Erie County Gaming Revenue Authority

Minutes of the Board of Directors' Meeting
June 8, 2017

CALL TO ORDER

The Board of Directors' Meeting of the Erie County Gaming Revenue Authority was held on June 8, 2017 at 5240 Knowledge Parkway; Erie, PA 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. Bagnoni, Mr. Barney, Mr. Domino, Mr. Paris, Mr. Peters, Mr. Sample, and Mr. Yaple. Mr. Breneman (arrives late), Mr. Lee, Mr. Wachter, and Mr. Wood are also present.

APPROVAL OF THE AGENDA

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

APPROVAL OF MINUTES – May 2017

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

COMMENTS BY THE CHAIR

No Comments.

PUBLIC COMMENT

No public comment.

PRESENTATIONS

a. Enterprise Development Fund – Kelly Byers and Jim Gehrlein. Members of the EDF Board are also present.
b. Empower Erie – Ron DiNicola, Joe Maloney and Dr. Roy Church.

a. Enterprise Development Fund

Mr. Gehrlein: Thank you. I am the Chairman of the Enterprise Development Fund and have been Chairman for a number of years. What we thought we'd like to do today, since there has been so much change in the last year and a half with our relationship with the GEIDC and so forth, we thought it would be important for you to understand where we are today and what we're doing to make our loan fund grow today, tomorrow and in the future. I am also asking for your help in that area.

The first thing I would like is to have the Board members introduce themselves and give you a 30-second background on each one of them.

Charles Barber: Hi. I have been on the Board since 1996. I am with Erie County Care Management in Erie County.

Larry Hammond: Good morning. I have been on the Board since 2010. I am a business consultant specializing in small-business around $12M and under.

Harry Brown: I am a retired businessman and also a business consultant. I have been on the Board since 1988.

Betsy Vortek: Good Morning. I have been on the Board about seven years now.

Kelly Byers: I am a CPA at Schaffner, Knight & Minnaugh. I specialize in business evaluation and forensic investigation. I have been on the Board for about two years.

Mr. Gehrlein: I have been on the Board since 1987 when it was first thought of. I am the past President of National City Bank.

Just a little background, most of you from Erie would recognize the fact that when the Enterprise Development Fund was established back in 1987 it was with a stipend from the County of Erie in the amount of around $800,000. From there, we have grown and you have seen the numbers of where we are today.

To our relationship with the GEIDC over the years, we were their lending arm for the organization and most of our assets were the receivables and the cash that we were generating and so forth. All of our other assets were leased from GEIDC, including employees. So we've managed, over the years, to maintain the fund and to make it grow with the help of the Erie County Gaming Commission along the way.

Last year things changed. Certain things happened with GEIDC. Fortunately for us, awhile back, all of the entities that were a part of GEIDC were all separately incorporated. We were separately incorporated. It helped us in this transition period in the fact that we are a separate corporation and have no real ties to all of the circumstances that are affecting GEIDC and their bankruptcy.

We were able to take our assets and move on. What we did was we went out and hired Robin and Kelly, who are here with us today. They are contracted employees. At one time they were employed by GEIDC and they were our employees for our organization during some time periods when the Fund was in existence. We are fortunate to have them be contracted to come back and help us continue on the evolvement of where we are taking the Enterprise Development Fund today, tomorrow and the future.

With that, I'm going to have Kelly give you a little presentation on the background about us and how we see ourselves fitting into the picture for the development of business of Erie County and the future.

Ms. Byers: I promise to keep this brief. I know that some of you have served in this capacity for a number of years and are probably very familiar with the Fund. A few of you may be newer, so this brief history may be helpful.

As Jim had mentioned, the organization was established back in 1986. We are a 501c3 with the mission to assist in the regional economic recovery strategy and to create jobs for those that are low and moderate incomes in distressed areas. Jim also eluded to the growth that the Fund has experienced over the past several years. Since 2009 when we received our CDFI designation, we grew from 12 loans in our portfolios to a high, in 2015, of 51 loans.

What makes the Fund different than a traditional lending institution? Partially, it's that 501c3 designation. We're not here to maximize shareholder value, so we are here to take a little bit more risk because what we're going to do is to provide this mission to our community.

Currently, we have total assets that amount close to $6M and equity of $2.85M. I also mentioned that CDFI designation (Community Development Financial Institution) from the US Treasury Department. The important thing to know about this is that it allows us access to capital from outside the region that otherwise would not be able to be brought into the greater Erie community. The little blow-up of the map there shows that we are the only northwestern Pennsylvania located CDFI. There are other CDFI's that play in this area, but we are the only one that is headquartered here with a locally controlled Board.

Over the years we have received our funding from multiple sources, a mixture of loans and grants, of which ECGRA has been a large proponent. We had started up from the Erie County government grant, around $350,000, and I won't read them all to you, but you can see that we have been applying for various sources of grants over our history. It is important to note that often when we have a grant application, they are requesting that we have a local match or some other source of funding match for that. So, over the years we have utilized our line of credit in this capacity. Going forward in the near term, that doesn't look to be an option for us so we are still looking for ways to get that outside money, that outside capital from outside of the region, brought into the Erie community. A match is really important.

ECGRA has made four different financial contributions over the last several years to the Fund. They are a mixture of grants and loans. You have asked that we meet certain requirements with that funding, not all of them are listed. You have asked that we look at a target market, that we do a number of micro-loans in certain rounds. I know that job creation and job retention is something that you are also concerned with. To date, $2.375M has been given by ECGRA in the form of grants and loans to the Fund. In terms of our total performance, of all of the loans that we have done, we have done 61% of them in our target market, we have done 23 micro-loans to date of over $600,000 and we have received information in our loan applications that state that projected jobs created and jobs retained were a total of 907. Almost all of the businesses we have lent to are for-profit businesses, 98% of those.

I do want to mention a little bit about the equity equivalent loans. Even as a CPA, I admit that even I had to look up what that meant. It is a funding structure that is unique to CDFI. An equity equivalent loan allows us to record the money that we have received in the equity section of our balance sheet so in terms of covenants, we are not counting it as a liability at the time. Traditionally from the research that I have seen, most equity equivalents have a rolling term and an indefinite maturity and that allows for revolving funds to continue in the perpetuity because they're not concerned with the payback of those funds. We do pay interest on those loans. To date, approximately $160,000 in interest has been paid by the Fund back to ECGRA for use of those funds.

I want to break down a little bit more your specific financial contribution at work through the Fund. I have listed up above the year, the total number of loans that the Fund has done, some other statistics, how many loans are in that target market, the total that was loaned out by the Fund, and then that private investment. The private investment is either the owner capital that was contributed to the business or other funding sources - credit union or bank fund, and of the total that we've lent out, how much of that money came directly from ECGRA.

Down below I have looked at only those deals which have included ECGRA money. We have done 34 of them to date, 18 of them have been in the target market. Approximately $4M came out of the Fund. $2.375M of that was the money that came from ECGRA and we were able to get $17M invested in the community because each of those deals went through. In the application, they indicated that 294 jobs would be created if those deals were able to close and another 283 jobs would be retained.

Going forward, one of the things that we are looking to do in our strategic planning is to follow up better with each of our clients. If you projected that you would create 294 jobs we want to be able to report back to you, “Were 294 jobs created? Were 400 jobs created?” We want to be able to give you that measure as well.

Mr. Peters: Kelly, could you describe in a little more detail what the column “Private Investment” means?

Ms. Byers: The Private Investments are when a deal comes to us, oftentimes we are referred by a lending institution. The business owner has gone into his/her bank with a proposal looking for funding, “We need $500,000. We want to buy new equipment, need some working capital, whatever the mix may be, of which we as the company or me as the business owner, “I’m going to put in $50,000 of my own money. Bank will you be able to give me the other $450,000?” Often the bank comes back and says, “No I can’t do that amount but I can do $300,000.” You’re going to need to find the other $150,000 elsewhere. That’s where the Fund comes in. Rarely do we do a deal that does not have some other bank or lending institution involved in it, but we provide that gap funding. That private investment indicates lending dollars as well as owner capital.

Mr. Peters: Do you share first position with those banks or are you subordinate?

Ms. Byers: It always depends on the particular deal. Oftentimes if we are the larger player, we either ask for first position or share first position. If we’re the smaller player, maybe we get that second position. In each deal, we try to look at who has more skin in the game. Sometimes if we’re going to get real estate as well as the equipment, maybe life insurance; we can split those different collateral pieces up and take a first on something when maybe the bank gets a first on another.

As Jim eluded to, and I think one of the main reasons we are here today, is to be very transparent about the dissolution of DevelopErie. The bankruptcy that GEIDC has and is continuing to go through and the impact to us. It wasn’t small. We were a governing board. Generally our role was to come in, listen to the particular deals that were presented to us, does this sound like it meets our mission, do we have the funding stream to do this, Yes or No. We are now a very hands-on managing Board. We have had to delve into areas of the business that we never had to look at before. Staffing was all outside of our realm; physical plant was all outside of our realm. Really we just managed our portfolio and that was all we did.

So in the months leading up to the bankruptcy, my personal opinion is that we felt sometimes as much in the dark as maybe some other community members felt, and I’m sure that there was good reason for that; not everything could be shared at the time. But certainly we could see that things were deteriorating. We made a conscious decision to move forward and to determine where we were going to move to; we needed a physical space. We made a conscious decision to try to retain certain consistency within our employment, so even though today we don’t have employees, we have independent contractors. We have two of them who bring a great history of the Fund with them.

Robin Hecker was an employee of the EDC at the time of the dissolution. She moved over to another role in an outside firm; we retained her. Her expertise is in grant writing and compliance with our grants. There’s a lot of compliance that is involved with our grants and this was something that our Board was never really involved in before.

Karen Clark had previously worked as a loan officer with the Fund, had a welcome knowledge about the history of a lot of our clients, and we brought her in to manage that part of our portfolio. We have added some staffing in regards to capacity, even though they are not employees.

The accounting function is currently being maintained by Schaffner, Knight & Minnaugh, not myself, but our fine accounting department is taking care of the accounting function right now.

We do have a loan on our books that we made to GEIDC, so we are a creditor in the bankruptcy. We do have first position on some collateral, as do many others. We have a piece of property out in Fairview Business Park that we are working to hopefully sell. We understand that we will probably not sell it for what the loan value is so we will take a loss on that loan but we are first position free and clear on that. We hope to recoup some amount. That loan is not included in any of the borrowing base that was sent to our bank. We have always treated that loan differently because it was a related entity.

We've had to really focus on rebranding and relationship building. I think in some of the strategic planning at DevelopErie, what made sense at the time was present a unified front for DevelopErie - here's all the things that we can do for you; here's all the products that we have; you don't really need to be concerned with which affiliate does what or know the names of them. I know that after a couple years on the Board I probably couldn't name all seven affiliates so I know that the outside community members didn't know exactly who was doing what.

As media coverage of the bankruptcy comes out and taxpayers are out money because there is a loan that won't be repaid; all of that goes back on us. So, "Who is the Fund?, What do you do?, How are you involved in this?" That's been a real hurdle that was thrown out for us that we continue to chip away at.

Our clients were our first focus. Reaching out to each one of the clients in our portfolio, assuring them that we're still here, we're still in business, their loan is still good, we're going to move forward. Second was our referral sources - to the banks who often send clients our way – letting them know that same thing.

We moved over to the Professional Building, got a PO Box, got telephones, everything you could think of if you were basically a startup business; we had to put all of that in place in just a matter of months.

The last point is we have encountered increased scrutiny from our funding sources. Mainly our line of credit was the one that made them become very nervous. We have three banks that participate in our line of credit. They could see primarily that their main concern relating to us was the staffing concern as we went from a DevelopErie staff of 13 at one time then maybe up to 18, dwindling down to 4 then 3. How are you going to be able to maintain this moving forward? Even though we haven't been in consistent violation of the covenants, even though you have a positive cash flow in reserve, all the ways we can see that we're financially solvent over the coming months, we still have a major concern. That has been, again, another hurdle that we've had to overcome.

There is continued work to be done. Rebranding and marketing, getting the word out – who we are, what we do, making sure that people in the community know us. We're looking at working with a consultant to do a new website, to get new marketing materials, all those kinds of things.

The one thing I think is most important is strategic planning. This is a great opportunity for the Fund to take a look at who we are, what we have done to date, what the community really needs, and how we play a role in that. We have talked over the previous months about the additional products that we can offer. CDFI's around the country do numerous things. Here's a little teaser; we've talked a little bit about the potential of moving into the residential space that aligns really nicely with some of the greater plans in the community, specifically within the City of Erie with its comprehensive plan with the land bank. I think there are real opportunities for us there to partner with work that is already being done in the community to advance those initiatives that are most important to the development of Erie - the city and also the greater Erie County.

We want to continue to lend within our USDA and CDFI target markets. We do still have some funds available through USDA; we are focusing on smaller, micro, under $100,000 loans. Finally, I would say that we need to recruit some additional Board members. This is a larger organization and this is the full strength of the Board that you see here. I do want to take this opportunity to give credit to my fellow Board members who have found themselves in this space, again, being asked to come once a month to a one-hour Board meeting and then come back next month to really be a managing Board and dedicating countless hours to make sure that we were able to continue to service our clients first and foremost, and then to really ask ourselves where our future is and be open to new ideas. I think the Board has really stepped up to the plate in that respect.

We're here today to answer any other questions. We want to be as transparent as possible, but we're also here with an ask. And that ask relates to the two equity-equivalent loans that I talked about in the previous slide. Based on our analysis of those loan documents, what we understand is that come 4th quarter 2018 we're going start to repay principle on both of those. That's $1.3M, both the $500,000 and the $800,000 amounts are both due at the same time. What that may mean for us as the Fund is that we have to pull those monies out of the market so as those loans we have made in the past are repaid to us, we can't rely on these ones. And that is a revolving loan fund. Our mission is to continue to be able to lend that capital in the market. But if we need to repay principle, we're going to have to start to pour all of the payments we have received and turn the money back over to you. That's the way we understand the document to date.

Also, if we were able to transfer those equity-equivalents just to grants, that improves some of our covenants. We think that would really help our relationship and ease the relationship with the bank and give us that latitude to do that strategic planning that we have been talking about and to really position ourselves going forward.

We continue to look for other sources of funding, other grant opportunities. I mentioned that we have a grant in process right now with the SBA. We want to continue to focus on our mission and move forward. We've always seen you as a great partner in that and we hope that you'll continue to be. At this time, I would like to open it up and see if there's anything that the Board members think that I have missed or if any of you have questions.

<u>Mr. Lee</u>: First of all, thank you for coming in and providing us an update. It is very helpful – the information that was presented this morning. I have one question. Kelly, you stated about the projected jobs and that you're going to look at recruiting, providing feedback to how many jobs have been created and so forth. My question is, What model are you currently using to address how many jobs have been created? What type of feedback method are you currently using to track that?

<u>Ms. Hecker</u>: We just started in 2015, to send with the annual request for financials to all of our clients, the job creation form. As they fill out their financial statements, they also fill out a form that states how many jobs they have actually created.

<u>Mr. Lee</u>: So prior to that there wasn't any documentation?

<u>Ms. Hecker</u>: There wasn't any follow-up on job creation.

<u>Mr. Lee</u>: Thank you.

<u>Mr. Peters</u>: There was some discussion about technical assistance. I'm just curious where you stand with that. It was part of our original agreement with the Fund many years ago. I've been on this soap box as I served on that Board and you've all heard me say this, economic development without technical assistance is not really the right approach anymore. Those days are gone where we just write checks like banks do and hope they all work out. So, where do you stand on that, What are your thoughts on that? I heard you mention it but I'm just curious where you're headed.

<u>Ms. Byers</u>: We have had a couple of our clients take advantage of this. We're trying to market that as one of the other offerings. I agree completely that otherwise we're just acting like a bank. What makes us different is that we're going to help the business succeed and thrive and grow and technical assistance is one of the ways we do that. Right now we've sent clients to Quick Books training and we're using some of those outside community resources because of the internal capacity issues that we have to do some training and things like that. In our strategic plan, that is something that is important to us. Again, that is a source of funds that is available from outside the market, and really, I think, a need within the community to continue to develop those businesses and to get them to a place where they're really strong and can stand on their own.

<u>Robin</u>: We have a source of funding from an RBDG Grant from the USDA to provide technical assistance but it only covers the rural areas. We've actually patterned our set-up for our business

education program after Bridgeway. They helped walk me through the contracting and who they used in the area. The consultants that we need to still reach out to are people that are familiar with consulting for a CDFI and the application for the SBA is to cover technical assistance in other areas so that we can add technical assistance services to the clients that aren't in our rural areas.

Mr. Peters: The last question is related to the size of the Fund. You mentioned $6M in loans. Is that $6M in outstanding loans and $2.85M in equity? I just want to define for this Board what that means. Is there $2.85M sitting in a bank somewhere?

Ms. Byers: I don't have the exact number that is sitting in a bank somewhere and I don't have a balance sheet sitting in front of me but we do have a significant amount of cash; we're required to keep cash reserves. One of our reserves has close to $500,000 in it. We have cash sitting in a couple of other accounts. The major portion of our equity, basically, is all the outstanding loans we have and all the cash combined together, less what we owe others, is that equity section. But that equity equivalent, that $1.3M from you, is sitting in the equity portion of the balance sheet and that $2.85M really has that loan component to it where it needs to be repaid.

Mr. Peters: So, there's $6M in outstanding loans?

Ms. Byers: No. The current portfolio is $4.57M. Total assets is $6M. Total balance sheet assets is $6M, of that $4.5M is loan receivables, the other $1.5M consists mainly of cash. We do have interest in a couple of assets that we have acquired because they were collateral that was pledged to us, so we have a couple of those on the balance sheet as well.

Mr. Gehrlein: We have $1.3M in cash. We've got $5.8M in current assets, which includes receivables, reserve for loan loses and undeposited funds. We have a small amount in fixed assets. We have a long-term investment in the building and what the value of that is. So our total assets is $5.9M. Of that $1.3M is cash.

Mr. Peters: On the long-term liability side, it would be us at $1.3M and the line of credit at this point . . .

Mr. Gehrlein: It's not long-term, it's short-term. We do have other governmental agencies that have lent us money but it's years out, like 20-25 years.

Mr. Peters: The line of credit though, it's one line, where there is a syndicate of bankers?

Mr. Gehrlein: No. There are three participating banks. Northwest is the lead bank. First National and ErieBank both participate.

Mr. Peters: And it's outstanding right now roughly . . .?

Mr. Gehrlein: About $1.8M.

Mr. Peters: Thank you very much.

Mr. Gehrlein: We would just like to thank you for hearing us. We're glad that we had this opportunity to bring this information to you today. A year ago January, things changed dramatically and I think you needed to know where we stand today and the efforts that the Board and our contracted employees have made to make sure that this Fund exists in the future and serves it's purpose and that is to help the community.

Ms. Byers: I have copies of the slide presentation. If there are follow-up questions, certainly all of us are available to talk to you.

Mr. Peters: That's a great point, Kelly. Sometimes when we hear this because it's been awhile since we've heard what's been going on, and often times it will percolate and result in us having other questions.

Mr. Sample: We would like to thank you for coming and bringing this information.

b. Empower Erie

Mr. DiNicola: Mr. Chairman, members of the Board, we are delighted to be here. We are especially grateful to this organization because of their support for the grant application of the

Community College. It made the work of Empower Erie possible and gave us the resources to do the kind of work that is necessary on this scale and scope of what this effort required. And for having the vision and foresight to view, as we do, and we believe the data now supports the Community College is indeed a transformative opportunity for the community.

We are delighted to be here and we thank you first of all for your confidence and support. We took your resources and tried to use them wisely. I think the people that we have brought to the effort, including the gentlemen seated next to me now, are an indication that we have tried to be good stewards of your confidence and your resources.

We began from a full stop at the end of 2016 and now about 200 days later, we have completed a comprehensive feasibility study, we have completed a comprehensive community college plan that are poised for consideration by County government. We're grateful to Chairman Breneman with us this morning, also.

We have brought to the effort, not only the professional consultants that we are recommended to have by the Department of Education in an effort of this kind, but also to have had the benefit of many volunteers, many of them professionals, many of them experienced in post-secondary space, many of them experienced in manufacturing and in the key industries of the community and some of them very experienced in basic community needs. They come with a real-world practicality and understanding. They have given hundreds of hours of volunteer time to this effort and I'm very proud of what they were able to contribute and accomplish.

We were divided into four groups: the research group, the sites and facilities group, the curriculum committee which Dr. Church is involved in, and also the finance area. I'm going to turn it over to Dr. Church, who will be talking about curriculum. Mr. Maloney is going to be talking about finance and I want to say briefly that attracting Dr. Church to this effort was very important to us because he is a national leader in the community college movement. He started in Florida where community colleges are a religion. He moved to Ohio, spent three decades as the President of Lorraine Community College Lorraine County is very similar to our own kind of county in the sense that they are a leading manufacturer in Ohio, they have about 300,000 people, they're on the lake, and they have the same sort of demographic mix, they have an urban population that approximates ours – a suburban and rural population, and he's known around Pennsylvania which is very helpful so he doesn't need to be reintroduced to the Department of Education or the community college presidents around Pennsylvania. They know him because he functions at the National level.

Joe Maloney is the guy that unpacked and dismantled the financial plan from the unsuccessful 2010 effort. Who better to have helping to put the financial plan together so that we can have confidence in a conservative projections of being able to deliver on the promise than a guy who has a long public sector experience and private sector experience that Joe Maloney has.

With that, I'm going to turn it over to Dr. Roy Church to talk about the concept of the community college and the curriculum and we understand that we have about 15 minutes, so we have about 7 ½ or 8 of those before we get to questions. We want to save time for questions. We have found through our experience, we just came from the Chamber – we were endorsed yesterday by the Erie Regional Manufacturing Partnership and you know about our other endorsements, and we find the question and answer period to be particularly helpful.

<u>Dr. Church</u>: I am delighted to be a very small part of this initiative. I got connected to this through your Erie Community Foundation because some of the leadership there had actually worked in Ohio and was familiar with Lorraine and what we had done. I retired last June after 30 years as the President of Lorraine Community College and have been a champion of community colleges for 45 years of my career.

We haven't seen a community college evolve in this country in about the last 20 years. Those of us that believe deeply in the potential and impact of community colleges are delighted to see the new community college emerge, particularly one serving the fourth largest metropolitan area in the state of Pennsylvania and the largest county that doesn't have a community college. So I was delighted to have been a small part of that.

Why is it critically important today? I am one of those folks who has always appreciated Margaret Wheatley's book, The Chaos Theory, where she conjectures that sometimes the stars align and you can accomplish things that in other times and environments you would not even thought of as possible but you can get things accomplished. My sense is that the stars have aligned for Erie, Pennsylvania right now and you've got a great opportunity to do something really important.

Why important? The big picture is when you look at the needs of Erie, Pennsylvania, they go right back to the economic base that has driven this community and Lorraine, Ohio for the last 30 years. Thirty years ago, 43% of all people who had jobs in Lorraine county were directly involved in manufacturing; today it's 13%. We know that transformation took place because of the globalization pressures that have been faced but more importantly the technological changes that have taken place during that 30-year period. You've actually done better than Lorraine. You still have 18% of your employment base directly involved in manufacturing. While that's a smaller base, it is critically important.

One of the facts most people don't realize is that even though the employment numbers have been reduced, the value of manufacturing to the gross domestic product of Erie, Pennsylvania is about the same as it was 30 years ago. So, you're doing as much or more with far fewer people because of the technological advances.

I'm here to argue that there's a body of knowledge and literature that is currently evolving that says about 2007, we've seen the next generation of dramatic, compounding changes that are going to accelerate the transformation of this economy in the second phase of the digital revolution.

The micro-processor was first created about 1960. It took about 50 years for it to have any backbone. But in 2007, the iPhone began to take off as a new revolutionary technology because it combined innovation with networking, data storage, Wi-Fi, and software to create accelerating change again. We're beginning to see that; that was 2007 – 10 years ago.

So, here's your situation. About 65% of all jobs that are projected in the next 10-20 years will require post-secondary education credentials; a degree or a certificate. That's what employers will be looking for – 65%. There's a pretty broad consensus that that 65% is pretty good. In fact, in Ohio, Governor Casey has incorporated that 65% goal in his latest appropriation bill. It's real. It's out there. Right now you have about 33-34% of all folks that are in the workforce today that have a post-secondary credential; associate degree, bachelor degree or graduate degree. So, you've got 33-34% that have the credentials, 65% need. How are you going to fill this gap?

One of the other metrics that is very concerning is that if you look at the national average, only about 28% of all people leaving high school do not go on to post-secondary education. In Erie, Pennsylvania it's over 40%. You're a little bit behind at the certificate and degree level already (behind the nation), but you're way behind in filling the gap between high school and getting ready for that 65%. How do you fill that gap?

We believe that if you look across the country, it's communities that have a vibrant community college that are able to scale educational opportunities to a level that begins to fill that gap. Are you going to fill it tomorrow? Are you going to fill it in 5 years? 10 years? Probably not. But if you put the system in place, it will have the opportunity to scale to that level.

We looked at the needs assessment in depth, we identified what currently is, we mapped all the other education providers here. We believe the other education providers will not only be sustained, they will be enhanced, if we build a bigger, broader, deeper base of this 30% of folks in the workforce that have a post-secondary credential through the community college.

We then looked at the future and said, what is it the workforce will need to be successful? Not only do you want to enhance the lives of individuals, you want to have your company succeed; you want them to be able to grow employment, grow market share, grow wealth because we know that's what produces jobs.

One of the things we know from all the economic development research is that companies are saying today that their first or second priority in making decisions about where to locate companies or keep companies is the quality of the workforce. We've identified the kinds of jobs, the kinds of careers that will be necessary to drive that.

About 40% of all students who start in community colleges want to get a Bachelor's Degree. We focus on baccalaureate transfer as the foundation for about half the students because we want them to be able to feed those baccalaureate and graduate degree programs in the continuum. The Pathways 2-9 represent applied degree programs where people are preparing to go directly into the world of work. They want to get specific skills that get them a job in a career field, in a pathway, where they can grow over a working lifetime.

Engineering and manufacturing tops the list. You currently have 18%; 17.8% of this community is in manufacturing. As you can see, we've identified programs that are futuristic; that look at the impact of this technology revolution on your current manufacturing business. We don't want to prepare people for the jobs of yesterday because that's not going to move your industry base forward.

The next big field we're looking at is computer and information technology because we know the micro-processor is having an impact on everything – every aspect of business. We've got a whole variety of programs, including computer forensics. Notice that one of your other strategies is to put an innovation corridor in place that builds on the current needs around how you protect data. Computer forensics is a critical piece of that. Community colleges around the country are able to provide that kind of support in the local community.

Business and entrepreneurship: obviously business services is critical but entrepreneurship is what I want to focus on though. Not only does Erie need to grow the talent pool to succeed economically in the future, it also has to figure out how to create more companies that will create more jobs. Your current companies are doing great; you want them to succeed, you want them to be successful. But you want to build another pipeline of new employment coming from new enterprises. Those are companies that are able to take the technological revolution and turn it to new job opportunity. We would provide the innovation, invention, entrepreneurship support necessary in that area.

The other big area is health and wellness. The health and wellness sector is another career pathway that is absolutely critical. Unfortunately, most of us here are in the group that we would call "getting older" and the reality is Erie is getting older faster than the rest of the state of Pennsylvania. You know you're going to need to have healthcare services. You actually have about 20% of the employment today in healthcare services, and that's only going to increase. That would be the other major pathway that we would be concerned about in the process.

That's what we're putting together for the educational program. We think it will make a tremendous difference in this county. It should position the county for growth and development over the next 20-30 years. That's the long-term transformational change.

<u>Mr. Peters</u>: If it won't disrupt the flow of your presentation because I suspect we're going to get to financials at some point, I'd like to ask a couple quick questions about the educational piece. Can we go back to the slide that shows all of the programs? The concept of baccalaureate transfer – being number one on your list; briefly, how do you work with, not only the other institutions here but, is it common to work with other institutions in our region so that these credits transfer? How does that work?

<u>Dr. Church</u>: If you look at the needs assessment, the number one barrier to individuals pursuing further education is affordability. You've got a whole population of folks that believe they can't afford to go to college. We're proposing a tuition rate to start with of $2,400 a year. The next lowest cost in the current market is $8,900. Most of them are above $10,000-$20,000-$30,000. For

many of the folks that need to get engaged, they can't get in the market because of cost. So the baccalaureate transfer is absolutely critical to get that population off the sidelines and get them pursuing the continuum of education.

How do we assure the program is articulated and is consistent with that flow? The State of Pennsylvania has a state transfer policy. Thirty credit hours out of the 60 – 64 credit hours of an associate degree are intended to be general education; math, science, communications, team-building, all of those kinds of things. There is a guaranteed 30-credit hour block that will transfer to any of these institutions in the area. That's the foundation.

They've also identified 68 different programs that go to the baccalaureate degree to which community college courses will transfer. We will take advantage of all of those insofar as possible and then add one more layer. And that layer is developing inter-institutional agreements between Erie County Community College and Gannon University, Mercyhurst, Behrend Penn State, Edinboro. One of the problems with transferring students is that the courses often transfer but they don't count toward what the student is trying to pursue in terms of a degree. So they end up being add-on credits. So while they are accepted, they don't get you to where you need to go.

Mr. Peters: That led into my second question which was specific to the mechatronics that you're proposing in #2. Knowing that Penn State is working on that, and understand I don't know what all of the four presidents have said, but I have a least heard Dr. Ford say that he is in support of this concept in some way or another. The idea would be that if you're in this mechatronics, you could theoretically move credits to Penn State and get a four year?

Dr. Church: Absolutely. We will use them to help us design the actual courses. We will make sure that they fit in the process. We're not intending to duplicate anything that already exists. We've got this huge gap. We need to have everybody else continue to do everything they're doing and we need to add to that.

Mr. Peters: My last question is related more to the private educational institutions that exist. Are they bound by that same rule that those credits have to transfer?

Dr. Church: The state's approach is not as straight forward as some other states. In Ohio, they were guaranteed to transfer, guaranteed to apply to a degree and their other criteria. Pennsylvania is not quite that formalized. They've got multiple tiers that are in the process. That's why you have to have the local agreements that are superimposed on top of the state infrastructure. If we're going to get the maximum efficiency out of the system, we have to do it in partnership with the universities that are participating

Mr. Peters: I meant the For-Profit. So I suspect that the for-profit trade schools or whatever you call them, do their credits have to transfer? And if no, that seems like a pretty significant differential.

Dr. Church: The answer to that is no. They are not regionally accredited. They have a proprietary school accreditation. US Department of Education has got huge problems with proprietary, for-profit institutions today. They're real challenges to the question of how much money in PELL grants and federal student aid is going to proprietary schools versus the results that are being achieved by them. I don't know how many of you are familiar with ITT Tech, the nationally prominent 50,000 students that went out of business because the Department of Education challenged the results they were getting.

Having said that, that is their problems. We're not dealing with those problems. But what community colleges have done is work with those proprietary institutions to create some crosswalks to the community college credit curriculum that allows those students to move over and have an assessment on a skills or content base that allows them to keep from losing all the credit for what they've done. Their credits won't transfer but their knowledge, skills and abilities will if the community college sets up an alternative assessment system. That's what we've done in Lorraine with our proprietaries.

Mr. DiNicola: Thank you very much. That was a great line of questions. There was an article in the Wall Street Journal in late January or early February, a featured article called "Chasing Community College Graduates." You might want to take a look at it because it really spells out how the seed has changed in the attitude towards community college containment. It's come a long way since Harry Truman put community colleges on the map.

Mr. Maloney: Thanks for having us and thanks for your support. We took an approach when we put our projections together to be very conservative in our approach. We did not include any in-kind contributions which was the real problem with the 2010 approach because they used a lot of that. We provided no grants from federal or state other than the tuition reimbursement. We have provided no in-kind contributions, no contributions from manufacturers or anything like that. We anticipate that will happen. One of the first things Dr. Church did was make sure we had a group in development that we could go out and get that money. We did not include these in the projections.

The first item that you see on the slide projection is the amount of enrollment we projected we would have for the community college. This is based on a formula provided to us by PDE and it was available by Nicole Parker, who was our research person. We feel these are very attainable, especially when you start listening to Dr. Church and the gap that we have in there. We have a full-time equivalent status of 69 and build that up to 1,379. Full-time equivalent is made by taking the total credits all these students would earn and divide that by 24. That's the definition provided by PDE as to what is full-time equivalent. Some of the regular full-time students are taking anywhere from 24 credits up. The part-time students could be taking 3 credits, 6 credits, 9 credits, whatever they decide to do. Normally that population is the 25 – 35-year-old that has come back into the system trying to be trained for new jobs and trying to better themselves. That's how we arrived at those figures.

The first source of revenue that we deal with is student tuition. One of the things in the act of the community college is for tuition cannot be more than 1/3 of the operating cost. That's kind of tough to do in many cases because that means the other 2/3 of the cost has to be made up and it mainly has to be made up by the local support. This time we were able to meet all five years that we were within that range, that we complied to that part of the act. In the 2010 study, they were only able to do that one year out of the five.

With our $2,400 or $2,800 in student tuition, we have met that. Then as we look further down we have what our cost per student is; and our revenue from the students is no more than 1/3. The out-of-state students pay twice what the local students pay because they don't have any local support. State students would pay the full amount. What we also did was build up the staff and part-time staff based on the number of courses we would be required to go. Every time we added students, we would have a formula that would say, "We need this many more people to handle the courses."

One of the advantages of a community college is that part of their staff is made up of part-time people; that keeps your costs down. You can see that 1/3 of the courses we are going to provide will be provided by part-time staff; it keeps the cost down, we don't have to pay benefits, we do it on a per course basis which keeps the cost down.

Our operating costs were based on the fact that we had costs that were given to us as to what the average community college pays for their full-time staff, what our costs are; we've increased cost in the marketing area so we made sure that we have available money to go out and get those students and reach out to them and bring them into the system. Our costs for facilities are based on we have to have 85 sq. ft. for every student, so anytime we add students we increase the number of square footage we need.

Our second source of revenue is the State of Pennsylvania. That is probably the most unknown source that we've got now. At this point, the state reimburses the other 14 community colleges based on what they received the previous year. Our issue is that we don't have an amount for the previous year; we're just building our community college up. We're asking them to look at and consider giving per student reimbursement for the first five years and building it up to when we get a mature community college in the fifth year. We don't know if that will work or not. That will be the next hurdle we have to go through after we get the local sponsor on board.

The State also reimburses 50% of the capital costs that we have involved with this. Our capital costs are equipment, improvements to major buildings; they will reimburse 50% of those costs. We also reimburse 50% of the costs of equipment leases and building leases. That's all part of the cost of the capital.

The third portion of the revenue that we have is the local sponsor. Since we were anticipating the County of Erie, today or in the next week, to become the local sponsor we looked at them for the possibility of what they could do as far as sponsoring. As you're aware, they have gaming revenue just like you have gaming revenue. They get half of what comes in. That money has been used for debt servicing on two projects. One would be the Runway Project, which was a $20M bond issue taken out in 2007; that bond issue has had a principle interest income of $2.9M a year. That bond debt is paid off in 2017. That means that out of the county's money, they will have freed up $2.9M. We're hoping they will look at that and say, "We can use that to support this community college."

In the year 2021, the bond issue with the Civic Center Arena that they put together in 2011-12, will be paid off. That's another $900,000 that they were paying in debt servicing that is no longer available. Mike Batchelor has put out the phrase, "We've invested in asphalt and bricks-and-mortar. Now it's time to invest in human resources." We're hopeful that the County Council will come along to the point where they will take and use those funds that are available there to provide a local sponsor.

Once we cash flow this and look at what we can do with the money we are getting, or hope to get from the State, what we get from the students, what we have available from the County, what we have available from the Erie Community Foundation and the Gaming Revenue Authority money, that we will have enough funds to fund this project for the capital and the operating needs and also to provide $750,000 in scholarships for each year for the first two years when we're not accredited. At the end of the fifth year, we still have funds left over out of that money we've got coming in. I think at this point we're in good shape as far as the projections of where we will be, as far as financially.

Mr. Sample: The first two years while you're not accredited, did I not hear previously that you can borrow an accreditation or work in conjunction with another college for accreditation so that these credits actually do have a home?

Dr. Church: That is one possibility; one option that could be considered. One of the things we know from the accreditation experts, Middle States is the regional accreditating agency here, is that if you choose that option then it takes longer for the local community college to actually get its accreditation. The most efficient way would be for you to start, get the Department of Education authorization, and with their authorization Middle States will award candidacy status after about two years. That would allow students to then access PELL grants and federal loans. It may take another couple years to actually get the full Middle States accreditation. Your first two years are the problem with PELL grants.

Mr. Sample: So do those credits become retroactive then since you're in the infancy stage?

Dr. Church: Correct. What Middle States will do is when they grant accreditation, if you have followed their guidelines and have the approval of the State of Pennsylvania, they will retroactively certify those credits as credits.

Mr. DiNicola: We have brought on our own accreditation expert so that we were getting a clear view of our own accreditation options. It really did become a question for us of whether we wanted to kick the can down the road or actually get in the business of providing the credits. It's very tough to do a hybrid model. Either you're providing the course or you're not providing the course. That's a challenge. Some people have elected to kick the can down the road. The model that we are projecting is one that we are engaged in delivering the credits and we're actually putting in the time necessary to achieve the accreditation.

Also, you should know that Pennsylvania will grant degrees before we have the accreditation but the accreditation becomes very important from a credibility standpoint but also from the standpoint of Title 4 funding, which allows the students who have financial needs attend the college. This is why we had the money in the budget that reflects our commitment to providing scholarships. We need to be able to hit the ground running, and we're going to work on scholarships. That is something that we need to do as a community. Where we have had some philanthropic support, we expect there will be additional philanthropic opportunities.

Mr. Yaple: Would there be an understanding amongst, say the 2 year colleges; a guy has a two-year degree, he's graduating and wants to go to Mercyhurst. Would that agreement that they will accept that be unaccredited yet? Will there be a continuous flow? Politically, we're not going to hold him up.

Mr. Sample: Basically, will those credits be transferable without the accreditation if there's a private agreement?

Dr. Church: The answer to that is yes. Now the mechanics of that are a bit more complicated.

Mr. Yaple: But it would eventually catch up? I just wouldn't want the student to get two years, get disengaged. . .

Mr. Sample: We don't want to have an ITT where they took the courses but can't get the credits to transfer.

Dr. Church: That is why the approval of the Department of Education in Pennsylvania is so critical. That's the protection for the student. They are not going to authorize this community college unless they are convinced the plan is sufficient to provide a quality education for the students that the State can stand behind.

Mr. Paris: Are there any other benefits of going to a community college like going to a regular college, like sports or anything else?

Dr. Church: We call those the student life aspects of a collegiate education. There will be a whole array of out-of-class opportunities for students to be engaged in. Generally, it starts out with club level sports and intramurals and builds. There is a community college league in the State of Pennsylvania so there are collegiate level opportunities. But those are just on the athletic side. We will also have journalism, a college paper, other student government kinds of things because there is more to a college education than just the classroom instruction. This will be a full comprehensive college.

Mr. Maloney: We built that money into the budget. You'll see that we started off with $50,000 in student services and we built that up to $500,000 by the fifth year. They will pay for that by the fees which is not included in what we looked at here. They pay an additional fee to cover that cost.

Mr. DiNicola: Also, a community college by its very nature has a very diverse student body. Less than 1/3 are full-time; 2/3 are part-time. It's a fellow who just lost his job at GE to outsourcing or more competition and he's working at the Dollar Store. He's getting in to the community college for a couple hours a day, trying to raise the family, trying to keep the bread on the table, trying to get an education so he can get that certificate. Maybe he's got trade-adjustment assistance, maybe he doesn't. It depends on the circumstances. It's that single mom, single parent that's trying to get in and get that additional education. Any of the circumstances that come into play, it's more affordable because it's not a research college; it doesn't invest a lot of money into writing papers and conducting research because it is a practical, skills-delivery, engaged in the primary function of education.

It reduces the students overall cost because it is supposed to be, theoretically, accessible to you by public transportation so that you're not necessarily going to have room-and-board issues. You're going to be able to get in and get out of the college. For those reasons, it is a fundamentally different kind of college.

Dr. Church: Universities that have a research and publications responsibility assign their faculty two or three courses a semester. Community college faculty are focused totally on teaching and learning; they teach five or six courses a semester. That's one of the fundamental, structural differences in cost.

Mr. Lee: First of all, gentlemen, thank you for coming in. I really appreciate it. For those of you who have not had the opportunity to read the college plan, I highly recommend that you read it. It's a very easy read, there's a lot of value as far as understanding what the plan exactly encompasses.

One of the things from an administration standpoint, and I'm saying this just so everyone on the Board can understand, we wanted to make sure that this is seen as a community college for the entire county and that it is not seen for just inside the City of Erie, versus outside the City of Erie.

If you could share briefly what you're doing to make sure that the entire county has an opportunity to that. And Mr. Maloney, this is a question for you; the projections as far as from the State, it is very important that people understand that it is not 1/3, 1/3, 1/3. Tuition is not 1/3, the State is not 1/3, not 1/3 from the local sponsoring organization which would be Erie County.

The question for you would be, the projections that are going to be requested for 1-5 from the statement will not be any historical information. For whatever reason, if they don't come at those levels and if they come in considerably less, because everyone knows the financial status of the state, can you share what the strategy would be to make up that difference because it is my understanding that the county would be required to pay the balance for whatever that may be.

Mr. DiNicola: Let me begin first with the County. Let me preliminarily state that we are grateful to have had the support of the County Executive and the four members of Council on our grant application that we submitted to both you and the Community Foundation and the Susan Hirt Hagen Fund for Transformative Philanthropy. They have been very supportive of our effort to study this and question it and come up with a plan so they can make a decision of whether to go forward. It has always been a priority to make this an Erie County Community College.

Judy Roth is here who served on Sites & Facilities; I'll let her chime in. We've had an entire Sites & Facilities Committee; part of the Sites & Facilities Committee's work was to explore satellite locations for the community college so it would be totally accessible to everyone in the County. We made it a priority to get with as many school boards throughout the county as we could; last count I think we were at eight or nine of those to make a full presentation. I'm happy to report that's from Waterford, Union City, Wattsburg, Girard and I know there's others I'm not mentioning. The receptions were generally very good; very positive from the educators and the elected officials in those counties.

We also did a leadership meeting in Corry and a Power Hour event in Edinboro, in addition to a public event in Erie County. But the essence of this has to be county-wide because that is where our manufacturers and our employers also need and require. We were fortunate enough, as I mentioned earlier, to get the endorsement from the Erie Regional Manufacturer Partnerships and many of those facilities are located far east and west of the county and south of the city. So it's very important to us to continue to reach ordinary citizens as well who are formulating their judgments about this.

We did do, as part of our polling, over 500 samples of countywide residents and over 70% viewed a community college as important or very important. Mr. Lee, we thank you also for your insights and support as we moved along in this process.

Ms. Roth: We looked at 25 different properties, but the first thing we did was set a large criteria. I apologize that we don't have the college plan here, but some of you have received them. If you go to empowereire.org you can get one.

The bottom line is that we divided into three groups. The main campus will be downtown; it is to be partnered with and next to the Innovation District because, of course, that is your largest population. We also have agreements to talk further with Edinboro University, both their campus and Porreco, Mercyhurst North East, Girard High School, and the High Tech Center in Corry. We have agreements with all of those to talk about classroom instruction with an instructor there for those students. It is really county wide. Those are our satellites.

The third thing we have are technical training centers and we've talked and worked with the Erie School District to talk about Central Tech's use for their equipment, which is frankly some of the best in the country. We've also looked at Oliver Road; there's a High Tech Center there that we've looked at. We've also talked to Erie Insurance about their Tech Center. So, we're looking at the whole county having instructors in a classroom with classroom instruction.

Mr. Sample: We're going to have to move along because we have a lot of other stuff. I don't mean to cut you short because it is very interesting. Are there any other questions?

Mr. Maloney: Understand that the State now provides $230,000 in operating costs for the other 14 community colleges. The County of Erie is paying in for this community college and we're getting zero money out of it; so we're trying to impress on the legislators, "You need to kick in a little bit." We're only looking for about 1% of that money to do it. If we have issue with them where they say they can't do it, what we would have to do is review what we have as far as student enrollment and probably look at reducing the amount we get for enrollment.

I did look yesterday at what would happen if we cut our enrollment the first year down to half. That would also cut down the State's share in half; we still can do it. We still have the availability to do with, even if we have half the enrollment that we have, with the funds that are available.

Mr. DiNicola: The big point is there are no guarantees. We're going to have to make the case in Harrisburg. We're going to do what we always have to do; we're going to have to go down there and make the case. We have people in our community who are helping and advocating and making a strong support.

Dr. Church: Once the Department of Education authorizes this college, it will be eligible for some part of whatever is allocated for community colleges. Now you won't have 14, you'll have 15. There are a lot of dynamics to get there, but there will be some funding from the state, that's the point.

Mr. DiNicola: They did increase their budget in the last budget to $4M. If we got $100,000 from every other college, it's already getting $16M per capita but it varies by college, they are already getting $16M since they've been in existence; they got on the train early. We didn't. Out of that $4M that was in appropriation, if they gave us just $100,000 we would be funded for … that's the state match for us for the whole year. It's not a big ask.

Mr. Peters: I have a question regarding timing with County Council. I don't know if this is a question for you or Councilman Breneman. I'd like to understand because we do have some changes coming to the county, at least a couple that we know about. We have some new council people coming on board. What's the timing? Now you have four. From what I understand you have the possibility of a fifth. How quickly does this get through?

Mr. DiNicola: I think that's a question for the Chairman.

Mr. Breneman: We will have this application to PDE next month. Our timeline is that can we have the support for this Resolution to make it happen? Now as far as what happens after the application period, it is my understanding that the community college is not 100% there without the board of trustees. I think that is something that the gentlemen here can speak on, whether it would occur before next year or when would it happen.

Mr. DiNicola: What is interesting about this on several levels, is that we haven't had a community college so we don't have that internal DNA, but neither has the State for a while. Roy Church was involved in the last community college startup which was in Youngstown, which is a great story for another time. What we know is that we are on the timeline of County Council and the County Executive until we get out of the County. Then we go to the Board of Education and the Department of Education. The Board of Education appoints a subcommittee. The subcommittee studied our plan and our application and we have no clue what the timeline is.

Mr. Peters: My question was more about, if it can't get past the County, it stops right?

Mr. Breneman: We will be passing it.

Mr. Peters: The timing is that it will get through the County.

Mr. Wood: I would like to make some summarizing comments. First, I would like to thank Empower Erie. They are a group of volunteers that are doing this out of a sense of passion; I don't want that to be lost on our group. It's truly your dedication and passion that have brought this forward, so thank you so much for everything you have done for the community.

Second, I want to state for the record that the ECGRA Board has received both a copy of the Feasibility Study and the Draft Action Plan. We've hosted discussions and deliberations on these documents, study sessions if you will, on these documents so the majority of the Board is up to speed on what these documents contain and the significance of them.

Thirdly, I want to bring your attention to the fact that about a week ago, TIME magazine published an article called, "The Case for Community College." It's a very persuasive article. It documents the most successful community colleges in the country which are of a technical nature. It says that community colleges are now THE workforce strategy in the United States; they are central to the workforce strategy. It also says that the average tuition for community college is $3,500/year. I believe I saw in the presentation that it's only going to be $2,800. Those are some great advantages for our community.

On the flip side, though, the State of Pennsylvania from the community college perspective is not the most competitive community college system. One of your team members is Kate Shaw, former Deputy Secretary of Education in the State of Pennsylvania, a very impressive individual who wrote extensively on community colleges. She states in the article, talking about Pennsylvania, "the chronic lack of resources makes it more difficult for community colleges to respond to the workforce needs than in a state where they are better supported."

With New York and Tennessee making community colleges free, while we have some advantages with lower tuition and certainly the community rallying around it, there are some disadvantages with starting a community college in the State of Pennsylvania.

I just wanted to bring that balance out before we continue with deliberations and support the position of the board. I thank you for your time.

COMMITTEE REPORTS

a. Treasurer's Report – Mr. Peters: I have very little to say about the Treasurer's Report. First of all, it's nice to be back and I'm sorry I missed everyone for the last few months. My work schedule has had me traveling quite a bit.

   I know that there were some questions about the report last month. Those are straightened out. I have reviewed it. I feel comfortable with where we're at and unless there are questions, I don't feel the need to go over it line by line. We've not changed this now for well over a year. You have your normal Profit & Loss, Balance Sheet, Statement of Cash Flows, Budget vs. Actual, Schedule of Grant Reserve, and the Check Detail Report. This has now been standard for over a year.

   I had one other item of business to cover. One of the groups that we funded, Ben Franklin, one of our deals and one of the tranche's of funding is that we would get warrants on certain transactions. They had a liquidity event last week where one of their companies, Conduit Technologies which is at the Gannon incubator, was sold to a company that they had partnered with. I have sent a formal request to Ben Franklin for information regarding, because I believe that we're in that deal. I'm not 100% sure, but I've sent a request to them seeking an understanding of what our payback would look like. If we're not in the deal, if it was pre-innovation funds, then we may get nothing, But I did send the request.

Mr. Yaple makes a motion to approve the Treasurer's Report. Mr. Bagnoni seconds the motion. Motion carries 7-0.

b. Regional Assets Committee – Mr. Sample: We had a combined meeting a week ago.

Mr. Paris: We had a joint Regional Asset and Strategic Planning meeting and under Old Business, we spoke about the Ignite Erie budget revision and we had a recommendation of a reduction of funds. We also spoke about the Community College and talked about the presentation that was given to us at the Community Foundation. Some of us were there. We have that update from their presentation today.

We went over the MMC Grants. There is a resolution to vote on those today but we also talked about whether we are going to continue to fund that. That is something we need to discuss. Do we want to do that openly sometime?

Mr. Wood: We had some interesting dialogue about figuring out if we could somehow work with the Jefferson and the Council of Governments to refine that grant program, which I think is great advice. I'm willing to sit down and talk about, specifically capacity. The discussion revolved around the fact that local government don't seem to consider some of the more creative options that are available to them. So if there was an entity, an intermediary if you will, to step up to help folks get ready for MMC grants, the region might benefit.

Mr. Paris: We also talked about the MRI applications and we will be approving one today, the 1855 Capital.

Mr. Wood: If I could just add, there were three recommendations made to the MRI board. One is to put forth a Resolution at this Board Meeting to the Solicitor, the Board, and the Executive Director to enter into negotiations with 1855 Capital. The other two were to pursue further research on Blue Highway Capital Partners. This is an interesting venture capital firm as well. The second one was to incur more research on the G.R.E.A.T.T. project.

c. Strategic Planning Committee – See above.

d. Update from County Council – Mr. Breneman: I just had a couple of things I wanted to make note of. What I witnessed over the past several months, not just the past year in dealing with this gaming revenue issue with Harrisburg, I just have to commend ECGRA and its leadership on this matter. The quickness of the information and the public campaign with public engagement on this has been phenomenal. I think it has really done a great service to the County as a whole, not just for – going back to the hearing that took place for the Legislators; I think that the County owes you a debt of gratitude for all the work that has been done up to this point. While we still don't know what the final outcome will be, I think that we're further ahead.

Mr. Wachter: If I could comment on one thing that Mr. Breneman just noted: I hope it was not lost on the Board members, and I reviewed the minutes from last month's Board meeting where Perry had noted some of the comments from the Chairman of the House Oversight Gaming Committee indicating that as the Erie County Gaming Revenue Authority is operating today is the model for how the rest of the state should utilize their gaming funds. Some of my contacts in Harrisburg have indicated that it is because of those comments and that dedication from the leadership of the State that they have made efforts legislatively to ensure that gaming funds are going to be returned to Erie County. I would note that that level of trust that is placed by the Commonwealth into the system that we have in place, that the County had put into place and you gentlemen are implementing is the reason why they are taking steps to assist the County to make sure that necessary funds are available and that all eyes are on Erie County as to how the Gaming Authority continues to develop and continues to operate. I hear it regularly from my contacts in Harrisburg about, How did you guys put that together? What did you do? Why is it working so well?

Congratulations. While this is often a thankless job because you have to tell many people no, that they're not going to be able to be funded, the rest of the Commonwealth is jealous as to how this particular organization is operating.

Mr. Sample: And the fact that we've been able to get funds out to the entire county, not just specific groups. It has been a knowledge over economic development but through the quality of life issues for a lot of the smaller communities that couldn't afford to have what they have. I do appreciate that.

Mr. Wachter: I would also note that it wasn't until this version of the Gaming Authority was constituted to begin operating that the lawsuits stopped. There was a significant amount of lawsuits that had wasted a lot of taxpayer funds over determining the proper methodology in order to release these funds and invest them in the community. You've done a service to the Commonwealth but you've also done a service to the local taxpayers ensuring that you don't spend more money than you have to on lawyers.

e. Update from County Executive's Office – Mr. Lee: I would like to give an update on the Summer Jobs Program. Last time we had a meeting we had a discussion in reference to the dispersement of funds dealing with ECGRA and Erie County government. We wanted to bring everything under one umbrella from an efficiency and effective standpoint. The Board made a decision that that wasn't the route that they wanted to go. I went back and shared that decision with the County Executive, in particular the finance team. Their position was still as it was before, that they really were pushing for it all to come under one umbrella because it made more sense to them from an efficiency standpoint.

However, I went back and shared with the finance team the position of ECGRA and I thought that ECGRA was meeting the County half way. We don't live in a perfect world. This would just make sense to move off of because we have much more pressing issues. I got the finance team to concede and they understand. So we are going to go the route as far as the recommendation, which is that all the funds will come into the County, the County will approve them, the County will first utilize the County money and then ECGRA money will be utilized. We will with share with ECGRA what the amounts of the checks. We are able to move off of that issue. Compromise is what life is all about. I wanted to give that update that this is no longer an issue.

Orientation for the Summer Job's Program is slated to start next week. The projected number is 175 students. We have about 50 employers. We're looking for the program to be as good as it has been in the past. What I mean by that is 95% of the students that have signed up for the program, completed the program, which is really good. It's a very valuable experience and we're looking forward to that again this year.

One of the components that we had talked about adding that will be part of the program is a community service project. We will be partnering with ServErie and we're slated to be working at Central. GECAC is going to be coordinating that with some of the Summers JAMS participants.

Mr. Sample: Do we know what the break-out is, county to city?

Mr. Lee: We do not know.

Mr. Sample: And I had expressed some dissatisfaction with the lack of timing with GECAC to the people – when they give them notice on Monday that they have a meeting on Tuesday. I didn't know if that had been sent to GECAC. I just don't think you're going to get a lot of county participation if they don't give them enough time to react.

Mr. Lee: I know you had brought that up last time. I had asked that you forward that to me so that I could look into that personally. I did not receive anything from you on that. That is something I wanted to address myself to see what transpired there. I didn't have enough of the details to be able to go back to GECAC and ask for specifics so that we could nail them down and really find out what transpired.

I have seen information that they have done very good outreach in surrounding areas and participation will be what it was last year. Our goal is to get 50 – 50. Last year we had about 70 – 30; 70% inside the city of Erie and 30% outside the city of Erie. A lot of that has to be driven by ongoing communication and that also includes the employers of the city of Erie as well.

So, my invitation still stands to get me the details, I would be more than happy to follow up with GECAC on that.

REPORT OF THE EXECUTIVE DIRECTOR

Mr. Wood: The revenues for the first quarter came in. We have seen another dip in revenues: $254,570.93; that is down about $20,000 from last year. That is down about $130,00 since 2010. So we still see that same downward spiral. You see a revenue dashboard in your executive director's report, as well as confirmation from Erie County about those funds.

You'll also see standard items of the executive director's report; letters from the community of appreciation and media. Then you'll find to wrap it all up, the notes that have come out of the Strategic Planning meeting and the Regional assets meeting that were joint, which includes the recommendations that we discussed. I would like to say that one of those recommendations is to pass the amendment for the IgniteErie budget as well as a reduction in the committed funds that we have with PennVenture. To be specific, we have a $2M reserve there. The discussion there was to reduce that to $1M to make it available for other purposes.

SOLICITOR'S REPORT

OLD BUSINESS

a. Ignite Erie Budget Amendment
   Mr. Wood: Are there any questions regarding what we discussed in the Strategic Planning meeting?
   Mr. Peters makes a motion to approve the Ignite Erie Budget amendment. Mr. Yaple seconds the motion. Motion carries 7-0.
b. Reduction of PVP Committed Funds
   Mr. Barney makes a motion to amend the funds. Mr. Paris seconds the motion. Motion carries 7-0.
   Mr. Peters: Perry, I request that we give them a heads-up that we took that action.

NEW BUSINESS

a. Resolution No. 7, 2017: Resolution to enter into agreements with the four (4) entities that comprise the recipients of the 2017-18 Multi-Municipal Collaboration Grants.

Whereas the recipients are identified as the following applicants: Erie Area Council of Governments, Girard Township, Jefferson Educational Society, Redevelopment Authority of the City of Corry.
Whereas the applicants are worthy of the total of $238,350 to the extent outlined in the attached Exhibit A.

Mr. Sample: For discussion, I serve as a board member of CIBA. I am going to abstain from voting on the CIBA part so there is no appearance of conflict of interest from both deliberation and vetting on this matter.
Mr. Paris: I also have a conflict of interest which you can read as I sent to the director. As you are aware, the Erie County Gaming Revenue Authority (ECGRA) has been asked to approve the Multi-Municipal Grant award at this meeting. One such award goes to the City of Corry Redevelopment Authority and the Authority funds the Corry Neighborhood Initiative with those funds. I have an ongoing professional relationship with the CNI. As such, it would be a conflict of interest for me to vote to approve any funding that would ultimately end up with CNI. Accordingly, I have inquired with ECGRA Solicitor Wachter who has ruled that this presents a conflict of interest, and as such, I am required to abstain from any deliberation or vote on this matter. I ask that this memo be made part of the minutes of this meeting per the requirements of the Pennsylvania Public Officials and Employees Ethics Act.
Mr. Wood: Thank you Mr. Paris. We will be sure to enter that into the record by the secretary, as well as Mr. Samples similar statement of conflict of interest.
Mr. Peters makes a motion to approve the resolution as presented. Mr. Barney seconds the motion. Motion carries 5 yes – 2 abstain (Mr. Paris and Mr. Sample)

b. Resolution No. 8, 2017: Resolution to enter into an agreement with 1855 Capital partners for previously discussed Mission Related Investment (MRI) for $500,000 MRI for the purpose of small business expansion in Erie County in accordance with the ECGRA Impact Investment Policy. This Resolution would empower your executive director and solicitor to negotiate terms in the same manner that were done for Bridgeway Capital, Enterprise Development Fund, Ben Franklin Technologies and the Progress Fund.
Mr. Yaple makes a motion to accept the Resolution. Mr. Paris seconds the motion. Motion carries 7-0.
c. Resolution No. 9, 2017: Resolution to enter into agreements with six (6) Human Services groups, as part of our relationship with the Erie Community Foundation to the extent outlined.
Mr. Bagnoni makes a motion to approve the resolution. Mr. Domino seconds the motion. Motion carries 7-0.

Mr. Peters: Mr. Chairman, I would like to take this opportunity to call an executive session for the purpose of discussing legal matters that are related to the board.
Mr. Wachter: Mr. Peters, is there anticipated to be any action following the executive session?
Mr. Peters: No.
Mr. Wachter: In that case, you would be allowed to adjourn the meeting prior to going to the executive session.

ADJOURNMENT
Mr. Sample moves to adjournment and for the board to go into an executive session.