.50	N	E	T	9/15/90	-	0.5	NR	NR	9.60	RANSON	GILMORE-BELL	-
12/5/90	Sedgwick Co-Kansas	Temp Improvement Notes	0.50	C	E	T	12/1/91	-	1.0	NR	NR	9.69	CHILES	-	-
12/10/90	Lawrence-Kansas	Temporary Notes	0.52	C	E	T	12/1/91	-	1.0	NR	NR	4.20	DOUGLAS-CO-BKT	STINSON	-
5/1/88	**Kansas City-Kansas**	**Quindaro Blvd Street Improvements**						**$0.750M**							
5/1/88	**Kansas City-Kansas**	**Temporary Notes**	**0.75**	**C**	**E**	**T**	**4/30/89**		**1.0**	**NR**	**NR**	**6.47**	**G-BAUM**	**BURKE-WILL**	
3/21/89	Liberal-Kansas	Temporary Improvement Notes	0.70	C	E	T	2/1/90	-	0.9	NR	NR	2.96	UTD-MISSOURI-BK	GILMORE-BELL	-
4/4/89	Derby-Kansas	Temporary Improvement Notes	0.70	N	E	T		-		NR	NR	7.52	FIRST-SEC-KS	GILMORE-BELL	-
5/10/89	Manhattan-Kansas	Temporary Improv Notes	0.69	C	E	T	2/15/90	-	0.8	NR	NR	7.02	COUNTRY-CLUB-I	GILMORE-BELL	-
2/1/93	**Kansas City-Kansas**	**Parallel Parkway Rehabilitation-18th to 29th St**						**$0.775M**							
2/1/93	**Kansas City-Kansas**	**Temporary Notes**	**0.78**	**C**	**E**	**T**	**1/31/94**		**1.0**	**NR**	**NR**	**7.72**	**UTD-MISSOURI-B**	**BURKE-WILL**	
3/30/92	Emporia-Kansas	Temporary Notes	0.81	N	E	T	4/1/93	-	1.0	NR	NR	2.28	BK-FOUR	GILMORE-BELL	-
8/26/92	Manhattan-Kansas	Temporary Improv Notes	0.67	C	E	T	6/15/93	-	0.8	NR	NR	5.95	UTD-MISSOURI-BK	GILMORE-BELL	-
11/30/92	Manhattan-Kansas	Temporary Improvement Notes	0.70	C	E	T	9/1/93	-	0.8	NR	NR	8.05	UTD-MISSOURI-BK	GILMORE-BELL	-

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3/1/92	**Kansas City-Kansas**	**7th Street Viaduct Improvements**						**$0.840M**							
3/1/92	**Kansas City-Kansas**	**Temporary Notes**	**0.84**	**C**	**E**	**T**	**2/28/93**		**1.0**	**NR**	**NR**	**2.26**	**BK-FOUR**	**BURKE-WILL**	
4/1/91	Derby-Kansas	Temporary Improvement Notes	1.00	C	E	T	4/1/92	-	1.0	NR	NR	4.12	FIRST-SEC-KS	GILMORE-BELL	-
9/1/91	Derby-Kansas	Renewal Temp Notes	0.85	C	E	T	9/1/92	-	1.0	NR	NR	0.00	FIRST-SEC-KS	GILMORE-BELL	-
12/1/91	Bel Aire-Kansas	Temp Improvement Notes	0.74	C	E	T	12/1/92	-	1.0	NR	NR	6.84	FIRST-SEC-KS	GILMORE-BELL	-
3/30/92	Emporia-Kansas	Temporary Notes	0.81	N	E	T	4/1/93	-	1.0	NR	NR	2.28	BK-FOUR	GILMORE-BELL	-
11/30/92	Manhattan-Kansas	Temporary Improvement Notes	0.70	C	E	T	9/1/93	-	0.8	NR	NR	8.05	UTD-MISSOURI-BK	GILMORE-BELL	-
6/1/92	**Kansas City-Kansas**	**Public Parking Facility A**						**$1.925M**							
6/1/92	**Kansas City-Kansas**	**Temporary Notes**	**1.93**	**C**	**E**	**T**	**5/31/93**		**1.0**	**NR**	**NR**	**9.20**	**UTD-MISSOURI-B**	**BURKE-WILL**	
1/15/92	Merriam-Kansas	Municipal Temp Notes	1.50	C	E	T	12/31/92	-	1.0	NR	NR	0.00	COUNTRY-CLUB-B	BURKE-WILLIAMS	-
7/22/92	Derby-Kansas	Temporary Improvement Notes	1.76	N	E	T	7/1/93	-	0.9	NR	NR	8.35	FIRST-SEC-KS	GILMORE-BELL	-
11/12/92	Douglas Co-Kansas	Temporary Notes	1.76	C	E	T	8/1/93	-	0.7	NR	NR	1.25	COUNTRY-CLUB-B	GILMORE-BELL	-
2/15/93	Overland Park-Kansas	Municipal Temporary Notes	2.00	C	E	T	12/1/93	-	0.8	NR	NR	13.19	COUNTRY-CLUB-B	BURKE-WILLIAMS	-
4/1/91	**Kansas City-Kansas**	**Goddard Avenue Viaduct**						**$2.118M**							
4/1/91	**Kansas City-Kansas**	**Temporary Notes**	**2.12**	**C**	**E**	**T**	**3/31/92**		**1.0**	**NR**	**NR**	**6.76**	**BK-FOUR**	**BURKE-WILL**	
8/20/90	Overland Park-Kansas	Temporary Notes	2.50	C	E	T	8/20/91	-	1.0	NR	NR	10.10	NORTHERN-TRUST	GILMORE-BELL	-
1/2/91	Derby-Kansas	Temporary Improvement Notes	2.50	N	E	T	1/1/92	-	1.0	NR	NR	7.04	FIRST-SEC-KS	GILMORE-BELL	-
2/1/89	**Kansas City-Kansas**	**Leavenworth Rd/99th Street Benefit District**						**$3.900M**							
2/1/89	**Kansas City-Kansas**	**Temporary Notes**	**3.90**	**C**	**E**	**T**	**1/31/90**		**1.0**	**NR**	**NR**	**4.03**	**G-BAUM**	**BURKE-WILL**	
8/16/88	Topeka-Kansas	Temporary Notes	4.00	N	E	T	8/14/89	-	1.0	NR	NR	4.00	G-BAUM	NICHOLS	-
8/2/89	Manhattan-Kansas	Temporary Improvement Notes	3.81	C	E	T	6/15/90	-	0.9	NR	NR	4.30	UTD-MISSOURI-BK	GILMORE-BELL	-

APPENDIX B

Delphis-Hanover Index Scale Comparisons for a Sample of Kansas City and Wyandotte County Bonds

The charts on the following pages graphically depict the performance of a sample of Kansas City and Wyandotte County bonds compared with other Kansas bonds or national averages, based on a commonly used index scale developed by the Delphis Hanover Corporation. This scale allows for meaningful comparisons to be made among bonds nationwide that sold on different dates.

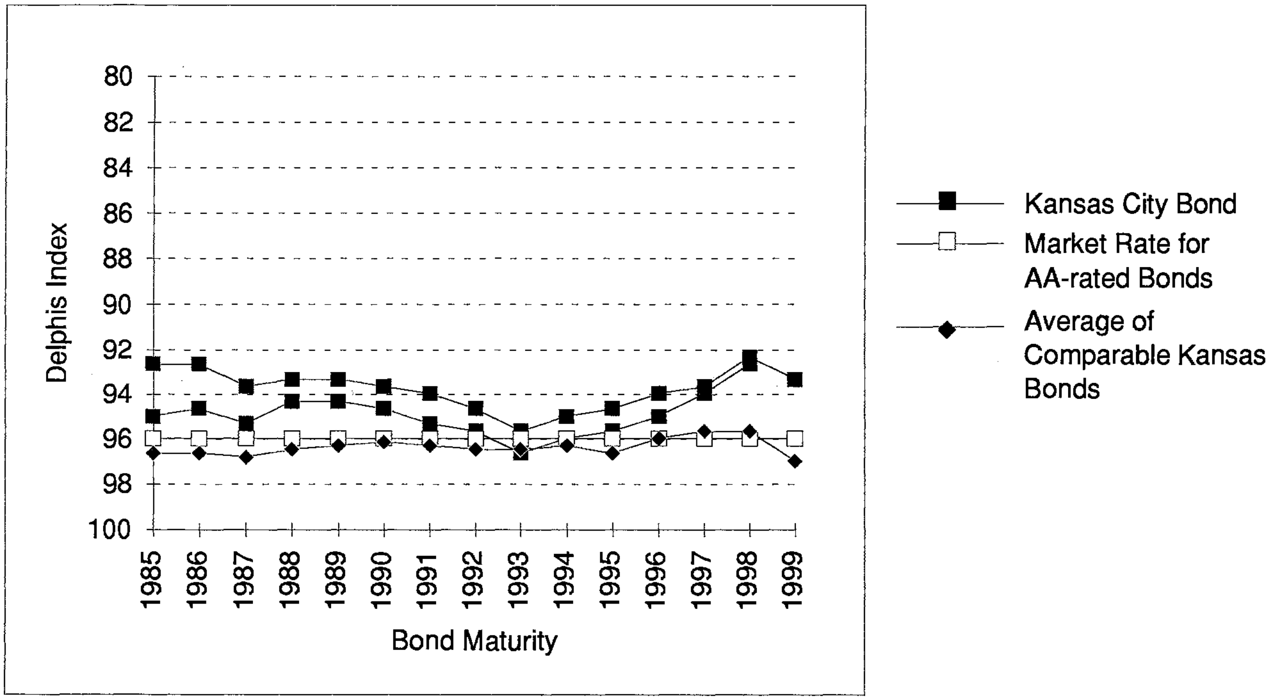
Where comparison Kansas bonds were available, the average of those bonds is shown on the charts. (Comparison bonds used also are identified by date, type, amount, and the like.)

Two charts are presented for each bond. The top chart "plots" the bonds on the Delphis Hanover index scale. On this scale, 100 is roughly equivalent to the average interest rates of uninsured AAA-rated bonds, and 88 is roughly equivalent to the average interest rate of uninsured BAA-rated bonds. The lower the Delphis number, the higher the interest rate. The Kansas City bonds in our sample were insured AAA-rated bonds. Insured bonds usually sell in the marketplace as though they were uninsured AA-rated bonds (96 on the Delphis Hanover index scale). Thus, if the City or County's bonds sold at about the same interest rate as other insured bonds in the marketplace, their "line" on the Delphis index scale would be 96. If their bonds sold at a much higher interest rate, their "line" would be anywhere from 92-80. If they sold at a lower interest rate, their "line would be between 96-100.

(When there are breaks in the "lines" on the index scale, the bond has no maturities in those years. In addition, Kansas City bonds in our sample that have two maturity dates in each year are shown twice, once for each maturity date in the year.)

The bottom charts translate the Delphis index numbers for the other Kansas bonds and the market average for similar insured bonds to what the interest rates would have been on those bonds if they had sold on the same day the Kansas City or Wyandotte County bonds sold.

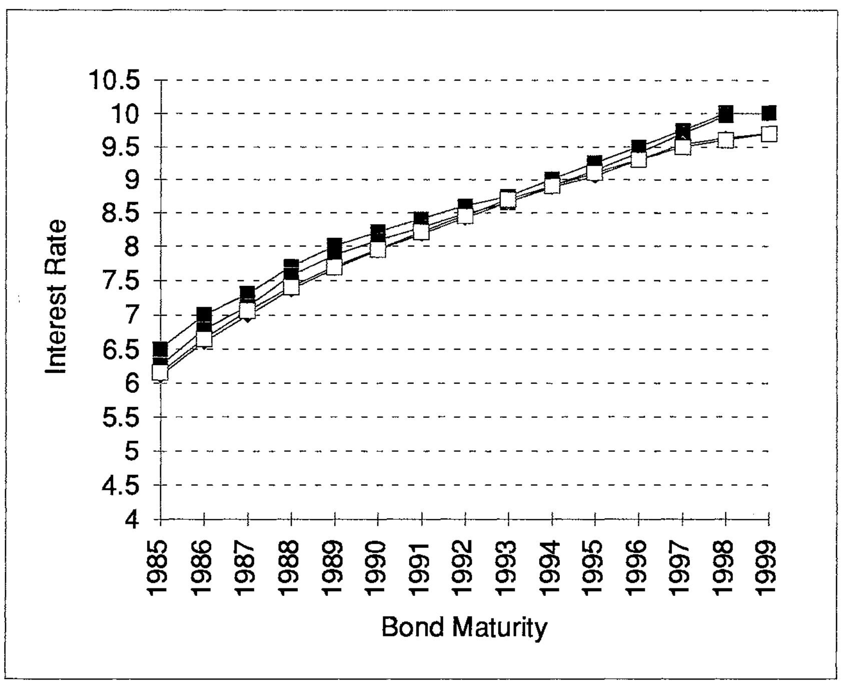
Kansas City General Obligation Refunding Bond -- $26.7 million
Issued April 1984



This Kansas City bond was a negotiated sale and insured. The comparable bonds which make up the average are:

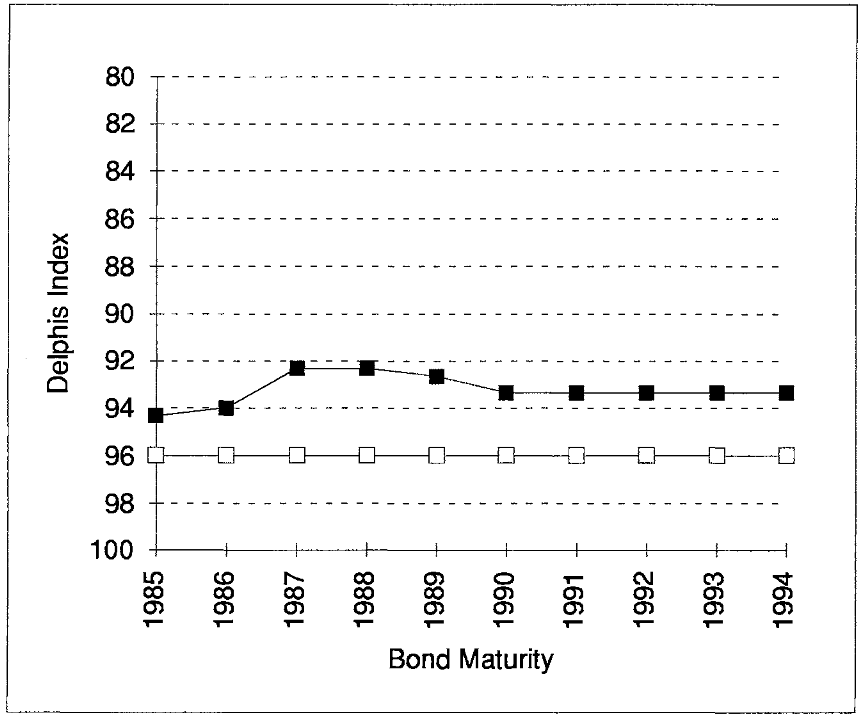
1 Olathe General Obligation Internal Improvement Bond for $3.076 million, sold October 1984 in a competitive bid sale. The bond was not insured and rated was A1/A-.

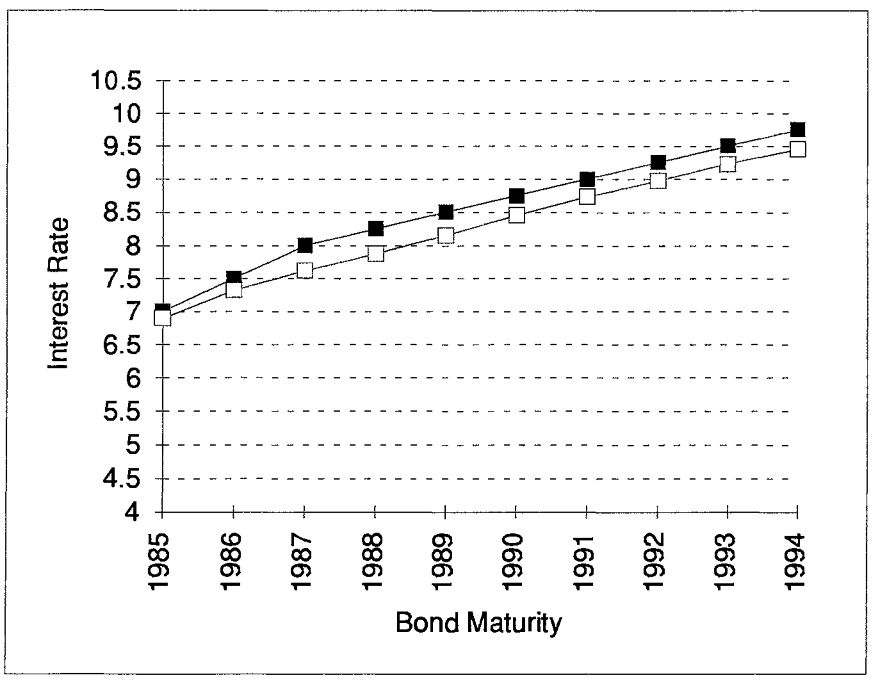
2. Kansas City Internal Improvement Bond for $6.07 million, sold November 1984 in a competitive bid sale. The bond was not insured and rated was A1/AA.



Kansas City Sewer System Refunding Bond -- $5.425 miilion
Issued May 1984

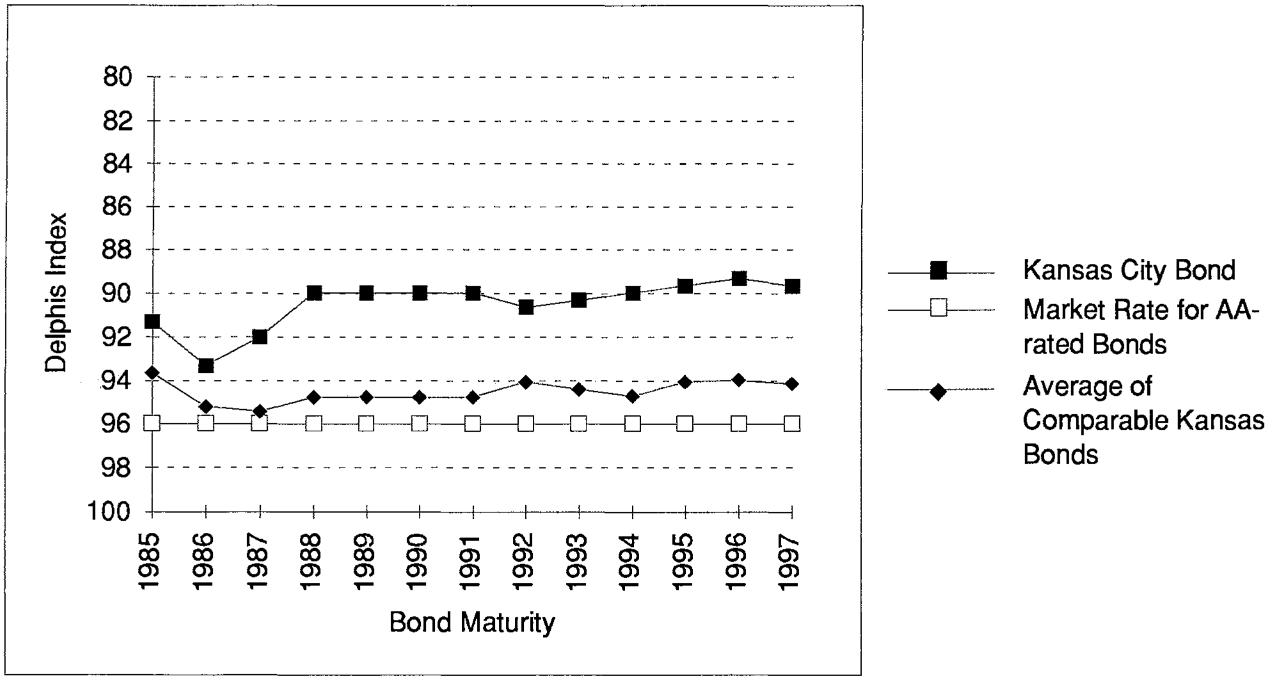
Kansas City Bond
Market Rate for AA-rated Bonds





This Kansas City bond was a negotiated sale and insured. There were no comparable bonds issued in Kansas which we could use to compare with this Kansas City bond.

Kansas City Utility System Revenue Refunding Bond -- $133.25 million
Issued August 1984

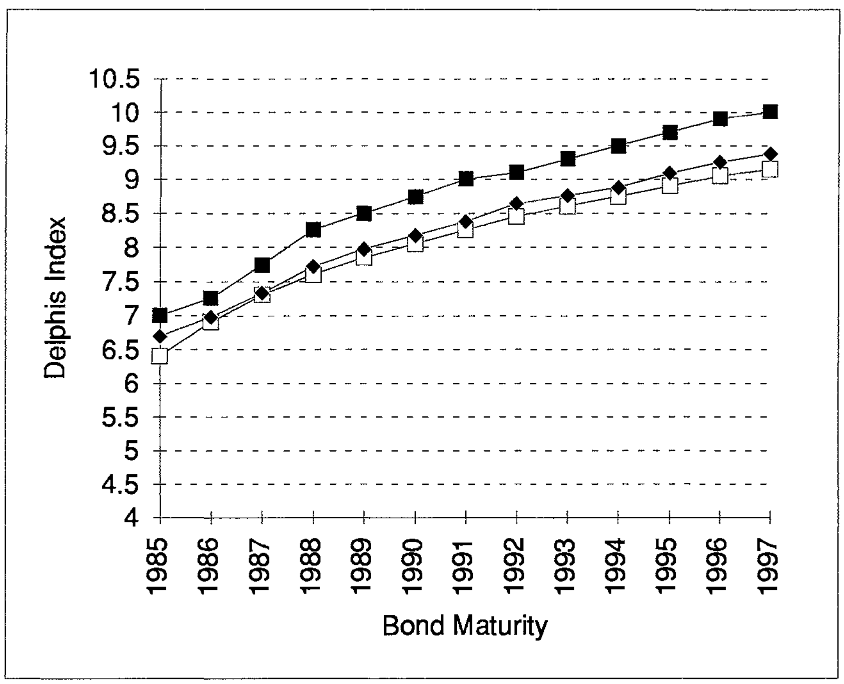


This Kansas City bond was a negotiated sale and insured. The comparable bonds which make up the average are:

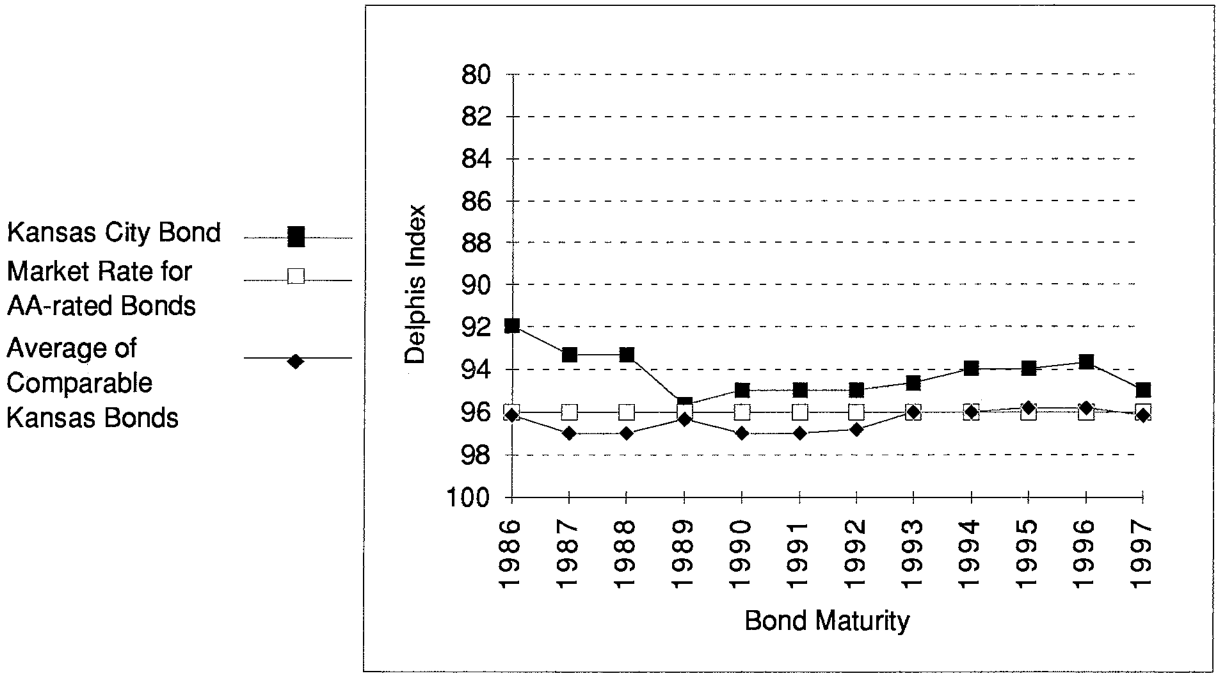
1 KTA Turnpike Revenue Bond for $100.65 million, sold in May 1984 in a negotiated sale. $77.235 was uninsured and rated A/A-. $23.145 was insured.

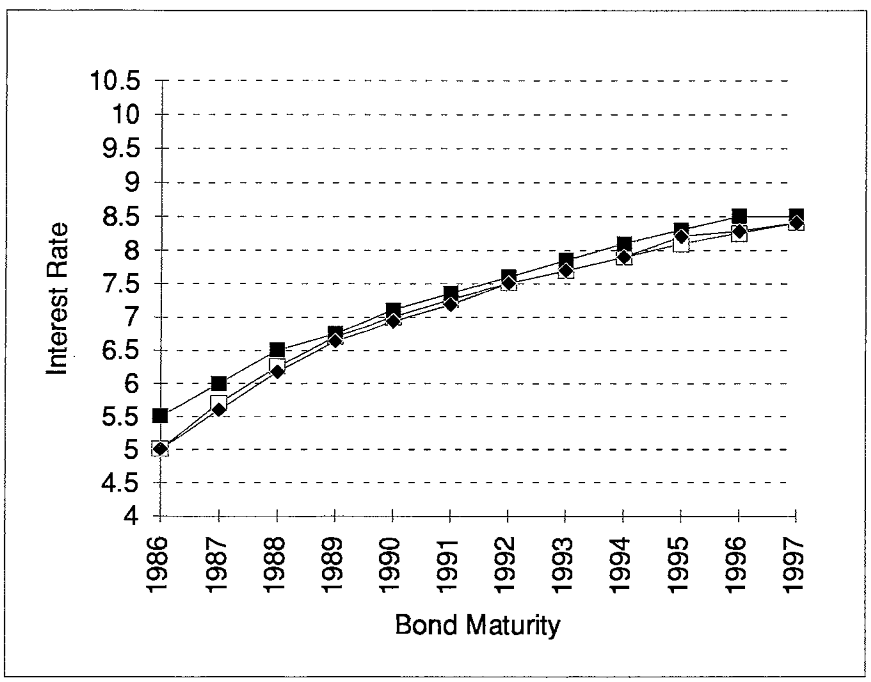
2. Olathe Water and Sewer System Revenue Refunding Bond for $27.05 million, sold June 1984 in a negotiated sale. The bond was insured.

3 Johnson County Water District No. 1 Water Revenue Refunding Bond for $17.08 million, sold October 1984 in a negotiated sale. This bond was the uninsured portion of a $54.7 million bond and was rated A1/AA.



Kansas City Utility System Revenue Refunding Bond -- $131.25 million
Issued June 1985

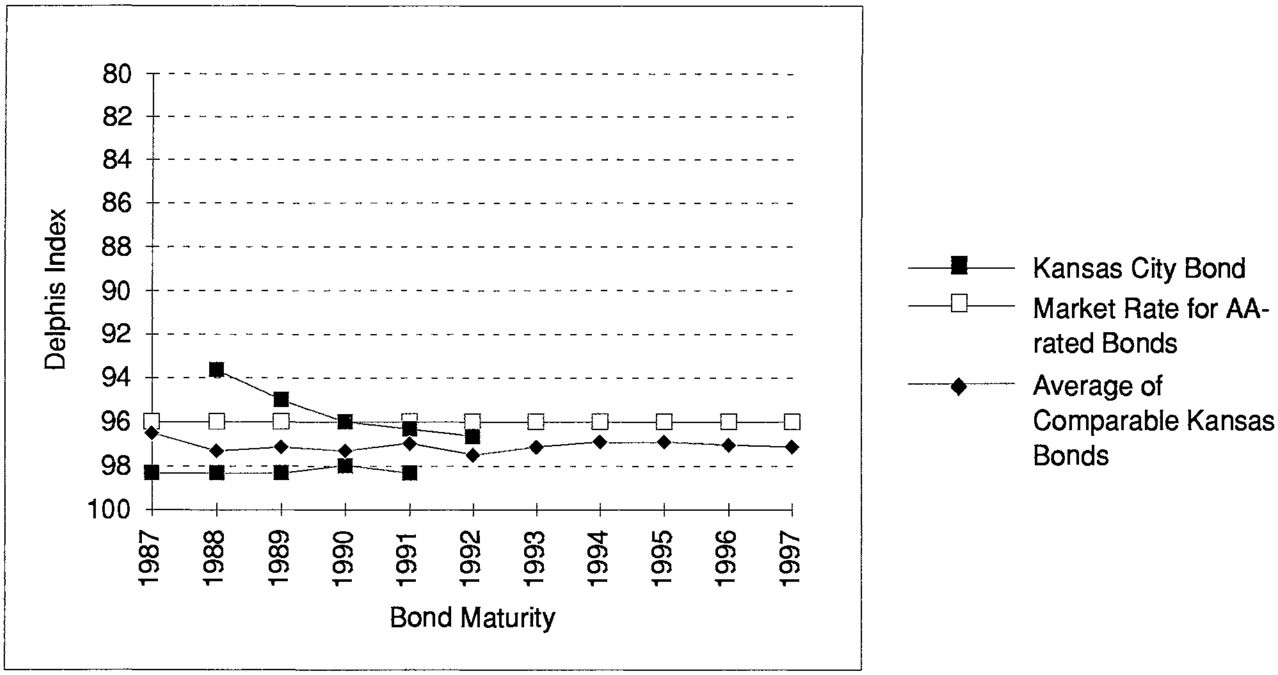




The Kansas City bond was a negotiated sale and insured. The comparable bonds which make up the average are:

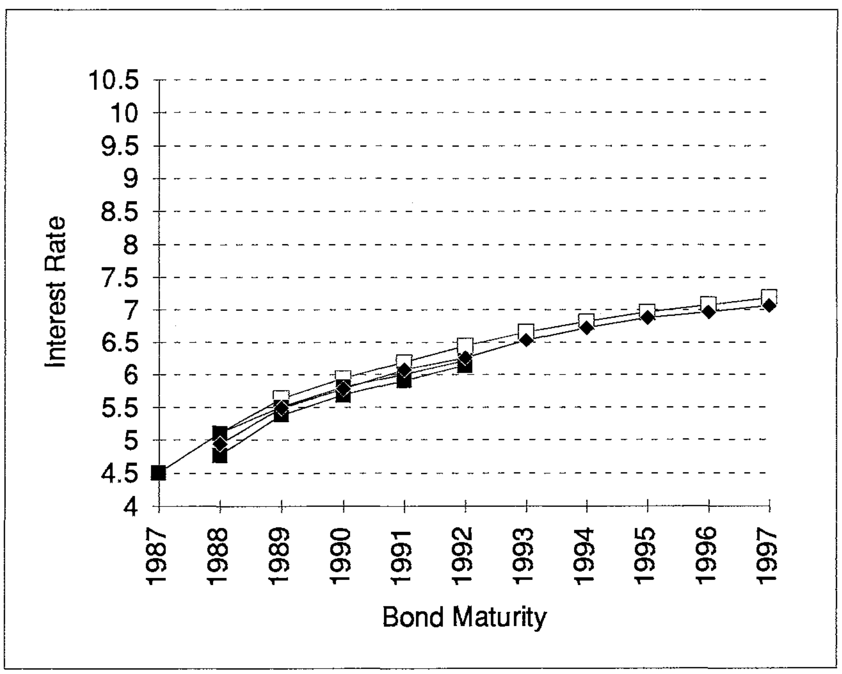
1. KTA Turnpike Revenue Refunding Bond for $104.76 million, sold June 1985 in a negotiated sale. The bond was insured.
2. Topeka Public Building Revenue Bond for $15.937 million, sold November 1985 in a competitive bid sale. The bond was not insured and was rated AA+.

Kansas City Refunding and Improvement Series -- $30.58 million
Issued July 1986

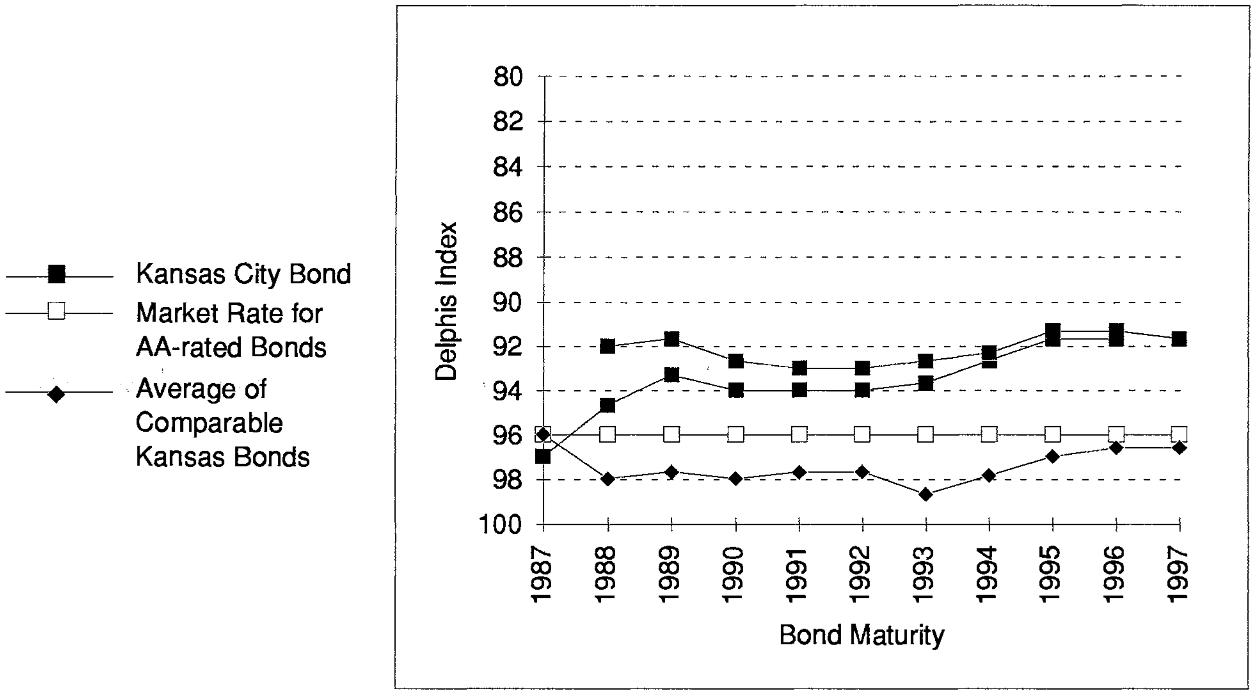


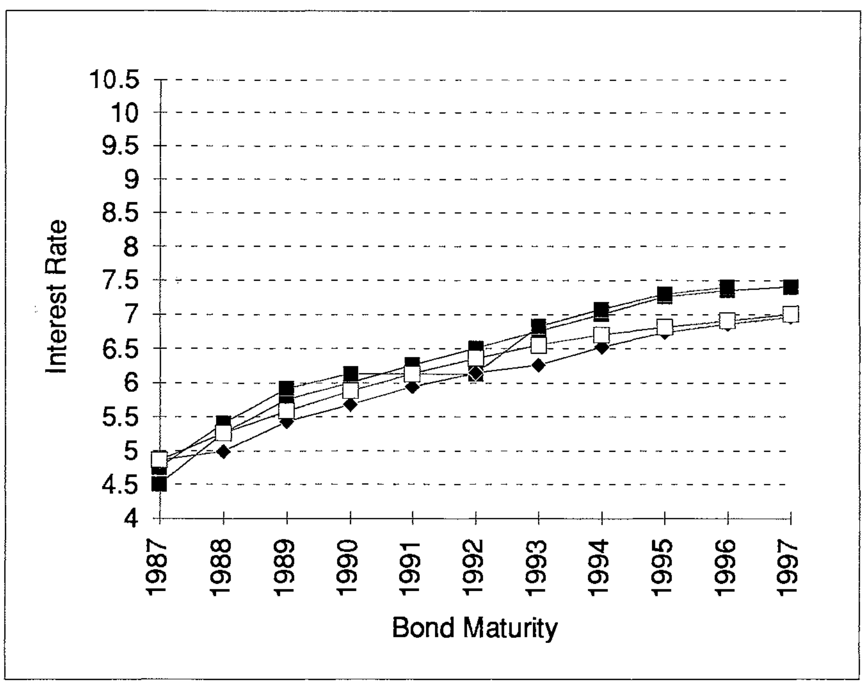
This Kansas City bond was a negotiated sale and not insured. It was rated A1/AA. The comparable bonds which make up the average are:

1. Kansas City Internal Improvement Bond for $50.7 million, sold June 1986 in a competitive bid sale. The bond was not insured and was rated A1/AA.
2. Lawrence USD # 497 General Obligation School Building Bond for $8.6 million, sold July 1986 in a competitive bid sale. The bond was not insured and was rated A1.
3. Olathe General Obligation Bond for $4.89 million, sold December 1986 in a competitive bid sale. The bond was not insured and was rated A1/AA-.



Kansas City Utility System Revenue Refunding and Improvement Bond -- $32.91 million
Issued August 1986





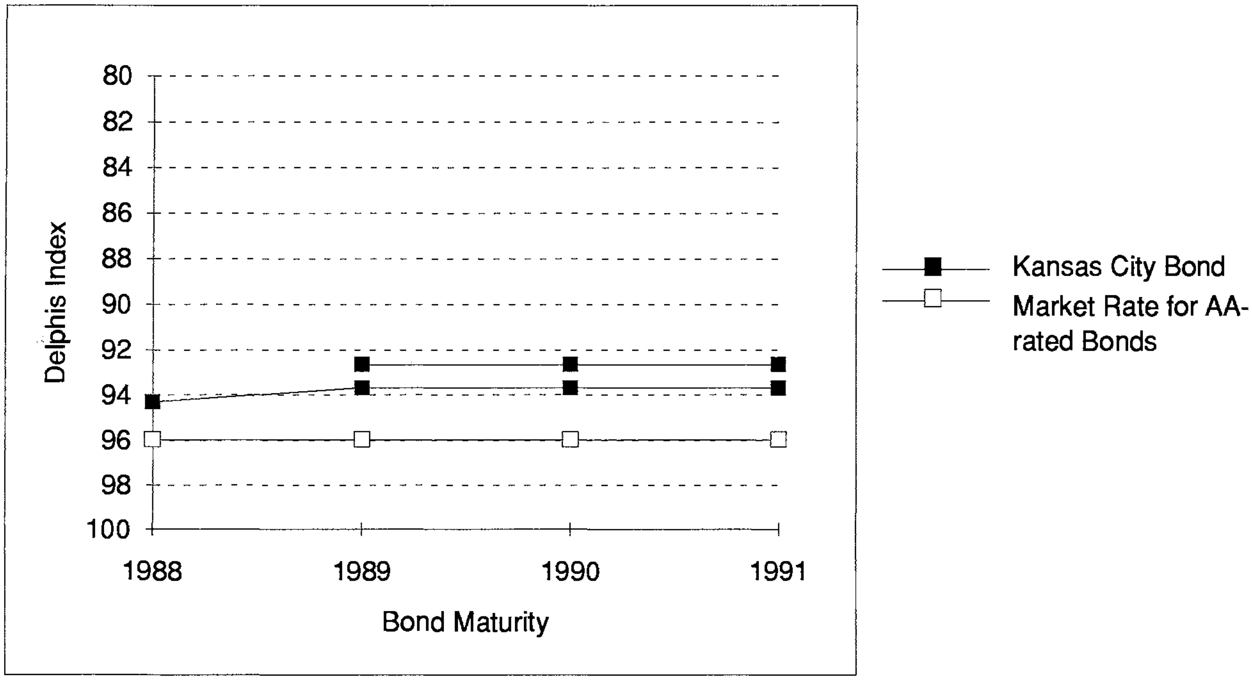
This Kansas City bond was a negotiated sale and insured. The comparable bonds which make up the average are:

1. KTA Turnpike Revenue Refunding Bond for $97.89 million, sold in July 1986 in a negotiated sale. The bond was insured.

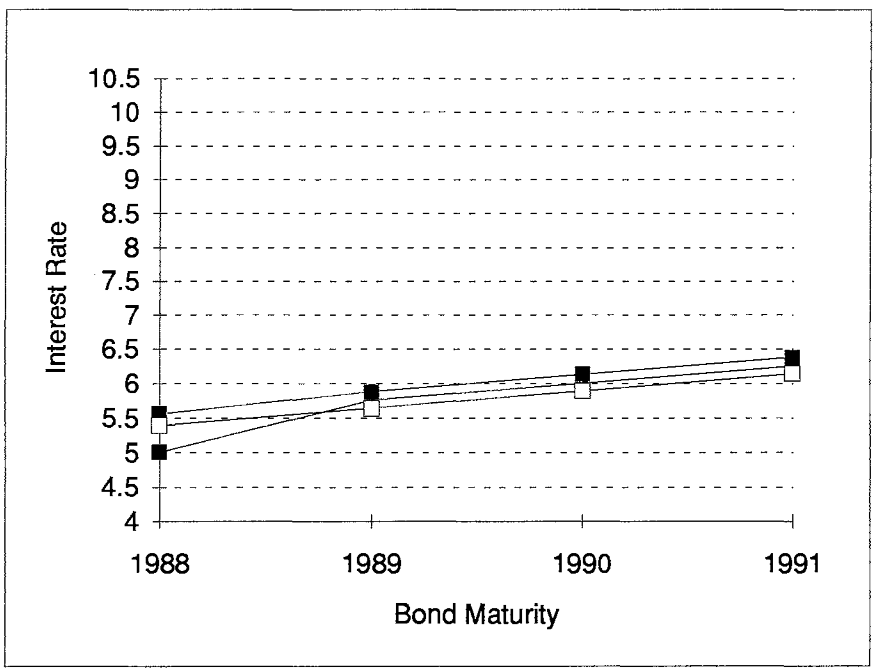
2. Johnson County Water District No. 1 Revenue Refunding Bond for $45.175 million, sold in July 1986 in a negotiaited sale. The bond was not insured andwas rated A1/AA.

3. Hutchinson Water and Sewer Revenue Refunding Bond for $6.875 million, sold in September 1986 in a negotiated sale. The bond was insured.

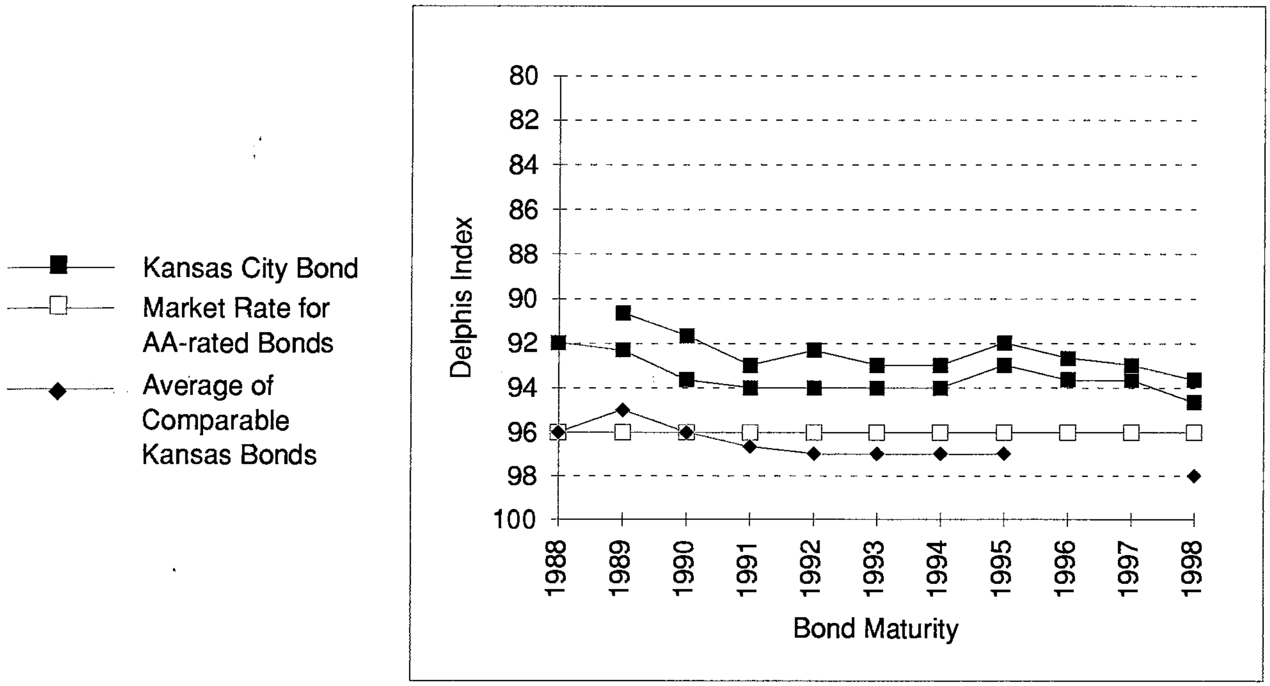
Kansas City Utility System Revenue Bond -- $10.0 million
Issued May 1987

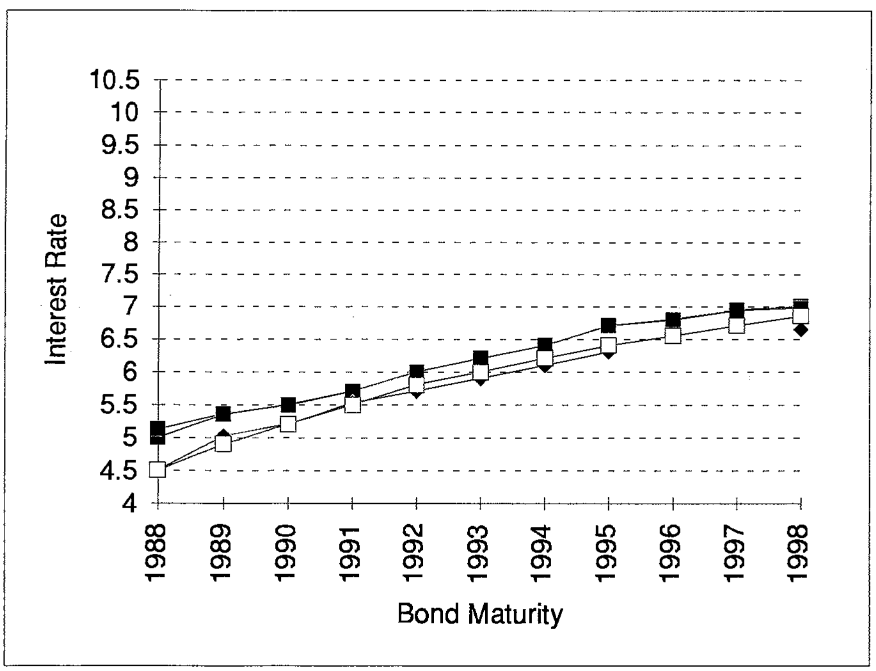


This Kansas City bond was a competitive bid sale and not insured. The bond rating was A1/A+. There were no comparable bonds issued in Kansas which we could use to compare with this Kansas City bond.



Kansas City General Obligation Refunding Bond -- $67.03 million
Issued August 1987

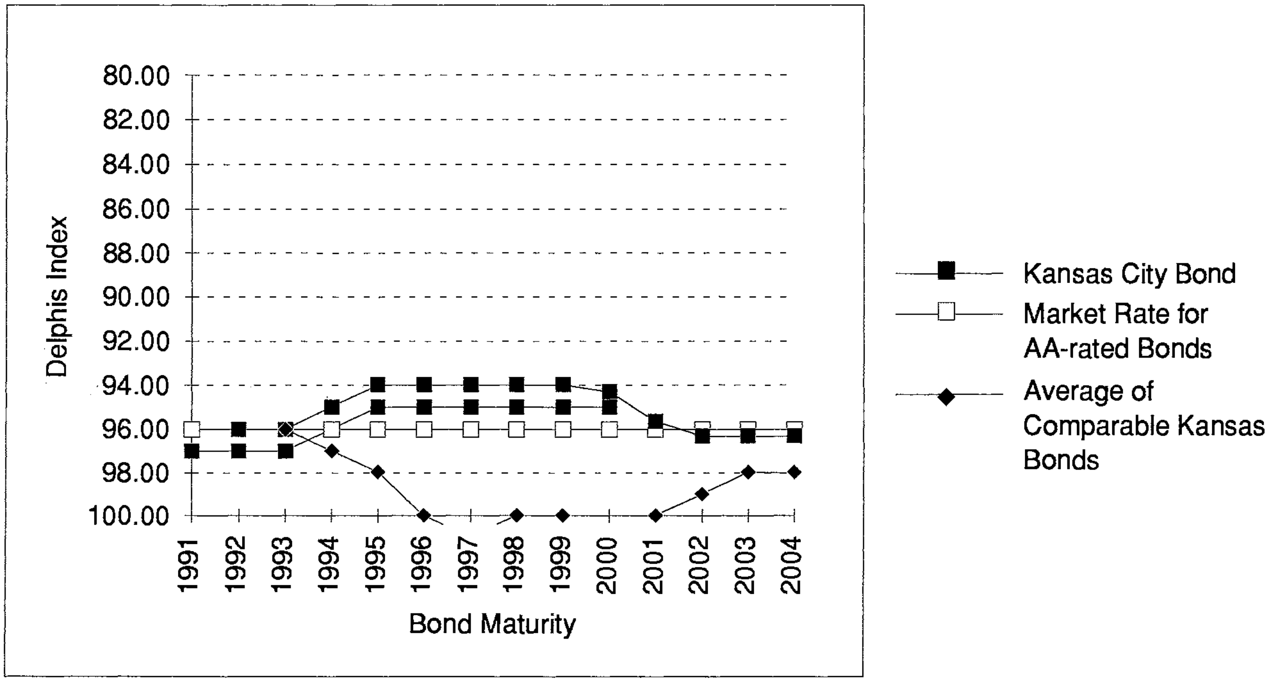




This Kansas City bond was a negotiated sale and insured. One comparable bond was available for this Kansas City bond:

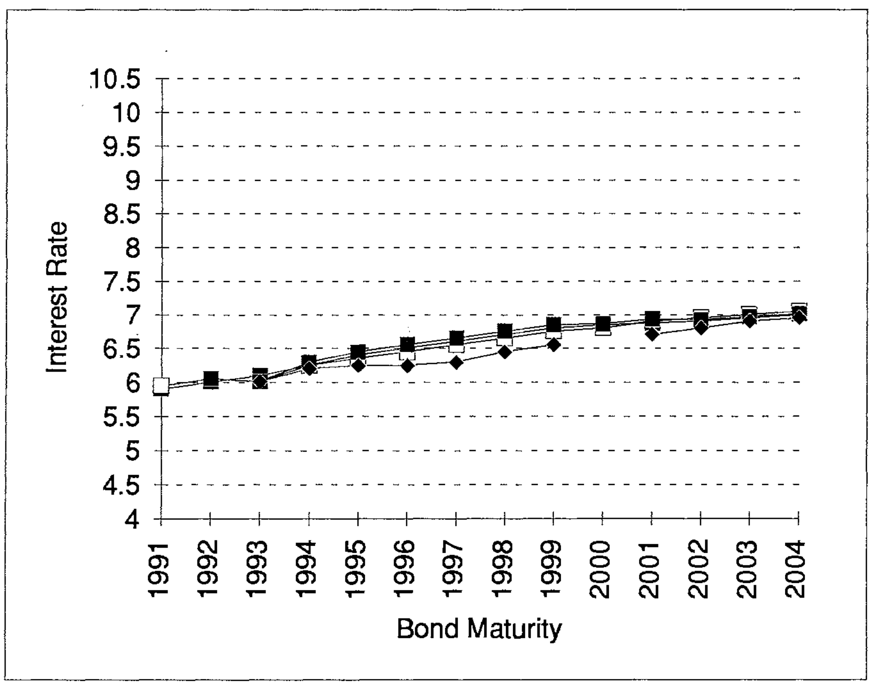
1. Olathe General Obligation Bond for $16.9 million, sold September 1987 in a competitive bid sale. The bond was not insured and was rated A1/AA-.

Kansas City General Obligation Refunding and Improvement Bond -- $97.72 million
Issued August 1990

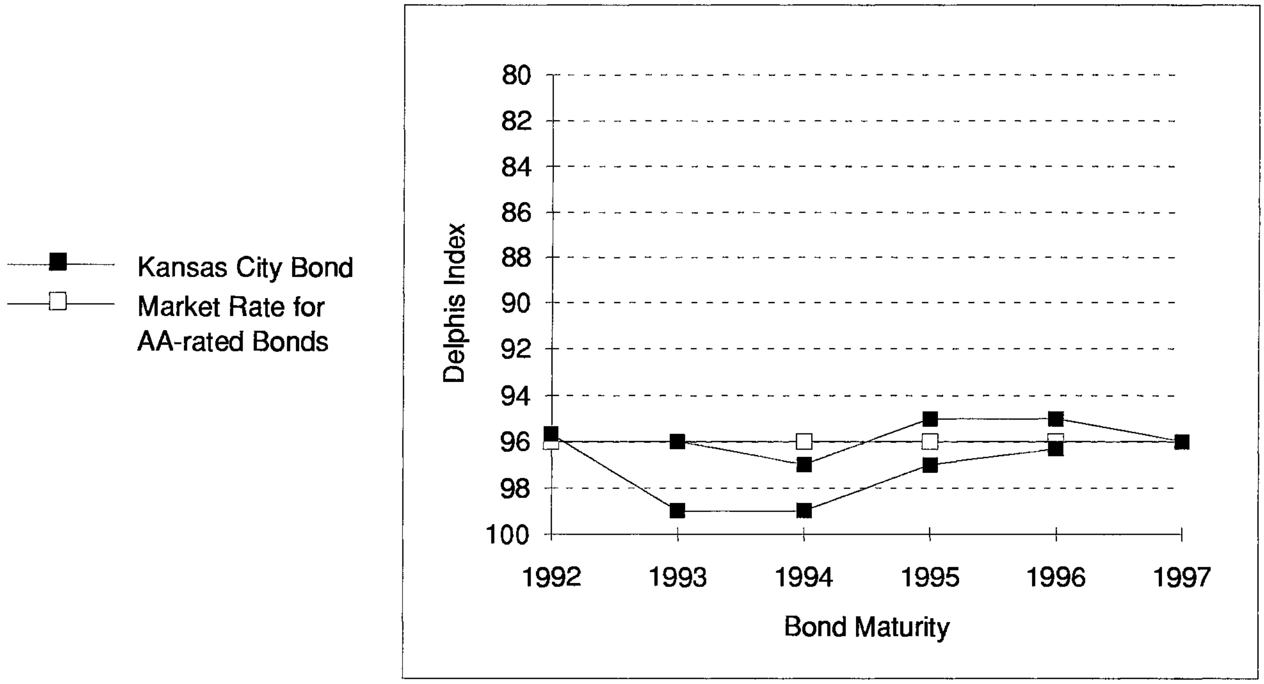


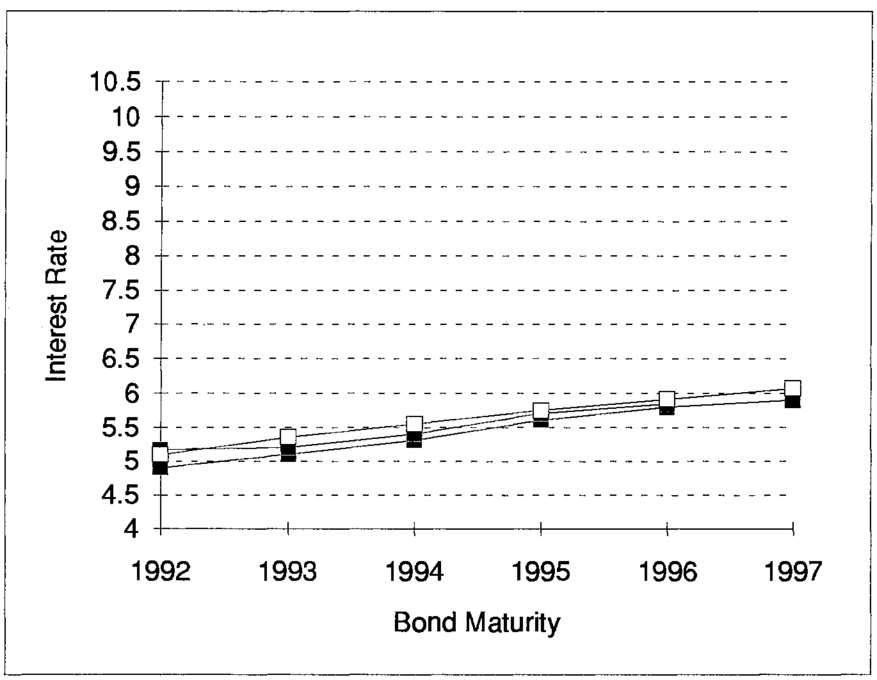
This Kansas City bond was a negotiated sale and insured. One comparable bond was available for this Kansas City bond:

1. Olathe General Obligation bond for $11.75 million, sold August 1990 in a competitive bid sale. The bond was not insured and was rated A1/AA-.



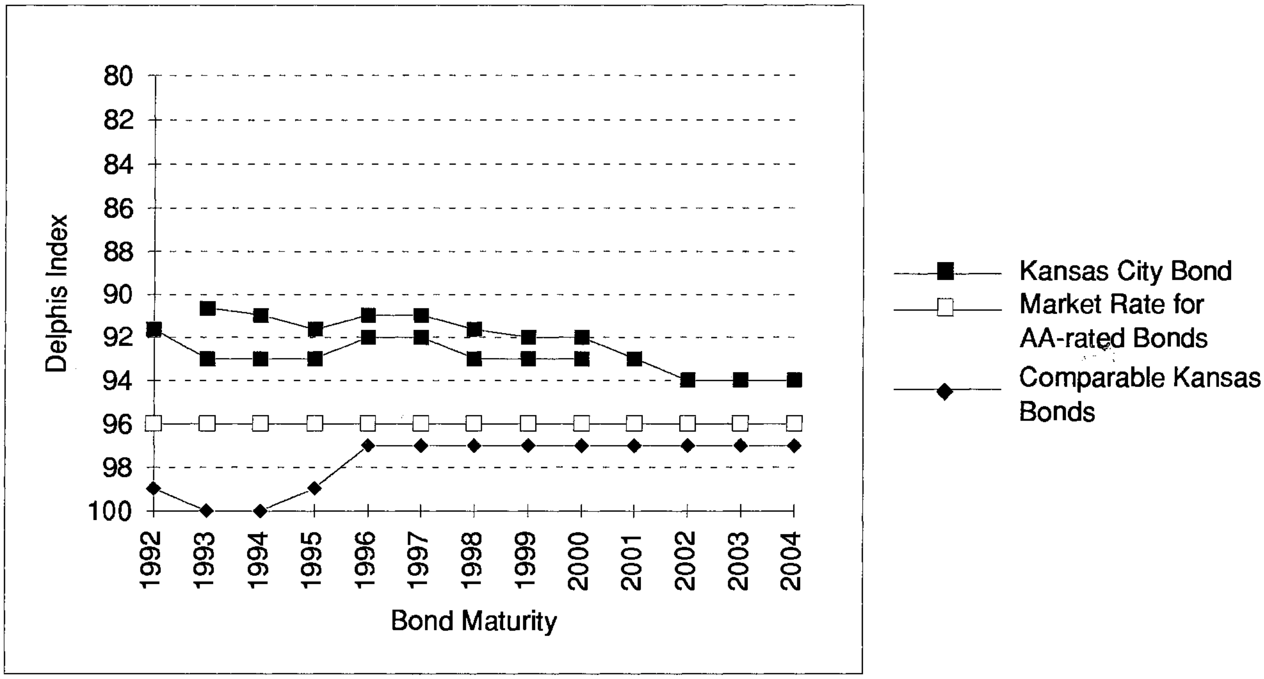
Kansas City Utility System Revenue Refunding and Improvement Bond -- $67.5 million
Issued June 1991





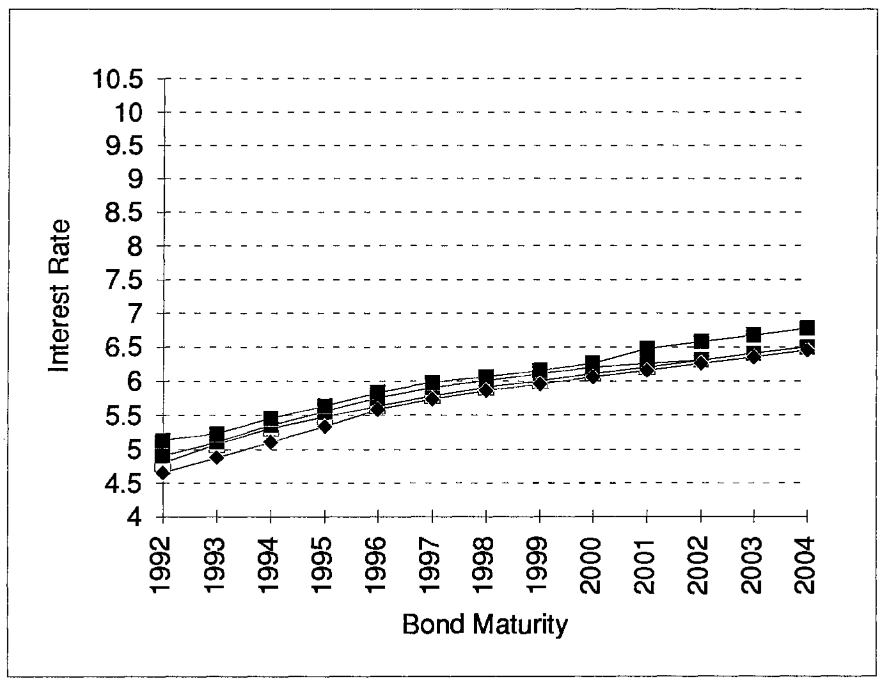
This Kansas City bond was sold in a negotaited sale and insured. There were no comparable bonds issued in Kansas which we could use to compare with this Kansas City bond.

Kansas City General Obligation Refunding and Improvement Bond -- $25.363 million
Issued August 1991

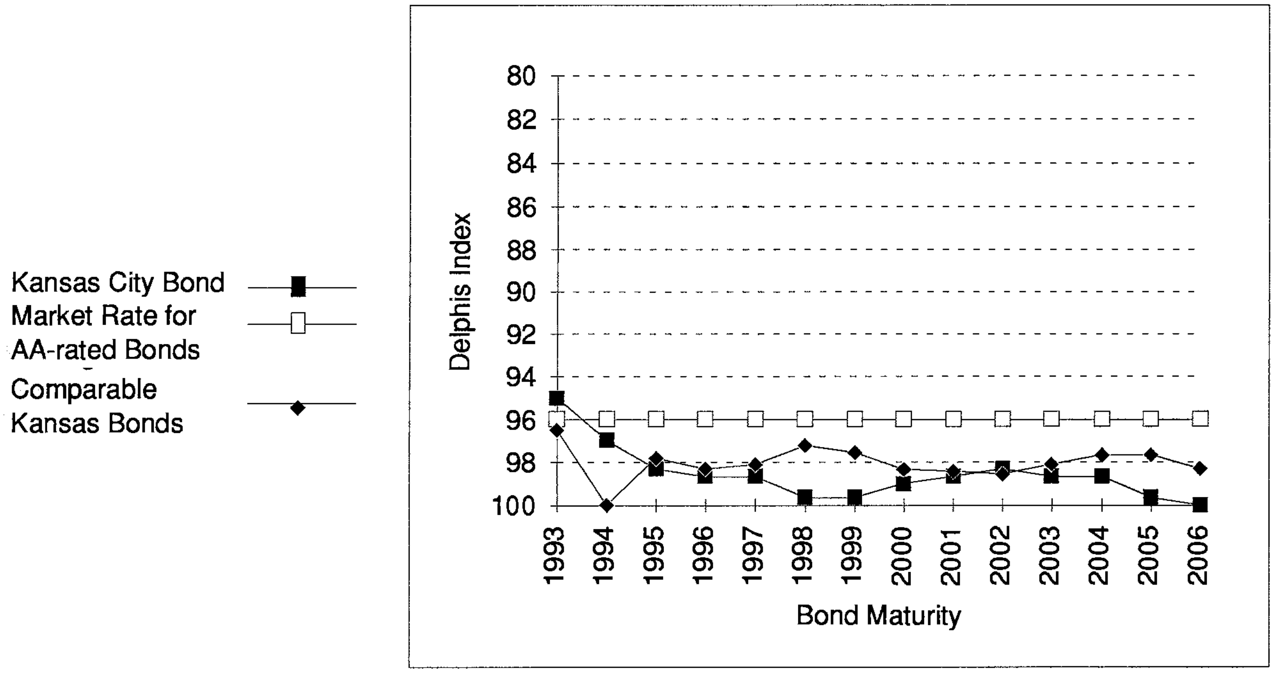


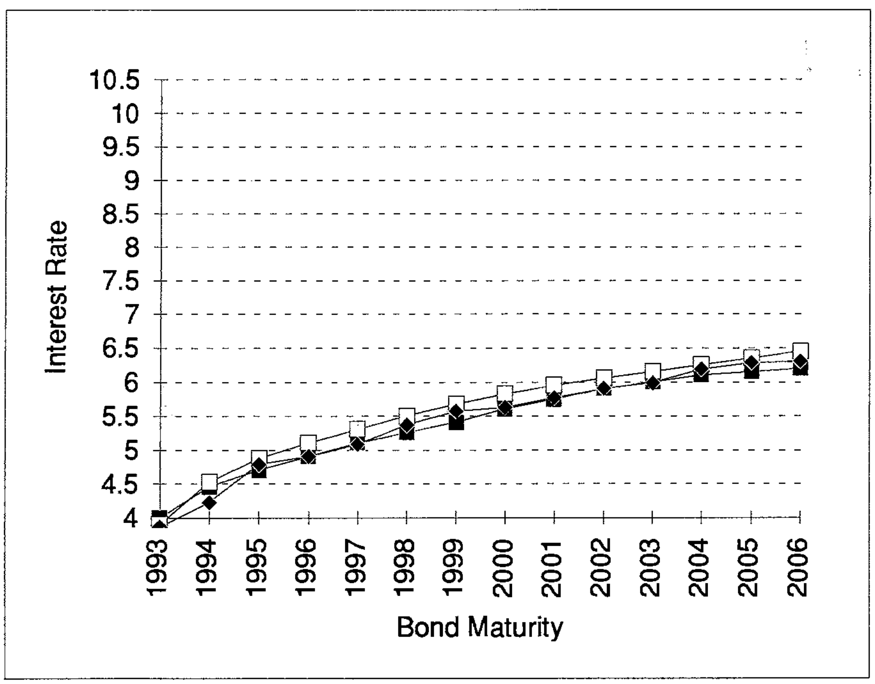
This Kansas City bond was a negotiated sale and insured. One comparable bond was available for this Kansas City bond:

1. Olathe General Obligation bond for $14.285, sold August 1991 in a competitive bid sale. The bond was not insured and was rated A1/AA-.



Kansas City Utility System Revenue Refunding and Improvement Bond -- $80.4 million
Issued February 1992

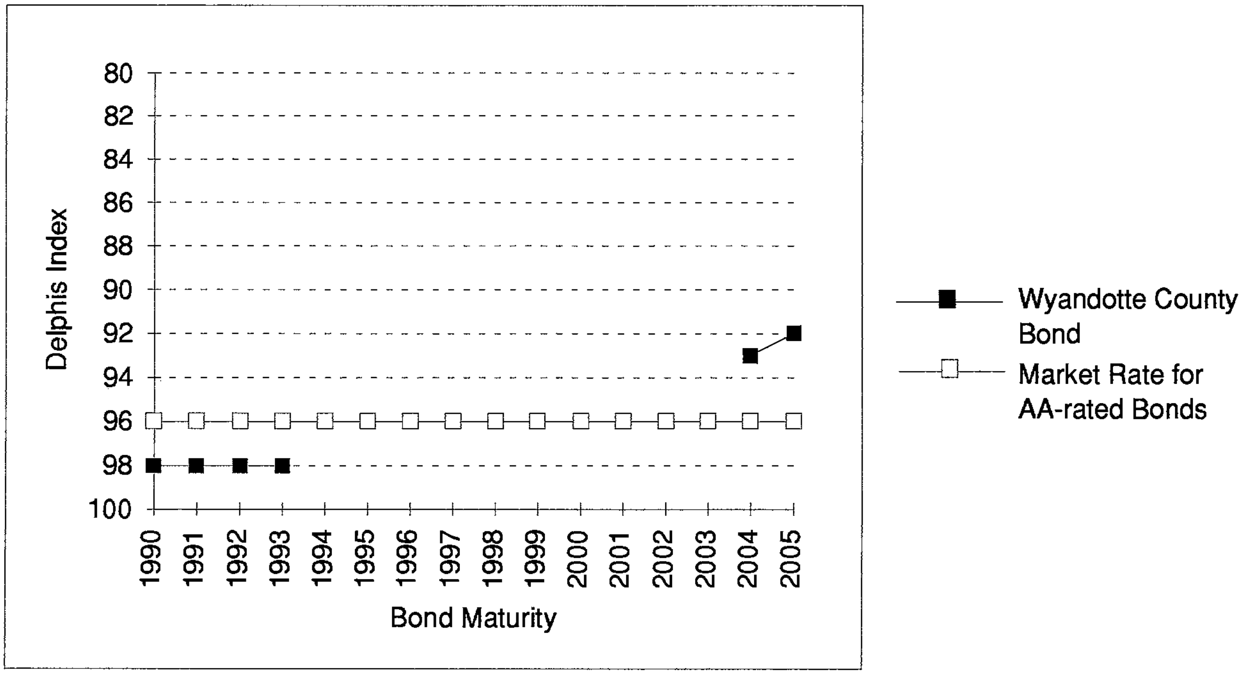




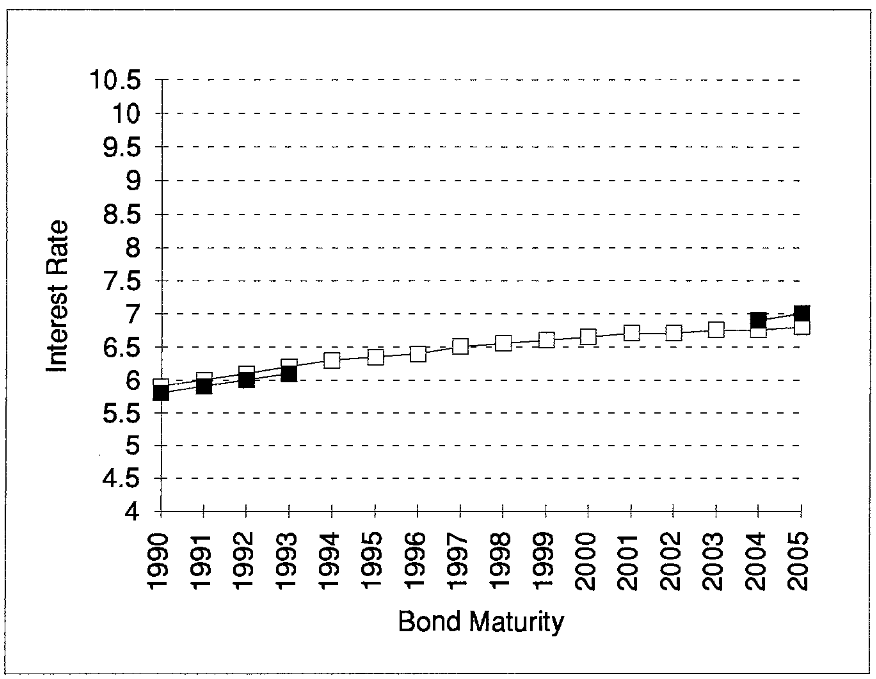
This Kansas City bond was a negotiated sale and insured. The comparable bonds which make up the average are:

1. Kansas Department of Transportation Highway Revenue Bond for $250 million, sold March 1992 in a negotiated sale. The bond was not insured and was rated AA/Aa.
2. Wichita Sales Tax Revenue Bond for $41.84 million. The bond was set to be sold March 1992 in a negotiated sale and to be insured, however, the bond was removed from the market before sale.
3. Salina Combined Water and Sewage System Improvement Bond for $15 million, sold June 1992 in a competitive bid sale. The bond was insured.

Wyandotte County General Obligation Refunding and Improvement Bond -- $47.415 million
Issued July 1989



This Wyandotte County bond was a negotiated sale and insured. There were no comparable bonds issued in Kansas which we could use to compare with this Wyandotte County bond.



APPENDIX C

Contributions to Elected Officials From Individuals and Firms Potentially Associated with the Bond Industry In Kansas City and Wyandotte County 1991 to 1993

This appendix includes contributions made by all underwriters in the Kansas City area, as well as some we were able to identify from Arkansas and Colorado; all bond attorneys from Kansas listed in the "Bond Buyer Directory;" and all Kansas City bankers, banks, and members of the boards of directors of these banks.

	Contributor	Amount	Occupation
CITY COUNCIL			
Corbett, Frank	C. Lamar	$500	B.C. Christopher staff
	Kathryn/Steve Peters	200	City Bond Attorney's firm
	Mike & Veronica Sarras	200	V. P., Home State Bank
	R.J. Breidenthal	100	Board of Directors, Kaw Valley Bank
	Bernard Ruysser	100	C.E.O., Commercial National Bank
	Joe F. Jenkins II	200	Board of Directors, Kaw Valley Bank
		$1,300	
Marinovich, Carol	C. Lamar	$250	B.C. Christopher staff
	Ike Parsons	250	B.C. Christopher staff
	Bradford Max	250	B.C. Christopher staff
	K. A. Keane	250	B.C. Christopher staff
	Burke/Williams/Sorenson/Gaar	200	City Bond Attorney's firm
	John Tiszka	100	President, Kaw Valley Bank
	Gary Grable	250	President, Home State Bank
		$1,550	
Mears, Ron	Gary Grable	$500	President, Home State Bank
	Joe F. Jenkins II	100	Board of Directors, Kaw Valley Bank
		$600	
Monday, Veda	None		
Sharp, Elmer	B. C. Christopher	$500	Bond Underwriters
	Dan Tucker	100	Board of Directors, Guaranty Bank & Trust
		$600	
Young, William (Bill)	Norman Gaar	$150	City Bond Attorney
	Rick Worner	500	B.C. Christopher staff
		$650	
Zimmerman, W. Fred	Michael Sarras	$ 50	V. P., Home State Bank
	John Tiszka	30	President, Kaw Valley Bank
	CNB Financial Corp	200	Financial institution
	Joe F. Jenkins II	100	Board of Directors, Kaw Valley Bank
		$380	

MAYOR

Steineger, Joseph	Jeff Malone	$250	B.C. Christopher staff
	Rick/Candy Worner	250	B.C. Christopher staff & wife
	B. C. Christopher	500	Bond Underwriters
	K. A. Keane	250	B.C. Christopher staff
	Stephanie Sackuvich	500	City Bond Attorney's firm
	Kathryn Peters	750	City Bond Attorney's firm
	Norman Gaar	750	City Bond Attorney
	Janet Garms	500	City Bond Attorney's firm
	Gary Grable	600	President, Home State Bank
	Michael & Veronica Sarras	200	V. P., Home State Bank
	Joe Jenkins	100	Board of Directors, Kaw Valley Bank
	CNB Financial Corp	100	Financial institution
		$4,750	

BOARD OF PUBLIC UTILITIES

DeGraeve, Clarence	None	0	Affidavit of exemption
Feeback, John	Bradford/Sheryl Max	$ 250	B.C. Christopher staff & wife
	C. Lamar	250	B.C. Christopher staff
	K.A. Keane	250	B.C. Christopher staff
	Ike/Lynn Parsons	250	B.C. Christopher staff & wife
	Gary Grable	500	President, Home State Bank
		$1,500	
Gorup, Paul	CNB Financial Corp	$100	Financial institution
	Kaw Valley Bank	100	Financial institution
	Gary Grable	500	President, Home State Bank
		$700	
Lynch, Sr., Thomas	Mike Sarras	$250	V. P., Home State Bank
	Gary Grable	500	President, Home State Bank
	Clifford C. Nestlerode	200	Board of Directors, The Wyandotte Bank
	Joe Jenkins II	200	Board of Directors, Kaw Valley Bank
	Commercial National Bank	300	Financial institution
		$1,450	
Milan, Robert (Bob)	Mike & Veronica Sarras	$160	V. P. Home State Bank
	William C. Tempel	200	President, Commercial National Bank
		$360	

BOARD OF PUBLIC UTILITIES, continued

	Contributor	Amount	Occupation
Singleton, C.R (Bob)	Gary Grable	$500	President, Home State Bank
	C. Lamar	250	B.C. Christopher staff
	K. A. Keane	250	B.C. Christopher staff
	Ike Parsons	250	B.C. Christopher staff
	Bradford Max	250	B.C. Christopher staff
	James L. Moffett	100	Commercial National Bank
		$1,600	

COUNTY COMMISSION

Burns, Nancy	CNB Financial Corp	$500	Financial institution
	Home State Bank	500	Financial institution
	2300 Leadership Fund	300	Investment banking PAC
	Robert L. Lees	100	Investment banker
	Robert/Janet Bigelow	100	Investment banker
	J&B Investment	500	Investments
		$2,000	
Kaminski, Richard	Bernard Ruysser	$200	C.E.O., Commercial National Bank
	Robert Bigelow	100	Investment banker, Dougherty Dawkins
	2300 Leadership Fund	800	Investment bankers PAC
	Robert Lees	125	Investment banker, Dougherty Dawkins
	Stephens, Inc.	250	Underwriting firm
	Russell Caldwell	50	Investment banker, Dougherty Dawkins
	Janet Bigelow	250	Investment banker's wife, Dougherty Dawkins
	Gary Grable	500	President, Home State Bank
		$2,275	
Lipovitz, Frank	Marty Nohe	$100	Underwriter/Financial Advisor
	Wm. C. Temple	100	Commercial National Bank
	John Kearns/Dan Tucker	100	Board of Directors, Guaranty Bank & Trust (Tucker)
		$300	
Nies, Kay	William C. Tempel	$100	President, Commercial National Bank
	George Breidenthal	200	Board of Directors, Kaw Valley Bank
		$300	

COUNTY COMMISSION, continued

	Contributor	Amount	Occupation
Robinson, Verdis	Rick Worner	$250	B.C. Christopher staff
	Michael Sarras	430	V. P., Home State Bank
	Commercial National Bank	200	Financial institution
		$880	

COUNTY TREASURER

Ladesic, Mary	Bernard Ruysser	$250	President, Commercial Bank

APPENDIX D

Bond Professionals Contacted and Literature Reviewed During This Audit

During this audit, we contacted a number of bond professionals and experts for advice and information about municipal bond issues. As noted in this report, we also contracted with two companies that provide either information or analyses about municipal bonds. All of their services were invaluable, as this area can be very complex. We also read numerous books and articles, both for background purposes and for specific methodologies for analyzing information. The following list shows the individuals we contacted and the literature we reviewed.

Bond professionals we obtained information from:

Public Financial Management Company
  Ms. Christine Hine, financial advisor for the Kansas Department of Transportation, 215-567-6100

Securities Data Company
  Marc A. Katz, Manager, Municipal Client Services, 201-622-3100
  Craig Airs, Municipal Client Services, 201-622-3100

Delphis-Hanover Corporation
  Mr. Austin Tobin, President, 203-262-1862

Government Finance Officers Association
  Ms. Patti Tigue, Manager-Government Finance Research Center, 312-977-9700

Moody's Investor Services
  Mr. Dove Iskowitz, Analyst-Municipal Finance Section, 212-553-7936
  Ms. Nichole Drysdale, Analyst, Municipal Rating Section, 212-553-0300

Kansas Development Finanace Authority
  Marty Bloomquist, Program Manager, 913- 296-6747
  Bill Caton, Executive Director, 913- 296-6747

MG McMann Associates (independent financial advisor for the City of Topeka)
  Mike McMann, President, 816-531-1777

City of Oklahoma City
  Glenn Deck, Director of Finance, 405-297-2506

Other groups we contacted:

University of Kansas
  Dr. Jack Gaumnitz, Professor of Finance, School of Business, 913-864-7539

Kansas Attorney General's Office
  Rebecca Floyd, Assistant Attorney General for Bonds, 913-296-2215

Municipal Securities Rulemaking Board
Melanie Sargent, Assistant to the Comptroller, 202-223-9347

Public Securities Association
Stephanie Chin, Research Assistanct, 212-809-7000

National Association of Counties
Sharon Lawrence, Director of Research, 202-942-4285

National Conference of State Legislatures
Arturo Perez, Research Analyst, 303-830-2200

KS League of Municipalities
Chris McKenzie, Executive Director, 913-354-9565

Council of Development Finance Agencies
Kevin McCarty, Executive Director, 202-682-3764, x228.

Bond-related and other literature we reviewed:

U.S. General Accounting Office
Tax-Exempt Bond Issuance Costs, 1989
GAO Suggests How IRS Could Improve Tax-Exempt Bond Oversight, 1993

State University of New York
Costs of Issuance of Tax-Exempt Debt, 1989

Governing
The Boom in Bond Insurance November 1992
Bad Times and Bond Ratings, March 1991
Muni Bond Forecast: Sunny. . . For Now, June 1992
The Refinancing Bonanza, November 1991
For Municipal Bonds, It's Not a Plain Vanilla World Anymore June 1990

Fortune
Insured Munis: A Better Buy November 16, 1992

American City & County
Insuring Bonds and Reducing Costs, December 1991
Some Arbitrage Exemptions Granted, January 1990

Government Finance Review
Bid Evaluation Competitive Bond Sales: NIC vs. TIC, October 1991
Choosing an Underwriter for a Negotiated Bond Sale, June 1990
Does Bond Insurance Make Sense? December 1989
The Role and Responsibilities of the Municipal Bond Trustee, December 1989

Business Insurance
New Municipal Bond Issues Boost Insurers' Business, November 23, 1992

City and State
Negotiated bidding's the best May 24, 1993
Bond scandals must open officials' eyes May 24, 1993
Comparing competitive, negotiated bond deals, May 24, 1993

California Debt Advisory Commission
Competitive Versus Negotiated Sale of Debt, September 1992
Government Finance Research Center (GFOA)
Negotiated V. Competitive Sale of Tax-exempt Debt

Forbes
A Better Break for Investors?, September 3, 1990
Dirty Secrets, June 26, 1989

Money
The Lowdown on Those Hot Muni Bonds Known as COPS, August 1990

Wall Street Journal
Latest Muni Derivative Gets U.S. Scrutiny, February 11, 1993

New York Times
Video Service to Offer Data on Municipal Bond Market, March 26, 1993

Bond Buyer (daily bond newspaper)
Dingell, Markey Ask SEC to Expand Probe into Firms' Political Donations, July 15, 1993
Merrill Lynch Placed Lazard on Retainer for Swap Work, July 16, 1993
Bonton's New Mayor Wipes the Slate Clean for Underwriting Slots, July 16, 1993
MWRA Board Will Dissolve Bond Syndicate, Dismiss Adviser, July 20, 1993
Louisiana Firma t Center of FBI Inquire into State Deal, July 19., 1993
Letter to SEC Expected to Say Appeal of Tower is Wrong Move, July 21, 1993
PSA Calls for SEC Rules on Political Gifts and Disclosure, July 26, 1993
N.Y.C. Investigation of Comptroller Widens to Include Fund-Raising, July 27, 1993
SEC, Louisiana Launch Inquiries Into Fee Splitting in State GO Issue, August 23, 1993
Texas Broker, Seeking Bonus, Says Political Ties Brought in Deals, August 24, 1993
Massachusetts Agency Asking for Standards Some in Industry Say Are Impossible to Meet, August 25, 1993
L.A. Official Seeks Fuller Disclosure of City Relations with Lobbyists, August 26, 1993
Oklahoma Turnpike Considers $1.6 Billion Competitive Bond Sale After Market Scandals, August 27, 1993
New Jersey Issues Fee-Split Report on Refunding, 80 Other Deals, August 30, 1993
MSRB's Rule Would Place Burden of Proof on Contributors, August 31, 1993
Contributions Rule Could Start in Winter; MSRB Tells Deals: Don't Try to Beat Gun, September 1, 1993
SEC May Seek New Legislation Aimed at Aiding Muni Discolsure, September 3, 1993

Memo from Percy Aguila, Jr., Asst. Director of the Government Finance Research Center to Lynn Hampton, Director of the Washington D.C. Airport Authority April 5, 1988
Costs of Issuance: Underwriters' Compensation

The Price of Advice, Government Finance Officers Association
What Are Financial Advisory Services

Introduction to Financial Management, O. Maurice Joy

Investments, William F. Sharpe

The Guidebook to Municipal Bonds, George J. Marlin and Joe Mysak

Municipal Securities Rulemaking Board Manual

The Bond Buyer's Municipal Marketplace, (the Bond Buyer's "red book")

The Municipal Bond Handbook, Vol I & II, Frank J. Babozzi, Sylvan G. Feldstein, Irving M. Pollack, and Frank G. Zarb (editors)

Principals of Corporate Finance, Richard Brealey and Stewart Myers

The Handbook of Municipal Bonds and Public Finance, Robert Lamb, James Leigland, and Stephen Rappaport (New York Institute of Finance)

Fundamental of Municipal Bonds, Public Securities Association

APPENDIX E

Issues Regarding the Costs of Mortgage Revenue Bonds in Kansas City

Part of the concern behind the request for this audit was high issuance costs for the June 1992 $30 million mortgage revenue bond issued by Kansas City. Legislative concerns indicated the bond's cost of issuance was much higher than similar bonds issued in Sedgwick County during the same month. Reportedly, the firm of B.C. Christopher bid a much lower price for the Sedgwick County bond than the price they negotiated with Kansas City, Kansas. A March 1993 article in the Kansas City Star reported that the fees charged in Kansas City for the 1992 bond were about a third more than what the firm bid for the Sedgwick County bond.

We spoke with City officials and the underwriter, and reviewed the official statements and reoffering statements for the June 1992 bond. We found that the fee arrangement for the 1992 mortgage revenue bond was very similar to that of a mortgage revenue bond the City issued in 1988. In the 1988 bond, the underwriter and bond counsel agreed to not receive any fees until the bond-funded mortgages had been originated. In our review of the May 1988 bond, we found that the City was able to originate mortgages fairly soon after the bonds were issued, and that bond professionals began receiving fees in October 1988.

In contrast, only $15 million of the total amount of the 1992 bonds have actually been issued, and no mortgages have been originated so far. Between June 1992 and June 1993, the City invested the proceeds of the bonds. The City has just begun distributing the bond proceeds to create new mortgages and City officials anticipate that the majority of the mortgages will be originated sometime late this fall. City officials and contracts indicated that bond professionals will begin receiving fees at that time. Currently, bond professionals and City officials involved in the bond say that no expenses have been paid and it is not possible to say what those total fees will be.

APPENDIX F

Responses to the Audit by Kansas City and Wyandotte County

On October 18, we provided copies of a preliminary draft audit report to City, County, and Board of Public Utilities officials. On October 21, a final draft copy complete with recommendations and appendices was delivered. The County's response is included in this Appendix. The City provided its response in a separate bound volume, which will always be distributed as part of this report. On October 27, we met with representatives of the City to discuss their response. Based on the text of the response, and on documentation submitted in that meeting, we made adjustments to the draft report that we deemed necessary to make it more accurate or clear.

The City's response is quite lengthy, and offers several documents which purport to discredit the findings of the audit report. In particular, the City offers letters from Professor Darwin Daicoff of the University of Kansas, and a report issued by the firm of Coopers and Lybrand, as well as several additional appendices.

In reviewing those documents, we noted a number of inconsistencies and methodological problems that the reader needs to take into account in fully assessing the validity of the claims made in these documents.

The City's Response--The text of the City's response cited a number of general and specific concerns about the information contained in the draft audit report. We would like to address several issues raised in the City's reponse.

Tab 2, page 2 of the City's response states several concerns about our methodology. Each of those concerns is addressed below.

• *The sample size is too small* : The City states that we only reviewed a sample of seven percent of all bonds issued. As stated in the report, we began with a sample of about 35 percent of all bond and temporary notes issued. The number of bonds we could actually compare was affected by two things--our efforts to make comparison bonds as similar as possible, and concerns about the reliability of the cost information available about bond issues in other cities. Our attempts to be meticulous in using bonds of similar types and issuance dates severely limited the number of bonds available for comparison. As we learned more about the data available to make comparisons of bond issuance costs, the number of bonds we felt we could use to compare was further reduced significantly. We fully disclosed those limitations in the report, and stated that our comparisons of issuance costs were inconclusive.

• *The survey of business practices was too limited* : The City states that no attempt was made to compile specific data on the actual business practices of other Kansas issuers or issuers throughout the country. As discussed in the report, we did compile information on business practices in other Kansas cities. Examples include practices regarding bidding bond counsel services, use of independent financial advisors, and the like. Attempting to determine such things as how much and what types of work specific individuals do when issuing bonds would require an in-depth audit of each city and every bond issue that was used for comparative purposes. The Coopers and Lybrand report the City commissioned also made no attempt to compile specific data on the actual business practices of other bond users.

• *Bond issues are not contemporaneous with City issues* : The City takes issue with the fact that the bond comparisons contained in Appendix A are for bonds issued as much as nine months apart. In its response, the City indicated that the municipal bond market is subject to changes on a day-to-day or even hour-to-hour basis. This comment would be accurate for an interest rate comparison. The comparisons shown in Appendix A, however, are for issuance costs, which do not fluctuate on a day-to-day basis. Knowledgeable persons we contacted during the audit told us that for cost comparison purposes, bonds issued within one year of each other provided acceptable comparisons.

• *Interest rate analysis ignored $155 million interest cost savings* : In its response, the City takes issue with the fact that we did not use figures from the Coopers and Lybrand report it commissioned that indicates the City saved $155 million in principal and interest savings from its debt refinancings over the past 10 years. Our results in this area were based on a sample of bonds; Coopers and Lybrand apparently reviewed all refunding bonds. Coopers and Lybrand's findings are consistent with our own findings.

The City also takes issue with our leaving capital appreciation portions of those bonds out of our analysis. During the audit, however, City officials and their underwriters strongly recommended that we leave those portions of the bonds <u>out</u> of our analysis. The consultant we hired to do this work is very experienced in this type of analysis, and made appropriate adjustments.

In addition to the general concerns addressed above, in Tab 3 of its response the City cites a number of report issues or statements that it says are in error or misleading. A few of those items are addressed below.

Issue 2: The City contends that it has competitively selected bond professionals. City officials have told us that they periodically call around to other cities to make sure that their legal fees are reasonable. However, the City does not keep any documentation to show that this actually occurs. As a result, we can only report that the City says it has made such checks; we cannot say for sure that it did.

Issue 13- The City takes issue with our definition of a financial advisor's responsibilities. However, the definition we use in our report is essentially identical to the definition Coopers and Lybrand uses in its report on Kansas City's bond practices, as included in Tab 7 of the City's response.

Issue 14: The City has stated that our contention that it did not use "true interest cost" in evaluating bond bids is incorrect. All written documentation the City has provided to us indicated that it used the "net interest cost" method of evaluating bond bids. However, through discussions with the City officials and their bond counsel, they have convinced us that the way they structure their bond maturities mitigates any significant difference between the two methods. Because we did not find that the City's practices have resulted in awarding bonds to other than the lowest actual bid, we have deleted reference to this issue in the report. We would also note that, in a draft debt management policy dated October 1993, the City states that its policy will be to use "true interest cost."

Tab 10, Exhibit E: The City provides this exhibit to show that its interest rates compare favorably with other bond issues. We would point out a number of issues related to these comparisons.

> *The City compares revenue bonds with general obligation bonds.* The experts we talked to told us that revenue bonds will have a higher interest rate because they are dependent on the income from a specific revenue source, whereas general obligation bonds are backed by the general taxing authority of the municipality issuing the bonds.
>
> *The City compares bonds with large differences in maturity dates.* The City compares interest rates paid on its bonds with bonds in other cities that mature as much as 16-19 years later than the Kansas City bond. Longer-term bonds command higher interest rates than shorter term bonds, and cannot be compared on this basis.
>
> *The City directly compares bonds that were issued weeks apart.* The City is comparing its bond issued on August 20, with bonds issued on August 5. In its own response, the City states that interest rates in the bond market are subject to day-to-day and hour-to-hour fluctuations. Without controlling for these fluctuations by the use of an index--as our consultant did--interest rate comparisons between bonds issued weeks apart cannot be validly made.
>
> *The City compares bonds that are vastly different in size.* One page of this exhibit compares bonds ranging from $8.5 million to $90.5 million. In Tab 3 page 16 of its response, the City takes issue with analyses our consultant performed in which he compared a $10 million issue to a $54 million issue.

Finally, the City's response appears to oppose the recommendations contained in our report. Within the last few weeks, however, City officials have proposed a debt management policy which, if adopted, would implement some of the same controls that we have recommended. Among those items are adopting target interest savings for bond refundings, and requiring evidence that insurance costs will be saved through lower interest costs.

Professor Daicoff's Letters -- In general, Professor Daicoff endorsed the Coopers and Lybrand report on Kansas City's bond practices, and criticized most aspects of our report. In response to his comments, we would make the following points.

Professor Daicoff pointed out that, although we acknowledged major concerns about the reliability of the information available, we still proceeded with the audit. As with any of our audits, once directed by the Legislative Post Audit Committee to conduct the audit, we did the best job we could with the information available. In accordance with audit standards, that included pointing out in the audit report the limitations of the information available.

In spite of his endorsement of the Coopers and Lybrand report, Professor Daicoff raises concerns about our work that seem to apply equally to that report. Some examples are listed below.

• He cites our use of bond information from U.S. Treasury Form 8038-G as a problem because he thinks that form overstates issuance costs for Kansas City bonds. The Coopers and Lybrand report also uses information from those same forms.

• He considers it inappropriate to compare bond costs and rates in one state to those in another state. The Coopers and Lybrand report also makes comparisons of Kansas City bonds with those issued in other states.

Professor Daicoff concluded that we had established "many arbitrary rules" to determine whether Kansas City's bond issuance costs were higher or lower than the issuance costs of comparison bonds, and had not taken into account many additional factors that could influence issuance costs. Our analysis was developed in consultation with individuals who are extremely knowledgeable about bond costs and the factors that affect those costs. Based on those consultations, we limited our analysis to factors that would significantly affect bond costs.

The professor's letter also appears to confuse our analysis of bond costs with our analysis of interest rates on Kansas City bonds. These are two very distinct and unrelated analyses. While we acknowledge certain limitations to the data available to compare bond costs, those limitations do not apply to the analysis of interest rates. All analyses of interest rates shown in the report were performed for us by Mr. Austin Tobin of Delphis Hanover Corporation--a highly competent and widely respected firm that has done these types of analyses for many years.

Coopers and Lybrand Study--The Coopers and Lybrand study commissioned by the City reached different conclusions from our report in several areas. As we described in our report, there are serious limitations to the data available to compare bond issuance costs across the country. In doing its work, Coopers and Lybrand undoubtedly was faced with those same limitations. The following explains some of the reasons for differences:

• The firm compares the cost of issuance for Kansas City bonds to a national study compiled in 1988 by the Financial Markets Research Center of Business, State University of New York (SUNY). The SUNY study states that, when making cost comparisons, it is important to make distinctions between General Obligation and Revenue bonds, and between competitively bid and negotiated bonds. In comparing the cost of issuance for Kansas City bonds with the SUNY study, Coopers and Lybrand mixed general obligation and revenue bonds as well as competitive and negotiated bonds together. It also combined private activity bonds, which have a very different cost structure, with the general obligation and revenue bonds when making comparisons with the SUNY study.

• The SUNY study includes the costs of local attorneys and of bond elections in the costs of issuance it shows. During this audit, we reviewed the costs of issuance Coopers and Lybrand compiled in its study, and found that its cost figures did not include local attorney costs or the cost of bond elections. This would make the Kansas City costs appear to look low compared to the costs shown in the SUNY report.

•The Coopers and Lybrand study compares bond issuance costs in Kansas City with issuance cost information it obtained through surveys from the states of North Carolina and Texas. Again, the information from these states mixes all types and maturities of bonds together. Thus, these comparisons do not control for any factors.

Finally, although the Coopers and Lybrand report points out the amount of additional interest earnings that <u>could have been recovered</u> in the escrow account to recoup bond insurance premiums, our analysis looked at the amount that <u>actually was</u> recovered. That would account for the differrences in our conclusions in this area.

SEAL OF WYANDOTTE COUNTY
1859
KANSAS

OFFICE OF
BOARD OF COUNTY COMMISSIONERS
WYANDOTTE COUNTY COURT HOUSE
710 N. 7TH STREET
KANSAS CITY, KANSAS 66101
PHONE (913) 573-2827
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NANCY W. BURNS
COMMISSIONER 1ST DISTRICT
VERDIS J. ROBINSON
COMMISSIONER 2ND DISTRICT
RICHARD J. KAMINSKI
COMMISSIONER 3RD DISTRICT

October 26, 1993

Ms. Barbara J. Hinton
Legislative Post Auditor
Legislative Division of Post Audit
Merchants Bank Tower
800 S.W. Jackson, Suite 1200
Topeka, KS 66612-2212

RECEIVED
OCT 27 1993
LEGISLATIVE POST AUDIT

Dear Ms. Hinton:

We have reviewed the performance audit report <u>Reviewing the Process for Issuing Bonds in Wyandotte County and Kansas City, Kansas</u>. While we are in disagreement with many statements contained in the report, we will limit our comments to a few major areas.

Initially, we believe that the report should have distinguished more clearly between Kansas City, Kansas, and Wyandotte County. Due to the different types of projects that Kansas City and Wyandotte County issue bonds to finance and due to the vast difference in the number of bonds issued, Wyandotte County believes separate reports should have been issued or, at the very least, Wyandotte County and Kansas City should have been dealt with separately in the report.

The report indicates that you examined a sample of Kansas City bonds and compared their issuance costs and other factors with other similar Kansas bonds and with national information. In the ten (10) year period considered, Wyandotte County issued two (2) bond issues, one (1) certificate of participation, two (2) refunding bond issues, and twenty-four (24) temporary notes, while, according to your report, Kansas City issued twenty-two (22) general obligation bonds, six (6) revenue bonds, one (1) certificate of participation and two hundred forty-eight (248) temporary notes. Despite the enormous difference between the number of issuances by Wyandotte County and Kansas City, you have drawn general conclusions for both Wyandotte County and Kansas City, apparently based solely upon a sample drawn from Kansas City.

We also dispute your statement that Wyandotte County has a total bonded indebtedness of $75 million. County records indicate that current Wyandotte County bonded indebtedness is $46,575,000, $46,715,000 if the Duffers and Swan Lake issue (100% property owners) is included. This is within Wyandotte County's statutory limitation on bonded indebtedness. Our understanding of standard practice and Kansas statutes, and the practice the County has consistently followed in reporting bonded indebtedness, is that bonded indebtedness is reported by principal alone, not principal and interest payments. Your report does not clearly indicate that the $75 million figure includes <u>both</u> principal and interest payments.

We also dispute your assertion that Wyandotte County does not include costs of issuance in computations made to determine whether a refunding makes economic sense. Wyandotte County does include these costs in evaluating a decision to refund an issue.

You have previously received the individual response of Commissioner Kaminski detailing the efforts of the present Commission to secure independent financial advice on bond issuances.

Very truly yours,

Board of County Commissioners
of Wyandotte County, Kansas

Verdis J. Robinson
Verdis J. Robinson, Chairman
2nd District

Nancy W. Burns
Nancy W. Burns, Member
1st District

Richard J. Kaminski
Richard J. Kaminski, Member
3rd District

VJR:NWB:RJK:ls

RICHARD J. KAMINSKI
COUNTY COMMISSIONER, 3RD DISTRICT

SEAL OF WYANDOTTE COUNTY 1859 KANSAS

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October 21, 1993

RECEIVED
OCT 22 1993
LEGISLATIVE POST AUDIT

Barbara Hinton
Legislative Post Auditor
800 S.W. Jackson, Suite 1200
Topeka, Kansas 66612-2212

Dear Ms. Hinton:

After reviewing the draft of the audit report that your staff prepared on the process for issuing bonds in Wyandotte County and Kansas City, Kansas, I feel that this report indicates that we have an equal amount of problems as Kansas City, Kansas. I feel that a separate report should have been made on each governmental entity. In addition, there is no mention that the majority of the county commissioners have only been in office since January, 1993 and are taking steps to correct past practices.

I have enclosed copies of the minutes of the Board of County commissioners meetings in which bond issues were discussed.

12/22/92 - (old commission) - Hired Investment Bankers of Kansas City and Gilmore & Bell to begin the process of refinancing the Sandstone Bonds. (Note: this was three weeks before the majority of this commission left office).

12/31/92 - (old commission) - proceeded in refinancing of the bonds.

1/7/93 - (old commission's last meeting in office) passed a resolution to refinance bonds. The majority of the present commission was sworn in to office on January 11, 1993.

1/22/93 - (present commission) - tabled any action on the bonds until we reviewed the documents. This is the first time that it was brought before us.

1/26/93 - (present commission) - many questions were asked about advisors and bidding. Because of the costs that already occurred, we had no choice but to approve.

Even though we passed this bond issue, I later contacted other investment bankers and inquired about cost and financial advisory services. Only one proposal was submitted on 2/11/93, so on 3/25/92 and 4/22/93 several requests were sent out. The reason for the delay was that we did not intend to issue any bonds in the near future. Copies of the proposals are enclosed. Because of conflicting county concerns, one being the flood, we have not completed our interviews as of this date, but do intend to in the near future. We intend to use the same process for our bond legal advisor.

The election contributions that I received from bond investors, mainly from Dougherty, Dawkins, Strand & Bigelow Incorporated, were from companies that to my knowledge have not done business with Wyandotte County in the past. If they did, there was no way that I would have known. No personal contact was made with these firms prior to my election.

In January, 1993, I received a copy of a proposal from one of my contributors on a Juvenile Detention Facility. Since we do not intend to build such a facility in the near future, it was shelved. If there is a need, such proposals will be bid on.

I hope that I cleared up some of the grey areas in this report and that your report will indicate the same.

Sincerely,

Richard J. Kaminski
County Commissioner
Third District

RJK:jl
Enclosures

PRESENTATION REGARDING PROPERTY & CASUALTY INSURANCE PROPOSALS

David Coleman, Risk Manager for Kansas City, Kansas, gave an overview of recommended coverages and agencies, and the option of self insurance. Commissioner Nies asked if the coverages and deductibles on worker's compensation and law enforcement choices were identical. Mr. Coleman replied yes, they were identical. One was higher and one was lower, that was the difference. Commissioner Lipovitz wanted to know about certification by the Insurance Commission for the one carrier that was questioned. Mr. Coleman said he would have the answer to that before the day was over.

Commissioner Nies moved for approval of the Property & Casualty Insurance proposals as recommended by David Coleman and hold over until Tuesday the items of general liability, law enforcement liability and worker's compensation. Seconded by Commissioner Robinson. Nies - yes, Robinson - yes, Lipovitz - yes. Motion carried.

RECOMMENDATION FOR ACCEPTANCE OF THE QUOTES REGARDING VEHICLE PURCHASES

Commissioner Robinson moved for approval of the request from Art Collins, Area Agency on Aging, for acceptance of the quotes regarding vehicle purchases. Seconded by Commissioner Nies. Robinson - yes, Nies - yes, Lipovitz - yes. Motion carried.

DISCUSSION REGARDING REFINANCING OF SANDSTONE BONDS

Wayne Lampson, County Counselor, said that last week when the Park Board approved the lease with Contemporary they had a presentation made to them at that time concerning refinancing of the bonds and it is their request that the commission look into and proceed commencing the process for refinancing the bonds. For discussion at this time is whether or not you wish to engage this concern to commence that process or if you wish to go out for bids on that process. There are two factors to be considered in that. One is the costs are built into the bonds, both the cost of their percentage and they are not paid unless there is a successful implementation of the refinancing. Secondly, while there is no deadline other than the bond payment, then the current bond comes due in June. If you're going to take advantage of that in its maximum, you need to commence the process so you don't get down to May and not have it accomplished. The new board will be the board to make decisions on the bonds. What we're talking about here is if you wish to engage this firm to commence that process to get the information together and present it to the new board for their consideration.

David Weitzel, Executive Administrator, said it was a favorable bond market now and was probably not going to last. It could go into a quick change in a week, or could stay stable. You just don't know. Mr. Lampson said from Martin Nohe's presentation last week, he indicated that following the first of the year, or in the first couple of months of the year was almost the ideal time. We're at the lowest rates that we've seen historically, for bond markets maybe forever. He indicated that later in the year we'll just go into more uncertainty. That's a decision that the board has to make. That's also why the park board chose to make their recommendation, too.

Commissioner Nies moved to follow the action proposed by the park board to engage Investment Bankers of Kansas City and Gilmore-Bell to begin the process of refinancing the Sandstone general obligation bonds. Seconded by Commissioner Robinson. Nies - yes, Robinson - yes, Lipovitz - yes. Motion carried.

RESOLUTION #2978: REGARDING LEGAL PUBLICATION BIDS

Wayne Lampson, County Counselor, said the resolution was identical to the bid proposal that was put out last year. The time table needs to be published in the legal publications the 30th of December, and a pre-bid conference will be held on January 7, which sets out the eligibility requirements, and you will note that they have to be within the county and meet a certain criteria, and have a distribution of 10,000 issues or more. Those entities that meet the criteria would be eligible to bid. The bids would be received by the Board of County Commissioners January 14, 1993. Attached is the same setup, as far as the setup for legal notices for delinquent tax. This form was approved several years ago by the County Treasurer and has not been modified, the bid sheet used last year calling for a bid on delinquent tax, also on other publications. You can bid on one or both, or a combined bid.

Commissioner Nies said the process had refined the bid specs to a point where there is less room for quibbling, errors, or whatever, and meeting the county's needs, opposed to the publisher's needs.

Commissioner Lipovitz suggested adding a line to the bid sheets concerning certified circulation.

Commissioner Nies moved to approve the Resolution with the addition to the bid sheets. Seconded by Commissioner Robinson. Nies - yes, Robinson - yes, Lipovitz - yes. Motion carried.

RGDC REPORT

Randy Thomas, Dean Ibsen and Norm Wirkler of the RGDC team gave an overview of the work their firm has done to this point on the renovation of the 4th floor as a work release facility, a juvenile facility at the Kaw View site and a development of plans with the juvenile corrections people. (see tape.)

Commissioner-elect Nancy Burns asked the commission how we were going to pay for these improvements. Are we going to put this in a

NOTICE OF LAWSUIT #92C 04445

Commissioner Nies moved to receive and file and refer to the County Counselor lawsuit #92C 04445. Seconded by Commissioner Robinson. Nies - yes, Robinson - yes, Lipovitz - yes. Motion carried.

REQUEST FOR PAYMENT OF SOCIAL SECURITY TAXES

Commissioner Nies moved for approval of the request from Robert Brown, County Auditor, to authorize the County Treasurer to prepare a Treasurer's check payable to Home State Bank in the amount of $22,673.82 (est.) to cover payment of Social Security taxes for the period December 16-31, 1992 on Wyandotte County employees and Court personnel. Seconded by Commissioner Robinson. Nies - yes, Robinson - yes, Lipovitz - yes. Motion carried.

ANALYSIS OF SANDSTONE REFINANCING BY MARTY NOHE

Marty Nohe said that at the direction of the commissioners he had proceeded in analyzing the potential of refinancing existing federal obligation bonds for the Sandstone project. He had brought a partner in Gilmore and Bell who has been doing the legal analysis on it and has been working in concert with the County Counselor's office, and with Evans and Mullinix, counselors for the project. They have come to several conclusions confirming their original discussion with the county commission and with the park board. The first conclusion is that these bonds are refinancible under the existing laws. They can be refinanced without paying a prepayment penalty or call premium, which allows you to issue a new set of bonds, and the proceeds from the new bonds will pay off the outstanding obligations within 90 days from the time of the issue, so you'll be extinguishing paying off the outstanding debt. There are a number of issues we'll be working through in the next week or so, finalizing the process. There are two issues in which we'd like some direction. The first is there are three or four ways to structure the new financing and we'll generate more or less interest saving depending on how you want to restructure the new issue. And secondly, to the extent you have levied some monies for 1993 to pay the debt on the project, assuming you didn't receive any income, whether or not you want to contribute any of that existing levied amount toward this and I'll show you the impact. Those are the two areas we would like to have some input on. In the thicker report on page 3, this outlines the existing outstanding indebtedness that runs from this year to 2009, or about 16 years worth of repayment schedules. (see report and tape.)

Mr. Nohe said this report had been presented to the park board in an earlier draft form and their preference was to get out of debt as quickly as possible, obviously in part driven by the fact that they're going to be sharing the revenue from the facility after the debt is retired. In casual conversation with Commissioner Nies, she had indicated some support for that approach. We do need the commission's consensus on how to proceed. He said that was the principal reason for his appearance today.

Commissioner Lipovitz moved to recommend we pursue Option Four as presented by Mr. Nohe, which pays the debt off in the year 2005 and gets the maximum savings during the term of the debt by utilizing some of the funds that have already levied for the 1993 tax year for payment of Sandstone bonds. Seconded by Commissioner Robinson. Lipovitz - yes, Robinson - yes, Nies - yes. Motion carried.

PERSONNEL PACKAGE FOR DECEMBER 31, 1992

Commissioner Nies moved for approval of the Personnel Package for December 31, 1992. Seconded by Commissioner Robinson. Nies - yes, Robinson - yes, Lipovitz - yes. Motion carried.

HEALTH DEPARTMENT

Remove Clarence H. Smythe from the payroll effective December 31, 1992. He has accumulated 93 and 1/2 days of vacation and 90 days sick leave. He is eligible for three months' severance pay which he wants to receive in one lump sum, minus NACO deduction in 1993.

Remove Leonard Bukaty from the payroll effective December 31, 1992. He has accumulated 37.25 days of vacation and 58 and 3/4 days of sick leave. He is eligible for three months' severance pay.

Remove Marie Null from the payroll effective December 31, 1992. She has accumulated 33.5 days of vacation and 63 days of sick leave. She is eligible for three months' severance pay which she wants accredited to her and received in 1993.

Place Effie Leonard on the payroll effective the start of business January 4, 1993, at the rate of $1834 monthly. This position is funded 100% by STD grant funds from KDHE.

Place Helen Crockett on the payroll effective the start of business January 4, 1993, at the rate of $1700 monthly. This position is funded 60% by WIC grant funds and 40% by 13 Immunization Initiative grant funds from KDHE.

REGISTER OF DEEDS

Remove Maria Torrez from the payroll effective the end of the second pay period in December, 1992. She has accumulated 4 sick days and 0 vacation days. She is eligible for three months' severance pay.

the policy with Alexander and Alexander covering public officials, and he provided the commission with copies of that contract.

Commissioner Nies moved to receive and file for the record the insurance policy with Alexander and Alexander. Seconded by Commissioner Robinson. Nies - yes, Robinson - yes, Lipovitz - yes. Motion carried.

CORRESPONDENCE REGARDING VISION CARE BIDS

Dennis Dumovich, Personnel Director, submitted to the commissioners the vision care bids received before the deadline on December 29, 1992, as advised by the County Auditor.

He said he had met with members of the Insurance Commission to review the bids and set up a conference with the six companies who had submitted proposals and they were going to begin to negotiate a contract for county employees to use the service. The meeting is set for January 19, 1993.

Commissioner Robinson moved to receive and file the bids. Seconded by Commissioner Nies. Robinson- yes, Nies - yes, Lipovitz - yes. Motion carried.

UPDATE ON SANDSTONE FINANCING AND A POSSIBLE RESOLUTION

Martin Nohe, told the commissioners he had had a meeting with three sets of lawyers involved in the Sandstone activity, along with the Auditor's Office, which resolved a number of issues related to title of the property itself. He said he was here to discuss where we are in the transaction. All matters relating to the bond issue have been resolved on the title issue of the property. Whether or not there will be cash to pay down the debt has been discussed, with the collective recommendation that until the bankruptcy process is completed we do not know how much cash will be available, so we are suggesting that no cash be contributed now. Rather we're providing for special, optional redemption so that during the next 12 to 24 months, when the court process is completed, if there is any money that comes out of that for the county, the county will have the option, at their choice, of paying down the debt at that time, and thus saving the additional money by avoiding the interest payment. We're taking your recommendation in structuring the financing plan to accelerate the debt as fast as possible but not having the annual payment anymore than you're currently scheduled to pay. By doing it that way the debt will be paid off approximately two years earlier. It could be substantially earlier than that if the county does receive money when the court proceeding are complete. He said he thought that was the most prudent way to proceed. He said we could expect the savings, without the cash contribution, to be somewhere in the vicinity of $1.7 to $1.8 million. There have been additional conversations with the insurance company to insure the transaction, and we're about complete with providing them the information to make their firm commitment, but we still have some information to get to them. They have tentatively committed and have indicated a maximum premium of $32,000, which will protect both the principal and interest for the next 13, 14 years, in the event there is any problem.

We have and have provided to you a copy of the draft official statement that will be used in the bond offering as well as a possible calendar, subject to this commission and the new commission coming in to adhere to, which calls for the bond offering to occur toward the middle to end of January, with the completion of the transaction toward the middle of February and redeem the outstanding bonds sometime during the early part of March.

You have before you a resolution that authorized three different actions. One is that by the use of this preliminary official statement you are authorized to preoffer the bonds to establish interest rates that would then be brought back to the new commission sometime during the middle part of January. Secondly, before we offer the County Auditor would have to receive a firm, final commitment from a nationally recognized insurance company so that would be in place before we make the offering and it authorizes the County Auditor and other appropriate County officials to take the necessary action. This does not preempt the new commission's position. We will come back to this commission, once we have firm interest rates, to present to them the bond resolution which will have the final interest rates, for their consideration and adoption or rejection. This commission does not bind the future commission to a specific plan. He said he would defer to the County Counselor to discuss the title issue.

Wayne Lampson, County Counselor, reported that they met with Tom Mullinix and went through several options. They approached on two fields for the clearing of title. The concern is not that we've got title to the real estate back. We are concerned about title to the personal property at Sandstone, and clearing that both for the purpose of the bonds as well as others. We tried to maximize the approach and start at both end and whichever one gets done first wins. He said his office was commencing a foreclosure action as to personal things. Mr. Mullinix is putting together a plan in the current bankruptcy to be approved. We anticipate in both cases a 60 to 90 day turnaround time before we'll have one or the other or perhaps both, finalized, but that, according to bond counsel, would meet the needs and goes along with the time period Mr. Nohe mentioned. That's the action we're taking.

Mr. Mullinix said he was anticipating the right to pursue the questionable transaction portion of the bankruptcy proceedings to be granted this month, and possibly regain money which had been set aside.

Mr. Nohe said the $1.7 or $1.8 is a minimum savings. If any cash comes out of the bankruptcy courts, that will dramatically increase the savings once the court completes these activities. Mr. Mullinix said anything we realize through the bankruptcy would not be applied to the bond issue.

Resolution #2980 was then read into the record.

Commissioner Nies moved to approve the resolution. Seconded by Commissioner Robinson. Nies - yes, Robinson - yes, Lipovitz - yes. Motion carried.

JAIL UPDATE

Bob Cornell and Randy Thomas of RGDC gave a presentation of work plans they had completed on renovation of the 4th floor jail area and Kaw View Juvenile Correctional facility, and submitted a design book and drawings. (see notebook and tape) The juvenile project came in at $3,489,000. At our presentation on December 22, we guessed the project at just less than $3,000,000, so it was a pretty good guess. There have been a few changes in that project so there will be a slight difference in the cost.

The 4th floor renovation cost was estimated at $700,000 and ended up at $772,000, roughly 10% more than the estimate. There have been a few modification and changes in design from the original schematic design. (see manuals and tape)

David Voorhis of Voorhis/Robertson Justice Services, Inc., gave a presentation of the consultation work he had performed for the last year and one-half and submitted a booklet detailing what changes had been instituted in the running of the facility. (see book and tape.)

Commissioner Lipovitz thanked RGDC and Voorhis/Robertson for their services. Mr. Voorhis warned that it would be very easy to go backward and end up with an overcrowded facility in a short period of time if what's not really set in place is carried through, particularly in the area of the policy and procedures and the programs put together by the Department of Corrections under Joe Ruskowitz. They've got the control factors ready to go, all we need is getting the staff on board and finalizing, the County Commissioners have signed off on the Interlocal Agreement and the city now needs to sign off on that and move toward getting those programs started. If that doesn't take place in the next few months the jail will be crowded by the end of the year. I predict it.

Commissioner Nies moved to receive and file the reports from RGDC and Voorhis/Robertson. Seconded by Commissioner Verdis Robinson. Nies - yes, Robinson - yes, Lipovitz - yes. Motion carried.

DISCUSSION OF SANDSTONE BONDS

Wayne Lampson, County Counselors, said the commissioners had all met with bond people this morning, and the question needs to be addressed whether or not the board wishes to have the discussion or to table consideration until Tuesday. He said he knew that at least part of them would prefer to table the discussion at the moment. He said that would be his recommendation.

Commissioner Kaminski said he was very uncomfortable with crash courses, with being given that much material a half-hour ago. He said that was not enough time to absorb it when you're spending the county's money. Commissioner Kaminski then moved to table the discussion until the Tuesday, January 26th, meeting. Seconded by Commissioner Burns. Kaminski - yes, Burns - yes, Robinson - yes. Motion carried.

ADJOURNMENT

Commissioner Kaminski moved to adjourn. Seconded by Commissioner Burns. Kaminski - yes, Burns - yes, Robinson - yes. Motion carried. Meeting adjourned.

Edward J. Mayfield ****** Verdis J. Robinson
COUNTY CLERK CHAIRMAN

Commissioner Burns said she would like to direct counsel to proceed with contacting the Racing Commission, since this is an on-going thing. Isn't it, she asked. Mr. Lampson replied that it was the second time it has occurred in two years. But we owe it to Piper School District, who depends on that money, correct, she asked. Mr. Lampson said 40 some percent, it thought it was 47% of their budget. Seconded by Commissioner Kaminski. Burns - yes, Kaminski - yes, Robinson - yes. Motion carried.

SANDSTONE BOND REFINANCING

Martin Nohe, bond counsel, went over the packets he had presented at last week's meeting with the commissioners. They had finalized the material compiled in the preliminary official statement, which has been distributed and used as a marketing prospectus to potential buyers. We went through a full public offering of the bonds last Thursday and were successful in the sale of those bonds, at what we believe is a very attractive interest rate. He went through the packet with the commissioners, pointing out the current indebtedness of the Sandstone general obligation bonds, which shows an interest rate average of 9.99%, that repayable between now and 2009, the next sixteen years.

He then went over another table showing the proposed new debt service schedule. It runs from 1993 through 2006, rather than 2009. The new interest rate averages 7.17%, compared to the current 9.99%. The following page compares, in the principal and interest columns, the new principal and interest, and then combines them for the net debt service, showing what your new debt service would be, compares to prior debt service, showing that in each year between '93 and 2009, you'd have savings. In the final three and a-half years you'd have savings in excess of $1 million, almost $2 million dollars. There will be no payments due in the years '07, '08 and '09, thus you're saving both the principal and interest payments during those last three years. The total cumulative savings is $2,069,995. If you want to compare it to the value of a dollar as projected in 2009, that reduces it a present value saving of over $700,000. Page six shows the proposed source and use of the transaction. The par amount of the bonds would be $5,050,000, with accrued interest owed from the time the bonds are dated, 2-1 to 2-10-93, when we expect to close the transaction, and you have a list of the underwriter's discount, costs of issuance, a total amount, insurance premium to insure the transaction for the next thirteen years, you have your accrued interest that's paid out, and you have a purchase for the payoff of the existing bonds for $4,906,000. We have a detailed source and use I've previously provided to the commission a more detailed breakdown of all those expenses. The final page finally mathematically verifies the accuracy of the present value calculations, showing in excess of $700,000 present value savings. You have before you several actions that we would like to have the commission consider. The first action would be to consider a bond resolution, which I think counsel has prepared and is going to present some information on that. Embodied in that is the authorization to enter into a bond purchase agreement which has been revised from the previous draft you've seen, based on counsel's recommendation. In addition, I think you'll need to authorize the current trustee to redeem the old bonds. The old bonds are going to be redeemed, and authorize any other appropriate action. He said he would be glad to answer any questions the commission might have.

Commissioner Kaminski asked if he had been retained as advisor by the old commission. Mr. Nohe said, no they had been retained as the underwriter for the transaction. Commissioner Kaminski asked who the advisor was. Mr. Nohe said that on this transaction there was no financial advisor. You have counsel, several counselors, advising you. Commissioner Kaminski asked if any bids had been taken on underwriters, or if he was the only underwriter contacted. Mr. Nohe said he was contacted by the law firm handling the Sandstone issue, he didn't know whether they contacted others or not. Commissioner Kaminski asked if underwriters were put out for bid. Mr. Nohe said not to his knowledge.

Commissioner Robinson said there were no bids solicited. Wayne Lampson, County Counselor, agreed and said no bids were taken. He said the former board voted for an exemption because they were concerned that the interest rates would fluctuate and normally, taking bids on an underwriter would take several months and we might be stuck with an interest rate that would be much higher that what was obtained. That was the concern of the commission at the time. Commissioner Kaminski said the rates had gone down since last week. Mr. Nohe said there was a slight drop on Friday, but today they've opened up at higher interest rates, so we're about where we were. Commissioner Kaminski said this whole Sandstone thing had been a rush thing for the last two months and he was very concerned about everything being rushed, the contract, everything. Commissioner Burns thanked him for his presentation.

Kathy Peters gave a little history of the Sandstone bonds. She said back in 1988 a previous commission agreed to make a loan to the Sandstone people. They put in a long term financing to the issuance of bonds in 1990. In 1990 there was a high interest rate and that meant that the interest on the bonds after it was competitively bid out still came in at nearly 10% on average. Since 1990 the interest market, which is cyclical, has changed, so now we have a lower interest market. The Sandstone bonds were taxable, which means taxable bonds are private activity bonds, they're to be paid by private sources, and the proceeds are used for a private purpose, and that also gives you a higher interest rate. If you were selling your bonds for governmental purposes today, they'd be a lower interest rate, but taxable issue, the interest rate, which Mr. Nohe has explained to you, is about 7.64, which as you can see, is about 2 and one-half percentage points down from the 1990 market. You have the ability, because of the way the 1990 bonds were structured, which we created for you, to call the 1990 bonds early to save your interest costs, because of the problems you had with the old Sandstone operators. You can do that now and save a substantial amount of interest earnings on the old bonds by issuing new bonds at today's interest rates, and that's what is being presented to you. You have this ability to refund your old bonds with new bonds at lower interest rates. One of the questions that you've asked us to look into is the structure and are there actual savings for the county. We reviewed the structure and we tell you that we agree with Mr. Nohe. You have some actual savings. As he explained, the new bonds were structured to have a shorter term, they only go out to 2006 instead of 2009. You can make the same annual payments and you don't have to make any interest payments in the last three and a-half years. That means that you save the interest you would have had to pay in the last three and a-half years. That interest savings is over the life of the bonds, in gross dollars, about $2 million. Of course, as Mr. Nohe said, you can't say we're going to get $2 million in 2009 and say that's worth $2 today. It's not. You have to present value it back to the today and say, what's that money worth. It's worth about $700,000 to you today to do this. The interest rates, which were achieved by the public sale on Thursday, are competitive in the market as it existed last week. The proposal to you is that you proceed with this so that you can issue the new bonds and have the money to pay off the old bonds on March 10. That will cut off the 10% interest rate on the old bonds and replace it with the interest rate on the new bonds. Basically, you'll close the new bond issue on February 10, put the money in the bank, and call the old bonds on March 10. That proposal is coming in through the bond purchase agreement, which you received yesterday, and through the bond resolution. Basically, here's what those documents do. The bond resolution takes those interest rates that Mr. Nohe showed you on the schedule, and it plugs in those interest rates and it says you're going to have your bonds maturing in the years with the interest rates that he showed you on the materials that he provided. It also says that the county promises to repay those bond holders by making payments to them every year and that you're going to make the payments first from the lease revenues that you get from the Sandstone facility. To the extent that you don't have enough money coming in from your lease revenues, you'll make up the difference with the general fund monies, which are funded by taxes. The thing that we made sure was in the resolution is that the monies from Sandstone go into the payment of property taxes on Sandstone, as the previous commission had set up, and next to the payment of the bonds, so you try to cut down as much as possible the amount of ad valorem tax levy that would have to be applied to the payment of the bonds. You've made a pledge that you would apply revenues from Sandstone to payment of the bonds. That pledge is in the bond resolution and future commissions will also have to apply Sandstone lease payments to the bonds first. Another thing in the bond resolution is setting up the state treasurer as the paying agent and other than that it's pretty much a standard bond resolution, in terms and conditions of the bonds and that you will make the annual payments. The resolution also says that you approve the bond purchase contract with Mr. Nohe's firm. That means that you are agreeing today to sell him the bonds on February 10. He'll pay the commission the amount of the bonds and you will in turn give him the bonds and he'll deliver them to the people he sold them to last week. So when you approve the resolution you're saying that on February 10 you're going to deliver the bonds to Mr. Nohe, he's going to pay you and the money is going to Home State Bank to be put in trust to pay off the old bond owners. That's the gist of the documents you have in front of you say today. If you wish to approve these actions you should approve the resolution which authorizes you to enter the bond purchase agreement with Mr. Nohe's firm. We also ask that you direct Mr. Brown, County Auditor, Mr. Lampson, County Auditor, myself and my firm, and Mr. Nohe's firm, to proceed with the bond issue and to direct a call of the old bonds so that we can complete those closing targets. We ask that you move that we proceed to call the old bonds, as well as move to approve the resolution. Mr. Lampson said he wasn't sure the commissioners had the original resolution here. We have the original purchase agreement. Ms. Peters said it was delivered to the Auditor's Office yesterday. Mr. Brown sent someone to his office to pick it up.

Commissioner Burns moved to approve the attached bond resolution. No. Seconded by Commissioner Robinson. Burns - yes, Robinson - yes, Kaminski - yes. Motion carried.

See attachment B, which attachment is hereby made and constitutes part of the official minutes of the Board of County Commissioners of Wyandotte County,Kansas, this 26th day of January, 1993.

Commissioner Burns moved to direct the county auditor, the bond counsel, county counselor and the underwriter to call in the old bonds. Seconded by Commissioner Robinson. Burns - yes, Robinson - yes, Kaminski - yes. Motion carried.

Commissioner Burns commented that the new commissioners had been in office for two weeks. They were never contacted. They were the clients and were never contacted by the underwriter, the bond counselor. They have done a fine job, but she said she hoped that in the future, they would check the interest of the taxpayers. She said she would hope that they would have more notice that the day of the signing of a resolution or anything that will transpire that morning, and be expected to do that. She said they were there to watch the taxpayers' money. Mr. Nohe did a fine job in presenting it to them but she felt that any professional should have come to them and talked to them about resolutions and problems that concern the community. She said they had been there for two weeks and they were not approached until last Friday. That's why it was held over until today. Commissioner Kaminski said he agreed with Commissioner Burns and said it was important to be able to digest information so that things could be accomplished not only in the cheapest manner but in the best way to get things done.

Commissioner Robinson thank Mr. Nohe for doing a good job, but said that she needed a little extra time too.

Commissioner Burns said that Ms. Peters came and explained everything to the commissioners, as their bond counselor, and they appreciated that. Commissioner Burns asked Ms. Peters if the underwriter's fees and the other fees were reasonable. Ms. Peters said they were quite what would be expected.

CORRESPONDENCE REGARDING ELECTION NIGHT AUDIT

Elizabeth Malloy, Election Commissioner, sent the commissioners a letter stating that the outside auditing firm of Ernst & Young takes the position that their firm has no contractual obligation with respect to tabulating the unofficial election results the night of elections. Since it has been county policy for many years to furnish unofficial results the night of an election for candidates, news media and interested parties, she recommended we contract with an auditing firm who will comply with tabulating unofficial election results.

Wayne Lampson, County Counselor, said he and Mr. Fendorf, Assistant County Counselor, had spoken with Mrs. Malloy. He said that Ernst & Young was the auditor for the county audit, with one more year on that contract. A separate contract was entered into at the same time for audits on all the elections, and it is on an hourly basis. That is the portion that Ernst & Young is no longer interested in doing, at least to the degree that we expect from them, so they are no longer interested in doing it at all. We have municipal elections coming up in the spring, and there are three or four firms in the metropolitan area that have done this type of work for us in past years, and there are still members of their staffs present in these firms that worked with us before, so Mr. Fendorf and I are recommending that you authorize us to contact these three firms and get bids and proposals from them, and bring the information back to the commission for your consideration. Mrs. Malloy, Mr. Fendorf and myself feel that if we go with a brand new firm, and go completely through a bid process, we may end up with a firm that has no experience in this kind of audit, which is a little different from other audits. We could enter a short term agreement at least for the municipal election. We're going to be taking bids on new auditors at the end of the contract sometime this year or the beginning of next year, so you could combine the two together at that time.

Mr. Fendorf said that part of the problem with Ernst & Young was that every time they get someone with some experience in the election audit they get moved to a different division or they move to another company. And they did not want to do the unofficial going to cost a quarter of a million dollars, at least.

DISCUSSION REGARDING POSSIBLE RFP FOR BOND CONSULTANT

Wayne Lampson, County Counselor, said several groups had approached the county to be retained as consultants for any future bond issues that might be considered. We could put out an RFP now and have the consultants in place to be used as needed.

Commissioner Kaminski asked if the consultant would put out bids for bonds. Mr. Lampson said that anytime we needed bonds for whatever the issue was, we would work with the company to handle it. Mr. Lampson said they could deal with it now or wait until a issue came up and send out the RFPs then. There would be no payment unless they were used.

Mr. Lampson said if they chose to do this his recommendation would be to ask for proposals from groups that do this work, and negotiate with the firm you feel to be best suited. The contract would be on an as needed basis.

Commissioner Burns said she saw no need to put out the RFPs now. There was nothing that she knew of that would require bonds. She felt there was enough on the table right now to take care of without that.

Commissioner Kaminski said he thought it was needed because you never know when you will need it. If you needed it with a few days notice, you'd have somebody on hand to handle it. We just signed a contract with Mr. Denk, to be on hand when we need him. It would be the same, having someone we're familiar with.

Commissioner Kaminski moved for approval of sending out an RFP for a bond consultant. Seconded by Commissioner Robinson. Kaminski - yes, Robinson - yes, Burns - no. Motion carried.

DISCUSSION ON MEDICAL WASTE INCINERATOR

Commissioner Kaminski said rumors are going around that the incinerator is not going to be at the site originally proposed, but that it will be installed somewhere in Wyandotte County. He said he would like to propose the commission take a stand opposing the incinerator being located anywhere in Wyandotte County. If it's possible for the city to overrule the county then he suggested we oppose a county tax, if possible.

Commissioner Burns said she had been opposed to the incinerator since its beginning. She said it was supposed to be "state of the art" but all things break down. She said medical waste would be shipped in from all over. Commissioner Kaminski said he couldn't even burn his leaves and they are going to be burning bodies.

FACILITIES MANAGEMENT

Request to remove Craig I. Newton from the payroll for the following days: April 13, 1993, April 15, 1993, April 20, 1993, April 21, 1993 and April 22, 1993. This is for disciplinary action.

AGREEMENT WITH Q.S. INCORPORATED

Commissioner Kaminski moved for approval of the request from Ben Midgley, Director of Data Processing for approval of an agreement with Q.S. Incorporated for maintenance on a software product being used by the Health Department. Seconded by Commissioner Burns. Burns - yes, Kaminski - yes, Robinson - yes. Motion carried.

EQUIPMENT LEASE AGREEMENT FOR ELECTRONIC MONITORING UNITS

Commissioner Kaminski moved for approval of the request from Sheriff Dillon for approval of an equipment lease agreement with BI Incorporated for ten electronic monitoring units due to the additional offenders that will be placed in the Pre-Trial Services Program from Kansas City, Kansas Municipal Court. Seconded by Commissioner Burns. Burns - yes, Kaminski - yes, Robinson - yes. Motion carried.

SPECIAL USE FEE FOR MEDICAL INCINERATOR

Commissioner Kaminski stated that this Board has already taken a stand against any medical waste incinerator anywhere in Wyandotte County. However, if efforts to stop the project were unsuccessful he felt the citizens should be compensated for having it in their community. Commissioner Kaminski moved that a $2 million user fee be imposed on the medical waste incinerator. Seconded by Commissioner Burns. Burns - yes, Kaminski - yes, Robinson - yes. Motion carried.

Wayne Lampson, County Counselor explained that the county could impose a user fee but was not sure about the specifics of such a fee, such as a limit, etc. He explained he would conduct further research and report back to the Commission on Thursday, April 22, 1993. (Further action taken on this matter on page 3.)

CORRESPONDENCE SOLICITING BOND CONSULTANTS

Commissioner Burns moved for approval of correspondence asking for letters of interest from qualified organizations to provide consulting services for Wyandotte County on any bond issues that may be forthcoming in the near future and changing the due date for said letters to be April 29, 1993. Seconded by Commissioner Kaminski. Burns - yes, Kaminski - yes, Robinson - yes. Motion carried.

Stephens Inc.

February 11, 1993

Wyandotte County Commissioners
Wyandotte County Courthouse
710 N. 7th St.
Kansas City, KS 66101

Dear Members of the Commission:

On behalf of Stephens Inc., please allow me to express my appreciation for being hired by the Wyandotte County Commission to provide financial advisory services to Wyandotte County for the period February 15, 1993 through February 14, 1996.

Stephens Inc. agrees to provide financial advisory services on the following fee basis:

$4	per $1,000 bond for first $1,000,000 of debt issuance.
$3	per $1,000 bond for second $1,000,000 of debt issuance.
$2	per $1,000 bond for third $1,000,000 of debt issuance.
$1	per $1,000 bond for anything above $4,000,000 of debt issuance.
$125	per hour for general financial advisory services performed at the request of Wyandotte County not related to a specific issue of debt.

For example, on the 1993-A (Sandstone) debt issuance, our financial advisory fee would have been $11,000.

Reimbursement for reasonable out-of-pocket and travel expenses will be subject to approval by Wyandotte County.

We will also act as agent for the County for acquiring U.S. Government Securities should they be needed for the enhancement of refunding escrows. We agree to not bid on any bonds issued by the County during the term of this agreement, unless specifically requested to do so by the County.

We look forward to serving you and the citizens of Wyandotte County.

Very truly yours,

STEPHENS INC.

by
Charles L. Zitnik

Agreed to and accepted as of February ______, 1993.

by ________________________________
Verdis Robinson, Presiding Commissioner

Investment Bankers
11011 King Street, Suite 260 Overland Park, Kansas 66210 913-469-5614 Fax: 913-469-1662

SEAL OF WYANDOTTE COUNTY
1859
KANSAS

OFFICE OF
BOARD OF COUNTY COMMISSIONERS
WYANDOTTE COUNTY COURT HOUSE
710 N. 7TH STREET
KANSAS CITY, KANSAS 66101
PHONE (913) 573-2827
FAX (913) 321-0237

NANCY W. BURNS
COMMISSIONER 1ST DISTRICT
VERDIS J. ROBINSON
COMMISSIONER 2ND DISTRICT
RICHARD J. KAMINSKI
COMMISSIONER 3RD DISTRICT

April 22, 1993

To Whom It May Concern:

Wyandotte County, Kansas, is seeking a qualified organization to provide consulting services for the County on any bond issues that may be forthcoming in the near future.

The fee for these services will be negotiated, with payment to be made on a services rendered basis. The company hired to provide consulting services to the County, will be prohibited from bidding on any bond work requested by the County.

Please submit a letter of interest to the Board of County Commissioners of Wyandotte County, Kansas, by April 29, 1993.

Do not hesitate to contact us with any questions. Thank you.

BOARD OF COUNTY COMMISSIONERS
OF WYANDOTTE COUNTY, KANSAS

Verdis J. Robinson

Verdis J. Robinson, Chairperson
Commissioner 2nd District

Nancy W. Burns

Nancy W. Burns
Commissioner 1st District

Richard J. Kaminski

Richard J. Kaminski
Commissioner 3rd District

/saf

Bond Consulting
Letter sent
to these
companies
on 04/23/93.
[initials]

A G EDWARDS & SONS INC
1901 WEST 47TH PLACE
8585 COLLEGE BOULEVARD
OVERLAND PARK KS 66205

WILLIAM B ALPERT
& ASSOCIATES
2800 ROCKCREEK PARKWAY
KANSAS CITY MO 64117

ANDOVER SECURITIES
11020 AMBASSADOR DRIVE
KANSAS CITY MO 64153

BMA FINANCIAL SERVICES INC
1901 WEST 47TH PLACE
SHAWNEE MISSION KS 66205

BANKERS & INVESTORS
15 WEST 10TH
KANSAS CITY MO 64105

GEORGE K BAUM & COMPANY
120 WEST 12TH
KANSAS CITY MO 64105

BEAR STEARNS & COMPANY
900 WEST 8TH
KANSAS CITY MO 64101

BERTHEL FISHER & CO INC
10000 COLLEGE BOULEVARD
OVERLAND PARK KS 66210

GEORGE E BUKATY & CO
4800 MAIN STREET
KANSAS CITY MO 64112

PAULI BURNS & COMPANY INC
4800 MAIN STREET
KANSAS CITY MO 64112

CIGNA SECURITIES INC
9225 INDIAN CREEK PARKWAY
OVERLAND PARK KS 66210

COLE REALTY CORPORATION
4650 COLLEGE BOULEVARD
OVERLAND PARK KS 66211

COMMERCE BANK OF KANSAS CITY
BOND INVESTMENT SERVICES
P O BOX 419248
KANSAS CITY MO 64141-6248

RAY L COX INVESTMENT SECURITIES
212 EAST 2ND
KANSAS CITY MO 64106

CREATIVE PLANNING INC
5340 COLLEGE BOULEVARD
OVERLAND PARK KS 66211

DAIN BOSWORTH INCORPORATED
9401 INDIAN CREEK PARKWAY
OVERLAND PARK KS 66210

DEVRIES & COMPANY INC
800 WEST 47TH
KANSAS CITY MO 64112

DUGGAN SECURITIES
4701 COLLEGE BOULEVARD
OVERLAND PARK KS 66211

EDWARD D JONES & CO
8147 PARALLEL PARKWAY
KANSAS CITY KANSAS 66112

EPPLER GUERIN & TURNER INC
THE PRINCIPAL
4435 MAIN STREET
KANSAS CITY MO 64111

FINANCIAL COUNSELORS INC
700 WEST 47TH
KANSAS CITY MO 64112

GLOBAL SECURITIES TRUST
COMPANY LIMITED
8600 WEST 63RD
SHAWNEE MISSION KS 66202

HIBBARD BROWN & COMPANY INC
4220 SHAWNEE MISSION PARKWAY
SHAWNEE MISSION KS 66205

HORTON & ASSOCIATES
8005 WEST 110TH
OVERLAND PARK KS 66210

INVESTMENT BANKERS OF
KANSAS CITY INC
1101 WALNUT
KANSAS CITY MO 64106

JONES & BABSON INC
2440 PERSHING ROAD
KANSAS CITY MO 64108

KEMPER SECURITIES INC
ONE WARD PARKWAY
KANSAS CITY MO 64112

KEMPER SERVICE CO
811 MAIN
KANSAS CITY MO 64105

KIDDER PEABODY & CO INC
700 WEST 47TH
KANSAS CITY MO 64112

LEES CAPITAL MANAGEMENT
9300 WEST 110TH
OVERLAND PARK KS 66210

MARK TWAIN BANK
PLAZA
4901 MAIN STREET
KANSAS CITY MO 64112

MCLEAR AND COMPANY
1900 WEST 47TH PLACE
SHAWNEE MISSION KS 66205

MCLINEY & COMPANY
15 WEST 10TH
KANSAS CITY MO 64105

MERRILL LYNCH
10501 METCALF LANE
OVERLAND PARK KS 66212

METROPOLITAN LIFE
INSURANCE COMPANY
10000 COLLEGE BOULEVARD
OVERLAND PARK KS 66210

OLDE DISCOUNT STOCKBROKERS
6700 COLLEGE BOULEVARD
OVERLAND PARK KS 66211

H B OPPENHEIMER CO INC
1100 MAIN
KANSAS CITY MO 64105

PAINE WEBBER BLYTH & EASTMAN
1100 MAIN
KANSAS CITY MO 64105

PAINE WEBBER
7500 COLLEGE BOULEVARD
OVERLAND PARK KS 66210

PERKINS SMART & COMPANY INC
4330 SHAWNEE MISSION PKWY
SHAWNEE MISSION KS 66205

PIPER JAFFRAY
1100 MAIN STREET
KANSAS CITY MO 64105

PRUDENTIAL SECURITIES INC
801 WEST 47TH
KANSAS CITY MO 64112

QUICK & REILLY INC
4435 MAIN
KANSAS CITY MO 64111

RANSON & COMPANY
9501 EAST 350 HIGHWAY
KANSAS CITY MO 64133

RODMAN & RENSHAW INC
4900 MAIN STREET
KANSAS CITY MO 64112

STEVE SACRAMONE
6315 BROOKSIDE PLAZA
KANSAS CITY MO 64113

SECURITIES AMERICA INC
6315 BROOKSIDE PLAZA
KANSAS CITY MO 64113

SECURITY INVESTMENT CO
OF KANSAS CITY
602 WESTPORT ROAD
KANSAS CITY MO 64111

SHEARSON LEHMAN BROTHERS INC
401 WARD PARKWAY
KANSAS CITY MO 64112

SIMMONS FINANCIAL GROUP
6299 NALL
SHAWNEE MISSION KS 66202

SMITH BARNEY HARRIS
UPHAM & CO INCORPORATED
47TH & MAIN STREETS
KANSAS CITY MO 64112

STALLINGS ELLIOTT
FINANCIAL SERVICES
8231 NW BIRCH LANE
KANSAS CITY MO 64151

STERN BROTHERS & CO
1044 MAIN
KANSAS CITY MO 64105

STIFEL NICOLAUS & CO INC
9393 WEST 110TH
OVERLAND PARK KS 66210

TWENTIETH CENTURY MUTUAL FUNDS
4500 MAIN
KANSAS CITY MO 64111

UNITED MISSOURI BANK
INVESTMENT BANKING
1010 GRAND
KANSAS CITY MO 64106

WADDELL & REED INC
6300 LAMAR AVENUE
SHAWNEE MISSION KS 66202

STEPHENS INC
11011 KING STREET SUITE 260
OVERLAND PARK KANSAS 66210

Bond Consultant.

SPRINGSTED

PUBLIC FINANCE ADVISORS

Home Office
85 East Seventh Place
Suite 100
Saint Paul, MN 55101-2143
(612) 223-3000
Fax: (612) 223-3002

120 South Sixth Street
Suite 2507
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Fax: (612) 349-5230

16655 West Bluemound Road
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Brookfield, WI 53005-5935
(414) 782-8222
Fax: (414) 782-2904

6800 College Boulevard
Suite 600
Overland Park, KS 66211-1533
(913) 345-8062
Fax: (913) 345-1770

1800K Street NW
Suite 831
Washington, DC 20006-2200
(202) 466-3344
Fax: (202) 223-1362

RECEIVED BY
JUL 30 1993
WY. CO. COUNSELORS OFFICE

July 28, 1993

Mr. Jeff Endorf
Counselor's Office
Wyandotte County Courthouse
710 North Seventh Street
Kansas City, KS 66101

Dear Mr. Endorf:

In April we responded to a letter from the Board of County Commissioners relating to general financial advisory qualifications for the County's municipal bond issues. Since that time we have checked periodically with the County on the status of the process. We work with Nancy Zielke at the City of Kansas City, and she referred us to you. Since that reference we have contacted your office and were told that the process is still moving forward. We want to reaffirm our interest in working with the County as its financial advisor. We have included a copy of our April 29, 1993 response to the County Board. We are also enclosing copies of our latest newsletter to give you an idea of some of the services offered by our firm.

We understand there are more pressing matters at this time relative to the flooding situation in the County and we will contact you in the future as things return to normal. Please feel free to contact us if we can be of any assistance. Our Kansas Office phone number is 345-8062. Thank you for your time and consideration.

Respectfully,

David N. MacGillivray

David N. MacGillivray
Director of Project Management

J.F.
For Action

mmc
/Overland Park Office
Enclosures

SPRINGSTED

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April 29, 1993

Verdis J. Robinson, Chairperson
Nancy W. Burns, Commissioner
Richard J. Kuminski, Commissioner
Board of County Commissioners
Wyandotte County Courthouse
710 North 7th Street
Kansas City, Kansas 66101

Re: Bond Consulting Services

Dear Chairperson and Fellow Commissioners:

Springsted Incorporated would like to indicate our interest in serving as financial advisor to Wyandotte County, Kansas.

Springsted is an independent public financial advisory firm. As an independent firm we neither buy nor sell municipal securities. Springsted's sole business is providing the financial advice to public agencies regarding financial planning and debt management, long-term capital improvements, marketing of bond issues and other financings for capital projects.

This engagement would be handled by our Overland Park office and supported by personnel in our corporate headquarters in St. Paul.

Springsted currently works for several of the largest issuers in the State including the Cities of Wichita, Shawnee and Johnson County. The firm has also worked in Lawrence and Manhattan. A member of the firm worked as the advisor to the City of Olathe. The nature of the services provided varies by client and reflects their internal expertise and resources. As a full-service financial advisor, we tailor our services to meet the client's specific needs.

This experience has enabled Springsted to become very familiar with Kansas public finance law. We have introduced innovations to increase the competitiveness of bond sales. We have responded to our clients' specific financing needs through non-traditional financing mechanisms including sales tax revenue bonds, tax increment bonds, and general obligation utility revenue bonds. We have marketed major bond refunding issues in excess of $50 million on both a competitive basis (Wichita) and on a negotiated basis (Johnson County).

For the Kansas League of Cities we have written several professional articles. A copy of one such article on competitive versus negotiated bond sale processes is enclosed for your review. Springsted worked on behalf of Kansas cities at the legislature by seeking new financing tools such as general obligation sales tax revenue bonds. The work for the League demonstrates our long-term commitment to Kansas jurisdictions; we do not merely show up to sell bonds.

Our commitment to Kansas jurisdictions is also evidenced by the awards received by our clients. Wichita undertook an extensive debt capacity analysis of a public/private partnership for a $300 million downtown redevelopment program using an analytical model designed by Springsted. This project won the 1991 GFOA Award for Excellence in Debt Management. Also in Wichita we assisted the City in formulating a solution to contamination of their underground water supply. This solution helped the City win the 1992 Ford Foundation Award for Innovations in Government and the $100,000 that accompanied the award.

Springsted recommends its clients seek a financial advisor which best serves its needs. The client can then negotiate a contract beneficial to both parties. Compensation for professional services can take many forms. Springsted is paid on a time and materials basis for studies. We receive transaction fees for actual financings. Some clients wish to pay an annual retainer fee. We expect to negotiate with the County a compensation package which fairly compensates us for the services the County desires.

We wish to re-emphasize our interest in working with Wynadotte County. We would appreciate the opportunity to discuss directly with the Commissioners how we would serve as the County's advisor.

Thank you for your time and consideration.

Respectfully,

David N. MacGillivray
Director, Project Management

/dma
Enclosure

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Thank you for your time and consideration.

Respectfully,

David N. MacGillivray
Director, Project Management

/dma
Enclosure

Competitive vs. Negotiated Sales of Municipal Bonds

By William E. Brennan and David MacGillivray

Springsted Incorporated

Editor's Note: William Brennan is a senior vice president with Springsted, a national public financial advisory firm. Mr. Brennan has served in senior management positions with several national underwriting firms. Since joining Springsted in 1988, he has worked on many of the firm's largest negotiated and competitively-sold debt offerings. Among his numerous post-graduate degrees, he has earned a Master's of Management in finance from Northwestern University. David MacGillivray is a senior vice president with Springsted Incorporated. Mr. MacGillivray served as a municipal finance director for ten years prior to joining Springsted in 1985. He now serves as advisor to several Kansas jurisdictions. He has a Master's degree in economics from the University of Minnesota, and is a professor of public sector financial management at Hamline University's Graduate School. Springsted has served as advisor to the cities of Shawnee, Wichita and Manhattan, Kansas, as well as Johnson County, Kansas.

A major capital need has been identified, and it has been determined that the most advantageous way of financing the new acquisition is by borrowing money in the municipal bond market. The issuer is soon besieged by investment bankers and financial consultants offering a wealth of advice—much of it conflicting. Among the most controversial topics is whether to sell the bonds through competitive sale or to "go negotiated." (In Kansas only, general obligation bonds in excess of $100,000 are subject to the public sales requirements of K.S.A. 10-106). Few issuers are in a position to understand all the differences between these two techniques, much less to make an informed decision as to how to proceed, yet few decisions can be as critical in determining the overall success of a capital financing program.

How Do Competitive and Negotiated Sales Differ?

The principal difference between competitive (or "public) and negotiated municipal bond offerings lies in the timing and method of selecting the underwriter—the financial intermediary that will purchase the bonds from the issuer for an agreed-upon price upon their initial issuance and will, in turn, sell the bonds to investors. In a negotiated offering, the underwriter is selected well in advance of the pricing and marketing of the securities. This selection is usually made on the basis of several criteria that give the appearance of an objective, "competitive" process but are in fact highly subjective: What special qualities and qualifications does the particular firm bring to the table? Is the firm particularly well qualified to market the type of securities in question, so that it may be expected to price the bonds more aggressively than other firms? What general range of fees and expenses can the issuer expect to pay for the underwriter's services? Does the issuer have sufficient confidence that the underwriter will in fact negotiate in good faith when it comes time to price and market the securities?

Several weeks (or months) generally elapse between the selection of an underwriter and the "pricing" or marketing of a negotiated offering. The pricing process involves the negotiation of appropriate interest rates for the bonds in light of market conditions, as well as determining the actual fees that will be paid to the underwriter for services rendered. The result of this negotiation is a formal commitment by the underwriter to purchase the bonds from the issuer.

In a competitive, or public, sale, underwriter selection is delayed until the last possible moment—when the securities are actually ready to be priced and marketed. The issuer, often working in conjunction with a financial advisor, structures the offering to its advantage within the constraints of what is acceptable to the market, and then solicits binding bids from a wide variety of underwriters. The bonds are sold, or "awarded," to that firm (or group of firms) submitting the most favorable bid, taking into account both the interest rates the underwriter is willing to accept and the actual "dollar price" bid for the offering (how much the underwriter is willing to pay for the bonds bearing the interest rates specified in the bid).

The Role of the Underwriter

As a result of these differences in timing, the role played by the underwriter in a negotiated offering is usually very different from the role played by the underwriter in a competitive sale. In most negotiated offerings, representatives of the senior managing underwriting firm (normally investment bankers from the firm's public finance department) are active members of the financing team, providing input as to the optimal structure of the transaction; helping, in conjunction with their counsel, to draft the operative bond documents; and almost always taking the lead in drafting the official statement and any other disclosure document used in the marketing of the bonds.

In a competitive sale, on the other hand, the underwriter has no involvement in structuring the transaction itself, except to the extent that bidding parameters permit an underwriter to bid with or without insurance, to designate certain principal payments as serial bonds or sinking fund payments on term bonds, and so forth. All of the structuring and documentation is performed by the issuer and its agents—including its financial advisor and legal

136.

counsel—to ensure that all legal and market requirements are satisfied. There is usually a fair amount of contact between the issuer and the successful bidder in the short time period between the awarding of the bonds and closing, but these discussions relate to relatively routine details such as time and method of settlement (payment for the bonds); how bonds should be registered and delivered; and how many final official statements should be delivered (and where).

The Benefits and Drawbacks of Each Method

Clearly, each of these sale methods has its benefits and drawbacks. The principal benefit that may be derived from a negotiated offering is the ongoing availability of input from public finance professionals. Will special security provisions be required in order to make the bonds attractive to the market? Are certain aspects of the credit so unusual as to require extensive disclosure to potential investors? Is the offering likely to appeal to a relatively limited group of investors who will require certain features to be included in the terms of the bonds? The underwriter's expertise can often represent a valuable contribution to the success of an offering, especially in the case of so-called "story bonds—offerings that vary significantly from the straightforward, "plain vanilla" issues that the market is generally accustomed to seeing daily, and that therefore require a fair amount of explanation to win market acceptance.

Negotiated sales also permit—at least in theory—more extensive tailoring of the issue to meet the issuer's objectives, particularly if market conditions are highly volatile at the time. Since in a negotiated sale the structure and specific terms of the offering may be amended until the very last moment, changes in the market that may work to the issuer's benefit may more readily be accommodated. It should be noted, though, that in response to the marked increase in the volatility of the bond market over the past ten years, significant changes have been made in the way competitive sales may be conducted in order to overcome a number of factors that are frequently cited as disadvantages of this sale method. In most jurisdictions, it is now possible to structure bidding parameters that provide for as much flexibility with respect to the timing and structure of an offering as is possible in a negotiated sale.

One significant drawback to negotiated offerings is that they tend to involve higher upfront costs than competitive sales. The investment bankers from the underwriting firm have to be compensated for their time and effort (in a competitive sale, the investment bankers are not even involved), as do their attorneys (who, again, are rarely if ever involved in competitive sales). In many cases, the work done by the investment bankers and their counsel duplicates work that is normally done by the issuer's financial advisor and legal counsel, although in many issues involving highly specialized or complex features, the investment bankers and their counsel make significant contributions that are vital to the success of the transaction. In such cases, higher upfront costs may be more than offset by more efficient structuring and lower interest rates.

Perhaps the most disturbing aspect of negotiated sales, however, is that they invite a wide range of abuses that can work to an issuer's detriment. It is always critical to keep in mind that in a negotiated underwriting the underwriter must serve two clients whose goals conflict directly: on the one hand, the issuer wants as low an interest rate, and as much flexibility, as possible; on the other hand, the investors to whom the bonds are being sold want as high an interest rate and as much security as the issuer can be induced to offer. The primary professional challenge facing any public finance investment banker in a negotiated offering is to balance these conflicting interests successfully to produce a "win-win" situation. The best investment bankers are more than equal to this task.

Given the dynamics of the investment banking industry, however, issuers often find that they end up at a disadvantage in such situations. While a typical issuer of bonds may go to the market two or three times a year at the most, underwriters deal with their most important investors on a daily basis. Satisfying the needs of large institutional investors therefore generally takes precedence over satisfying the needs of an occasional issuer of municipal bonds. This can be especially detrimental to an issuer who is not particularly well-versed in the workings of the bond market and therefore has no effective way of verifying the necessity of what may be represented as a "market requirement" as the offering is being structured. We believe that no such issuer should ever undertake a negotiated offering without retaining the services of an independent financial advisor qualified to represent its interests exclusively and objectively throughout the course of the financing.

Selling Bonds or Buying Money?

The Case for Competitive Bids

Negotiated sales may also invite controversy in that they differ significantly from how most issuers purchase other commodities. While few issuers think of selling bonds as a form of purchasing, the analogy is apt: by selling bonds, the issuer is really purchasing borrowed money. If the issuer knows what kind of borrowed money it wants to purchase (i.e., the terms of the bonds), and knows that that kind of borrowed money is fairly generic, then it is really engaging in the purchase of a commodity. Unlike the acquisition of services and equipment, where quality differences may be significant factors in the decision-making process, purchasing generic borrowed money should be purely cost-driven, since no underwriter's money is likely to be "better" than another's. Competitive bidding based on published specifications is probably the most reliable way to insure that the issuer is obtaining the best price at any given time in a manner consistent with its standard purchasing procedures.

As the analogy to the purchasing process suggests, the principal criteria driving the decision to negotiate the sale of bonds or take competitive bids relate to how generic the bonds are. At one end of the spectrum, twenty-year, fixed-rate bonds structured to produce level debt service, backed by the full faith and credit of an "A" rated entity, and callable at a premium after eight or ten years, are about as "generic" as bonds can be. At the other end of the spectrum we might find unrated forty-year variable-rate bonds with monthly put, call, and exchange provisions, backed solely by a pledge of revenues derived from a start-up enterprise with no credit history at all. In the former case, a competitive sale would generally be called for; in the latter case, the concerted and concentrated efforts of a preselected group of investment banking firms may be essential to finding a market for the bonds.

It should be kept in mind, however, that what the market views as "generic" undergoes continuous change. Whereas virtually all bond structures that may generally be thought of as "creative" were originally introduced through negotiated sales, with the passing of time many of these techniques have become familiar and are readily marketable through competitive sale. For example, "capital appreciation bonds—or tax-exempt zero coupon bonds—are now routinely sold through competitive bid, whereas five or six years ago, as "new products," they were only marketable on a negotiated basis.

Conclusion

Subject to any state-mandated public sale requirements, bonds may be offered for sale either through negotiation or competitive sale. As a form of purchasing, the sale process is generally conducted to the issuer's advantage through competitive bids if the issue is relatively generic. Issuers selling unusual or complex issues may be better served by a negotiated sale. When considering selling bonds through negotiation, the issuer must balance the added value that the investment banker may bring in a negotiated sale against the additional expense, and must also take appropriate measures to protect against the conflicts that are inherent in negotiated sales that may work to the issuer's disadvantage.

April 29, 1993

Mr. Jeff Fendorf
Board of County Commissioners
Wyandotte County Courthouse
710 N. 7th Street
Kansas City, Kansas 66101

RECEIVED BY
APR 30 1993
WY. CO. COUNSELORS OFFICE

Dear Mr. Fendorf:

We are very much interested in providing consulting services to the Board of Commissioners on any bond issues that may be forthcoming.

Please advise us of any further correspondence on these issues.

Sincerely,

James R. Maher
President

Bankers & Investors Company

15 West 10th Street Kansas City, Missouri 64105

(816) 842-3010 (800) 821-5204

Investment Securities Member NASD-SIPC

George K. Baum & Company
INVESTMENT BANKERS

MEMBER
NEW YORK STOCK EXCHANGE, INC.
MIDWEST STOCK EXCHANGE

TWELVE WYANDOTTE PLAZA
120 WEST 12TH STREET
KANSAS CITY, MISSOURI 64105
TELEPHONE (816) 474-1100

April 29, 1993

Board of County Commissioners
Wyandotte County Courthouse
710 North 7th Street
Kansas City, Kansas 66101

RE: Letter of April 22, 1993 Regarding Financial Advisory Services

Dear Commissioners:

On behalf of George K. Baum & Company we are hereby expressing our interest in serving as the County's financial advisor. We have extensive experience working with municipal governments in Kansas and throughout the United States as a financial advisor and would enjoy establishing a better relationship with Wyandotte County.

This letter of interest does not include our formal proposal and Statement of Qualifications. We do not interpret your letter to request that information at this time. We will be happy to present that material at your request. In the interim, we would like to draw your attention to a number of key factors regarding our qualifications.

- **Leading Financial Advisor on Kansas issues.** Over the last ten years George K. Baum & Company has served as a financial advisor on more Kansas bond issues than any other firm. We have significant experience working with municipal jurisdictions all across the nation to resolve complex financial issues.

- **Experienced financing team.** The principals assigned to the County's financing collectively have more than 50 years of municipal finance experience. They represent some of the industry's most skilled and experienced investment bankers. With our primary personnel based in Kansas City, the County will have tremendous access to our financing team members.

- **One of the nation's largest and most experienced institutional sales and trading operations.** Our firm maintains one of the nations's largest and most experienced institutional sales and trading operations. We maintain trading desks in Kansas City, Denver, and New York City, which support institutional sales offices in eight major U.S. cities. We employ 26 institutional salespeople, each of whom has on average 15 years of municipal sales experience. Through this group of professionals we are always in touch with the financial markets and we can get immediate reaction to different financing plans.

Thank you for giving us an opportunity to be considered in your selection process. If you have questions, please contact me at 474-1100.

Very truly yours,

GEORGE K. BAUM & COMPANY

Roger Edgar
Senior Vice President

RE:eb
Enclosure

FIRM QUALIFICATIONS AND EXPERIENCE

OVERALL FIRM PROFILE

Unlike other firms that have been consolidating or pulling out of the municipal finance market, George K. Baum & Company is expanding--both in terms of office locations and number of professionals employed. Our firm presently employs more than 300 professionals, approximately half of whom are assigned to municipal finance operations. We maintain offices in 17 major U.S. cities, spanning coast to coast.

Representative of the steps taken over the past three years to further develop our capabilities and broaden our commitment to the municipal marketplace are the following actions:

- **Consolidation of George K. Baum & Company and Kirchner Moore & Company.** In 1990 George K. Baum & Company extended employment to all Denver-based Kirchner Moore & Company personnel as well as many professionals from Drexel Burnham Lambert. Through the consolidation of two dominant regional firms, the Company dramatically bolstered its public finance and tax-exempt bond distribution capabilities. This single step added over 110 employees to the municipal finance division of the firm.

- **Expansion of national office network.** During the past three years, George K. Baum & Company has opened new offices in several major cities across the nation--Los Angeles, Sacramento, and Philadelphia. All of these offices have successfully underwritten significant financing in their respective market areas since their establishment. Development of public finance offices on a regional market basis is consistent with the firm's philosophy of providing services to clients from offices in close proximity to municipal bond issuers.

- **Recruitment of industry veterans.** The firm continues to recruit experienced and established personnel in key markets throughout the nation. Recent additions include persons previously associated with Merrill Lynch, Morgan Stanley, Rauscher Pierce Refsnes, and other major investment banking firms.

- **Increased commitment of capital to support municipal bond operations.** Over the past three years, our firm has allocated an increasing percentage of its capital base to support municipal bond operations. The commitment of capital has been used to support the underwriting of major financings, a larger inventory of secondary market bonds (which has increased 20-fold in the last three years), and more active participation in syndicates bidding on bonds offered at public sale.

- **Major player in the secondary market.** George K. Baum & Company's activity in the secondary market has grown substantially during the past three years. The firm now trades in excess of $10.0 billion in municipal bonds annually in the secondary market. The firm is consistently among the most active market makers of municipal securities in the secondary market nationally. This activity has furthered our relationship with top-tier institutional investors in municipal bonds and allows us to price--with great precision--bonds underwritten by the firm. This is possible given our strong market knowledge and activity.

- **Greater participation in public sale market.** Our increased institutional capabilities have allowed us to significantly increase our participation in the new issue public sale market. Our firm regularly participates and takes positions on new public sale issues for major issuers throughout the United States. Our firm has moved from a rank of 97th in 1991 for public sale issues to a rank of 23rd for 1992 *(Source: Securities Data Company, Full Credit to Each Manager).*

FINANCIAL STRENGTH

George K. Baum & Company has enjoyed a steady growth in its total capital over the past 20 years, which has been made possible via a conservative management approach coupled with a commitment to client service. The operations of the firm are supported by a substantial capital base, which allows an underwriting position on a par with nearly any firm in the country .

All of the firm's capital is in the form of equity--none is derived from the issuance of debt or other forms of securities.

Year (1)	Total Firm Capital (2)	Total Equity Capital	Uncommitted Excess Net Capital (3)	Limitation on Municipal Underwriting Liability (Per Transaction)
1990	$19,650	$19,650	$14,720	$250,000
1991	21,000	21,000	16,087	250,000
1992	20,500	20,500	13,165	250,000

Average Daily Position—All Fixed Income Securities	Average Daily Posi.—Muni. Fixed Income Securities	Average Daily Uncommitted Capital
$22,529	$17,535	$15,452
39,062	34,494	14,289
68,354	45,051	13,842

Public Finance Employees	Sales and Trading Employees
56	69
56	75
72	102

(1) Fiscal year ending October of each year.
(2) All dollar figures are in thousands.
(3) The decrease in excess net capital is the result of more active secondary market trading resulting in higher inventory positions.

RANKINGS OF INVESTMENT BANKING FIRMS
1991

Top Senior Managers—Regionally*

Bank Eligible	Refunding	Negotiated Revenue
1. GEORGE K. BAUM & CO.	1. GEORGE K. BAUM & CO.	1. GEORGE K. BAUM & CO.
2. Rauscher Pierce Refsnes	2. Rauscher Pierce Refsnes	2. John Nuveen & Co.
3. Kemper Securities Group	3. A.G. Edwards & Sons	3. Piper, Jaffray & Hopwood
4. Bank of America	4. RRZ Public Markets	4. Ziegler Securities
5. Piper, Jaffray & Hopwood	5. Alex. Brown & Sons	5. A.G. Edwards & Sons

Top Senior Managers—Nationally

Bank Eligible	Refunding	Negotiated Revenue
1. Goldman, Sachs	1. Goldman, Sachs	1. Goldman, Sachs
2. Merrill Lynch & Co.	2. Smith Barney, Harris Upham	2. Merrill Lynch & Co.
3. Lehman Brothers	3. First Boston	3. Smith Barney, Harris Upham
4. Smith Barney, Harris Upham	4. Merrill Lynch & Co.	4. Lehman Brothers
5. Bear, Stearns	5. Morgan Stanley	5. First Boston
6. First Boston	6. PaineWebber	6. PaineWebber
7. PaineWebber	7. Bear, Stearns	7. Bear, Stearns
8. J.P. Morgan Securities	8. Lehman Brothers	8. Morgan Stanley
9. GEORGE K. BAUM & CO.	9. GEORGE K. BAUM & CO.	9. Prudential Securities
10. Rauscher Pierce Refsnes	10. Donaldson, Lufkin & Jenrette	10. Kidder, Peabody
11. Prudential Securities	11. Prudential Securities	11. Donaldson, Lufkin & Jenrette
12. Kemper Securities Group	12. J.P. Morgan Securities	12. Dean Witter Reynolds
13. Dean Witter Reynolds	13. Rauscher Pierce Refsnes	13. Dillon, Read
14. Morgan Stanley	14. Dean Witter Reynolds	**14. GEORGE K. BAUM & CO.**
15. Bank of America	15. A.G. Edwards & Sons	15. John Nuveen & Co.
16. Piper, Jaffray & Hopwood	16. RRZ Public Markets	16. Piper, Jaffray & Hopwood
17. A.G. Edwards & Sons	17. Alex. Brown & Sons	17. Ziegler Securities
18. MHT Securities	18. Kemper Securities Group	18. J.P. Morgan Securities
19. Donaldson, Lufkin & Jenrette	19. Chemical Securities	19. A.G. Edwards & Sons
20. Dain Bosworth Incorporated	20. Kidder, Peabody	20. RRZ Public Markets

* **Regionally**: Firms Headquartered Outside New York City
Rankings Source: IDD Information Services

LOCAL MARKET EXPERIENCE

George K. Baum & Company has been a leading underwriter of Kansas bonds for more than 60 years. Our firm has provided underwriting and/or financial advisory services for 234 municipal bond financings for the three year period ending December 31, 1992.

George K. Baum & Company is ranked first nationally based on both the "number" and "dollar volume" of Kansas long-term negotiated issues senior managed during the past three years. We senior managed approximately 23% of the total number of issues underwritten during this time period. Our firm was also the leading financial advisor. These figures attest to our strong commitment to serving Kansas issuers.

Examples of Kansas municipal bond financings underwritten by our firm in recent years include:

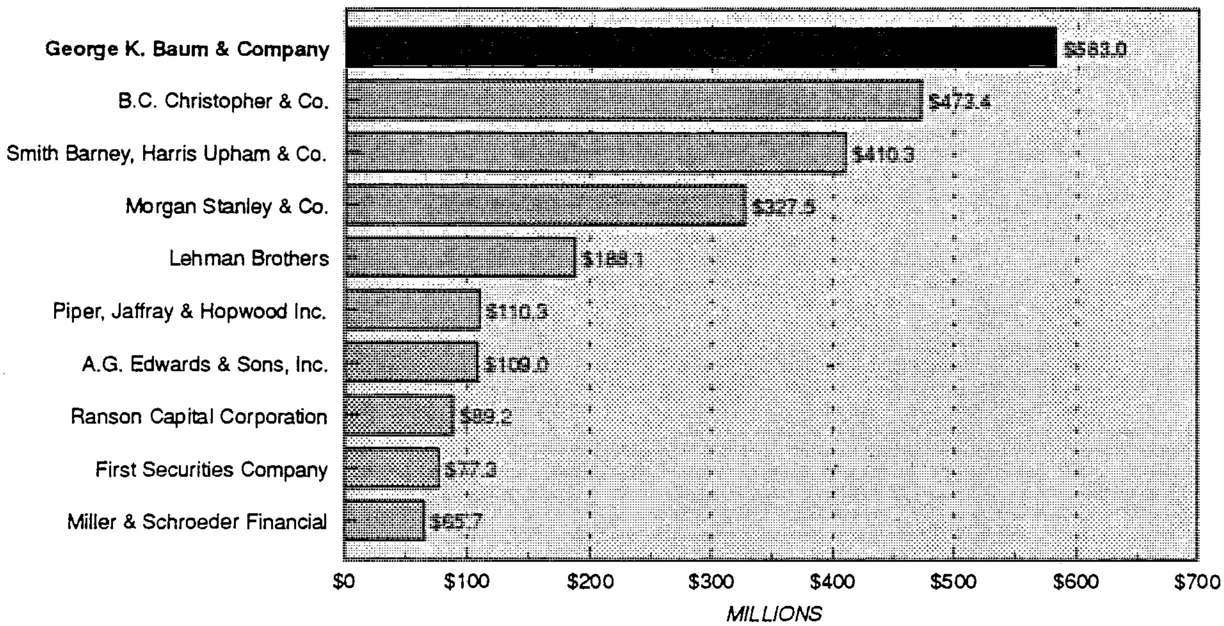
- $77,320,000 City of Wichita, Water and Sewer Utility Refunding and Improvement Revenue Bonds
- $62,022,000 Sedgwick and Shawnee Counties, Variable Rate Mortgage Refunding Revenue Bonds
- $22,035,000 Shawnee County, Refunding Bonds
- $18,720,000 Auburn-Washburn Unified School District No. 437
- $25,900,000 Kansas City Industrial Development Authority, Health Facilities Refunding and Improvement Revenue Bonds
- $24,183,000 City of Olathe, Collateralized Mortgage Bonds
- $13,180,000 City of Topeka, Unlimited Tax General Obligation Bonds
- $27,000,000 City of Olathe, GNMA Collateralized Mortgage Revenue Bonds

Presented on the following pages is a complete list of Kansas issues in which our firm served as the senior or co-manager and/or financial advisor.

KANSAS FINANCINGS 1990-1992

TOP 10 SENIOR MANAGERS

- Ranked by Dollar Volume -

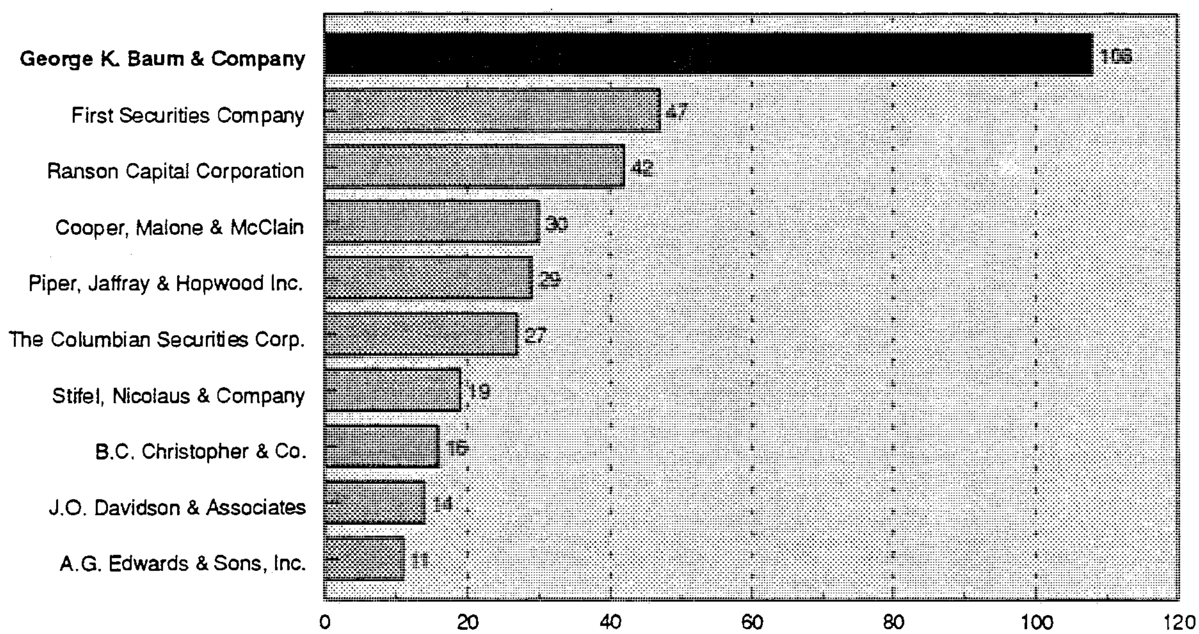


Source: Securities Data Company
Full Credit to Book Manager

KANSAS FINANCINGS 1990-1992

TOP 10 SENIOR MANAGERS

- Ranked by Number of Issues -



Source: Securities Data Company
Full Credit to Book Manager

GEORGE K. BAUM & COMPANY
All Kansas Issues
01/01/90 - 03/31/93

Sale Date	$ Amount	Issuer/Type of Issue	Role
03/22/93	4,565,000	Labette County, Single Family Mortgage Revenue Refunding Bonds	Sole Mgr
03/16/93	12,565,000	Wichita, Single Family Mortgage Refunding Bonds	Lead Mgr
03/16/93	1,200,000	Kansas Development Finance Authority, Revenue Bonds	Sole Mgr
03/05/93	18,620,000	Wichita Public Building Commission, Revenue Bonds	Co-Mgr
03/01/93	33,520,000	Lawrence Unified School District #497, School Building & Improvement Bonds	Fin Adv
02/18/93	6,099,000	Reno County, Taxable Single Family Mortgage Bonds	Lead Mgr
02/18/93	7,780,000	Johnson County Public Building Commission, Lease Revenue Refunding Bonds	Co-Mgr
02/18/93	6,400,000	Johnson County Public Building Commission, Lease Purchase Revenue Bonds	Co-Mgr
02/12/93	990,000	Lindsborg Unified School District #400, General Obligation Refunding Bonds	Sole Mgr
01/25/93	29,475,000	Blue Valley Unified School District #228, Refunding Bonds	Fin Adv
01/25/93	200,000	Sabetha, Sewer Bonds	Fin Adv
01/20/93	76,320,000	Wichita, Water & Sewer Utility Refunding Bonds	Lead Mgr
01/14/93	71,200,000	Kansas Development Finance Authority, Water Pollution Control Bonds	Co-Mgr
01/14/93	562,000	Hays, Certificates of Participation	Sole Mgr
01/12/93	3,230,000	Great Bend, Refunding Bonds	Sole Mgr
12/15/92	535,000	Blue Valley Recreation Commission, Certificates of Participation	Sole Mgr
12/14/92	4,470,000	Jackson County, General Obligation School Bonds	Co-Mgr
12/11/92	767,296	Hays, Internal Improvement Bonds	Fin Adv
12/08/92	5,201,000	Leavenworth, General Obligation Refunding & Improvement Bonds	Lead Mgr
11/19/92	122,695,000	Johnson County, Internal Improvement & Refunding Bonds	Co-Mgr
11/18/92	170,000	Seneca, Street & Sewer Bonds	Fin Adv
10/30/92	8,000,000	Kansas Development Finance Authority, Lease Revenue Bonds	Sole Mgr
10/29/92	466,000	Manhattan, General Obligation Bonds	Fin Adv
10/29/92	100,000	Lindsborg, General Obligation Bonds	Fin Adv
10/28/92	435,000	Garden City, General Obligation Bonds	Fin Adv
10/28/92	120,000	Haysville, General Obligation Bonds	Fin Adv
10/27/92	4,133,000	Saline County, Single Family Mortgage Revenue Refunding Bonds	Sole Mgr
10/27/92	2,555,000	Holton, Electric System Refunding/Improvement Revenue Bonds	Sole Mgr
10/27/92	6,499,822	Reno-Labette Counties, Single Family Mortgage Revenue Refunding Bonds	Sole Mgr
10/26/92	10,000,000	Augusta Unified School District #402, School Building Bonds	Co-Mgr
10/26/92	1,455,000	El Dorado, Internal Improvement Bonds	Fin Adv
10/22/92	8,135,000	Kansas Development Finance Authority, Insured Lease Revenue Bonds	Lead Mgr
10/20/92	155,000	Rose Hill, General Obligation Bonds	Fin Adv
10/15/92	740,000	Rose Hill, General Obligation Bonds	Fin Adv
10/13/92	2,710,000	Wyandotte County Unified School District #202, Refunding Bonds	Sole Mgr
10/13/92	1,875,000	Montgomery County Unified School District #446, Refunding Bonds	Co-Mgr
10/05/92	389,000	Rose Hill, General Obligation Bonds	Fin Adv
09/28/92	1,255,000	Sedgwick County Unified School District #261, General Obligation Refunding Bonds	Lead Mgr
09/25/92	1,135,000	Pottawatomie County, General Obligation Refunding Bonds	Sole Mgr
09/22/92	1,510,000	Neodesha Unified School District #461, Refunding Bonds	Co-Mgr
09/17/92	22,035,000	Shawnee County, Refunding Bonds	Lead Mgr
09/03/92	850,000	Winfield, Water System Revenue Bonds	Sole Mgr
09/01/92	200,000	Bonner Springs, Temporary Notes	Sole Mgr
08/31/92	3,065,000	Liberal Unified School District #480, General Obligation Refunding Bonds	Sole Mgr
08/18/92	10,000,000	Derby Unified School District #260, Unlimited Tax General Obligation Bonds	Co-Mgr
08/17/92	6,565,000	Ford County, Single Family Mortgage Refunding Bonds	Sole Mgr
08/13/92	47,195,000	Topeka, General Obligation Refunding Bonds	Co-Mgr
08/13/92	7,700,000	Topeka, General Obligation Refunding Bonds	Co-Mgr
08/13/92	438,000	Rose Hill, General Obligation Bonds	Fin Adv
08/12/92	296,000	Seneca, Sewage Disposal Utility Revenue Bonds	Sole Mgr
08/10/92	1,830,000	City of Haysville, General Obligation Bonds	Fin Adv
08/04/92	12,050,000	Olathe, General Obligation Improvement & Refunding Bonds	Co-Mgr
07/28/92	1,665,000	Abilene Unified School District #435, General Obligation Refunding Bonds	Sole Mgr
07/23/92	9,893,570	Johnson County, Compounded Interest Residual Revenue Refunding Bonds	Sole Mgr
07/21/92	3,870,000	Sabetha Unified School District #441, General Obligation Refunding Bonds	Sole Mgr

Sale Date	$ Amount	Issuer/Type of Issue	Role
07/20/92	2,785,000	Franklin County Unified School District #290, General Obligation Refunding Bonds	Sole Mgr
07/17/92	3,880,000	Manhattan, General Obligation Refunding Bonds	Lead Mgr
07/16/92	560,000	Lansing, General Obligation Bonds	Fin Adv
07/15/92	1,580,000	Osborne, General Obligation Refunding Bonds	Sole Mgr
07/10/92	8,380,000	Hutchinson, General Obligation Refunding Bonds	Co-Mgr
07/10/92	2,365,000	Manhattan Unified School District #383, General Obligation Refunding Bonds	Co-Mgr
07/08/92	20,075,000	Kansas Development Finance Authority, Certificates of Participation	Co-Mgr
07/06/92	2,190,000	Clay County Unified School District #379, Refunding Bonds	Sole Mgr
06/22/92	3,050,000	Olathe, Taxable Industrial Revenue Bonds	Sole Mgr
06/22/92	15,000,000	Salina, Combined Water & Sewage Improvement Revenue Bonds	Lead Mgr
06/17/92	17,650,000	Shawnee Mission Unified School District #512, Refunding Bonds	Co-Mgr
06/16/92	1,465,000	Goddard, General Obligation Bonds	Fin Adv
06/16/92	1,550,000	Atchison, Sewer System Revenue Bonds	Sole Mgr
06/16/92	1,430,000	Atchison, Water System Revenue Bonds	Sole Mgr
06/08/92	590,000	Winfield Unified School District #465, General Obligation Bonds	Fin Adv
06/09/92	1,078,000	Leavenworth, General Obligation Bonds	Co-Mgr
06/03/92	4,110,000	Emporia, General Obligation Bonds	Fin Adv
06/02/92	770,000	Haysville, Certificates of Participation	Sole Mgr
06/02/92	3,500,000	Hays, Sales Tax Revenue Bonds	Sole Mgr
05/28/92	94,000	Rose Hill, General Obligation Notes	Fin Adv
05/19/92	23,830,000	Lawrence, General Obligation Refunding & Improvement Bonds	Fin Adv
05/05/92	6,765,000	Manhattan, General Obligation Refunding Bonds	Fin Adv
05/05/92	2,943,000	Manhattan, General Obligation Bonds	Fin Adv
05/01/92	5,160,000	Sedgwick & Shawnee Counties, Single Family Mortgage Revenue Refunding Bonds	Sole Mgr
04/28/92	1,305,000	Decatur County, General Obligation Refunding Bonds	Sole Mgr
04/21/92	2,900,000	Salina, General Obligation Internal Improvement & Refunding Bonds	Sole Mgr
04/17/92	3,350,000	Hays, Water & Sewage System Revenue Bonds	Sole Mgr
04/07/92	437,000	Bonner Springs, General Obligation Improvement Bonds	Fin Adv
04/02/92	141,000	Winfield, General Obligation Bonds	Fin Adv
04/01/92	4,945,000	Sedgwick & Shawnee Counties, Single Family Mortgage Revenue Bonds	Sole Mgr
03/26/92	18,720,000	Auburn-Washington Unified School District #437, General Obligation Refunding Bonds	Sole Mgr
03/26/92	7,875,000	Paola Unified School District #368, Refunding Bonds	Sole Mgr
03/18/92	3,515,000	Franklin County, General Obligation Refunding Bonds	Sole Mgr
03/16/92	82,000	North Newton, Waterworks System Revenue Bonds	Sole Mgr
03/16/92	79,000	North Newton, General Obligation Bonds	Sole Mgr
03/11/92	4,620,000	Louisburg Unified School District #416, Refunding Bonds	Sole Mgr
03/03/92	1,135,000	Lakin, General Obligation Refunding Bonds	Sole Mgr
03/01/92	1,465,000	Sedgwick County, Various Rate Single Family Mortgage Refunding Bonds	Sole Mgr
02/25/92	4,450,000	Leawood Public Building Commission, Public Building Revenue Bonds	Sole Mgr
02/24/92	2,900,000	Newton, Wastewater Treatment System Revenue Bonds	Sole Mgr
02/19/92	5,090,000	Junction City, General Obligation Refunding & Improvement Bonds	Sole Mgr
02/18/92	374,000	Atchison, General Obligation Bonds	Fin Adv
02/13/92	107,460,000	Wichita, Hospital Facilities Improvement Refunding Revenue Bonds	Co-Mgr
02/13/92	75,000,000	Wichita, Hospital Facilities Improvement Revenue Refunding Bonds	Co-Mgr
02/07/92	5,265,000	Sumner County, General Obligation Refunding & Bridge Improvement Bonds	Sole Mgr
01/16/92	1,060,000	Lansing, General Obligation Refunding Bonds	Sole Mgr
01/08/92	8,175,000	Shawnee Mission Unified School District #512, General Obligation Bonds	Co-Mgr
01/01/92	1,775,000	Sedgwick & Shawnee Counties, Variable Rate Single Family Mortgage Refunding Revenue Bonds	Sole Mgr
12/19/91	7,500,000	Kansas City Tax Increment Finance Commission, Various Tax Increment Revenue Bonds	Sole Mgr
12/10/91	30,190,000	Wichita, Refunding Bonds	Co-Mgr
12/10/91	22,515,000	Wichita, General Obligation Refunding Bonds	Co-Mgr
12/09/91	820,000	Republic County, Taxable General Obligation Bonds	Sole Mgr
12/02/91	2,399,321	City of Arkansas City, General Obligation Bonds	Fin Adv
12/01/91	3,200,000	Sedgwick & Shawnee Counties, Variable Rate Single Family Mortgage Refunding Revenue Bonds	Lead Mgr
11/26/91	430,000	Pittsburg, Water & Sewage System Revenue Bonds	Lead Mgr
11/25/91	1,785,000	Salina, International Improvement Bonds	Fin Adv

Sale Date	$ Amount	Issuer/Type of Issue	Role
11/21/91	2,165,000	Johnson County, Library Bonds	Co-Mgr
11/18/91	5,143,000	Leawood, General Obligation Improvement Bonds	Fin Adv
11/15/91	300,000	Bonner Springs, Temporary Notes	Sole Mgr
11/14/91	850,000	Salina Airport Authority, Leasehold Revenue Bonds	Sole Mgr
11/06/91	503,000	City of Newton, General Obligation Bonds	Fin Adv
11/05/91	558,000	Manhattan, General Obligation Bonds	Fin Adv
11/04/91	4,185,000	Seward County, Single Family Mortgage Revenue Refunding Bonds	Lead Mgr
11/04/91	6,270,000	Labette & Cowley Counties, Single Family Mortgage Revenue Refunding Bonds	Lead Mgr
11/04/91	4,500,000	Seward County, Single Family Mortgage Revenue Bonds	Lead Mgr
11/01/91	3,815,000	Sedgwick County, Single Family Mortgage Refunding Revenue Bonds	Lead Mgr
10/24/91	7,245,000	Blue Valley Recreation Commission, Certificates of Participation	Sole Mgr
10/21/91	835,000	Johnson County Fire District #2, Various Bonds	Sole Mgr
10/15/91	4,750,000	Saline County, Single Family Mortgage Revenue Refunding Bonds	Lead Mgr
10/08/91	147,000	Holton, General Obligation Internal Improvement Bonds	Fin Adv
10/01/91	4,700,000	Sedgwick & Shawnee Counties, Variable Rate Single Family Mortgage Revenue Refunding Bonds	Lead Mgr
09/30/91	25,900,000	Kansas City Industrial Development Authority, Health Facilities Refunding & Improvement Revenue Bonds	Sole Mgr
09/18/91	1,500,000	Reno County, Single Family Mortgage Revenue Refunding Bonds	Lead Mgr
09/18/91	10,170,000	Reno County, Single Family Mortgage Revenue Refunding Bonds	Lead Mgr
09/10/91	410,000	City of Garden City, General Obligation Bonds	Fin Adv
09/10/91	11,675,000	Wichita, General Obligation Bonds	Co-Mgr
08/22/91	5,495,000	Ottawa, Waterworks & Electric System Revenue Refunding Bonds	Sole Mgr
08/13/91	24,183,000	Olathe, Collateralized Mortgage Bonds	Lead Mgr
08/08/91	450,000	Salina Airport Authority, Temporary Notes	Sole Mgr
08/08/91	215,000	Belleville, Water System Revenue Bonds	Sole Mgr
08/02/91	3,910,000	Labette County, Mortgage Loan Refunding Revenue Bonds	Lead Mgr
07/23/91	13,180,000	Topeka, Unlimited Tax General Obligation Bonds	Lead Mgr
07/22/91	200,000	Ottawa, Certificates of Participation	Sole Mgr
07/18/91	575,000	Belleville, Main Trafficway Bonds	Fin Adv
07/08/91	580,000	Sabetha, Sales Tax Revenue Bonds	Sole Mgr
07/08/91	1,417,000	Salina, Unlimited Tax General Obligation Improvement Bonds	Fin Adv
07/01/91	438,000	Rose Hill, Temporary Improvement Notes	Fin Adv
06/24/91	1,750,000	Franklin County, Certificates of Participation	Lead Mgr
06/18/91	1,400,000	El Dorado, General Obligation Internal Improvement Bonds	Fin Adv
06/13/91	350,000	Sedgwick & Shawnee Counties, Collateralized Mortgage Subordinate Revenue Bonds	Lead Mgr
06/13/91	62,022,000	Sedgwick & Shawnee Counties, Collateralized Mortgage Revenue Senior Bonds	Lead Mgr
06/06/91	15,990,000	Lenexa, General Obligation Refunding Bonds	Lead Mgr
06/04/91	3,130,000	Bonner Springs, General Obligation Refunding & Improvement Bonds	Sole Mgr
05/29/91	4,899,000	Johnson County Unified School District #229, General Obligation School Refunding Bonds	Sole Mgr
05/20/91	215,000	Sabetha, General Obligation Water System Bonds	Fin Adv
05/16/91	18,480,000	Sedgwick & Shawnee Counties, Variable Rate Collateralized Mortgage Refunding Revenue Bonds	Lead Mgr
05/15/91	7,855,000	Sedgwick & Shawnee Counties, Variable Rate Mortgage Refunding Revenue Bonds	Lead Mgr
05/14/91	38,330,000	Blue Valley Unified School District #229, School Bonds	Fin Adv
05/13/91	468,000	Manhattan, General Obligation Bonds	Fin Adv
05/06/91	595,000	Maize, General Obligation Bonds	Fin Adv
05/06/91	5,700,000	Bonner Springs Unified School District #204, General Obligation Refunding Bonds	Sole Mgr
04/22/91	440,000	Belleville, Certificates of Participation	Sole Mgr
04/22/91	1,330,000	Crawford County, Certificates of Participation	Co-Mgr
04/22/91	2,145,000	Augusta, Electric System Refunding Revenue Bonds	Lead Mgr
04/15/91	3,350,000	Labette County, GNMA Collateralized Mortgage Loan Refunding Revenue Bonds	Lead Mgr
04/12/91	2,390,000	Garden City, Water & Sewage System Refunding and Improvement Revenue Bonds	Sole Mgr
04/09/91	1,906,000	Belle Plaine Unified School District #357, General Obligation Refunding & School Improvement Bonds	Sole Mgr
04/02/91	1,069,000	Leavenworth, Certificates of Participation	Sole Mgr
04/02/91	2,410,000	Winfield Unified School District #465, General Obligation Refunding & School Improvement Bonds	Sole Mgr
04/01/91	347,000	Rose Hill, Temporary Improvement Notes	Fin Adv

Sale Date	$ Amount	Issuer/Type of Issue	Role
03/28/91	2,930,000	Sedgwick & Shawnee Counties, Collateralized Mortgage Refunding Revenue Bonds	Lead Mgr
03/20/91	525,000	Junction City, Taxable General Obligation Bonds	Fin Adv
03/20/91	5,000,000	Great Bend, General Obligation Improvement & Refunding Bonds	Sole Mgr
03/19/91	1,722,000	Junction City, General Obligation Bonds	Fin Adv
03/12/91	1,235,000	Pittsburg, Water & Sewer System Revenue Bonds	Lead Mgr
03/11/91	2,250,000	Shawnee Mission Unified School District #512, General Obligation Bonds	Lead Mgr
03/07/91	6,500,000	Garnett Unified School District #365, General Obligation Bonds	Lead Mgr
03/07/91	9,455,000	Lenexa, General Obligation Temporary Notes	Sole Mgr
03/04/91	1,300,000	Salina, General Obligation Internal Improvement Bonds	Fin Adv
02/27/91	650,000	Norton, General Obligation Bonds	Sole Mgr
02/25/91	2,220,000	Wamego Unified School District #320, General Obligation School Improvement Bonds	Fin Adv
02/15/91	140,000	Haysville, Temporary Improvement Notes	Fin Adv
02/15/91	120,000	Lindsborg, Temporary Improvement Notes	Sole Mgr
02/14/91	2,555,000	McPherson County, Special Obligation Notes	Lead Mgr
01/29/91	7,020,000	Wichita, General Obligation Bonds	Lead Mgr
01/11/91	1,110,000	Hays, General Obligation Internal Improvement Bonds	Fin Adv
01/02/91	2,450,000	Abilene Unified School District #435, General Obligation Bonds	Sole Mgr
12/31/90	1,925,000	Labette County, Variable Rate Refunding Revenue Bonds	Lead Mgr
12/21/90	500,000	Sedgwick County Unified School District #261, General Obligation Capital Outlay Bonds	Fin Adv
12/20/90	2,450,000	Dickinson County Unified School District #435, School Bonds	Sole Mgr
12/20/90	400,000	Lawrence, Certificates of Participation	Sole Mgr
12/20/90	2,450,000	Abilene Unified School District #435, General Obligation Bonds	Sole Mgr
12/18/90	1,715,000	Sedgwick & Shawnee Counties, Variable Rate Mortgage Refunding Revenue Bonds	Lead Mgr
12/18/90	405,000	Leawood, Certificates of Participation	Sole Mgr
12/14/90	6,660,000	Hutchinson Unified School District #308, General Obligation Refunding Bonds	Co-Mgr
12/06/90	2,775,000	Scott City, General Obligation Water System Bonds	Lead Mgr
11/27/90	5,000,000	Wamego Unified School District, General Obligation Refunding & School Improvement Bonds	Sole Mgr
11/20/90	28,425,000	Kansas Turnpike Authority, Turnpike Revenue Bonds	Co-Mgr
11/14/90	4,600,000	Butler County Unified School District #490 (El Dorado), General Obligation Bonds	Fin Adv
11/06/90	1,161,000	Manhattan, General Obligation Bonds	Fin Adv
11/06/90	1,300,000	Lawrence, General Obligation Bonds	Lead Mgr
10/31/90	773,000	Salina Airport Authority, General Obligation Economic Development Bonds	Fin Adv
10/24/90	1,680,000	Osborne, Electric Water Utility System Refunding Bonds	Sole Mgr
10/23/90	1,325,000	Garden City, Internal Improvement Bonds	Fin Adv
10/22/90	4,500,000	Sabetha Unified School District #441, General Obligation School Building Bonds	Fin Adv
10/18/90	680,000	Lansing, Sewer System Improvement Revenue Bonds	Sole Mgr
09/28/90	83,000	El Dorado, Certificates of Participation	Sole Mgr
09/27/90	2,000,000	Johnson County, Industrial Airport Revenue Bonds	Sole Mgr
09/18/90	1,677,000	Goddard, Temporary Improvement Notes	Sole Mgr
09/11/90	8,285,000	Topeka, General Obligation Bonds	Co-Mgr
08/27/90	27,000,000	Olathe, GNMA Collateralized Mortgage Revenue Bonds	Lead Mgr
08/27/90	27,000,000	City of Olathe & Labette County, Collateralized Mortgage Revenue Bonds	Lead Mgr
08/27/90	4,310,000	City of Olathe & Labette County, Collateralized Mortgage Refunding Revenue Bonds	Lead Mgr
08/23/90	3,750,000	Franklin County, General Obligation Refunding Bonds	Sole Mgr
08/23/90	13,200,000	Johnson County Public Building Commission, Lease Purchase Revenue Bonds	Co-Mgr
08/17/90	1,000,000	Hays, Airport Improvement Bonds	Fin Adv
08/16/90	3,310,000	Emporia, Industrial Revenue Refunding Bonds	Lead Mgr
08/16/90	328,000	Hays, Internal Improvement Bonds	Fin Adv
08/15/90	1,195,000	Junction City, Sewer System Revenue Bonds	Sole Mgr
08/15/90	2,000,000	Kansas Development Finance Authority, Community Corrections Conservation Camp Revenue Bonds	Sole Mgr
08/07/90	1,900,000	City of El Dorado, General Obligation Bonds	Fin Adv
08/07/90	11,750,000	Olathe, General Obligation Bonds	Co-Mgr
07/27/90	630,000	Pittsburg, General Obligation Bonds	Fin Adv
07/17/90	6,725,000	Wichita, General Obligation Bonds	Co-Mgr
07/11/90	1,900,000	Salina Airport Authority, Economic Development Bonds	Lead Mgr
07/09/90	3,389,000	Franklin County Unified School District #290, General Obligation School Bonds	Fin Adv
06/26/90	7,865,000	Salina, Water & Sewer Revenue Refunding Bonds	Sole Mgr
06/22/90	1,290,000	Inman Unified School District #448, General Obligation Bonds	Fin Adv

Sale Date	$ Amount	Issuer/Type of Issue	Role
06/07/90	18,665,000	Sedgwick & Shawnee Counties, Collateralized Mortgage Revenue Bonds	Lead Mgr
06/07/90	49,090,000	Sedgwick & Shawnee Counties, Collateralized Mortgage Revenue Bonds	Lead Mgr
06/01/90	6,905,000	Sedgwick & Shawnee Counties, GNMA Collateralized Mortgage Revenue Bonds	Lead Mgr
05/30/90	11,100,000	Mission, Multi-Family Housing Revenue Bonds	Sole Mgr
05/17/90	350,000	Dickinson County Unified School District #487, General Obligation School Bonds	Fin Adv
05/14/90	390,000	Sumner County Unified School District #509, General Obligation Bonds	Fin Adv
05/09/90	325,000	Manhattan, General Obligation Firetruck Minibonds	Fin Adv
05/07/90	89,000	Conway Springs Unified School District #356, Capital Outlay Bonds	Sole Mgr
05/07/90	204,000	Sabetha, Water System Bonds	Fin Adv
05/02/90	1,365,000	Manhattan, General Obligation Bonds	Fin Adv
05/01/90	3,500,000	Franklin County, Certificates of Participation	Sole Mgr
05/01/90	14,500,000	Kansas Development Finance Authority, Revenue Bonds	Lead Mgr
04/30/90	31,310,000	City of Olathe and Labette County, Collateralized Mortgage Loan Revenue Bonds	Lead Mgr
04/18/90	1,715,000	Pittsburg, General Obligation Bonds	Fin Adv
04/16/90	258,000	Goddard, General Obligation Bonds	Fin Adv
03/21/90	10,864,000	Cowley County, Collateralized Mortgage Revenue Bonds	Lead Mgr
03/07/90	129,000	Conway Springs, General Obligation Bonds	Fin Adv
03/06/90	8,970,000	Kansas City, Municipal Temporary Notes	Sole Mgr
02/14/90	130,000	Bonner Springs, Certificates of Participation	Sole Mgr
02/06/90	541,000	Junction City, General Obligation Bonds	Fin Adv
01/30/90	3,845,000	Wichita, General Obligation Bonds	Co-Mgr
01/26/90	5,830,000	Louisburg Unified School District #416, Refunding & School Bonds	Sole Mgr
01/24/90	1,295,000	Pittsburg, Water & Sewage System Revenue Bonds	Fin Adv
01/18/90	4,880,000	Blue Valley Recreation Commission, Certificates of Participation	Sole Mgr
01/16/90	2,250,000	Olathe, Temporary Notes	Sole Mgr

Source: Securities Data Company

SECURITY
NVESTMENT
COMPANY
of Kansas City

Member NASD
Member MSRB
Member SIPC

Brent M. Weisenborn
President
&
Chairman of the Board
egistered Investment Advisor
Member Kansas City
Board of Trade

602 Westport Road
Kansas City, MO 64111
816-531-2006
Fax No.
816-531-3633

April 27, 1993

Nancy W. Burns
Commissioner 1st District
Verdis J. Robinson
Commissioner 2nd District
Richard J. Kaminski
Commissioner 3rd District
Board of County Commissioners
Wyandotte County Courthouse
710 N. 7th Street
Kansas City, Kansas 66101

Dear Commissioners:

It would be my pleasure to discuss with you, our firms qualifications and services as municipal financial advisors.

I look forward to the opportunity to meet with you.

Sincerely,

Brent W. Weisenborn

Futures & Commodity
Trading
ansas City Board of Trade
4800 Main Street
Kansas City, MO 64112

Stern Brothers & Co.
INVESTMENT BANKERS

1044 MAIN STREET, SUITE 900
KANSAS CITY, MISSOURI 64105-2149

SINCE 1917

(816) 471-6460
(816) 474-8833
FAX (816) 842-2789

8000 MARYLAND AVENUE
SUITE 1020
ST. LOUIS, MISSOURI 63105-3752
(314) 727-5519

April 27, 1993

Ms. Verdis J. Robinson
Ms. Nancy W. Burns
Mr. Richard J. Kaminski
c/o Board of County Commissioners
Wyandotte County Courthouse
710 North 7th Street
Kansas City, Kansas 66101

Ladies and Gentleman:

Thank you for your letter of April 22 regarding consulting services on future Wyandotte County bond issues. Stern Brothers & Co. would like to be considered for the position and we, hereby, submit our "letter of interest."

Stern Brothers & Co. has been a prominent force in public finance since 1917. Financial advisory activities are only one aspect of our public finance practice, but they are an important part of our investment banking business. It has been our experience that to provide knowledgeable advice to financial advisory clients, a firm must be active in both competitive and negotiated underwritings of municipal securities. Consequently, we have developed a balance between advisory relationships and underwriting that complements each, without raising the specter of conflicts.

For the calendar year 1992, Stern Brothers was ranked among the top ten Financial Advisors nationally and number three in health care. (Please see the attached table.) We serve as Financial Advisor to the Missouri Health & Educational Facilities Authority, the University of Missouri, the Southwestern Illinois Development Authority and numerous local governmental entities. Investment banking clients for whom we underwrite municipal securities include the Missouri Housing Development Commission, the City of St. Charles, the Troy R-II School District and the State of Missouri.

Stern Brothers & Co. is pleased to submit this "letter of interest" and we look forward to having the opportunity to serve as your consultant.

Please do not hesitate to call if you should have any questions.

Sincerely,

STERN BROTHERS & CO.

By Sandra A.J. Lawrence

Sandra A.J. Lawrence
President

SAJL:mr
Encl.

Securities Data Company, Inc.
Municipal Market Analysis

Rankings of Financial Advisors - Full Credit to Each Advisor

Category	Principal Amount	Rank	Market Share	Number of Issues
Long-Term Municipal New Issues	$740.8*	41	0.3	17
Long-Term Revenue Municipal New Issues	653.8	30	0.4	15
Long-Term Negotiated Municipal New Issues	713.4	33	0.4	14
Long-Term Healthcare Municipal New Issues	370.4	4	1.8	9
Long-Term Midwest Region New Issues	740.8	3	5.1	17

* *In millions*

MARK
TWAIN
BANKS

MARK TWAIN PUBLIC FINANCE DIVISION

108 West 11th, Suite 130
P.O. Box 419445
Kansas City, Missouri 64141-6445
Telephone: 816-421-4440

April 30, 1993

Board of County Commissioners
Wyandotte County, Kansas
710 North Seventh Street
Kansas City, Kansas 66101
Attn: Wayne Lampson

Dear Honorable Board of County Commissioners:

In response to your letter that we received on April 30, 1993, please be advised that Mark Twain Bank, Public Finance Division would be interested in providing consulting services to the County and agrees that it would not bid on any bond work requested by the County, as outlined in your letter.

We apologize for lateness of this letter, but apparently someone at the County did not pick up our address change which occurred three weeks ago.

Please advise as to what steps the County wishes to take in moving forward with companies that have indicated an interest similar to ours.

Very truly yours,
MARK TWAIN BANK

Marty Nohe

P. Martin Nohe
Senior Vice President/Managing Director
Public Finance Division

PMN/dsc

DE VRIES & COMPANY INC.
Investment Bankers

April 27, 1993

Board of County Commissioners
Attn: Verdis J. Robinson, Chairperson
Wyandotte County Courthouse
710 N. 7th Street
Kansas City, KS 66101

Gentlemen:

In response to your letter, April 22, 1993, we would be pleased to render consulting services to Wyandotte County on future bond issues. We would not be bidding on such issues.

Enclosed is a brochure on our company. Although most of our work is in the corporate finance area, I personally have almost 33 years experience in investment banking and related fields, about half of which was spent in the Wall Steet financial community in New York. I am very familiar with the underwriting process and virtually all capital markets. I have been a Chartered Financial Analyst for over 20 years.

We will work on an hourly basis, or a fixed fee, whatever appears to be most appropriate in the situation at hand.

We hope we can be of service to Wyandotte County.

Very truly yours,

DE VRIES & COMPANY, INC.

Robert J. De Vries

Robert J. De Vries
President

RDV/rmj

encl

800 WEST 47TH STREET KANSAS CITY MISSOURI 64112 (816) 756-0055

De Vries & Company, Inc. helps companies solve financial problems and achieve growth and divesification goals. We help established companies raise capital, and assist new and developing companies secure venture capital and create public markets for their stocks. We provide confidential services to companies who want to sell or merge, aid companies in acquiring other companies, help individuals and companies structure and negotiate leveraged buyouts, provide financial guidance, shape business strategy and develope operating and financial strategies.

Our approach includes the exploration of alternative strategies and markets, the development of plans and presentations, and the location of the organizations and sources most likely to produce the desired result for our client.

Our principals are experienced in sophisticated financial concepts and have had experience in all phases of investment banking, corporate finance, venture capital, mergers and acquisitions and operating management. This depth of experience translates into a track record of producing results for our clients effectively, efficiently and expeditiously.

800 WEST 47TH STREET KANSAS CITY MISSOURI 64112 **(816) 756-0055**

DE VRIES PHILOSOPHY

De Vries & Company, Inc. is committed to rendering professional services in a personal and confidential manner. We want to help our clients find the best possible solutions to their problems and meet their financial needs and goals. Problems are not necessarily solved by completion of a single task. We maintain an on-going relationship with those we serve. We want our clients to look upon us as partners in problem solving and implementation.

Not all companies can afford a Chief Financial Officer or an on-going contact with a major investment banking firm. In fact, most of the latter cannot afford an on-going contact with a client. We are available to help, to listen, and to advise as may be needed at the moment. We believe that each thing we do must meet this test--that it will better serve our clients and their financial needs.

DE VRIES APPROACH

De Vries & Company, Inc. brings its resources to bear on meeting financial needs and goals through an effort that features:

* A comprehensive proposal to insure common objectives, approach and timing.

* A thorough due diligence process.

* Active client participation in developing the best solutions to financial problems, needs and goals.

* Development of a quality, professional presentation when necessary for task completion.

* A personal approach to the organizations and sources most compatible with the objectives.

* Continued help in the implementation of policies and solutions and the evolution of financial strategies.

Every project is tailored to meet the specific needs of the client. We believe that thoroughness is important in every step of the process. We are especially mindful of the client's legal responsibilities under the various state and federal securities laws and other regulations, and of the fact that our conduct reflects upon our clients and thus must be of the highest order.

FINANCING

* Develop financing strategies and timing.
* Place privately debt and equity securities.
* Negotiate best terms and distribution in a public offering.
* Structure and finance ESOPs.
* Restructure businesses and equity accounts.

VENTURE CAPITAL

* Evaluate business concepts.
* Provide financial advice and recommendations.
* Shape business policy.
* Prepare business plans.
* Hire key employees.
* Raise venture capital.
* Create public markets when appropriate.
* Continue relationship to provide advice and plan future financings.

MERGERS AND ACQUISITIONS

* Value business being bought or sold to insure a fair price.
* Develop sale or acquisition strategies.
* Locate the best possible buyers or sellers.
* Structure and negotiate transaction.
* Approach buyers and sellers in confidence keeping clients identity secret.

LEVERAGED BUYOUTS

* Locate acquisition targets.
* Help companies divest unwanted divisions or product lines.
* Structure and negotiate transaction.
* Arrange equity and debt financing.
* Shape policies to operate in a leveraged environment and to reduce debt in the future.

FINANCIAL ADVISORY WORK

* Provide financial advice.
* Develop operating and financial policies and strategies.
* Analyze operations and costs.
* Advise on pensions and investments.

Robert J. De Vries, President of the Company, has over twenty-six years experience in investment banking, corporate finance and corporate management. With broad experience in different industries, Mr. De Vries has negotiated the successful merger of a number of companies, raised equity and debt capital for clients, served as a director of several corporations, as chief financial officer of a computer service company, and as President of a firm manufacturing a medical treatment product.

Mr. De Vries' career in finance and investment banking includes more than 15 years in the Wall Street financial community where he started as a security analyst with Cyrus J. Lawrence & Sons. In 1982, he came to Kansas City as a Vice President of Smith Barney, Harris Upham. Since 1984, Mr. DeVries has been developing his own investment banking business.

Mr. De Vries has been a principal and advisor in several leveraged buyouts. In 1985, for the management group, He structured and raised the financing for a $110 million bid for the Daily News of Los Angeles then being sold by the Chicago Tribune Company. In an association with Universal Press Syndicate Inc., formed for the purpose of acquiring media properties, Mr. De Vries located and acquired three newspapers in California in early 1987.

Mr. De Vries received an M.B.A. from the Harvard Graduate School of Business Administration in 1960. Mr. De Vries is a Chartered Financial Analyst, and a Who's Who in the Midwest biographee.

Mark E. Scott, a Vice President of the company, has over twelve years experience in lending and commercial finance. He was most recently the Central Region Administrator for Dana Business Credit. Prior to that he held positions with Westinghouse Business Credit and Commercial Credit Business Loans. Mr. Scott has been directly involved in funding over $50 million of acquisitions and has helped numerous companies in meeting their financial needs. He has considerable experience in evaluating businesses and structuring and designing financing packages tailored to individual company requirements.

Mr. Scott earned his Bachelor of Science degree in Business Administration from Central Missouri State University where he majored in General Management and Finance and was a member of Mace and Torch, a leadership and scholarship society. He is a director of Modular Protection Systems, Inc.

Bond Consult

Robert F. Doherty
Vice President
Public Finance Group

Debt Markets Group

World Financial Center
North Tower
New York, New York 10281-1309
212 449 0639
FAX 212 449 0277

Merrill Lynch

April 28, 1993

RECEIVED BY
MAY 4 1993
WY. CO. COUNSELORS OFFICE

Mr. Jeff Fendorf
County Counselor's Office
Wyandotte County Court House
710 N. 7th Street
Kansas City, KS 66101

Dear Jeff:

On behalf of Merrill Lynch & Co., we would like to thank you for including Merrill Lynch on the list of firms invited to respond to your request for consulting services to Wyandotte County.

We are always pleased to receive such an invitation, especially from an issuer within the State of Kansas where we have an historical presence and are always looking to enhance our long-standing relationship. However, we are keenly interested in providing underwriting services to the County for any of its future bond issuances. Our strengths as an underwriting firm would be of great value to the County in its efforts to ensure the most efficient and cost-effective bond financings:

Underwriting Capabilities: Merrill Lynch has been a leader in overall municipal financings over the past decade and we continue this trend in 1993. According to Securities Data Co., Merrill Lynch & Co. is the highest ranked underwriter of long-term municipal bonds for the first quarter of 1993, on a full credit to lead manager and full credit to each manager basis. We underwrote 94 issues totaling more than $7.37 billion, resulting in an 11.4% market share.

Distribution Capabilities: Merrill Lynch is unique in its ability to provide the County with a double-barreled securities distribution system, which can access both retail and institutional customers. We can also leverage demand from the less price-sensitive retail side of the market to reduce yields on an issue as a whole. Confidence in the strength of our retail system allows us to underwrite at aggressive yields even when institutional demand is weak.

Kansas Underwriting Experience: Over the past decade, Merrill Lynch has managed over 60 Kansas transactions with a total par value exceeding $1.7 billion. Of these transactions, Merrill Lynch has served as senior manager on 17 offerings with a total par amount of over $525 million. Since 1990, Merrill Lynch has brought 3 municipal issues to the market in the State of Kansas: $83.59 million CSJ Health System of Wichita, Inc. Revenue Bonds, $13.2 million Johnson County Public Building Commission, and the $125 million Kansas Department of Transportation (KDOT) highway revenue bonds. Currently, we are serving as Co-Manager for KDOT's $250 million issue which is expected to come to market in early May.

Merrill Lynch

Again, we appreciate our inclusion in the list of firms contacted with regard to your request for consulting services. We hope you will consider us for the role of performing underwriting services and we look forward to future opportunities to provide our banking skills and distribution network to Wyandotte County.

Sincerely,