



Date: May 9, 2017

To: Chairman Steven Johnson and the House Taxation Committee Members

From: Richard T. Boeshaar, Mayor, City of Mission Hills

Subject: Written Testimony in Support of HB 2424

Committee Members:

Thank you for the opportunity to offer testimony in support of HB 2424, specifically, the proposed exemption to the property tax lid for costs related to employee benefits.

All public entities affected by the tax lid are analyzing the lid's impact on our ability to maintain service levels. Exemptions such as the one being considered in HB 2424 are a welcome relief as they offer safety valves to address those costs that are out of our control. Employee benefits certainly fit in that category. While Mission Hills has a small number of employees, the cost to offer competitive benefits that contribute to an employee's total compensation are substantial costs for all cities. In 2016, the total benefits offered to our employees were 30% of our total payroll. The largest of these benefits is our cafeteria plan, which includes health insurance among other offerings. In an effort to contain growing costs (the City's health insurance premiums were increasing anywhere from 5-12% annually), the City Council instituted a cafeteria plan and capped its growth at 3% for 2012-2015. In the face of rapidly rising health insurance costs, the Council then increased the cap to 6% for the next three years – we are in year two of budgeting for a 6% annual increase. In 2018, our health insurance rate increases will average 9% - still outpacing the City's policy and far outpacing the growth rate due to the property tax lid. Mission Hills' experience is not unique. Mercer's 2016 survey of employer sponsored health plans, which revealed yet again that the underlying trend in health insurance costs continues to hover around 6% and is expected to increase in 2017. Beyond health insurance, the City's other employee benefits such as workers compensation insurance rates, unemployment insurance and retirement and pension programs have increased by 3-4% annually over the last 10 years. All of these growth rates are well beyond the 1.4% expected growth rate allowed for with the property tax lid in 2018.