



City of Fredonia

May 8, 2017

Honorable Chairman Johnson and Members of the House Taxation Committee

House Bill 2424

I would like to thank you for the opportunity to provide testimony in support of HB 2424.

House Bill 2424 addresses some of the concerns that I have about the existing Tax Lid legislation. Employee benefit costs are some of the most volatile expenses from one-year to the next, and exempting them from the tax lid calculation would provide more flexibility during the budget process.

In 2017, the City of Fredonia's health insurance premiums increased by 14.35%. Across all funds, this represented increased premiums of roughly \$37,000 for the year. Just under \$20,000 of this increase was for employees out of the City's General Fund. Of that, \$11,150 was for employees that are not covered under the Public Safety exception available under current legislation.

The City of Fredonia also saw an increase in our Workers' Compensation insurance premiums of 37% over their 2016 levels. Across all funds, this amounted to a \$12,122 increase. \$3,190 of this increase was for General Fund employees that are not covered under the Public Safety exception to the tax lid.

Of course, the cost of both of these benefits increased by a far greater percentage than the 1.4% increase in the CPI for 2016. I am anticipating another increase in our health insurance premiums of between 5% – 10%, but I am hopeful that our Workers' Compensation premiums will level out.

I hope that these real-world examples show the challenges that many municipalities across the State of Kansas may encounter if we are not allowed to exclude employee benefit costs for all employees from the tax lid calculations.

One year of bad claims experience could see municipalities facing the difficult decision of having to scale back employee benefits, reduce services or expenses in other areas, or face the prospect of holding an election that may end up costing more than the increased property taxes we hope to collect.

I am particularly concerned about the impact upon smaller cities. Since we have fewer employees to distribute risk among, it often only takes one large claim to generate double digit increases in premiums. Fredonia was able to absorb the increased cost of these employee benefits in 2017, but I do not know if we could do so again in 2018 if we experience another bad claim year.

I appreciate your time, and consideration on this matter.

With Warmest Regards,

A handwritten signature in blue ink that reads "Michael Ohrt". The signature is written in a cursive style with a large, stylized "M" and "O".

Mike Ohrt
City Administrator
City of Fredonia, Kansas