

City of McPherson

400 E. Kansas Ave.
P.O. Box 1008
McPherson, KS 67460



City Administrator 620 • 245-2535
City Attorney • 245-2535
Public Works Director • 245-2545
Fire Chief • 245-2505
City Inspector • 245-2547
Chief of Police • 245-1200
Community Development • 245-2548
Park Superintendent • 245-2565
Cemetery Sexton • 245-2568
Tele Fax • 245-2549

May 8, 2017

City of McPherson Proponent Testimony for House Bill 2424 for May 9, 2017 Representative Steven C. Johnson, Taxation Committee Chairman

Thank you Chairman for the opportunity to provide testimony to the House Taxation Committee in support of HB 2424 on behalf of the City of McPherson.

Several changes were made to the current law (KSA 79-2925c) commonly known as the Property Tax Lid last year. However, missing as a vital exemption from the 5-year average of the Consumer Price Index (CPI) is vital expense that employers across the State are forced to deal with in terms of employee benefit costs. Employee benefit cost increases have not historically been tied to the CPI. For McPherson, health insurance premiums, pensions, workers' compensation rates have far exceeded the 5- year average of the current CPI of 1.4%.

From 2016 to 2017, the City of McPherson took an increase as high as 21% in overall health insurance premiums with some employees taking as high as 72% increase in premiums and the City of McPherson taking as high as 13% increase in premiums. In addition to increases, insurance deductibles increased anywhere from 250% to 1500%, depending on plan levels. Over the previous two years, insurance went up 5% and 10% respectively for the city and employee shares. The above plan design changes were done while the City of McPherson used up over \$1,200,000 in reserves to extend the time before the new design plan stressed the employee budget. We were able to give a 2% Cost of Living Adjustment (COLA), but it did not cover the increased cost of health insurance for the employee. Neither the city, nor our employees, can afford to continue down this road. Approximately 50% of our employee benefits cost is for employees not exempt under the safety exemption. The City of McPherson has been very responsible with our citizens' money. We have only increased the mill levy 0.280 mills in eight (8) years. Many other elected officials including us, did not increase the 2017 budget in anticipation of KSA 79-2925c. The City of McPherson is expecting an increase in health insurance between 15% and 20% in 2018.

One need only look at the Kansas Public Employees Retirement fund to see the lack of connection between increases in employer contributions to employee pension and five year average of consumer price index of 1.4%. Employer contributions for KPERS between 2010 and 2017 have increase 25% (an annual average of 3.57% increase) while employee contributions for KP&F have increased 48% (an annual average of over 6.5% increase). To keep both funds healthy in the future, anticipated increase will need to exceed the 5-year CPI.

Mayor
Thomas A. Brown

Commissioner of Public Facilities
Robert D. Moore

Commissioner of Streets & Utilities
Larry E. Wiens

City of McPherson

"When it Matters"

The reality is that the CPI may be a workable index for some local government spending. Employee benefits is an area that does not tie well to CPI. In the past tax lids placed on local governments in Kansas, legislators realized that employee benefits are cyclical expenses that rely on much more complex formulas and national trends and market forces dictate increases beyond the control of local spending. In the past, the Kansas Legislature chose to exempt employee benefits from tax lid equations. It should be a strong consideration of the current Legislature.

The City of McPherson has been successful in growing advanced manufacturing jobs. Our plants provide jobs for people in a 50 mile radius. Many small communities are dependent on us moving forward. Economic development is dependent on infrastructure updates, community services, and jobs. We can make a concerted effort to get everything accomplished with an employee benefits exemption. If there is no exemption, we will see decline. I just met with potential plant manager a few weeks ago. Their firm is worried we will not keep up everything with a tax lid.

I request the committee pass out HB 2424 favorably to the full House.



Thomas A. Brown, Mayor

City of McPherson

City of McPherson, Kansas
Assessed Valuation Changes
Tax Collection Years 2006 through 2016

Assessed Valuation	Tax Collection Year	Assessed Valuation \$	Increase/Decrease
2005	2006	97,118,179	3.62%
2006	2007	101,007,027	4.00%
2007	2008	101,776,986	0.76%
2008	2009	104,668,277	2.84%
2009	2010	102,895,743	-1.69%
2010	2011	102,225,224	-0.65%
2011	2012	103,242,798	1.00%
2012	2013	105,188,907	1.88%
2013	2014	106,040,085	0.81%
2014	2015	108,300,991	2.13%
2015	2016	113,327,272	4.64%