Erie County Gaming Revenue Authority

Minutes of the Board of Directors' Meeting

June 15, 2023

Meetings for the Board of Directors of ECGRA can begin meeting in a physical location per Governor Wolf's proclamation of June 11, 2021. However, each member and ex-officio has the option to attend in person or virtually. Members of the public can now speak at the physical location of 5240 Knowledge Parkway.

CALL TO ORDER

The Board of Directors' Meeting of the Erie County Gaming Revenue Authority was held on June 15, 2023 at 5240 Knowledge Parkway, Erie, PA 16510. Legal Notice of the meeting was given through an advertisement appearing in the Erie Times-News. The meeting was called to order by the Chair at 8:00 am.

ROLL CALL

Mr. Barney, Mr. Cleaver, Mr. DiPaolo, Ms. Hess, Mr. Oberlander, and Mr. Winschel are present in person. Ms. Loll is present via Zoom. Mr. Smith is present via zoom (enters meeting late). Mr. Wachter and Dr. Wood are present in person.

APPROVAL OF THE AGENDA

Mr. Cleaver makes a motion to approve the agenda. Mr. Winschel seconds the motion. There is no discussion of the agenda. Motion carries 7-0.

APPROVAL OF MINUTES – May 2023

Mr. DiPaolo: On page seven of the minutes, the people that were here talking about their lettuce, I asked the question of Mr. Shannon of how many food pantries we have in Erie County. The answer from Ms. Lawson was 60+. That was after Mr. Shannon said eight. He didn't know what the answer was. So, I just wanted to make sure that was corrected. He had responded eight, not knowing that it was 60+ so we can correct that.

Mr. Barney: We will make note.

Mr. DiPaolo: Thank you.

Mr. Cleaver makes a motion to accept the minutes as presented. Ms. Hess seconds the motion. There are no other questions of the minutes oat this time. Motion carries 7-0.

DIRECTOR'S COMMENTS

There are no comments from members of the Board at this time.

COMMENTS BY THE CHAIR

Mr. Barney has no comments at this time.

PUBLIC COMMENT

There are no members of the public present, so there are no public comments at this time.

Let it be noted that Doug Smith enters the meeting via zoom at this point.

PRESENTATIONS

a. Maher Duessel: Michelle Bryan, Amanda Jaros, Laurel Prokophak

Ms. Bryan: Thank you for having us today. My name is Michelle Bryan and I serve as the audit partner for Maher Duessel. With me today is Amanda Jaros and Laurel, who serve as the Manager and the In-Charge on the audit; we're going to go over the audit. I'm going to go over the Communication which is some required communication to the Board as part of the audit process. Then I'm going to turn it over to Amanda to go over the Statements themselves. We'll end with just a few minor recommendations for the Authority to consider and take any questions either throughout or at the end. So, if anyone has any questions, don't be afraid to speak up at any point in time.

Our responsibility under auditing standards is to issue an opinion on the Financial Statements. Your audit was conducted in accordance with Generally Accepted Accounting Standards, and the significant accounting policies of your statements are included in Note Two to the Financial Statements. There was no new or changed accounting policies during the year. There was one new GASB statement that really is effective for the current year. It related to leases, but it only affects the leases who have terms greater than 12 months. You guys have one lease for your building, but it is just a one-year lease that renews annually, so it was not required under that standard to be recorded. If you did have a long-term lease or do consider long term leases in the future, just be aware that you will have to record a lease greater than 12 months as a right to use asset and a liability on your balance sheet.

Your Statements do include estimates; the most sensitive estimates in your Statements relate to the Uncollectible Notes Receivable allowance that's determined by management. So, there are specific allowances associated with each of those loans that you have, and there is some judgment regarding their collectability that management has taken and is included within these Statements. The disclosures in your Statements are considered neutral, consistent and clear. The most significant disclosures regards to the irrevocable gifts to the Erie Community Foundation included in Note Five and the Notes Receivable included in Note Six.

We had no difficulties in performing the audit and getting the information. Perry and Tammi always get us the information we need and in a timely manner. This is typical timing of when we do present your audit. So really no issues to really present to the Board in dealing with and getting the audit done. There were some adjustments required as part of the audit process. The most significant of those adjustments really related to recording Unearned grant funds. So, grant funds received from Erie County that had not yet been spent by year end are reported in the audit as Unearned and really don't show up as earned until the expenses that are associated with those grant funds occur.

We had no disagreements with management. We will obtain representation which is a letter that indicates that all information was provided to us and all responses to inquiries were fully responded from management. The Statements you are looking at today are in a draft form. That letter will be obtained prior to the issuance of final Statements. There was no consultations with other independent accountants and no matters discussed regarding our retention.

There is a separately issued management letter, which we'll go over here in a few minutes. There is also a Compliance Examination that was performed in the current year; that is new for the Authority and really relates to the ARPA funding, or the funding received under the Coronavirus State and Local Fiscal Recovery Programs. As you had over $750,000 of federal funds expended during the year, you had to have an additional Compliance Examination done in addition to the Financial Statement audit done that's typically done as part of the audit process.

I'm going to turn it over to Amanda to go through the Statements and talk more about that Compliance Examination. And I'll wrap up with the management letter at the end of the presentation.

<u>Ms. Jaros</u>: Thanks Michelle. As Michelle had mentioned, we did do a Compliance Examination report over a year of ARPA funding. As ECGRA only receives one type of federal funding, they were eligible for this type of Examination in regards to this ARPA funding. Related to this Examination, in here it talks about our requirements our examination as it's conducted in accordance with attestation standards established by the AICPA and those standards and requirements require that we plan and perform the exact examination to obtain reasonable assurance about whether the Authority complied in all material respects with the appropriate area in the compliance supplement, which is allowable costs.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. And we, in our opinion, we do believe that the Authority complied in all material respects with these specified requirements within allowable costs as referenced in the CSLFRF Compliance Examination requirements. We are also required to report on any deficiencies or material weaknesses and internal control that would have a material effect on the Authority's compliance with those specified requirements, and we did not note any significant deficiencies or material weaknesses that we deemed that would have a material effect on the compliance with allowable costs.

The intended purpose of this Examination report is solely to express an opinion on whether the Authority complied with the specified requirements. And this report is not suitable for any other purpose. I see Michelle has a comment.

Ms. Bryan: I was just going to say this is all a lot of fancy language to basically indicate that we tested the compliance of allowable cost with your Coronavirus relief funds, and there was no findings to be reported. So, this is really a report that you will be required to submit to the federal government as well as to the County of Erie as it relates to receiving those federal funds.

This type of opinion really is very specific to these Coronavirus funds. It was something issued by the AICPA specifically related to this funding stream due to the number of organizations who are having first time compliance audits because of the large amount of those ARPA funds that was distributed by the federal government. So, this type of examination only relates to those Coronavirus relief funds. If you got additional federal funds outside of this funding stream, you would have to have what's called a single audit which is typically what you would see with other organizations receiving federal funds.

Ms. Jaros: Thanks Michelle. Does anyone have any questions on this item for anyone from our team? Again, it is new. You've never seen this type of report before for your audit. Does anyone have any questions before I move on to your Financial Statements? Okay, great. Great. I just wanted to make sure as I know that that is a new document for all to see.

So, I'm going to go through the Financial Statements now and then we'll wrap it up with the Management Letter and I'll send it off back to Michelle for that. Beyond the Cover and Table of Contents is the Auditor's Report. We did issue an Unmodified Opinion; it's the highest level of Opinion that we can issue as part of our audit. Other than that, the Opinion has not changed from the previous year. There is no new wording and nothing significant. But we did issue an Unmodified Opinion.

Beyond the Opinion we have your Statement of Net Position, which is like your balance sheet. At March 31, 2023, ECGRA has approximately $24 million in total assets with about $18 million of that between cash and cash equivalents and the current portion of Notes Receivable, and then an additional $6 million of Notes Receivable at year end. You will see a slight increase from the prior year in cash and cash equivalents which I will go through on the Statement of Cash Flows in a couple of pages. There were no new Notes Receivables during the year, so those amounts and those balances are pretty consistent with the prior year.

As Michelle had mentioned, we did have some adjustments related to this Unearned Revenue. So, this Unearned Revenue here of approximately $2.4 million relates to your ARPA allocation and the additional Beehive grant that was received that was not yet spent during the year. So as that funding was not yet spent, then the amounts remain in this Unearned Revenue until you have qualifying expenditures. When you do have qualifying expenditures related to those funds, it is recorded as revenue on your next page. You do have a Restricted Net Position for economic development here of approximately $21.8 million, which is an increase from the prior year and I'll show you that on the next page as well.

This is your Statement of Revenues, Expenses, and Changes in Net Position; this is like your income statement. You will see here you have total operating revenues of approximately $8.5 million, you have your gaming revenue at $6 million which is consistent with the prior year, and then here's where you have your government grants. So, this government grants line item here of approximately $2.4 million relates to the ARPA money that was spent during the fiscal year ending March 31, 2023, as well as the expenses associated with the Beehive grant. This number here is also what triggers you to have that Compliance Examination Report that we previously discussed, or the single audit if you did have other federal streams. So, this amount is related to that. It is significantly higher than it was in the prior year. In the fiscal year ended March 31, 2022, you had only spent about $10,000 of that ARPA funding.

It's worthwhile to note that you will have to have the Examination Engagement again every year as long as this number related to federal funding is in excess of $750,000. So of this Unearned Revenue here, if you spend all of this during this fiscal year that you're in right now through the year ended March 31, 2024, you will also have the Examination Requirement for 2024 as well. If it does extend into multiple years, you will have that as long as that amount is above $750,000 of federal funding. Also, if during the year you do receive federal funding from other federal streams, that is where it will impact whether you will have a Single Audit or the Compliance Examination as right now you only have federal funding under one stream.

You have Operating Expenses during the year of approximately $5.9 million, with the majority of that being within grants awarded of approximately $5.4 million This is significantly higher from the prior year as well due to receiving the ARPA funding and the expansion of programs that you could do based off of the ARPA funding that you've received. You have Operating Income of approximately $2.6 million. You also have Interest Income here of approximately $200,000, and you will see that's also a significantly higher number than the prior year; you had a higher cash balance throughout the year that increased the interest earned as well as higher interest percentages which caused your interest income to be higher. Therefore, you have a change in Net Position of approximately $2.8 million, which gets you to your end of year Restricted Net Position of $21.7 million. Does anybody have any questions on your balance sheet or income statement before I go to your Statement of Cash Flows?

Okay, hearing none this is your Statement of Cash Flows. This is what describes the change in cash during the year. You have Net Cash provided by Operating Activities of approximately $1 million and then you have Interest Income from investing activities of $200,000. So, as you can see your Net Increase in Cash and Cash Equivalents of $1.2 million rates primarily to Operating Activities. And you can see that that relates to the cash received from the gaming revenue being offset by the cash paid as grant awards. So, the Net Impact there, as well as your cash received from the government grant of the $737,500 related to the Beehive, is what's causing the increase in cash. So, this explains that you received cash but you have not yet paid the expenses that matches the cash that you've received, so you do have a higher cash balance this year. This here is your Reconciliation of your Operating Income which shows you the same amount as your Operating Activities. That's it for your Financial Statements.

These are your Notes to the Financial Statements. I'm not going to go through them in depth as they are consistent with prior years. There are a couple open items in here that we will need to receive from Tammi and Perry prior to the finalization which we are in contact with them in order to receive those items. So you will see two yellow highlights in the footnotes and they are related to those open items. Prior to finalization we will obtain those items, update them accordingly, and then those highlights will no longer be there.

As Michelle mentioned as well, as there were no new accounting standards adopted during the year there were no significant changes in these footnotes. So again, I'm not going to bore you with going page by page through these. Does anyone have any questions specifically on any specific footnote that I can go through? If not then I will go ahead and turn it over to Michelle for the Management Letter.

<u>Ms. Bryan</u>: Thanks, Amanda. So, in addition to the Financial Statements, we did issue a Management Letter which includes recommendations and areas of improvement efficiency that we think the Authority can work on as part of their operations. Comments are divided into three levels, material weakness being the ones that are the most concerning, significant deficiencies in the middle, and other matters.

So, the first comment is considered to be a significant deficiency – that middle level – and really the difference in how they're categorized is auditor judgment really related to how material the items are and the impact to the Financial Statements a whole. This comment is talking about the Financial Statement adjustments that were required as part of the audit process. So basically at year end in the ideal accounting world, the auditors come in, they take the information that you provide, they audit it, and the financial statements don't require any adjustments. This is indicating that there was an adjustment required that was material to the Financial Statements that really requires it to occur in order to be in compliance with GAAP. So that was really adjusting that $2 million entry for Unearned. So really just knowing that any of those grant monies you receive at year end prior to spending them really don't sit in revenue, they sit in Unearned until you spend them. So that really is the most significant adjustment. There were a few other adjustments that are noted in this comment, but really the most significant and the adjustment that's really generating this comment does relate to that Unearned amount.

The next comment is on reporting and this is talking about the ARPA funding reporting, really for the ARPA and the Beehive grants that goes to Erie County. When we reviewed those reports, we noted that the General Ledger detailing the expenses did not agree to the quarterly reports that was submitted to the County. So, there were adjustments made by Tammi and Perry and resubmission of that information. I do believe that it has been corrected but we would recommend that there be a reconciliation to the general ledger that does occur, as those reports are completed.

This really encompasses all the deliverables as part of the audit process. Any questions, concerns, matters of note, happy to talk now also happy to talk to the Board throughout the year if anything does arise. My contact information and Amanda's contact information, Perry or Tammi would be welcome to provide that at any point. We're always welcome to talk to the Board; we know your involvement to the organization is important.

Mr. Barney: Thank you, Michelle and Amanda. Are there any questions?

Ms. Loll: I was wondering if I could get a hard copy of all of this?

Dr. Wood: Yes, of course.

Mr. Barney: Will do. There is a question from Dom.

Mr. DiPaolo: I have a question. The cash received from borrowers, are we up to where we're supposed to be from the people that owe us money for the loans? Are we up to where we're supposed to be?

Ms. Bryan: I don't believe there are any delinquent payments, whether it's anyone who has paid or is paying interest-only payments.

Mr. DiPaolo: Very good.

Mr. Barney: Are there any other questions at this time? No? Okay then, Perry.

Dr. Wood: Just some summarizing comments. I want to start off by thanking the auditors at Maher Duessel; you guys do a fantastic job. We really appreciate all the work that you do – it's always efficient. And of course, Tammi who is your main liaison during that process. Stellar. So, thanks to all of you.

Then to the Board. So, these are draft audit statements. This is the first time that you're seeing them. You just got to talk to the auditors directly but you may have some lingering questions and, as Michelle said, there's nothing wrong with contacting our auditors directly or if you have questions for staff, you can ask us those same questions. We can get you the information, they can get you the information. This will be the first time you're seeing this obviously, so it's part of the digestion process, but we will make sure everybody has this moving forward. And if there aren't any significant material changes, and in 12 years I don't remember one, then we'll put this on the agenda for approval at the next board meeting. If we need to delay it, though, we will. This is an important document for us – an archival document. Of course, we submit this to Erie County government as part of the records.

Mr. Winschel: So will the findings also be on there? The findings? We have a copy of the Financial Statements . . .

Dr. Wood: You mean the letters? Absolutely. The letters are all part of the packet that you received.

Mr. Winschel: Thank you.

Mr. Barney: Once again, we'd like to thank you two. If there are no other questions, we'll move forward.

Ms. Bryan: Great. Thank you for your time. Have a good day, all.

Dr. Wood: Thank you.

COMMITTEE REPORTS

a. Treasurer's Report: Mr. Cleaver: Thank you, Mr. Chairman. The budget is fine. No problems; in everything we're well under spent under every item. I just want to make one comment. If you looked at the financial reports that you received, you see, I think it's the first payment of the municipalities, it ranges from 37,000 to 100,000. Just a note to see that there's an agreement that was put together and not just a dollar amount. Other than that, I have nothing.

   Mr. DiPaolo makes a motion to accept the Treasurer's Report as presented. Mr. Oberlander seconds the motion. There are no further questions or discussion of the Treasurer's Report. Motion carries 7-0.

b. Strategic Planning Committee: No meeting was held so there is nothing to discuss.

c. Update from County Council: Mr. Shank is not present, so there is nothing to report at this time.

d. Update from County Executive's Office: Mr. Smith: I appreciate this opportunity. I would just like to report to the Board that the County, along with Debbie Thompson's group, has been engaging groups, the zones that we spoke to you about throughout the County regarding the

EMS issue, and we've encountered a significant amount of agreement in terms of dealings from places like Edinboro, even East County where there is some question because of a township like Harborcreek where their issues aren't severe at all at this point. But generally we've encountered a lot of agreement that there isn't a significant issue with EMS across the County and that they're looking for a solution. We have meetings today with the City of Erie and with Millcreek and that will complete the five zone presentations that we spoke to you about this last time. As we gather some information from those meetings, we'll forward them to the Board for your review and we look for a chance to speak to you again about this issue.

I put a note in the comment, but I'm hoping at some point maybe you could let us know what's happening with the Beehive program. I just heard mentioned during the audit report that those funds are still, I guess, unused at this point but I'm just assuming you're putting programming together or something. If you could, maybe Dr. Wood could update me on what's happening with the Beehive.

<u>Dr. Wood</u>: I can give you a quick update on the Beehive right now.

<u>Mr. Smith</u>: Yeah, whenever it's a good point at the meeting today, Perry. But we're grateful for the time and attention and the work of the Board. Thank you.

<u>Mr. Winschel</u>: Dr. Wood, before you jump on the Beehives, can I ask Doug a few questions? Hey Doug, Gary Winschel. How are you this morning?

<u>Mr. Smith</u>: I'm very well, Gary. And you?

<u>Mr. Winschel</u>: Good. Just a couple of things. I know that just by watching TV and media you've been on the tour and I do notice that you were at East County – North East and Harborcreek – and in Harborcreek, Dean Pepicello the supervisor out there basically said, "I really don't see a need on that." But it sounds like you're still working through that.

Another item is I know last month, I wasn't here but I read the minutes where Mr. Grappy talked about that collaboration is already happening out in Cranesville and Albion and Conneaut out there. But also in the news this week, there seems to be an issue with, I think the fear of everyone, is these different municipalities now kind of these silo mentalities, and you know the situation out there is probably more fire where in Albion, I think, they took all their equipment. So Cranesville has got a building but no equipment out there. And I think the Auditor General stepped in to kind of say, "No, you got to give that equipment back because it's paid for by the taxpayers." So, I'm just wondering if those are some of the obstacles that you anticipate because of the silo mentalities going forward?

<u>Mr. Smith</u>: Well, I would say you're spot on. Mr. Winschel there and actually that West County convergence their work on their commission on the EMS side is exactly the sort of model that we'd like to see some others join in in terms of . . . I mean, East County is a little bit different because you've got a strong volunteer unit in Greenfield and obviously Harborcreek has been funding their operation right along but apart from those two communities in the east, you've got a community like Lawrence Park that their operation is in, they are only in operation about 10 hours a month, I want to say; and this is not unusual. So what we're looking at is putting together what we're calling a coalition of the willing and we believe that the vast majority of communities countywide fall into that category. And we'll begin working with those communities as soon as possible. We've identified not only the Lancaster model, which is a municipal authority, so that would be formed by particular municipalities, but the other model

that we're discussing is a county authority. And the county authority, while similarly untested in some ways, allows us to get going a little bit faster and allows us to take on any communities that are willing. And so that is something that Attorney Walczak has helped us flush out a bit and we continue to flush out. We feel like we're making some significant progress, and we're also seeing a significant agreement from a lot of communities. There are of course, those who are not suffering as much as others and that I suppose, is always going to be the case. It will be interesting today to I believe, talk with the city and Millcreek and get their points of view on this. But, you know, like any process, it's got to move along. It's not something that happens with a flip of a switch.

Mr. Winschel: Okay, and one other question, thanks for mentioning Millcreek. After last meeting I did meet with a couple of the supervisors and Dan Oulette, Supervisor Oulette, he is a deputy chief, so I think you know, he has a clear understanding of the needs and urgency on that. But also, as you probably are aware, last year Millcreek did institute a $40 fire tax to fund their fire department. So I know that was a concern at last meeting talking about additional tax on top of the municipalities or also, as a current tax. Again, it's EMS versus fire and if I understand, fire may be right behind EMS. So I look forward to hearing the results of your meeting and hopefully you have a good conversation with Millcreek and Erie today. Thank you.

Mr. Smith: I appreciate it, Mr. Winschel. I look forward to it as well.

Mr. Barney: Are there any other questions of Mr. Smith? If not, Perry.

Dr. Wood: The question was about the Beehives. The Board saw presentations from the Beehives, the Board made awards to the Beehives – all five of them - and those contracts have been signed by the Beehives. Drawdowns to date are that four of the five Beehives have drawn down their funds. That's where we're currently at in the process.

Mr. Smith: I'm sorry, Perry. It was a little bit hard to hear you there. So, there are contracts out there that are being . . . did you say four out of five? No, it wouldn't be four out of five, but . . .

Dr. Wood: All five of the Beehives have been contracted with; the Board awarded funds to the five. Four of the five have drawn down the funds; the other you just don't see in the Financials because it took place in this fiscal year.

Mr. Smith: So, is there still remaining Beehive funds, Perry?

Dr. Wood: One of the five has not drawn down on the funds, so out of the $737,500, there is still the balance of the one that is left.

Mr. Smith: I appreciate the update; thanks so much.

REPORT OF THE EXECUTIVE DIRECTOR

Dr. Wood: There is an Executive Director's report in the Board packet and you'll see some information in there about some of the press we did, for example the event we just did in Edinboro and the press release for that event. You'll see some of the newspaper articles highlighting what's going on with ECGRA from the Corry Journal and some other sources, and then you'll see some letters of support, which I like to put in there. Whenever folks send a thank you letter, I like the Board to see that we've received some type of recognition, like from Asbury Woods, the Gertrude Barber Center, and others.

Let's take a look at the presentation ahead of us here. You do have a packet in front of you with some clarifying documents. It was clear after the several discussions we had that we need some kind of refresher, so I've titled this "Where does gaming revenue flow and why?" because we got here for a reason. There are a lot of actions and documents that led up to this so let's go over some of those key documents. Tim will chime in whenever he wants to from a legal standpoint.

These are the four areas that I'd like to cover. The first is, what are the benefits of gaming revenue for the state of Pennsylvania? So, how does the average citizen benefit? The second is, the concept of local share gaming revenue; it's a legal concept created in the Horse Race Gaming Act. Next is, what is the legal context for local share? I'm using the term local share because that is what we are administering, just to remind you. Local share comes to Erie County and to ECGRA; we're administering half of Erie County's local share. And then finally, the legal context for creating our grant programs.

This is handout number one in your packet if you want to flip to it with me. This is how the revenue flows. You see there out of the gross revenue that the single largest is going to be the casino's revenue itself, which is only at 46%. The second largest is 34% for property tax relief – I'm going to talk about that in two different slides because there are two main ways that Pennsylvanians receive property tax relief. The third is the Horse Race Gaming Fund and that's things like the prize purses or the development of that industry. Five percent goes to economic development programs at the state level. One example would be the tourism fund, so the convention and visitor's bureau is actually funded through that 5%. And then finally, 4% goes to local share. So, 4% of the total gross goes to the local share concept. I have a blown-up pie chart in front of you so you can see the numbers for yourself.

Let's dive into property tax relief; actually, I'm going to dive into two things – property tax and local share. There are two forms of property tax relief that everyone in Pennsylvania receives. The first thing to note is that 34 cents on the dollar goes to property tax relief. The first form of it is in the form of school property tax reduction; that's the next handout in your packet there. This is what the school districts receive, and this is the primary way that you as a taxpayer receive relief from the gaming industry. You can see there the largest amount there is the Erie City School district, followed by Millcreek, but if you look at the per capita tax relief in the far right-hand column, you'll see that the city still comes out on top, you have groups like Girard and Iroquois that are significantly higher per capita, whereas Millcreek might get a larger amount, but it has the lowest per capita. Per citizen, it varies. The statewide average is $200, but I thought you'd like to see it here by municipality and locally how it benefits.

So, this is the biggest pot. If you hear a politician say that there was an unrealized tax reduction from gaming revenue, it's not an accurate statement. You can see here that 34% of the revenue goes to property tax reduction but it comes through the Homestead Act. So, everyone here who has a home and has filed for the Homestead Act, you are receiving that benefit on your school district tax bill. And Tim can tell you, when you get your paper tax bill, there is a line on it that says how much you have actually received. That's number one.

The second type of property tax relief is through EMS and volunteer fire department grants. What I have put in your packet, page three in your packet, is the grants that come to Erie County in the last fiscal year; about $589,000 to both EMS and fire. This list has gone up because as time has gone on, these folks have contacted us and asked for grants, and we tell them that the state has these EMS and volunteer fire grants. So, we've made sure that we've got them connected with that program and as you can see here, almost all of them have some type of funding that ranges from $20,000 to $25,000 a year. Let's put that in context for a moment; it's a reasonable grant for that amount. Some of these groups receive two grants if the volunteer fire department also has an EMS function. That's property tax relief area number two. You can see here on the list that 31 applicants received 49 grants totaling $589,347. Are there any questions about property tax relief before I move on? The first is homestead, or if you have a farm it's farmstead, and the second is EMS and volunteer fire.

Let's go on to the concept of local share. We talked about the other areas of gaming revenue; we're not really going to go into detail on them because they don't really pertain to us. They are not the funds we are responsible for – that we're stewards of. Local share, as a concept, is a unique legal concept in the United States. I'm not aware of any other piece of gaming legislation from any other state that creates the local share concept. It was part of the negotiation that went on when Governor Rendell and the legislature looked at legalizing gaming revenue. Basically, what happened was, a conversation took place in which legislators were concerned about the effects of gaming revenue and what those effects would be on their local communities. As the negotiation went on, things like the EMS and volunteer fire pot was formulated at the state rather than at the local level. So, today you might see these announcements come out about EMS and volunteer fire from state legislators, for example. The state will contact them, they will make the announcement at the local level, so you'll see them putting out the press releases on these funds. Whereas other things were said that other things need to be dealt with at the local level, so that's why they would create local share. Primarily it was concerns about public safety, particularly crime, there were concerns about infrastructure – sewer and water infrastructure – roads, transportation issues, and of course human services issues around the addiction of gambling. And since counties run the human services for their region, it made sense for that to be part of the discussion.

The state has created significant programs around helping problem gamblers and you've probably seen some of the billboards and heard some of the advertisements – if you have a gambling addiction, call this number. In fact, it's a requirement when a casino advertises, to have that 800 number for addiction as part of their advertisement.

How do you mitigate the effects of a casino on your region? Well, there are two key ways. The legislation says 1) through contiguous municipalities. In other words, you're going to having the greatest impact on the host municipality – Summit - and the contiguous municipalities, which really just means that on a map, those municipalities that touch Summit Township. So, that's why there are six contiguous municipalities, we include Erie County as one of them, so five and Erie County makes six, that are affected by having a casino in your back yard.

The legislation, which was tweaked in every region of the Commonwealth by their sitting senator, said a second thing which was, "What will we do when we've mitigated those issues with the rest of the money?" In Erie County, it was Senator Earll. She said since it would be in Summit, the contiguous municipalities get their needs met through all the ways I mentioned like public safety, human services, infrastructure and so on, and then the rest ought to go to economic development. That's why on one hand over here with the contiguous municipality concept we have the PA Horse Race Gaming Act, I'll just call it the Gaming Act for short, and over here we have the Economic Development Financing Law of Pennsylvania. That's why we have two pieces of legislation that affect what we do.

At the time, there were many conversations over what this was going to look like. Some of the conversations got codified into reports. This is one of them, it's called the Report of the Erie County Gaming Revenue Committee. Doug can't see it, but his name is actually on this report; Doug you might remember. There were members of County Council, members of the Administration, County Council's CPA was on there, there was a member of the Chamber. They came forth and said that there were several concepts that they would like to see in terms of economic development. This was a major guiding document for me when I first took this job. At the same time, the Board of Directors at the time – which this would have been 2010 – before I got on board, created a framework. It was basically a strategic plan, but they called it a framework because it was full of guideposts, and it stated the areas that they wanted to see investment in. Your orientation binder has the framework document in it. That is basically a strategic plan that echoes a lot of the stuff in this report and echoes a lot of the research at the time, like these are the things that we're interested in investing in.

The hot topic at the time was the creation of a Regional Asset District modeled after Allegheny County. That was funded through a 1% sales tax, but now that gaming revenue was coming on board everyone said that there was no longer a need to do a 1% sales tax; we can have our regional assets, and this is where the language comes from – regional assets and community assets. We call our big ones Lead Assets and in Allegheny County they call them Dedicated Assets; we just changed the language a little bit, but these are all the same concepts that ECGRA has built off of. That conversation evolved and it wasn't politically palatable at the time to do a 1% sales tax, which would need enabling legislation by the State, by the way, which Erie County doesn't have. So, they said they would use gaming revenue for this, and everyone agreed. They all agreed that gaming revenue should go toward funding economic development and regional assets once the contiguous municipalities are taken care of.

The three legal documents that we need to be aware of as a Board are the Horse Race Gaming Act, that came out in 2004 but is revised in 2016. It is revised, although not a lot changes for Erie County, other than $1 million of ECGRA's money is removed and put into a land bank fund; that's the one key thing that changes. The rest of it stays the same. We worked heavily with Senator Laughlin on this issue. We also hosted, in 2015, we hosted the State Gaming Oversight Committee, which was the first and only time they have ever met outside of Harrisburg; we hosted them here in Erie County. It was a major push – we had a lobbyist at the time, Ridge Policy Group, we made regular trips to Harrisburg, we were communicating with leaders from all across the state about gaming revenue, we were one of the key organizations to help fix it for the Commonwealth because there was a clause in it that was declared unconstitutional, so they had to fix it. So, that got revised in 2016 and then we went back to business as usual.

Let me go into detail on each of these three things and we'll see if you have any questions as we go because this gets quite cumbersome from a legal standpoint. Let's start with the PA Horse Race Gaming Act. I want you to refer to the first legal memo on page four of your packet and it's headed March 22, 2023 Legal Memo. Tim wrote this memo; this is a summarization. The Horse Race Gaming Act is 1,000 pages long – an enormous document – but only a small section of it applies to Erie County. To remind you, the sitting Senator from each region of the Commonwealth where these casinos are has tremendous influence on that piece of the legislation. It doesn't say Erie County in the legislation by the way; it will say, "A home rule charter county that has a third-class city near it on a lake . . ." That only applies to Erie County. That gives you an idea of how that language evolved. Tim has done a great job summarizing this and I'm going to boil it down to these key points.

The revenue flows partly to Erie County and partly to ECGRA. The money that flows to Erie County government is unrestricted – completely unrestricted. That's a term that's used in the Gaming Act but it's the same as if an accountant would use it, as in there's no restrictions on it; Erie County can do whatever they want with it. And Erie County has done some very creative things with theirs in the past. I remember at the time that they floated a bond, and they were making improvements to the airport, improvements to the Convention Center Authority, grants to the EMTA for improvements – a lot of creative things. So, that's unrestricted.

The piece that comes to us, the other half, is restricted. Now, why is it restricted? It's restricted because the investment needs to go to the contiguous municipalities in order to address public safety, infrastructure, those key issues that we talked about. So, that's restricted, and it is committed to those groups. At the end of the fiscal year, the money that we don't spend on contiguous municipalities goes to economic development. The only reason we have a set budget for those funds every year is because we entered into a structured legal settlement with the contiguous municipalities. So, let's move on to that.

Restricted and unrestricted language in the Horse Race Gaming Act leads us into a situation where we're taking applications from contiguous municipalities. The legislation also says you have to be able to tie the money you're asking us for to a problem that is a result of having a casino in your backyard. That's key language right there – you have to be able to tie your problems that you're asking us for money to solve – to the casino. Easier said than done. Some stuff was a no-brainer, like Summit Township saying, "Look at all the sewer and water problems we're having now. We have to put in sewer and water lines, new flow stations and pumps and connectors," and stuff that I don't know about that's in engineering. That's a no-brainer; that's a direct cause of that casino. Paving the road up to that casino – it's all related. Traffic signal improvements because of the amount of traffic getting off of 90 and going to the casino. Pretty clear stuff.

Some of it was not clear, though, like volunteer fire departments in faraway places saying, "We need ladder trucks." And that's a $1 million grant. So, now all of a sudden, the Board is in a real conundrum – "How do we decide whether or not it's actually a result of the casino?" So, they go through the process of approving some of these things and denying some of them. Long story short, the groups that are denied funding decide to sue us. So, we enter into a long period, starting in 2008, of lawsuits. So, 2008 and 2009 we spend the majority of our time on litigation; huge legal bills for back in the day – like half a million dollars in legal bills. And people on County Council, like Mr. Cleaver and Ms. Loll, are looking at us thinking, "Why do we even have this group? All they do is deal with lawsuits. This is a waste." But it's growing pains. I want you to think of it that way – it was growing pains to get us to a point where we could understand that this is what the legislation was intended for. A lot of people were educated by then asking what can we do positive with those funds, so those were the key growing pains in those years.

It culminates in 2010 with a settlement between the contiguous municipalities; also, EmergyCare is thrown in there and they get an ambulance out of it, and basically it says, "We understand that you're going to have issues that are a result of the casino, but instead of taking competitive grant applications from you, we will agree to set aside 25% of the funds from the restricted gaming revenue and give it to you. We'll just wire it right to you as soon as it comes in once a quarter." Twenty-five percent of the funds, and that formula is 45% goes to Summit Township, and the other contiguous get 11%. Do the math, it adds up. So immediately Summit gets 45% and 11% for the others; that's 25% of the revenue that we receive on a quarterly basis. You see that on the Schedule of Grant Reserve report; this quarter it was $300,000 that went out to the contiguous municipalities.

One of the things we also did as part of the legality of it was, we told them, "Since we're not taking competitive grant applications and holding you accountable for solving the problems around the casino, you'll have to hold yourself accountable. Legally, you will hold yourself accountable for these funds. We're stroking you the check, it's part of the settlement, you must obey the law with the money that we give you." What do they do? They've done all kinds of interesting things. Millcreek, for example, hired a new traffic police officer because that area of Millcreek close to the casino had a lot going on there so they needed to have increased law enforcement. I see there is a question.

<u>Ms. Hess</u>: When you send that money, though, it's still restricted, and it's still supposed to be tied to problems with the casino?

<u>Dr. Wood</u>: That is correct.

<u>Mr. Wachter</u>: And we have a notice that goes with it to every municipality that says, "This is what the law says. We are not auditing you."

<u>Ms. Hess</u>: That's what I thought - that we don't audit them.

<u>Mr. Wachter</u>: "You do your thing."

<u>Dr. Wood</u>: That's a great clarifying question. We do not audit them; we do not hold them accountable. Tim wrote them a letter probably ten years ago, and we send it with every check that says, "Don't forget – you're responsible for this money once we give it to you."

<u>Mr. Oberlander</u>: At the end of the day, does anybody audit them?

Dr. Wood: They hold themselves accountable.

Mr. Wachter: We are obligated under the settlement agreement to send money. We send the money and it's up to them to figure out what to do with it.

Dr. Wood: Are there any other questions about that? Anything that needs clarifying?

Mr. Cleaver: When they amended that Gaming Act, with the million dollars, do we split that with the County - $500,000 from us and $500,000 from them or do we give the full million?

Dr. Wood: For the land bank? They take the full million from our pot and our pot only. That was part of a compromise; that's what legislators do, right? They work stuff like that in.

Ms. Hess: Let's just walk back through this. So, 25% of the 1% that's split, like the local . . .?

Dr. Wood: Correct. Of our percentage.

Ms. Hess: Okay, so 25% of your bucket.

Dr. Wood: So, every three months we get a check, or we get a wire, from the Commonwealth Department of Revenue, it comes into the County first, this is important. The full amount comes into the County and the County wires us the money for half of it. Then we immediately turn around and take 25% of those funds and send it to the contiguous municipalities as part of our structured legal settlement.

Ms. Hess: Just to clarify again though, it all originated from the lawsuit because some of these emergency management were asking for . . .

Dr. Wood: I was just getting to that. So, the lawsuits happen. Some of the lawsuits are municipalities, others were volunteer fire departments that we had turned down. They wanted a truck or whatever they wanted, and we said that they were not able to tie directly the use of that ladder truck to the casino, so we had to deny the application.

This is all stories that I have been told over the years because this was before my time as director, but I've talked with Board members, and they tell me this is what happened.

Those groups sue and part of the structured legal settlement that gets worked out is a conversation takes place between our legal team and theirs and we realize that these volunteer fire departments, for example that are suing us, the responsibility is with their respective townships. So, we'll enter a structured legal settlement with their respective townships, and they can decide how much of that money they want to give to their volunteer fire departments or other stuff related to casino impact. An example is Summit Township. They get about $1 million from us a year in gaming revenue. They turn around and put that entire amount into Perry Hi-Way Hose Company.

Mr. Wachter: I think Summit gets about $500,000 a year, but they . . .

Dr. Wood: I'm sorry. They put in an additional $500,000 . . .

Mr. Wachter: They get other gaming monies that don't go through that, but Summit puts in an excess of $1 million a year into Perry Hi-Way Hose.

Dr. Wood: Thank you for clarifying that, Tim. So, they make the determination in their minds that Perry Hi-Way Hose is really important because of the impact of the casino; they make that rationalization, and they give all their gaming revenue from us to them. Other municipalities do other things. Some have it in savings, but let's not get into that because it's their responsibility.

That form of revenue that comes to us is restricted. The County gets unrestricted; we get restricted. Then we have the Settlement, which is both restricted and committed. The restricted is now committed – 25% to the contiguous municipalities. That leaves the other 75% as uncommitted. So, we have restricted committed which goes to the municipalities that we administer and then restricted uncommitted which is the 75% which we are dealing with at these Board meetings – competitive grant applications for economic development. That's where the language comes from. We administer restricted committed and restricted uncommitted. And I mentioned the land bank, that the $1 million is taken out.

Ms. Hess: And the restricted uncommitted is supposed to be for economic development?

Dr. Wood: Correct.

Mr. Wachter: So that money is always a year old; we have to wait until the next fiscal year before it becomes uncommitted.

Dr. Wood: So, January 1 all the money from the previous year is available for economic development, which is why . . .

Mr. Wachter: April.

Dr. Wood: I'm sorry, April 1, which is our fiscal year, which is why we hold it in grant reserve. One of your Treasurer's documents says that we're holding money in reserve for that legal reason. It's not because it's our reserve, it's because it's actually not available yet. We will always be spending last fiscal years' revenue this fiscal year, which is actually really good from a cash flow standpoint; we'll never have an issue from that perspective.

Mr. Winschel: Perry, as far as the cash flow that we've been getting on a quarterly basis, how is the trend? Is it pretty stable, is it declining? I know you use $10 million here, but how has that been over the last few years?

Dr. Wood: If you couldn't hear what the question was, the question was, "Is cash flow stable?" The answer is, it's incredibly stable for a couple of reasons. Number one is we have a regional casino, which means we basically have the same audience; it's not a destination casino so it doesn't fluctuate in revenues very much. Secondly, the way the law operates, I wasn't going to get into this, but I need to get into it to answer your question. The law basically says that our local share will be based on the revenue from the slot machines unless it doesn't reach a certain amount, in which case you'll get a base level. Now, our revenue isn't big enough to exceed base level. Base level is $11 million, which is why at one point, we each get $4.5 million. Basically, we are guaranteed the funds, and the state, the Department of Revenue, has looked at that and realized that we are never going to achieve Vegas-style levels of revenue, so they will just wire us a certain amount every quarter based on past numbers. That's why it's stable.

I used to hand the Board a chart, the revenue dashboard, that showed how the revenue came in by quarter and you could compare it year-by-year. It's pretty much obsolete at this point, except for one thing. Revenues are going to go up now, but not on slot machine revenue. They're going up because of i-gaming, or sports betting and these other forms of online gaming, which we are also supposed to receive a percentage of as well. And we have, actually. You might remember last year, when the revenue first started kicking in, we received an extra payment because of that, because the state was just catching up on collecting that revenue.

Tim and I are in a bit of a research project right now that we're going to have to come back to you with confirming that we're getting the appropriate share based on the law as it goes from the

Department of Revenue to Erie County to us. We're making sure that we're getting the appropriate revenue. We will end up having a conversation with you about that because there have been some interesting findings. So, the cash flow is stable.

That leads us to the other 75% - restricted uncommitted – which is governed by the PA Economic Development Financing Law which we often just refer to as the Economic Development Financing Law. I mentioned the report of the Erie County Gaming Revenue Committee, I mentioned the framework for distribution; they are key documents in helping us create these grant guidelines. But one of the things the law does is it sets out some guideposts, which are pretty broad, as to what is the definition of economic development. This is where Tim's next memo comes into play. If you can, please turn to the document dated March 6, 2023.

Mr. Wachter: Before you jump to that memo, if I could mention one thing. There are other items that the Settlement Agreement obligated us to do – spending a certain percentages each year on the dedicated regional assets, or the Lead Assets that Perry had talked about. Those obligations expired at a certain point.

Dr. Wood: As in, they have been fulfilled.

Mr. Wachter: As in, they have been fulfilled. So, whatever year they expired – 2015 or 2017 – what this Board had done was, because there was a period of years where funding was not spent because it was being spent on lawsuits, and in order to ensure that the Lead Assets were taken care of in perpetuity, that is why the Gaming Authority created what was then the second largest endowment ever at the Erie Community Foundation, which states in the current audit that it's at $15.2 million.

Dr. Wood: It's always going to be a note in our audit.

Mr. Wachter: There is that money that was created, and we created an agreement between all the named Lead Assets where they determine how the money is to be distributed on an annual basis using the spending formula that was provided by the Community Foundation such that it doesn't touch the corpus of the money so that there is always going to be money being generated and then they determine how to spend it amongst themselves. Once they get that determination, they come back to us and say that they decided to take that 4% of growth and spend it in a particular manner, it comes back to this Board and you approve it, and then the checks are cut out of the Community Foundation.

Ms. Hess: The Lead Assets will always be the Lead Assets?

Mr. Wachter: The Lead Assets were determined when Judge Dunlavey, who did the Settlement, took our Strategic Plan – the framework that Perry had mentioned earlier, and attached it to the Settlement Agreement that said, "Those Lead Assets identified in this Settlement Agreement on page whatever shall receive the following . . . ". So, that class is never going to change unless one of them goes out of business.

Dr. Wood: Let's stop right there and address any questions on the Lead Assets and the Endowment.

Mr. Barney: So, no new entities can become a Lead Asset?

Dr. Wood: Correct.

Mr. Barney: Even if it's doing the same thing, it won't become part of that group.

Dr. Wood: No sir. However, a Lead Asset can drop out, like if they dissolve for example. But no one can get in.

Mr. Wachter: So, that endowment is set and done. That is also why you don't see applications from those particular assets, because you have reserved now $15 million specifically for their benefit forever.

Dr. Wood: And that's why I will come to you every December and say, "Here's the recommended distribution from the Endowment" even though it's not our money; it's the Erie Community Foundation's money. But we are the donor who advises them on how to distribute it. We have a conversation with a committee of the Lead Assets, this is all enshrined in a memo that we made them sign with us, that says they will all come together and propose a formula, and any changes to the formula, but all nine have to agree; 100% consensus in order for it to change. Otherwise, it defaults to what we've always done which is a distribution based on revenue. You get a bigger grant if you're a bigger organization; the zoo is the biggest so it's always going to get the biggest grant. But all nine have to agree. It has worked seamlessly since we implemented this.

Mr. Wachter: And they didn't prior to that, so it was a win for us. But the obligations of the Settlement Agreement can be summarized as the County is obligated to send us the money within 20 days of receipt, I think, . . .

Dr. Wood: Thirty.

Mr. Wachter: Thirty days. We are then obligated to send the 25% to the contiguous municipalities in the formula that Perry said within thirty days. Is there any other obligation?

Dr. Wood: Well, there's the Lead Assets, which has been fulfilled.

Mr. Wachter: Yes, then the Lead Assets, which has been finalized. There is no other legal obligations for us from a financial perspective relative to the Settlement Agreement. We comply with that every year. I just wanted to wrap that up.

Dr. Wood: You might ask yourself, "Why are the Lead Assets part of the structured legal Settlement Agreement? They had no standing to sue us." That's a legitimate question to ponder. Well, they didn't have standing to sue us, just like the volunteer fire departments didn't have standing, but there were obligations. Just like a township is obligated to take care of their fire department, at the time a lot of these municipalities were taking care of these regional assets and they did not want to anymore. They wanted to shift their taxpayer dollars away from things like the zoo and shift that burden to us. That's why they got written into the Settlement Agreement.

Ms. Hess: It was kind of a win-win.

Dr. Wood: It is unless you're the zoo and short on fundraising and now you're going back to Millcreek Township saying, "What about that $100,000 you used to give us?" So, there is a little rub there.

Ms. Hess: They know those funds will always be there though too. It doesn't matter who is in office.

Dr. Wood: And they should be appreciative of that.

Ms. Hess: Even in times of strife, you're always going to have that money there.

Dr. Wood: It will be there in perpetuity as long as the health of that Endowment is maintained.

Mr. Winschel: What are the nine groups? The zoo and who else?

Mr. Wachter: The Mary D'Angelo Performing Arts Center, . . .

Dr. Wood: The PAC, the Zoo, the Flagship Niagara, the Historical Society, the Erie Arts & Culture, the Playhouse, the Philharmonic; things that are similar to what the Allegheny Regional Assets funds. The large nonprofits of your community that every community has. That's where that comes from.

Back to the March 6, 2023 memo, which breaks down the Economic Development Financing Law by giving us definitions of what economic development really is. Now those definitions are important because that's part of our legal review. It's been a while since we passed new grant guidelines but when we do pass grant guidelines, we do a certain number of things at the staff level. Number one, we identify that the need exists in the community, and it can be through studies, masters plans, reports, it could be through crises' that are going on - economic development problems that are affecting a community. Number two is the staff goes out and looks at how other communities are solving this through benchmarking. We've done a lot of benchmarking research.

A great example is Renaissance Block. What are we going to do to help these neighborhood groups who are on the front lines of revitalizing neighborhoods? The issue is in every master plan that Erie County has ever done, and all these communities have issues with housing especially around their commercial districts. The problem is identified. We then ask the Board if they want to take this up as an issue. If the board says yes, the staff goes out and does benchmarking research, we find a Renaissance Block concept in Jamestown, NY which was pioneered there and then taken state-wide throughout New York because it was so successful. Then we talked to the people in Jamestown. We even bring them in and have them talk to our neighborhood groups and everyone agrees that this is a phenomenal model and that we need to do this. We go back to the Board and say, "Based on Erie County's size, based on the number of groups we have out there on the front lines of neighborhood economic development, we recommend the bucket to be this size and the guidelines will look like this." The Board says they like it, so we give it to Tim to review. Tim looks at it with the Economic Development Financing Law to see if it meets the three areas of the Financing Law which are Findings and Declaration of Policy, Purpose of the Law, Purposes and Powers. He goes through a legal review and says that it is consistent with the Economic Development Financing Law and neighborhood revitalization is a legitimate economic development activity. We take that back to the Board, the Board passes the guidelines, and then we start a grant program.

So, that is the evolution of ECGRA. What you're seeing now, the grant making infrastructure, is a decade in the making to get us to the point that we are at now. I just say that because a lot of you are new and you may be wondering, "How did we get to this point? What went into it in order to legitimize the organization in your own mind that you are now in charge of governing from a legal and fiduciary standpoint?" A lot of time and effort went into this, even going back to this report in 2005 that Doug was a part of. There are a lot of pieces of information and parts of the puzzle that got us to this point. History is very important to understand how we got here, and then there's the legal context that is important to make sure that we don't get in trouble; to make sure that we're legit.

Mr. Wachter: This memo probably is the most important one because it does explain what under the Economic Development Financing Law you are authorized to fund. It should be in your packets. If not, we'll get you another copy. The Law says that we are able to fund projects. If you look solely at the definition of a project, you're going to see it's a commercial, industrial thing which is not what we fund a lot of. Except that there is also language in there that says that the definition of a project also includes those items that promote the public purposes set forth in the other sections of the Act. Then I list what those sections are and what they are. So, when you listen to the resolutions that Perry reads when we award the money, he identifies elimination of blight, the creation of . . .

Dr. Wood: The whereas clauses.

Mr. Wachter: The whereas clauses where he's summarizing the different findings within the Economic Development Financing Law which is justifying why it is that we're able to spend the money. So, if somebody says, "I want to spend the money on . . . (pause)

Dr. Wood: A jacuzzi for horses. That's an actual example.

Mr. Wachter: Oh, yes. We had a woman who wanted to have us spend money on a horse jacuzzi for her therapeutic riding ranch.

Dr. Wood: This was an actual grant request.

Mr. Wachter: A very passionate woman about the services she was providing and the need for the therapeutic jacuzzi-ing for the horses. We were able to deny that application because we could not fit that in with any of the purposes or policies under the Economic Development Financing Law. So, when you're looking at a project and thinking about it, peruse this or ask questions of how it fits within these particular items.

Dr. Wood: Let me give you an example – the Summer Job Program. In the Economic Development Financing Law, the legislature finds that unemployment is an issue in the Commonwealth and a significant issue as far as keeping the Commonwealth healthy. It finds that; that's a real problem. Then we look at it and say that a Summer Jobs Program can address that unemployment. Then we look at the purpose of the Law and the Law says as one of our purposes as an economic development authority, we can address unemployment through a program or a project. So, there we can check number two on the list. The law says they give us the power to use economic development money to address unemployment, so we can check number three. That gives you an idea of a real program that has gone through that process and is fitted directly to this language. Like blight is often talked about there, and that is how we justify our Renaissance Block Program because it is a blight prevention program. Commercial districts and facilities - Mission Main Street; the buildings that we're fixing up on the main streets and downtowns. So, they are all tied to the legal infrastructure. I'll pause there to see if there are any questions.

Discussion and clarification on anything you heard here today because there is a lot of information. If you think back to your orientation with me when you first agreed to come onto the Board, you get a thumbnail sketch of all of this. I give you a thumbnail sketch of this and I give you these legal documents. It may be out of context, but these stories, I think, help put meat on the bone. This is why we've evolved to this point, and this is why these documents make sense and all the procedures that we go through and the process that we go through makes sense.

Ms. Hess: So, this listing of all the ways that you can spend the money would be with that 75%?

Dr. Wood: Yes.

Mr. Wachter: Yes.

Ms. Hess: But they have to be tied to the Economic Development Financing Law?

Mr. Wachter: These are your Purposes and Powers and projects under the Economic Development Financing Law.

Ms. Hess: Most of the things you find in here are already earmarked through the different grant programs that we have, like Mission Main Street, Renaissance Block, and the other ones.

Dr. Wood: They are all somehow tied.

Ms. Hess: May I ask the million-dollar question? What the County is coming for regarding EMS and all that, does that fall into one of these?

Dr. Wood: Earlier conversations with the Board, not this one, but other Board conversations had to tackle this issue. Actually, numerous times through numerous County Executives and numerous Administrations and they've always said a couple of things. Number one – they've said that the state already has an EMS and volunteer fire department pot for grant money. But as you can see, $589,000 that Erie County gets and it obviously is not enough to solve the problem, but it alleviates since these are equipment grants. So, the Board has resisted doing that funding in the past; they also say since the townships are in charge and the boroughs, then they ought to fund it through their tax base – that's the whole idea.

Ms. Hess: Because we have given them the 25%.

Dr. Wood: Well, the contiguous - we've given the contiguous 25%; not all of Erie County. So, 5 out of the 38 receive funding from this pot, which is interesting because if Perry Hi-Way Hose company is getting 100% subsidized by gaming revenue and is serving all of Erie County, it's kind of like it got regionalized. But what kicked this whole issue up was one day they woke up and said, "We're not going to, " well they didn't say they weren't going to, but they said, "We need agreements with municipalities if we're going to provide mutual aid."

Mr. Wachter: They did end up saying, "We're not going to" as well and that got turned around due to the regulatory issue.

Dr. Wood: Because it's not legal to say they're not going to. So, there is an extent to which we are already funding the ambulance service for Erie County. That's the irony of the situation.

Mr. Wachter: To answer your specific question, Kelly, I'm very interested in the development of the program and the application. I don't think we have enough information to determine eligibility. I think Mr. Smith would also acknowledge that they are kicking the tires on a couple of different models. We don't have enough information to make a determination as to whether it's an eligible expenditure under the Economic Development Financing Law.

Dr. Wood: That is true, there are other models that are being looked at. Strategy Solutions has interviewed the staff at ECGRA because we have done research on this, so we have given them that information. There are several models to look at but there isn't a county-wide model; we have not found one. They are basically regionalized, or the county has basically an EMS facilitator concept like they have in Allegheny County, which is the one I think probably makes the most sense.

If you look at what's currently going on and what we're currently funding, we are currently funding the collaboration in Harborcreek and we have as application that is on its way in from Cranesville – the two that Doug mentioned today – and that is for equipment for a Multi-Municipal Collaboration grant. That is a concept that we developed. Instead of doing individual grants to volunteer fire departments and EMS, the Board said at the time, "Really these folks ought to be collaborating. It doesn't make sense to buy every single municipality an ambulance. But if they're in a region and are collaborating and have an intergovernmental agreement, then maybe that's when we buy them an ambulance." That's how we got to the point of funding stuff like that.

Coincidentally, and Doug can tell you this, when Doug and I and John Grappy and Jessica Horan met, that was one thing the County wanted from us was, "we don't want you to do any grants unless they are collaborative" which was an easy yes for us to say because that's where our policy already was. It was easy for us to say, "We will absolutely work with you from that standpoint on collaborations." Or commission style like they have in Cranesville.

Mr. Wachter: Look at the yard waste recycling on Millfair between Fairview with Millcreek. It doesn't make sense to do one in both communities. Look at the parks program between Edinboro and Washington Township.

Dr. Wood: These are things we funded that Tim is describing.

Mr. Wachter: Washington Township and Edinboro, for years, Couldn't talk to each other, but now they're collaborating on these particular items because there is opportunity to do so and the money is not available.

Dr. Wood: There is a West County recycling concept. We funded emergency operation centers (EOC); these are collaborations with municipalities that are required to have emergency communications with the state through PEMA. We have funded those things. We did a recent analysis on the issue of public safety and infrastructure, and we've done about $4.5 million in grants in recent years. So, it's not that money is not going toward public safety. It's that we're now being asked to put half of our discretionary budget toward public safety. One half of $3 million, so that's $1.5 million, which is our discretionary restricted uncommitted. We're now being asked for half of that. That's why this research is necessary to understand how we got here. If you're going to take half of our discretionary funding away, we're going to have to eliminate half of our programs.

Mr. Cleaver: I have a comment, Perry. Anytime you get a new Board member, these two memos should be in the packet. I knew a little about all this, but I learned a lot from just these two memos. I think it's great to pass these on to give someone an opportunity. When I came on, maybe you figured that the old man knows everything, but I think it's good for new members to find out what's what. I think it was an outstanding job by Council and yourself. Now sit down!

Dr. Wood: Thank you. I am done. Coming up we will be having a grant review for Community Facilities and Renaissance Block.

Mr. Barney: Thank you, Dr. Wood. If there are any other questions, please contact Dr. Wood and I'm sure he will answer them.

SOLICITOR'S REPORT

Mr. Wachter has nothing to report at this time.

OLD BUSINESS

a. Renewal of Diligent contract (Board Effect software)

Dr. Wood: The staff has a software that we use to communicate with you called Board Effect. We need to renew the software license there. It costs a little over $5,000.00 and I don't have the discretionary capability to do it without a motion from the Board to move forward.

Mr. Winschel makes a motion to approve the payment for the software. Mr. Cleaver seconds the motion. There is no further discussion of the Board Effect software. Motions carries 7-0.

Mr. DiPaolo: I have something to discuss. I had brought up prior in regards to our Special Events that basically we had talked about there's a cap of $20,000 and I had some questions on it. I had asked how much money the Jefferson Society has received over the years and I never got an answer on that. That's number one. I went through the Special Events and the Albion Fair got $2,707 over the $10,000, naturally Celebrate Erie got the full $20,000, Barber Center got $17,600, Jefferson Society got $19,300, and Wattsburg Fair got $12,300. Basically that's $32,000 over an amount of $10,000. There was 45 different events that was awarded money; these are the only five that were over $10,000. I would like to make a motion that we would put a cap on the Special Events for any organization that they could be awarded up to $10,000. There again, I'm not basically saying that any of these organizations don't deserve the $20,000 but I think that under the circumstances that we're looking to give money away maybe for this EMS, we should be looking to save some money in the meantime. So, that's my motion.

Ms. Loll: I'll second that motion.

Mr. Barney: I have a question because I want some clarity. You're saying right now the limit is $10,000.

Mr. DiPaolo: No, right now the limit is $20,000.

Mr. Barney: Right, $20,000. And you're saying that each one of these programs have received in excess of $20,000?

Mr. DiPaolo: That's correct. Only 5 of them out of the 45.

Mr. Wachter: You're saying they received in excess of $10,000?

Mr. DiPaolo: Right, they have received in excess of $10,000 because Albion Area Fair received $12,707 so they only received $2,700 over the $10,000. That's what I'm saying.

Mr. Barney: Yeah, but you said that the limit is $20,000, right?

Mr. DiPaolo: Well, the limit now is $20,000. Yes. I want to make a motion to make the limit be $10,000. So, in other words, if the Albion Area Fair next year puts in the same amount, they'll only get $10,000 instead of $12,700.

Mr. Barney: And they asked for $12,000 because the limit was $20,000.

Mr. DiPaolo: Exactly.

Mr. Winschel: Tim or Perry, all those are based on a formula, right? Isn't it 5%of their revenue?

Dr. Wood: Special Events grant guidelines say that we look at the size of your budget and you will be eligible to apply for up to 5% of your event budget. That's why Celebrate Erie is the largest because they have the largest budget.

Mr. Winschel: So, all of those seem to be under 5% because otherwise it would be 5% of $20,000, but no one actually receives $20,000.

Dr. Wood: No one actually receives 5% because we have to prorate based on the number of applications. So we end up paying somewhere between 3.5-4% depending on the year.

Mr. Winschel: Oh, okay.

Dr. Wood: The 5% concept is based on the idea that they are sponsorship levels.

Mr. Winschel: Sure.

Dr. Wood: Sponsorship levels are arbitrary. Anyone can come to us and ask for a $20,000 sponsorship. So, in order to right size the sponsorship level, we did the financial formula. Then about 3 or 4 years ago, we actually added the $20,000 cap because we had Roar on the Shore which had just a massive budget and they were eligible for a significant amount. So, that's when we put the $20,000 cap on Special Events.

Mr. Winschel: Dom, what were the dollars amounts of the five organizations?

Mr. DiPaolo: $12,700 – Albion Fair, $20,000 – Celebrate Erie, $17,600 – Barber Center, $19,300 – Jefferson society, and $12,300 – Wattsburg Fair. Those are the only five.

Mr. Barney: But those five, they reach the largest number of people too. So, of course their amounts would be more. You're talking about Celebrate Erie, Wattsburg Fair – they got . . .

Mr. Oberlander: Tha Albion Fair is pretty small.

Dr. Wood: Actually, the Albion Fair is now the largest fair.

Mr. Oberlander: It's larger than Waterford's?

Mr. Barney: That's why when you say Gertrude Barber Center, the number of people that they service and . . .

Mr. DiPaolo: I understand that. But the Barber Center, you have to understand, they are a multi-million-dollar organization, and they do a great, great job. But it's just the idea that we're looking to try to save money, and this is one way I think we could do it without hurting anybody.

Mr. Winschel: I understand about trying to save money. Where it makes sense to maybe instead of cutting it by 50%, maybe we could do 75%, to $15,000.

Mr. DiPaolo: That way you'll catch all of these. Well, you'll lose . . .

Mr. Winschel: You'll lose two for $4,000. It's just a thought.

Mr. DiPaolo: Right.

Mr. Winschel: It's just a thought but we should have a commitment to let them know we are looking to reallocate some because of the EMS. It would be a 25% cut, instead of 50% cut. Just a thought.

Mr. Barney: I could go $15,000. We have a motion to bring it from $20,000 to $10,000.

Ms. Hess: I would like to have at least a minute to think about that. To have a motion and pass it today seems a little premature. It's not that I disagree, I just want to get more information as to . . . .

Mr. DiPaolo: I just gave you the information.

Ms. Hess: I hear what you're saying but there might be more . . .

Mr. DiPaolo: We talked about this three months ago.

Ms. Hess: But I don't think Perry has talked to it in length. I would like more information prior to making a motion today. It seems a little premature. We've given the Special Events out for this year already, so we have time to do this.

Dr. Wood: We deal with it in January.

Mr. Wachter: What I hear, just so I can summarize where we are, . . .

Ms. Hess: Like, why $10,000? Why $15,000? Is there any more information to be given? Or maybe there isn't. Perry, is there any more or are we just randomly picking a number and saying $15,000?

Dr. Wood: To a certain extent it's arbitrary. The $20,000 cap was arbitrary; before then we didn't even have a cap. I think caps are good, actually. I think it's a good thing because if a massive event comes forward, it could screw up the entire budget for the grant program. I mean, $20,000 was a compromise based on the analysis done that it's only going to affect five or six of the organizations. But, like Dale said, they have the largest reach. I look at a group like Albion – that's the biggest thing that we do in Albion every year, is the Special Event grant and the fair. We don't do anything else for Albion. Albion is not set up to get Mission Main Street, Renaissance Block, or Parks grants. Those are the big things that we do so we're crippling the amount we put into Albion by doing that.

I can see it from both perspectives. The question is, are we oversubscribed on the program? And the answer is no. The program is right where it needs to be, it's about $175,000 a year. Do you have anything?

Ms. Michali: Even if we were to decrease that limit, we still get 45 plus applications every year. It's very consistent.

Ms. Hess: I like the idea of, like I said, I just want to think it through for a minute. One of the reasons that might make it a good reason to decrease it, you said that we are only giving 3-4%?

Dr. Wood: Yes, we're already prorating it.

Ms. Hess: So, if we did cap it at $15,000 or whatever arbitrary number we come up with, then potentially what would happen is some of those organizations that would get less money because of percentages would now get a little more. Correct? Am I thinking that through correctly? If you add the total of dollars and now all of a sudden you have three or four organizations that . . .

Mr. Winschel: Like the Barber Center . . .

Ms. Hess: Yeah, you're going to distribute it more . . .

Dr. Wood: Maybe the Italian Fest gets more and the Barber Center gets less.

Ms. Hess: In that respect, I would agree with Dom.

Mr. DiPaolo: Then we have Lawrence Park Township getting $37.50.

Dr. Wood: That's because they're not investing in (inaudible).

Mr. DiPaolo: I understand.

Ms. Hess: In that respect, I like that. I like being able to give some of these other organizations closer to that 5%, which is the objective.

Mr. Barney: I agree but it still doesn't solve his objective. He's looking at an overall to wo be put elsewhere and this would do it.

Ms. Hess: That's what I'm saying . . .

Mr. Barney: That would do it because it would still be from the pool of money that we set of $175,000.

Mr. DiPaolo: We'd save $30,000 a year. That's what you would save.

Mr. Barney: But we wouldn't save it, Dom. It would just be redistributed to the other organizations.

Mr. DiPaolo: Well, you could put it toward something else. That's what I'm saying.

Mr. Barney: Okay.

Mr. Wachter: Procedurally, if you want to get the savings, then you would restrict the amount of money dedicated to the grant program instead of the internal guidelines if you want to see a net balance savings. But, I just want to be clear before you go to a vote as to what you are voting on. Because Dom, you said $10,000.

Mr. DiPaolo: Right.

Mr. Wachter: And then it was brought up $15,000. I saw you nod your head but I don't know if you're amending your motion.

Mr. DiPaolo: The motion is on the floor for $10,000.

Mr. Wachter: The motion is on the floor for $10,000. That's what I'm asking just so that everyone is clear on what you're asking. Ok. Motion is on the floor for $10,000.

Ms. Hess: What is the objective? To make the grant less money? Did you say it's at about $175,000 right now?

Dr. Wood: It's still going to be about $175,000.

Ms. Hess: So is the objective now to make it $165,000 and put that $10,000 elsewhere, or is it still staying $175,000 and we're just redistributing that money the same way? So, we're not really saving any money.

Dr. Wood: To Kelly's point, the objective of the motion doesn't save money. It just redistributes it from larger events to smaller ones by lowering the cap size. We would have to make a separate motion to restrict the overall amount set aside for Special Events. But listen, saving $30,000 a year on Special Events, first of all, Special Events are the most popular program that ECGRA does every year. It touches the most people. You've got these events that go on across all of Erie County, mostly in the summer and fall and they are major leadership opportunities for people here locally. Secondly, saving $30,000 a year in order to address a $30 million-dollar problem, it is not sized right. The EMS problem is a $30 million-dollar problem. If you look at just the saving of the $30,000 to go toward the County's request of $1.5 million, it's only $30,000.

Mr. Barney: It's been moved and seconded.

Mr. Wachter: The motion on the table is to reduce the cap from $20,000 per applicant for Special Events to $10,000 per applicant for Special Events. Maximum.

Dr. Wood takes a roll call vote where Mr. Cleaver and Mr. Winschel have comments.

Mr. Cleaver: Let me clarify why I feel that way. I feel that the six or seven that Dom just mentioned have a large community involvement. We're not talking a fortune, so I'm voting no.

Mr. Winschel: I'm voting no on this because I think we should ease into this a little bit more with the $15,000. I agree with the large group, but the groups like the Barber Center and the Jeferson, they have a much larger outreach to get their support also. They do have their fingers in a lot of outreach both locally and statewide and maybe nationally whereas the Albion Fair and Waterford Fair maybe not. I'm voting no but I will probably be coming back with another motion for the other dollar amount.

Motion fails 3-4, with Mr. Cleaver, Ms. Hess, Mr. Winschel, and Mr. Barney voting in the negative.

Mr. Winschel: I would like to make a motion for a cap of $15,000.

Mr. Barney: Excuse me. Before you make your motion, I want to clarify that we're going to keep the dollar amount at $175,000 and now we're just looking at a different proportion for distribution.

Mr. Winschel: Tim, I guess I have a question. I don't want to change the dollar amount but the formula is a certain percent. I don't understand.

Mr. Wachter: The reason is because we allow people to apply for up to 5% of their expenditures – the cost of their program. But we only put $175,000 into the pot, so at the end of the day, I don't think we've ever hit 5% because the budgets are so large that they're only getting 3%. But if you do a cap differential between $15,000 and $20,000, then looking at the list, that's going to generate an extra couple of grand that is able to be distributed, which would insignificantly raise the percentage but raise the percentage that everybody would be eligible to receive.

Mr. Winschel: And we'll always have an excess amount of grants?

Mr. Wachter: We have an excess amount of requests.

Mr. Winschel: Grant requests, I should say.

Mr. Wachter: We have yet to fund 100% of the requests under that grant.

Mr. Winschel: What makes that approved versus denial of those grants? Just the purpose of the grant request itself?

Dr. Wood: What's the question?

Mr. Winschel: What causes a denial of someone who has submitted? They just don't meet the qualifications?

Dr. Wood: It's our most popular program; almost everyone gets funded. If you don't get funded it's because you didn't submit an application, or you have not submitted paperwork that you owe us, or you've lost your IRS status.

Mr. Winschel: With that said, I'd like to put together a motion to limit it to $15,000.

Mr. Barney: There's a motion. Is there a second?

Ms. Hess seconds the motion.

Mr. Barney: Are there any questions to this motion?

Ms. Hess: Can I just clarify that it's staying at $175,000 and that this is just a redistribution of funds?

Mr. Wachter: Whatever the total grant pool is has not changed.

Ms. Hess: Perfect.

Mr. Wachter: And just looking at last year's numbers, $15,000 would be a reallocation of about $13,000.

There is no further discussion or questions.

Dr. Wood takes a role call vote. Motion carries 4-3, with Ms. Loll, Ms. Hess, Mr. Winschel, and Mr. Barney voting in the affirmative.

Dr. Wood: We will adjust the grant guidelines accordingly.

NEW BUSINESS

There is no new business to discuss at this time.

ADJOURNMENT

Mr. Cleaver moves to adjourn. Mr. Oberlander seconds the motion. Meeting is adjourned at 10:16am.