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HOUSE TAXATION COMMITTEE HEARING ON HB 2609

Written Testimony in Support of HB 2609 on Behalf of the City of Shawnee

By Katie Killen, Assistant City Manager

March 9, 2016

Honorable Chair and Members of the House Taxation Committee:

One of the most significant policy decisions local governing body members make each year is the City's budget. This is not a task taken lightly and is based on several months of open discussions about what the cities long term needs and goals are. It dictates the services the City can provide and shapes the future of the community and is voted on by those who are elected to serve and represent. Kansas has a long history of supporting local control as represented in the State's Constitutional Home Rule Authority.

Mr. Chairman, we want to thank you for your commitment on holding meaningful hearings this session on this topic, but the fact remains the lid was put in and remains in place. The Shawnee Governing Body as part of their legislative program unanimously adopted the following statement regarding the tax lid:

Funding discretion and flexibility are key components of effective local fiscal management and local government responsiveness. Local government officials are elected by their residents to make decisions that best shape the future of their communities. Tax and spending lids impede local residents' ability to shape their own community through the election process. Additionally, local elected officials create plans for the long term viability of their communities. Any arbitrary cap on taxing or spending limits cities' ability to meet the needs of their own citizens. The City supports the repeal of the 2018 tax lid that limits local government decision making and effective representation of their constituents.

While HB 2609 does not repeal the tax lid outright, there are pieces of it the legislation that the City finds encouraging. These items include:

- The Home Rule provision that would allow communities to Charter out of the election provisions. If governing bodies wanted to continue to fall under the petition election provision they could and would have to actively take a vote on Chartering out. Such a Charter would be subject to a protest petition as well and if the community did not like this action could bring it to a vote.
- The additional exemptions such as:
 - Defining options related to economic development tools.
 - Required expenses like social security, and employee health insurance.
 - Natural disasters.



- Other debt tools that cities use.

These help mitigate ongoing costs, insulate the City from items beyond its control and protect revenue used to pay all forms of the City's debt.

One item that remains a concern is the factor of growth and the indexes used to measure growth. Clear definition of the measure to be used would ensure legislative intent. In the current law, the specific Consumer Price Index calculation to use is not identified (i.e. December to December, Average to Average). In House Bill 2609, the Municipal Cost Index should be defined.

Additionally, if this legislation is significantly modified and the lid remains in place, it is important to recognize the impact on the City of Shawnee. While some of the questions regarding how exemptions will get factored into the budget form make calculating an exact dollar impact of the tax lid difficult, there are several community needs that we are facing in the near future, that are currently not budgeted and will have costs associated with them. Shawnee's needs and challenges include:

- Our fire response times in Western Shawnee continue to grow. To help reduce these, our Fire Department has identified an immediate need for a new fire station in the northwest portion of the City requiring additional firefighters and equipment.
- In our citizen satisfaction survey, our residents have identified codes enforcement as a high priority. Our current system is predominantly complaint driven and proactive enforcement would likely require additional staff.
- We continue to struggle with funding the growing need for stormwater repairs in our community. Shawnee has more than 101 miles of corrugated metal pipe with an average life expectancy of 25 years. The average age of corrugated metal pipe in Shawnee is 30 years. Expenditures required to make these repairs far outweigh the money available to make them.
- Our Police Department is looking to implement body cameras. As you know this is a best practice in the profession and something community members and even legislators are wanting cities to move towards. There are significant costs to implementing their use including the costs of cameras, video review and data storage.

Finally, if the current law remains, there are some items that make it unworkable that should be addressed given when budgets must be adopted, when valuations and revised valuations are provided by the county appraiser and the length of time it takes to hold an election.

The City of Shawnee is encouraged with the direction of this bill. Thank you for your consideration.

Attachments:

Analysis of the City's assessed valuation, mill levy history, population growth and CPI. Analysis on the financial impact of state legislation on City revenue for personal property tax.

CITY OF SHAWNEE HISTORY OF TAX LEVIES AND VALUATION GROWTH

Population	Tax Year	Budget Year	Mill Levy Total	Assessed Valuation	Increase/Decrease	% Of Change	CPI Year	CPI (Avg.)	Max w/ CPI	AV Difference
47,996	1998	1999	22.706	318,369,692	44,037,219	16.05%	1997	2.3		
	1999	2000	22.092	369,176,878	50,807,186	15.96%	1998	1.6	5,093,915	45,713,271
	2000	2001	21.157	428,014,140	58,837,262	15.94%	1999	2.2	8,121,891	50,715,371
	2001	2002	21.042	472,593,401	44,579,261	10.42%	2000	3.4	14,552,481	30,026,780
	2002	2003	20.835	510,134,179	37,540,778	7.94%	2001	2.8	13,232,615	24,308,163
56,915	2003	2004	20.845	555,212,926	45,078,747	8.84%	2002	1.6	8,162,147	36,916,600
	2004	2005	20.856	607,071,750	51,858,824	9.34%	2003	2.3	12,769,897	39,088,927
	2005	2006	20.847	659,053,180	51,981,430	8.56%	2004	2.7	16,390,937	35,590,493
	2006	2007	24.621	704,893,615	45,840,435	6.96%	2005	3.4	22,407,808	23,432,627
	2007	2008	24.652	739,676,456	34,782,841	4.93%	2006	3.2	22,556,596	12,226,245
62,209	2008	2009	24.693	738,942,161	(734,295)	-0.10%	2007	2.8		
	2009	2010	24.699	717,093,636	(21,848,525)	-2.96%	2008	3.8		
	2010	2011	24.717	686,743,405	(30,350,231)	-4.23%	2009	-0.4		
	2011	2012	24.732	688,392,691	1,649,286	0.24%	2010	1.6	1,649,286	0
	2012	2013	24.914	672,722,899	(15,669,792)	-2.28%	2011	3.2		
64,680	2013	2014	24.959	681,914,914	9,192,015	1.37%	2012	2.1	9,192,015	0
	2014	2015	24.520	718,520,033	36,605,119	5.37%	2013	1.5	10,228,724	26,376,395
	2015	2016	24.536	767,873,433	49,353,400	6.87%	2014	1.6	11,496,321	37,857,079
65,260	2016	2017	TBD	TBD	TBD	TBD	2015	0.1	767,873	

	Mill levy decrease
	Mill levy increase
	Peak AV
	Valuation Recovery

Since the tax lid was removed, the City of Shawnee reduced the mill levy twice and has raised it once. Additionally this chart shows when the City's peak valuation in tax year 2006. It was not until tax year 2015 that valuation completely recovered. Additionally, since 1999 the City's population has increased from around 48,000 residents to over 65,000 residents today. That is over a 35% increase. The last few columns look specifically (without exceptions factored in) on what the loss in valuation would be each year if the tax lid were in place. [CPI data from <http://www.bls.gov/cpi/cpid1512.pdf> pg 74]

PERSONAL PROPERTY VALUATION DECLINE

Tax Year	Assessed Value	Difference from Previous Year
2005	\$41,471,015	
2006	\$43,964,451	
2007	\$70,825,753	
2008	\$33,101,080	\$ (37,724,673.00)
2009	\$29,463,234	\$ (3,637,846.00)
2010	\$20,426,365	\$ (9,036,869.00)
2011	\$18,322,413	\$ (2,103,952.00)
2012	\$15,581,454	\$ (2,740,959.00)
2013	\$14,442,158	\$ (1,139,296.00)
2014	\$12,203,689	\$ (2,238,469.00)
2015	\$10,570,239	\$ (1,633,450.00)
Total dfference 07-15		\$ (60,255,514.00)
Divided by 1000		\$ 60,255.51
Mill levy		24.536
Total Revenue Value Today		\$ 1,478,429.29
Value of 1 mill		\$ 767,873.43
Lost mill value		1.92535544

This table represents the decline in personal property valuation since the M&E exemption went into effect. This loss is then equated into what the mill equivalent is today.