

Finance Committee Meeting Minutes  
Tuesday, October 18, 2022

1. Call to Order and Roll Call Vote – P. Orenstein opened the meeting via Zoom at 6:30 pm with a roll call: Milena Cerna, “aye,” Richard Geiler, “aye,” Madonna Meagher, “aye,” Anne O’Dwyer, “aye,” Philip Orenstein, “aye.”

Also in attendance: Town Manager Mark Pruhenski

2. Committee Member announcements or statements – there were none.

3. Guest speaker: Sheila LaBarbera, Executive Director, Berkshire County Retirement System

- a. P. Orenstein introduced Sheila LaBarbera and stated that he had asked her to present on her function and pension fund in general. He emphasized the Finance Committee cannot modify benefits. The intent is to better understand some of the characteristics of this non-discretionary expense the Town has in order to understand the trajectory and anticipated rate of increase or decline over time of this expense, and how it may impact decision-making at the Finance Committee. He referred to documents provided by S. LaBarbera – all of which are public.
- b. S. LaBarbera stated she would present on the financial aspects of the retirement system, not plan benefits and noted she would be in Great Barrington for a retirement benefits seminar on October 28, which is open to the public. S. LaBarbera stated the retirement system was established in 1937 by the MA legislature - there are 104 retirement systems in MA and PERAC is the governing agency. The Berkshire County Retirement board is responsible for the investment of the pension fund totaling \$320m – and it is 100% invested in the PRIT Fund - which she noted is a pooled fund. The retirement system plan is a defined benefits plan with payment based on age, service and salary and in MA it replaces social security for employees working 20+ hours per week belong to the retirement system.

She referred to the overview of investments with the PRIT Fund for the year in which the retirement system has been fully invested since 1998. P. Orenstein asked what “fully invested” means – S. LaBarbera replied all \$320m is invested in the PRIT Fund, which is a diversified portfolio. She shared PRIT Fund recognitions and accolades for its investment returns, strategy and risk management, and significant returns and growth. A. O’Dwyer confirmed MA municipal employees do not pay into social security as the pension is a substitute – S. LaBarbera added there are also other benefits available for retirement if an employee worked at least 10 years and is 60 years old.

S. LaBarbera continued to provide highlights from the financial audit for 2021 year-end. She noted \$358m was invested in the account which is the highest ever; gains were \$56m; employer/employee contributions were \$17.5m and \$18m was paid to pensioners. She noted retirements increased significantly in the last 2-3 years. She noted for FY22, Great Barrington’s assessment to the retirement system was \$993,000 and its allocation/percent of the retirement system as whole represents 8.58% of the Berkshire County Retirement System – and noted a report is included in the packet that shows the assessment allocation by town.

S. LaBarbera continued to discuss the audit document, stating that income from the retirement system is generated by investment, assessments to the towns and member deductions. R. Geiler confirmed the Berkshire Heights Regional School District line includes schools in GB and a percentage of that is funded by the Town – he asked if there is a breakdown of the different streams of funds in the system. S. LaBarbera replied she does not have that information, but it

was discussed that it could be calculated based on the budget. M. Cerna confirmed the GB Town receives the pension system audited financials, as does the Town's auditor.

Regarding the actuarial report, S. LaBarbera stated the actuarial valuation is compiled every two years by PERAC which uses a conservative investment assumption of 6.5%, but historically, returns average 8.1%. She noted the funded ratio is 87.4% and the unfunded liability is \$40m. She stated the goal is to be fully funded by 2028, but by law, it must be fully funded by 2038. She clarified that fully funded means all current and future liabilities can be funded. She also noted the unfunded actuarial liability is eliminated when fully funded so assessments should decrease – though many factors impact how much. P. Orenstein added this is all subject to change as there are many assumptions i.e., about the market and assets. S. LaBarbera agreed and stated there are multiple factors that can have an impact, such as an increase in member benefits – i.e., cost of living increases are built in at 3% which, right now, may not be adequate due to inflation – and the MA legislature is considering up to 5% for retiree COLA. She clarified these decisions are local options and the treasurer of each participating town has a vote. A. O'Dwyer asked about factors impacting fund increases/decreases – S. LaBarbera replied investments are the biggest piece that makes it vary. A. O'Dwyer also confirmed if fully funded, assessments to contributors will likely go down - and stated as we consider an OPEB fund we can expect things to get better not worse? S. LaBarbera replied OPEB is different from pension.

S. LaBarbera continued to cover information on actuarial valuation and stated there was growth 2013-2021 from 77% to 87.4% funded. She noted the funding ratio has steadily increased and a smoothing method is used to account for unpredictability of investment returns. She noted the PERAC memo shows projected appropriations for FY23 and the aggregated amount is \$12.4m - numbers through 2027 are also provided which is when it is expected to be fully funded. Regarding appropriation for GB for the next few years – there is a list of anticipated assessment for towns/districts and noted salary figures lag so for FY24, year-end wages for 2021 are being used. She stated salaries have gone down due to the pandemic - assessments are always on aggregate, but there is a small change in percentage owned.

P. Orenstein stated there is one pension fund and each town's bill is based on the sum of staff salaries and taking it as a percentage of the County – he asked if a change in methodology would ever be considered – i.e., an allocation by individual rather than a town calculation. S. LaBarbera replied there are different ways to appropriate an assessment such as based on town/district usage of the system – currently it is paid on active members only. P. Orenstein asked hypothetically if we doubled salaries in GB – the proportion of overall county pension fund would increase dramatically as would the pension bill. S. LaBarbera replied it would increase some, but it is likely other towns would be following suit. She noted the pension is a better benefit than social security for long-term employees due to returns on investments and lower costs the town. P. Orenstein asked if we want to project GB's assessment can we use the projections provided and taking our percentage? S. LaBarbera replied use 8-9% for the projection – but cautioned it can change.

The committee members all thanked S. LaBarbera for coming to meet with the committee.

4. Continued discussion of targeted financial assistance to resident customers of Housatonic Water Works
  - a. Regarding the proposal (introduced at the September committee meeting), P. Orenstein stated the Finance Committee has no ability to implement an assistance program – all we can do is make a recommendation to the Selectboard – as they have to agree a program is appropriate. If they vote to put a program in place, only then can the Finance Committee allocate funds from the reserve

- fund. He suggested opening the discussion on whether to authorize funds for short-term help to certain Housatonic residents.
- b. M. Cerna asked if the Finance Committee has authority over the reserve fund and if so, do we know if the Selectboard is open to doing this. P. Orenstein replied yes to the first question, the committee has authority over the money and can recommend to the Selectboard. He noted it is clear that the Selectboard is working on some type of short-term assistance, but there were no details – and they may have similar objectives. M. Pruhenski stated that is a fair characterization. He also shared that the Town is in line for state funding to provide temporary relief to Housatonic Water Works customers while also looking at long-term solutions.
  - c. M. Cerna expressed her reluctance to approve short-term assistance unless it is clear it will make a real difference - and further stated she does not want to make a judgment about who deserves help so it should be available to all as everyone is paying for service. R. Geiler stated the intent is to help those most in need as there are limited funds available. M. Cerna asked about the timeframe for the state's decision – M. Pruhenski replied he checks in weekly, but there is no indication. A. O'Dwyer stated she would like a strategy targeting those with brown water and suggested meeting jointly with the Selectboard to discuss. R. Geiler noted there are water stations in GB – and it was discussed they are outdoors and cannot be used in winter. He asked about indoor alternatives and M. Meagher suggested the fire station as a location.
  - d. M. Pruhenski stated the Selectboard is considering three options: provide bottled water in the worst 8-10 weeks in summer; grants for the installation of home filtration units; and one/three/five -gallon refilling stations in a Town building. He noted the options to be offered depend on the amount of state funding. The Committee discussed the potential cost of these remedies and M. Pruhenski stated he had reached out to get an estimate on a refilling station, but as there are so many options, the vendors needs more information than we have at this time.
  - e. R. Geiler asked since the Finance Committee has a funding source, perhaps that can be used instead of waiting for the state. M. Pruhenski stated he ran the numbers and to provide 2 5-gallon jugs of water to everyone (all HWW customers) for an 8-week period comes to near six figures – so is not a viable option. A. O'Dwyer pointed out not every household is in need and summer is the worst time – which is in the next FY so perhaps funds could be put aside if we know the cost. M. Pruhenski stated he is trying to get a sense of costs so once the Town gets state funds it can implement quickly. P. Orenstein stated the Town is doing all the right things – and noted the initial concern is customers, especially seniors, who in winter will have a lot of increased expenses – cannot buy water for drinking, funds should be allotted to them.
  - f. P. Orenstein made a motion that the Finance Committee communicate to the Selectboard the Finance Committee is allocating up to \$30,000 to provide assistance to those residents of Housatonic who are already participating in an economic assistance program and have already been assessed to have financial need (including but not limited to food stamps, Medicaid and home energy assistance all of which have economic tests with low thresholds). He continued, if individuals confirm participation in these programs, the Town can provide a small stipend to allow them to buy bottled water. He noted this means testing does not include looking at income taxes or pay stubs; A. O'Dwyer seconded. P. Orenstein asked for any discussion –
    - M. Cerna asked how many people are in this category and what is a “modest” stipend – P. Orenstein replied he calculated bottled water at \$20.00 per week – there are 800 HWW customers so he estimated 2.5-5% would be eligible so the program which would cost \$20,000-40,000 for the year. He noted these are all assumptions.
    - M. Meagher stated that she feels is premature to do this and the Finance Committee should work with the Selectboard to review the numbers. P. Orenstein stated he did not think a joint meeting was appropriate as it is ultimately the Selectboard's decision--working with Town staff.

- M. Cerna stated she would like to better understand the option - making it available to everyone and more long-term.
- R. Geiler stated the Selectboard is the decision-maker to provide assistance, but we are requesting the money be set aside for a specific program – can they do something else with it. He asked if we could suggest this program or something like it with the same intent.
- M. Pruhenski stated there is no specific amount from the state at this point and he clarified funding would not be restricted as the request was to provide temporary relief with no specifics. P. Orenstein pointed out the Selectboard has already asked M, Pruhenski to consider options.
- A. O'Dwyer suggested the Finance Committee communicate that the committee feels it would be an appropriate use of the fund and ask the Selectboard what they think.
- S. Bannon agreed with that approach – to make an offer to the Selectboard re: the reserve fund and encourage the Selectboard to contact the Finance Committee.

A. O'Dwyer amended the motion to state:

That the Finance Committee asks the Selectboard to consider various options—including the need-based proposal discussed in recent finance committee meetings— for assisting Housatonic Water Works customers. The committee asks the Selectboard come to the committee in a timely manner with options and estimated costs for each for option being considered, to consider for potential funding from the committee's reserve fund.

R. Geiler seconded. P. Orenstein asked for any discussion – R. Geiler asked if an amount needs to be included – it was discussed it should be open-ended. Roll call vote: Milena Cerna, “aye,” Richard Geiler, “aye,” Madonna Meagher, “aye,” Anne O'Dwyer, “aye,” Philip Orenstein, “aye.” All in favor: 5-0.

A. O'Dwyer stated she would send wording for the motion to M/ Pruhenski to share with the Selectboard.

5. Update from Finance Committee representative on Community Preservation Committee – R. Geiler stated the next meeting is November 1 at 5:00pm and agreed to report back to the Finance Committee any important dates/deadlines for proposals. It will be a standing item on the agenda.
6. Future meeting schedule – 3rd Tuesday of the month @ 6:30 pm • November 15 • \*\* December 13 \*\* (2nd Tuesday) • January 17
7. Citizen Speak Time – there was none.
8. Media Time
  - a. E. Mooney asked a question to M. Pruhenski as to why the discussion and vote to seek state funds was done in executive session –S. Bannon stated it was discussed with M. Pruhenski at a regular one-to-one meeting that occurs weekly between the Town Manager and each Selectboard member. He stated it was M. Pruhenski's idea as part of his role as Town Manager including reaching out to district representatives to the State government (Hinds and Pignatelli) with the request. M. Pruhenski clarified the funding is part of an economic development bill - it is not a grant and stated he would look up the bill and send it to E. Mooney.

9. Adjournment – R. Geiler made a motion to adjourn; A. O’Dwyer seconded. P. Orenstein adjourned the meeting by unanimous consent at 7:50 pm.

Respectfully submitted,

Stacy Ostrow, Recording Clerk

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