Erie County Gaming Revenue Authority

Minutes of the Board of Directors' Meeting

July 14, 2016

CALL TO ORDER

The Board of Directors' Meeting of the Erie County Gaming Revenue Authority was held on July 14, 2016 at 5240 Knowledge Parkway; Erie, PA. 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 (arrives late), Mr. Barney, Mr. Domino, Mr. Paris, Mr. Peters, Mr. Yaple. Mr. Wood, Mr. Breneman, Mr. Lee, and Mr. Wachter are also present.

APPROVAL OF THE AGENDA

Peters: Mr. Paris, I would like to make a motion to amend one of the items on the agenda, Old Business. I would like to make a motion that we table that action until a subsequent meeting, based on some discussions that we had during the Finance Committee Meeting, whereas we would like our audit firm to make a change to what was presented. Mr. Barney seconds the motion. Motion carries 5-0.

Mr. Peters makes a motion to approve the amended agenda. Mr. Barney seconds the motion. Motion carries 5-0.

APPROVAL OF MINUTES – June 2016

Mr. Peters makes a motion to approve the minutes. Mr. Yaple seconds the motion. Motion carries 5-0.

COMMENTS BY THE CHAIRMAN

No comments.

PUBLIC COMMENT

No comments.

PRESENTATIONS

Kris Wheaton, Mercyhurst University & Quickstarter, Ignite Erie Partner. I'm Kris Wheaton, and I'm from Mercyhurst University. I run Quickstarter for Ignite Erie. Quickstarter, for those of you who may or may not be familiar with it, is a very small part of the Ignite Erie Grant - $50,000 a year for 3 years, so $150,000 of the $1.5 million. It's designed to connect college students who have skills with entrepreneurs in Erie County that don't have those skills in order to increase the chances of success using crowd funding. Crowd funding is Kickstarter, Indiegogo. You may be familiar with versions of it like Go Fund Me, or some of the other ones. Crowd funding actually comes in four different flavors. Go Fund Me is what is called donations-based crowd funding. It's really just online charity. It's just giving. It's an electronic way of grouping together donations. We study this as a part of a Ben Franklin grant that we received. There are tons of Go Fund Me or donations-based campaigns in Erie County every month. Ninety-three percent of them are needs-based campaigns – "I need something." "I need healthcare." "I need to bury a parent." They are needs-based. Seven percent are "I want". "I want to go to Portugal." "I want to go to Spain." The average is well under $1,000 for all of these. Every month we see 80 – 90 new campaigns. A substantial percentage, about 20% of those campaigns are for schools. Every single one of them are for Erie City Schools; teachers trying to get funds to be able to run their classrooms. It's depressing because that's what's necessary. It's encouraging because many of these campaigns are funded by local citizens.

Two other kinds – there is a debt-based crowd funding, and equity-based crowd funding. I'm not going to talk about those, because I don't do those. I'm happy to answer questions about either one of them. And they are also pretty small parts of the crowd funding spectrum.

What I do, what Quickstarter does is called rewards-based crowd funding. Rewards-based crowd funding is about 25% church and 75% Wal-Mart. The idea behind it is that I have an idea, and that idea will not come into fruition, it will not ever exist in reality, unless you put some money into it. It's kind of like a pre-sale. It's kind of like lay-away. Kind of like that, not exactly, but kind of. It won't happen unless you give me money. So I'm a game designer. I have a games company here in town called Sources and Methods Games. I make these games for the intelligence community, for teaching, for all sorts of purposes. My first game was a simple card game. I wanted to get it on the market. I wanted to get it out into peoples' hands. I developed a prototype, I had the rules, I play-tested it and did all the things I needed to do with it. I didn't want to go and spend $4,000 at a printer to get a bunch of copies printed up without knowing what my market was like. So I took that game, put it onto Kickstarter and said, "World! Here's a great game. You want to see it become real, pay for it in advance." And they did. I was looking for $4,000; I got over $6,000. I made the game; I shipped it out to everybody all over the world, and I'm still selling that game. That's kind of the way Kickstarter, Indiegogo, and a number of the other rewards-based crowd funding sites work. They are really good for entrepreneurs. They are really good for small startups. They're actually pretty good for larger companies that want to test-market something; maybe fund a little bit of their development costs through that. But really what they are doing is testing the market for a particular product. We've actually seen a couple of companies that we've worked with here in Erie County do that.

I want you to take away three things from this particular presentation. The first one is that Quickstarter has been a success so far. We've actually been doing this for two years. The first year we did it with a grant from Ben Franklin. It was a test year, a prototype year, if you will, to see if we could work this thing out. We have a strategy. We use the same strategy – I don't care if it's a dance group, we've done liturgical dance groups, we've done nonprofits like Bayfront Maritime Center, and we've done companies, fairly large companies like AcousticSheep. We've worked with all of those across the board. Regardless of who we work with, we use the same strategy. The strategy is based

on academic research. People have been looking into what works in crowd funding. We've extracted that from that academic research, and we apply that technic across the board to any project that we come into contact with, because this is what works best. To date we've run 18 projects. Seventeen of them have been successful. Now, compare that to the national average. The national average is 33% success, and we're closer to 93% success. We have two live projects – one is almost certain to fail, and the other one is almost certain to succeed. They're on Kickstarter right now. One is for a nonprofit – it's the one that's going to fail. It closes in the next 48 hours or so. The other one is for a local company called Swine Dining He's a barbecue guy, and he's selling his barbecue rubs. He's already more than two-thirds of the way funded as of this morning. He's been active for only 48 hours.

Peters: So I think of Kickstarter as some sort of product, and I've participated in a couple of them. What are nonprofits doing?

Wheaton: It's a challenge, because nonprofits need money to do something, but they don't necessarily make a product. Almost all of the nonprofits that we've dealt with, and this is why a lot of the nonprofits I talk to say, "We don't really do any of that kind of stuff, so we're not really in that business." But a couple of good stories. The Bayfront Maritime Center has the Porcupine. They've got a giant boat that they're building down there and all sorts of stuff spins off of that boat. We have t-shirts, really cool t-shirts, which is the only kind of t-shirt that sells on Kickstarter, by the way; we've got a David Cruise book on the Porcupine for the historians; we've got day sails – you can get on the boat and actually sail it once we drop it in the water. Those are the kinds of things that the Porcupine did.

Another good example is the Hornby School Museum in Greene Township. If any of your kids or somebody you know loves Little House on the Prairie, you need to go up to the Hornby School Museum, because it's a preserved one-room school house from the 1870s. And we had to actually come up with a series of things. They came up with pamphlets and books – short books on "Are you smarter than a 5th grader from the 1870s?" – the kinds of questions that these kids were asked about pecks and bushels. Fun stuff. That turned into merchandise that they are now selling in order to help self-fund. But it is a challenge to work with nonprofits, because they don't usually come to you with a product. But we've actually been pretty successful with the nonprofits. Of all of the nonprofits, all have succeeded except for the one that we're running right now, Music for Veterans. And don't hesitate to ask any questions.

Wood: Could you talk about how the methodology you developed fits in with your day job as an intelligence professor.

Wheaton: So I teach Intelligence Studies at Mercyhurst University, and it may seem like this project is pretty far removed from what I do day to day. That's not actually true. When most people think of intelligence they think of espionage, they think of the CIA, and the FBI. From an academic standpoint, intelligence is an academic discipline just like any other. When we think of intelligence questions, what we're actually thinking of are things which are critical to an organization's, agency's, or company's success or failure that are outside of that company's control. So inside that company they do operations, and that's what companies do – "How are we doing our production line? Who are we going to hire? Who's going to be promoted?" All those are operational concerns. Intelligence is about the things that are outside of your control but still important to your success or failure. In the context of a nation, it's the enemy. In the context of law enforcement, it's the criminal. Those guys are outside of our control, but understanding them is critical to our success. In the context of business, it could be a competitor, the regulatory environment, a whole bunch of intelligence questions that are actually appropriate for businesses that don't require you to do clandestine or covert work. There is plenty of open-source information that you can use to analyze it. What we've come to realize is that every question that entrepreneurs face, particularly beginning entrepreneurs, are actually intel

questions. Entrepreneurs know what they need to know about their particular product, but they don't know where the market is, they don't know what the competition looks like, they don't have a clue how to get the resources, how to get the funding, how to do any of that. At least not the 100 or so entrepreneurs that I've talked to in the last two years. We've dealt with about 115 at this point, entrepreneurs that have come through my door.

Lee: Thanks, Kris, for coming in and presenting. This is very fascinating. You said that you have done 18 projects, 17 of which are successful, which is a 93% success rate. What criteria are you using to determine whether it's successful or not?

Wheaton: In Kickstarter, which is what we use mostly, because it's the biggest, the oldest, best-known rewards-based crowd funding, it's called an "all-or-nothing" system. You have to set a goal, and if you don't hit that goal, you get nothing at all. If you hit the goal or go over it – AcousticSheep and Like My Thai are good examples. Like My Thai set a goal of $4,000. They hit $14,000, and they got the whole $14,000. Had they got $3,999, though, they would have gotten nothing. Nobody would have gotten charged anything. This is called an "all-or-nothing" system. There are other systems out there. There are other crowd funding platforms that don't have that kind of discipline, but I like that kind of discipline. It forces the entrepreneur to come to a conclusion about how much do they really need to get started as opposed to how much they want. That allows me to force that conversation with those entrepreneurs to really narrow it down. "Do you really need $15,000? $15,000 is a little harder to get than $5,000, or $3,000."

Lee: So, typically, Kris, what's the average amount as far as fundraising?

Wheaton: We are very consistent with the averages of Kickstarter overall – a little bit better than their averages. Seventy-three percent of all Kickstarters worldwide do under $10,000. We have about 60% of ours do under $10,000. Ten to twenty thousand is another 11% - we have about 17% in that category. Between $20,000 and $100,000 is another 11% (only 1 percent do over $100,000). So you hear a number that have done extremely well. They are lightning strikes. The reason you hear about them is because they have done extremely well. The important point to note is that this is actually part of the Quickstarter strategy that we pitched originally to ECGRA. We understand these numbers coming in. We know that most of our campaigns are going to be smallish, which is why it's so important to do a lot of them. Because, if we do a lot of them, then statistics start to play in our favor. We know that eventually, if we are successful at a high rate, and we do a lot, eventually, just like a venture capitalist, you're going to hit a lottery. You're going to have one that you think is going to do $1,000, and it's going to do $150,000. I've got a couple coming up right now that I'm hopeful are going to push that boundary. Right now our top one was AcousticSheep at $60,000.

Barney: Timeframe.

Wheaton: This is the other part about it that I love about these projects is that they are usually two to three months, which is perfect for a semester. That's why it works with students is that I can tie them down for two to three months. Let's not underestimate the value of this program to the brain-drain issues, to improving the educational opportunities for college students in this area. Part of the reason why I came up with this idea is because I saw so many college students leaving here with only student work in their portfolio. And let me tell you, if you're a communications major and you only have student work in your portfolio, a. there's not a lot of communication jobs in this town. So you've got to go someplace, and you are not going to be competitive, because those places have internships. But now, all of a sudden, you change that. Now, all of a sudden, I was the communications guy, I was the social media manager, I was the person who did all of the press releases on three successful Kickstarter campaigns. Here are the metrics. Here's how many people we were able to get. Here's how many dollars we were able to collect, and here's the actual evidence. It's no longer student work. It's real work for a real client. You guys know this – there's only so much you can get in a classroom. I

give them real work, real clients, in three-month increments, and if they want to do another one, wash, rinse, and repeat. I've probably done 120 jobs, individual jobs, in this program. I've employed 50 students, and why? Because I am able to wash, rinse, and repeat. I take a student who ran a successful project, project manager, team leader. I let them hire their own people. They learn how to hire, to manage. They're doing project management; they're getting all those resume punches on their resume just by doing this project. And then, they want to do them again. They've learned a lot. They know exactly what they are supposed to be doing. They understand the strategy, they understand the program, boom! They are a lot easier to manage.

Lee: I'm an entrepreneur. Walk me through the process if I wanted to be a part of Kickstarter.

Wheaton: You get in contact with me. We do no marketing. Everything has been word of mouth up to this point. We got a little bit of money from Ben Franklin to help us with some marketing here, and we're starting to do some interesting things with that. Let me just touch on that really quick because I do think it is interesting. One of the things we've done is we've partnered with the Innovation Collaborative, and they have an intern from Mercyhurst, one of our students, and what we're looking at is failed Kickstarter projects in Cleveland, Pittsburgh, and Buffalo. We're looking for failures that failed for the right reasons. What I noticed in our research here in Erie is that most people fail (two-thirds fail), but there's a segment in there, about 25%, that fail not because they didn't understand Kickstarter or not because they had a bad idea – they had a really good idea, and it's obvious that it's a good idea – but they didn't do the kinds of things that you need to do to be successful that we know how to do on Kickstarter. So what we're doing is we're trying to identify those failures in these major cities and see if we can't get them here – bring those people here, say, "We have a system, an eco-system designed to support you. Come on down!" See if we can suck some of those people in. Reverse that brain-drain.

To get back to your question – walking through the process. People like you, if you ask me what you can do for me at the end of this presentation, I will tell you, "Send me people," because it's all word of mouth. People read about it in the newspaper. They find me, they talk to somebody. And they say, "Go call Wheaton." Or I go out and I make a presentation, and I do this fairly regularly. I've been at the library; I've been at a number of different places making presentations. And people say, "Okay, call Wheaton," and they call me up, and we have a meeting. I don't ask for any paperwork, and I never say "no" to anybody. I don't care who they are, I just don't say no to them. And then I walk out of that meeting by giving them some tasks. I have tasks, they have tasks. I do mine. If they do theirs, then we go to the next step, which is why we have this funnel. That's why I've talked to 115 entrepreneurs and I've only gotten 20 projects, because many, many of these people, not necessarily for reasons that are due to laziness, walk away, because they have other jobs, other stuff. I don't ever take them off of my list, because so many of them will come back three, six months later and say, "Hey, I'm ready now to go to the next step."

So our first step, once we get past that initial meeting where I talk about what I can do for them and what I need them to do to get started, is to do what we call a campaign analysis. A campaign analysis is where we decide on which crowd funding platform, and we actually use more than Kickstarter. Kickstarter is the most popular one, but we've used others. We ask them to look at the crowd funding platform and we go into that platform and we extract successful examples of other campaigns which are similar to theirs.

So I'm working with a woman who's come up with a new idea for a cupcake. I can't talk too much about it because it is top secret. It's an extremely cool cupcake. We demoed the first prototype which was not a success at the last Ignite Erie board meeting, but we have a new prototype, and I am ecstatic about it. So, we have a cool new cupcake. So we go to Kickstarter and we say, "Let's find 10

to 20 examples of other successful people who have done something kind of sort of like this." It's a best practices approach to this. We say, "What did they do right? Let's copy that."

So the campaign analysis sets the stage, and then we go down two tracks. The first track, and this is critical to the strategy. We know from all the academic research that you succeed on Kickstarter when you bring an audience to the table first. There's a famous paper by a couple columnists called, "Launch Hard or Go Home". It's a highly technical paper, but what it really says is, the statistics bear it out, if you hit the ground running in the first 24 hours, you are much more likely to be successful than not. In order to do that, you have to have a large group of people. So we work in a pre-launch marketing campaign to build a large group of people, usually on Facebook, so that when we launch, we are able to launch hard. It's the Hollywood-style thinking that the only weekend that matters in Hollywood is the first one. And we do the same thing. The only day that matters, really, is the first, or the only time period that matters is the first 72 hours after launch. If you do really well, everything kind of works from there. If you don't do very well, it's a slog, it's a struggle from there on out. You can usually tell whether or not a campaign is going to be successful or fail within the first 72 hours. And that is social media, project management, content generation – it's all the kinds of things you do with any sort of marketing campaign. That's the kind of work that the students typically do in that particular area.

The other thing we do is help them craft a really well-constructed Kickstarter, or Patreon, or Indiegogo page campaign so that it looks good, so that it has good quality graphics, so that it's well structured, so that the reward tiers are well structured, and we've thought through that. Can you make money with this at $50? Can you make money with this at the $25 level, those kinds of things? So those are the two pillars after you get past the campaign analysis. And then we launch. We provide the support to the entrepreneur that the entrepreneur needs. For example, AcousticSheep – all we really did was consulting work. They have their own marketers; they have their own graphic designers. They didn't do any of this. Like My Thai – we did everything. We managed their social media, we got their logo made. You name it, we did it all for Like My Thai. It's a consistent strategy, but it's not a one-size-fits-all approach to any particular entrepreneur.

Paris: Have you been able to attract any of those failed campaigns?

Wheaton: Well, I only have one. And we know why they failed. We know why this one is failing, and why the one previously did. Pure demographics. In both cases, the market that we found that was interested in the product happened to be – and I am one of these people, so I don't feel too ageist saying this – but they happened to be women, in one case, over the age of 45, and in this case, Music for Veterans, men over the age of 45. Overwhelmingly, like 90% of the audience that we have attracted are in that demographic. They aren't on Kickstarter, and they aren't willing to get on Kickstarter. I learned my lesson. It's not an ageist thing, it's just a comfort with the digital world. You have to be comfortable with that. You have to be comfortable going to a thing called Kickstarter that you probably have never heard of before, logging in, creating an account, putting your credit card in there, and then buying something that you may or may not get. Ten percent of Kickstarter projects don't ever deliver anything. It is a risk. There is a certain element of risk involved. And that age group is just absolutely unwilling to do that.

Barney: Your compensation.

Wheaton: The students are compensated in two ways. The first way they are compensated is on an hourly basis. My project managers all get 10 hours a week at $10 and hour, and they do that for approximately 10 weeks. To the individual students we pay a stipend. So, to shoot a movie, the promo movie for this particular thing is $200 to $300. To write a press release - $50, $100. We pay graphic design for a logo $75. We pay them in stipends, so we don't pay them a lot, but we do pay them. I get paid a little. I get paid $500 a project. Each project costs roughly about $2,000. Some of them cost a

lot less, some of them cost a little bit more, but $2,000 is about the average. We've spent, I think – I don't have the current numbers – but my thought is between $30,000 and $40,000. In terms of direct money that we've brought in, it's around $170,000. So, about a 4 to 1 is what we've brought in. But also remember, each one of these companies is an ongoing business. So I brought in $14,000 for Like My Thai, but they've been in business on State Street now for over a year – hired nine people and done good stuff – and that's the case we see with an awful lot of our clients. I don't know any of our clients that are out of business at this point.

Paris: If they were to fail within a certain amount of time, what happens to the money?

Wheaton: It never gets charged. So the way the system works is if you get down to zero minutes – I've been on the receiving end of this; it's a wonderful thing to watch; Kickstarter charges all the credit cards instantaneously, bundles all that money, and then transfers it to your account in two weeks. If you get to zero, and you haven't met your goal, they just get rid of all that information, and nobody gets charged.

Breneman: At the platform, if certain segments of the population, whether by age or maybe they just prefer the cash economy or whatever it might be, if that platform doesn't speak to them but they might still have an interest, are there any thoughts on how to go beyond just the digital platform?

Wheaton: That's an interesting question. There isn't anything built into the system to do that. Obviously, it's an online tool; it's an online mechanism. However, a good example of this, and I think one of the second points of Kickstarter's success, and this is a good transition for my second point which is Quickstarter is increasingly serving an underserved population. So, out of the 18 active campaigns I currently have going on – that I'm working on, they are not launched yet, but people I'm working with – six of them are minorities or inner-city. That's a change. Last year I didn't have any. This year I've got six. I've got four African-Americans, I've got one Bhutanese immigrant, and I've got one individual who just lives in the inner-city. All of them sort of found me serendipitously – just sort of word-of-mouth came to me. One of the clients I'm currently working with, a guy by the name of Rick Davis over at Delish Deli - I don't know if you've passed Delish if you've driven down 38th Street right near next to Red Fox - he launched a campaign, "A Thousand Dog Day." He fries a hotdog, wraps it in cheese, and then wraps it in a kind of dough that's like a croissant dough, and then fries that. Now this thing is just an artery-clogging kind of thing, but it is, in fact, delicious. And what he wanted to do, he wanted to have a big event; he wanted to do it on the east side of Erie, because that's where he lives, and that's where his business is; he doesn't see a lot of events on the east side of Erie. He wanted to make a thousand of these in 24 hours. So we said, "Okay, let's Kickstart this." He struggled with his demographic. His customers love what he does, but they were unable, because of a lack of a credit card – credit access is a huge problem in that part of the city – and they weren't able to help him very much, so Rick actually depended mostly on sponsorship. One of the things that was really interesting and goes to your question is, a lot of people came in and said, "Look, let me give you $20 bucks, let me give you $30 bucks, let me give you $40 bucks." So, at the end of the campaign when he was about $300 short, he took all of that money that he had basically in a tip jar, he gave it to one of his buddies, and his buddy who had a credit card charged it. And that's what put him over the top – all of the people doing exactly that. It's a shame that that's the way that had to work, but he's successful, and on the 24th he's going to have "The Thousand Dog Dash," 24 hours. He's got a church, I'm not sure exactly where it is, it's downtown on the east side. That's where it's going to be and we'll see how that goes.

Breneman: I'm wondering if you had a location on site where somebody could go in and know they could get their cash back at a certain time, or something like that, if they are dependent on the cash economy. If there was a place on the east side or wherever that you could walk to, if they were

reliable, almost like a bank or something like that, and know that if the project went through, it would go, and if it wasn't, you could just walk down and pick it up.

Wheaton: And at some point, and, Jay, this is another great question, because it takes me to the third point, and my third point that I want you to just sort of think about. So Quickstarter is a success, Quickstarter is increasingly serving an underserved demographic, and the third point is that our biggest challenge, my biggest challenge right now is scaling this, it's making it bigger. Because there is only one of me, and students come and go fairly quickly, and that's a problem for me. I'm not really sure how I'm going to solve that. I'm going to try and spend this next year solving at least part of that problem, but one of the issues is how do I scale it up, and how do we do the kinds of things, because, frankly, Kickstarter really doesn't work very well in Erie. It works really well for entrepreneurs. It doesn't work well because Erie is not on Kickstarter. If we were in San Francisco, this would be a lot easier. I try not to depend on any of these campaigns on the local economy because it just isn't on Kickstarter. Just like the 45+ women and men, they're not on Kickstarter; Erie's not on Kickstarter. There are some demographics. Like My Thai was able to tap into a very large group of people who were familiar with their food and were willing to make that shift onto an online site, but most of Erie just is unwilling to do it. My son ran a Kickstarter back when Kickstarter was new, back in 2009. He had front-page coverage on the Erie Times News. He got not one single backer from Erie, not one. I just don't rely on it. We do an exercise with the entrepreneurs where we sort of break down our different silos and where do we think our backers are going to come from. I always just say, "You're going to get two from Erie." I don't care how much press coverage you get, and we get a lot of press coverage. Quickstarter is routinely in the press. We've actually gotten pushback from the press because it's like, "We don't want to cover another Kickstarter campaign." It matters to us because we like to see our names in the paper, and I like to give credit to you guys for having had the courage to fund something like Ignite Erie. I didn't thank you initially for that. I really appreciate the fact that you guys had the fortitude to back something like Ignite Erie. It's a bold move, and I appreciate that, and I know that Quickstarter is probably the piece that could easily be the least understood in the Ignite Erie puzzle. So, I appreciate the fact that you've done that. But, Erie just isn't on crowd funding sites, other than Go Fund Me, which they are on in droves.

I want to get back to just a couple of points. I know that I'm way over my time, and I apologize for that. A couple of things that we're doing in addition to the Quickstarter activities, the research activities that we've talked about. There have been a couple of spin-offs that are really interesting that we're working on. I talked a little bit about how we're working with the Innovation Collaborative in terms with what they are doing. We've used Penn State Behrend's facilities last year, their people, to develop an app which we helped improve upon and get that out to make crowd funding a little bit more easy and a little bit more accessible in Erie. We're doing monthly reports. We have a Facebook page, a Quickstarter Facebook page. You can find us there, and we do monthly reports on crowd-funding activities in trends and what we see, and we're generating that kind of economic data for people to take a look at. Unless you have more questions for me, I think that's all I have. There are a couple things I haven't talked about. I'm happy to go into that if there's any questions, otherwise I think that's what I have.

Wood: I guess if I could just summarize really quick. Quickstarter is helping entrepreneurs. It's doing that by educating students on the process of good market development. In a local context the stakeholders are the students and the entrepreneurs. At the organizational level you did a great job of explaining how you function. When Mr. Lee said, "How does a campaign work?" But you also tied it into the overall Ignite Erie ecosystem, so this is a key piece of the Ignite Erie strategy that we put forward. We really appreciate your contribution there.

Wheaton: Can I piggyback on that point right there, because there is one thing that I forgot to mention. And that is, one of the other serendipitous side effects I think is the way in which Quickstarter is encouraging other parts of the economic ecosystem to come into play, and again, Delish is a really good example of that. He had some issues with some equipment. He needed some funding to get new equipment. We were able to tie in Mercyhurst's Hotel Restaurant and Management division, bring him in, tell him what he needs, help him get access to that used equipment, and then we were able to get Bridgeway Capital involved in order to give him the loan in order to make the next step to get that equipment and purchase that equipment. It was a really serendipitous effect. I had a client come in just yesterday and talking to her I realized that she really needed help from ETI, she'd benefit from that, she'd benefit from some intellectual property attorney work. And I was able to push her in those directions with other people. So, we're starting to see that Quickstarter is forcing the ecosystem to deal with very specific problems, but it's going to encourage additional capabilities in the future. I just wanted to piggyback that because it's doing more than just these things.

Wood: That's a great point. And so from a program coherent standpoint, we clearly have three overall programs in Ignite Erie. One is getting universities working with businesses, there's an example. The second was getting inner-city entrepreneurs actively engaged, especially in distressed neighborhoods and census tracts where there has been under-investment. That has happened. The third was to connect more businesses with funding sources, non-traditional funding sources. So back to where I was going with this. You talked about stakeholders. You talked about the organizational context. The third context is the broader social context of how crowd funding is a new paradigm and how businesses get started and get going. Typically, in years past you would develop a business plan and you'd go to the bank. You'd put your house up for guarantee. This says, "Forget about the business plan, and we need a business model, which we're going to find out if there's a market." And so they clearly have the end-customer as the financier of the initiative. So this is a paradigm shift, I think, on how businesses are going to get going and how we look at the kind of gig economy. You're helping bring that aspect to the Erie economy, so I think from that standpoint it's fantastic.

Wheaton: I appreciate that. Let me just piggyback on that comment as well. I mentioned a body of literature academically where it talks about what succeeds in crowd-funding activities, and we use that. The other body of literature that we've tapped into comes out of the University of Virginia, the Garden School of Business there. They've spent a lot of time studying entrepreneurship, and they have a whole different take on it. If you are not familiar with that line of research, I strongly recommended it. It's really interesting stuff. They talk about great entrepreneurs, and they've studied serial great entrepreneurs – people who have grown companies to $10 or $15 million and they've done it multiple times. They've studied literally dozens of these kinds of people, sat down and sort of applied social science techniques to how they do what they do. And they've come up with five basic rules. And we use those five basic rules. That's the five rules that we use to help get those people to those levels, to move them forward. And when we are looking for what we should do next, we kind of tap into that research to help and inform our entrepreneurs how they should be thinking.

Wood: We're actually out of time, but if anyone has a business idea, how should they contact you?

Wheaton: So if you find somebody or you run into somebody who is interested in doing this, and I don't care how experienced they are, if they are interested in crowd funding at all, they should talk to me, at least talk to me - whether we continue to work together or not is up to them. I don't charge anything, and I don't require you to sign any paperwork or any of that sort of stuff. Just have them come to me at Mercyhurst. KWheaton@mercyhurst.edu. I have cards, if you're interested, that I could leave here for you to take.

COMMITTEE REPORTS

a. Treasurer's Report. <u>Peters</u>: So I think we went over everything at the Finance Committee Meeting. Later I would request that the board take action on the audit for 2015/16. And then beyond that, I know that some people weren't here for Finance Committee. I went over the financials. I don't see anything out of order. The check register is in your packet. I mentioned the fund balance, again, why we have that fund balance, and requested everyone look at the Schedule of Grant Reserve so that you know and remember where we have applied money. <u>Wood</u>: I guess if I could just remind everybody we've now seen the audit at least three times. We saw a draft presentation from the auditor. We talked about revisions in committee meetings, and the final one is on your agenda here today in Resolution No. 15. So, if there are any final questions about the audit before we approve it, can we address it during the Treasurer's Report? Mr. Barney makes a motion to accept the Treasurer's Report. Mr. Bagnoni seconds the motion. Motion carries 6-0.

b. Regional Assets Committee. <u>Wood</u>: Community Assets funding is the next round of funding that is up. Tom is giving a workshop to potential Community Assets funders. We have made several changes to those grant guidelines. If you recall, in the last two years, the amount of applicants has increased exponentially. Therefore, we've gone back, we've look at guidelines to clearly separate what is the definition of a human-services organization from a main-street organization to a community asset. We're hopeful that those refinements this year will clarify who is eligible for Community Assets funding. Tom will be giving that workshop. And then we'll wrap up the final quarter of the year with Main Street funding, which is going into its fourth year of funding.

c. Strategic Planning Committee: <u>Paris</u>: Nothing to report as there has been no meeting.

d. Update from County Council: <u>Breneman</u>: You may or may not get to this later on, in regard to the House that passed this bill and the Senate that I believe are not going to vote on it until the fall, but regarding the added revenue streams expanding iGaming, fantasy gaming, and gaming in airports. Of those - and council did send a letter to Senators Brooks and Wiley asking that they reconsider the local share - in that sense what they're doing is taking the local share and not making it local with those expanded gaming options. Whether or not the expanded iGaming or fantasy gaming, or whatever, really has an impact on the casino revenue is one thing, but for sure, having that local share split off is not in the essence or the anticipation of having – everybody knows that gaming is to alleviate the requirement of the government relying on property taxes. And so, I think the iGaming one creates a new grant with DCED that all counties can compete for, and that to me doesn't even go to a current, it's not even to balance the budget. It just creates a new grant program. So we did send a letter to those two senators. I'll likely be attaching that and sending it off to the other counties that have casinos in order to get them to do the same with their senators. I think that this is probably one example where having a government relations or lobbyist, whatever you want to call it, would have helped out because something like this, they would have had this on their radar. We would have known about it while it was still in the House, when we could have done something, because none of our local legislators contacted anybody regarding this matter. They probably didn't read it. A lot of things were going through. I know their job is hectic and whatnot. But this was a missed opportunity. Now we're hoping and relying that the senate can make those changes whereas beforehand we would have had the House and the Senate. So now we're really at that last point in doing that. And just to let you know that council is working with our peers to communicate that. I think that we missed out on an opportunity, but there's

still time, really, because, again, they're not going to really address this revenue stream until the fall. That's just my two cents and where council stands on that.

e. Update from County Executive's Office. <u>Lee</u>: Just briefly an update on the Summer Jobs program. We are pleased with the transition with GECAC. We have 160 students participating in the program, and if you recall the funding was $150,000 from Erie County, $150,000 committed from ECGRA, and $60,000 committed from The Erie Community Foundation. Those were the three major funding sources. Erie Insurance has agreed to contribute, and I think I may have shared this with you last time. They're going to pay for their students, which is really great, which is about $13,000. In addition, Terry Cavanaugh has agreed to do a promotional video, which that is an in-kind match of about $10,000, I was told. So we're excited about that. National Fuel, they will be putting in $1,000; Gannon University, the final numbers are still being worked on, but their commitment was for about $3,500. So, we're excited. We're excited about growing the program. Some key things. We just received the year-end report from the 2015 Summer JAM program yesterday. I haven't had the opportunity to review that, but any feedback that we receive from there, that report, we will look to implement it as we move forward. Again, we're excited about continuing to grow that program. And then, on a lighter, note, the county has received three national achievement awards from the National Association of Counties, which we're excited about. Two of them from the Department of Health, one dealing with the algae bloom, with the lake, as far as being preventative, taking preventative measures there. The second one from the Health Department is a program called Pop for Work, which deals with providing mini-grants to companies and organizations that would want to set up a lactation room for mothers. Again, it is something out of the box that hasn't been done around the country. They were very pleased with that particular program. And then we have a program through our Offices of Children and Youth where we provide grants to different organizations dealing with setting up dependent living for young men and women. And when I say, "young men and women," they can be as young as 15-16 years old. But working with agencies to help them become more independent. So, again, those are three national achievement awards – something that the county has never received before – so we're just excited to continue to grow and continue to highlight some of the key positive programs that we have going on in the county.

      <u>Peters</u>: If I could just mention an experience with a Summer JAM student. One of the companies in our building, We Create, has a Summer JAM student, and they had a grant opening. I went down, and Kevin Arrington was there. I've known Kevin for a very long, long time, and he's now running this program, I think…<u>Lee</u>: Yes. He's the project manager. <u>Peters</u>: So I was sitting there chatting with Kevin, and this young man comes up and he said, "Mr. Arrington, you're the CEO of _____," and they started chatting, and Kevin introduced me to this young man as someone from the Summer JAM program. A very nice kid, what have you, but it was really funny because we're chatting and he says, "Well it's great meeting you, but I'm going to go mingle now." So this kid was working the room. This is great. I would say he is about a senior in high school, or a junior. I'm not really sure. He had more facial hair than I can grow. But if even 30% of kids that are participating are learning to interact with adults, business people that way, that would be really cool.

REPORT OF THE EXECUTIVE DIRECTOR

      <u>Wood</u>: Thank you, Mr. Paris. I would like to reference a letter I received from the Enterprise Development Fund on DevelopErie letterhead requesting that we reconsider the debt-ratio covenant

we have with them in an agreement. I would like to refer that to further research and analysis to Strategic Planning, which handles the mission-related investments.

Next in my Executive Director's report, which you will find on SharePoint, the notes from the Youth & Education Committee are in there. We did analyze the Lincoln Elementary School Pilot Project, which you'll see in Resolution No. 17 on today's budget. We discussed the Shaping Tomorrow process. The idea was for Mr. Sample at this board meeting to actually approve three representatives that attended the first review of grants to be ECGRA's representatives in the Shaping Tomorrow process. He's not here, so, of course, Mr. Paris, you are more than welcome to do that.

The draft audit was reviewed. The various areas that were commented on and revised were gone over in detail, questions were answered. We, of course, talked about the Enterprise Development Fund and my attendance at a recent Enterprise Development Fund board meeting.

And then we handed out the two documents – the Pilot Project Guidelines for consideration by the board. You won't see them on today's agenda. We're still revising those. And then, secondly, the Government Relations RFP concept in which I think we've settled on, we've had a lot of discussions on this, but we've moved the discussion forward and have settled on being comfortable with answering four key questions:

1) Ensuring that Government Relations is in ECGRA's method and scope
2) Discussing how we choose a focus for the Government Relations process
3) If we choose to focus, how can we minimize criticism for our choice of focus
4) Are we on solid legal ground, which Tim and I reviewed extensively, and Tim has found that we are

There's also some letters of correspondence, of course, and some media in the Executive Director's report. But I want to take just a few minutes and touch base with you with what Jay discussed, which is House Bill No. 2150. This House bill was passed on July 1, right before a major holiday, which I think signals something to you about the nature of the bill. I found out about it on July 5 in returning from the holiday weekend. It does involve gaming legislation at three different levels:

1. Put slot machines in airports. Revenue from those slot machines goes to the airports, to the state.
2. It taxes Fantasy Football Leagues and that type of fantasy gaming. There's some interesting provisions there at which Pittsburgh and Philadelphia schools benefit as well as the state.
3. And the third is iGaming or internet gaming – virtual gaming, if you will – which are licenses for facilities that have a brick and mortar presence, such as Presque Isle Downs, to now offer internet-based gaming.

The internet-based gaming portion was the one that I spent most of my time analyzing. Tim and I had extensive discussions about it. It, in essence, creates a tax rate of 16% on internet gaming, 14% of which goes to the state, 2% of which would go to a new grant program created by and administered by DCED. That is the extent of the details. That is being called, "local share." That's not our definition of local share. Our definition of local share is money comes to the county, the county then splits it – half of it goes to ECGRA, the other half stays at the county for operations. Having seen the state's new definition of local share in this legislation - by the way, our current funding revenue streams are not affected by this, but you could argue that they are, because if someone chooses, you know, "I don't need to go to the casino now, I'll do internet gaming," they're in essence playing a virtual slot machine, and those revenues would not come to ECGRA and Erie County. So, I did two things immediately. I called my liaisons, Mr. Lee and Mr. Breneman, and made them aware of the situation. I found out they had not been consulted by the state delegation. Let them know I had not been consulted by the state delegation. We then, in working with Mr. Wachter, looked up the vote to

find out that 5 of the 6 Erie County delegation voted in favor of the legislation. There was not a lot of press about the legislation other than some news sources coming out of Harrisburg. It's a 300-page bill. Folks are still trying to understand how it's going to affect them.

Peters: Who voted, "no", Sonney?

Breneman: Wentling.

Wood: Parke Wentling, which I think is the person we are least familiar with from this area.

Wachter: Parke is from Mercer County. His district hugs the Ohio border, and comes up through Albion and Girard. It's called, "gerrymandering."

Wood: So my step was to call Senator Wiley's office with the recognition that clearly this legislation is going to need to get through the Senate in order to pass. So, in order to express our views of it, we immediately called Senator Wiley's office. They were unaware of the bill. I mean, this is one of those midnight pieces of legislation they passed. So, we made them aware of it. They began to research it. They took our advice into account. I believe a letter was penned on behalf of county council. We were in regular correspondence with what that letter would look like. We have been in regular correspondence with the Senator's chief of staff. The good news is the vote for the Senate was supposed to take place this week. That has been delayed. And the newest piece of information is that it may not be voted on until September or October. That gives us some more time to have impact on the legislation, and hopefully get an amendment in there that recognizes ECGRA's and Erie County's interest in the bill. Now, I had to do a lot of this on the fly without consulting you. That's why I want to make you fully aware of everything we've done at this point. I did consult with Mr. Sample briefly as chairman. He said, "Absolutely move forward with it." And, obviously I've consulted with both of our liaisons. But if there are any questions the board has about what I've done so far in the legislation or what we should be doing, let's talk about it right now.

Peters: Councilman, did you say that you had heard the DCED plans on pooling this money and then having…

Breneman: All 67 counties would then compete for that.

Peters: I think that from when I was down there a few months ago, I think that the governor has made lots of overtures to the fact that the way New York did things was kind of of interest. He's advised by a lot of _____ people, Bruce Katz being one of them, and that competitive grant pool concept is something that is largely, I suspect, coming out of folks like Bruce and other advisors that are saying, "Hey, get these people to compete." So, and it worked okay for Buffalo, but, obviously it's going to be really tough for us when, if that happens, we're going to be competing with Allegheny County and Philly. It becomes sort of a foregone conclusion. I think that we should all be, I guess it's too late for our legislators to talk to them, but…

Wood: I don't think it's too late because I'm sure the bill that the Senate passes will be different and, therefore, will have to go back to the House.

Peters: I agree, this is a great example of why having a Government Relations service would be helpful, because they could help summarize talking points for us to be able to also as members of this board make sure that the legislators know how we feel. I'm sure they didn't understand how this could affect Erie County.

Wachter: One of the things that I've learned through my recent legislative efforts through some of my clients, the Erie County delegation does not meet, either in Harrisburg or in Erie County. TAPE ENDS HERE.

SOLICITOR'S REPORT

No report.

OLD BUSINESS

None.

NEW BUSINESS

a. Resolution No. 15, 2016 – Resolution to accept into record the 2015-16 Audit as presented. Mr. Yaple makes a motion to adopt the resolution. Mr. Domino seconds the motion. Motion carries 6-0.
b. Resolution No. 16, 2016 – Resolution to advertise the attached RFP for Governmental Relations Services. Mr. Barney makes a motion to approve the resolution. Mr. Yaple seconds the motion. Motion carries 6-0.
c. Resolution No. 17, 2016 – Resolution to adopt the ServErie Lincoln Elementary School Pilot Project. Mr. Bagnoni makes a motion to adopt the resolution. Mr. Barney seconds the motion. Motion carries 6-0.

ADJOURNMENT

Mr. Peters moves to adjourn.