



City of Arkansas City, Kansas

118 W. Central Ave.

Arkansas City, KS 67005

Nickolaus J. Hernandez, City Manager

Date: May 9, 2017

To: Chairman Steven Johnson and the House Taxation Committee Members

From: Nickolaus J. Hernandez, City Manager, City of Arkansas City, KS

Subject: Written Testimony in Support of HB 2424

The City of Arkansas City wholeheartedly supports the proposed new language in HB 2424, which would amend the current property tax lid legislation to exempt increases in employer contributions for Social Security, workers compensation, unemployment insurance, health care costs, employee benefit plans, and employee retirement and pension programs.

Currently, personnel costs account for \$6.8 million of our General Fund costs, which is somewhere between 71.5 and 75 percent of the City's overall General Fund expenditures.

As the attached graphs demonstrate, our health insurance costs increased by 9.5 percent from 2016 to 2017, and we are anticipating an increase of anywhere from 10 to 15 percent this year, based on continuing conversations with Blue Cross Blue Shield of Kansas.

The City pays for anywhere from 82 percent to 91 percent of those insurance premiums, depending on the plan selected, as well as anywhere from 50.69 percent to 71.1 percent of employees' dental insurance premiums through Delta Dental of Kansas.

While the City has seen a consistent decline in workers compensation insurance premiums over the past decade through diligent work and participation in the Kansas Municipal Insurance Trust, this savings is more than offset by continuing increases in KPERS and KP&F.

The City has 43 KP&F employees and 72 KPERS employees. Our KPERS rates have increased by a total of 5.17 percent since 2004 (the 2017 rate is more than double the 2004 rate, while KP&F has risen by 8.28 percent in that same time frame (nearly double what it was in 2004). These rates do not include additional death and disability rates, either.

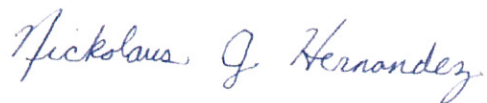
Despite these rising costs, the City has been able to maintain an essentially flat property tax mill levy for the past 13 years (only 2.75 percent total increase since 2003, or 0.2 percent annually), absorbing many of these costs with personnel reductions, increased efficiency and reduction of previously provided core services.

As a result, the current property tax lid could have the effect of essentially “punishing” the City for keeping the mill levy steady for so long at the cost of not keeping up with inflation, with no ability now to make up the lost ground.

Currently, we are budgeting for \$303,575 in KPERS expenditures across all applicable funds, as well as \$536,984 in the General Fund for KP&F contributions for police and fire-EMS.

We urge you to strongly consider the proposed legislation, which would increase our budgeting flexibility in accounting for these cost increases, many of which are beyond our control due to rising health care costs or state regulations related to KPERS and KP&F.

Thank you for your consideration,

A handwritten signature in blue ink that reads "Nickolaus J. Hernandez". The signature is written in a cursive style.

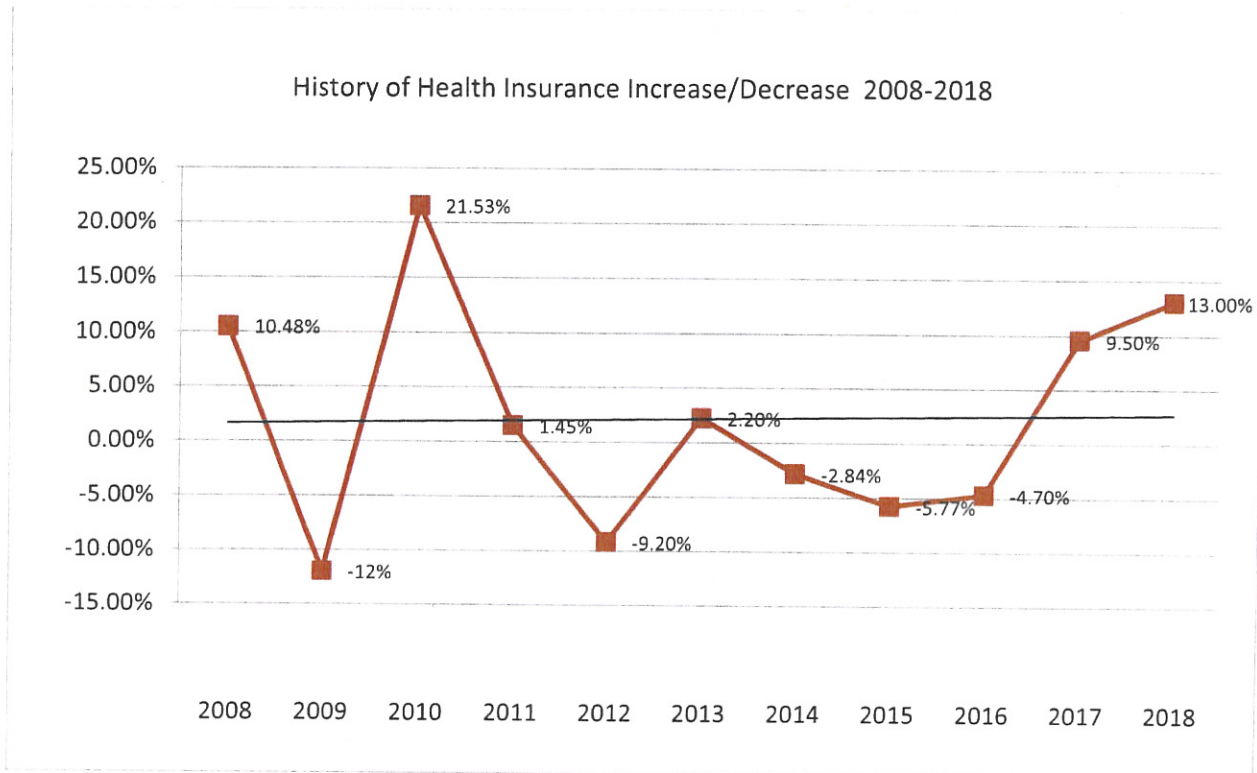
Nickolaus J. Hernandez
City Manager

Budget Retreat
April 29, 2017

Health Insurance –

Usage and health cost trends determine increase/decrease. Possible 10-15% increase for the 2018 Plan Year.

Proposing 10% increase



Employee/Employer Cost Sharing

2017

200/400

	Monthly Premium	EE Monthly	EE 2x/Month	ER Monthly	ER 2x/Month	City %	Employee %
EE	391.03	69.34	34.67	321.69	160.85	82%	18%
EE/CH	818.92	133.92	66.96	685.00	342.50	84%	16%
EE/SP	839.57	148.88	74.44	690.69	345.35	82%	18%
EE/FAM	1267.46	213.46	106.73	1054.00	527.00	83%	17%

500/1000

	Monthly Premium	EE Monthly	EE 2x/Month	ER Monthly	ER 2x/Month	City %	Employee %
EE	378.80	53.66	26.83	325.14	162.57	86%	14%
EE/CH	793.11	103.72	51.86	689.39	344.70	87%	13%
EE/SP	813.27	115.20	57.60	698.07	349.04	86%	14%
EE/FAM	1227.59	165.26	82.63	1062.33	531.17	87%	13%

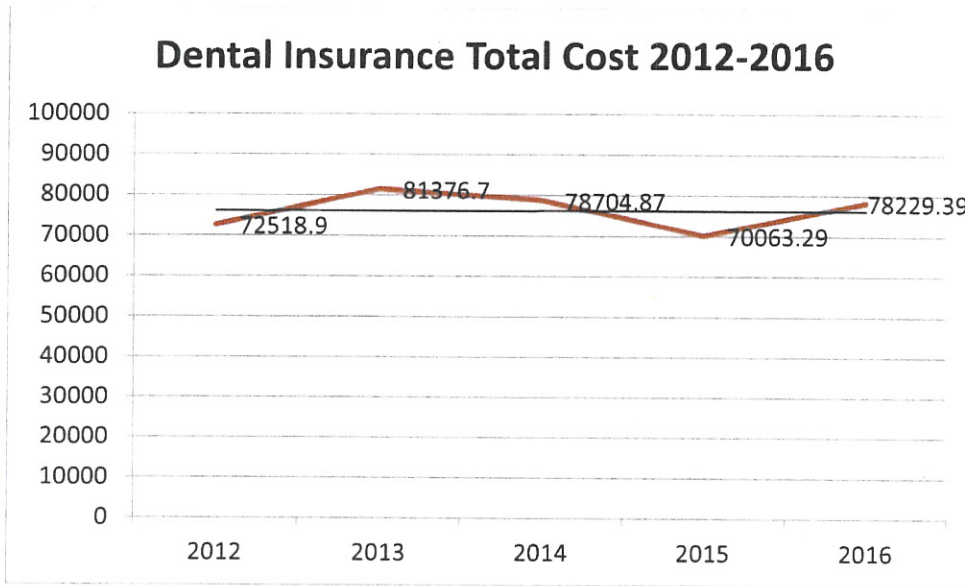
1000/2000

	Monthly Premium	EE Monthly	EE 2x/Month	ER Monthly	ER 2x/Month	City %	Employee %
EE	365.12	36.42	18.21	328.70	164.35	90%	10%
EE/CH	764.22	70.52	35.26	693.70	346.85	91%	9%
EE/SP	783.85	78.16	39.08	705.69	352.85	90%	10%
EE/FAM	1182.95	112.26	56.13	1070.69	535.35	91%	9%

Dental	Monthly Premium	Admn. Fee	Total	EE Monthly	ER Monthly	City %	Employee %
ee only	30.29	5.20	35.49	17.50	17.99	50.69%	49.31%
ee+child	59.18	5.20	64.38	30.00	34.38	53.40%	46.60%
ee+spouse	58.60	5.20	63.80	30.00	33.80	52.98%	47.02%
ee+family	98.62	5.20	103.82	30.00	73.82	71.10%	28.90%

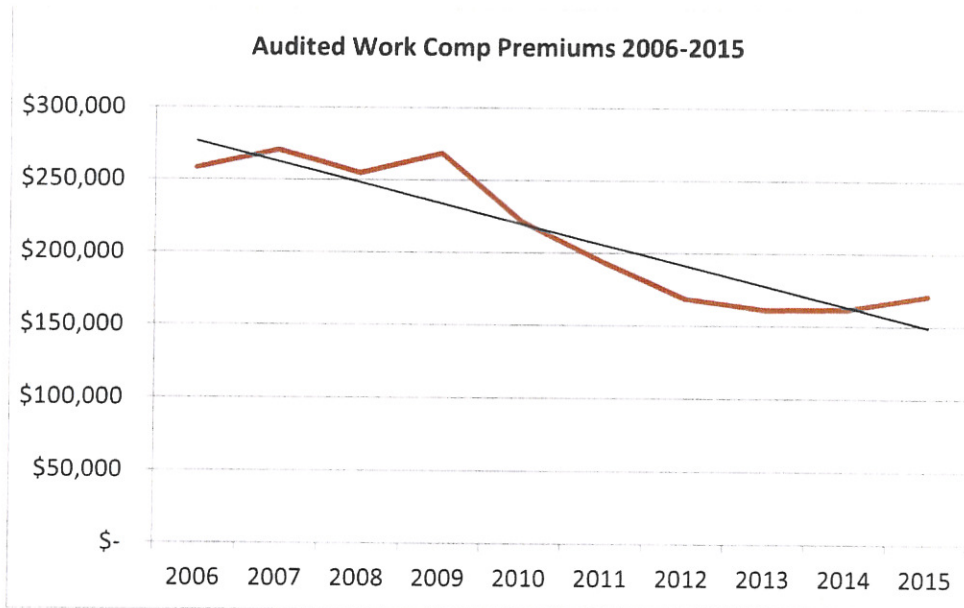
Dental Insurance –

Proposing 2% increase



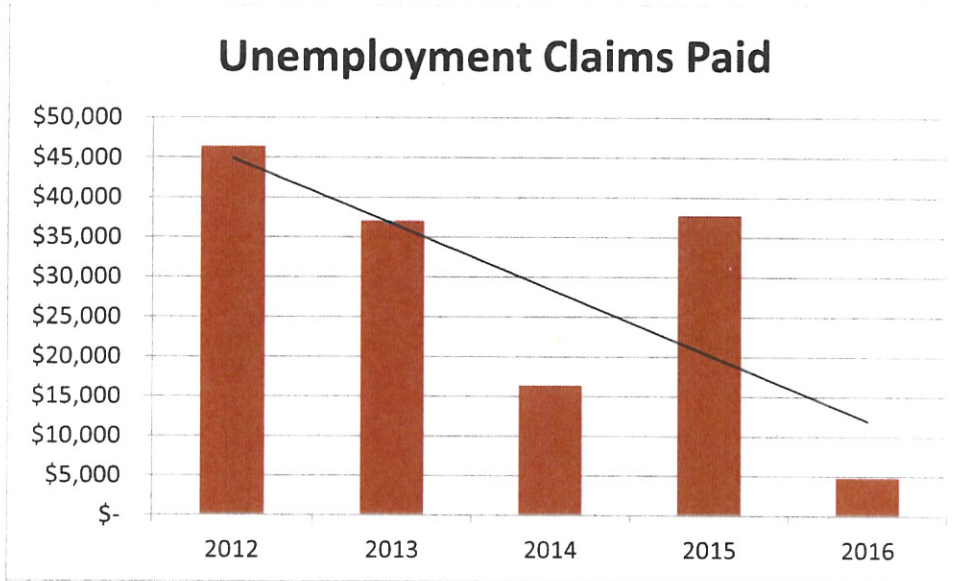
Workers' Compensation –

Proposing 1% increase



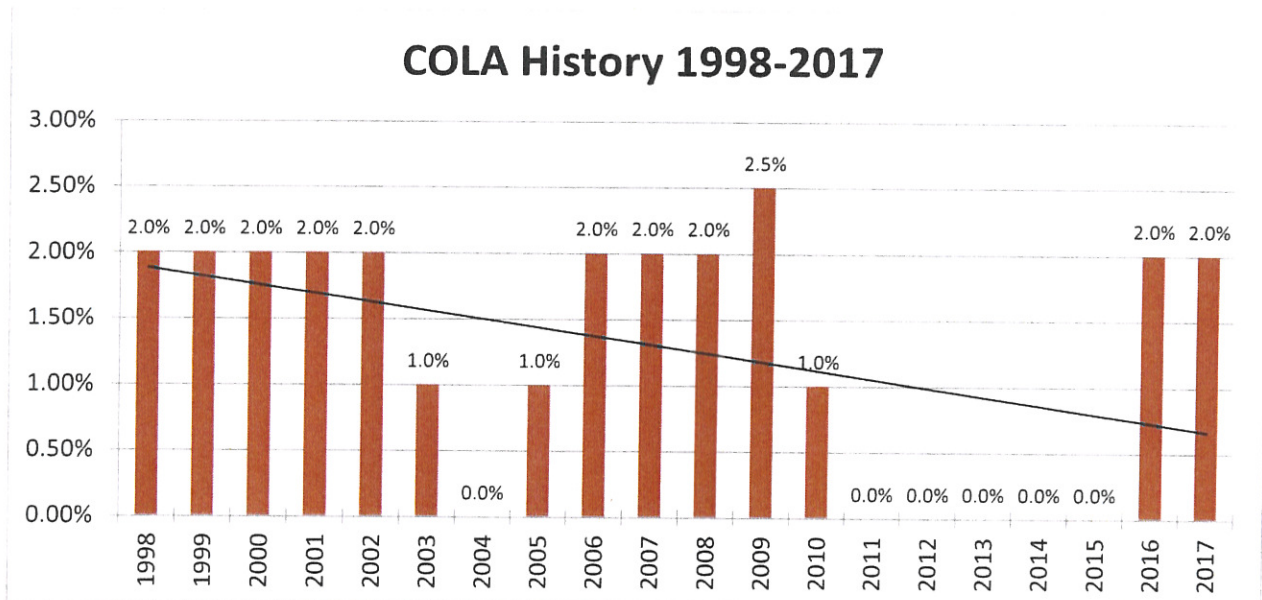
Unemployment –

Proposing no increase



Cost of Living Adjustment (COLA)

Proposing 1% adjustment

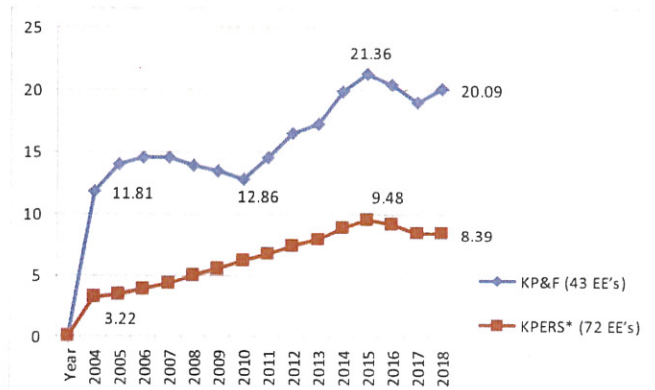


2018 Budgeted (No COLA, Merit Only)

Impact by Fund		1% COLA		Health/Dental	KPERs	KP&F
		BASE	IMPACT			
	01	6,815,887	58,342	978,390	\$ 149,500	\$ 536,984
	15	200,558	1,607	39,712	\$ 12,285	\$ -
	16	956,270	7,841	171,517	\$ 61,146	\$ -
	18	584,303	4,853	98,678	\$ 37,899	\$ -
	19	706,180	5,670	138,664	\$ 42,745	\$ -
Total		9,263,198	78,313	1,426,961	\$ 303,575	\$ 536,984
Police		2,429,748	20,815	347,092	\$ 12,401	\$ 268,533
Fire		2,089,990	17,883	300,717	\$ 1,399	\$ 268,451
Other		2,296,149	19,644	330,581	\$ 135,700	\$ -
		6,815,887	58,342	978,390	\$ 149,500	\$ 536,984

KPERs/KP&F History

Year	KP&F (43 EE's) Rate (%)	KPERs* (72 EE's) Rate (%)
2004	11.81	3.22
2005	13.99	3.41
2006	14.60	3.81
2007	14.58	4.31
2008	13.88	4.93
2009	13.51	5.54
2010	12.86	6.14
2011	14.57	6.74
2012	16.54	7.34
2013	17.26	7.94
2014	19.92	8.84
2015	21.36	9.48
2016	20.42	9.18
2017	19.03	8.46
2018	20.09	8.39



*KPERs rates shown do not include additional death & disability rates.