

**Wm. Gary Baker
Consultant**

School of Business
Washburn University
Topeka, Kansas 66621
Tel: 785-670-1586

P.O. Box 4431
Topeka, Kansas 66604
Tel: 785-232-4499
Fax: 785-670-1063

May 7, 2013

Leeds Law, LLC
Ms. Luanne Leeds
515 SW Horne, Suite 201
Topeka, Kansas 66606

Ken Snyder

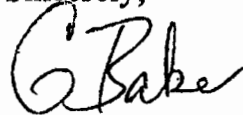
Ms. Leeds:

I have estimated the present value of the economic loss to Ken Snyder resulting from the termination of his employment July 8, 2010. The loss ranges from a low of \$883,496 to a high of \$1,298,228.

The evaluation is based on information received from your office as detailed in Part I of this report. If there is an error in the information please contact me immediately so I may correct the error and provide you with a revised evaluation.

The methodology and other sources of information employed in preparing this report appear in the subsequent parts of the report. If I may be of further assistance please do not hesitate to contact me.

Sincerely,



Gary Baker Ph.D.

In computing the economic loss there are two scenarios. One assumes Mr. Snyder finds alternative employment earning \$25,000 per year the other assumes alternative employment earning \$45,000 per year.

Economic Loss to
Ken Snyder
Alternative Employment is \$25,000 annually

HISTORIC LOSS:

Wages (Straight Time)	\$229,400
Wages (Overtime)	25,234
Interest (Straight Time)	12,937
Interest (Overtime)	1,423
Employer Paid Health Premium	45,880
Social Security ST	14,223
Social Security OT	1,565
Retirement ST	19,499
Retirement OT	<u>2,145</u>
Total Historic	\$338,082

PRESENT VALUE OF FUTURE LOSS:

	BPU <u>Earnings</u>	Alternative <u>Earnings</u>	Lost <u>Earnings</u>
Wages (Straight Time)	\$1,003,660	\$351,905	\$ 651,755
Wages (Overtime)	110,403	38,710	71,693
Employer Paid Health Premium	200,732	70,381	130,351
Social Security ST	62,227	21,818	40,409
Social Security OT	6,845	2,400	4,445
Retirement ST	85,311	29,912	55,399
Retirement OT	<u>9,384</u>	<u>3,290</u>	<u>6,094</u>
Total Future	\$1,478,562	\$518,416	\$ 960,146
 TOTAL	 \$1,816,644	 \$856,498	 \$1,298,228

Economic Loss to
Ken Snyder
Alternative Employment is \$45,000 annually

HISTORIC LOSS:

Wages (Straight Time)	\$229,400
Wages (Overtime)	25,234
Interest (Straight Time)	12,937
Interest (Overtime)	1,423
Employer Paid Health Premium	45,880
Social Security ST	14,223
Social Security OT	1,565
Retirement ST	19,499
Retirement OT	<u>2,145</u>
Total Historic	\$338,082

PRESENT VALUE OF FUTURE LOSS:

	BPU	Alternative	Lost
	<u>Earnings</u>	<u>Earnings</u>	<u>Earnings</u>
Wages (Straight Time)	\$1,003,660	\$ 633,429	\$370,231
Wages (Overtime)	110,403	69,677	40,725
Employer Paid Health Premium	200,732	126,686	74,046
Social Security ST	62,227	39,273	22,954
Social Security OT	6,845	4,320	2,525
Retirement ST	85,311	53,841	31,470
Retirement OT	<u>9,384</u>	<u>5,923</u>	<u>3,462</u>
Total Future	\$1,476,562	\$ 933,149	\$545,413
 TOTAL	 \$1,818,644	 \$1,271,231	 \$883,496

ECONOMIC ANALYSIS
Ken Snyder

PART I: BACKGROUND STATISTICS



Race: Caucasian
Sex: Male
Current Age: 51 (52 next birthday)
Life Expectancy: Normal
Date of Employment Termination: July 8, 2010
Age at Retirement: 67
Marital Status: Married
Date of Analysis: May 2013
Date of Present Value: December 3, 2013

PART II: CALCULATON OF HISTORIC ECONOMIC LOSS

Ken Snyder was employed by the Kansas City Kansas Board of Public Utilities (BPU) beginning January 21, 2010 earning \$28.87 per hour. During his employment he averaged forty hours per week straight time (2,080 hours per year). The base wage increased on January 21st of each year. The following table computes the historic loss of wages based on the wage increases. The loss is \$229,400.

<u>Begin</u>	<u>End</u>	<u>Wages</u>	<u>% of Year</u>	<u>Loss</u>
8-Jul-10	31-Dec-10	\$60,050	48.22	\$ 28,955
1-Jan-11	21-Jan-11	60,050	5.75	3,455
21-Jan-11	31-Dec-11	63,794	94.25	60,123
1-Jan-12	21-Jan-12	63,794	5.75	3,670
21-Jan-12	31-Dec-12	67,558	94.25	63,671
1-Jan-13	21-Jan-13	67,558	5.75	3,887
21-Jan-13	23-Dec-13	71,302	92.05	<u>65,637</u>
				\$229,400

Mr. Snyder also worked overtime averaging 3.2 hours per week. He also received employer's contribution to Social Security, retirement benefits and employer paid health insurance.

The straight time wage was \$28.87 per hour (\$60,050 annually) with overtime being time and one-half, or \$43.305 per hour. Mr. Snyder averaged 3.2 hours per week overtime for 48 weeks per year. The overtime pay totals \$6,652 annually which is 11.08% of the annual wage.

The employer's contribution to Social Security and retirement are 6.2% and 8.5% of income respectively.

The health premium is assumed to be \$1,000 per month at the time of Mr. Snyder's employment termination. The contribution is 20% of the base salary of \$60,050 (\$1,000/\$60,050). Once the employer's actual contribution to health insurance premiums are known this estimate will be modified. The historic loss of employer paid health insurance premium is \$45,880 (\$229,400 * 20.00%).

Interest is computed on the historic loss. The judgment rate used in this analysis is 4.5% annually.¹ The interest is computed on the foregone income and not the Social Security, retirement benefits or the health insurance premiums. The analysis assumes the interest is paid at the end of the year.

In 2010 Mr. Snyder would have earned \$28,955. The interest accrues on this amount from January 1, 2011 until December 23, 2013. The following table presents the interest computation on straight time.

	Dollars	Years Earning	Interest
Beginning	<u>at Interest</u>	<u>Interest</u>	<u>Dollars</u>
2011	\$28,955	2.97	\$4,056
2012	63,578	1.97	5,851
2013	67,342	0.97	<u>3,030</u>
Total interest earned on straight time			\$12,937

The interest on overtime is 11% of straight time.

PART III: CALCULATION OF FUTURE ECONOMIC LOSS

The present values of the future income and benefits are calculated by using the following formula:

$$\text{Present Value of Future Income} = \$ \sum_{t=0}^n [(1+g)^t / (1+d)^t]$$

The four variables in the formula are:

\$, t, g, and d

\$ The dollar sign represents the income Mr. Snyder would earn, either at the Board of Public Utilities or alternative employment. Since Mr. Snyder was unable to find alternative employment he has enrolled at the Kansas City Community College pursuing an Associate of Arts degree in Computer Engineering Technology. Linda Wyatt, Director

¹ http://www.kssos.org/pubs/pubs_finance_rates.html

of Career Placement and Planning, indicated the starting salary would likely be in the range of \$25,000 to \$45,000 annually.

This analysis assumes Mr. Snyder would have fringe benefits with an alternative employer which would equal those benefits paid by BPU. That is, at BPU overtime averages 3.2 hours per week, the Social Security contribution was 6.2% of wages and the contribution to retirement was 8.5% of wages and this would have been true with alternative employers.

- T Represents time and starts on the present value date. The analysis assumes uninterrupted work until retirement at age 67.
- G Represents the growth rate. The growth rate is 2.86% and is the 1987 through 2012 historic rate of change in the Consumer Price Index.
- D Represents the discount or interest rate. The discount rate is 3.81% and is the historic yield on six month Treasury Bills from 1987 through 2012.

PART IV: BIBLIOGRAPHY

Consumer Price Index

<http://data.bls.gov/PDQ/outside.jsp?survey=cu>

Viewed January 16, 2013

Interest Rates: Federal Reserve Bank

<http://federalreserve.gov/releases/H15/data.htm>

Viewed January 16, 2013

PROBABILITY OF LIVING

United States Life Tables, 2008

US Department of Health and Human Services

Centers for Disease Control and Prevention

National Center for Health Statistics

September 24, 2012

Volume 61 No. 3

JOB PARTICIPATION RATE

Civilian Labor Force Participation Rate

By Sex, Race, Hispanic Origin, and Age, 1948-2010

Handbook of U.S. Labor Statistics, 15th Edition

Edited by Mary Meghan Ryan

Lanham, Maryland by Bernan Press, 2012

Table 1-8

PROBABILITY OF EMPLOYMENT

Unemployment Rates

By Sex, Race, Hispanic Origin, and Age, 1948-2010

Handbook of U.S. Labor Statistics, 15th Edition

Edited by Mary Meghan Ryan

Lanham, Maryland by Bernan Press, 2012

Table 1-27.

Kansas Wage Survey: Kansas Department of Human Resources.

<http://klic.dol.ks.gov/analyzer/searchAnalyzer.asp?cat=OCC&session=OESWAGE&subsession=3&time=&geo=&currsubsessavail=&incsource=&blnS tart=True>

Viewed January 19, 2012