



Erie County Gaming Revenue Authority

Minutes of the Board of Directors' Meeting

February 9, 2017

CALL TO ORDER

The Board of Directors' Meeting of the Erie County Gaming Revenue Authority was held on February 9, 2017 at the Jefferson Educational Society; 3207 State Street; Erie, PA 16508. 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 (arrives late), Mr. Paris, Mr. Peters, Mr. Sample, and Mr. Yaple. Mr. Breneman, Mr. Lee, Mr. Wachter, and Mr. Wood are also present.

APPROVAL OF THE AGENDA

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

APPROVAL OF MINUTES – January 2017

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

COMMENTS BY THE CHAIR

I would like to commend the board for our proactive stance in this gaming law legislation. Perry spent a couple of days this week in Harrisburg trying to get our message out. Sometimes I'm concerned that people don't realize the severity of the situation. We have had some bumps in the road from Erie City Council seeming to try to dilute our message, but hopefully we can keep moving forward. It was good that we received a 120-day extension. Monies will continue to flow until that point, and hopefully things can be resolved. Perry has some news on that, so we will find out a little more from Perry as things go on.

PUBLIC COMMENT

No public comment.

PRESENTATIONS

No presentation.

COMMITTEE REPORTS

- a. Treasurer's Report – Mr. Peters: We are coming close to the end of our year – our year starts in the second quarter of the calendar year. This is my monthly friendly reminder that when you look at where we're at, it's not like we're at 80% of our budget starting with January 2017. We are at 80% of our budget which started April 1, 2016. Everything looks fine as far as that goes.

Perry and I've been recently soliciting banks other than our current bank, as they've somehow seen this balance sheet document, which, of course, is public, and they're welcome to see it. They see there is a large balance sitting in ErieBank, and they've started to solicit. I know that in the past when bankers get a hold of me and get an answer that maybe they don't like, they start moving around the table to calling all the rest of you. Well first they would call Perry, and if they don't get an answer they like, they call me, and then they start calling all of you.

Just a reminder, and I don't care where we keep the money, but there is a key point to this which is that we have to have funds in a fully collateralized account. So, when smaller banks or credit unions call, that sometimes could end up being a challenge. All this to say that we have started to get some of these solicitations, and I've just said that Perry would be glad to meet with you, and we'll go from there.

Regarding the balance sheet, when we indicate what's committed and what's restricted, the uncommitted funds are funds that we are free to do with what we deem fit in accordance with the settlement agreement and in accordance with our internal process. The committed funds are those funds which we have already said to so and so, we will give you a million dollars. And then the restricted funds are those funds which have not past the necessary time required to convert to restricted uncommitted.

Mr. Sample: Just an aside to that. I did get a question this week from someone who wanted to know if the funds were going to continue to flow. I said that the monies we got in January – all the funds for 2016, the committed ones, can be spent now. The balance of that money has to sit for a year to become uncommitted. In their confusion with the gaming situation, they were concerned they weren't going to receive their funding. I guess that not everybody understood that the money they received this year is actually last year's funds.

Mr. Wood: That's a great point, Mr. Chairman. In fact this week, Erie County did transfer the final gaming funds for 2016 to ECGRA seamlessly. In fact, you'll see a dashboard in the executive director's report that quantifies that and shows you the exact amount. It is slightly – this is pertaining to the report – under what we have received in the past, about an \$80,000 decrease in overall funding.

Mr. Sample: I thought it would be a lot less.

Mr. Wood: I agree. We were really concerned that the revenue might take a major dip. So the fact that it decreased by such a slight amount, I think it's great news. It's more towards this idea that there's been a stabilization as far as the revenues go.

Mr. Sample: Pennsylvania has chosen not to put a casino in Lawrence County, and Buffalo is still afraid of the Indians.

Mr. Wood: We can talk about that in more detail, but that has not been completely put to bed. That license still does exist. When the gaming oversight committee comes here in late March/early April to hear testimony, we may want to have an answer as to whether or not we

believe saturation has occurred in our region. And certainly we have a story to tell, because that license is technically still available.

Mr. Barney makes a motion to approve the financial reports. Mr. Yaple seconds the motion. Motion carries 7-0.

- b. Regional Assets Committee – Mr. Wood: We are in the midst of our Special Events Grant funding cycle, which was due yesterday close of business. We're getting that grant book together and will make the applications available to the board via our Foundant site. We'll make a recommendation based upon past practice and policy as to where those applications fall. And, of course, if anybody has any questions about any of those applications in particular or in general, don't hesitate to contact me.

Mr. Paris: How many applications are there?

Mr. Maggio: Forty-two. Up from last year.

- c. Strategic Planning Committee – No report.
- d. Update from County Council – Mr. Breneman. I thank the chair and the board for the article in the paper. Like what you have said in the past, we as a region has have to speak as one, particular when it comes to Harrisburg, where our voice is muted as it is. I like the fact that ECGRA has maintained a proactive role in Harrisburg with our area legislators, and in informing and engaging the public on the importance of maintaining the security of gaming revenue, because of the tremendous impact that it has on our economy. I just want to thank the board for that.

Mr. Yaple: I thank Councilman Breneman too for his speech at the community college meeting. He said the same thing and was very persuasive, and the people who needed to hear it were there too. Thank you again for that.

- e. Update from County Executive's Office – Mr. Lee: I want to give an update on Summer JAM. As you know we put out the RFP at the end of 2016. We had two parties interested who attended the pre-proposal conference. One was GECAC, and the other one, Good Will. As far as submittal for an RFP, only one was submitted, and that was from GECAC. The committee, and the committee consists of Perry, George Espy from The Erie Community Foundation, Chuck Crainer, director for procurement at the County, and myself. We got together a week before last to discuss the proposal from GECAC.

We're very pleased with the proposal. We have been going year to year in regard to the RFP, and that's not the most efficient way. It was a good way to get started, but now we have a track record. We're going into our fourth year. What we decided to do in that RFP, we made it good for two years with the opportunity for two additional years. So this has a potential of being a four-year contract. Two years will be awarded at first, and then two additional year later if the performance is going well.

We can't get into the cost because we're still going through that process. We're going to have a meeting with GECAC on Monday to discuss some of the key things. But I can share this with you. The committee overall is very pleased. We're very pleased that the cost has been in line with last year. We went through a lot last year to make sure that the cost was where we needed it to be, which really paid off, because that set a precedent. So, we're very pleased with the cost proposal and the technical proposal. We think we're going to have a good partnership with GECAC as we move forward. The award has not been made. We're meeting with them on Monday to discuss some questions that we had – nothing major – just to go over some fine points.

It looks as if last year 173 students completed the program. The year before that was 142. The year before that was 123. It looks like we will be going up to 175-180, depending on the need, but it will not exceed 200, because it becomes unmanageable. One of the keys that we will be discussing with GECAC, just so you're aware, two things. One, we're still working to

get a better balance, and that's the best way to say it, when it comes to inside the City of Erie and outside the City of Erie. Last year was 65% in the City of Erie, 35% outside the City of Erie. The goal is to get to 50-50, and that's a work in progress. A lot of that is attributed to identifying and finding more businesses outside, and GECAC will be working on that. We made some headway last year. We plan to continue to make headway.

Last year there was a total of 42 employers that participated in the program. It was a breakdown of about 42% for-profit, and about 58% nonprofit, and we're trying to work toward 50-50, and we will be sharing that with GECAC. However, I can share this with you. Overall, we're extremely pleased with how the program has been received, but more importantly, the value of what the young men and women are receiving as they participate in the program. We look forward to moving forward to deciding by the end of this month who the successful administrator of the program will be, and then proceeding from there.

Another opportunity, and this will be my last point, and we will talk with GECAC about this, we have always talked about trying to identify additional funding – whether it's federal funding – and we continue to work with private entities. We involved Erie Insurance, who made a nice contribution. Gannon University made a nice contribution. We had National Fuel. They were on board last year. And we look to get more private participation. But one of the opportunities that still exists is from the federal level and looking at partnering with them. It may not occur this year, although I'm not going to say that it's not, because it's a lot of red tape as you know when it comes to federal government. One of key points when you award a contract based on a potential of four years, you build that continuity; you build that opportunity for the successful contractor to work with whatever entity for additional funding. That's the highlight. The County is thrilled about working on this program, and we expect great things in the future.

Mr. Wood: That you Mr. Lee. That was a perfect update. I would just add that one thing the board might want to start thinking about is that if we do a two-year award, we're going to need to budget for two years' of paying for the Summer Jobs program, assuming that we're going to continue supporting this program. So, it would be a multi-year question.

Mr. Wachter: In the award resolution and grant contract that would go with respect to this, I would like to have the opportunity to include what I would call a non-appropriation clause that is going to state that we are committing to the grant funds only to the extent that they are made available to us, because we don't know what the legislative fix is going to be.

Mr. Sample: And are we going to earmark funds that we already have or plan on the next year's funding?

Mr. Wood: When we've done multi-year contracts, we have earmarked funds that we already have, and then we put them in a committed fund. That's what we've done before.

Mr. Wachter: If you do that you don't need to do a non-appropriation clause. If we are thinking about committing future dollars, that non-appropriation clause should be considered.

Mr. Sample: Especially if they are large dollars.

Mr. Barney: I was concerned about that same thing. This year I know we're taken care of. But next year, who knows? If we commit two years to them and we only have the one year before they try and yank everything, then that's a problem.

Mr. Yapple: Let's say the question also comes up, you're going to put yourself out two years, and rightfully so, and I stand behind it, but we can only back it for one year, technically. Would you be out on the edge too?

Mr. Lee: Tim, you brought up a very good point, and I will discuss this with our solicitor. I don't see a problem with putting that clause in there. Let's face it, we don't know what's going to transpire on May 26 and thereafter, so I don't see a problem. And we can articulate that with GECAC, and I believe they will understand as well.

Mr. Peters: Anybody doing business knows that there is always a funding-out clause. If there's no funding, we're not going to do it. But I agree with Gary's approach that trying to get a committee together every year is a waste of time. I'm definitely in support of it, and looking at a funding-out clause in your contract with GECAC solves all of the problems.

Mr. Sample: Doing a two-year contract frees up time for GECAC to be working more on the program instead of putting an RFP together. I think it's a wise decision.

Mr. Wood: As Mr. Lee mentioned, we're going to be having a meeting with them in a few weeks to talk about process improvement and make some observations about the program. That dialogue does continue.

REPORT OF THE EXECUTIVE DIRECTOR

Mr. Wood: First up is gaming revenue. The fourth quarter gaming revenue funds for 2016 have arrived. Confirmation was sent to the ECGRA office on February 6. I placed a revenue dashboard in your packet for review. Overall, funds have decreased by approximately \$80,000 bringing the annual total to about \$5.4 million. So that is what we will have to work with in 2017.

Mr. Peters: Less \$1.36 million which comes off the top.

Mr. Wood: Absolutely. Twenty-five percent comes right off the top, of course, to settle with municipalities.

Gaming Legislation: The commonwealth supreme court has granted the PA Senate an extension to resolve local share gaming. The new deadline is May 26th. In the interim, I've been in contact with Senator Dan Laughlin on ECGRA's policy positions pertaining to fixing the gaming legislation. The letter I sent to the Senator is in your packet. I also have a meeting scheduled tomorrow with Pat Harkins who is the newly appointed chairman, the minority chairman, of the house gaming oversight committee. Representatives Fabrizio and Bizzarro will be in attendance at that meeting. I did email you a copy of the letter that we sent to Senator Laughlin. I think that's a nice summary of where our policy positions are at this point. It's a nice two-point summary.

City Council has decided to weigh into the fray of gaming legislation by sending a letter to the Erie delegation stating their unanimous support for gaming funds to be redirected from the county to the city and the school district. In an effort to better educate City Council on how gaming funds already benefit the region, the City of Erie, in particular, Chairman Sample has sent a letter to City Council, the Erie Times News, and the Erie Reader detailing much of the \$22 million that's already been invested in the city limits. In it, he requested that city council consider joining with ECGRA and the county in fighting for gaming funds for the region instead of fighting over gaming funds.

On a side note, the school district has indicated that they will not be a party to gaming revenue discussions, that they appreciate the funds they've received from us already, and that they are focused on the \$31 million they've requested from the state to keep high schools open as opposed to fighting over a half a million dollars.

Harrisburg Trip: I just returned yesterday from a two-day trip to Harrisburg to the capitol. I was able to get face time with Senator Scarnati, Representative Reed, Senators Laughlin and Scavello as well as several others that had an interest in fixing this issue. Scavello is the new chair of the economic development committee in the senate, which oversees gaming. His constituency also includes the Mount Airy Casino, which, of course, is the one that filed the lawsuit that started this whole situation. I had a couple of meetings with him.

I also met with members of the house gaming oversight committee. Each committee has an executive director that oversees research, hearings, and oversight. The committee director knew all about ECGRA. He knew about Erie County's gaming situation. He also knew about City Council's recent trip into the fray on the discussion. I was able to fill in some of the blanks on how we were created, how we operate, and the impact we're having for Erie County. They conceded that the ECGRA model is unlike any other model in the state. In the coming weeks, I'll be working directly with the committee's director to assist him on planning a public hearing on gaming to be held in Erie

County in late March or early April. So we'll be working with him on making sure communication is out and all the appropriate folks can attend that hearing when it comes to Erie.

Economic Impact Study: I'm sorry we don't have a printed copy for you. I will make sure everybody gets a printed copy in the mail ASAP. I handed out all my copies in Harrisburg. I also apologize that they saw it before you. It was a timing issue.

A draft copy of the economic impact study can be found on your SharePoint. These findings accompanied me to the Harrisburg this week and was distributed to all officials and staffers I met with. The report gives a nice overview of what ECGRA is from an organizational perspective, the overall funds invested, and the number of organizations invested in. Then it quickly moves to a summary of economic results that show the effect on the Commonwealth of Pennsylvania and more narrowly the impact on Erie County's economy. It was designed for those folks in Harrisburg that are making decisions about our future to see that this affects the entire state, our investments do, but then also for the narrower audience of our constituents here in Erie County – how does it affect you directly?

Overall, ECGRA has invested \$43.8 million in gaming funds. That's through the decision-making process of this board. That investment has yielded \$87.2 in economic impact throughout the state of Pennsylvania. So our \$43.8 has yielded \$87.2 in economic development, which translates to roughly 573 jobs over the last eight years, and \$2.9 million in state and local taxes. That's one of the things I absolutely insisted on – how much tax revenue this has created as well. I think decision makers at both the state and local level need to know as the funds are reinvested, their local governments are benefiting as well.

More narrowly focused on Erie County, ECGRA's investments have yielded \$69.7 million in economic impact, 458 jobs, and \$1.2 million in state and local taxes.

The impact is quantified through three categories:

- A) Direct Impact - that's operations costs, spending, construction, payroll
- B) Indirect Impact - that's the effect on the supply chain, spinoff, and other business created because of the direct impact
- C) Induced Impact - this is the increase of purchasing power that results because of the direct and indirect impacts.

So all three combined are what creates the impact, the jobs, and the tax revenue.

There are some interesting stats that came out of the study:

- For every \$1 ECGRA puts into small business development, it yields \$6 of additional investment. That 6:1 ratio is high for an economic development program. In real numbers, ECGRA has made grants and mission-related investments of about \$4.2 million. So think about all of the stuff we've done with Bridgeway, the Enterprise Development Corporation, inner-city small business development – about \$4.2 million - which has yielded another \$24.2 million in additional investments. So think of it this way. Our \$4 million resulted in other people investing \$24 million.
- Quality of Place initiatives have had a \$31.8 million economic impact yielding over \$1 million in tax revenue. Because of the tourism components to this category, we found it performed quite well in creating a multiplier effect. That was one of the surprises from the study.
- Other highlights: \$7.6 million invested in youth and education, \$23.1 million in municipalities, and \$1.9 million in neighborhoods and communities.
- Erie County, which has invested its full gaming share of \$52 million since 2007 has had an economic impact of \$106 million for commonwealth. Summit Township has had a \$15.6 million impact.

We're slightly better as far as our investment ratio. I expected us to be less on our ratio. However, cumulatively this makes for a great story for legislators in Harrisburg.

I think it's important to note that this study was done solely with an economic lens. Legal aspects, sociological, cultural, and geographical aspects were not considered in crunching the numbers. This study was not done with an eye toward equity or social justice. These of course are the limitations of the study. However, its strengths are undeniable. Using a nationally recognized multiplier standard was the most objective way to quantify the impact in the terms of economic development.

And the impact is impressive. This is not to say that those other aspects are not important, but in trying to be as objective as possible, we focused just on the numbers.

Mr. Lee: I think this was a great use of money. I really do. It's very important that we provide data, factual data, so that we can dispel some of the rumors and some of the disconnect that's out there. This has provided an excellent avenue to doing just that. I commend you for taking the initiative to get this done.

Mr. Wood: We're also the only gaming revenue operation in the state of Pennsylvania that's done this on a cumulative basis. A couple of them have done one-off projects here and there, but we're the only ones that have quantified literally the entire public spend.

Mr. Barney: I like the quality. The quality jumps out at you.

Mr. Wood: Good. And just a quick side note. You're looking at draft number 32. This went through extensive scrubbing and actually took up way more time than I thought it would.

Mr. Peters: I think the info graphics make it good. It's going to be extremely hard to get anyone to read it, so the info graphics are important.

Mr. Wood: Yes. That's the idea. The info graphs are supposed to give you a snapshot. What a bureaucrat like me thinks is a good info graph is totally different from what the average decision maker is looking at. So we floated it with several people to see if this made sense to them. And we've made several changes because of that input.

Mr. Wachter: Did the group that you hired to perform the economic impact analysis do the graphic layout of it?

Mr. Wood: They did all the graphic layout.

Shaping Tomorrow: Contracts have now been signed with Empower Erie to conduct a feasibility study for the community college. On February 2, members of the ECGRA board and staff attended a presentation at Erie Insurance on the need and process for establishing an Erie County community college. Dr. Roy Church, past president of Lorain County Community College was the presenter. The feasibility plan is endorsed by four members of county council and the county executive. I use the term "endorse" loosely. At that time, they reiterated their support publicly. Our liaison was one of those councilmen.

The community schools contract was signed. The new superintendent of the city schools reaffirmed his support of the project promising to continue in his predecessor's steps.

The Innovation District steering committee has had several meetings thus far yielding mixed results. It's clear that some members are having trouble wrapping their head around the concept of an innovation district. There's been a strong push to hire an executive director, which fuels my suspicions that it's an attempt to alleviate the project managers, which we initially thought had the capacity to take on such a large undertaking.

Mr. Peters: Can I ask a question on that? The manager being Mercyhurst?

Mr. Wood: Correct.

Mr. Peters: Okay. So there might be a capacity problem at Mercyhurst, so they want to hire a person to do what we thought they would do?

Mr. Wood: So this is not an evaluation. They are just my comments.

Mr. Peters: I understand.

Mr. Wood: My concern is that they are hiring an executive director before they have a strategic plan in place. Typically, that is putting the cart before the horse. The board creates a strategic vision for the organization or the project, then hires staff based upon the need. The staff will need to have certain characteristics and skills based upon the strategic plan.

Mr. Peters: We'll have to closely monitor that.

Mr. Wood: Yes. The project inability to collaborate with the other universities was not a deal breaker, but it signaled an insulated institutional perspective, which is a red flag in undertaking collaborative projects. The literature refers to this as the "permeability" factor. I'll be monitoring that closely. In addition, the Innovation District has expressed a desire to hire the Brookings Institution to coach them on implementation. That's a positive. However, so far they haven't been able to work out that relationship with the Jefferson Educational Society and solidify the agreement. Another red flag.

I'm not sure why. Once again, it's not an evaluation. Those are just my comments about where we are as far as the status of the project.

Mr. Peters: And the West Bayfront?

Mr. Wood: That is the fourth project and we're not quite there yet.

Great Inc.: Last month we saw a presentation from Great Inc., a nonprofit created to purchase, recast, and operate the Family First Sports Park. The presentation was given by members of the Great board of directors and supporters of the project. The ECGRA board participated in active dialogue with the Great board spurring many questions and comments. The ECGRA staff has done two things in the wake of that meeting.

First, we obtained a copy of the RACP grant submitted to the state, which awarded the project \$3 million in funding. We analyzed that application, the packet provided during the presentation, and the comments given during the presentation, creating a SWOT analysis. So we want to understand what are the strengths and weaknesses, the opportunities and threats of this particular project are.

Second, we drew upon that analysis to create a 10-point questionnaire, which was sent to Mr. Catalde on February 1. The questionnaire is due back February 15. A copy is in the executive director's report. If you have any feedback or questions about that, please let me know. I think getting some of these answers in writing is probably the most objective way to handle this moving forward.

Mr. Peters: How did the management company do on getting back to you on how many of their parks are subsidized, and all that kind of thing?

Mr. Wood: We did a preliminary phone call with Rink Management to let them know who we are, why we're doing research on this project, and to gain some initial insight as to how they work with the Great Inc. board. But I think further research needs to take place. I think they might have been caught a little off guard with our phone call, so we're going to get back to them.

Mr. Peters: We're they able to forward to you their feasibility study that they did on this project?

Mr. Wachter: It's in the letter.

Mr. Wood: We're asking that the Great board of directors provide us with that feasibility study.

Mr. Barney: They mentioned they could have had Rink Management here, so they displayed a willingness for them to explain things to us, and I was wondering if they had gotten back to you on that.

Mr. Wood: We will keep that process going.

Mr. Peters: I haven't had a chance to read this letter, and I apologize for my lack of preparedness. It's fascinating to me that they were able to get RCAP funding without having done any sort of feasibility study. That's amazing. Three million bucks. To me, it's a lot of money.

Mr. Wood: I think it's insight into how the RCAP process works.

Mr. Peters: It's basically the new WAM, no?

Mr. Wachter: It was around while WAMs were around. It's an enhanced WAM.

Mr. Sample: It's specifically noted that Erie County gaming funds cannot be used as a match for RCAP. If they are coming to us for money, they can't use that as a match, so they've still got to go to a bank and get their money.

Mr. Wood: That's a great point. There was some implied pressure that they needed an answer by March, because that's when they need to have 50% of their match solidified. We obviously can't be the match. That's more time for us to review the project and do our proper due diligence.

Mr. Peters: Thanks for your diligence on that.

Mr. Wood: And finally, the special events grant was due yesterday. We received a record number of requests for funding this year. Staff is currently reviewing the legal documentation for each applicant as well as their application content and past record with ECGRA. You are able to view each application online.

SOLICITOR'S REPORT

Mr. Wachter: I found it interesting in the executive director's report that the Progress Fund had submitted a copy of their biannual reports to the Gaming Authority. If you remember back in November 2015, we approved an MRI to the Progress Fund in the amount of \$1 million. If you remember, the Progress Fund is the CDFI that was going to focus on retail, tourism, and economic development in more of the rural areas of the county. They've never taken the money. We've closed. I have a note signed by them for \$1 million, and they've never taken the money.

Mr. Sample: I know people who've tried to contact them and not had a lot of success.

Mr. Wachter: I'm extremely interested and think that as an Authority and as a committee, we should really look at this, because they are proceeding in a much difference manner than we are, and I guess they just don't want the cash. They're claiming that they've already made \$900,000 work of loans in Erie County using their own funds, but they're anticipating that they're going to be Gaming Authority funds. So they want to apply Gaming Authority funds to loans that they made using their own money. I'm not quite sure how this is working.

Mr. Wood: Let's think of it this way. They are approaching having made \$1 million of investments in Erie County. That's fantastic; a phenomenal number. That's money from the outside; a wonderful success story. Typically, how it's worked is that the group draws down the full amount from us, and they begin paying us a quarterly agreement-rate payment. In the case of Progress Fund, they decided that maybe it would be better if we viewed the ECGRA funds more as a line of credit, and we said, no, this is not how we do business. We need you to draw down. So they said we're going to hold off on drawing down on our funds with you.

Mr. Peters: Were they thinking that they were going to spend their match and then draw down the funds?

Mr. Wachter: This is to Tim's point. It's not clear what they think, because they're not timely in clarifying their position or returning phone calls. And that includes their lawyer.

Mr. Peters: Is Dave Kahley still there?

Mr. Wood: He is.

Mr. Wachter: So I suggest that we need to think of an approach - we need to send them a letter. I believe that we have emails with them, or maybe just you and I discussed it - they should not be able to apply loans to their obligations. In their agreement they have an obligation to give out a certain number of loans within Erie County with our funds. We did not think it was appropriate for them to apply loans that were in the works before they even closed on the cash. They were going to do those anyway. These funds were to spur additional investments within the county. We need to come to a policy position here as to what it is that we're going to do with these folks.

Mr. Wood: And I think we should remain open to some level of flexibility here.

Mr. Wachter: Clearly.

Mr. Wood: This letter just came in January 26.

Mr. Peters: I remember sitting in the Eagle Hotel when Dave Kahley came and presented, and I don't remember which of asked specifically, can you handle the requisite paperwork of taking funds from us in Erie County and having a requirement to invest those in Erie County, because that's always been a concern of ours when we do this kind of thing. And, certainly, Ben Franklin has been able to do it. And they said, yes, of course we can handle it, because we receive funding from all kinds of different sources, and there are restrictions on each of those different sources. I just wonder if they weren't prepared?

Mr. Wachter: My impression of them is that they have a large enough organization and back office to be able to do this. Based on our conversations with them, it became clear to me, anyway, and, Perry, let me know if you agree or not, but this million bucks is just a paltry amount of money to them. They made it clear that they're a really big deal and this million dollars is not a lot of cash.

Mr. Peters: Maybe we should give them the opportunity to opt out and employ the million to someone it is a bigger deal to. I am certainly in favor of you sending an aggressive letter saying that we have to get on the same page or else this isn't going to work. However, you need to word that.

Mr. Wachter: I would suggest that letter be sent from staff, though, and not be in a threatening tone from the lawyer.

Mr. Sample: Quite possibly if they had the million they don't want to pay interest on it, so they're going to spend down theirs and give that to collateralize loans. But that's not the agreement.

Mr. Wood: I guess the real question is if we agreed upon this in November 2015, would anything they've spent between then and now count as match, because we technically approved the funds?

Mr. Sample: Anything prior to that, I would say no.

Mr. Wachter: We approved the loan, but we didn't close until August or September. It took almost a year to close on the loan.

Mr. Peters: I'm not sure if it's a policy thing, or if it's an agreement thing. If the agreement says you draw down the day we close, and they didn't...

Mr. Wachter: The agreement didn't say that. It was inferred in the note that interest was going to start accumulating.

Mr. Domino: So who's paying the interest?

Mr. Wachter: We didn't give them the money.

Mr. Peters: I suppose we could send them their bill for interest.

Mr. Yapple: They are still using it in a sense as collateral to our way of thinking. Maybe send them a bill.

Mr. Peters: I don't care if they draw it down if they are living up to the terms of making investments, creating match, and paying us our interest on money that's sitting in our account.

Mr. Sample: The only thing that bothers me is I know the people that have tried to contact them about loans, and they haven't even gotten back to them about the process involved to even qualify the project.

Mr. Wood: That's new information. I didn't know that. We'll take that into consideration.

Mr. Wachter: Maybe it warrants further conversation at a committee level where we can get more into the weeds, view the documents, and be prepared to have that conversation. I was shocked to see their biannual performance report.

Mr. Wood: I was shocked to see it too without having taken any of our money.

Mr. Lee: It seems like they want to be able to use the money the way they want to and not, necessarily, within our guidelines or policies on how we release the money. I think a conversation definitely should be had. From my perspective, from what I'm hearing now, there are some red flags popping up, and I think one of the things the board should consider is do we want to do business or invest with an organization like this? It's been over a year now, or going on two years. If it's not such a big deal to them, because they're so massive, then we could invest it with an entity that would really value what we're attempting to do.

Mr. Wachter: And I'll just add this. There is some legal significance to them submitting this biannual report that if we have an objection and don't object, then they're rewriting the terms of the agreement and we're just accepting them. We need to have a conversation about what our response is going to be and our objection to this.

Mr. Peters: I would suggest a phone call go to Dave Kahley, and we say, Dave, look. You've got our board riled up here, and I need to know where your head's at. Let's get this solved, or we're not going to do business. If Dave Kahley isn't returning your calls, and the lawyer's not returning your calls, that's unacceptable. We shouldn't put up with that. Look what we do with the Enterprise Development Fund. They duck us, are rude to us, whatever, and we push. A letter might set on someone's desk. I'd call and say, look, I need a return call. I had a board meeting today...

Mr. Wachter: I do need something in writing, though. We could have an email to him saying, Dave, we received your biannual performance report. We question why you submitted that as you've never drawn down on the funds. I'll be calling you, and my board has directed me to have a conversation to make sure we have a meeting of the minds. At least that way we get an objection on the record, and then we can follow up with a phone call.

Mr. Peters: If you want it to be a formal letter, that's fine too.

Mr. Wachter: I don't need it to be a formal letter, but I need something in writing registering objection that I can point to in the future in the event of a problem.

Mr. Yaple: You're right. They're setting new ground rules, and we can't let that go by. You've got to do it.

Mr. Barney: To say nothing is acceptance.

Mr. Peters: And I think it's so important that we always be consistent. When the Enterprise Development Fund doesn't live up to what we expect, we make them well aware of it. We audit them. So, we need an even keel to our approach.

I know this is Tim's report, but is there any news on the audit of the Enterprise Development Fund?

Mr. Wood: No. There's no news on the audit.

Mr. Peters: Are they cooperating?

Mr. Wood: There's no news on the audit.

Mr. Peters: Well I know where we won't be putting that million dollars if the Progress Fund gives it back.

Mr. Wachter: They don't have to give it back. We haven't given it to them. I have nothing further.

OLD BUSINESS

Mr. Barney: We were going to look into and identify an agency that was going to audit our finances but they needed a special government certification. Have we moved forward on that?

Mr. Wood: We've identified a firm, but we have not scheduled a meeting with them yet. That actually brings up a great point, Mr. Barney, which is that March is the final month of our fiscal year, and so that is the appropriate time for a couple of things: 1. For us to bring back the name of our auditor that's been selection, and 2. To bring you back a copy of the budget for the next fiscal year for discussion purposes, because April would be the meeting in which we have discussion about the budget and then pass it. I'm not anticipating any kind of major shifts in that budget. It will probably be a status quo budget, but, of course, if you have questions, we should discuss them at that time.

Mr. Barney: The company that you were speaking about, you said there are none local.

Mr. Peters: No, there is one local – McGill, Power, Bell & Associates. We'd originally talked to Schaffner, but they don't have that certification.

Mr. Barney: I thought we were going to end up going to Pittsburgh, but I prefer local.

Mr. Wood: We had discussed it, but it's not necessary.

NEW BUSINESS

No new business.

ADJOURNMENT

Mr. Yaple moves to adjourn.

THE SCHOOL DISTRICT ENDOWMENT CHALLENGE PRESS CONFERENCE

Commenced following the conclusion of the board meeting.