

City of McPherson's Testimony for the House Taxation Committee March 9, 2016 in support of HB 2609
Representative Marvin Kleebl, Committee Chairman

Mr. Chairman and members of the committee, thank you for the opportunity to appear before you today on behalf of the City of McPherson in support of HB 2609. I am Tom Brown, Mayor of McPherson.

The current law commonly known as the Property Tax Lid is functionally unworkable. The City of McPherson begins the budget process each April using valuation estimates from the McPherson County Appraiser and official guidance is not received until July 1. The approved budgets must be sent to the State of Kansas by August. If an election was needed, the election officials would need 30-60 days to prepare ballots and military/overseas ballots must go out 45 days before an election, as required by state law. Calling a special election in September or a general election in November is an unworkable timetable. Additional elections are costly. HB 2609 would provide better functionality enabling support for this bill.

Tying a tax lid around the CPI is not a realistic standard since cities do not purchase the same items consumers purchase. We would support the use of the Municipal Cost Index (MCI) as the appropriate measure budget. The MCI has three components: construction index, machinery and equipment index and the CPI. We would support the use of a five (5) year average of the MCI. A five (5) year average would be a more conservative metric to allow consistency in the budget process and minimize tax increases and decreases. I visited with Governor Brownback when he visited McPherson on February 9, 2016. He stated at that time he was open to using the MCI and a five year average.

Economic development is often dependent on seizing opportunity. In addition, planned and emergency infrastructure repair will be deterred by a tax lid. McPherson has been a job creation engine providing a strong local economy and growth for the state economy. Here are several examples: CHS has just completed a major project in improvements totaling almost \$1,750,000,000, Pfizer is finishing a \$120,000,000 in improvements with a state grant, Viega has finished their second plant with others to follow, and Central Plastics is doing a \$2,000,000 expansion. During the last 13 years we have added 1,311 new jobs in our city. Also, we have been providing export information to local firms in order to expand their exports. Our economy is second only to Sedgwick County in exports per capita. We want the state and our city to grow more jobs and provide more housing. When these objectives are achieved, a larger tax base will lessen the tax burden on our citizens.

Bond ratings will likely be downgraded with a property tax lid thus creating additional long term expense to our community through increased interest rates resulting in less favorable debt funding than the city has historically enjoyed. The MCI five year average would help stabilize bond ratings.

There is great difficulty in competing for and retaining law enforcement personnel thus requiring more funds in the future beyond what a tax lid would allow. While safety and health are the top priorities of our local government, infrastructure, affordable housing, and amenities for citizens are also important if the State of Kansas and our local community are going to grow and provide a stronger tax foundation. Currently, our city has 20 % of our patrol officer and detective positions open. We desire to fund our top priorities and not damage our prospects for growth.

The City of McPherson desires to work with the state officials to create a strategy to strengthen our relationships with state government. We want (1) to help the state economy to expand, (2) to preserve home rule authority for our local community and (3) to provide local taxpayer protection in order achieve a win/win/win for citizens, state and city. Our city has worked diligently to make this win/win/win strategy a reality. We are committed to continuing to pursue this strategy in the future. We want continuous improvement for citizens, the State of Kansas and our city. If the city's economy declines, the state economy will decline. The state is the total sum of the local economies. HB 2609 would help achieve a win/win/win situation.

There is data on the next page.

Thomas A Brown

Assessed Valuation Analysis City of McPherson, Kansas

		(A)				(B)				(A - B)					
Assessed Valuation Year	Tax Collection Year	Number of Mills Levied	Assessed Valuation		(a)	Valuation Increase or (Decrease) over Prior Year	%	Change in Assessed Valuation		(b)	%	Change in Assessed Valuation		(a - b)	Private Sector Jobs
			Total	Improvements from New				NET of New Improvements	Improvements			Increase			
2000	2001	46.909	\$ 71,702,415	\$ 2,624,926	3.80%		\$ 1,049,720	1.52%	\$ 1,575,206	2.28%				N/A	
2001	2002	46.776	79,333,304	7,630,889	10.64%		1,392,271	1.94%	6,238,618	8.70%				N/A	
2002	2003	47.416	81,532,701	2,199,397	2.77%		1,150,332	1.45%	1,049,065	1.32%				10,439	
2003	2004	50.682	84,370,811	2,838,110	3.48%		1,568,819	1.92%	1,269,291	1.56%				10,584	
2004	2005	48.734	93,723,315	9,352,504	11.08%		2,631,220	3.12%	6,721,284	7.97%				11,022	
2005	2006	47.708	97,118,179	3,394,864	3.62%		1,344,446	1.43%	2,050,418	2.19%				11,107	
2006	2007	50.168	101,007,027	3,888,848	4.00%		1,439,869	1.48%	2,448,979	2.52%				11,247	
2007	2008	48.801	101,776,986	769,959	0.76%		2,077,970	2.06%	(1,308,011)	-1.29%				10,809	
2008	2009	51.338	104,668,277	2,891,291	2.84%		1,564,910	1.54%	1,326,381	1.30%				10,484	
2009	2010	51.336	102,895,743	(1,772,534)	-1.69%		798,953	0.76%	(2,571,487)	-2.46%				10,385	
2010	2011	51.281	102,225,224	(670,519)	-0.65%		1,309,245	1.27%	(1,979,764)	-1.92%				10,475	
2011	2012	51.127	103,242,798	1,017,574	1.00%		790,675	0.77%	226,899	0.22%				10,717	
2012	2013	51.127	105,188,907	1,946,109	1.88%		530,018	0.51%	1,416,091	1.37%				10,891	
2013	2014	51.022	106,040,085	851,178	0.81%		653,601	0.62%	197,577	0.19%				11,055	
2014	2015	51.330	108,300,991	2,260,906	2.13%		706,909	0.67%	1,553,997	1.47%				11,239	
2015	2016	51.570	113,327,272	5,026,281	4.64%		790,457	0.73%	4,235,824	3.91%				11,750	
Total Assessed Valuation from New Improvements over the last 16 years							\$ 19,799,415							1,311	
Average Annual Assessed Valuation Increase over last 16 years														12.56%	
Percentage of the Source of Assessed Valuation Increase															
Average Levy over the last 8 years (ranging from 51.002 - 51.570 during that time period)															
Average Levy over the last 16 years (ranging from 46.416 - 51.570 during that time period)															
49.833															

Thomas G. Brown
Mayor, City of McPherson