FY2008 Budgetary Hearings

Appropriations Committee

Chairman Brodeur, Tramontozzi, Boisselle, Buonopane, Conn, Forbes, Heavey, Infurna, Seaboyer, Wright, Mortimer
In attendance: City Auditor/CFO Patrick Dello Russo; Human Resources Director Marianne Long; Human Rights Commissioner Mohamed Bachiri; ZBA Chairman Steve Broadley; Conservation Commissioner Susan Murphy; Pine Banks Trustee Henry Kezer, Pine Banks Superintendent John Burgess; City Treasurer/Collector Arthur Flavin; Retirement Board Administrator Barbara Wells, Retirement Board Legal Counsel Tom Gibson, Retirement Board Investment Advisor Kevin Leonard; Veterans Agent John Dunne

Appropriations called to order by Chairman Brodeur at 7:32 p.m. Alderman Conn says the Board of Aldermen has little ability to make changes to the budget and only marginal impact on the budget process; but it is still important to go through the budget to show the residents how and where money is being spent and what the City's priorities are.

Alderman Conn motions to suspend the rules to allow City Department Heads and other City officials to address their respective budgets, 2nd by Alderman Boisselle. All in favor.

Human Resources	139,488.54	HR Director Marianne Long

Ms. Long says she is here to discuss the Human Resources budget, Unemployment, Worker's Comp and Health-Life contractual. Alderman Boisselle says there is only $100.00 appropriated to HR printing and that $364.50 has been spent this year. Ms. Long says that her office is able to do more through the computer now, cutting expenses. Alderman Boisselle says that money spent on technology is paying off. He says the Office Supplies line-item has been zeroed out and asks if that responsibility is being centralized. Mr. Dello Russo says it is something the City has looked at for a couple of years. IT Director Jorge Pazos has taken the lead and is doing just that. Each Department will be given a Purchase Order number and a spending limit. He hopes to save up to $10,000.00. Alderman Boisselle says that technology is helping out again. Mr. Dello Russo says yes.

Alderman Seaboyer says the Worker's Compensation COLA benefits line-item has decreased. Ms. Long says that is actually the Worker's Comp expenses line-item. The budget reflects the projected anticipated costs. It has decreased over the past two years due to fewer claims filed with the Department of Industrial Accidents. The decision was made to move some money from that line-item into the benefits line-item. Alderman Seaboyer says that the money stayed within the budget and may be moved if needed.

Ms. Long says yes. Alderman Seaboyer says the Health Contractual has a big increase. Mr. Dello Russo says the budget as presented does not include funding for the City's liability. Cities and towns will be required to report the liability of active and retired employees on its books. However, there is no provisional requirement to fund this liability, to set up a funding schedule as was done with the pension liability. At some point the City is responsible to fund that liability. A request for $22,500 was included in the Free Cash order to undertake the study as required by law to do that this year; it will estimate how much the outstanding liability is to the City. Alderman Seaboyer asks if that is something the City doesn't have to worry about in this budget but in FY2009. Mr. Dello Russo says the recognition that the liability is out there is a serious concern and creates substantial stress.

Alderman Conn says that in reference to the Worker's Comp budget, people should understand that it is a fiscal success story. It has decreased from $800,000 to $500,000 since 2004. He asks how many active cases there are today. Ms. Long says there are five lifetime cases. In 2004 there were 17. The City was able to decrease the number to five by settling the claims which had a direct impact on the budget. Alderman Conn says the City cannot force someone to settle a claim. Ms. Long says that is correct. Alderman Conn asks if she is in negotiations now. Ms. Long says not currently, but attempts to negotiate with all five have been made. Alderman Conn says this year's expenses are less than $250,000. He asks if she expects to spend all $500,000 appropriated. Ms. Long says not necessarily in that line-item but other issues have arisen and she anticipates being close to depleting it by the end of the fiscal year. Alderman Conn asks if the Indemnity line-item is for police officers and firefighters. Ms. Long says yes, for injured police officers and firefighters.

Chairman Brodeur asks if the Worker's Comp benefits line-item sustain a small cut of $5,000. Ms. Long says if the Aldermen transfer it out now, chances are that they will transfer it back in.

Alderman Forbes asks if the pre-employment physicals include mandatory drug tests. Ms. Long says yes. Alderman Forbes asks if it is for all departments. Ms. Long says no, only for certain DPW departments, police and fire. Alderman Forbes asks if the City pays and Ms. Long says yes. Alderman Forbes says the Health Contractual projection is $8.3 million and that $5.5 million has been expended to date. He asks if the $2.5 million will carry the City through to the end of the year. Ms. Long says yes. Alderman Forbes asks if it is a fixed cost. Ms. Long says the City pays monthly.

Alderman Conn says the Unemployment budget has been over-expended. Ms. Long says that is correct. Alderman Conn asks if there was a large increase in the number of claims. Ms. Long says there was not an increase. Approximately seven people are collecting. From July through February $51,000 was spent specifically on the school's side and $45,000 on the City's side. The budget was level funded due to an agreement with the School Department that it would pay any additional dollars for any liability above $75,000.00. Alderman Conn says that in the current fiscal year, more than 50% of the Unemployment cost is school-side. He says there is a $22 million School budget but within the City's budget more than 50% of Health Contractual and Unemployment is for the School. Mr. Dello Russo says that 60% of those budgets pertain to the School.

Alderman Conn says the cost of health insurance is staggering. In 2004 it cost $6 million; 2005 cost $7 million; 2006 cost $7.5 million; 2008 cost $8.3 million; and 2008 will cost $8.9 million. It has become a huge proportion of the budget. At this time no one can do anything about it. It takes a bigger bite of the budget each year. Mr. Dello Russo says the City has been able to go from an annual increase of 13-14% down to 7%. The City went self-funding at the right time. It has become a large figure. Only the City-side is seen in this book. The figure is up to $12 million total. Alderman Conn asks if there is any help on the horizon. Mr. Dello Russo says there is some discussion on the state level to have cities and towns participate in a state group system but the cities' and towns' unions would have to agree to participate. There may be a move to remove those restrictions. Alderman Conn asks if any study has been done by Melrose. Ms. Long says not yet, but they are keeping an eye on it. The City is paying attention but no analysis has been done. To join the consortium would require bargaining. Alderman Conn asks if it would limit choices to the City's employees. Ms. Long says it would at this point; employees would have to give up Blue Cross Blue Shield.

Chairman Brodeur says he participates in the state's group insurance plan which offers six or seven choices. Ms. Long says she thinks it is only a matter of time before the City becomes more aggressive.

Alderman Forbes asks if an employee can carry health insurance after leaving employment. Ms. Long says they may through COBRA. The insured pays 100%; the City does not contribute at all. Alderman Forbes asks if the City has a buyout option if an employee's spouse has insurance. Ms. Long says no, the City has not done that.

President Mortimer motions to move the bottom-line of $139,488.54, 2nd by Alderman Boisselle. All in favor.

Worker's Comp	500,000.00	HR Director Marianne Long

Alderman Conn motions to cut $5,000 from line-item 543102, Benefits, 2nd by Alderman Buonopane. All in favor. Alderman Conn motions to move the bottom-line of $495,000.00 as amended, 2nd by Alderman Boisselle. All in favor

Unemployment	75,000.00	HR Director Marianne Long

Alderman Buonopane motions to move the bottom-line of $75,000.00, 2nd by Alderman Forbes. All in favor.

Health Contractual	8,944,732.00	HR Director Marianne Long

Alderman Boisselle motions to move the bottom-line of $8,944,732.00, 2nd by Alderman Forbes. All in favor.

Human Rights	1,825.00	Commissioner Mohamed Bachiri

Mr. Bachiri says he will speak about the activities of 2007. The first event is the Martin Luther King Dinner which celebrates the life of a great leader of the Civil Rights movement. Food is prepared and shared by all, and there is music as well at this well attended event. Secondly, the Human Rights Commission received a $1,000 No Place for Hate grant from the Anti-Defamation League and Blue Cross Blue Shield to develop a curriculum in the schools for Melrose's own Civil Rights leaders – William L. Garrison, Alice White, and Mary Livermore. The third event was the English Learners Reception to welcome families to Melrose whose children attend Melrose schools and for whom

English is not their native language. It was well attended and proved to be a great way to show them how accessible City government is in the United States. There was another event that the Human Rights was involved in stemming from a High School football incident at which a Malden High School male cheerleader was assaulted and subjected to hurtful and demeaning words. As a result the High School held a rally on the importance of words and how they can hurt. He says that next year the Commission would like to have more presence in the schools.

Alderman Conn says the largest amount of money in this budget is for the administrative position which is vacant. Mr. Bachiri says the Commission is in the process of filling it.

President Mortimer motions to move the bottom-line of $1,825.00, 2nd by Alderman Boisselle. All in favor.

Board of Appeals	11,800.00	Chairman Steve Broadley

Mr. Broadley says the only difference in this year's budget is the centralization of the purchasing of office supplies. Speaking to the importance of the budget proceedings, he says he appreciates what the Board of Aldermen do. He says the ZBA is a self-contained department that tries not to make too many demands.

Alderman Seaboyer asks how the home occupation ordinance will impact his board. Mr. Broadley says there will be a bit of a drop off in appeal cases, from 6-7 per year to 3-4.

Alderman Buonopane motions to move the bottom-line of $11,800.00, 2nd by Alderman Boisselle. All in favor.

Conservation Commission	17,925.00	Commissioner Susan Murphy

Ms. Murphy says that 40% of the budget is administrative costs and 60% is used to keep the pond treatment maintenance program going. A little money may be spent on taking down trees or other conservation concerns.

Alderman Boisselle asks if there is a schedule for pond treatment this year. Ms. Murphy says it is done according to the weather. The inspection takes place in late May or early June with the treatment following in late June or early July. Alderman Boisselle asks if there is trail maintenance done around the ponds. Ms. Murphy says there are two Eagle Scout trail projects; a little money will be expended for them and a lot of volunteer work will be used.

Alderman Conn says that earlier in the evening he asked what millions of dollars will get the City. He says that all of the work done by the Conservation Commission costs only $17,925 and it is important that people know that.

Alderman Forbes says there are grants available and asks if the Commission is actively seeking them. Ms. Murphy says that one grant they pursued is for GIS software.

Alderman Boisselle asks how the software is incorporated into the Commission's programs. Ms. Murphy says it will be used to make better trail maps and for tracking open space. Alderman Boisselle asks how many people are trained on it. Ms. Murphy says she has experience and the coordinator will be trained.

Alderman Buonopane asks if there is any way to set up funds to buy back property bordering on wetlands or if there is any grant money to do that. Ms. Murphy says there are grants to assist municipalities in acquiring land. The Conservation Commission also started an Open Space subcommittee to look at land that perhaps should be purchased or donated. That analysis is just starting. Alderman Buonopane asks if there is a person that should be applying for those grants. Ms. Murphy says the Planning Office could support them but first the Commission needs to see what land should be pursued.

Alderman Forbes says the Swains Pond study catalogued all land and owners and he believes the city is ready to send out a letter to buy that land. Ms. Murphy says the Conservation Commission is not in a position to offer any money just yet.

Alderman Boisselle asks if she is working with the Treasurer and Assessor's offices. Ms. Murphy says she is not at that point yet.

Alderman Forbes motions to move the bottom-line of $17,925.00, 2nd by Alderman Boisselle. All in favor.

Pine Banks	120,114.38	Trustee Henry Kezer Superintendent John Burgess

Mr. Kezer says the budget summary is on page 7 of the annual report. The budget is currently $11,000.00 over the mandate. The majority of the electricity bill was being sent to Malden so that needed to be rectified. This budget has been approved by both Mayors.

Alderman Conn asks if the Scheduling/Administrator is a new position. Mr. Kezer says it is new this year and they hope to fill it. It is intended to get information out to the public regarding who is using which fields and when.

Alderman Boisselle asks if the lights are on a timer. Mr. Burgess says they are, and go off at 11:00 p.m.

Alderman Heavey says the Avon Walk for Breast Cancer uses the park to set up tents overnight for its walkers. She asks if they pay a user fee. Mr. Kezer says they have used it in the past and did pay a fee; however they can't put the tents up on the new field.

Alderman Seaboyer says the building repair line-item is increased by 43%. Mr. Kezer says three buildings need new roofs.

Alderman Boisselle asks if there are walking trails in addition to the passive use areas. Mr. Kezer says there are, and that maps are available in the office.

President Mortimer motions to move the bottom-line of $120,114.38, 2nd by Alderman Boisselle. All in favor.

Treasurer/Collector	380,221.55	City Treasurer Art Flavin

Mr. Flavin says his office is responsible for billing, collecting, and investing all money in Melrose. Municipal Debt is associated with projects that have been approved and started by the City. Medicare Tax is significantly higher than the prior year with a 3%

increase. He expects arbitration settlements that will have an impact on it. Employees hired before 1986 do not have to pay Medicare. The City pays 1.5 cents for every dollar the City pays in salary.

Alderman Conn says this budget is mostly salary and wages and asks how many employees there are. Mr. Flavin says there are five employees that work for him. Alderman Conn asks if the tax title fees include pay out for counsel. Mr. Flavin says it includes other fees and insurance for buildings that are taken by the City. Alderman Conn says only $5300 has been spent up to now and $17,574 was spent in the previous year. He asks how much Mr. Flavin expects to pay out this fiscal year. Mr. Flavin says he does not expect a large surplus. There are five pending cases and the City is getting ready to pursue a move. Alderman Conn asks if he anticipates moving cases in the upcoming year. Mr. Flavin says that looking at the past five years, people in Melrose pay their taxes.

Chairman Brodeur says that title fees are a soft number because they are unpredictable. He asks Mr. Flavin if a $2,000 cut is possible. Mr. Flavin says it is as long as the board doesn't mind seeing him next year.

Alderman Conn motions to cut $2,000 from line-item 528002, Tax Title, 2nd by Alderman Buonopane. All in favor.

Alderman Conn motions to move the bottom-line as amended to $378,221.55, 2nd by Alderman Buonopane. All in favor.

Municipal Debt	1,318,125.00	City Treasurer Art Flavin

Mr. Flavin says this is the obligation the City signed on to for Capital Improvements in past years and for existing bonds. New non-exempt debt is for projects approved in the last two years.

Alderman Conn asks where the Middle School bonding comes into play. Mr. Dello Russo says it is in the two interest accounts.

Alderman Buonopane asks if any debts are rolling off after this year; Mr. Flavin says no.

President Mortimer motions to move the bottom-line of $1,351,761.19, 2nd by Alderman Tramontozzi. All in favor.

Municipal Debt Interest	1,351,761.19	City Treasurer Art Flavin

Alderman Buonopane motions to move the bottom-line of $1,351,761.19, 2nd by President Mortimer. All in favor.

Temporary Debt Interest BAN	869,973.81	City Treasurer Art Flavin

Alderman Buonopane motions to move the bottom-line of $869,973.81, 2nd by President Mortimer.

Alderman Conn says the City does a lot of bonding and everyone can see the impact here in black and white. Last year's budget was $2500 and this year it is $869,973.81.

Chairman Brodeur says that is an increase of 5759.8%.

Alderman Conn says tree trucks are worthy expenses but here is the impact.

Chairman Brodeur says that again, these costs were approved by the Board of Aldermen.

On the motion to move the bottom-line of $869,973.81, All in favor.

Medicare City Portion	390,000.00	City Treasurer Art Flavin

Mr. Flavin says it is a federal obligation that the City pays 1.45% per employee.

Chairman Brodeur asks if it is fair to say the municipal budget pays for City employees and the school budget pays for school employees. Mr. Flavin says this budget is City-wide.

Alderman Conn asks if he expects an increase every year going forward. Mr. Flavin says yes due to salary increases and as older employees retire. Settlement contracts will increase this by 3-4%.

President Mortimer motions to move the bottom-line of $390,000.00, 2nd by Alderman Boisselle. All in favor.

Pension Weekly	5,391,091.36	Retirement Administrator Barbara Wells Legal Counsel Tom Gibson Investment Advisor Kevin Leonard

Ms. Wells says the Retirement office pays retirees with this line-item.

Alderman Wright asks how the City's pension investments compare with the state's. Mr. Leonard says that over the last 5 years PRIT has returned 7% and Melrose has returned 5.53%. Alderman Wright says it is his understanding that any shortfall between the City and State's returns must be made up through the City's General Fund. He asks the Retirement Board to provide the most current 5-, 10-, and 20-year actuarial comparison performed by PERAC's professional actuary in the rate of return between the City's earnings and what the compounded earnings would have been had Melrose been enrolled in the state's PRIT Fund.

Alderman Conn says the FY03 contribution to the Pension budget was $3.5 million; in FY04 it was $4 million; in FY05 it was $4.2 million; in FY06 it was $4.5 million; and in FY07 it was $4.6 million. He says for FY08 it has jumped 14% to $5.3 million. Mr. Gibson says the assessment is given to the City by the state. It formulates an actuarial evaluation based on a funding schedule to be fully funded by 2019. The number given to the Retirement Board is then provided to the City for funding. Alderman Conn asks why it increased by 14% this year. Mr. Gibson says pension costs are increasing rapidly. The funding schedule requires every retirement system to be fully funded by 2028. The state is looking at the cost of the pensions and the unfounded liability required to make up. Why the number increases is multi-factorial. Alderman Conn asks if it is voted at a local level to fully fund the City's retirement system by 2019 or if that date is mandated by the state. Mr. Gibson says this Retirement Board voted for 2019. The quicker it is fully funded the less it will pay over the long run. Alderman Conn asks if a local board could push it out further. Mr. Gibson says yes, but it will pay substantially more over the long run. Alderman Conn says that funding to meet all of these obligations does not exist. He asks if the increase is expected to flatten out. Ms. Wells says it should flatten out; the two retirement buy-outs inflated the budget.

Alderman Buonopane says the City's pension rate of return is working at a 2% loss compared to the state's. Mr. Leonard says that when the City adopted the funding schedule it was at 8%; the investment is doing what it should be doing.

Chairman Brodeur asks if the figures are net of fees. Mr. Leonard says he does not know. Chairman Brodeur says he would like that information. He asks how many managers the City uses. Mr. Leonard says twelve plus an allocation for Hedge Funds. Chairman Brodeur asks if that is a large or small number of managers. Mr. Leonard says it is not a high number. Chairman Brodeur says that some pension systems have expanded into Hedge Funds and that it has become risky. Mr. Leonard says that when the state pension plan began the allocation of Hedge Funds, PERAC initiated a policy that it was necessary to have over $250 million in assets to invest in them. That eliminated over 90% of municipalities from being able to invest in them; however, municipalities may utilize PRIT's Hedge Funds.

City Auditor/CFO Patrick Dello Russo says it is his objective to have the Melrose Retirement Board vote to shift to PRIT completely; 1.5% differential in return equals $750,000 per year. That is $9 million over 20 years. There is no possible way that the Melrose Retirement Board can be as diversified as PRIT with its size, volume and money. The fees the City pays versus the fees that PRIT pays can't compare: larger volume, less cost. He would like the board to expand the schedule date from 2019 to 2028. The savings realized now will offset the cost of expanding the schedule. He put an order before the Retirement Board to ban out-of-state travel and it was defeated. He does not believe in trips to Hawaii. He has sat on Retirement Boards in Melrose and in Plymouth, MA for 15 years and has only taken one out-of-state trip. That was to the New York Stock Exchange. He feels that if the Retirement Board's questions can't be answered by 14 managers and one consultant, the Board should fire them. The decisions that the Retirement Board makes cost the City money, but the City doesn't have a vote. If Melrose joined PRIT, it doesn't lose anything; it gains. Returns are enhanced and unnecessary travel is eliminated. The way the Retirement Board operates now shows disrespect to the taxpayers. He is trying to find ways that everyone wins. A 9% return isn't impressive; the system is leaving ¾ of a million dollars on the table. He will continue to press the board as the City's CFO to go with PRIT.

Alderman Conn says what Mr. Dello Russo is talking about cannot be addressed by the Board of Aldermen but with the Retirement Board. Mr. Dello Russo says that is correct. Alderman Conn says what he is most interested in is the impact on the City's budget to go from the 2019 funding schedule to the 2028 funding schedule. Mr. Gibson says he will get that to Ms. Wells. Mr. Dello Russo says by increasing investment returns over what the scheduled increases are, the unfunded liability is reduced by more than the schedule illustrates. Funding schedules are updated by all boards generally every two years because the variables change: actual investment return to the scheduled return (8.25%), actual retirement expenses, actual salary increases granted, new COLA increases to retirees, actual membership including retirees, new employees, and terminations. Melrose's schedule assumes employee salary increases will range from

4.75% to 5.25% per year which is not happening. The highest increase the City can offer is 3%.

Alderman Conn motions to move the bottom-line, 2nd by Alderman Boisselle. All in favor.

Chairman Brodeur steps down from the chair. Vice-Chairman Tramontozzi takes the gavel and the chair.

Veterans	43,788.02	Veterans Agent John Dunne

Mr. Dunne says the benefit line-item is what the City pays to veterans in need of aid. At this point it is a bit lower than surrounding communities. Vice-Chairman Tramontozzi asks how many veterans are currently being served. Mr. Dunne says the number is down to five.

Alderman Boisselle says Mr. Dunne has been before the Board of Aldermen two or three times this past year asking for additional funds. The actual cost in the benefits line-item is $28,000 and the FY08 budget is only $25,000. He asks Mr. Dunne if he thinks this will be enough. Mr. Dunne says there is one gentleman that will be going on retirement and the City is looking at 70% reimbursement from the state. The need changes monthly. Alderman Boisselle asks how much of a delay there is in receiving the reimbursement. Mr. Dunne says it is about 1½ years behind.

Alderman Heavey motions to move the bottom-line, 2nd by Alderman Buonopane. All in favor.

Memorial & Veterans	6,000.00	Veterans Agent John Dunne

Mr. Dunne says these funds are for the Memorial Day parade and Veterans Day events. He says the City should be proud of the amount of donations received for them.

Alderman Boisselle asks the starting time of the parade. Mr. Dunne says it is on Sunday May 27 and starts at 1:30 from City Hall.

Alderman Heavey motions to move the bottom-line, 2nd by Alderman Boisselle. All in favor.

Alderman Conn motions to adjourn, 2nd by Alderman Forbes. All in favor.

Appropriations Committee adjourns at 9:50 p.m.

Maribeth Harrington
Clerk of Committees