

FINANCE AND RULES COMMITTEE

August 26, 2020

Present: Legislators Tom Osborne, Ron Burns, Greg Kulzer, Phil Hathway, and Larry Dolhof. Legislator Ian Gilbert was present by phone.

Others present: County Manager Ryan Piche and Treasurer Eric Virkler.

Committee Chairman Tom Osborne called the meeting at 1:00 p.m.

Three+One

Bill Cherry introduced himself as the retired Schoharie County Treasurer, past NYSAC Board President, and NACO Board member. He introduced Garrett Macdonald, Vice-President and Kyle Metcalf, Analyst of Three+One. The company Three+One is based outside of Rochester, New York. The purpose of this company is to maximize investment income. Three+One gathers data to determine how much money a county actually has to invest and recommends the best ways to invest in order to maximize interest. NYSAC was so impressed with this company and the program it offers that they brought it statewide and nationally.

One aspect of what they do is to work with banks to negotiate on behalf of the client for higher interest rates. They also have a much larger pool of banks that they work with that could have higher interest rates. They also negotiate for lower bank fees and lower compensating balances. All of these small pieces add up to larger investment income. Cashvest is the financial tool developed by Three+One that can help a county identify how much money they have to invest. Lewis County has an overall budget of \$142 million and currently makes about \$80,000 each year in investment income. Cashvest estimates that there is roughly \$60 million that can be invested.

In this program only the Treasurer or Board of Legislators can make decisions on where and what to invest, Three+One only gives their recommendations. Three+One has been in business for 25 years and started out by helping banks make more off public deposits, then decided to bring that same knowledge to the public sector. They have helped several counties from large to small. It is important for a county to have the knowledge that they are doing everything they can to maximize their interest income. Reports on the counties' progress can be done on a quarterly basis or whatever reporting time period works best.

Legislator Hathway asked about the costs of this service, which are based at \$250.00 per \$1 million of adopted budget. This would make the fee \$35,500 but because the hospital is part of the budget and they control their own investments the fee was reduced down to \$25,000 per year. This rate would stay flat for three years.

Legislator Hathway pointed out that \$91 million of the Lewis County budget belongs to the hospital which leaves the county at \$51 million. The fee for the County should be roughly \$13,000. Garrett explained that they work with another county that has a hospital and the fees are structured the same for that county. Garrett offered to share this program with the hospital as

well to bring them on board. Once the hospital sees the positive results and wants to join Bill Cherry stated that the fee would stay at \$25,000.

Ryan explained that the hospital has its own board, CEO, and CFO but agreed that the information should be presented to them as well. Legislator Dolhof suggested that they present the information to the hospital and if they join the fee could be split between the hospital and the county. Eric explained that the funds are in the same bank but the hospital is investing differently. Garrett stated that Wyoming County is paying the full fee which covers their hospital.

Ryan pointed out that our money stays in local banks and can be used to help local residents out in the form of bank loans. Garrett explained that they work diligently with local banks to get the best deal possible for the county which allows money to stay local. Ryan pointed out that this will help tremendously with knowing exactly how much money can be put away for long term investment versus short term money market investing options.

Eric explained that Three+One would need view only access to all the cash accounts for the county to gather the data and formulate their recommendations for investing. Eric being newly elected as Treasurer hasn't had enough time to really know what our cash flow is like at this point. Bill Cherry gave an example of his years as a County Treasurer and not being able to make informed decisions about investing because he only had a view broad overview and wasn't asking the detailed questions.

The Initial Analysis Report should be ready in 6 to 8 weeks after all the data is received. There was an estimated 25 accounts that are active on a monthly basis. Even with lower interest rates due to the economic downturn it should take less than a year to recoup our fee. Legislator Dolhof voiced his concern that at \$25,000 our fee is much higher than it should be for only \$50 million worth of county budget. Ryan strongly suggested that the hospital be given a presentation too. Legislator Hathway felt that the county should proceed on its own without the hospital, but Legislator Dolhof thought it could be beneficial to pro-rate the fee with the hospital if both entities were going to utilize this program.

Garrett explained that even with low interest rates and only being able to utilize the county portion of the budget he still conservatively estimated that in the first year it would be \$200,000 of additional revenue. The county would then have the assurance that they are doing everything they can to maximize their investments. Legislator Dolhof stated that he understood the concept and thinks it is a great program but didn't feel like it was fair to treat us as a \$142 million entity versus the \$52 million we can control.

Legislator Osborne asked if the county decided to go ahead with this program would it be a three-year contract and Garrett explained that it would only be for one year, but the annual fee would stay static for the first three years. Three+One is a smaller company with 13 employees, the county would be assigned one individual who would handle our account and they would be able to utilize an assistant if necessary. It was pointed out that Genesee County owns a community college but that isn't considered part of their budget, which lowered their fee.

Garrett explained that even though the county owns the college they are considered a separate entity in regards to the county budget.

Bill Cherry said that Three+One will take our concern into consideration and see if they can do any better on the fee and get back to Eric. They thanked everyone for the opportunity to come and present and looked forward to working with the county.

RBC Wealth Management

Cyril Mouaikel introduced himself as the Managing/Branch Director of RBC Wealth Management in Watertown and Donald Musnicki as the Financial Advisor. RBC Wealth Management is an investment firm and has worked with the hospital for the last several years. The hospital informs RBC Wealth Management of the amount of money they have to invest and RBC invests it accordingly. There is no risk in the investments because they only work with FDIC insured entities. Cyril pointed out that there was a resolution done in January that authorized the ability to invest up to \$30 million through RBC Wealth Management but if the county utilizes them then it might warrant increasing the amount on the resolution up to \$40 million.

Legislator Dolhof questioned if they offer any type of service that would tell us how much money we have to invest, Cyril responded that they would work with the Treasurer to come up with that information as they don't analyze cash flow, they just invest. He went on to state that he would work with Eric and Ryan to get a better understanding of the cash flow. Cyril stated that the hospital was thrilled when they saw what was possible through RBC Wealth Management and after gaining \$1.4 million on investment income, he is hoping to do the same for the county.

Legislator Dolhof asked about the fee structure and Cyril responded that there is no fee, but RBC Wealth Management makes their money from the issuing bank. Legislator Hathway stated that RBC would be looking to Eric for information on how much is available to invest and how long can the money be tied up. Don explained that would be how it would work and then RBC would send back information on the different investment options and wait for Eric's authorization. In response to Legislator Hathway, Don said they do work with over 500 banks because they are limited to only be able to invest \$250,000 with each bank at one time due to the FDIC requirements.

It was explained that increasing the request for increasing the amount on the resolution passed in January was only if the county comes on board because right now it is working fine for the amount the hospital has to invest. Cyril and Don thanked the Committee for their time and looked forward to a long term relationship.

Legislator Dolhof pointed out that Three+One is analyzing our cash flow and then offering investment recommendations and RBC is the entity that actually invest the money. Eric spoke up and explained that the county needs to do something different and needs more diversification. Legislator Kulzer questioned if the Health Insurance Fund could be invested as there is currently well over \$5 million in that fund balance. He suggested that the revenue from investing the funds could be used for projects or in the budget. Eric stated that he didn't think interest could

be put in another fund that it would have to remain in the Health Insurance Fund but agreed that some of the money should be invested.

Ryan felt that the county needs to have a better understanding of the layers of cash flow to see how much we can invest and at what intervals in order to maximize our revenue. Legislator Hathway agreed and thought that after the first three years we may have the knowledge to do it ourselves. Legislator Burns felt that RBC had a more simplistic approach while Three+One had a more innovative approach. Legislator Hathway pointed out that one county has stayed with them since 2015, so there must be a reason to continue the relationship even after the first three years. Eric voiced his opinion that when you are working with \$52 million in funds you can either pay someone who has vast knowledge to handle it or pay an employee. Legislator Hathway felt that we should go with Three+One and hope they come back with a lower annual fee.

Legislator Kulzer made a motion to authorize Treasurer Eric Virkler to go ahead with Three+One with a maximum fee cap of \$25,000.00, seconded by Legislator Burns and carried.

Eric stated that he was going to look into switching up some of the investments that he currently has with Chase and use RBC instead. He will also give Jeff Hellinger, CFO at the hospital all the information from Three+One to see if they are interested.

Financial Implications of Carbon Credits

Legislator Hathway voiced his concerns with a 40 year contract because there is no real data beyond the first 10 years and he didn't think it would be wise to lock the county into a 40 year agreement but rather go back to them and ask for a 10 year contract. Legislator Osborne agreed and stated that it seems too good to be true to get \$500,000 over the course of 10 years to just let the land site there. Legislator Dolhof explained that they can't predict beyond the first 10 years because there is so much uncertainty in the green energy market. He felt more comfortable knowing it wasn't an easement but instead just a contract.

Ryan voiced his support of this program as it would benefit our Recreation Department by having additional revenue to help build our trail system. The time to advance our community is now and \$50,000 a year would go a long way in reaching that goal. Legislator Hathway would like to see a 10-year contract instead of a 40 year. There was discussion about asking for a 10-year contract with a clause to add on another 10 years at the end. Ryan stated that he would get with Joan and see if she could work with them on the term of the contract.

DANC Broadband

Ryan explained that DANC was going to join up with ECC so they can take an inventory of the broadband in the North Country, as it is still an ongoing issue, and present a full build out on what needs to be done. The total price for this service is \$62,000 for Lewis County but DANC will pay 50% so we could only end up paying \$31,000 in order to get a full inventory and full build out of what needs to be done in Lewis County so all residents have broadband internet. They are hoping to have this project completed by the end of the year. It is an important issue especially with schools relying on the ability to provide virtual classes if necessary. The whole committee agreed that the county should move forward on this.

The Committee agreed to use funds from Special Legislative Contingency to pay the \$31,000.00 for the DANC broadband inventory and build out plan and asked that a resolution be put together for that purpose.

At 3:01 p.m. Legislator Burns made a motion to adjourn, seconded by Legislator Hathway and carried.

Respectfully submitted,
Cassandra Moser, Clerk of the Board