Erie County Gaming Revenue Authority

Minutes of the Board of Directors' Meeting
November 10, 2016

CALL TO ORDER

The Board of Directors' Meeting of the Erie County Gaming Revenue Authority was held on October 12, 2016 at 5240 Knowledge Parkway, Erie 16510. 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. Barney, Mr. Domino, Mr. Paris, Mr. Peters, Mr. Sample, Mr. Yaple. Mr. Breneman, Mr. Lee, Mr. Wachter, and Mr. Wood are also present.

APPROVAL OF THE AGENDA

Mr. Paris makes a motion to approve the agenda. Mr. Barney seconds the motion. Motion carries 6-0.

APPROVAL OF MINUTES – November 2016

Mr. Peters makes a motion to approve the minutes. Mr. Paris seconds the motion. Motion carries 6-0.

COMMENTS BY THE CHAIR

Certain state legislators are telling people that, "Everything is okay, and all of the rest of the state is going to be fashioned after Erie." So I think it's still very important that we all get out and give out the message of how important it is to keep some pressure on the legislators to try and get this gaming law straightened out as soon as possible, and that we don't run into any complacency. I was very concerned when I heard of it. Perry had occasion to attend the Industrial Roundtable and spoke of that too. There were 25-30 people at the meeting. They are trying to resurrect the roundtable to try and help things out, so it was very nice to see Perry there. Again, it's important that we keep applying pressure and keep everyone notified that this is not fixed and won't be fixed until it's signed, sealed, and delivered.

PUBLIC COMMENT

No comments.

PRESENTATIONS

Steve Brawley, President & CEO, Ben Franklin Technology Partners. Thank you and greetings from Ben Franklin to our partners here in Erie. If I could comment on your previous statement. I think the way that Erie County and the way that all of you have orchestrated the local share of the casino revenue has been remarkable. I've been very happy to talk about our partner in other parts of the state as a model to copy. If there is anything that we can do to help spread the word that this is the correct way of doing an activity like that, we're very happy to do so. Please let me know, and, obviously, I wish you the best of luck in getting this problem resolved.

I appreciate a little bit of time to talk with you today about the partnership that we have had for the last few years. Together we have created a new pool of capital for startup companies in Erie County, and I think that's really important. It's a really important first step in addressing what remains of two problems for us that we really need to look at.

Our objective is to have capital available for early-stage companies that are local, that is, locally driven. We need to encourage more startup companies in the community, and we need to make sure that the resources are available to the best that we can so that those companies can grow, create jobs, and create wealth in the community.

A few years ago, Ben Franklin Technology Partners, the center that I operate, along with your organization, partnered up to take a first step in creating a new pool of capital, which we call the "Erie Innovation Fund." Recently you have approved a second round of investment of $500,000 in that Erie Innovation Fund, and we look forward to the check presentation today.

The issue that we're trying to address is one that we've seen time and time again – a company gets up, gets started, a person has mortgaged his house, maxed out credit cards, gone to friends and family, mom and dad, and asked for cash. Those resources can really only take them so far.

In addition, we've seen conventional sources of lending – banks, traditional economic development financing programs – which are oriented toward financing assets. So there is usually collateral behind what they can do. So, you're buying a building, some machinery and equipment, you're buying something that could be taken away in the event that things don't go exactly as planned.

What was missing was risk capital – capital that was tolerant of how high-risk starting a new company is, and understanding of how important that activity is and how it needs to be supported.

So what we were seeing in the community were fewer people who were taking that kind of risk, and few people that had the cash to actually get their startup company up and running. So, this project together has been an effort to put some dollars behind addressing that. And I think it has been successful so far.

The other issue that we found in Erie County, and this one is a real pisser, was when companies would get up and running, and I can think of one case in particular in the not-too-distant past, and they would need to be looking for capital to grow and to expand – they would have to look outside of the market place. They would have to go to New York, DC, Pittsburgh, Philly, or some other place – California – to find money to invest in that company and grow.

What happens then? Well, you can figure it out pretty quickly that we become a shopping zone in Central Pennsylvania and Northwest Pennsylvania, get a little bit of traction, and then end up being relocated to a different place to be closer to their investors.

One way we can put an anchor in that, one way we can help to add a little drag to keeping opportunities local, is to have as many sources of capital locally available as possible. If we can help companies grow a little further, if we can help them get to the point that they have employees, roots in the community, then when that outside investment comes to the table, there's some disincentive to necessarily take it apart and loop it away, because you have a staff, and you have some roots, and talent, and investors in the community. So by having some capital to deploy locally, we can at least give people a running start and a first-line of defense against forces that might force that company to leave the market and pull out of the area.

In our partnership so far, we have a portfolio of 14 companies – 14 investment opportunities – that we've done between Ben Franklin and ECGRA through the Erie Innovation Fund. These are still really early, they're still really high-risk - you're not going to go and put your pension money in them right now - but they are making good traction. These companies are now in total employing over 100 people. They have north of $10 million in sales, and they are getting to the point where they are becoming cash-flow positive – becoming stable, ongoing enterprises.

So far we've had three opportunities that just didn't make sense and were shut down. But out of that portfolio, that's a pretty good track record so far.

I would encourage you to continue to partner with us to do what we can to address this. I know we've built some strategies around filling other gaps in the capital that's available in this community, and I think that's a really important thing to do. We look forward to being your partner with that as it continues.

I'm happy to talk about any of the individual companies, and as the dollars that you give us today come forward, we have opportunities lined up to place that in.

Now, the message that we really want to get out on the street and get out to the public is – we're here. We need to encourage more folks who believe they have a good idea or a commercializable idea, regardless of their background, regardless of their education, regardless if they have ever done this before. Starting a company is a journey that anyone is capable of doing with the right assistance, the right guidance, and the right resources behind them. So the message, I believe, that we need to continue to plug and reinforce in our partnership is just that – let's get folks who might be working in a company somewhere in the community - it might be a doctor or a nurse at one of the local hospitals, it might be a student coming out of an academic institution – if they have an idea they believe has commercial potential, we want them to pick up the phone; we want them to come to us at Ben Franklin and the Erie Innovation Fund and let us help them explore that possibility.

We need to double or triple the number of startups that we're seeing in this community. The 14 that we have right now – good examples, some bad examples, but we have a stable to point to. We need to significantly increase that number if we're going to make Erie the robust place and the robust place for startups that we want to see in the future, and to replace jobs that are being lost in other areas of the economy. The money is here, the support is here, and we really need to spread the word and encourage folks to take advantage of that.

<u>Mr. Barney</u>: You said 14. We had 17? You said three didn't make it.

<u>Mr. Brawley</u>: We have a portfolio of 14. Three of those 14 are no longer viable.

<u>Mr. Wachter</u>: Do you have any data with respect to those jobs? Are they family sustaining jobs? Are they $9-an-hour jobs?

<u>Mr. Brawley</u>: We are actually going to be doing our annual impact survey coming up in December and January. So I will have actual current, up-to-the-minute data on employment and on the wage levels about a month from now.

<u>Mr. Wachter</u>: Do you have geographic data with respect to where those companies are located?

<u>Mr. Brawley</u>: Yes.

<u>Mr. Wachter</u>: Are they city? Are they county? Are they a mix?

<u>Mr. Brawley</u>: It's a mix of city and county.

Mr. Wachter: I think it would be helpful to this Authority to have that information. I know that you're going to be considering a resolution later in the meeting to do an economic impact study. As you go back to your county council members and discuss the operations of the Authority, I think it would be very helpful to know where those jobs are located. You can advocate for an impact that they otherwise wouldn't hear about.

Mr. Peters: As I suspect, everyone remembers that I've been on the Ben Franklin Central and Northern Pennsylvania board for a number of years, and a few years ago my colleagues there put my name in the hat to serve on the Ben Franklin Technology Development Authority at the Commonwealth, which funds the four regional Ben Franklin offices. Steve, I think it would be helpful for everyone here to also understand that you, at Ben Franklin, at all of the Ben Franklins, like us at the Gaming Authority, do need the Commonwealth support. Maybe you could talk a little bit about how the funding streams, other than from us, have been challenged over the years. I think that speaks to why you've gone and selected other partners to invest, beyond just the Commonwealth.

Mr. Brawley: As Chuck mentioned, we're one of four Ben Franklin Technology Centers in the Commonwealth of Pennsylvania. There's a center in Philly, a center in Pittsburgh called "Innovation Works," a center in the Lehigh Valley covering Northeastern Pennsylvania, and our center covering Northwestern and Central PA. We work with companies and local startups across a 32-county footprint going from Erie to the Harrisburg-Lancaster-York market. Historically, the Commonwealth of Pennsylvania had provided the four Ben Franklin centers with approximately $7 million a year in funding to put into startup companies and startup services. Through the recession and the challenges on the Commonwealth revenue, that number decreased by about 50%. So our conventional Ben Franklin line item for the 32 counties in which we're putting money, dropped to about $3.5 million. This is a completely unsustainable, inappropriate amount of money for the activity of trying to generate more early-stage startup companies.

The other thing that made it a double whammy was, especially during the recession, encouraging folks to hang out their own shingle, create their own jobs, create their own businesses - that's exactly the time you want to be doing those types of activities because you need them the most. In some respects, the Commonwealth was, unfortunately, in the position to have to eat its own seed corn. It was not making the appropriate investments in this activity.

The good news is, fortunately, we have been able to find a number of other funding streams to help augment that and to keep some of the pain out. The last thing I want to do and the last thing our staff want to do is tell someone who comes in the door, who has just maxed out their credit cards, mortgaged their house, and borrowed from grandma, that we're not in a position to support them. We can't be turning away any opportunity because we need all of them.

We were able to find supplemental funding from a couple of sources – a tax credit program, some funding from the feds, and, obviously, this partnership here with ECGRA. Over the last few years, part of the good news is, by you making your investment in the Erie Innovation Fund together, you have forced, although I'm happy to do it, the commitment of our matching Ben Franklin resources. I've been putting the dollars into the Erie Innovation Fund and Erie County at a higher level than what we would normally be able to do given the resources that we have. Our partnership together has assured that you have gotten a larger slice of BF dollars, as well as the follow-on dollars that have come from other investors.

Mr. Peters: I think that's super important and it's worth saying again. Steve Brawley's Ben Franklin center located in State College has no requirement of the Commonwealth to invest equally into these 32 counties. It looks for the best deals and invests. By us putting in this additional half million and the money before that, it does now say, "Steve, you've got to commit to this amount of money at least to Erie." So, even though the Commonwealth doesn't make Steve do that, we've been able to make him to it.

Mr. Brawley: The moral obligation is always there. Frankly, if we were together funding double deals in this marketplace – once again, I think we need them – but, let's bite off one problem at a time, get some track record, and get some success, and move forward.

Mr. Peters: The last comment I'd make is a follow-up to Tim's, which is, where are these investments happening? Are they happening in the city, or are they happening in the county, or are they happening in both? And I think, just to prepare everyone for when Steve's impact study is done in February and we look at these numbers, there is going to be more of them in the city than in the county. There's a reason for that. Universities are in the city primarily, and most of the incubation and acceleration programs, whether it's Gannon's or what's going on here with Penn State with the innovation beehive, it's just a reality. If you go look at what happens with technology startup companies across the country, they're in dense, urban environments. So, although we are a county-wide Authority and have to be aware of that, we wouldn't want to put undue burden on Steve's group to say, "Well, we want equal distribution amongst the seven districts," because we won't have the opportunities.

Mr. Brawley: And I think the partnership we all have with Gannon and the Erie Technology Incubator as one of the options for companies for space just reinforces that.

Mr. Wood: I just have a comment more than a question. If you want to react to it, feel free to. Having worked with and been around Ben Franklin for the last decade now, it is clear that this model is one of the most important models in the country we have seen in technology-based economic development. States, nonprofits, and foundations all across the country have been replicating it for a long time. So it's great to have it be a Pennsylvania-started program with the rest of the country, and in many cases, the rest of the world, looking at it as a model.

Mr. Brawley: No other county is doing what you guys are doing in this partnership, and I think that's worth pointing out, obviously, as we do the lobbying that we need to do to make sure that things work out well for you. I think this is something that we have to point out - that you guys have the foresight to make these kinds of investments and that none of the other counties have.

Mr. Wachter: Is that something that our county has been advertising throughout the Commonwealth of Pennsylvania?

Mr. Wood: What's the question? Are we advertising ourselves?

Mr. Wachter: Yes. Not just the Gaming Authority, but that Erie County has an economic ecosystem which is head and shoulders above the rest with respect to certain industries; and how do you capitalize on that to attract businesses when they are trying to determine where they are going to locate when they start up? How do you get them into Erie County?

Mr. Brawley: I would say, "No." No one has the resources to do the level of marketing that we all wish we could do collectively. I think that's a problem. I think it's an internal problem, even local, that this message isn't out there enough that the community is willing, able, and there to support these types of activities. I know that we don't have the dollars to do that level of marketing.

Mr. Peters: It's more of a direct sales approach. I know that the local director here has talked about, "Hey, let's look at Buffalo's 43 North program," which is the country's largest business plan competition, and look at how can we get some of those folks that don't win that to look just a little…Now I can tell you just from firsthand knowledge in working with the medical campus up there, which hosts the competition and the facility for the businesses that win, what they've seen is that the minute the funding dries up, those companies are out. When you're that big of a business plan competition – the winner gets a million bucks, and then there's $4 million in second prizes, and there's no claw-back provision if you leave – they stay for the minimal year, and then they bolt. That's happened to them repeatedly. Ben Franklin has hooks – "Look, it's America, and we can't make you stay here if you don't want to stay, but if you do leave, you gotta pay back."

Mr. Brawley: We have not had great success from the recruitment standpoint. When folks have come in and come in for BF money, this isn't just an Erie problem, this is across our footprint.

The stickiness of relocations has always been an issue. I would take three home-growns any day of the week over somebody who is coming in just because they won our competition or have applied. The flipside is that every once in a while you roll the dice and you come up with seven. It's not something to be completely ignored, but I think it would be better trying to find someone within the hospitals, within GE, within some of the existing company bases, within LECOM, anywhere, that there are lots of smart people that have commercializable ideas, and they aren't just quite aware of what to do with them.

Mr. Wood: So, to Tim's point about marketing or outreach, one of the things that we have often talked about is outreach in the small business financing ecosystem. When we make mission-related investments like we do with Ben Franklin, that there's a technical assistance component. And that component of hand-holding, central to the ecosystem, is often where you get your most outreach and recognition, and, therefore, indirect marketing, because there are resources in-house available for transformations, but also how the technical assistance process has evolved. Ben Franklin has TechCelerators in other parts of the state. We don't necessarily have it here, but we're talking about maybe bringing it here. Do you want to bring that up?

Mr. Brawley: Sure. This goes back to the issue of, again, trying to have as robust of an ecosystem as possible and encourage more startups. We have internally a group called "Transformations." Think of it as an internal management team. Since we know a lot of founders aren't coming forward with somebody who knows finance and somebody who knows HR, somebody who knows market research – we have an internal group of people who have varied, significant, private-sector experience in those functions that we surround the entrepreneur with.

So we don't expect somebody to come in and know how to do appropriate market study, and know how to do financial projection. We have folks that will actually get their hands dirty and work with our prospects and work with our companies to fill in the blanks, fill in the gaps in the management, until those companies are in a position to be able to look for the types of skills and the types of folks they need around the table. That's a really important part of the portfolio and an important part of what we do. There are the dollars, but we also surround them with the appropriate assistance.

Every company that comes into us and that we are considering for funding, regardless of whether we fund them or not, will get a pretty extensive market study done; they will get some financial projections done. So, even if we are not able to take care of them, we want those folks to leave better educated and have more data at their disposal than they did coming into the door.

A continuation of that was, in a few communities we have started a series of boot camps which we call the "TechCelerator." It is a 10-week intensive program for somebody who thinks they have an idea but doesn't really know what to do with it, to go through a series of lean startup activities to get to the point where at the end of this 10 weeks they can make an educated "go" or "no-go" decision.

We're not going to turn you into an MBA in 10 weeks, but at the end of it, you will now have done some exploration. We will have helped you discover the financial implications. At the end of that we want you to be in a better position where you can say, "You know what? This isn't such a scary process for me. I can actually do this." A subset of those folks we want to launch into the next round of companies.

We've been doing that for a while in State College, in the Harrisburg-Carlisle market, and it's been working out pretty well. We have found folks that didn't wake up one morning and say, "Gee, I want to have a business," that are now getting it and understanding, "Oh, OK. Now I get it. I've talked to customers. I now know that I thought I was going to be able to sell this, but what the customers really want is this." They are able to jump on board with this process in a way that they weren't before. And, obviously, we hope we can put some dollars in some investment capital into this.

As Perry mentioned, there have been elements of this already existing in Erie County through things like the Small Business Development Center, and the Gannon Incubator. They've been doing a really good job of helping folks with the debt discovery process. But we're actually having conversations with them right now about how we can help take what we learn in the TechCelerator activities, add it to what they've already created here locally in Erie County, and do an Erie County version of TechCelerator that is better than what either of us could have done on our own.

More details to come, and it would be great to have your participation in that activity if we decide to roll it out. I really do think there are places to go fishing for new, prospective business owners that no one is looking at right now. Having a system in place to do it will bear some fruit for all of us.

COMMITTEE REPORTS

a. Treasurer's Report – Mr. Peters: There are a couple of things I want to go over today. I'm going to go through the financials pretty rapidly because I want to talk about two other topics – one being the Endowment. You have on the SharePoint site our typical P&L balance sheet. I'm going to come back to the balance sheet later. And then our statement of cash flows, our actual budget comparison, and the check register.

Let's start with P&L. Any questions on that? Funds come as funds come. You all know how that works. It's not a smooth process where we get money every month – it's quarterly. Generally, no big, unusual changes in what we're doing from a day-to-day or month-to-month standpoint. We're tracking properly with the budget. I have no concerns, if that helps. You continue to see some of the changes we made a few months ago with how we're putting items on the balance sheet to show up our committed and uncommitted funds, as well as anything that we've restricted, and then the money that we have in the ErieBank savings account. Once a year or so someone will ask me why we have so much money in a savings account, and I like to remind everyone that we have to have our funds in a fully collateralized account. These are taxpayer dollars, and, therefore, not able to be directly invested into the equities market. That's why you see that in there.

You'll see, of course, the notes, which we changed a few months ago. Everyone should be used to seeing how we've broken out the notes receivable. Any questions on the traditional part of the financial report?

The last comment I'll make is on the check detail. I've had folks on this board ask me about the Visa bill in the past. Before those checks get signed, I review them (or the chair or secretary does). We review and initial them, and the process has been going well.

Mr. Barney makes a motion to approve the financial reports. Mr. Yaple seconds. Motion carries 6-0.

The second thing I want to go over is more about the Endowment. I suspect at some point we will have the Foundation come and present this more formally. You'll recall last year or the beginning of this year we entered into an agreement with the Lead Assets regarding how we would operate the Endowment. At times it was a bit contentious, but we got through that agreement, and one of the things that we, as an Authority, committed to doing was to facilitate a meeting where the Lead Assets could have a presentation made by the Community Foundation regarding the performance of the Endowment.

Perry and I had that meeting with the Lead Assets. I'm happy to report that I think we had full participation from the Lead Assets. Nothing contentious. Lots of good, solid questions, and I'll get into the report in a minute. In general, it was a productive and positive meeting. There are a couple of things that they typically question. If you recall, all the way back to our framework, we had projected out what the Endowment would be and what the return on that Endowment would be to the Lead Assets.

When we entered into this new agreement with them, the settlement with them, and agreed to fund an additional $1 million and create this little pool of funds should there be a shortfall based on the size of the Endowment, what's happened is that the Foundation is recommending a 4% disbursement from the Endowment. That equals $404,000, meaning that the little set-aside we created last year, the contingency fund, we will need to draw down on that to make up for the shortfall. This is the last time we've agreed to do that, but we're going to get them their $646,000 that they're used to getting.

They seem to all understand that. They seem to understand how this process is going to work, and, although I think they are probably pretty anxious about being able to draw down that same amount next year, because the Foundation continues to…the biggest question that was asked was, "Can we get more than 4%?" That's going to be a challenge for them knowing that this contingency fund dries up, and we're all at the mercy now of the market.

The second piece to this agreement, the memorandum of understanding, is that we all decided to get out of the business of deciding how they would split that money amongst themselves. This is where it's going to get interesting, because their first meeting, without any of us, because it doesn't have anything to do with us at this point, where they're going to talk about how they're going to split it. Then they will come back to Perry, and we'll have to take action agreeing with that, because it still is within our control where it ultimately goes, but those Lead Assets have to work with one another, and I think they scheduled the meeting for November 14. It will be interesting to see how that works out.

What was presented to them, most importantly, was the two Endowments, and you can look at these and see the balances and where they stand. Endowment 1 is $8.5 million, and Endowment 2 is just over $4 million. Susannah went through and indicated that the Endowments' performance is middle of the road. They don't go for super safe investments; they don't go for super risky investments. They like to hit right in the middle. It's basically an index fund. So we've met targets to be able to put out that 4%.

I don't think we need to take action on that. I just wanted to share that we've lived up to our part of the agreement in working with them, and presenting, and thanks to Perry and Diane for pulling it all together, they seem genuinely appreciative.

<u>Mr. Wachter</u>: Mr. Peters, is that then accurate to read that the growth in that Endowment, merely through market activity, is about $870,000?

<u>Mr. Peters</u>: Yes.

<u>Mr. Wachter</u>: How much cash did you ultimately put in?

<u>Mr. Wood</u>: We jump-started at $5.2 million, made additional investments of $1.2 million for a few years, and then $1 million last year.

<u>Mr. Wachter</u>: So, say you put $9 million in there, if you're rounding, you've got $12.5; you've made distributions of $400,000 last year; you'll make distributions of $400,000 this year, and it's growing at a rate of about $800,000 a year. So, if you start catching flak from the Lead Assets regarding that they don't have enough money, remind them that they're the only entity in this community that has an endowment that's growing at the rate of $800,000 plus a year solely for their benefit.

<u>Mr. Wood</u>: Seven percent is the growth rate.

<u>Mr. Peters</u>: The other point is that it went from zero when we started this to where it's at now, and it is currently the second largest endowment at ECF, and that's in one of these reports that Susannah presented. United Way has $16 million, and the ECGRA Endowment is $12 million. The next closest is Mercyhurst Prep at $3.9 million. So, when you look at the top 20, the smallest in the top 20 is $300,000. Any time they get touchy or antsy with us, I think it's important to remind them of this slot. You had zero when we started this. We were under no obligation to go beyond what we were obligated to do, and yet we still did it because we believe strongly in supporting the Lead Assets. But, when next year there is a shortfall between the $400,000 and the $600,000 that they're used to getting, and they come back

knocking on our door, we're going to have to think long and hard about the fact that we're an economic development authority. Should we be looking more at, and not to put Steve, who happens to be sitting here, in the middle of it, but are we to be looking more at direct investments in companies, or should we continue to build a war chest? So, I think that that's important.

The other one is this other presentation, which is from Cambridge Associates, who manages the money. If you go to the second from the last page this shows us where…the dark blue is where the ECF performs – right in the middle of the index.

So, with that said, I don't think there's any action that needs to be taken. I just wanted you to know that Perry and Diane did a great job, along with Susannah, in making sure the Lead Assets were there. It did bring up one question that I want the board to be aware of, that Diane and I and Perry are looking into, and that is, with our balance sheet…you'll notice there are two endowments. They were set up differently. The only thing that matters in that piece of this discussion is that as such, we have to make sure that we're accounting for them appropriately within our financials, and there's some question as to whether the second endowment may need to show up on our balance sheet.

It's the difference between a donor-advised fund and an agency fund. The first is a donor-advised endowment; the second endowment is an agency endowment. So there are some IRS rules and some accounting rules that we have to be aware of. Diane and I and Perry will be talking with Felix and Gloekler about that. In the future you may see a change to our balance sheet in that the second endowment may need to show up on it. I just wanted you all to be aware so that as we go through the research there's no surprise.

Mr. Sample: We have tried to warn the Lead Assets of complacency. For the last three years we've tried to tell them that they need to go out and start getting themselves a buffer, because we're not always going to be there. I think part of the reason they held onto us for so long is that they are more afraid of themselves than they are of us. So now that the division of assets has to come down, it's very monumental to some, others can live without it. I think Perry, Diane, and everybody has done a great job of letting them know we are going to wean them at some point. Every time they keep coming back. Perry, there was some statement a couple of them had not signed. Did you get those?

Mr. Wood: Just to bring everybody back in time here for a second, there are two levels of forms that we asked for. The first was when we created the contingency in April of this year, we asked them to sign a release and acknowledgement which Tim put together. Everyone signed a release and acknowledgement. It was predicated on whether or not they would receive 2016 funding. Of course, they all did, and they all did receive funding.

In preparation for this meeting which was to fulfill our obligation to the MOU, which was to have an organized meeting with them and to provide them with a dollar figure as to the size of their distribution, in preparation for the research we found that several of them had not signed the MOU, which was to be signed in June of 2016. However, at this point, all of them have signed the MOU, and, therefore, we can move forward and executive fully on those covenants.

Mr. Sample: We did not want to become contentious with them, but it was part of the agreement. I'm sure it was just an oversight.

Mr. Barney: When do we have to revisit data, or when do they have to resign, or is this it?

Mr. Wachter: We're done.

Mr. Barney: OK.

Mr. Wood: The MOU establishes the roles and responsibilities that they have and that we have and lays it out very clearly. Tim and I spent a lot of time putting that document together and bouncing it back and forth between all parties involved to make sure that it would not have to be revised. So there's a level of flexibility built into it, but most importantly, there's clarity built into it.

Mr. Peters: What we will have to do as a board is take action. On the 14th they'll meet. My prediction is, by the way, that they will decide to distribute the funds the exact same way they have been being distributed, because I think they are all going to look at say, Mercyhurst, and say, "Wait. We don't think you should get as much," and there's going to be a fight. So my guess is that they'll continue to distribute the same way that it has been being distributed, but we will have to take action on that, and that will be at our December board meeting, because we've typically disbursed in December, and they all need their money.

Mr. Wood: That is correct. So our obligation was to provide them with what is known as the "Available Annual Distribution," the amount of dough, in other words, by November 4. We executed on that. Then their job as an advisory committee is to provide us with the distribution formula no later than December 1 so that it's at least a week in advance of our December board meeting. As soon as we get their recommendation, we will be distributing that information to the board so there can be discussion at our December board meeting. If there are no objections prior to the board meeting, we will move forward with a resolution at that board meeting and disburse those checks by December 31.

Mr. Sample: And the only thing they're going to do is tell us how they are disbursing it. We're giving them an amount. They can't exceed that amount.

Mr. Lee: In reference to the partnership, and this may be for you, Perry, that we have with The Erie Community Foundation, is that something we need to revisit? From a historical perspective, can you give me a little update about that?

Mr. Peters: I'll take that. So, the Endowment is irrevocable; so there is really nothing to revisit. It's their money at this point.

Mr. Wood: There's an important distinction. The Community Foundation is not a money manager. They're not a financial advisor. So when you make a gift to The Erie Community Foundation, it is just that – it's a gift. It's an irrevocable gift. That's why all of our audits always reflect that these are irrevocable gifts.

Mr. Peters: And there was a reason that this Authority set things up that way. It was to – and I'm going to be very direct, and I know that will be on the record – avoid political whims. Again, for the record, prior to me being on this board even, Dave, Dave, and Mike were all in the position of believing that the County was going to use their portion to fund the Lead Assets, which the County did for exactly one year. And then political whims happened and other needs arose, and they said, "Forget it." And it left the Lead Assets counting on money, created a significant amount of political pressure on this Authority to come up with a way to deal with this, and, at the time, those then seated at county council as well as in the county executive's office, really wanted us to hand over money without any rhyme or reason, which has typically been the elected officials' approach.

This Authority exercised great restraint, did significant research, brought in BNY Mellon, RBC, PNC, and several other groups, and we did significant analysis. We also did analysis on whether or not we should create our own endowment, controlled by this Authority, or go to an organization like The Erie Community Foundation. And we looked at one other foundation, which wasn't local, and that didn't pass muster. It got thrown to the wayside pretty quickly. One of the banks had it. Maybe it was PNC. PNC had a group similar to The Erie Community Foundation, but we decided not to do that.

But the point, and sorry for all the long-windedness, the point is, we did not want these funds to be subject to political whims. That is why we set these up the way we set them up at The Community Foundation. There are two different types of funds, as I mentioned earlier.

There is the donor-advised fund, which is the first pool of money, currently at $8.5 million. That is 100% irrevocable. That is not our money. It hasn't been our money since 2011, or whenever we did this. There is no looking into any of that. Now how that money gets managed, which is a separate question, the Foundation does have an investment committee – it's the former CFO of Erie Insurance; it's a lot of pretty sophisticated financial minds that are in that group - they could theoretically say, "You know what? We use Cambridge Associates to manage our money. We don't like Cambridge; let's pick someone else." But that is entirely up to the Foundation, because they pool those funds together to reduce fees.

Mr. Lee: The money that we have in this particular fund, is this only for Lead Assets?

Mr. Peters: It is only for Lead Assets, which was part of the settlement, which was made in December, 2010.

Mr. Sample: I think it's important to note that initially we set up with PNC because of political pressure and found out that we were in violation of the gaming laws the way that was set up. It had to be set up with someone like The Erie Community Foundation.

Mr. Peters: And then further, originally it was in PNC before the endowments were created, just kind of sitting there. Then when the endowments were created, we also said to the Foundation, "We want you to keep our money separate and at PNC," because there was significant political pressure to keep the money at PNC. Over the years we've been able to say, "No, no." Cambridge Associates manages this money, and where they put this money is up to the investment committee of the Community Foundation. I believe that I'm accurate in saying that on the $8.5 million in particular we have absolutely nothing to revisit other than, as a donor-advised fund, the Foundation has made it its practice to do what donors are advising. It's not good business for them to have someone donate a whole bucket load of money and then have them not listen to us as to where we want it to go. But for tax purposes, Gary, it's important to note that we make advisements to the Foundation as to how to go forward with this. We don't control the money.

Now the second fund, the agency fund, is slightly different. I don't want to commandeer the whole meeting. The agency fund goes back to the balance sheet question and how we carry that, because there are some different IRS rules on that. In general, I think it's appropriate to say that there's not much to revisit, other than we do, as the treasurer, and Mike did before me, hear from the investment committee. So we understand what it is they're doing with our money, but it's not just our money, it's the whole pool of the $250-$280 million they have under management.

Mr. Wachter: We also have other partnerships with the Community Foundation as well, not just through the Endowment.

Mr. Peters: Correct. That is also a good distinction. We have the Shaping Tomorrow Grants, and this was our second year of doing those. But that does not come out of the Endowment.

Mr. Lee: In reference to that, and I don't want to take the whole meeting, but in reference to Shaping Tomorrow, what type of agreement are we required to set up with The Erie Community Foundation, or do we have one, from a clarification standpoint?

Mr. Sample: We just made an investment.

Mr. Wood: Yes. That's a grantmaking process. So what happens is we set up agreements with the grantmaking entity over a three-year period of what we're funding, what the draw-down would be…it's really the same process ECGRA goes through with every grantee that we do internally, except there are two agreements rather than one.

Mr. Sample: This year we ear-marked "x" amount of dollars to be drawn-down over three years. We committed those funds, so we don't have access to them until they either perform or don't perform.

Mr. Lee: But we have input to select who is going to be receiving them?

Mr. Wood: Right. Remember the binders that I handed out for Shaping Tomorrow?

Mr. Lee: I missed the last meeting.

Mr. Wood: The board all got Shaping Tomorrow binders with all of the grant applications in them. It's a big, long, three-month process, really a year-long process that culminates in a three-month process in which the board reviews Shaping Tomorrow Grant applications, and then the chairman appoints a committee to collaborate with The Erie Community Foundation board of directors, and then the two see presentations from finalists. That is a really Cliff-noted version of a very long process.

Mr. Sample: We actually took two days to go through the process.

Mr. Peters: It's a shame you weren't able to be at last month's meeting, because there was significant discussion about each of those grants that we made.

Mr. Lee: I was out of town that day.

Mr. Peters: I was just thinking it was a big one because there was a press conference, and, obviously, we're partnering with the Foundation.

Mr. Sample: And it was with the Hagen Fund, the community college and all that.

Mr. Wood: I'd like to round out the treasurer's report with the dashboard. The third quarter dollars did come in. In tracking with the trends that we've been seeing – when the first quarter dollars came in we thought there was some stability, that there might even be a reverse of the trend of decline. However, in the second quarter we saw a slight decline. So we saw a slight increase in the first, a slight decline in the second, and in the third, you can see revenue dropped $40,000. This is consistent with the slow-trickle decline we've seen normally in the first three quarters. Of course the fourth quarter is always our biggest, because that is when the $10 million minimum kicks in, and we should be receiving approximately the $4.3 million that you see there. Overall revenues are projected to be slightly under what they were last year, and, of course, this is all dependent on whether or not the senate and the house actually pass the gaming fix, because at the end of January, this dedicated revenue expires if the house and senate do not pass a bill to continue it.

Mr. Wachter: Mr. Wood, if the house and senate do not pass a bill to continue the gaming law, however, you would still expect to receive your fourth quarter revenues?

Mr. Wood: That is correct. The stay from the supreme court to allow the decision to kick in expires at the end of January. And, of course, fourth-quarter revenues are calculated in January and distributed in February. That supreme court ruling doesn't affect the final true-up of the year – it's known as the "true-up," the $10 million minimum. So that would be the last official check we would receive from the Department of Revenue if they don't fix the law.

b. Regional Assets Committee – Mr. Wood: The regional assets committee did not meet, but, obviously, today is when the Mission Main Street applications are due. Everything has rolled out fine with the Summer Jobs Program. Human Services has continued to move forward on a quarterly basis. Special Events – no one has had any questions about Special Events funding. We do, at some point, want to have a discussion or revisit how we are doing Community Assets funding based upon disbursements. But other than that, the regional assets committee has been working like clockwork.
c. Strategic Planning Committee – Nothing to report.
d. Update from County Council – No updates, but I appreciated the article that was in the paper and the continued work and communication by the chair and our executive director as well.
e. Update from County Executive's Office – No update, just we're glad we have EMTA behind us. We're looking to move onto some other critical issues in the region.

REPORT OF THE EXECUTIVE DIRECTOR

- Government Relations
- Local Gaming Share Fix
- Lead Assets
- Mission Main Street
- Metro 100 Activity

Government Relations

ECGRA's government relations efforts have been a top priority over the last two months. Energy has gone into the following efforts:

- Meetings in Harrisburg with key staffers and elected officials
- Regular communication with the Erie Delegation
- Keeping Local and County Officials abreast of new developments
- Communicating with our stakeholders in the nonprofit, municipal, and economic development sectors

Central to our strategy has been a communications plan that consists of the following components:

- Call to Action Letter Writing Campaign – I gave you a copy of the folks that have participated in that Call-to-Action campaign. I want to make sure that you know that these folks have reached out and have done their share as far as advocating on behalf of gaming share.
- Requests to call and email the Erie County Delegation
- Social Media penetration
- Interviews with local media
- Personal phone calls to grant recipients

Thus far, this effort has yielded the participation of 37 organizations, initiatives, or individuals that have written to the leadership in Harrisburg yielding 222 letters of support.

Our next step is crucial. The board has in front it of today a proposal to conduct an economic impact study quantifying the benefits of gaming funds to the regional economy. The study is reasonably priced, the timing is ideal, the team is expert, and the process itself has been a top recommendation from advisors. Economic impact studies are a recognized form of communication and considered for their objective qualities by Harrisburg leaders and officials. Resolution Number 21, 2016 is on today's agenda.

Local Gaming Share Fix

The Senate did pass a temporary fix that included a 6-month extension through HB 1887. During the 6 months, the $10mm minimum would continue to flow to Summit & Erie County. The extension would begin January 1st and run through May 1st. The idea here was to extend the gaming funds so they could be part of the overall budget discussion for the next fiscal year. However, in the House's last working session of the year, they chose to amend the bill to include an expansion of gaming to include Internet Gaming. They sent this bill to the Senate. The Senate was already out of session. The result was that both bills died. There is one more session scheduled for the November, but this is purely for ceremonial purposes.

Lead Assets

On Thursday, November 3, 2016 at 2pm in the Intermodal Center Conference Room I met with the Lead Asset Executive Directors and their board chairs.

Prior to the meeting, I spoke with The Erie Community Foundation (ECF) about presenting the current

Lead Asset Endowment Fund Statements, the ECF investment approach, and the endowment's performance.

Per our operating MOU with the Lead Assets, ECGRA has consulted with The Erie Community Foundation on the Erie County Lead Asset Endowment. Their current endowment spending policy recommends a distribution of 4%, which equates to $404,400 for 2017. In addition, 2017 is the last year that ECGRA has agreed to make a contingency fund available to make up for any shortfall. The contingency fund availability is $242,414. The ECF figure and the contingency fund make up the "Available Annual Distribution Amount."

Here's how the Available Annual Distribution Amount was calculated in 2016:

	2016	**2017**
Endowment	367,669	404,400
Contingency	279,145	242,414
Total	646,814	646,814

The following are important dates in the MOU:

1. ECGRA provides the Lead Asset Advisory Committee the total Available Annual Distribution Amount no later than the close of business November 4th.
2. The Advisory Committee must provide ECGRA with the amount of distribution to each asset no later than December 1st (at least one week prior to our December board meeting).
3. Disbursements to the Lead Assets must be made no later than December 31st.
4. Performance reports and branding plans are to be submitted to ECGRA no later than December 31st. Amanda is in the process of finalizing the branding plans with all Lead Assets, and we have informed them that the final performance report for 2016 will come in the form a request for information that will help us with our economic impact study that I hope you will pass here today.

All of this was reviewed with the Lead Assets Advisory Committee on November 3rd. The next step is to receive a recommendation from the Committee on distribution. At that time, ECGRA would draw up a resolution for the board to discuss and potentially vote on in December.

<u>Mission Main Street</u>

As of yesterday, ECGRA received four applications for Mission Main Street. That's the lowest amount received since the program was created in 2013.

2013	8	Corry, North East, Erie Downtown, Girard Borough, Lawrence Park, Little Italy, Union City, Waterford Borough
2014	8	Corry, North East, Erie Downtown, Fort LeBoeuf, Girard Borough, McKean Borough, Union City, Waterford Borough
2015	9	Corry, North East, Erie Downtown, Erie Yesterday, Fort LeBoeuf, McKean Borough, SNOOPS, Union City, Wesleyville Borough
2016	4	Corry, Erie Downtown, North East, Little Italy

We're not sure why there has been a drop, but I can tell you that it's absolutely essential that we take a look at evaluating this program, talk to the stakeholders, and find out why it's been undersubscribed to in 2016.

<u>Metro 100 Activity</u>

There have been numerous conversations coming out of the Metro 100. From the proliferation of Tax Increment Financing in Pittsburgh to coordinating with our federal delegation on transportation enhancement dollars, the message of public/private leverage in order to implement the Comp Plan has captured the imagination of leaders all across Erie County. As an example, the investment of several businesses in downtown Erie are mostly absent public investments. We need to continue to work on public incentives to turn distressed markets in the inner-city around and create economic development momentum. The large dollars to do this has always and will always come from government.

In summary,

- ECGRA's government relations efforts have been steady and will continue in the coming weeks
- We continue to communicate with the Erie delegation and Harrisburg leadership on the Local Share fix.
- If you see fit to approve the Economic Impact study, it will become a major focus of our efforts.
- ECGRA and the Lead Assets have fulfilled obligations set forth in the MOU governing our exchanges
- We expect to receive the Lead Asset Advisory Committee's recommendations for distribution prior to our December Board meeting
- Mission Main Street is due for a review. Although several main streets are stand out examples to follow, some smaller communities appear to be unable to participate in the program. Staff will need to perform an evaluation.
- Finally, the Buki Plan continues to capture the imagination of our community. It should play a significant role in the agenda of the next mayor. ECGRA needs to continue to have dialogue with the Metro 100 on how to engage in the Comp Plan's recommendations.

Mr. Peters: I have a couple of questions regarding your report, Perry. To Mission Main Street and the fact that there are only four, how big of a pool of money is that again?

Mr. Wood: Like all regional assets programs, it's $150,000.

Mr. Peters: OK. And of the four that applied, how much did they ask for?

Mr. Wood: $15,000 each; $60,000 in all.

Mr. Sample: Is that a matching fund?

Mr. Wood: It is.

Mr. Sample: Is that quite possibly a part of the problem?

Mr. Wood: Quite possibly. I just don't want to draw those conclusions until I've interviewed them.

Mr. Peters: The follow-on question to that is you mentioned the Buki Plan and you mentioned that one of the groups applying is Little Italy. In the Buki Plan and his presentation last month, he largely said, "Look, move on from Little Italy. It's not going to happen," which was harsh. He said that about other neighborhoods as well. I guess there's not a question there. It's more of an observation. A point of discussion in the future should be, are the funding programs that we have that could contribute to the Buki Plan, are we going to go against the Buki Plan? Are we going to use limited resources to fund things that the Buki Plan says not to fund?

Mr. Wood: I would say two things in response to that. Number one, yes, that's a policy discussion that needs to take place as far as targeting investments – that's the way he would describe it. The second thing is the Buki Plan is only for the City of Erie, and Mission Main Street is a countywide program, so that should be taken into consideration as well.

Mr. Peters: Right. If Little Italy were in Corry, I might say something different about this. But, it's not. It's within the City of Erie. I went to the Erie Downtown annual meeting yesterday where they continued to talk about the districts and the amount of money they're going to need to promote the districts. You had the Buki Plan, in essence, agreeing with that concept, as far as I can tell. And we have a $150,000 pool of money that we're clearly – even if we fund all four, there's still going to be excess funds available – and I guess what I'm really saying is that it sounds like your committee, Mike, probably needs to re-engage and talk about what is the strategic planning committee's advice on how to proceed with some of these things. I don't want to create extra work, but I think…

Mr. Wood: I think I laid out in the report clearly the need to evaluate and examine some policies.

Mr. Breneman: I would suggest keeping an eye on the fact that there still is not an implementation team yet for the comprehensive plan, and any future investments by ECGRA or any other organization would follow that. I think it would be important for ECGRA to have a seat at the table in some form or fashion on that implementation team so that everything could be done in concert. That way, we're not putting the cart before the horse or being separate from the conversation.

Mr. Peters: Right. That's a great point.

SOLICITOR'S REPORT

OLD BUSINESS

NEW BUSINESS

Resolution No. 21, 2016 – Resolution to enter into agreement with Parker Philips, Inc., to conduct an economic impact study of ECGRA's grantmaking and impact investing. Mr. Wood reads into record Resolution No. 21, 2016.

Mr. Paris: How long of a process is this?

Mr. Wood: It's estimated to be a six-week process so that we can have it by close of December and it will be an immediate tool for us in government relations to present to folks in Harrisburg and to those who are making decisions about the future of gaming laws.

Mr. Paris: And they are fully committed to that timeframe?

Mr. Wood: The consultants are. The other piece of commitment is the ECGRA staff, the Summit Township supervisors, who have committed to being part of the study, as has Erie County Government, both from a county executive and county council standpoint.

Mr. Barney: How did we decide on Parker Philips to do it?

Mr. Wood: It began with a discussion with the gaming authority in Washington County. They had used a consultant from Pittsburgh to do an economic impact study. We have a very short window to get this done. I contacted that gentleman. He put together a team of folks, which became Parker Philips.

Mr. Sample: The biggest problem we had was the timeframe to get it done before the end of the year.

Mr. Wood: It was the sole solicitation.

Mr. Wachter: Which is appropriate for professional service.

Mr. Yaple makes a motion to approve the resolution. Mr. Barney seconds the motion. Motion carries 5-0-1. (Mr. Peters abstains due to having done business with the partners in the past.)

ADJOURNMENT

Mr. Paris moves to adjourn.