

**Finance Committee Packet
Meeting of October 6, 2022**

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

1. 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.

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 are 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

DRAFT

Mark Pruhenski
Town Manager

E-mail: mpruhenski@townofgb.org
www.townofgb.org



Town Hall, 334 Main Street
Great Barrington, MA 01230

Telephone: (413) 528-1619 x2
Fax: (413) 528-2290

TOWN OF GREAT BARRINGTON MASSACHUSETTS

OFFICE OF THE TOWN MANAGER

RESERVE FUND TRANSFER REQUEST

September 14, 2022

TO: Finance Committee
FROM: Mark Pruhenski, Town Manager
RE: Reserve Fund Transfer Request

I respectfully request a reserve fund transfer for \$12,000 to fund the annual cost of a Short-Term Rental (STR) Host Compliance and Licensing Program for FY23. This subscription will assist us with accomplishing the following: 1. Identifying all STR's located within the town limits as advertised across multiple rental platforms. 2. Develop a registration form and provide an online portal for hosts to both register and pay for their annual licenses. 3. Assist town staff with compliance and enforcement when needed. 4. Provide residents with access to a 24-hour call center and an online STR complaint form.

	ACCOUNT NAME	ORG	OBJ	AMOUNT
From:	Reserve Fund	01131	57800	\$12,000.00
To:	Contracted Services	01122	52000	\$12,000.00

Department Head Signature: _____

Date: 9-14-22

Town Accountant: Lauren Salvi-Holford

Date: 9-14-22

Town Manager: _____

Date: 9-14-22

Finance Committee:

Subject: FC Request- HWW
Date: Tuesday, August 23, 2022 at 10:24:40 AM Eastern Daylight Time
From: Mark Pruhenski
To: Philip Orenstein
CC: Steve Bannon, Anne O'Dwyer
Attachments: image005.jpg, image006.jpg

Good Morning Philip,

The SB met in executive session last night to continue strategy discussions with our attorney. After a brief discussion, the board decided to re-visit the Finance Committee's request at a more appropriate time. It's also likely that the SB will want the FC to consider the challenges of having one member represent the FC in this way-----since a single member will not be able to share information from an executive session with other board members, and since one member cannot represent the entire committee. We can address those items when the time comes, but it's something you will want to consider in the meantime.

Please feel free to share this with your committee.

Best, Mark



Mark Pruhenski
Town Manager
413-528-1619
mpruhenski@townofgb.org

Pronouns: he/him/his

Town of Great Barrington
334 Main Street
Great Barrington MA 01230



The Secretary of State's office has determined that most e-mails to and from municipal offices and officials are public records. Consequently, confidentiality should not be expected.

Finance Committee meeting of October 6, 2022
Proposal for Discussion
Short term financial assistance to certain HWW customers

Objective: Create a program that can be quickly implemented to provide assistance to HWW customers who cannot afford to purchase bottled water or a home filtration system.

- This program is not related to any other efforts on the part of the town or state government to address the water quality problems with HWW.
- The program should not create an administrative burden that the town cannot handle.
- This program is not a long-term solution. The expectation is that it will be replaced by another assistance program or a significant improvement in water quality.

Proposal: Allocate a portion of the Finance Committee reserve fund for assistance to financially burdened HWW customers.

- Funds could either be used for (a) direct purchases of water or filtration products to be delivered to eligible residents or for (b) cash payments to eligible residents

Eligibility: the program is for residents of Great Barrington who can document their financial need by their active participation in other means-tested government assistance programs, including but not limited to:

- Supplemental Nutrition Assistance Program (SNAP) administered by the state
- Low Income Home Energy Assistance Program (LIHEAP)
- Medicaid
- Property tax deferral for seniors

Cost of the program: Very difficult to predict without more information on the potential number of eligible residents. As a hypothetical illustration, let's assume the following:

- The cost for each eligible resident is \$1,000 which is bottled water for a year or a home filter.
- HWW has about 800 customers – let's assume/speculate that 2.5% to 5% are eligible
- Under these assumptions the program cost is \$20,000 to \$40,000
- The Finance Committee reserve account currently has a balance of \$100,000
- If this program is implemented, the town should keep records of this expenditure and seek reimbursement at some future date.

Great Barrington Budget & Financial Policy for Fiscal Year 2024³

Budget & Financial Policy

The Town of Great Barrington will manage municipal finances wisely. This will include planning for adequate funding to:

- 1) Provide and maintain public services and facilities at a level that will ensure public well-being and safety;
- 2) Comply with all State and local by-laws, rules, and regulations; and
- 3) Meet the strategic priorities of the Town.

The budget and financial goals set forth by the Town Selectboard and the Finance Committee in the policy document outline the priorities and objectives of the Town and provide agreed-upon financial guidelines to be used in the preparation and review of the annual budget.

STRATEGIC PRIORITIES

- Ensure public safety.
- Ensure public health.
- Maintain a strong local economy.
- Strive for a high quality of life.
- Seek environmental sustainability.
- Ensure the fiscal stability of the Town.
- Maintain public infrastructure.
- [Support affordable housing](#)
- Follow Great Barrington's Master Plan.

FINANCIAL GOALS

- Maintain adequate financial resources to sustain municipal services in the short and long term.
- Respond to the changes in the economy and meet the priority needs of the Town.
- Provide quality services efficiently and on a cost-effective basis.
- Maintain our top-level bond rating.
- Work to keep the overall tax levy reasonable in consideration of other priorities and goals.¹

FINANCIAL MANAGEMENT POLICY

Revenue

- Services provided may not exceed available resources.
- Process must provide quality estimates of anticipated revenue.
- Process must anticipate any changes in revenue in upcoming years.
- Seek to diversify revenue sources.
- Estimate available resources including state funds, local funds, fees, grants and other sources.
- ~~Estimate available resources including state funds, local funds, fees, grants and other sources.~~

Real Estate Tax

- Town should restrict levy to a 2.5% increase over the prior year levy limit adjusted for new construction growth and net debt and capital exclusions, as per Mass General Law.
- Proposed budget to not exceed legal property tax levy. Evaluate estimated tax rate based on level of affordability including average and median income; average and median value of real property and the cost of living.

¹ For further information, see 'Tax Levy Considerations' in Financial Policy Manual, Town of Great Barrington, Prepared by Division of Local Services Technical Assistance Bureau, June 2020, page 2
<https://www.mass.gov/doc/greatbarrington-ccc-policies-june-2020/download>

Free Cash and Reserves

- The Town will monitor overall general fund reserves (free cash and stabilization funds) as a percentage of the annual operating budget. The relative percentage and sufficiency of these reserves will be evaluated relative to guidance from the state, historical trends and other factors. ~~The percentage amount will be evaluated relative to guidance from the state, historical trends and other factors.~~
- If the Town generates free cash consistently higher than historical trends and guidance from the state, the Town Manager will closely examine future budget proposals to determine if adjustments are appropriate.

User Fees

- Establish user fees and other non-property tax revenues to recoup, to the extent possible, the costs of supplying a particular service.
- Review current department fee structures and charges for services periodically ~~periodically~~ annually to determine if they reflect the cost of the service and are also reasonable and affordable fees.

Debt Management

- Allow no borrowing to fund operational programs
- Debt service payments may not require the elimination of essential Town services
- Ensure that the Town's general obligation debt ratio not exceed 50% of statutory limit (5% of equalized valuation).
- Exempt from Proposition 2½ any long-term capital debt for municipal buildings, WWTP improvements, fire apparatus acquisition, and school facilities improvements.

Service Delivery

- Manage financial resources through internal controls.
- Establish operation practices that minimize the cost of government and financial risk.
- Provide efficient public services.
- Minimize the cost of administration.
- Identify and measure performance outcomes.
- Review the level of services and standards annually.

Guidelines for The Budget Preparation Process

- The ~~FY2023~~ Town budget will be estimated in accordance with municipal code and applicable state law. The budget is based on separate funds set forth from anticipated revenues and expenditures for the General Fund and the Enterprise Fund.
- The annual operating budget will contain complete financial statements that show outstanding obligations of the municipality, cash on hand to the credit of each fund, funds received from all sources during the preceding year, funds available from all sources during the ensuing year, revenue estimates to cover expenses in the proposed budget and the estimated tax rate required to fund the proposed budget.

~~For Fiscal Year 2023, the The Selectboard and the Finance Committee agree that the~~ budget preparation and review process shall include the following steps:

1. Review and approve Finance Policy
2. Distribute Budget Books:
 - a. Forecast Revenues.
 - b. Updated Capital Plan.
 - c. Review Department Budgets.

3. Recommended Projects Proposed for CPA Funds.
4. Participate in BHRSD joint budget meeting with Stockbridge and West Stockbridge.
5. Hold Budget Workshop Meetings. Hold Public Hearing.

The Selectboard and the Finance Committee will jointly set the dates for the above budget meetings. ~~For Fiscal Year 2023, the Selectboard and the Finance Committee agree that~~ the following will be done to ensure there is community engagement in the budget process:

- 1) Provide on-line access to budget information.
- 2) Provide printed budget books for the public at the libraries.
- 3) Provide a digital budget book on the Town website.
- 4) Hold open meetings and hearing.

LOCAL GOVERNMENT SERVICES

- The Town Manager will prepare the budget for review by the Selectboard and the Finance Committee.
- The Town Manager may propose significant reorganizational changes and provide alternative ways to deliver services within the proposed budget.
- Performance objectives and goals will be identified and assessed.
- The Town Manager may propose elimination of services in the budget if it is not needed or cost-effective and/or propose new services as needed.
- Any service reductions shall be noted in the ~~Fiscal 2023~~ budget presentation.
- Salaries and employee insurance contributions shall be set in the Fiscal Year ~~2023~~ budget pursuant to the Town's collective bargaining units and/or those already approved via a negotiated settlement and for non-represented personnel as authorized by the Town Manager.

For any proposed new initiatives, the Town Manager will:

- 1) Explain and justify the new needs(s).
- 2) Identify alternatives to what is being proposed and the pros and cons.
- 3) Identify the cost and benefit of the proposed alternative.
- 4) Identify financing source(s) to pay for new need.
- 5) New need(s) include: any expansion of municipal services necessary; any additional staff and any additional resources needed to meet service needs or expanded service needs.

TOWN BUDGET FORMAT

~~For Fiscal Year 2023, the~~ ~~The~~ Selectboard and the Finance Committee agree that the following will be done to ensure that the budget information is provided in a format that is clear, accurate and complete.

1. Operating Budget Process:

- The Town Manager ~~to~~ will request that Departments submit proposed budgets with operational plans and reports. Background information will include department goals and objectives, strategic initiatives, summary of activities and level of service.
- The Town Manager ~~to~~ will review methods of operation, program service delivery and expenditure of resources inclusive of manpower allocation to ensure maximum efficiency of the Town.

2. The Budget Book

- The Town Manager ~~to~~ will provide complete **financial statements** in the Budget Book to include:
 - Outstanding obligations **and anticipated new borrowings**.
 - Cash on hand.
 - Funds received from prior year.
 - Sources of funds from prior year.
 - Estimated revenues.
 - Estimated expenses.

- Estimated tax levy.
- Estimated tax rate.
- Estimated user fees for services.
- **The Town Manager will also provide a Capital Budget Report to include:**
 - The Town defines a capital project as having an overall expenditure of \$15,000 and a life expectancy in excess of 3 years.
 - The Town’s annual budget will include a capital plan that identifies work to be started within that fiscal year.
 - The budget shall include a five-year Capital Improvement Plan for all Town assets.
 - Each year, the Selectboard and the Finance Committee will review the five-year Capital Improvement Plan to identify the future upcoming needs, review any changes to the schedule, cost estimate or sources of funding.
 - Operational costs associated with any new equipment or infrastructure will be identified.
 - The capital budget report will include the Debt Schedule broken down by department and function and a 10-year history be provided if possible.
 - Identify a funding plan that reflects available State funds, grants, bonds and tax levy dollars to finance each project.

Enterprise Fund Process:

- The Town Manager shall prepare a budget for the **Enterprise Fund** that maintains it as a self-supporting fund, without a property tax transfer.
 - The Enterprise Fund budget will include a report on sewer fees and rate structure.

3. Other Information/Reports

- If deemed necessary and appropriate for adequate review of the proposed budget, the Finance Committee and/or Selectboard may request that the Town Manager include, if possible, as supplemental materials either in the Budget Book or in a separate report/document presented at a budget meeting or at a separate meeting:
 - Historical Financial Report Information ~~(at least 5 years if available with annual percentage change)~~
 - Estimated Local Receipts ~~(includes Cannabis and hotel/)~~
 - Free Cash sources and uses
 - Tax Levy and Tax Rate
 - Special Articles, individual and totals
 - Aggregated data regarding property tax collections, such as collected/payment plan/delinquencies for last 3-5 years
 - History of various reserve accounts, i.e., stabilization, capital stabilization, “~~excess health insurance~~”. ~~Calculate a percentage of town budget~~
 - Five-year history of long-term and short-term debt
 - Schedule of Authorized but Unissued Debt, including changes from prior years
 - Financial Projections
 - Show 5-year projections of LT debt including approved future borrowings
 - Projected Debt Service payments
 - Summary Report on Expenditures for Employee Medical (current and Retired “OPEB”) and Pension Benefits
 - Five year history and projected (if available)
 - Review funding for future retiree medical benefits (OPEB Trust)
 - Pension Fund summary report
 - What percentage of the obligation is funded

Great Barrington Finance Committee
Other Post Employment Benefits “OPEB” Funding
September 2022

Introduction

This memo summarizes the Great Barrington Finance Committee’s recommendation to the Selectboard that the Town establish a Trust (the “OPEB Trust”) as a dedicated reserve account to retain and invest advance contributions for retiree health care benefits.¹ Our recommendation focuses on how the Town funds the cost of these benefits and that it should create a dedicated reserve for funding future benefits.

Background

Other Post-Employment Benefits (“OPEB”) are benefits other than pensions that certain public and private employers provide their retired employees. These benefits primarily involve retiree health care benefits, but they also can include life insurance and other benefits. As seen in the table below, the annual cost of these benefits is increasing for the Town. In FY 2021 the cost was \$474,330², an amount which is primarily due to the employer portion³ of the health insurance premium. The Town has not put money aside (such as we do for the Berkshire County pension fund) to pay for this benefit in future years, rather we pay the annual cost out of the operating budget year year—an approach which is often referred to as ‘pay as you go’ (“PAYG”).

Great Barrington Annual PAYG OPEB Expenses

2016	\$ 414,912
2017	\$ 421,783
2018	\$ 469,964
2019	\$ 464,153
2020	\$ 470,212
2021	\$ 474,330

As part of its audited financial statements, the Town is required to engage actuaries to prepare an estimate of the future cost of these benefits discounted back to today’s dollars. There is a long list of assumptions used in this calculation, such as retirement age, life expectancy, healthcare cost inflation, participation rates, and the discount rate used to convert projected future costs into today’s dollars. Changes in any or all of these assumptions will substantially change the result. As of June 2021, the actuarial projection of the Town’s future OPEB obligation—accumulated over several decades—is approximately \$22 million.⁴ Note this number does not include the Town’s share of the OPEB Liability for the Berkshire Hills regional School District.

¹ Note that the FC is not evaluating any qualitative aspect of the medical insurance, nor any issues relating to the appropriateness / fairness of the eligibility criteria and benefits provided. A third party provider – Berkshire Health Group – is responsible for managing these benefits to eligible members and spouses.

² OPEB Disclosures as of June 30, 2021 prepared by KMS Actuaries for the Town of Great Barrington, page 5

³ The Town pays 80% or 68% of retired employees total medical premium, depending on coverage elected.

⁴ OPEB Disclosures as of June 30, 2021 prepared by KMS Actuaries for the Town of Great Barrington, page 2

Should the Town create a trust to reserve funds to pay for future OPEB costs? Summary Pros and Cons

Pro's	Con's
Provides more assurance that funds will be available to pay for these benefits in future years	Creates a new expense item in the annual budget – in addition to the annual PAYG expense
Will help alleviate budgetary pressures in future tough budget years. <ul style="list-style-type: none"> ▪ In tough budget years, assets from the trust can be used as a “rainy day fund” to cover OPEB expenses 	In order to contribute money to the trust, depending on the amount: <ul style="list-style-type: none"> ▪ Taxes may need to be raised or ▪ Funds are redirected from other budget items
Trust Assets can be invested with any gains and investment income available to pay future retiree benefits	Adds additional responsibilities for Town staff
This fund can be viewed by credit rating agencies as prudent fiscal management and may help the town maintain its high quality credit rating	Funds in the trust can only be used for OPEB
Enhance generational taxpayer equity: <ul style="list-style-type: none"> ▪ funding the benefits as they are being earned by employees ▪ future taxpayers/employees will not bear a disproportionate burden of the costs 	

What other Berkshire towns are doing

According to a recent study⁵ by the Massachusetts Public Employee Retirement Administration Commission, the total OPEB Liability for all reporting entities is approximately \$56.1 billion. The total amount in dedicated OPEB reserve accounts is approximately \$3.3 billion resulting in a net OPEB Liability of \$52.8 billion, or in other words, 5.9% of the liability is funded with reserves.

On the next page is OPEB liability funding data for the State and a few neighboring towns. A few months ago as part of the FC study of this matter, the FC Chair spoke with Donna Toomey, Lee’s Treasurer/Collector. Their OPEB trust was created in 2010 and is now around \$490K or 2% of the total liability. They have put in \$25-\$50K per year and the investment portfolio is managed by a trusted independent financial advisor. The Treasurer manages this process (rather than a special committee).

Reporting Entity	OPEB Liability in thousands	Amount Funded (%)
Commonwealth of Mass	\$22,105,511	6.4%

⁵ <https://www.mass.gov/doc/download-the-2021-opeb-summary-report/download>

Alford	No plan	
Dalton	\$4,496	56.2%
Egremont	\$770	17.5%
Great Barrington (as of 6/30/20)	\$20,598	0.0%
Lee	\$24,698	2.0%
Lenox	\$22,334	23.5%
New Marlborough	No plan	
Sheffield	No plan	
Stockbridge	\$3,720	103.1%
West Stockbridge	\$878	0.0%
Williamstown	\$20,601	2.4%

Comparison to our Pension Fund Obligations

When discussing the OPEB obligation it is frequently compared (and confused with) to the pension plan for retirees. Based on a discussion with Sheila LaBarbera, the Executive Director of the Berkshire County Retirement System, and a review of its annual report, the funding position for the pension benefits is a much more positive story. The county was required by law to start reserving for its pension benefits several decades ago and the result is the total obligation is about 80-90% funded (it is probably now somewhat less due to the drop in the stock market). As a result, while it is difficult to predict, Ms. LaBarbera anticipates that our annual pension expense (listed below) could begin to decrease sometime in the next 5-10 years. Should this expense decrease or level off that could create an opportunity to increase the reserve contributions for OPEB.

Great Barrington's Pension Contribution

12/31/15	\$ 711,322
12/31/16	\$ 735,666
12/31/17	\$ 757,064
12/31/18	\$ 787,563
12/31/19	\$ 867,564
12/31/20	\$ 931,180
12/31/21	\$ 993,573

Our Recommendation

Unfunded OPEB liabilities are frequently described in very ominous terms (i.e. a crisis) and our \$22 million accounting obligation is a very significant financial obligation to our retired staff members. However, the very slow rate of increase in our PAYG expense over the last 6 years suggests that at least for our Town it is not a crisis.⁶ In addition, we are very cognizant of the difficulty in adding a new and significant expense to our budget.

Our core recommendation is that the topic of OPEB funding should receive greater attention in the annual budget process. In order to achieve this as a first step the Finance Committee recommends that the Selectboard support the establishment of an OPEB Trust, which requires

⁶ We did not have the data or expertise to assess why the expense has increased at such a moderate rate and that could be a topic of further study.

approval at Town Meeting (see next steps below). Our recommendations are similar to those included in the Financial Policy Manual of June 2020. The existence of the Trust will trigger an annual discussion during the Budget process based on prevailing data regarding an appropriate annual contribution. The amount can vary from year to year based on our free cash balances and other significant budgetary needs.

For an initial funding amount as a general guide line we recommend that the SB consider an amount between \$25,000 and \$75,000 in the budget for FY 2024. As with any process of saving for the future, it is important to get started.

Next Steps

If the Select Board elects to proceed with this recommendation, the state has provided detailed written guidance on how to proceed.⁷ Below is a very brief summary of the process:

- 1) The establishment of an OPEB Trust requires approval at Town Meeting
- 2) The governing body (Town Meeting) may, by majority vote, appropriate monies to the OPEB Fund.
- 3) The OPEB trust requires a Trustee, which can be the Town Treasurer or a newly established Board of Trustees
 - a) The trustee has investment authority over the fund and may employ investment consultants to provide required services
- 4) An appropriation by a two-thirds vote of the governing body is required to spend any monies in the OPEB Fund.
 - a) Monies can be used for expenses of the trust and
 - b) to pay the governmental unit's share of health insurance benefits for retirees and their dependents

Sources

State Procedures to Create an OPEB Fund

<https://www.mass.gov/doc/igr-2019-10-other-post-employment-benefits-liability-trust-fund/download>

Massachusetts OPEB Report: <https://www.mass.gov/info-details/opeb-summary-report>

Town of Great Barrington OPEB Program Financial Reporting and Disclosures –

Governmental Accounting Standards Board Statement 75 - Disclosures as of June 30, 2021

https://www.townofgb.org/sites/g/files/vyhlf636/f/uploads/great_barrington_501_2021_gasb_75_report_8-16-2021_0.pdf

[Financial Policy Manual, Town of Great Barrington, June 2020, Massachusetts Department of Revenue, Division of Local Services.](https://www.mass.gov/doc/great-barrington-financial-policy-manual-june-2020-0/download)

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Commonwealth of Massachusetts Special Commission to Study Retiree Healthcare and Other Non-Pension Benefits -Final Report Submitted January 11, 2013

<https://www.wrrb.org/wp-content/uploads/2013/11/opeb-commission-final-report-2013.pdf>

OPEB Advisory Committee Andover, Massachusetts March 31, 2016

Options for Managing Other Post Employment Benefit Costs

https://www.andovermaretirement.com/sites/default/files/fileattachments/general/page/366/opeb_report_final_03_31_2016.pdf

Survey of State & Local Government OPEB Liabilities

<https://reason.org/policy-study/survey-of-state-and-local-government-other-post-employment-benefit-liabilities/>

⁷ <https://www.mass.gov/doc/igr-2019-10-other-post-employment-benefits-liability-trust-fund/download>