



# **Finance Committee Report**

## **City of Newton** **In City Council**

**Monday, April 28, 2025**

**Present:** Councilors Gentile (Chair), Malakie, Greenberg, Micley, Bixby, Humphrey, and Grossman

**Also present:** Councilors Oliver, Wright, Block, and Farrell

**Absent:** Councilor Lipof

**City staff present:** Comptroller Steve Curley; Deputy Comptroller Stela Zaloshnja; Financial Planning & Analysis Manager Perry Rosenfield; Financial Analyst II Trevor Goehring; Chief Financial Officer Maureen Lemieux; Retirement Board Director Barbara O'Brien; Retirement Board Member Kelly Byrne; Retirement Board Member Tom Lopez; City Treasurer/Collector Ronald Mendes; and Chief Procurement Officer Nicholas Read

All Finance agendas and reports, both past and present, can be found at the following link:  
<https://www.newtonma.gov/government/city-clerk/city-council/council-standing-committees/finance-committee>

For more information regarding this meeting, a video recording can be found at the following link:  
<https://www.youtube.com/live/mUWGIC1oPtc?si=0kFyf1K7Ocb5KO23>.

**#107-25      Appropriation of \$2,000,000 for FY2026 Health Insurance costs**

HER HONOR THE MAYOR requesting authorization to appropriate two million dollars (\$2,000,000) from June 30, 2024 Certified Free Cash to an account established for the purpose of supplementing the significant increase in FY2026 Health Insurance costs.

**Action:**      **Finance Approved 7-0**

**Note:**      Perry Rosenfield started by providing background on the item. He explained that the City met with its health insurance consultant who initially recommended a 7.8% rate increase for FY2026, which included a 2% buffer and was based on claims data through November.

At the next meeting in late January, the consultant revised the recommendation up to 10.1% based on December data that showed a large upswing in claims. That recommendation also included a 2% buffer, but the City kept the 7.8% rate steady while continuing to monitor the data to see if December was an anomaly.

After monitoring January and February claims data, the consultant revised the recommendation to an 11.2% increase in their March meeting. These months showed that the December data was not an anomaly and added weight to the consultant's financial model.

Mr. Rosenfield explained that the School Department had already built their budget based on the 7.8% rate, so the City did not want to make a change so late in the process. Instead, they decided to request the difference using \$2 million from Free Cash. He noted that the City and School would need to increase their starting point for health insurance by \$700,000 and \$1.3 million respectively before factoring in FY2027 rate increases. A councilor confirmed that the new account would be under the Comptroller's budget.

A councilor inquired about the plan for next year to address this change in starting point. CFO Lemieux answered that it would depend on working with the new Mayor, but her recommendation would be to add \$1.3 million to the base of the School budget and \$700,000 to the City's before any percentage increases are calculated.

The same councilor responded that this was inconsistent with past guidance. He noted that in other cases, the City had said Free Cash should not be used for ongoing operational costs like new FTEs because they grow year after year. CFO Lemieux responded that this situation is different. If they had known from the start that an 11.2% increase was needed, they would have addressed it earlier. However, they are now aware of this issue more than one year in advance. She mentioned that financial guidelines allow up to \$1.5 million in Free Cash for the next year's operating expenses, adding that they will need to figure out how to incorporate this \$2 million into the base budget next year, whether it is before or after the percentage increases.

A councilor asked what would happen if the increase is higher or lower than 11.2%. CFO Lemieux answered that the City is expecting to spend about \$92 million on health insurance. She explained that since the City is self-insured, they pay the actual cost of claims out of a trust fund. If total costs of claims exceed revenues from the working rates, they would use the trust fund's reserve. Going forward, the rates could be raised to what the trend is in addition to the amount needed to cover the difference. She added that the consultants will continue to forecast claims and track costs over the next 18 months.

A councilor asked when the City switched to its current insurance provider. CFO Lemieux confirmed this is the City's second year with BlueCross. The councilor asked whether she still supports that decision, and CFO Lemieux said that she did. She mentioned that the switch has saved the City more than \$100 million in its OPEB liability and that BlueCross negotiates competitive contracts. Although the City is self-insured, they pay BlueCross' negotiated rates and a fixed administrative fee.

The same councilor asked when the City would look at its health insurance options again. CFO Lemieux answered that there is one year left in the BlueCross contract and they will reevaluate at that point. She noted that switching providers can be disruptive to employees and that the City does routinely assess benefits. She mentioned the City's recent change to its life and dental insurance.

A councilor asked what else could be done to reduce costs. CFO Lemieux responded that education for employees and retirees is key to encourage healthy lives and preventative care. She mentioned that

the City can incentivize employees' and retirees' choice of clinic for non-emergency visits by offering different copays. She added that the City needs to do more education on this.

Councilor Malakie motioned to approve the item which passed unanimously.

***Chair's note:*** *The Budget report for this meeting will be posted at a later date and will be found at the following link: <https://www.newtonma.gov/government/city-clerk/city-council/council-standing-committees/finance-committee>.*

The Committee adjourned at 8:45pm.

**Respectfully submitted,  
Leonard Gentile, Chair of Finance Committee**