

## FINANCE

Tuesday, November 19, 2019 – 5:30 p.m.

Police Training Room – Olean Municipal Building

Present: Members: Chairman Witte, Vice Chairman Crawford, Alderman Andreano, Alderman Gonzalez, Alderman Dougherty, Alderman Smith, and Alderman George. Others: Mayor William Aiello; Nicholas DiCerbo, Jr., City Attorney; Fred Saradin, City Auditor; Keri Stephen, Community Development Program Coordinator; Bob Ring, Director of Public Works; Jeff Rowley, Police Chief, and Tiffany Taylor, Managerial Confidential Administrative Secretary.

### 1. Roll Call

Alderman Witte called the meeting to order at 5:30 p.m. and asked that the record show that all committee members were present.

### 2. Approval of Minutes of the Previous Committee Meetings (Tuesday, October 15, 2019)

A motion to approve the minutes of the October 15, 2019 meeting was made by Alderman Witte, seconded by Alderman Crawford. Voice vote, ayes all. Motion carried.

### 3. Monthly Finance and Bills Review

Mr. DiCerbo explained that he will have an update at the next committee meeting regarding the status of the litigation requested by Alderman Witte.

### 4. Unfinished Business

None

### 5. New Referrals for Consideration

#### a. Presentation/Discussion – three+one Financial Advisors

Mr. Saradin introduced Alex DeRosa from three+one. Mr. DeRosa explained that he met with Mr. Saradin and Mayor Aiello a couple of different times, and he would like to speak with the Council regarding ways to increase the interest received on the City's funds. He explained that his company is different from most financial companies that public entities interact with, as they are not a bank, they don't take deposits, and they do not want City funds at any point. He explained that they are not a financial advisor, and they do not purchase investments on behalf of entities or make financial advisements. He explained that they are a data company who gives public entities cash flow and liquidity data to maximize financial resources and increase interest earnings.

Mr. DeRosa explained that his company provides data and information, and provides their marketplace expertise to help cities maximize the value of their cash at all times. He explained that one of the most important factors is time, such as how the term of a loan drives the rates that you are able to get for a loan. He explained that his company provides analyses to show entities how much cash they have, how long it is available for, and how to implement a plan to increase earnings.

Mr. DeRosa explained that on the treasury services side, his company looks at all functions of the finance office such as where funds move to and from, and they look at way to make sure the process is efficient and works best for the office. He explained that he would like to learn how the financial office operates in order to deliver tools to help the City earn and save more consistently.

Mr. DeRosa explained that three+one was funded on analytics, and the use of analytics should be more popular with all governmental entities. He explained that the company is sponsored by the New York State Association of Counties, and they have worked in counties, towns, cities, and school districts. In fact, they began working with Batavia five months ago, and Batavia has already realized five figures in increased interest earnings in that time.

Mr. DeRosa explained that, through an initial report, his company would put a number on how much they can help the City earn in the next twelve months. He explained that the City knows its own cash flow better than they ever will, but they know liquidity, which is how banks look at cash, and can help the City increase its dollars. He explained that his goal is to always work within the current financial providers and banks that the City works with. He explained that his company does not try to encourage entities to change institutions, and they are completely independent from banks. He explained that they provide data and marketplace options, and the City is completely in control of its cash and decisions. He explained that three+one only provides data to help the City make these decisions.

Mr. DeRosa explained that in his conversation with Mr. Saradin, Mr. Saradin did not feel that his office has the time to compile this data. He explained that three+one charges an initial one-time fee of \$15,000, and that they do not charge or send a bill until the company can present a report that provides a three to one benefit (that the City can receive an additional \$45,000 in the next twelve months). He explained that if the company cannot provide that return, that the report is free for the City to keep. If the savings is shown, the City is then charged \$300 per quarter per million dollars in funding that have been identified as eligible for increased interest earnings. He noted that the average return on investment is 7 ½ to 1.

Mr. DeRosa explained that the nature of his business is that he is unable to tell the City how much he would be able to help us until he sees the City's data and the City gives the company

the chance to show that they are able to help. He explained that there have been some entities that they have not been able to help, but there have been plenty that have seen a tremendous benefit.

Alderman Crawford asked if Mr. DeRosa has a sample report for viewing, and Mr. DeRosa explained that he does not have one present, but that he will send one for review. Alderman Crawford explained that he understands what the concept is, but that he would like to see this in practice. He asked if the report is the only tool that is provided to the City, and if they continue to monitor rates after the initial report. Mr. DeRosa explained that his company reviews and updates the entity quarterly and he personally provides continued support.

Alderman Crawford asked for an example, and Mr. DeRosa explained that earlier in the day, a client with a CD maturing at JP Morgan Chase Bank and another account to purchase securities treasuries discussed with him how long funds are available based on data, and discussed rates of treasuries versus CD's, to help make a decision to either put the funds in a bank account or to go out into another investment. Alderman Crawford asked if Mr. DeRosa tracks maturities for municipalities, and he responded that he does.

Mr. Saradin explained that the City has all of their funds at Five Star Bank in 15-20 simple interest bearing accounts, and Alderman Crawford asked if the City invests its funds in CD's. Mr. Saradin explained that we currently do not, and frankly, he is unsure what our limitations are as a City. He explained that three+ one is the first and only business of this type to approach him. He explained that he did not know what was available to him, and that he is wary about investing money, He explained that if the City loses money, it affects taxpayers.

Alderman Crawford explained that he can recall a conversation at NYCOM that municipalities should be very careful on how they invest their money, because there are rules regarding using cash and liquidity to earn money. He asked if Mr. DeRosa is familiar with this, and Mr. DeRosa explained that before he provides any data, he reviews the City's Investment Policy Statement, and if the City does not have one, he provides sample language create one. He explained that his company does not want to recommend anything that is not allowed within New York State. He explained that options are limited in New York, but he would like the City to have all options allowed in the State available to us under our Investment Policy Statement.

Alderman Witte asked if this is something that goes above and beyond what Municipal Solutions can do, and Mr. Saradin responded that it is. Alderman Dougherty explained that the County does have CD's, but that the City is smaller potatoes, and he can understand why Mr. Saradin is afraid of the risk.

Alderman Crawford explained that the surplus isn't just sitting out there, and that liquidity comes when the City gets paid. Mr. Saradin explained that the City is cash heavy in May, June,

July and August, and then again in March when the City reviews AIM funding. He explained that from August to February, the City is continually losing cash. Mr. DeRosa explained that this is something that they pick up on across all entities, and they look to see what times year the City's funds are available. He explained that there are 12 months of opportunity, and that they focus on every single dollar, even in low points. He explained that the company looks at the entire banking relationship, and every dollar and where it is needed. He explained that this is why he provides quarterly updates so that there are always actionable next steps.

Alderman Crawford asked if Mayor Aiello knows the Mayor of Batavia, and he stated that he does. He explained that Mr. DeRosa will provide a list of references that the City can look at as well. Alderman Crawford noted that a demo report would be helpful.

Mr. Saradin explained that over the last couple of years, the City has recognized that revenues are flat and that we need to fight to come up with ways to increase revenues. He feels that this is an example of potential income.

#### 6. Approval of Committee Reports

None

#### 7. Adjournment

A motion to adjourn was made by Alderman Witte, seconded by Alderman Crawford. Voice vote, ayes all. Motion carried. Meeting adjourned at approximately 5:55 p.m.