



TOWN of BROOKLINE

Massachusetts

BOARD OF SELECTMEN
MELVIN A. KLECKNER
Town Administrator

TO: Board of Selectmen
Harry Bohrs, Chair, Advisory Committee

FROM: Melvin A. Kleckner, Town Administrator

DATE: March 14, 2014

SUBJECT: Funding of FY 2015 Bridge Budget

Last week, the Town received outstanding news from the Group Insurance Commission (GIC) relating to premium rate increases for our employee health insurance program for Fiscal Year (FY) 2015. Primarily resulting from the Commission's insistence that insurance carriers adopt risk sharing and spending cap approaches, next year's average premium rate increase will be limited to about 1%. Obviously, different plans will increase (or decrease) at varying rates and the Town's actual budget increase depends upon enrollment patterns for specific plans. In addition, the Town must account for increases in employee participation, especially given the growth in employment related to school enrollment.

We had initially projected a budget increase for health insurance of \$1.5 million (6.1%), which resulted from an assumption of a 5% rate increase and 40 new enrollees. The actual increase using the final GIC rates will limit that budget increase to 1.5%, or \$366,283. This will result in a budget "savings" of \$1.13 million. Based on recent enrollment information and trends, we believe that some of these savings should be allocated to cover increased participation in the program. Still, the overall savings will total \$1 million. This substantially alters the framework of the Town's FY 2015 Budget. As you know, I identified \$1 million in new, non-property tax revenue from increases in parking fees/fines to support the "Bridge Budget", so called. This revenue was in anticipation of a more comprehensive funding package in FY 2016 to be developed by the Override Study Committee, which would involve a property tax increase (a Proposition 2½ Override), non-tax revenue increases and expenditure reductions/reforms. All of the \$1 million in new parking revenue was allocated to the School Department budget notwithstanding the traditional 50/50 revenue split that is part of the Town/School Partnership. With the availability of \$1 million in budget capacity from the lower GIC premiums, I am recommending that this capacity be used to support the School budget instead of implementing the increased parking rates.

cc: Alan Morse, Chair, School Committee
William Lupini, Superintendent of Schools
Dick Benka and Susan Wolf Ditzkoff, Co-Chairs, Override Study Committee
Sean Cronin, Deputy Town Administrator