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Jaime Goering
Public Works Director
Tyler Brewer
Public Safety Director
Makala Navarro
Human Resource Manager

Date: May 9, 2017 (Date of Hearing)
To: Chairman Steven Johnson and the House Taxation Committee Members
From: Josh Shaw, City Manager, City of Augusta, KS
Subject: Written Testimony in Support of HB 2424

Honorable Chairman and Members of the House Taxation Committee,

This letter is being submitted for the record as written testimony from the City of Augusta, Kansas in support of HB 2424.

The City of Augusta has five (5) property tax supported funds, including an employee benefits fund and a library employee benefits fund. The employee benefits fund covers the costs of social security, workers compensation, unemployment insurance, health-care costs, employee benefit plans and employee retirement and pension programs for all non-utility (utility funds such as electric, water, wastewater, and solid waste are not tax-supported) employees. For the 2017 Budget, the City of Augusta levied \$2.92 million in property taxes for its five (5) property tax supported funds. The 1.4% CPI adjustment for the upcoming 2018 Budget, as established under the current property tax lid, amounts to approximately \$40,000 across all tax-supported funds. Increasing the amount of tax dollars levied beyond this total will require an election and public vote.

Healthcare costs for municipal employees do not remotely follow the CPI cap set by the State of Kansas. From 2015 to 2016, the City of Augusta's cost for health insurance in the tax-supported employee benefit fund increased \$118,100, or approximately 27%. From 2016 to 2017, the City of Augusta's health care costs are projected to increase \$75,000 (approximately 13.5%). The City continues to increase employee contributions, deductibles, copays, etc. year over year, but this does little to stem the tide of rising healthcare costs. Our City does not pay as well as many equivalent jobs in other organizations or the private sector; healthcare benefits are our primary means of attracting quality applicants. Leaving healthcare costs subject to the tax lid means that we will have to dramatically alter our benefits structure in a way that harms employees. Our ability to recruit qualified employees will fade with each successive year under the tax lid as salaries stagnate and employee healthcare costs skyrocket. The state-imposed CPI adjustment for 2018 will not even come close to covering the increasing costs of healthcare to maintain existing plans, and this is just one of many costs that municipalities pay for employee benefits.

In 2015, the City of Augusta had a single employee accident that drove up workers compensation premiums by \$17,000 (approximately 31%) for the 2016 budget year. When a single, unpredictable accident for mandated insurance coverage has such a profound impact on costs, a CPI adjustment of 1.4% is dangerously constraining. From 2014 to 2016, federal Social Security payments for the City of Augusta increased an average of \$18,000 per year. The KPERS website indicates that employer contribution rates that City's must remit to the state will rise from 8.39% to 9.07% in 2019. This will increase the City of Augusta's costs by an estimated \$15,467 in one year. Municipalities have no control over the KPERS contribution rate changes, but they profoundly impact our ability to function under the tax lid because they are not currently exempt.

While there are a variety of other costs that are not covered in this testimony, the four examples above should illustrate the point. Augusta's recent experience with healthcare benefits, workers compensation, Social Security, and KPERS costs illustrates how City budgets can easily be impacted by double or triple the amount of what is allowed under the tax lid CPI for benefit cost changes that are wholly or largely beyond our control. Our community respectfully requests that your committee support HB 2424 exempting employee benefits from the tax lid. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Josh Shaw". The signature is written in a cursive, flowing style.

Josh Shaw
City Manager
Augusta, KS