



Erie County Gaming Revenue Authority
Minutes of the Board of Directors' Meeting
December 8, 2016

CALL TO ORDER

The Board of Directors' Meeting of the Erie County Gaming Revenue Authority was held on December 8, 2016 at the Watson-Curtze Mansion; 356 West 6th Street; Erie 16507. Legal Notice of the meeting was given through an advertisement appearing in the Erie Times-News. The meeting was called to order by the Chair.

ROLL CALL

Mr. Bagnoni, Mr. Barney, Mr. Domino, Mr. Paris, Mr. Peters, Mr. Sample, Mr. Yaple (by phone). Mr. Breneman, Mr. Lee, Mr. Wachter, and Mr. Wood are also present.

APPROVAL OF THE AGENDA

Mr. Barney makes a motion to approve the agenda. Mr. Peters seconds the motion. Motion carries 7-0.

APPROVAL OF MINUTES – December 2016

Mr. Peters makes a motion to approve the minutes. Mr. Barney seconds the motion. Motion carries 7-0.

COMMENTS BY THE CHAIR

I'm really glad to see that we're being this pro-active with this situation with the government. I think we potentially dodged a couple of bullets by having the Ridge Policy Group and the other things in place beforehand. To try and do that after the fact could have been a disaster. We've just got to keep keeping everybody aware that this is not a done deal. We have no guarantees, and if they appreciate everything ECGRA has done for them over the years, they need to voice their opinion and get to their legislators.

We need to go into executive session. We have two individuals who have to meet with the governor today, so we want to be respectful of their time. We're going to go into executive session to go over a couple of personnel items and then over another matter of business. I would ask that Perry, Diane, and Tom excuse themselves, and we will call you back in a few minutes.

We are now out of executive session. Mr. Wood, the time is 9:15, and we went into executive session to deal with a personnel matter and a legal issue. We will now move on to committee reports.

PUBLIC COMMENT

Jack Watts: I'd like to say that I'm glad you guys are here and appreciate you having your meeting here.

PRESENTATIONS

No presentations.

COMMITTEE REPORTS

- a. Treasurer's Report – I think everybody's pretty comfortable with the documents now and reading through these. I don't know what level you guys want me to go through with this. I don't see anything in particular that is of concern when we look at where we stand in the year. Obviously we start our year on April 1. We're trending in most categories where we anticipated trending, with a few exceptions along the way which typically are balanced out by where we are under budget in other areas.

The one thing I want to remind all of you about is that Perry and I have been discussing this concern we have over these two endowments – one being a donor-advised fund at the Community Foundation, and the other being an agency endowment. We had made a split of those two endowments at some point for a number of different reasons. One of the issues that came up as a result of that is that we are not confident that we're presenting our balance sheet how we should be. This is actually the only important part – the rest of it can be read.

This situation is this between the agency account and the donor-advised account at The Erie Community Foundation. When you do a donor-advised fund, IRS rules are that we have given that money over to the Community Foundation, and we no longer have any legal control of that money. And as such, that money is not on our balance sheet, because it's not our money anymore – we gave it to the Foundation.

However, the piece that is still set up as an agency fund means that we are just paying them to administer those funds for us, but we could, theoretically, take them back. As such, they need to show up on our balance sheet, and they don't. And so Perry, Susannah, and I were at a meeting where this came up, and this is now the third time I've brought this up to all of you, but it's culminating in some action that I'm going to request authorization for Perry and I to move forward on.

Two points of action may need to occur. One, we may want to consider consolidating those two funds both into the donor-advised fund. I'll bring that up at a later time. The thing that's disconcerting to me as the treasurer having reviewed these documents every month before these meetings and going through this, is that our auditor didn't catch this. The fact that Perry, Susannah, and I happened to just be chatting and a lightbulb goes off as we realize that this could be an issue, is disconcerting to me at best. I would seek approval from my colleagues on this board to move forward with replacing our auditor. We've used Felix and Gloekler for a number of years. The county has moved away from them; other economic development agencies have moved away from them. I love Buzz Felix and think he is a fantastic guy, however, this is disconcerting.

We do not need to put this out to bid. It's a professional service – the same way we don't have to put our legal services out to bid – we choose who we want to work with us. I had one conversation with what is probably Erie's largest CPA firm, but they do primarily for-profit

business, and they advised us that we need our auditor to have a particular credential that they don't have. They are going to gather some names that Perry and I can chat with.

This is something that I'd like to move forward on relatively quickly. I'm looking for comment from you guys.

Mr. Sample: I believe that's a very good opinion. I believe Perry had a conversation with the county, and Sue Ellen recommended that every five years you rotate out so that you don't get stagnant. So, I agree with you whole-heartedly.

Mr. Bagnoni: I have no problem with that. I know of organizations that have gotten into deep, deep poop because their auditors didn't catch stuff that they should have. So, I agree that you should rotate them in and out. That way you have checks and balances. I don't think you should stay with the same one.

Mr. Peters: My desire is to try and stay with someone in Erie, to keep the wealth here. At the same time, the rules changed not too terribly long ago that require a certain designation, and we have to get someone that has that designation. I called Shaffner, Knight, Minnaugh just because I know those guys, and they said they don't have that designation but that they would do a little research for us as a courtesy, because we're a client of theirs (my business is), and they'll give us some names of people that they think we should interview. I'm hoping that Perry and I can do that rather than go out of town.

Mr. Barney: The designation that is required, is there a company in Erie with it?

Mr. Peters: Interestingly, Felix & Gloekler does have it. I don't remember who else does.

Mr. Wood: It's a government auditing certification.

Mr. Sample: It's a point well taken. Somebody with the certification; somebody from Erie.

Mr. Peters: And if we don't have someone in Erie that has that certification, I would recommend that we go to someone in Pittsburgh, because at least it's keeping it in the Commonwealth, and they would be familiar with the Commonwealth Financing Act.

Mr. Wood: The chances are that the cost will be under \$5,000. If it's over, we'll need to bring it back to the board, but if it's under, I'm going to ask you, is it okay to just go ahead and execute based upon the criteria you just set up?

Mr. Sample: Yes.

Mr. Peters: As far as what it does to us related to any sort of IRS issues, we still have to figure all that out. Unfortunately, I suspect you'll be hearing more on this, and maybe we can just restate and everything will be fine. Other than that the treasurer's report is pretty self-explanatory.

Mr. Bagnoni makes a motion to approve the treasurer's report. Mr. Domino seconds the motion. Motion carries 7-0.

b. Regional Assets Committee – Nothing to report.

c. Strategic Planning Committee – Mr. Paris: We met last week. Jim and Dave weren't there. We discussed the letter from Talarico. One of the things we're going to be doing today is the Lead Assets funding, and how that turned out. We talked already about the selection of the new auditor. One of the last things that came up was the Buki plan and how we are going to be moving forward with that.

Mr. Wood: Which we don't know yet. We have to have further discussion with the board.

Mr. Peters: We did also chat about Ignite Erie and the possibility of expanding that program as we're learning what Penn State and Mercyhurst are doing, both with the Innovation District, and what Penn State is doing with the Beehive, and some of the good stuff that's coming out of that. If you recall, we funded that at \$250,000 a year for three years, and

we're getting quite a bit of value out of that. It might be something that in the coming months we want to talk about again – about do we want to expand that program.

I guess the only other thing I'd like to share from strategic planning – I don't recall if this actually came up in the committee or not – but Perry and I are meeting with another venture capital fund that's interested in locating in Erie. We're meeting with them on Monday morning. As you know, we committed \$2 million to PennVenture Partners for PVP2. As with other things that we've funded, getting to contract takes time, but we feel like we need a backup plan if that, for whatever reason, doesn't happen, or happens at a lesser level. We are, therefore, meeting with others. This particular group is called Blue Highway Capital Growth. They are applying, and I guess have been granted, a federal designation for rural investment, which all of Erie County fits into. They are from the Philadelphia region. I have all their stats from their prior funds. We're going to meet them face to face Monday.

- d. Update from County Council – No update.
- e. Update from County Executive's Office – Mr. Sample: They are meeting with the governor.

REPORT OF THE EXECUTIVE DIRECTOR

I'll be brief. You do have a copy of the report in your SharePoint, but there are a couple of highlights I want to point out to you. First is a quick update on gaming legislation.

As of today, we are now 50 days out from the point where the stay of the supreme court expires. So, in 50 days, if the legislature does not act, and they will have an opportunity to do so in January, however most of us are not optimistic that it will get done at that time, then local-share gaming will stop flowing, as of January 27. It will still come from the state for the rest of 2016, which I mentioned will take place in February of 2017, however, the state will stop collecting local-share gaming on our behalf as of January 27.

Now, what we know is that the state Senate is drafting a 90-day extension request to the supreme court. Now why 90 days? Because if it's any longer than that it gets us into budget discussions, and I think it's their tactic, they do believe this should not be muddled with budget discussions. So 90 days gives them a chance to have at least another three sessions on the topic and resolve it while keeping gaming money flowing. So that's a positive development. Hopefully, and no one can say this with certainty, the supreme court will accept the extension as presented. In the meantime, I've talked with both the county executive and Mr. Lee, as well as Nancy Agostine, Summit Township supervisor, about the potential of entering into a pilot agreement with Presque Isle Downs and Casino if the extension and the legislative fix does not materialize.

If you recall, my initial position on this back in November is that we need to avoid discussions of a pilot agreement so that we can keep the pressure on the legislature to deal with it. However, the legislature had opportunity in October and November to rectify the issue and did not take it. So the county is trying to decide their position on a pilot agreement. Also Chairman Horton and Councilman Breneman have been informed that we may have discussions about pilot agreements.

Mr. Peters: If I could ask, what process would the county go through to determine if they are open to a pilot?

Mr. Wood: That's a good question. Maybe that's a question for Jay.

Mr. Breneman: We'd probably look at what Dauphin County did and follow the same measure.

Mr. Wood: So that's a great point. There have been three other communities that have entered into pilot agreements with their casinos – their casinos willingly entering into them. I detailed this in an email to you folks. One of them is for six months, the other two for 12-month periods. The idea is that it gives the legislature more time to deal with the issue. They did enter into it for the full amount they have been receiving. One of the things I have been stressing to Mr. Lee and Mr. Breneman is that I

believe that if we go a pilot route, we shouldn't go as ECGRA to the casino and ask for a pilot, we should go as ECGRA, Erie County, and Summit Township. We should go as a team, because this is what is best for the community. Some of those other communities have gone individually. The city of Pittsburgh, for example, without Allegheny County, approached the casino. I want to go on record that I don't think that's productive, and I think what's best for the community in general would be to keep funds flowing to all three major entities.

Mr. Breneman: And I've said as much to my colleagues, the county executive, our solicitor, and everybody else. I believe we can't afford to act separately on it. If we're going to do it, we all need to do it together. If we don't, then nobody does it.

Mr. Wood: The next thing I want to bring up to you is the economic impact study. It is moving forward very aggressively. The economic impact for ECGRA is almost complete. Next is to tackle the economic impact for the county and Summit Township. The interviews have been conducted, so the data is being processed. We've had full cooperation on our side. Everyone that we've asked to do an interview with the consultant has done so. All the Lead Assets have done so.

I also created an advisory committee of folks to assist us in the process so that they could understand what the mechanics of the economic impact study look like and be able to answer questions to their relative constituencies about it. Those folks are Joe Maloney, the CPA for county council – I wanted to make sure that if county council asked him, "Joe, how did this study play out? Does this make sense to you?" - he was actually involved in discussions for it, and he appreciated that. Jim Sparber, director of finance for the county; Nancy Agostine sits on the group; Mary Schaff, the county controller, has participated in discussions, and then Kelly Byers, who is a CPA at large and very involved in the community – we asked her as a neutral, third-party entity as well to give it the sniff test and make sure we are on the right track.

The plan there is to meet with those folks on Go to Meeting two times, maybe three, and get their feedback. They'll be seeing a draft copy of it at the same time that you will as a board member. Just like we have advisory committees for grants, we're doing the same thing with this economic impact study.

Mr. Peters: The first meeting was this week, correct?

Mr. Wood: Yes. We had a Go to Meeting.

Mr. Peters: Did you get to participate?

Mr. Wood: Yes.

Mr. Peters: Did the folks from the county and the community at large participate? I mean, were there questions asked?

Mr. Wood: They all asked good questions. Each one of them asked at least two thoughtful questions.

Mr. Peters: And Mary was productive in the meeting? I don't know her. I've just heard various things about how she operates.

Mr. Wood: She didn't know we were an economic development authority. So there's some remedial outreach that needs to go on there, and I talked to Tim about it. That being said, she's been reading our audit for eight years now. She's been receiving a copy of it, reading it, and we've never received these types of questions about from what legal authority are we operating.

Mr. Peters: So, she's been receiving them?

Mr. Wood: She has been receiving our audit for eight years now.

Mr. Peters: You suggested that she's been reading them for eight years. I don't know. If she didn't know we were an economic development authority, then I might have a follow up.

Mr. Wood: So I did discuss it with Tim. I said, "This is the county controller. Why don't we have an individual meeting with her to go over, "This is what ECGRA is; this is what we do; this is our legal authority to operate; this is why we're operating," and see if she has any further questions."

Mr. Peters: Thank you. I think that's a good decision.

Mr. Wood: Next is Mission Main Street. You're going to see a resolution on the agenda today to pass Main Street funding. Main Street was released in October, due in November, and, of course, I'd appreciate it if you would award it today in December. There were only three applications received – down from nine. Those three applications have been thoroughly vetted by the staff, and we found them to be solid proposals for the city of Corry, the borough of North East, and downtown Erie. Our staff recommends full funding for all three. However, we also recognize that the lack of participation in this program warrants further investigation, and we should probably prepare some research and have discussion at the committee level. Why Mission Main Street all of a sudden has dropped is a mystery. So, we're going to do some interviewing and find out. It could be a matter of local financing coming into play, because we do require a 1:1 match, and in many of these programs, the match comes from a township or borough. And that's primarily what's missing from those – the townships and boroughs.

Next is the Lead Assets. According to our MOU with the Lead Assets, we were to have a meeting with the Lead Assets to discuss the health of the endowment, and that included The Erie Community Foundation coming in and presenting on the health of the endowment. That meeting took place within the timeline that is set forth in the MOU. In addition, we were to provide the Lead Assets with the available amount of distribution from the endowment, which we did as well – it's \$404,400. That number was provided.

You know, of course, we have a contingency fund. This year is the last year that the contingency fund is in operation. The contingency fund for the remaining amount to get them up to \$646,000 was then calculated. They were provided those numbers.

As a result, their end of the MOU was to deliberate amongst themselves and to decide on the agreed-upon distribution method amongst themselves. And, of course, they did that. They had a meeting. They came back to us with a formal letter, and we presented that letter with recommendations at the committee meeting last week. It's now on your agenda. We had no objections as to how they came to that number. We did want to empower them to come up with a distribution method. The fact that they did, with an objective method, is wonderful, considering this is the first time that's happened. So that is the attachment to the resolution, and we hope that you'll pass it so we can stay in compliance with the MOU.

Mr. Paris: The money that we're giving them today, where's that coming from? Is that the contingency?

Mr. Wood: So the \$646,000 comes from two sources – one is a draw down from the endowment. The way that process looks like is we determine a figure of which would be appropriate to draw down. We do that by having a conversation with The Erie Community Foundation. That number is about \$404,000. We then let the Lead Assets know about that number, and then we draw down on it. So we will receive it as revenue from the endowment, and then we will add our contingency fund to it to get up to \$646,000, and we'll distribute the funds, if it passes here today.

Mr. Paris: Technically that's the Foundation's money, right? And now it's coming back to us?

Mr. Peters: No. If we're drawing down from the endowment, the money is going to come from the Community Foundation to the Lead Assets. We don't actually stroke a check here and then we distribute it, do we?

Mr. Wood: We stroke a check and distribute it. We take the money back from the endowment and then distribute it.

Mr. Peters: Oh, we do?

Mr. Wood: Yes. That was a process that we talked about.

Mr. Peters: The Community Foundation has signed off on it?

Mr. Wood: They agree that's the most productive method.

Mr. Paris: How does that affect our financials, though?

Mr. Wood: It does to the extent that Chuck mentioned earlier, which is, we need to understand the implications for having certain types of designated funds as part of the endowment. So that's

further research that needs to be done, and, as he mentioned, we were recently alerted to that, so it's too soon to have done that research.

Mr. Peters: We don't know. The implication is, "How does this affect us with the IRS and our status as a government authority?" There are things we just have to understand. And the simplest part is we need to put it on our books – at least part of it. We don't think it creates any kind of taxable event.

I think it's a testament to the Lead Assets that they got through this. I genuinely didn't think they would, and I'm super happy that they did. They should all get a pat on the back.

Mr. Paris: I did have a conversation with Amanda this past weekend, and she said how smoothly it did go.

Mr. Peters: There were some winners and some losers. Only two groups got more money; everybody else got less.

Mr. Paris: One of the things that she said was that they set this up to happen. As these groups become bigger, like Flagship Niagara, and they've got more money coming in, they kind of set up the other Lead Assets to recognize that they would be getting more money sometime down the road. They all knew it was going to happen, and then they came together.

Mr. Peters: Just for the record, the zoo and the Flagship Niagara are the two that got more money.

Mr. Wood: You'll see that in Resolution Number 23.

SOLICITOR'S REPORT

No report.

OLD BUSINESS

No old business.

NEW BUSINESS

- Resolution No. 22, 2016: Resolution to enter into agreements with three applicants of the Mission Main Street program. Mr. Wood reads the resolution into record. Mr. Peters makes a motion to approve the resolution. Mr. Domino seconds the motion. Motion carries 7-0.
- Resolution No. 23, 2016: Resolution to disburse a blended funding model to Erie County's nine Lead Assets for the 2017 calendar year. Mr. Wood reads the resolution into record. Mr. Paris makes a motion to approve the resolution. Mr. Peters seconds the motion. Motion carries 7-0.
- Resolution No. 24, 2016: Resolution to approve the employment contract of the executive director. Mr. Wood reads the resolution into record. Mr. Barney makes a motion to approve the resolution. Mr. Paris seconds the motion. Motion carries 7-0.
- Resolution No. 25, 2016: Resolution to approve the 2017 Finance and Board Meeting schedule. Mr. Wood reads the resolution into record. Mr. Peters makes a motion to approve the resolution. Mr. Barney seconds the motion. Motion carries 7-0.

ADJOURNMENT

Mr. Peters moves to adjourn.