

Minutes
Audit & Control Committee
November 9, 2023, 8:35 a.m., Legislative Chambers
Livestreamed on YouTube
Gerace Office Building, Mayville, NY

Members Present: Pavlock, Niebel and Harmon

Members Absent: Wilfong and Scudder

Others: Lee, Swan, Chagnon, Wendel, Gould, Slagle, Peters, Ihrig, Nick, Wright, Oehlbeck, Crow, Telford, Makowski, Ryan, Zafuto, Hernandez and Contiguglia

Complete video of meeting can be viewed on YouTube

Chairman Pavlock called the meeting to order at 8:40 a.m.

Approval of Minutes (10/19/23)

MOVED by Legislator Harmon, SECONDED by Legislator Niebel

Unanimously Carried

Privilege of the Floor

No one chose to speak at this time.

Tabled Resolution – Authorize Use of Chautauqua County 3% Occupancy Tax Reserve
Funding for Merritt Winery’s America’s Grape Country Craft Beverage
Festival – *Presented by Paul M. Wendel, Jr., County Executive*

*MOVED by Legislator Harmon, SECONDED by Legislator Niebel to bring to the Floor –
Unanimously Carried*

Unanimously Carried

Local Law Intro 11-23 – A Local Law Amending Local Law 13-22 Providing for a
Management Salary Plan for County Officers and Employees (re:
Training and Development Coordinator in the Department of
Human Resources) – *Presented by Debbie Makowski, Director of
Human Resources*

Proposed Resolution – Amend 2023 Budget Office of the County Executive – *Presented by Justin Gould, Media Information Officer and Paul M. Wendel, Jr., County Executive*

Unanimously Carried

Proposed Resolution – Office of Emergency Services 2023 Budget Amendment – *Presented by Bonnie Peters, Emergency Services Account Clerk*

Unanimously Carried

Proposed Resolution – Amend 2023 Budget for EMS – *Presented by Bonnie Peters, Emergency Services Account Clerk*

Unanimously Carried

Proposed Resolution – Authorize Lease of Cage and Office Space at 201-209 East Fourth Street, Jamestown for the Chautauqua County Sheriff – *Presented by Rich Telford, Undersheriff*

Unanimously Carried

Proposed Resolution – Authorize Agreement with Chautauqua Lake Central School for a Trial Program with Regular Police Presence at the School District Buildings FY24 – *Presented by Rich Telford, Undersheriff*

Unanimously Carried

Proposed Resolution – Authorize Agreement with Chautauqua Lake Central School for Enhanced Police Protection Services FY24 – *Presented by Rich Telford, Undersheriff*

Unanimously Carried

Proposed Resolution – Authorize Agreement with Various Towns for Court Security Services FY24 – *Presented by Rich Telford, Undersheriff*

Unanimously Carried

Proposed Resolution – Authorize Agreement with Various Towns for Enhanced Police Protection Services FY24 – *Presented by Rich Telford, Undersheriff*

Unanimously Carried

Proposed Resolution – Amend Chautauqua County Department of Mental Hygiene and Social Services 2023 Budget for Increased Safety Net Costs – *Presented by Samuel Zafuto, Fiscal Supervisor for the Department of Finance assigned to Social Services and Public Health*

Unanimously Carried

Proposed Resolution – Amend 2023 Mental Hygiene Budget Appropriations to Account for Increase Costs Associated with Mental Hygiene Law 43.03 – *Presented by Carmelo Hernandez, Director of Community Mental Hygiene/Commissioner of Social Services*

Unanimously Carried

Proposed Resolution – Amend 2023 Budget to Purchase Promotional Items for the 2024 Total Solar Eclipse Using Funding from the 3% Occupancy Tax Reserve – *Presented by Stephanie Nick, Special Projects Coordinator with the Department of Planning & Economic Development*

Unanimously Carried

Proposed Resolution – Amend Spending Plan and 2023 Budget Chautauqua County American Rescue Plan Act (ARPA) – *Presented by Blake Ihrig, Director of Administrative Services with the Department of Finance*

Unanimously Carried

Discussion –

Tabled Resolution 271-23 – Authorize Acceptance of 2023-2024 Aid to Prosecution Funds (Tabled at Legislature meeting on October 25, 2023) – *Presented By Madeline Contiguglia, Assistant to District Attorney*

Other –

Late Proposed Resolution – Authorize Extension of the Agreement between the North County Industrial Water District No. 1 and CBI Water Works for Water Purchase and Field Services – *Presented by Pierre Chagnon, Chairman of the Legislature and Mathew Oehlbeck, Director of North Chautauqua Lake Sewer District*

Unanimously Carried

Late Proposed Resolution – Amend 2023 Budget for North County Industrial Water District No. 1 for Water Tank Renovations – *Presented by Pierre Chagnon, Chairman of the Legislature and Mathew*

Oehlbeck, Director of North Chautauqua Lake Sewer District

Unanimously Carried

Discussion – Compliance Report ARPA Funding – *Presented by Blake Ihrig, Director of Administrative Services with the Department of Finance and Kitty Crow, Finance Director*

Discussion – Investment Report – *Presented by Kitty Crow, Finance Director*

Kitty Crow, Director of Finance. I just wanted to provide the committee an update on our Investment Portfolio. Also just for the record, as part of our investment policy, on recommendations of auditors, I know normally discussion items are not recorded in the minutes but discussion items on the investment should be recorded in the minutes so I just wanted to give that reminder. So the first handout here, that's this monthly – we are now caught up on the investment reports as I mentioned earlier in the year during Todd's leave of absence. We were not going to be able to produce a monthly report so on his return and once he got through the audit, we were able to update so I just went ahead and provided this report. This is the September report rather than sending you a report for each month from – assuming that's okay with you so consider this is kind of a year to date at this point. Olivia, just since you came back as a side note just as a reminder, since it's an investment report, it does need to be included in the minutes, this discussion. So the first page here is just a summary of our year to date as well as the September earnings. I did add in a couple of changes into the report that separate out the ARPA interest earnings so I added another row there so you can see the ARPA interest earnings for September and the investment – the other portfolio, the total portfolio so the next couple of pages really just reflect the distribution of the interest earnings to the various funds and a calculation already set up so for your information that's really what these next two pages are about, is the how the monthly earnings are allocated to each fund or account that interest earnings should be applied. Beyond that, the following pages is just the list of our holdings as of September so we have our long-term investment holdings are those couple of pages of the listing of various investments and then going further beyond that it shows you the total amounts in our various money markets and our municipal trust account and then if you kind of keep moving ahead you'll see a total portfolio balance of 123 million. The last page really is what I like to look at generally because it just kind of gives you the monthly history. I also usually include the prior two years by month, not to say that there's really any seasonality to this but just kind of gives you that history. I do have just the total for each year from 2013 to 2020 up above for more historical perspective but as of September, our long-term port portfolio, so that's the first block there and as a reminder that is reported based on the change in market value. I'll go through another page where I show you our actual realized earnings but we're required to book the change in market value for our long-term portfolio. The next block is just all of our other short-term investments where we have CDs. I don't think we actually have anything in a money market right now but mostly - I take that back. I added another new section which shows our ARPA investments and so this is where to get to your point earlier, yes we will continue to earn interest. What we did when we got the ARPA money is immediately put it in an investment bearing account and then actually further when the New York muni trust was created which has given us much better returns. We moved all of the ARPA funds into that investment pool and so as we pay invoices every month, we just pull it out

of that fund so we just pull it out as we're spending it so that any balance is just continually earning interest. Obviously that balance is going to dwindle as we spend down the money so there'll be less interest to earn because the funds in that pool will be less but we'll still be earning interest until all the funds are expended so that's just an overview of the report. Also you can see here, it also reflects our earnings rate long-term. Again, its showing year-to date is six basis points but again that's based on the change in market value. I'll talk in a little bit about our actual earnings and average yield. The short term, that's where you can see that the actual interest every month is the actual interest so our short-term investments outside of ARPA averaged 4.76% for the year and in the muni trust just a couple basis points higher so 4.8% is what that's been trending. So that is an over view of this report to date so that'll start up again on a monthly basis you'll see that. The next one pager, this page here, as a reminder we changed our budget policy so to speak for our investment policy to budget capital projects revenue based on realized earnings so this is a report that tracks the actual interest payments on our long-term portfolio and short-term investments on a monthly basis. So year-to date for 20 - oh I'm sorry, that's a typo there that last row should say 23 so year-to date, we've received \$1,159,000 in interest payments on our long-term investments. 1.8 million - a little bit over that in our short-term portfolio and then through September \$672,000 on our ARPA portfolio. The number 913 below is our cumulative earnings on the ARPA funds so 9113 has been earned since we received the funds. We did utilize the \$230,000 already to put back into the ARPA pool projects pool of the 2023 earnings. We had projected we would earn at least \$800,000 which we have included in the 2024 budget so anything beyond what we earn this year anything that we earn beyond \$800,000 would be available for what we earn next year for whatever would be the choice of the Legislature. Any questions on that?

Legislator Pavlock: So back to your page here, it says cumulative year-to-date earnings is \$2,896,000, that's not including the ARPA funds correct?

Kitty Crow: That does include the ARPA funds, yeah.

Legislator Pavlock: And that money just for simplicity, where does that fall back into? Does it go into the general fund or does it - where does it go?

Kitty Crow: It's part of the fund balance calculation of all of the funds so that would be like a long-term asset on the financial statements but we pull our cash so that's why every month like the first couple of pages of the of the investment report show you how we allocate the interest earnings across all of the different funds so the Sewer District, all the enterprise funds the D and DM fund even like some of the other accounts like the Wireless and e911 accounts are interest bearing so they receive a - because we just put all the investments -

Legislator Pavlock: I was just curious how it could be - where it all goes so it all really in essence kind of goes back into each individual kitty, if you would.

Kitty Crow: Yeah.

Legislator Pavlock: Question, if we had a zero fund balance how would that negatively affect this number this \$2.896 million?

Kitty Crow: Well that number would be zero too. Well because essentially - so getting into the next area here, our liquidity management and strategy and you know - what we've been working on with 3+1 they help us to know how much cash on hand we can have invested in a six-month window a 12 month or longer window so with our fund balance being where it is today, in essence a majority of that is in long-term investments because we know we're not going to need it next month. Then, every month we have investments that pay down and interest and pay down and depending on our cash needs we either just reinvest that or especially this time of year, this is when we start to have low cash balances. Each year when the property taxes start to roll in, that's the money that we need to pay all the bills for the whole year so we have a couple strategies around those funds. Generally we put those into some rolling CDs or we lock them up. Years prior to COVID, the strategy we used was to put them in a six or nine month treasury so that they would mature in October and November and even maybe January or February so that they're earning some interest until we need them because we know we're not going to need those funds until later in the year so a variety of strategies. As our fund balance has grown as we've been able to keep more in long-term investments so that we're maximizing our earnings on that cash.

Legislator Pavlock: And I think it's a - there's a good point. I've been discussing the fund balance just in the rear future because it's an important area of discussion that we all need to be aware of also, but you know a healthy fund balance helps our investment strategy too and it's as much of an earner as raising taxes sometimes if the interest rates are good and they are going in that positive direction. It's just like us, we're earning with that now and is it correct? Well yeah, I think it is because it's a prudent way to use and utilize the funds that we have and they are in sense we aren't depending on that and that's not our sole purpose for the fund balance. Our fund balance, we're utilizing it because we have it to make sure that we can cover those unplanned for expenses or emergency expenses but we're just being very prudent and the prudence helps us with our overall budget which is very important because really earning well and we want you know we thank that to you and your department in the sense of what you've done with the money to do that.

Legislator Harmon: That was my comment, I just want to thank you for doing what you do. This is amazing stuff.

Kitty Crow: It's been a learning experience.

Legislator Harmon: Well you're doing an outstanding job and thank you.

Kitty Crow: I share the credit with Todd. We work pretty much day to day you know, definitely weekly and knowing where our cash is, what we can reinvest you know, we have two Brokers now that we mainly work with that we meet with at least quarterly to review our holdings, what are rates looking like, what's the economy looking like?

Legislator Harmon: It's not going unnoticed let me tell, thank you.

Legislator Pavlock: Well to your (*inaudible*) comment too is I mean \$2.896 million accumulative (*inaudible*) earnings if our balance of zero, we wouldn't have that.

Kitty Crow: Yeah and right now we're really doing well on our short-term investments. That's a strategy that really came to us working more with 3+1. Our liquidity part management partners as well as one of our brokers has helped us to focus on some short-term strategies and the shorter term investments right now have been doing well. But, we also are - right now with rates high, we are trying to look at purchases that are a little bit longer in duration to lock in that higher interest rates when we're reinvesting each month right now so we definitely kind of try to - our brokers are really good and helpful at helping us kind of determine what helps balance out our portfolio and take advantage of rates or if rates are coming down what's the best strategy in that type of market?

Legislator Pavlock: The analytics of the market is very hard to decipher and even as a professional analysis, you are sometimes just guessing the best you can because who knows what the market's going to do and that you know you obviously have more short-term earnings but it's probably because you have more money put into there so it's doing more work for us there.

Kitty Crow: Yeah, and that new muni trust that has started has really been a good place for us to put funds because that investment pool operates like a money market but they specifically take advantage of all of the types of investments that we're allowed to make and they kind of do that for us so we have a good chunk of money there and that's been giving us good returns so we trying to do make a variety of strategies. The next page here that's two pages -

Legislator Niebel: Kitty, before we leave that under our short-term investments, and I realize this is just through September but that 5.22 ARP rate I think some of the banks and I'm not sure about M&T but I think some of the banks are up to 5.4 and even 5.5.

Kitty Crow: Which page are you on, Terry?

Legislator Niebel: The summary here (*inaudible*)

Kitty Crow: Oh the last.

Legislator Niebel: I just mentioned that I realize this is only through September but I think some of the banks are offering rates even higher than 5.2.

Kitty Crow: So if you look just at the September row we're getting 5.22 and 5.3. The 4.76 is just the average for the year.

Legislator Niebel: Understood, but I'm thinking like for October and November. Some of the rates well and again, I don't know about M&T but some the banks are up to 5.4 and 5.5, I think six month CDs.

Kitty Crow: Yeah so we have a number of rolling CDs like CD ladders so we mainly keep the funds that we know we're going to need in the year in CDs so that you know every 3

months we have another CD rolling off because we know we're going to need that cash by that time point in the year. We especially lack some in to mature in like this month of the year because we have our pension payment in December that's usually \$8 million so we try to make the most that we can on that.

Legislator Niebel: Depending on whoever we need the money and when?

Kitty Crow: So this two pager on both sides, this is the quarterly report that 3 + 1 puts out for us. They score us on basically five categories. Proud to say that we've achieved a score 95 or higher on a quarterly basis going back to October 2020. We've had three consecutive quarters - this was the report from our last quarters report through July so 34 in a row there with a score of 99 so it's always exciting when we get this report. That little dip down there was kind of when - I can't even remember exactly what caused that but obviously we've recovered from that one quarter when we had a little drop off. This is really valuable partnership so they basically are helping us to understand how much of our money can be invested and for how long and they've suggested a variety of strategies we have implemented and really has paid off. The only category where it kept us from a 100 was our earnings credit rate so that's where with Key Bank, is where we do all of our accounts payable so you have to keep a minimum there to offset our fees so maybe we could have had less in there than we needed to offset fees but it gives us that 1 point to room for improvement that we always strive so for. So this kind of gives you an idea and compares us to benchmarks so on the warwick score, the 30-day treasury at the time of this report was 5.3 and we were running it - I think it was in the next section there about 5.11. So they keep us informed on where we are relative to other counties, other benchmarks so it's been very useful. Their full report is many pages, this is just kind of the scorecard portion of that. So lastly, on the investment policy I did print out - this was the resolution from last year that was adopted so the underline and strikeouts in this copy just reflect what you amended the policy for last year. I don't see any areas where I don't recommend any changes right now so unless you want to read through this and can think of anything you can let me know and we can pre-file something for next month or January but there hasn't been any changes in the State law in terms of what investments that we can use and we haven't changed any banks so there's nothing right now that I would change. At the final paragraph it just says we should do this quarterly but to review the four objectives. So on the first page item two there, objectives is to ensure we're conforming with all legal requirements, we're adequately safeguarding our principle, we provide sufficient liquidity to meet operating requirements and obtain reasonable rates of return or yield so I can attest that it is to the best of my knowledge all of our investments are meeting legal requirements. We invest only with banks that - they have to have a certain collateralization of any of our investments and we do actively review our liquidity with 3+1 to make sure that we have enough liquid cash to pay all our bills every week. Compared to some benchmarks, I think we're doing okay in terms of our rate of return and yield. Any other questions?

Legislator Pavlock: Just to be clear too, it's our Legislature's obligation to review this at least once a year correct? Also to say that we invest or reviewed our investment policy right? So this is the time frame that which this is being completed for our obligation to do so. That's the important part of why we are doing this today.

Kitty Crow: So I would just add on to that, so quarterly we should we should be probably reviewing similar review so if we want to just try to proactively add that to the agenda for the whole year at a time. But also, just for clarification on that component on the last page of the policy, that annual review is to review the holdings so that's this complete listing of all of the different investments. I'll remember to either send to you ahead of time or include in the next report some pie charts to show you the ratio of what different types of bonds are included in our portfolio. I mean this just gives you a listing but maybe I can even see if I can include that pie chart in each month's report. The visual is a little bit easier than looking through the list of holdings.

Legislator Pavlock: Are you okay with the reporting in sense that under that oversight the monthly and obviously we didn't complete that because we had some personnel challenges which we want to make sure we're correcting that. We don't want to be in the same position and have missed the mark again because really, we're obligated to do so.

Kitty Crow: I did communicate earlier in the year to the committee that there would be a delay in these reports so I'll have that noted in my files and that in today's meeting we're catching up for the year.

Legislator Pavlock: So you think next year you'll be able to make the –

Kitty Crow: Yeah these reports will now be able to resume monthly so we're not quite closed with October yet, but as soon as we close the books for October then I'll be able generate the October investment report.

Legislator Pavlock: In which I will say we didn't completely miss the mark because during those meetings you did say that we didn't necessarily review it but you stated you just didn't have it done and we were an acknowledgement that we were okay with that. We could have held you to the fire and say “well get it here”. So we took the responsibility, we did discuss it so I think we're covered and I just want to make sure that you know moving forward, we still want to stay with that and if it's obtainable otherwise we can make the adjustment and that's why I'm bringing it up.

Legislator Niebel: Dan this isn't a question but Kitty, if I'm reading this chart correctly, this cash vest score history - so for over the last 3 years, we've had 100% scores for five quarters?

Kitty Crow: Yeah so the beginning one - that's where - yeah we did have five quarters in a row in which we did have a score of 100 and (*inaudible*) Joel Ruis and their CEO gave a - we have received - they have a 90 plus annual award.

Legislator Niebel: They came and gave us an award for that.

Legislator Pavlock: They actually increased the rating - the scale right?

Kitty Crow: Well they said they are trying to figure out changing the rating scale but yeah, so that score is - that award that they give is for anyone who has four consecutive quarters over 90 and so we've consistently done that.

Legislator Niebel: And we had 100 for five quarters. Well look I think you, the finance department and our investment folks, I think you've done an excellent job so keep up the good work we appreciate it.

Kitty Crow: Alright, thank you.

MOVED by Legislator Harmon, SECONDED by Legislator Niebel to adjourn.
Unanimously Carried (11:13 a.m.)

Respectfully submitted and transcribed,
Olivia Lee, Clerk of the Legislature/Kristi R. Zink, Deputy Clerk