



Erie County Gaming Revenue Authority

Minutes of the Board of Directors' Meeting

October 15, 2020

This meeting is held via Zoom due to Governor Wolf's orders to stay at home during the time of this COVID-19 crisis.

CALL TO ORDER

The Board of Directors' Meeting of the Erie County Gaming Revenue Authority was held on October 15, 2020 via Zoom with a link that was provided to all Board members by the Executive Director. An agenda containing the Zoom link to this meeting was posted on the ECGRA website and at 5240 Knowledge Parkway, Erie, PA 16510. Legal Notice of the meeting was given through an advertisement appearing in the Erie Times-News. The meeting was called to order by the Chair.

ROLL CALL

Mr. Barney, Mr. Cleaver, Mr. DiPaolo, Ms. Hess, Mr. Paris (arrives late), and Mr. Sample. Mr. Lee, Mr. Wachter, and Dr. Wood are also present.

APPROVAL OF THE AGENDA

Mr. Cleaver makes a motion to approve the agenda as presented. Mr. Barney seconds the motion. There is no discussion of the agenda. Motion carries 5-0.

APPROVAL OF MINUTES – September 2020

Mr. Cleaver makes a motion to accept the minutes. Mr. Sample seconds the motion. There is no further discussion on the minutes. Motion carries 5-0.

DIRECTOR'S COMMENTS

There are no comments by any member of the ECGRA Board at this time.

COMMENTS BY THE CHAIR

Mr. Paris is not present to make a comment at this time.

PUBLIC COMMENT

There is no public on the call for comments.

PRESENTATIONS

There are no presentations at this time.

COMMITTEE REPORTS

- a. Treasurer's Report: Mr. Cleaver makes a motion to accept the Treasurer's Report. Mr. DiPaolo seconds the motion.

Mr. Barney: Unfortunately, we cannot do that today because there are some special items that need to be discussed. I will make it quick. I'm going to highlight a few things and after I do that, if there are any questions feel free to inquire.

I would like for everyone to look at the gaming revenue. That is not the quarterly revenue coming in; that's a special distribution from the Gaming Revenue Board. This is not going to happen on a regular basis. They had identified that they had made a mistake and informed us by sending us a check at \$485,718.00. I wanted everyone to be aware that these funds are not the third quarter money, but that it's a special distribution.

Mr. Sample: Dale, is that the Gaming Revenue or the County?

Dr. Wood: It's actually the Department of Revenue of the Commonwealth. The Department of Revenue either made a mistake or are reconciling their books and realized that they did not sent the correct amount to Erie County. They actually sent two different distributions to Erie County; one for 2017-18 and one for 2019-20. You will see checks to settlement municipalities later on for both of those distributions as they came in. Like Dale said, this is the first time this has ever happened.

Mr. Sample: This doesn't matter but it's just a point of information, did the County get a check just like this for their half?

Mr. Lee: I can speak on that behalf. To answer your question Dave, yes. As Dr. Wood had stated there was a mistake by the Department of Revenue for those two years that were highlighted. The checks actually came to Erie County and we gave the proportion based on the formula that we have to ECGRA. So, that's what that was based on.

Mr. Cleaver: Don't we have to share that with the other counties?

Mr. Barney: If you look at it down farther, you will see it. As we go down, you can also see the interest from eCAT, which is the first interest payment from them; that hasn't occurred before either. As we go farther down and look at Other Income and Expenses, there is the answer to your question that yes, we did make the payments to the other municipalities in the amount of \$121,429. There is a breakdown as we get further in the report.

You will also see the Special Events were paid to the Greek Fest, the International Institute, and the Nonprofit Partnership. Next, you will see a credit of \$1,000 in the Multi-Municipal category. Let me explain what that is. The City returned \$18,000 from their refuge program and then Girard was awarded \$17,000 for their recycling day; so that is where the credit comes in.

The next page is the Balance Sheet that shows the basic Committed Funds and Restricted Funds; Restricted means it's waiting in the bank for twelve months before it can be released. Moving down, you see the Reserve for Uncollectable Notes, which indicates the 20% that goes there. The next page is the Statement of Cash Flow which shows nothing out of the ordinary.

Budget vs. Actual shows everything that is basic – payment to Parker Philips, Times News, etc. You can see the Grant Management Software at \$4,900; that is an annual cost. Is there anything that anybody sees that they would like to inquire about?

Mr. Sample: Dale, this is just the verbiage, but you said that the City returned \$18,000, but then you said that Girard asked for \$17,000. Did we vote on that?

Dr. Wood: Of course, we voted on that as we do for any grant distribution. This was the last round of Multi-Municipal Collaboration in which we awarded Girard and the West County Recycling Group the \$17,000 in order to pull off their West County Recycling Program. The City of Erie was returning \$18,000 for a program that took place last year that had to do with economic development financing incentives; that was also a Multi-Municipal Collaboration grant. That's why the line item reflects a \$1,000 surplus.

Mr. Sample: It just looked a little odd the way that it was presented.

Mr. Barney: I apologize, Dave.

Dr. Wood: I think that makes sense because rarely do people return grants so, rarely would you see a surplus in a grant category like that.

Mr. Barney: Moving on to the Schedule of Grant Reserve, there is nothing on the first page. The second page shows the disbursement we agreed upon and made to the UECD for \$20,000; and then you see the breakdown of the special gaming revenue and how that was disbursed out to the municipalities. Then you'll see under Multi-Municipal what Perry was discussing where the City returned their funds and Girard drew down their funds.

The next page shows the Special Events and the breakdown of where the funds of \$2,270 went. The next page shows nothing new and then the next page shows where we documented the \$20,000 to UECD. Next you will see the Check Detail Report, which shows nothing out of the ordinary. You will see the checks that were written for the Special Events, UECD, to the municipalities, etc. Next is the Visa statement with the basic charges like the Phone/IT, Subscriptions, and Postage.

There is nothing really out of the ordinary, but I did want to point out about the money that came in that was a special distribution and a few things about how it was disbursed.

I would now like to move along to the Draft report of the Quarter 1 Financial Statements. I hope everyone had a chance to review that. As I reviewed it, nothing out of the ordinary was brought to my attention. This does indicate the grants that have been awarded at \$1,151,000, which shows a substantial amount of activity in light of COVID and everything that we were still able to handle business. It also shows the Notes Receivable to Bridgeway Capital. I hope you have all had a chance to read it, and if you have any questions, feel free to ask.

Mr. Sample: I have a question but it's probably for Perry or Tom. I'm not sure if it comes in at this point, but on some of these grants, we were giving them a percentage of their budget. Because of COVID, are we still holding people to that? I'm not a proponent of it, it's just a question.

Dr. Wood: Are we still holding people to their original budget? No. Like with the Special Events, which are percentage based, if they went virtual for example and their expenses were going to drop drastically, we lowered their reward that they were eligible for.

Mr. Sample: It's important that these festivals and things continue to succeed. I know some of them we had 5% and I would like to think that we are possibly being a little more liberal with them so that they can continue. Does that make any sense?

Dr. Wood: It does, and we're not. We stay strict with the percentage policy.

Mr. Sample: Obviously with virtual, the expenses aren't nearly what they were. Depending on how things continue to transpire, we may have to look at some of that stuff because the last thing we want is to have somebody fail because they couldn't survive this.

Dr. Wood: It's a great point. If you look at something like the Polish Festival, Zabawa, that is the major fundraiser for that church and that neighborhood. So, not being able to conduct that event or to have a situation where you have to order food to go, the fundraising doesn't even compare to the past. It's a good point.

Mr. Maggio: I just wanted to say, I've heard that a lot of organizations have lost money because they couldn't do special events whether they had Special Events grants or not. So, maybe we'll have to have a discussion about how we could assist them in some way. I understand what you're saying, Mr. Sample.

Mr. Sample makes a motion to approve the Treasurer's Report as presented. Mr. DiPaolo seconds the motion. There are no questions or further discussion of the Treasurer's Report. Mr. Paris has joined the meeting. Motion carries 6-0.

- b. Strategic Planning Committee: There was no Strategic Planning meeting, so there is nothing to report at this time.
- c. Update from County Council: Mr. Horton is not on the call so there is no report from him at this time.
- d. Update from County Executive's Office: Mr. Lee: Thank you, Mr. Paris. I'm going to be extremely brief. The Summer JAMS Program Request for Proposal, we are in the midst of

working on that. The goal is to have that out within the next two to three weeks. Are there any questions about that?

Mr. Cleaver: I'm sorry, I didn't catch the name of that.

Mr. Lee: That is the Summers JAMS – Summer Jobs and More – Program. It is time for us to issue a new Request for Proposal. This is the contract that GECAC has had for the last five years. The Request for Proposal will be set up like the last one where it will be three years and then two optional one-year periods so it could run up to five years. We feel that works out better; it worked out well last time and we are going to be doing the same as far as putting out the Request for Proposal. The goal is to have the Request for Proposal, coming out of the County of Erie, within the next two to three weeks and we will plan to make an award before the end of the calendar year 2020.

Mr. Sample: Gary, I would just like to say that I know the numbers were down, but I know that Corry really had great representation this time. I don't know what to attribute it to, whether it be the local person or GECAC; I'm assuming the answer is that it was everybody. I know that the people here were very pleased.

Mr. Lee: Thank you for the feedback, Dave. To answer your question, it was a team effort, but I have to give kudos to the leadership of Sylvia Lavore who was the Project Administrator for the Summer JAMS Program this year. She started early reaching out to Corry and outlying areas outside the City of Erie. She and her team did a remarkable job. And then COVID played into it as far as impacting the City. In prior years, it was usually 60% student participation within the City of Erie and 40% student participation outside the City. It was actually a reversal this time of 28% coming from the City of Erie and 72% from outside the City. A lot of that was employers that have traditionally participated in the program in the City of Erie did not; Gannon University did not, Erie Insurance did not, Allegheny Health Network did not, and the list goes on and on. The reason for that was COVID-19.

In saying that, the County will still encourage the Administrator of the program to continue that outreach so that we can continue to strive for a balance. The goal is to reach 50/50 and not have it one way or the other whether it is inside or outside the City of Erie more; we want to strike that 50/50 balance. I have to give the leadership of Sylvia Lavore kudos because she did an outstanding job and really navigated during this very challenging time of COVID-19. The program was a very successful program. Are there any questions? If not, thank you, Mr. Chairman.

REPORT OF THE EXECUTIVE DIRECTOR

Dr. Wood: Good morning everyone. If you look in your Executive Director's Report, you will see the letter in the form of an email from the Commonwealth that came into the Finance Department for those two special distributions of funds. You can see that Sparber or Tracey always puts a little handwritten note in the lower right corner with the calculations so we can see it. So, that documentation is in the report for you.

Next, you will see that we did announce to the public our decisions on Community Asset grants for the Arts, Culture, and Heritage. We had a nice press event; we did a Zoom press conference that was very well attended by members of the public and the media. You'll also see the press coverage on that event.

It's a rather thin report, so let me go into some detail on what is happening with MRIs. There were two big MRIs that we closed on recently; one was closed on and one we're working on closing. Both have been awarded by the Board, so this is just more of an update. One was the Erie Center for Arts & Technology and everything is going well with that. They are already in their payback period and this is the first New Market Tax Credit program in Erie County.

The second one, which is in process right now that Tim and I are working on, is the Downtown North East one. That is a \$400,000 MRI to do investments in the main street and anchor buildings and renovations. That one is really important because that is the direction that we're trying to involve the Main Street Program. More and more of these 501c3s are getting into a situation where they need to preserve or protect a key anchor building asset on their main street. So, this \$400,000 to DNE, we're expecting to see an Anchor Building grant come in from them within the next month or so as well so we will probably be reviewing that in November. Tim and I are in the process of closing on this \$400,000 MRI and I will leave it at that because Tim is going to go into a little more detail in his report. Tim, did you want to go into Executive Session during your report?

Mr. Wachter: We don't necessarily have to; I thought about it again and the descriptions provided in the resolution are adequate so we can talk generally when we get to my report.

Dr. Wood: The reason I asked if you wanted to go into Executive Session is because there is some property acquisition issues related to it, so whenever that happens we have the ability to protect ourselves or our client based on that and Executive Session is the way to do that.

That concludes my Directors Report unless the Board has any questions. Thank you, Mike.

SOLICITOR'S REPORT

Mr. Wachter: I'm going to share my screen and show you the terms sheet. What I had done is I had taken the resolution that the Board adopted on October 17, 2019 to authorize a 10-year, \$400,000 Mission-Related Investment to Downtown North East which was specifically for the purpose of proactively revitalizing buildings in the main street and commercial corridors deemed necessary to stabilize and improve growth or use in the amount of \$400,000. We did have a meeting with them and their representatives earlier this week. They have properties that are ripe for acquisition; these generally only come up once in a generation or two, so they want to move quickly on this.

The terms that we have put together, and the amount is \$400,000 and that of course was approved by the Board. With respect to disbursements, the resolution requires that disbursements only be provided at such point that we have been told that the fundraising goals have been met in order to perform the necessary project. They may not need the full \$400,000 if they are going to do one project and they only need a portion of that, and the resolution is written in a way that we only need proof that they have met the fundraising goals of that particular portion of the project.

We know that match is a 100% match commitment availability at the time of disbursement and that hasn't changed. Maturity is at 120 months. It's a 10-year loan which is what was approved in the resolution. The interest rate is set at 2%, fixed; that is the same interest rate that we provided eCAT so we wanted to be consistent with the MRIs in that respect. Repayment is only quarterly interest payments for the ten years with a balloon payment on the back end at the last payment which is the same terms we had put together for eCAT and for the terms that have been used for the majority of these loans. There is no prepayment penalty.

Collateral of security; this is a policy call that Perry and I had discussed extensively with the eCAT loan and at what level of security is it that we will require on these loans. Of course, the filing of a UCC1 in order to secure the debt. The debt of the question is now that we are doing properties, and eCAT was the first property, do we want to require a mortgage interest in the property where we are

liening the properties for the amount of our loan or do we just want to sign any leases and rents that are received in the utilization of that property? After being involved in the eCAT process and that financing, we quickly came to realize that the purpose of the MRI money was to help these projects that are otherwise not necessarily bankable, that a traditional financing entity which would take a mortgage interest may not do this project without the Gaming Authority Mission-Related Investment. If the Gaming Authority takes a mortgage interest in that particular project, that is then going to limit the ability of the traditional financing entity to do their loan as well because they are looking for first-position mortgages; if we were to do this, then we would have to subordinate and take second position and if the entity needs a follow on financing, they are going to come back and ask us to take the third or fourth position and we realize that that is not really the purpose of the money to get into the game of taking position on real estate on current development. But with the eCAT project, the (inaudible) of signing any leases or rents acquired and we wanted to make sure that you are okay with that general philosophy moving forward.

We would ask that our priority be an equal priority as to the assignment of leases and rents in the event that the banks would want to take those as well. By giving up the mortgage interest in the property, we think it is reasonable to ask for equal priority in leases and rents. Of course, you know the risk of doing that – the risk is that in the event the building is worth nothing, then that's a problem for the bank because they have the mortgage interest in the building. In the event that the building fails and there is absolutely no leases or rents coming in, then there is nothing for us to hold. So, it is a secure loan to the extent that this is a successful property.

I will also note that in just about all of our prior loans, we have had less security than this because we recognize that this money is to make an impact rather than securing those loans. This is actually putting us in a better position than with a traditional loan.

The remainder of the term sheet just gives a reference to the documents that we typically require for closing. So long as there are no objections, I think this is something that we would like to have Perry send out today.

Mr. Lee: Mr. Wachter, thank you. I definitely concur with you and Dr. Wood as far as not taking a position on the lien for the property because we are not in the business of taking over property, should it happen. I think that's a very good, solid move about the leases and rents if it was acquired and it got to that point. I said all that to say this, I definitely concur with that decision that was made; I think it was a very good decision. Thank you.

Mr. Wachter: Hearing no objections, we will take that as a general head-nod and Perry, I will get this document over to you. Once you are okay with the final language there, you can send it to Downtown North East. Please be sure to copy me on that. That concludes my report.

OLD BUSINESS

There is no Old Business to conduct at this time.

NEW BUSINESS

There is no New Business to conduct at this time.

Mr. Sample moves to adjourn.