

Minutes of the
GREAT BARRINGTON FINANCE COMMITTEE MEETING
Tuesday August 16, 2022

1. Call to Order and Roll Call Vote – P. Orenstein opened the meeting via Zoom at 6:30 pm with a roll call: Richard Geiler, “aye,” Madonna Meagher, “aye,” Anne O’Dwyer, “aye,” Philip Orenstein, “aye.”
Absent: Milena Cerna
Also in attendance: Town Manager Mark Pruhenski; Finance Director Sue Carmel.
2. Approval of Minutes for meeting of June 21, 2022
R. Geiler made a motion to approve the June 21, 2022 minutes; M. Meagher seconded. P. Orenstein asked if any discussion – P. Orenstein stated one edit had been made to the draft. A. O’Dwyer stated for item 5, a, ii the term *arms-length* should be in quotes as specific terminology. The Committee agreed with the suggested edit. Roll call vote: R. Geiler, “aye,” M. Meagher, “aye,” A. O’Dwyer, “aye,” P. Orenstein, “aye.” All in favor 4-0.
3. Committee Member announcements or statements
 - a. P. Orenstein and A. O’Dwyer acknowledged Sue Carmel’s resignation from her position and thanked her on behalf of the Finance Committee and the Town for her professionalism, expertise and assistance.
4. Update on pending items:
 - a. Legal review of Town’s discretion over Unused Free Cash related to Cannabis tax revenue – M. Pruhenski stated he has followed up with David Doneski and will schedule a meeting before the next Finance Committee meeting. He noted feedback is needed before the budget meeting.
 - b. Questions relating to OPEB data – to be continued
 - c. P. Orenstein asked about coverage for the Finance Director role – M. Pruhenski replied the position was posted last week, and the Town is doing an extensive search. In the interim, the Town will engage a firm to handle vendor and payroll warrants so processed in a timely manner.
5. Discussion of requesting the Select Board to invite the Finance Committee to attend executive sessions relating to Housatonic Water Works
 - a. P. Orenstein expressed concern about the Housatonic Water Works (HWW) situation and noted ongoing public/private discussions. He expressed an interest in better understanding what the Town/Selectboard are considering re: HWW in executive session as it will have a material effect on Town finances – especially those involving outside advisors. P. Orenstein stated he asked via email the Open Meeting Law question desk at the state level (email included in the meeting packet) if the Finance Committee can participate in executive sessions. The reply via email advised that having a Finance Committee sit in on executive sessions was okay if the Selectboard authorizes it.
 - b. P. Orenstein proposed a letter be sent to the Selectboard requesting the Finance Committee be permitted to participate in HWW executive sessions – to listen and ask relevant questions.
 - i. A. O’Dwyer suggested one representative of the Finance Committee attend – P. Orenstein replied then content could not be shared as it is confidential. He suggested attendance could be optional for Finance Committee members. M. Meagher asked if

David Doneski has weighed in as this could open a door to others – it was noted he had not been consulted. A. O'Dwyer noted it should not be disruptive and again suggested one representative attend to bring the financial perspective.

- ii. M. Pruhenski noted that if the Finance Committee wants to proceed, the Selectboard is meeting on Monday night and can bring this request forward.
- iii. S. Bannon stated there is no problem re: one/all Finance Committee members attending but it is premature as there are no financial items being discussed – it is primarily legal strategy. He stated this request could be brought to the Selectboard at the Monday executive session informally – no motion is required. P. Orenstein asked why this request would be considered in executive session – M. Pruhenski replied that is the Selectboard's next meeting.
- iv. P. Orenstein stated he can be available to attend HWW executive sessions and A. O'Dwyer offered to substitute, as needed. It was discussed that A. O'Dwyer is a resident of Housatonic and impacted by the water situation so would not attend.

6. Continued discussion of potential revisions to Budget and Financial Policy

- a. P. Orenstein provided background on suggested changes/additions/specifics for the Policy – to help clarify and provide context for important budget issues for discussion and inclusion in the budget binder for the Selectboard and the Finance Committee. He noted it also includes items added to the process last year, such as uses of free cash, so it is detailed upfront in the binder – and will be helpful for new Finance Committee members. He clarified that any changes to the Policy requires Selectboard and Finance Committee approval.
- b. A. O'Dwyer asked about the timeline for discussion – S. Bannon stated there needs to be a vote on the Policy so it should be done sometime in September as a Selectboard-Finance Committee joint meeting. It was agreed the Finance Committee would make recommendations and submit these to the Selectboard for discussion at a joint meeting.
- c. It was clarified the Policy has to be approved every year – and the Committee discussed keeping it as is, but agreed to review the Policy and consider prospective changes. The Committee agreed to join the September 19 Selectboard meeting to discuss.
- d. Policy changes were discussed
 - i. It was discussed that the phrase *comply with all state regulations* should be stated once at the beginning and should be removed where it is repeated in the Policy. The Committee members agreed.
 - ii. Strategic Priorities – *support affordable housing* was added – the Committee agreed that this priority is already influencing town committees' discussions and is important to add.
 - iii. Financial Goals - P. Orenstein stated language should be added regarding how the Town allocates free cash at year-end – which requires Selectboard and Finance Committee input. He noted other towns have a policy on how free cash is used, but the Selectboard elected not to. He clarified the question is to consider making an objective statement about how the Town intends to use free cash – i.e., how much is spent or kept for future use. Examples from other towns were shared. A. O'Dwyer stated the Finance Committee should make a recommendation to the Selectboard, but hesitated to state specific percentages initially. She suggested perhaps the goal should be described as a 'reasonable/conservative percentage' vs. a specific amount. The Committee discussed that Great Barrington currently exceeds the percentage goal and has recently been conservative in its use of free cash – and also has a higher balance than other towns. P. Orenstein stated free cash is a big part of the budget

process and is not addressed in the Policy. A. O'Dwyer suggested adding no less than 3% of the annual budget – P. Orenstein suggested keeping the statement, but leaving the numbers blank. R. Geiler stated the Town has been at 3-7% so it is being handled well – if it goes up significantly the process should be looked at. It was noted the new Finance Director would have a point of view. P. Orenstein suggested taking out the last bullet point about restricting the amount of free cash to be used – as there is no precise answer as to what is the Town's discretion over the portion of the free cash balance attributable to cannabis revenue. The Committee members agreed on including a statement about free cash in the Policy and leaving the numbers blank for now.

- iv. The Committee members agreed the Town should strive to maintain a top level (AAA) bond rating.
- v. Tax Levy – P. Orenstein stated the provision in the Policy is vague. A. O'Dwyer stated it is meant to note the Town is balancing the goals of keeping property taxes low vs other goals so there is more flexibility to do what is needed. P. Orenstein stated some towns have quantitative limits. The Committee members agreed to keep the provision as is.
- vi. Real Estate Tax – P. Orenstein stated he took out the two provisions since there is a previous provision stating we follow the law – this is a restatement of the law. S. Carmel recommended reinserting the two provisions especially re: Proposition 2 ½. The Committee agreed the provisions should be reinstated.
- vii. User Fees – P. Orenstein stated it should be reworded to say it is an objective to review current department fee structures annually. The Committee agreed to that change.
- viii. Debt Management Policy –For bullet 3 (re: the debt ratio not exceeding 50%), this is the recommendation of the Department of Revenue for most municipalities. For bullet 4 (regarding long-term capital debt exempt from Proposition 2 ½), it was clarified this is a Town policy. The Committee discussed if these provisions should note the origin (e.g., Town or DOR)– but agreed bullets 3 and 4 should stay as is and not be amended. S. Carmel stated bullet 4 should be revisited in the future as it is not necessary in Great Barrington – but is more for municipalities reaching their levy limit. P. Orenstein added the Town is well under the statutory limit.
- ix. Budget Preparation Process – P. Orenstein stated as there will be a new Finance Director, amendments could be delayed including the suggested separate tab for CPA Fund projects. S. Carmel clarified the budget workshop meetings mentioned in the provision are budget hearing meetings that include the Selectboard, Finance Committee and Town departments.
- x. Town Budget Format – P. Orenstein stated *outstanding obligations* was deleted and reworded as *proposed borrowings* - vs existing obligations. The Committee discussed the two terms, and it was confirmed the budget book includes a list/status of outstanding obligations. The Committee agreed to the rewording/addition of *proposed borrowings* to this section. P. Orenstein noted the need for more detail on the Town's existing and future additional debt – and suggested a separate section for outstanding obligations.
- xi. Historical Financial Report – P. Orenstein stated this new section, could include such as cannabis and hotel receipts – which is existing information that would be included in the budget book. A. O'Dwyer expressed concern about including delinquent property details/personal information – P. Orenstein clarified it would be

a high-level summary report, i.e., percent/total amount/number of properties that are tax delinquent, not any individuals' names. The Committee agreed to add this information to be included in the report .

xii. Balance Sheet Report – S. Carmel suggested this section be renamed as items listed are not part of the balance sheet. A. O'Dwyer suggested these items be moved under Historical Financial Report. P. Orenstein noted that bullets 3, 4, 5 are about projections. The Committee agreed to move bullets 1 and 2 under the Historical Financial Report section. A. O'Dwyer suggested creating a Financial Projections Report for bullets 3-5 - and P. Orenstein agreed to create a new category for those items.

xiii. Enterprise Fund – P. Orenstein stated the provision is aspirational, but should be discussed with the new Finance Director – it is related to budget discussions which should include conversations/information about Town finances. He noted much of what is proposed to be added to the Policy is existing information, just added to the binder.

e. The Committee agreed to bring the proposed revisions to the Budget Policy to the Selectboard.

f. P. Orenstein stated OPEB and pension items were added at the end of the Policy, and will be discussed later in the meeting.

i. A. O'Dwyer asked if it is realistic to project OPEB spend – P. Orenstein stated actuaries are making projections. A. O'Dwyer stated we should try to add to the Budget Book.

g. P. Orenstein noted he added a paragraph regarding free cash from a financial policy the Town and state Division of Local Services worked on in 2020, but did not adopt. He noted this could be the basis of a discussion on free cash.

h. The Committee agreed P. Orenstein would make revisions to the policy, as discussed, review with A. O'Dwyer and submit to the Selectboard.

7. Continued discussion regarding the establishment of a dedicated funding trust for retired employee medical benefits (an OPEB Funding Trust)

a. P. Orenstein shared a document not included in the meeting packet and noted this is for a Town commitment to provide a portion of expenses related to retired staff medical insurance. He provided additional context including the actuarial roughly 50-year total present value projection of \$20.597m. He noted the dollar amount can change significantly due to many factors/variables. He also highlighted the Town's annual expense. R. Geiler asked if the projection amount is relevant. He noted the total projection divided by 50 years is \$420,000 - close to the current annual expense. P. Orenstein noted the projection is instructive and appears in the Town's annual report.

b. P. Orenstein stated the question is if the Town should create a trust to reserve funds for future OPEB costs. The Committee discussed pros - the assurance funds will be available in future years, and cons - creating a new expense in the annual budget that needs to be funded in addition to the annual expense. P. Orenstein noted the pros/cons are from research/other policies. It was noted the funds are in the insurance line which also includes current staff medical insurance, reserve account and other small items. P. Orenstein noted that state-wide, the OPEB liability is 94% unfunded.

c. The Committee discussed the pension fund which, by law, is funded in a county-wide pool. P. Orenstein reported as of 2019, the pension liability funded ratio is very positive - 93.5%. He noted the Town's annual pension fund cost of \$993,573; close to double the medical benefits.

- d. R. Geiler asked if the vision is to have the OPEB fund be in the 50% range of the projection – P. Orenstein replied it is costly to start reserving and requires Town Meeting approval, but the topic should be considered in the budget process. He noted relatively small amounts could be put away each year to start, and to raise awareness of the obligation/need to fund it. P. Orenstein also noted Lee puts away \$20,000/50,000/75,000 depending on the year – which could be a good approach. M. Meagher asked if funds could be taken from each department to fund it, but there were concerns about how that would be perceived. R. Geiler noted if the reserved funds are invested and grow, it becomes more viable and sustainable. A. O’Dwyer pointed out this is part of taking a long-term view of Town finances, and noted the goal of “working to keep the tax levy reasonable in light of other needs” – would require reserve contributions to be considered each year relative to other expenses, priorities and goals. The Committee was supportive of this perspective and P. Orenstein added that in a good year, this should be included in the discussion as a priority along with reducing taxes and covering other expenses. If a separate trust is created it should be made a line item that can be discussed annually. A. O’Dwyer stated it could be like the Capital Stabilization Fund where the Town decided to skip a contribution in FY21 in light of other needs.
 - e. It was noted the approval process will take time, but should be started. P. Orenstein summarized the steps: setting up the trust, putting money in the trust, using money in the trust - all need separate annual Town Meeting approval. He proposed recommending the establishment of a trust to Town Meeting - and to discuss with the Selectboard. P. Orenstein clarified setting up the trust would be a warrant item; putting money in the trust would be part of the budget process and would be a special article – he noted there are state documents with proposed language and process. P. Orenstein agreed to put together a one-pager recommendation, share with the Finance Committee at the next meeting, and then submit to the Selectboard. He noted nothing can be done until budget season and perhaps the trust can be set up and funded at the same time. A. O’Dwyer stated this has been a goal for a long time and thanked P. Orenstein for leading on it.
8. Discuss replacement Finance Committee representative on Community Preservation Committee
- a. R. Geiler asked about meeting frequency and expressed interest in serving in this role. M. Pruhenski stated he would ask Chris Rembold to call R. Geiler to discuss. It was noted that this appointment of a rep to CPC would be revisited at the September Finance Committee meeting.
9. Review of Budget Reports through June 30, 2022 – P. Orenstein asked if any questions regarding the report. A question was raised about the significant amount of left-over funds. S. Carmel confirmed this was year-end final for FY22, and stated there was \$1.7m in budget turn backs. It included \$100,000 from the Police Department; annual school assessment of \$448,000 from the prior fiscal year; \$190,000 from Department of Public Works Highway and Public Buildings net the deficiency for snow/ice; \$60,000 from the Council on Aging due to a grant and revolving fund for transportation; and \$560,000 from health insurance overall budget. S. Carmel confirmed it is the second largest turn back year since 2016. R. Geiler asked about the insurance line item – P. Orenstein replied that is a reserve account and noted it should be more appropriately labeled/housed/described, but will await the new Finance Director.
10. Future meeting schedule – The Committee confirmed availability on meeting dates.
11. Citizen Speak Time - none

12. Media Time - none

13. Adjournment - M. Meagher made a motion to adjourn; R. Geiler seconded. The meeting was adjourned by unanimous consent at 8:20pm.

Respectfully submitted,

Stacy Ostrow, Recording Clerk