Finance Committee

Chairman Medeiros, Seaboyer, Tramontozzi, Wright, Mortimer
Attending: Brodeur, Conn
In attendance: City Auditor/CFO Patrick Dello Russo; Health Director Ruth Clay

Finance Committee called to order by Chairman Medeiros at 8:10 p.m. Order No. 09-076, TRANSFER Amount: $53,750.00 From: A/C #019111-511010 – Pension, Contributory Retirement To: various accounts: Fire, Overtime; Health, Professional Services; as set forth herein.

Chairman Medeiros says she has a few questions for Mr. Dello Russo. She asks why this money is available. Mr. Dello Russo says PERAC allows cities and towns until 2028 to fund the obligation. Melrose is scheduled to have it funded in 2024; it had been 2021. The capacity is 2028. Chairman Medeiros says the schedule was put in place to be sure cities and towns were meeting their obligation. Mr. Dello Russo says cities and towns were pay as you go – there was little thought to future obligations. Chairman Medeiros says she is hesitant to support this. The funds are going to a good cause but it's borrowing from Peter to pay Paul.

Alderman Seaboyer asks which part of the $3,750 is going to the US Wildlife. Ms. Clay says $1,725; the remainder is to take care of sick animals. Alderman Seaboyer says he thinks pushing the funding schedule to 2024 is a very good idea.

Alderman Wright says he is somewhat concerned that at half way through the fiscal year there is no other place to draw funds from to pay these obligations except the Pension fund. Mr. Dello Russo says that is a valid point and something all cities and towns struggle with. From the date the funding schedule originated to the date it is fully funded, the numbers will change. The rate of returns are never constant and if the market had maintained the levels of returns of the past few years the obligation would have been paid by 2024 and not 2028. The Commonwealth laid out a schedule plan to 2028 to take stress off cities and towns. The only way to pay the theoretical liability is through the taxpayer. Alderman Wright says earnings are way off this year yet $53,000 is being drawn from Retirement Contribution and being shifted to Fire overtime and Health Department Professional Services. Mr. Dello Russo says the appropriation for the Pension Contributory Retirement budget was voted on July 1. The amount of funds needed decreased when the funding schedule was extended. Alderman Wright asks what will happen to the $53,000 if it isn't used now. Mr. Dello Russo says it will close out in the General Fund and become available Free Cash next year. Alderman Wright asks if the City always only pays PERAC what it requires – no more no less; Mr. Dello Russo says yes.

Alderman Brodeur asks if PERAC has outperformed the market. Mr. Dello Russo says PRIT has. Alderman Brodeur says the City essentially has a fixed cost obligation in a defined benefit plan. When a person retires from the state or city he or she gets a defined benefit. Investments have to make enough money to meet that target. If the market tanks the City still owes that money. There is no such thing as fully funded.

Alderman Mortimer says the number of retirees is not known from year to year. Mr.

Dello Russo says that is correct.

President Conn has two points. The first is that this is not a real number. This is a bureaucratic made up number. The board shouldn't confuse the taxpayers acting like there is a real number. It's a guesstimate and has politics involved in it. It's a fake number. The other point is that a number of members of this board urged the Retirement Board to extend the schedule.

Chairman Medeiros says the aldermen already appropriated $5.1 million to this fund. She asks what will happen to the extra money if they don't take it. Mr. Dello Russo says the balance goes to the General Fund.

Alderman McAteer-Margolis says the Free Cash Mr. Dello Russo spoke of earlier in the evening does not include this balance. Mr. Dello Russo says that is correct. Alderman McAteer-Margolis asks if the state legislature is looking at the target figure being a fake number. Mr. Dello Russo says the state is looking as they did in determining the 2028 deadline. They are looking at setting up a revolving account. If mandated, Melrose would have to participate.

Alderman Forbes asks if the PERAC payments are due in January. Mr. Dello Russo says yes; they operate on a calendar year schedule.

On the motion to recommend, All in favor.

Order No. 09-077, Order No. 09-077, TRANSFER Amount: $1,875.00 From: various Inspectional Services/Wire Accts To: A/C #012412-529020 - Insp. Svcs, Inspections $1,200.00 and A/C #012451-513000 - Wire, Overtime $675.00 as set forth herein.

Alderman Mortimer moves to recommend, 2nd by Alderman Seaboyer. All in favor.

Order No. 09-079, Order No. 09-079, APPROPRIATION Amount: $1,602.00 From: A/C #84042-590000 - Contract Stabilization Fund, Transfer out To: A/C #012411-511000 - Inspectional Services, Salaries as set forth herein.

Alderman Mortimer moves to recommend, 2nd by Alderman Seaboyer. All in favor.

Alderman Mortimer motions to adjourn, 2nd by Alderman Seaboyer. All in favor.

Finance committee adjourns at 8:45 p.m.

There are no orders in Public Service or Legal and Legislative Matters to be acted on.

Maribeth Harrington
Clerk of Committees