



Erie County Gaming Revenue Authority

Minutes of the Board of Directors' Meeting

July 19, 2018

CALL TO ORDER

The Board of Directors' Meeting of the Erie County Gaming Revenue Authority was held on July 19, 2018 in the Jordan Room; 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. DiPaolo, Mr. Logue, Mr. Paris, and Mr. Sample. Mr. Peters arrives late. Mr. Lee, Mr. Wachter, and Mr. Wood are also present.

APPROVAL OF THE AGENDA

Mr. Sample makes a motion to approve the agenda as presented. Mr. Bagnoni seconds the motion. Motion carries 6-0.

APPROVAL OF MINUTES – June 2018

Mr. Barney makes a motion to approve the minutes as presented. Mr. Sample seconds the motion. Motion carries 6-0.

DIRECTOR'S COMMENTS

There are no comments.

COMMENTS BY THE CHAIR

Mr. Paris has no comments at this time.

PUBLIC COMMENT

There is no public comment.

PRESENTATIONS

a. Maher Duessel 2017-18 Audit – Jeff Kent and Natalie Caponi

Mr. Kent: Thank you for having us. My name is Jeff Kent, and this is Natalie Caponi. At this point, we are completed with the 2017-18 audit. The reports are in draft form at this point but after this meeting we will move forward in finalizing them.

What you have in front of you is a handout which follows along with the PowerPoint I am going to go through at this meeting. You also have a draft copy of the reports; the drafts that you have are what you will see in your Board packet that I had sent out several weeks ago. I'll stick to the handout, but if you have any questions on anything you read in the audit, please don't hesitate to ask.

The reports that get issued as part of the process are obviously the financial statements themselves, which is the larger document that includes our opinion on the financial statements that are explained in the footnotes. We also issue a letter called Communication to Those Charged with Governance, which is a letter that goes through communications that we are required to make under the professional standards. I'll hit the highlights of that in the coming slides.

The first part of that letter talks about our responsibility to perform the audit in accordance with our professional standards and issue an opinion on the financial statements. It talks about the fact that the financial statements themselves are the responsibility of the Authority along with maintaining the internal controls.

In terms of the timing of the audit, we performed the audit in early summer, we drafted the audit in June, and as I mentioned, the report is in pretty good draft form now and can be finalized shortly.

No new accounting policies that are noted in your financial statements. The letter does point out a significant estimate as incorporated into your financial statements related to the Notes Receivable you have. There is an evaluation that you go through each year to determine the amount of reserve that should be applied against those Receivables. The letter points out a couple of disclosures that are in your footnotes that are more significant; the Notes Receivable footnote that details out each of the Notes that you have issued and the related terms. We have talked about this in the past - the Erie Community Foundation footnote that talks about the assets held in the Endowment with ECF and the fact that those assets aren't on your financial statements, but the footnote reflects the balance of the Fund.

The rest of that communication letter is pretty standard. If there were any significant issues that we encountered during the audit, we would highlight them in this letter. I am happy to report that we received good cooperation, we received everything we needed to complete our procedures, so we certainly thank Perry, and everybody involved in the audit process, for getting us what was needed.

In terms of the results of our opinion that we issued as part of the audit, the opinion on the financial statements is unmodified and certainly the type of opinion you would want to hear from us.

The next couple of pages just shows some summary financial statement information. At the end of your fiscal year, you're showing a net position of about \$17.5 million; that's an increase from last year of about \$2 million. The Notes Receivable line of about \$3 million did go up quite a bit from last year by about \$1.5 million in new loans issued. All that \$17.5 million is showing as a restricted net position.

This page shows the results of your operation for the year; about \$5.5 million of revenue, your change of position, again, was about \$2 million dollars, and \$3.5 in expenses.

That expense does not include the new loans you issued of about \$1.5 million so you had about \$2.8 million in grants awarded. The provision on Notes because of the process you go through to place a reserve on the Notes Receivable, that provision is what is your reserve on the new loans you issued based on the established allowance that you had.

A couple of the reporting notes, I think we talked about as I mentioned, there's a Fund Note, specifically related to ECF. The nature of that activity changed a bit during the year, as the footnote describes the balance which was about \$14 million at the end of the year. In the past, some of the distributions from that Fund have run through the Authority so that process has changed a little bit. So, you're not showing revenue and expense for those distributions as those are now being directly made out of the Fund to the organizations.

I'm certainly happy to point out that last year we issued a management letter that had some recommendations and all of those recommendations were addressed. There was a comment about segregation of duties, and since you're a small organization, we had some recommendations related to mitigating the inherent risk associated with having a small staff size. You did implement some mitigating controls related to that.

We had a comment on loan collectability which you have to have an established policy that you revisit each year related to how you're reporting the loans and what the allowance is on the loans. Then there was just a general comment on the policies and procedures manual.

There was no formal management letter this year. Our contact information is on the last page; certainly, if you have any questions, don't hesitate to contact us, and if you have any questions on the Board information packet, I'd be happy to help.

Mr. Paris: Does anybody have any questions?

Mr. DiPaolo: The Corrected and Uncorrected Misstatements, can you explain what that is?

Mr. Kent: If we need to come in and make journal entries that were encountered during part of the audit process, whether you corrected them or decided not to correct them, we would have to report that we were making significant journal entries. That's really saying that there weren't any to note. That section of the letter is exception based where if there were anything in that category we would describe it to you. We weren't needed to make journal entries as part of the audit process. That's all that is saying.

Mr. DiPaolo: I have a follow-up question. In regards to the money that was given to Perry for school, \$11,131, where is that in this audit and was that paid back or is that still out? That's the question.

Mr. Kent: You're talking about a specific transaction?

Mr. DiPaolo: Yes, back in March of last year.

Mr. Kent: Perry, do you know the nature of that?

Mr. Wood: I don't understand the question.

Mr. DiPaolo: The question is that when you went to school and it was determined that, I don't know if it was illegal or whatever happened, but the understanding that I had that the money was supposed to be paid back. Was it paid back? That's what I'm asking. And if it is, where is it in this audit?

Mr. Paris: No, he wasn't supposed to pay it back.

Mr. Sample: He was just not going to go forward taking that.

Mr. Paris: And nothing was done illegally.

Mr. Wood: Dom, I voluntarily withdrew from taking reimbursement on that.

Mr. DiPaolo: Okay, so the \$11,131, you still received that?

Mr. Wood: I don't know if that's the exact amount.

Mr. Sample: That had been voted on, we had agreed to it, and then when it was brought up, he voluntarily agreed not to continue to take it.

Mr. DiPaolo: Was that brought up before the whole Board?

Mr. Sample: Yes.

Mr. DiPaolo: Alright. So, in this audit, that money is in there then?

Mr. Kent: If that's an expense for the organization, then that would be flowing through the activities.

Mr. DiPaolo: Very good. Thank you.

Mr. Logue: I do have a question. I think it was a couple of Board meetings ago the Board was presented with a Credit Card policy that staff can use the credit card. If, unfortunately, something bad did happen and the staff had utilized the card for their own benefit other than ECGRA benefit, that the last paycheck of that staff member would then be kept by ECGRA to try to recoup some of the expenses generated by that staff who did it for their own benefit. I asked who had prepared that statement, or that policy I should say, and I was informed that your company did. Do you know anything about that?

Mr. Kent: We may have provided an example, but we don't write policies for you, but we may have provided an example policy from another client or from the general policy examples that we have. That's likely what our involvement was.

Mr. Logue: What I did was checked with our Pennsylvania Department of Labor Wage and Hour and with the Feds – their Department of Wage and Hour – and I spoke to the one investigator for the Federal Department and he said that that would be illegal to do, to keep somebody's last paycheck; all you could do was maybe count up to the Federal Minimum Wage Standard and then recoup that back. Do you know anything about something like that?

Mr. Kent: I don't know the legality of that; I'd have to look at the policy is that correct that we gave you an example policy and that's where that's from?

Mr. Wood: Our understanding is that one of your other clients used that exact policy.

Mr. Kent: I don't know the specifics on the legality of that. Obviously, if you can't do that then that shouldn't be in the policy.

Mr. Logue: What I'd like to do, Jeff, is to send that down to you under my cover letter, send it down to you, have you review that and some of my concerns. In my letter to you I'll put those concerns once more that I'm stating to you here. Is that alright?

Mr. Kent: Yes, sure. Again, you might need to, if there is a question about whether that's okay to do, we might need to have an attorney look at it to make that determination.

Mr. Logue: Alright, I'll do that.

Mr. Kent: I don't mean you, I mean the organization.

Mr. Logue: I'm going to do it as a Board member in a sense and as an individual and as a taxpayer in Erie County.

Mr. Paris: Tim, is that something you could review for us?

Mr. Wachter: If you would like to forward that to me too, we can have a formal response to that. I can give it to my labor folks and have them take a look at it.

Mr. Logue: Okay. Great.

Mr. Wachter: I'm happy to help out.

Mr. Paris: Perfect. Is there anything else? Thank you for the presentation. We appreciate it.

Mr. Sample: Thank you very much.

Mr. Peters: Mr. Chair, first I want to apologize to my colleagues on my tardiness this morning. Obviously, I missed the Maher Duessel presentation, but I did want to share to the group if it hasn't been stated already by our current Treasurer, that I had worked closely with Maher Duessel throughout the process and they were very helpful in answering the questions that I had related to how we were doing certain things. I know Attorney Wachter was in on those calls with me as well and I just wanted to thank them for their work.

COMMITTEE REPORTS

- a. Treasurer's Report – Mr. Barney: First, I would like to thank Perry and Chuck for assisting me and helping me figure out some things and become more familiar. I appreciate the opportunity to serve in this capacity and hopefully I can do it some justice.

First, let's start with the Profit & Loss statement. If you notice these are pertaining to June; if you look at Bridgeway Capital, that's the only activity for June. If we move down under expenses, as you can see, year-to-date expenses as well as budget year-to-date, we are definitely within the budget as far as the projection – we're actually under there. At the bottom you will see the Renaissance Block as an expense for June. Are there any questions on the Profit & Loss statement?

Let's go on to the Balance Sheet for the month of June. I would like to make note on the Reserve for Uncollectable Notes – that's the 20% portion there. If you look up from there, you see the ErieBank, Committed and Uncommitted Funds and the Restricted Funds and how they flow. Are there any problems or questions on the Balance Sheet?

Next is the Statement of Cash Flows; that's normal. There's nothing out of the ordinary there as far as expenses and things of that nature that I am aware of. If you see something, feel free to ask a question.

Budget vs. Actual – at the bottom where the budget is for total expenses and the Over/Under. I want to bring your attention to the Community Assets – the Renaissance Block and how things are going there for the month of June and the expenses that we agreed to.

Mr. Wood: I would like to add something on that Mr. Barney. Those are initial drawdowns; Renaissance Block are projected to be two-year grants with multiple drawdowns. We have awarded a total of \$485,000 to those neighborhood groups; these are the initial drawdowns that these grant recipients received. In essence, they are in the que – they are in the compliance process.

Mr. Barney: Any questions on that? The Schedule of Grant Reserve; there's nothing out of the ordinary there. I do want to say that on the last page, as far as the Committed Funds, when you look at the amount remaining it shows \$2.5 million.

If there are no questions on that, we will move to the Check Detail. You can see what checks were written and what is on the credit cards and the expenses there. Are there any questions?

Mr. Peters makes a motion to accept the Treasurer's Report as presented. Mr. Sample seconds the motion. Motion carries 7-0.

- b. Strategic Planning Committee: Mr. Sample: On July 9th we had a Strategic Planning Committee meeting. There were four presentations and I would like to thank the staff and the people who did the presentations; they were very thorough and very informational. The recommendations of the Strategic Planning Committee are:
Blue Highway Capital – our recommendation is a \$250,000 loan,
International Institute of Erie – a \$200,000 grant,
Bridgeway Capital – a \$300,000 grant with a \$2.5 million loan,
Ben Franklin Technology Partners – a \$300,000 grant and a \$1million loan

We continued on and the recommendation was to once again do the Mission Main Street and the Ignite Erie and Beehives. Those are the recommendations of the committee. We will have the opportunity to vote on them later in the meeting. Are there any questions of that?

Mr. Wood: Mr. Chairman, if it's okay I would like to give a little background on how we got into some of these decisions. I provided you with a packet of supplemental information; it's in front of you and starts with "Targeting Gaps." If you could grab that document.

I just wanted to remind folks that when we created the Mission Related Investment program several years ago, and this concept flows through our Strategic Plan over and over again, the idea was to target gaps in the current financing system. We are an economic development authority; traditionally that is how economic development authority's function is to provide various levels of financial support throughout a system which the market can't take care of on its own.

If you look at the graph in front of you, we try to target these investments based upon where the gaps are from concept to formation to growth to maturity to reinvention. In other words, when a company is pre-revenue and they are in the prototype development phase, it's known as pre-seed. When they are very young, they are a start-up, they are just getting going its formation phase; that's where seed funding comes in. Then a company grows or it doesn't and a lot of times these growth funds, like Bridgeway's Erie Growth Fund is a good example of that type of program.

The next page talks about Asset Allocation; this comes directly from our Impact Investment Policies. This is the description of the three different assets we're interested in investing in. You will see fixed income and alternative-type investments today, but we are focused on the left side of the spectrum which is the below-market rate investments. A senior loan position with a Bridgeway Capital, a subordinated loan position with an Enterprise Development Fund, these are typically the things that we have done at a below-market rate investment.

The third page talks about the staff review process and what that looks like, along with the Board review process. Tim helped me design this several years ago. A group comes in with a prequalification packet, they fill out extensive information like their financial and organizational data as well as historical data, the staff reviews it, it is kicked to a committee to do a further review.

In this particular round we had new organizations applying for the funds come in and give a presentation to the Board. The Board was able to ask questions and then that committee recommendation coming out of the Strategic Planning is in front of you today in resolution form and so the Board has another chance to discuss it here today at the Board level and it will either pass or not.

The next page talks about the economic impact, specifically of these Mission Related Investments. Fantastic numbers have come through. We only have data up through 2016 because that's when the audit was conducted and we have made some investments since then. Overall, the economic impact with our Mission Related Investments was \$87.2 million with the creation of 573 jobs as a result, \$2.9 million in tax revenue. That's a 6:1 return on investment for what we saw with additional financing. That is great leverage – for every dollar that we put in, another six dollars were invested in these companies from other sources.

The next page is the Strategic Planning agenda – these folks came in and gave 15 minutes presentations and then we asked questions of them at that time like, "How are your portfolios doing?" I want to point out that two of these are brand new investments and two of them are investments in organizations that we've made past investments in and want to see the good work continue. The two brand new ones are the International Institute of Erie and Blue Highway Capital, serving very different audiences. The International Institute serves a refugee crowd – refugees that have come here, that have been placed here in Erie, and now they are starting companies. They have a different type of financial product, a micro-enterprise loan product, \$15,000 loan, which by the way has a zero percent fault rate from the 20 businesses it has lent to. Blue Highway, we handed out some information at the last grant review session and it is on your SharePoint, but this group mainly serves rural companies. Bridgeway and Ben Franklin, we have made multiple investments in.

The next page shows the Mission Related Investments from 2010 through 2018, I just wanted to give you some perspective on the past Mission Related Investments that have been made. We started making these grant/loans in 2011; we made another tranche in 2012/2013. As you can see there as the relationships developed, we escalated the amount of funds we put in as we saw great outcomes from these groups. We made our single largest investment in the 2015/2016 time frame where we did about \$4.8 million in Mission Related Investments.

We scaled it back a little bit for this round, so the 2018/2019 investments are at \$4.5 million. I think what is interesting is that we went from a technical assistance concept in 2015/2016 that focused on the universities getting more involved in entrepreneurship (and I'm going to talk about that today in my Director's Report and the progress of that grant), we went from that to funding technical assistance with the respective organizations like we did back in 2011. In 2011 and 2013 we were funding technical assistance with grants alongside of the loan packages. We've come back to that concept. Those recommendations are in the form of resolutions on your agenda today. Thank you, Mr. Chair.

Mr. Paris: Thank you, Perry and thank you Dave. Are there any questions?

- c. Update from County Council: Dr. Foust is not present.
- d. Update from County Executive's Office: Mr. Lee: Thank you, Mr. Chairman. I'm just going to take a couple minutes to give an update on the Summer Jobs program and then talk briefly on the Choose Erie initiative. Summer Jobs, as you know, is moving along really well. We have a total of 175 participants; we have 50 employers that are participating in the program. We are very pleased as far as the percentage breakdown. One of the goals has always been to make sure that the program really represents the entire county; that has been an ongoing goal for the program because it is a county program. The City of Erie in the past has represented about a 70% participation and outside the city has been about 30% and we want it at 50%. This year the numbers we are seeing is about 35% outside the City of Erie and 65% inside the City of Erie. That is to try and give balance to the program. From an employer's standpoint, it's about 58% participation inside the City of Erie and 42% outside the City.

The students will again be participating with ServErie as a community project. We know it is important that the young men and women understand that they really need to pay it forward. We're looking forward to and are very excited about that participation.

Erie Insurance typically has six students; they have increased that up to eight students. The reason why that is very good is because they actually pay to participate; they invest in the program as well as Gannon who invests in the program and Saint Vincent has participated in the program financially. We continue to grow from that particular perspective.

The program will be ending about the middle of August. We will receive the report – GECAC has the report done by Keystone Research, and the Board always receives a copy of that report. It is very good information because it helps us move forward as far as improving the program. Are there any questions about the Summer Jobs program?

Mr. Wood: It's a great program. If I can just say that we've been in touch with the accounting office at the County and everything is flowing along. With the transition of Sue Ellen, I just wanted to make a note and let everyone know that everything is flowing smoothly.

Mr. Lee: Thank you, Mr. Wood. In reference to the Choose Erie initiative – at the latter part of last year, Kate Philips came in and did a presentation about Choose Erie and looking to put together an application to submit to ECGRA for consideration dealing with the research part. Some of you that may not be familiar with Choose Erie, this is an initiative, a collaborative effort that started with the union from GE as well as United Way, the Governor's office, County government; we also had the Workforce Investment Board involved in this and the Chamber as well. It really came out of the union leadership coming to meet with the County administration about marketing our workforce and really trying to do a better job, not only of marketing regionally, but nationally and internationally.

Out of that grew the concept of Choose Erie, where it would be a website with all the information from an economic development standpoint dealing with site selection, dealing with our strengths as far as what we have to offer in the County to sell to the greater world. We did the first part as far as developing the website; they are working on the second phase as we speak. The County has initially put in \$36,000; we have recently requested another \$36,000. That money will go to actually completing the website.

The part they were looking for ECGRA to play is dealing with the research end of it; really going to get the information to better supply additional information to the website from a research and site development, and by site I mean companies that are interested in coming to the County, standpoint. The Chamber will be the organization that will be submitting the application to ECGRA; I know they are in the process of submitting that information via the portal. It should be submitted as we speak; if it hasn't it will be submitted before the end of the week.

This is a high priority from the County Executive because we really feel that it is very important for us to market our region better. Are there any questions about that?

Mr. Wood: If there are no questions, I would like to just make one comment. We did see the presentation back in 2017 on the project so a couple of the new Board members might not have seen it, but the staff has been working with both the County and the Chamber on the concept. At the time it was presented, it was discussed that this could have the potential to be a pilot project. The initial step in pilot project is to submit a letter of interest; that letter of interest has been submitted. Once it has been approved, which it has been, it goes to the application process and that is when the Board will have a chance to take a look at it – when the formal application comes. Then we will decide whether or not we want to bring in a member of that initiative to have a talk with you or if you like the program and the way it has been written as a pilot, the Board will go ahead and fund it. Just to remind the Board that we will have further discussion about that pilot. But what we have seen so far, we think it's a fantastic initiative.

There is also another one on the horizon, if I could just take another second of your time and report on that and that is a project that the City is proposing and that is to do some advanced financing with a group called NDC (National Development Council). That is very exciting as well. We will probably bring both of those opportunities to you soon.

Mr. Paris: Thank you, Gary.

Mr. Lee: Thank you, Mr. Chair.

REPORT OF THE EXECUTIVE DIRECTOR

Mr. Wood: There is a 40-page document in front of you which is a mid-term review of a program called Ignite Erie. You've heard me mention during the Strategic Planning Committee report that we made a grant back in 2015 to four universities in Erie County to get them working with entrepreneurs; it's a very exciting thing. We couldn't find another example anywhere in the country where this many universities came together to create entrepreneurs.

As part of that report I want to do a more formal review for you and provide you with the document and the actual results in this 40-page document. I'm not going to go through this with you, but I will give you an overview in this PowerPoint presentation.

I want to start by talking, from a 30,000 sq. ft. view, about how this program addresses what we call the rust belt problem; this is about transitioning the economy, how Ignite Erie is the program that's doing it, what were the questions I asked the Ignite Erie folks in order to

understand the progress, what's the state of the initiative. I wanted to be able to describe it to you in a way that made sense. I used the idea of adaptive networks, that's really what Ignite Erie is, in order to help frame this case study, and I'll show you the results, recommendations, and conclusion.

The rust belt problem – we've heard this term numerous times; this is what we're talking about, this area that's highlighted is known as the rust belt. We are sitting right in the middle of it. It's considered the rust belt because our economy relies heavily upon industrial manufacturing. Now, that doesn't mean that we don't have jobs in those areas, but we have lost jobs in those areas. We still have a very high location quotient, which means we have a high number of well-paying jobs in manufacturing in our community – much higher than the national average – which is a great strength of ours. But in the last 50 years we have lost 50,000 manufacturing jobs; that is an incredible number. This is one of the traits of being a rust belt community.

What do we do about it? We need to support those guys with high technology and part of that is transitioning to a knowledge-based economy. Universities play a key role in this process. There has been a lot written about this in the last 20 years. A document came out in 2014 that the four universities in Erie County published together, called *The Path Forward*. It basically said, not in these exact words but, "We want to address this problem. Let's look at merging industries, let's look at helping entrepreneurs, let's look at improving quality of life and the economy in Erie County."

ECGRA has been interested in this topic, mainly with what we fund through our mission related investments. Here is a graphical representation of the program. Ignite Erie is the program; you might call it an intervention. We're trying to get involved and change things. It begins with a number of strategies with multiple separate parts; you've got the four universities in Erie participating, you've got private sector advisors like Lord Corporation and Erie Insurance coming to the table, you've got economic development agencies like Bridgeway Capital, Penn Venture Partners, Ben Franklin, Enterprise – they've all come to the table to collaborate to help entrepreneurs.

Initially, the group thought that the bubble on the left, the Innovation Teams, would be the focus; the idea of innovation teams was where the entrepreneur says, "I want to come in and do the following things." We match them with a certain number of faculty, the faculty rallies some students, but it didn't work out the way we thought. What we found was that it is very difficult to get universities collaborating in this innovation team atmosphere for a number of reasons. A lot of entrepreneurs already have relationships with single universities, so getting multiple on board was difficult. Coordinating between institutions was a lot more difficult than we thought. But eventually, they settled on two concepts in which they got tremendous results on.

Whereas the Innovation Teams did about six with a low-yield activity. The Beehives, or the Innovation Commons is what it's called here at Behrend which is basically the Beehive concept, and then crowd funding that you might know as Quick Starter, those two were high-yield activities that produced new products, new entrepreneurs, and new ventures or new businesses. Of course, it's all done within the context of the historical relationship of these universities as competitors mostly. Certainly, they collaborated on one-off projects here and there, but they were mostly competitors; the rust belt problem that we're dealing with, all these contextual factors created pressure on the program.

So, what did I ask them? On a broad level, I said, "Are you working toward this culture of collaboration like you said you would in *The Path Forward*?" But that wasn't enough. I wanted to get into some specifics. So, I asked, "What are the core activities that you actually accomplished? Give me the results. Give me the interim outcomes, because it is only three years in to what we expect to be a 10-year plus idea"; "What are the conditions that actually foster universities working together?" And finally, "What was the network formation process like?" It's kind of like saying, "What did you do? Why did you do it? and How did you do it?"

I needed a way to understand how they were operating; they were shedding low-yield activities and focusing on high-yield activities. This concept of adaptive networks comes up again and again in the literature for groups that fund other groups; so that's us – the grant makers. What we find is that the grant makers have used this concept to address something that is complex. Complex is getting these multiple sectors to work together on helping entrepreneurs.

The general idea of this graph is you observe the problems going on, you interpret what you just saw, and then you intervene and make change. The you observe again, interpret again, and make change again. It's very iterative; it's adaptive. In bio-evolutionary terms, it's an adaptive process.

There were three key concepts of measurement that came out of this that have been pioneered. One is connectivity, which is a lot like saying, "Who are the people involved in it?" The second is health, which is a lot like saying, "What are the processes that are necessary to create an adaptation?" And finally, what are the results and that is pretty straight forward, "What kind of results are we getting and how do we tweak them?"

I took a case study approach in looking at this. In other words, I started with secondary research; what have others said about what we're trying to do here in Erie. No one has specifically written about Erie, but they have written about it for their respective communities - think tanks, academics, also pragmatic trade associations and so on. Then I looked at the documents; what has Ignite Erie produced? There is an initial grant application to us, there are minutes, agendas, interim reporting to us. You may recall that they have been here before to report to us several times. And then there is the financial effect.

Finally, I wanted to interview six of the steering committee members as asked, "How's it going? Tell me about how it's going." I asked with a very broad perspective. "What are the obstacles? What are you trying to accomplish? Where is this whole thing headed?" These are the six interviews that I did, and I focused on the university administrators. So, I went to the faculty or the administrators of each of the universities and asked, "How is this going from your perspective?" Remember, they are the ones who published *The Path Forward*, they are the ones who championed the concept, and with limited time I focused in on that. Here are the documents I referred to.

Finally, I want you to know that there are limitations to what I have done here. This is an interim report. I can't answer all of your questions. But what I have done is I have looked at it from an organizational perspective. So, that's like saying I didn't look at it from a macro-perspective – the big picture – because really in three years, what can you accomplish to change the big picture? Not much.

Also, I didn't look at it from an individual perspective which means that I didn't go interview the entrepreneurs that they helped. That's a natural next step in this process, by the way, to go ask the users, the entrepreneurs of this network how it has helped them, how it went, what it was like, what does success look like to them, was it worth their time to interact with the program. So, it was focused on an organizational perspective.

I didn't do a personnel evaluation. We didn't grade all the people involved; that's up to the network to do itself. I think it's important to note that the context is specific to Erie County. And I want to remind you that this is a mid-term review which means that it's really just a snapshot in time. Three years in, this is an important document for all the folks in this room to understand how it's going.

Here are the results which you heard me mention a little bit earlier. The Quick Starter and Beehive concepts are the high-yield activity. These are the main things that have come out of it: short-term outcomes where we helped 34 new entrepreneurs, new products, and new firms. In the long-term, I think that what you're seeing is a relationship building process that can transform the region's economic development system because it is providing something that wasn't there before.

Translation – basically change is happening, they are achieving the objectives that they set out to achieve in the grant application and I want to be specific about that that they have

been successful. They have laid the groundwork to do things in the long-term way and the connectivity has been wonderful. I will talk about that more in the future. This is where they are proposing to take the Beehives; each university has proposed a strength. That is another thing that is really unique about this. When you look at other universities collaborating, they want to beat their chest on all the things that they do. Our universities have said, "We recognize that we specialize in different areas and these are the areas we specialize in." They all have different programs and champion professors with exciting things going on with initiatives. We know about Mercyhurst and the cyber-security stuff because we've talked with them through the Innovation District; we know about Behrend's prototyping and product development because they have this Innovation Commons concept that was funded by State College; Edinboro is branding and strategic communication – we've heard all about digital arts and so on; and Gannon University with its Erie Tech Incubator and Applied Business concepts. Finally, this system helped set up the Blasco Library's Idea Space. You have all these specializations, they count the maker space available as part of that system. It's pretty exciting.

Back to the accomplishments, here are milestones along the way to show you that we are building toward this culture of collaboration. The Path Forward was published in 2014. It took us about nine months to come up with a grant application because we wanted to put some money into this. They published their grant application in January 2015. By the time April of the next year rolls around, they are reporting to us how things are going and how they were working together; they gave us their initial results.

It took to May 2017, so think about that, about two and a half years to get to this Beehive proposal concept. It's academics so there's a lot of talking but they're also interacting with the economic development agencies and their resources and they're interacting with private sector individuals like executives from Erie Insurance and Lord on how to make a difference. This proposal comes in, gets followed up by two grants that Ridge Policy Group was marketing us to – the Appalachian Regional Commission and the Economic Development Administration. These two agencies loved this concept because they had never seen anything like it; four universities at the table collaborating with one another to focus on the entrepreneur and not academic research – not an institute that sits on a campus somewhere - but actually interacting with entrepreneurs.

Mr. Peters: Can I ask a question? Those two grants, the ARC and the EDA, what is the order of magnitude on how big?

Mr. Wood: Six figure grants, which shows that there is health in the network because we're not the only ones investing in it. There is sustainability; there's health. Other folks have seen value where we initially helped seed fund a concept. That's a great indicator that this thing is succeeding.

Finally, toward the end of 2017, the university presidents got together and the four of them published an editorial talking a little bit about this collaboration. That's the first time that has ever happened in the history of Erie County. It's pretty exciting. That's where the time limit, where my data collection stopped, in writing for this evaluation.

The second result was that the university collaboration that we saw multiple universities is shaped by conditions that are unique to what's going on here in Erie County. Some of it was the past university engagement that had gone on so it's not like this was a blank slate. The universities have been engaging with the community on one-off projects here and there, but this was a sustainable way to move – a platform where they all could come together. Policies that they developed were unique, like the Two University Policy; the contracting process between us and them was unique and having our funding that is flexible.

I'm trying to say that these projects which have existed, and it's in your packet, you'll see the example of all the other projects the universities have engaged in but not really together. Every now and then you have members of faculty who have engaged in one-off

projects or working with an entrepreneur, but it was rare, and it was not sustained. What really helped, is in Table 13, was when I looked at how other folks had studied these engagements. In the left-hand column, you'll see that the typical vehicle of a university, you're never going to get away from it, it's always an institute, it's always a publication, it's always a speaker, it's always a conference, it's always some type of interaction like an SBDC. If you look at the role though, you realize that at the facilitation level, the university has a lot of discussions but when it gets to the leadership level things start to thin out because they are actually providing those as consulting services like in the case of SBDC. Ignite Erie is at the third, and highest, level which is known as Community. That's where they actually bring partners in and take responsibility for the action and the resources that are provided. Those create various degrees of entrepreneurial activity; hence we get the term Entrepreneurial University when we're talking about where Ignite Erie has taken this idea.

The Path Forward document created a sense of urgency, the Two University Policy was very innovative – we've never seen anything like it in any other groups that we looked at – that basically said in order to access ECGRA's funds, there has to be a minimum of two institutions working on the project. That was a self-imposed mandate that they came up with and it held their feet to the fire on collaboration within projects. It's fascinating. Finally, we provided the capacity building grant to offer stability and flexibility which is important for funders to do when you're doing work on some of these concepts.

The first two results I talked about being very unique, exciting and cutting edge. The third result that I found was that in many ways, that this network has evolved like others have evolved. It's a linear process. You see this in other communities that have tried this, they mobilize, they reach consensus, they figure something out, they institutionalize what worked, and it creates something new to assist them in the process. In this case, the system to help entrepreneurs, the ecosystem.

What others have written was very helpful in understanding how we, in many ways we are unique, but also in many ways we are just like what other communities have done. Many of you have seen Bruce Katz come to town and talk; his language was very helpful in this and I think it would be helpful in communicating to leaders because if you've seen him speak, he talks about network assets, network capacity, network development. The Brookings Institution language was helpful; it's what we call bridging language where you're trying to get multiple worlds to understand the same idea. Also, the folks who wrote about the entrepreneurial university and how the university has evolved to the point where it engages people to this level.

Here are some graphical representations of that so if you want to shed the verbiage for a second and see how this can be graphically represented; this is Bruce Katz's concept. We have economic assets like our advanced manufacturing institutes and so on, we have the physical assets which may be space, equipment, telecom infrastructure, who knows because every community is different, and then we have the networking assets. When all three of those come together, that's when you have a system in place. That's when you become a systemic change.

This is the linear graph that is represented. Mobilization – when you get all the stakeholders at the table and get them excited about what's going on; that happened with documents like The Path Forward, with our grant money, and the initial meetings. But then they had to reach consensus on where the whole thing was headed. That doesn't always work. Sometimes this fails and you have to go back to the first phase. Where they agreed, they began to institutionalize which is a very important step because it's kind of like saying, "We now accept this within our institution and between institutions." It's buy-in at the university level.

You see this with the Beehive proposal. They are now saying, "We are going to have dedicated space on our campus for entrepreneurs to come on and work with our students and faculty on developing their product, their business plan, and so forth." It's very exciting. This level of buy-in doesn't always happen. Things often die at the consensus phase.

Where is this headed? It's headed to the birth of a new ecosystem; systemic change. We're not quite there yet; we're still at the level of it being institutionalized, it's being accepted broadly at each institution, and more and more people are engaging it. But what it is, as time has gone on and we see wins and we see a regular set of involvement and buy-in, it will be the birth of something brand new for Erie County.

I had a hard time explaining to a lot of folks how all these things fit together so I had to create this chart. It was very helpful for folks who are in this space to understand how all these pieces fit together. I think what is important to point out is that while there are two physical places within Erie County - Knowledge Park that we're in right now which is your typical suburban business park but it's a suburban innovation district model, and you have what's being proposed in downtown Erie which is your new kind of urban innovation district model. These things don't necessarily exist separately; they're within the same ecosystem of Erie County and Ignite Erie is the one kind of network that can supersede and support and participate in all of them.

The way I have designed this chart, you'll see the universities have a central role in it, that's why we see them at the center of the graph. They have a central role in transitioning to a ? economy. You see the private sector partners that are engaged in each of them and then you see the actual entrepreneurial support organizations and how they fit into the picture. Some of them still outside of the system looking in. That's part of the connectivity that we have to work on. I'll get to that in the recommendations.

Finally, you see the funders. We will always sit outside these systems so that we can look in and do a third-party analysis like the one I'm doing here today. But it's obvious that no one has had more impact on the system than ECGRA and I didn't conceptually think of that until I mapped it out. I'm very impressed with ECGRA's part.

Let's get to the recommendations. We are talking about tremendous successes here today. All the entrepreneurs that have been helped, the collaboration stories, the results, the vision that the folks at the table have put in, the hours that they have put in to make this happen; that story needs to be told. So, I'm going to be recommending to them that they work on telling that story to local elected officials, they work on telling it to the media, and they get out there with the fact that they collaborated at this unprecedented level.

Second is, and I kind of eluded to this connectivity, you have to continue to build this network so that it continues to provide value. You can't build it so large that it's unmanageable, but there are certainly entities that you saw in this bubble that are outside the system that should be brought into it. It's not up to ECGRA to do it; it's up to the players to do it. So, they'll get that recommendation.

Third, I'm recommending we continue to put funding into this process but to target it to the Beehive concept. I brought this up at Strategic Planning, we talked about it at Strategic Planning, I got a recommendation from the committee, we brought it here today as a resolution on your agenda to put funds towards these Beehives towards the four universities and the Blasco Library to take them to the next level so they can continue to institutionalize the Beehives with a new support system.

A subcategory under the Beehives is that they have to be able to communicate. If they exist individually at each institution, that's a problem because they are isolated, and they can't optimally serve the entrepreneur. They need to have an effective communication system and I know that they are working on that, but we really have to drill it home as their funders. Finally, there needs to be a survey conducted of what the results with the entrepreneurs were. What happened to their business? What happened when the prototyping business model was developed? For the students involved with the project, where did it take you? We have to know from the user perspective what value was created.

In conclusion just to wrap this all up, the core activities of this were Quick Starter and Beehives – they produced the most high-yield results. Permeability, which is the idea that there are porous boundaries, important in the concept of universities. You have to be able to engage with the university and the university has to be able to engage with you. There has to

be porous boundaries because these Beehives, the physical space on the campus, allows that to happen in a unique kind of way.

I was able to visualize a lot of this data, you'll see in the report through folks like Brookings – I'm going to give them credit as well as other innovation experts and philanthropic journalists – the concepts of connectivity, health, and results were very important. I got those from, and I give credit to, the Center for Evaluation Innovation for helping me understand that concept. There is inclusion here that the Beehives are the next big iteration of Ignite Erie and I'd like your support on that. And finally, future evaluation needs to look at the user perspective which is another way of saying entrepreneurs. There needs to be communication between the Beehives, the permeability needs to remain a top priority, not only for the university to be permeable to industry, but for industry to be permeable to the university. It's bi-directional if you think about it. They have to be ready to interact with the university as well as vice versa. It's not all, "it's mine" versus "it's yours."

Macro level indicators in the long term, ten years from now this thing should be studied to see how the macro level incubators improved. Also, what are the job creations in this knowledge-based sector – did it improve, what was the collaboration like between entrepreneurs?

That concludes my mid-term report on Ignite Erie. I will take any questions you may have. You have a 40-page document in front of you detailing this in greater detail. You'll have this presentation as a guide on your SharePoint site. If you have any questions, don't hesitate to call or ask and I'd be more than happy to talk to you. Thank you very much.

Mr. Paris: Thanks, Perry.

SOLICITOR'S REPORT

Mr. Wachter: Under the resolutions, there are numerous opportunities and recommendations for funding and we'll negotiate agreements with these groups. I just wanted to give you an idea that we've got a standard grant agreement that has been utilized for years that requires reporting back to the Gaming Authority so that we are able to review and monitor, things of that nature. The grant agreement is pretty easy.

With respect to the funding requests that are loans, we worked out a couple of different models. With the Ben Franklin Technology Partnership loan, that's a concept that we've developed called "warrants" in the past where we've encouraged Ben Franklin Technology Partners to utilize warrants in their investments. What does that mean? That means that when BFTP invests in a company, that money is to be used in Erie County, but a warrant would be a trigger mechanism such that if the company leaves Erie during the period that the loan is outstanding, we would recall the loan or call payment back to the Gaming Authority. I'm not sure how often that has actually been employed by BFTP, but we're limited in our ability to require the use of those as it may not work in the larger system and may actually limit the use of our dollars.

So, just so you know, I'm going to take a look at that and see if that's something that still works and it is being utilized, and as we're working out the new agreements with them to see if there is something that is very similar. I am always very concerned about ways to guarantee that the investment stays in Erie County, as you are an Erie County Authority. I just wanted you to be aware of that.

The other loans that are out there are pretty standard. We've got Blue Highway Capital and such; I think those will most likely be just straight interest-bearing loans. I just wanted to throw that out there. If there are any questions at any time regarding how these things have been structured in the past, please do let me know.

OLD BUSINESS

Mr. DiPaolo: I have a question, Mr. Chairman. Do we have any movement with the Ridge Policy Group? Is there anything new with that?

Mr. Wood: There is a report in your Executive Director's Report talking about the various levels of research and conference calls that have been done. We do have the Taskforce System that's been put in place in order to ensure that County government's priorities are covered in there and that is the folks that are working on regional innovation and entrepreneurship, transportation, youth workforce issues, and the healthcare related stuff with Blue Zones. So, there has been continued work done in those areas. It was reported last month that we've identified a funding source to go after in January with the Summer Jobs program and we currently have grants that are being advocated for right now to our projects here in Erie County on the regional innovation side that we should hear about within a matter of weeks. Those are through Economic Development Administration and the Appalachian Regional Commission; further funding like those I talked about earlier today.

The fifth area is neighborhoods and we kind of struck out there. There's not a lot going on at the HUD level so we're continuing to see where that takes us. The City has told us that at the transportation level, there used to be this significant grant called Tiger Funding, and as new administrations come in they rename things. The Trump Administration has a new name for that program which I believe is called the Build Grant. We've been talking with various folks at the City, at the Schember administration about how they can take advantage of that based upon the activity that's going on on the waterfront and the downtown. What we have found was that they are very close to being able to take advantage of it but they're not quite there yet. So, they're kind of getting their ducks in a row.

There is a new STEM related grant that just came out called PA Smart and we are going to do focus groups here at ECGRA to make sure people understand it and see which ones make the most sense to take advantage of. There was a story in the news about Tech After Hours, which of course we seed funded. Matt Pundt started that program in the city school district; it's been pretty successful. It's in a transition period, it's got new leadership, but that's the type of project that we'd be looking at for a PA Smart type grants.

Mr. DiPaolo: Okay, but the bottom line is they haven't returned anything to us as far as a grant as far as now.

Mr. Wood: I think it depends on how you view it. They helped the Millcreek Township School District receive \$40,000 in tax credits, the School District Foundation.

Mr. DiPaolo: Didn't the school district pay them to do that?

Mr. Wood: No, we paid them. And that's the idea behind this. We're not doing this for us, we're doing it for the community.

Mr. Bagnoni: Perry, I still have a problem with how do we prove this? If Millcreek had applied for the loan themselves and got it themselves without any input from Ridge Group and we have no way of documenting that loan is based on what Ridge Group did and the money we paid. That's my problem. How are we going to justify, how are we going to prove this?

Mr. Wood: I think it's a good question and as a Board, I think you should help me to answer that question. I think it's a good question to ask.

Mr. Bagnoni: I look at it and say, "Okay, they got \$40,000" but I know Millcreek can do that on their own. They don't need the Ridge Group to do that.

Mr. Sample: To your point, we need to qualify it. Did they know about it? Did Ridge bring it to them and make them aware of it? That's where we have to go back to Millcreek and find out what is the collaboration.

Mr. Bagnoni: Here's my problem with that. I don't mean to be a pain but when I look at this thing, why do we have to go out and do this? Why should we have to go out and check to make sure that the people we're paying are doing what they're supposed to be doing? It's ridiculous. If the Ridge Group has something, they should be bringing it to us first saying, "We're going to present this to this group and let them apply for it" and then show us that they get the loan for it. That's one way of doing it. But I don't think we should have to go out to Millcreek and say, "How did you get this information and who benefited you and how did you get it? Did they help?"

Mr. Wood: Technically, the way that you described it is the way that it happens. They come to us and say, "Here are the following opportunities that we think you can access at the State and Federal level." Then we bring the respective players together and we go after them. We've done that in a couple of circumstances. We're at an interim phase where we're waiting to hear back from them.

Mr. Bagnoni: Perry, I haven't heard about any of this. This is the first that I'm hearing that they are bringing anything to us.

Mr. Wood: I have monthly reports in the Executive Director's section and I always talk about it and answer questions, but I'd be more than happy to aggregate those and send them to you in an email.

Mr. Bagnoni: As they come in, so we know that we're looking at them?

Mr. Wood: Sure, I can do that.

Mr. DiPaolo: Just a follow-up to what was just explained. Did, in fact, they come to you in regards to Millcreek?

Mr. Wood: No. Millcreek came to us and asked for help.

Mr. DiPaolo: Very good. Thank you.

Mr. Peters: Millcreek came to the Gaming Authority and asked for help?

Mr. Wood: Yes, they said, "We need help on this. Do you think you could help us?" So I suggested we talk to Ridge Policy Group. That's the way it happened.

Mr. DiPaolo: But Ridge didn't bring it to us.

Mr. Wood: No. Ridge didn't even know Millcreek was having that problem.

Mr. DiPaolo: Okay. Very good.

Mr. Peters: Perry, on the same topic, months ago when this came up there was discussion that there would be some, I think you referred to it as a taskforce, people that would actually communicate with Ridge and what they need. Is that still someone from the County Executive's office and someone from the City so it's not just us, ECGRA? It's our resources funding this but we're using folks from local government that are needing help and sort of sharing them.

Mr. Wood: Yes. From a communications standpoint, that is how it functions. The five task forces met with Ridge, we talked about policies, and there has been follow-up communication. That's part of the report that I provide.

Mr. Peters: I know. I've read the report. I was just bringing that up for general information.

Mr. Sample: Again, I think we don't want to micro-manage them but we do want to hold Ridge accountable, which I think they have been. This whole thing was we came together with this taskforce to try to make it a viable solution for all of Erie County.

Mr. Lee: Mr. Chairman, if I may. The Ridge Group has been in contact with the County on several different occasions bringing opportunities for grants to our attention and were willing to work with us. We had to bypass on a couple of them due to being focused on some things that we need to close out this year, but it doesn't close the door as far as doing something in the future. They have been in contact and have been working very closely with us on various initiatives.

Mr. Paris: Good to know.

NEW BUSINESS

- a. Resolution Number 19, 2018 – Resolution to accept the 2017-18 audited financial statements.

Mr. Wood reads the Resolution.

Mr. Sample makes a motion to approve Resolution 19. Mr. Peters seconds the motion.

Mr. Paris: Is there any discussion?

Motion carries 6-1, with Mr. Logue voting in the negative.

- b. Resolution Number 20, 2018 – Resolution to authorize the executive director and solicitor to enter into negotiations and execute an agreement with International Institute of Erie for \$200,000 Mission Related Investment grant for the purpose of promoting small business growth and expansion in Erie County in accordance with the ECGRA impact investment policy.

Mr. Wood reads the Resolution.

Mr. Peters makes a motion to approve Resolution 20. Mr. Sample seconds the motion.

Mr. Paris: Is there any discussion?

Motion carries 7-0.

- c. Resolution Number 21, 2018 - Resolution to authorize the executive director and solicitor to enter into negotiations and execute an agreement with Blue Highway Capital for \$250,000 Mission Related Investment loan for the purpose of promoting small business growth and expansion in Erie County in accordance with the ECGRA impact investment policy.

Mr. Wood reads the Resolution.

Mr. Sample makes a motion to adopt Resolution 21. Mr. Barney seconds the motion.

Mr. Paris: Is there any discussion?

Mr. Bagnoni: This requires matching funds?

Mr. Wood: Yes.

Mr. Bagnoni: And they repay us?

Mr. Wood: It's a loan.

Motion carries 6-1, with Mr. Logue voting in the negative.

- d. Resolution Number 22, 2018 – Resolution to authorize the executive director and solicitor to enter into negotiations and execute an agreement with Bridgeway Capital for \$300,000 Mission Related Investment grant and \$2,500,000 Mission Related loan for the purpose of promoting small business growth and expansion in Erie County in accordance with the ECGRA impact investment policy.

Mr. Wood reads the resolution.

Mr. Barney makes a motion to approve Resolution 22. Mr. Peters seconds the motion.

Mr. Paris: Is there any discussion?

Motion carries 7-0.

- e. Resolution Number 23, 2018 – Resolution to authorize the executive director and solicitor to enter into negotiations and execute an agreement with Ben Franklin Technology Partners for \$300,000 Mission Related Investment grant and \$1,000,000 Mission Related loan for the purpose of promoting small business growth and expansion in Erie County in accordance with the ECGRA impact investment policy.

Mr. Peters: Perry, if I could jump in here. This particular resolution has to do with Ben Franklin Technology Partners and, as a I have in the past, I recuse myself from this vote and any deliberation. I do have a memo that I will provide.

Mr. Wood reads the resolution.

Mr. Sample makes a motion to approve Resolution 23. Mr. Barney seconds the motion.

Mr. Paris: Is there any discussion?

Motion carries 5-1-1, with Mr. Logue voting in the negative and Mr. Peters abstaining.

- f. Resolution Number 24, 2018 – Resolution to adopt the 2018 Mission Main Street Grant Guidelines and Application.

Mr. Wood reads the resolution, noting the changes of a \$2.5 million bucket over three years with the ability to extend for one year and the maximum an organization can apply for is \$250,000.

Mr. Sample makes a motion to adopt Resolution 24. Mr. Barney seconds the motion.

Mr. Paris: Is there any discussion?

Motion carries 5-2, with Mr. Logue and Mr. DiPaolo voting in the negative.

- g. Resolution Number 25, 2018 – Resolution to adopt the 2018-19 Beehive Grant Guidelines for Ignite Erie Community-University Engagement Funding.

Mr. Wood reads the resolution, noting that the program has \$1 million bucket with a maximum application of up to \$250,000 for the five Beehives of Erie County. These are also three-year grants with the ability to extend for one year.

Mr. Barney makes a motion to adopt Resolution 25. Mr. Sample seconds the motion.

Mr. Paris: Is there any discussion?

Motion carries 7-0.

ADJOURNMENT

Mr. Barney moves to adjourn.