CALL TO ORDER

The Board of Directors’ Meeting of the Erie County Gaming Revenue Authority was held on July 18, 2019 in the Jordan Room; 5240 Knowledge Parkway; Erie, PA 16510. Legal Notice of the meeting was given through an advertisement appearing in the Erie Times-News. The meeting was called to order by the Chair.

ROLL CALL

Mr. Bagnoni (via zoom), Mr. Barney, Mr. Cleaver, Ms. Hess, Mr. Paris, and Mr. Sample. Mr. Lee, Mr. Wachter and Dr. Wood are also present.

APPROVAL OF THE AGENDA

Mr. Sample makes a motion to approve the agenda as presented. Mr. Barney seconds the motion. There is no discussion of the agenda. Motion carries 6-0.

APPROVAL OF MINUTES – June 2019

Mr. Cleaver makes a motion to approve the minutes as presented. Mr. Sample seconds the motion. There is no discussion of the minutes. Motion carries 6-0.

DIRECTOR’S COMMENTS

Mr. Cleaver: Mr. Chairman, I have a couple of concerns. 1. Has Roar on the Shore ever approached ECGRA for any funds? And 2. Were they turned down? I would like to get a little background if they did.

Mr. Paris: I know they have applied . . .

Dr. Wood: . . . and they have been successful for the last four years in applying for Special Events grants.

Mr. Cleaver: And they have been successful?
Dr. Wood: They have been successful every year for the last four years. They are the single largest recipient of Special Events grants funding; approximately $17,000-$18,000 a year in sponsorship dollars based upon our formula.

Mr. Paris: Did they apply this past year?

Dr. Wood: They did apply.

Mr. Cleaver: I think it’s a shame we lost it from the City but that’s neither here nor there. I was just curious because I had a couple of calls and discussions if anything could be done through gaming and I said, “That’s a good question. I’m going to ask if they ever requested any funds.”

Mr. Paris: I don’t know if this has been talked about with Roar on the Shore, but one of the things is since they went 501c3, they have a staff and an Executive Director to pay now which they never had before. There’s a lot of money going out the door to pay those people which, that’s where they lost all that money. They didn’t do any fundraising to get the event to stay in Erie.

Mr. Cleaver: Well, if they change their tune now, we’ll see.

Mr. Paris: That’s what I’m hoping.

Mr. Cleaver: I hope it’s a success out there, but I can’t see it.

Mr. Sample: When they applied, and Perry and Tammi can correct me if I’m wrong, they didn’t have the bill from the City at that point which would have raised their budget. So, next year, if they do go back to the City, they could ask us for more money. Isn’t that the case?

Dr. Wood: I suppose that is true, although we do have a cap on Special Events sponsorships of $20,000.

Mr. Barney: We can’t pay for the police force, can we?

Mr. Sample: We pay a certain percentage of their budget, so if their budget was higher . . . . This is an aside thing, but it concerns me that you’re getting a bunch of people, feeding them alcohol, and then putting them on 86, which on their website they’re encouraging people not to go on.

Mr. Cleaver: I predict somewhere between eight and ten fatalities this particular year because of the move. I know what 86 is; I travelled it all the time, and I know what 89 is. They should come back downtown.

Mr. Sample: Right now, 86 is one lane and torn up.

Mr. Cleaver: I just wanted to get something in my brain about what has happened and what did happen. Thank you.
COMMENTS BY THE CHAIR

Mr. Paris: I just want to take this opportunity to welcome our new member, Kelly Hess, to the Board. Thank you for becoming a member. You'll get to know us pretty well and we’re a good bunch of people. Kelly, if you could tell us a little about yourself.

Ms. Hess: Thank you very much for this opportunity. I look forward to being a part of this Board. I actually was born and raised in Harborcreek and I have been an educator in the district for 29 years. I started my career as a teacher and just kind of moved my way up through as Principal and Curriculum director and have been the Superintendent for the last five years. I’m excited about this opportunity to hopefully help in some small way or big way here at ECGRA and I’ve only heard good things about the Board here from Dr. Wood, so I’m excited about this opportunity. Thanks for having me.

Mr. Paris: Thank you. I would also like to start the process of, and direct Tim to look at, Perry’s salary. I know it’s three or four months out, but it’s something we would like to get started well in advance.

Mr. Sample: Don’t we also have a contract?

Mr. Paris: Yes.

Mr. Wachter: I’ll pull it up.

Mr. Sample: I think that’s important because sometimes Boards wait a little too long to go in and start doing things and then everything is a knee-jerk reaction. It’s better not to get into that.

Mr. Paris: Right. At least we’ll have three or four months to talk about it.

PUBLIC COMMENT

There is no public comment.

PRESENTATIONS

a. Jeff Kent – MaherDuessel

Mr. Kent: Thank you. My name is Jeff Kent and I’m here with MaherDuessel to present an overview of the 2019 audit, both the financial statements and the results of the audit. At this point, the reports are in draft form and have been reviewed in pretty comprehensive detail by Tammi and Perry and the Solicitor. All of their changes have been incorporated into the drafts that you have right now, and we can move towards finalizing at your convenience.

As far as this conversation, I have prepared a brief handout that I’ll use as a guide for this conversation, but if you have any questions or you want to get into the details of a certain section, I can certainly do that.

The first page of the handout talks about the reports that are issued as part of the process. Certainly, the Financial Statements themselves which I will go through some highlights of, and the Communication to Those Charged with Governance; this is a letter that we issue as a part of every audit that goes through communications that we’re required to make under our professional standards. I’ll also hit the topics of that letter. One thing that is
not on here that I wanted to note, we also started doing quarterly reviews for this fiscal year. A review is not an audit; it is more an analytical procedure reviewing the financial information, making sure the significant reconciliations are done and that type of stuff but as part of that review process, you’re issuing quarterly financial statements now. At this point, your interim financial statements are now more consistent with what you’ve seen on an annual basis. I just wanted to point that out.

The next couple of slides are the topics of the Communication to Those Charged with Governance letter. The first part of the letter talks about responsibilities; certainly, our responsibility to perform the audit in accordance with generally accepted auditing standards. It talks about the fact that the financial statements themselves are the responsibility of the organization including the accuracy of the numbers, the accuracy of the disclosures, and such. In terms of your report framework, no real changes in terms of accounting policies or the basic information that is in your financial statements so that the numbers and the footnotes have been updated but not a whole lot of change to the content or no changes to the accounting policies of note.

The letter points out some significant estimates and disclosures that are in the financial statements. You have large Notes Receivable and as far as the reporting of Notes Receivable, you go through a process of estimating an allowance for uncollectable accounts. That is certainly an estimate that is incorporated into your financial statements. You don’t have a large volume of Notes, so you can look at them individually, but you generally adhere to the policy of 20% reserve on the Note balance. In terms of significant disclosures, we point out the Notes Receivable which goes through the details of each Note.

There is a footnote related to the Erie Community Foundation related to the funds held there and we point that out because those funds are not necessarily on your books, but the balance is about $13 million at the end of the year and that balance and the nature of those funds are described in the footnotes.

The rest of the communication letter is pretty exception-based. I am certainly happy to report that there were no difficulties in performing the audit, no disagreements, we were able to get everything we needed to complete our procedures, so we certainly thank Perry and Tammi for their help throughout the process.

The next page is the summary of results where we are issuing an opinion on your financial statements and as I had mentioned, that opinion is in draft form. That opinion will be an unmodified or clean opinion which is certainly the type of report you want from us.

The next couple of pages are the summaries of the financial statements themselves. Page 6 shows that you ended the year with a net position of about $15 million; that is a decrease from the prior year and when we go to the next slide, you’ll see the results for the year. You did use some of your net position this year because you had a lot of grant activity, so your expenses did exceed your revenues. In terms of the Notes Receivable, you also had some significant activity in that area; you issued about $2.75 million in new loans and that was two loans – Bridgeway Capital and Blue Highway. So, that number is significantly bigger than what you’ve seen in the past.

Page 7 is the results for the year and as I had mentioned, the net position decreased by about $2.5 million so you can see that your expenses were about $7 million, the grant activity of $6 million a pretty large increase from the previous year and certainly that’s not necessarily going to be consistent from year to year. Within that, there was one large grant of about $1.3 million to Ben Franklin.

On the revenue side, your revenue was down by about $1 million and your footnotes do describe that decrease in revenue given the allocation change where some of that $1 million was redirected that normally would have come to you. The Provision for
Uncollectables, I had mentioned before that you typically have about a 20% reserve on your loans so that $550 is the new reserve just for this year on those new loans. Any questions on the activity?

That’s about it as far as the audit and the results and the summary of financial statement information. Certainly, I’m available for questions either through wrapping up this process, if you have any questions that come up after the meeting that you would like to ask me, certainly don’t hesitate. Then also throughout the year, again we’re about to start the first quarter review for the new year so if you have any questions about the financials throughout the year, I’m available or you can direct them through Perry.

Dr. Wood: Just a comment for the record; we began the audit review process with MaherDuessel in May. The first draft was finalized by the June Board meeting; the Board received a copy of the first draft version which is what you have in front of you today in resolution form. Jeff is here to present on the process, which he just did, but then to answer any questions you may have about the document that was distributed last month. We did follow up in between and we hadn’t heard any questions or comments from Board members but now would be the opportunity to ask those questions before we memorialize the audit in the form of a resolution which is on your agenda as Resolution Number 11. If we do pass it here today, it will go to County Council, the County Executive, the County Controller, and it will go to the Director of Finance at the County for their records. Are there any questions for Jeff?

Mr. Kent: Thank you for your time.

Dr. Wood: The next report you get from Jeff will be the first quarter financials for the new fiscal year which began April 1st.

COMMITTEE REPORTS

a. Treasurer’s Report: Mr. Barney: Good morning everyone. I hope everyone had the opportunity to review the Treasurer’s Report or you have one in front of you. We will start with the Profit & Loss statement and I will just highlight a few of the changes. If anyone has any particular issues, feel free to bring them up. I would like to point out at the top under income, that is pertaining to interest from savings and from Bridgeway Capital loans. Last month there was interest on the other two and Bridgeway’s hadn’t been reported to us and this month we have the interest on their two loans.

Going further down under other types of income, there really are no changes there because that’s basically the same throughout. At the bottom under Expenses, you’ll notice there is a negative $1,500 – that is a refund from 2018 that we received. We like it when people are straight forward and don’t create reasons to spend it all and actually return it. Then you see the $234,690 for Mission Main Street – that’s Round 2 that went to Our West Bayfront, Preservation Erie, and the Sisters of St. Joseph. The Pilot Program is the Blue Zones in Corry and then the $31,650 for Anchor Building – that’s the second payment to PACA. Any questions on that sheet?

The Balance Sheet is pretty straight forward. Does anyone have any questions? Statements of Cash Flow – any issues? Onto the next page is which is Budget vs. Actual. As you look down, Government Relations is the Ridge Group, Professional Services is Parker Philips. If you go down farther under Books, Subscriptions, and Dues I’d like it to be known that while it seems like a large amount, we renewed our Chamber membership for $285 and
there is the Times Subscription is $45 and the remainder is books. Meeting expenses may seem like a lot, but we had an Anchor Building workshop and a Strategic Planning meeting. Other than that, nothing is out of the ordinary.

Mr. Lee: I have a question before we move on and this may be something for Perry to answer. What type of contract or arrangement do we have with Parker Philips?

Dr. Wood: We have a monthly services agreement with them.

Mr. Lee: Do we have a cap on it or is it an open end? What type of contract is it?

Dr. Wood: Let me get back to you with the details so I can go back and review it, but generally it's in the ballpark of what you're seeing here.

Mr. Lee: Thank you.

Mr. Barney: Are there any other questions? Looking at the Schedule of Grant Reserve – the first page shows no activity in June but the next page at the bottom you'll see activity under Multi-Municipal you'll see the $1,500 refund. The next page shows where PACA received their second payment for Anchor Building.

Mr. Wachter: Mr. Barney, on the Schedule of Grant Reserves under Special Events, that’s where Mr. Cleaver can see the $17,421 that was given to Roar on the Shore this year.

Mr. Cleaver: That pretty much answered my question when I asked how they go about it and the President indicated that they've got a lot of expenses. Okay.

Mr. Barney: You can see the second payment for PACA indicates that it's the first payment - that is the first payment in this fiscal year – but it is their second payment. Under Pilot Programs, we have the Blue Zones in Corry that is the first of two payments. The last page of the Schedule of Grant Reserves for the month of June shows the expenses that went out and they include PACA, Preservation Erie, Our West Bayfront, and Sisters of St. Joseph as well as the Pilot Program – Partnership for a Healthy Community, which is the Blue Zones.

The Check Detail on the next page doesn’t show anything out of the ordinary. If there are any questions, feel free to mention it. If you haven’t had a chance to look at it thoroughly and you do see something, feel free to contact me and let me know and we’ll discuss it. If I don’t have the answer, I’ll get the answer. The Visa statements are next, and Perry’s just shows the phone and IT. Tammi’s Visa shows that most everything is office supplies, postage, and meeting expenses as well as the membership subscriptions. Are there any questions pertaining to that? If not, that concludes the Treasurer’s Report.

Mr. Paris: Thanks Dale.

Mr. Cleaver makes a motion to accept the Treasurer's Report. Mr. Sample seconds the motion. There is no other discussion. Motion carries 6-0.

b. Strategic Planning Committee: There was not a meeting of the Strategic Planning Committee so there is nothing to report.
c. Update from County Council: Mr. Leone is not present so there is nothing to report.

d. Update from County Executive’s Office: Mr. Lee: Thank you, Mr. Chairman. The Summer Jobs Program is up and running and is going really well. We have a total of 160 students participating this year. For Kelly’s background, the program is going into its sixth year, it is for the entire County, it is for individuals between the ages of 16 and 21, they must reside in Erie County, and there are some income stipulations that they must meet. This program has been a great partnership with Erie County government, ECGRA, and the Erie Community Foundation. To date we have invested over $1.6 million and have seen over 780 students participate in the program and our completion rate is about 92%. It’s a program that once the students get involved it is for the duration of seven weeks, they are committed to be in their group.

This year we have about 50 employers that are participating ranging from large corporations like Erie Insurance and Saint Vincent to smaller companies where there are only five or ten employees. The type of job assignments that are assigned to these students are valuable assignments where they work with a human resources team, a finance team, a marketing team, we do have some that do landscaping and facilities management. It’s a great opportunity for our young men and women to be introduced to the job world. We’re pleased with how the program is going and if there are any questions I’d be more than happy to address them. That’s all I have to report for today. Thank you.

Mr. Paris: Thank you for that update.

REPORT OF THE EXECUTIVE DIRECTOR

Dr. Wood: I will be brief this morning. The first thing you see in your report is the activity from the Ridge Policy Group; they had a really good month. The Innovation District received two grants under their marketing – one is a $500,000 grant to the ARC (Appalachian Regional Commission) and the second is a $2 million capital grant from the Economic Development Administration. We’ve been working with Mark Hollman on promoting the Innovation District to those two federal resources and they both came through successfully. That’s another $2.5 million to add to the list of Ridge Policy achievements; it was a really good month.

You’ll also see that Erie Innovation District has moved forward with their next round of opening up their Secure Erie Accelerator which Erie Insurance has gotten on board with. Then there is a Bridgeway Capital newsletter in here as well along with some press coverage we received through the various grants that we have been doing with Union City as far as historic preservation goes, Girard Borough’s Master Plan, and the City of Erie’s historic preservation committee, which mentions ECGRA, as well as the Corry events grant that we did and the Census Project that we did. The end of the report talks a bit about Summer Jobs and PACA and the Anchor Building grant that was done there, and that second payment was just issued.

Mr. Lee: Mr. Chairman, I would like to commend the Board for their dedication and support of the Ridge Policy Group. This, as many of you know, there was feedback from some individuals that thought perhaps we should go in a different direction, but I thought the Board held strong and as we can see, it is paying off. One of the proponents of the Ridge Policy Group, which I definitely am a proponent of, is that it is an investment and I think that is what people did not understand. It takes time for your investments to give a return, but we can see by this report of $2.5 million coming back, it has been a great investment for ECGRA, and more importantly for the Erie County region. Again, I would like to go on record as saying thank you to the Board for doing the right thing.
Mr. Paris: I appreciate those comments, Gary, and I agree with you.

Mr. Barney: Question. Pertaining to that amount which I commend and think it’s exceptional, a number of the Board members would want to know, would they have gotten that without the help of Ridge Policy Group?

Dr. Wood: Whenever you’re going after federal funding, it’s a long process of marketing yourself to those federal agencies and that’s one of the areas that Ridge Policy Group specializes in. They have a grants division and that’s mainly what we’re tasking them for at this particular time, so they are spending time working with EDA and ARC on our behalf and since the Innovation District is the most aggressive going after those funds, which makes sense for us because the Innovation District has been one of our main strategic priorities since we did transformational funding two years ago.

Mr. Sample: I think the big thing with Ridge Policy Group is that everyone wants to see how you can tie them directly but the thing that’s interesting about them is they can get you into a meeting. You can call and get voicemail all the time, but they seem to pick up the phone when Ridge calls and you can at least get in front of a person to talk to so it’s just the ability to talk to the right people and have some encouragement to funding.

Dr. Wood: Are there any other questions for me?

Mr. Cleaver: What do we pay Ridge?

Dr. Wood: Ridge Policy Group receives a flat fee of $4,000/month to do both State and Federal marketing and sometimes there are expenses on top of that. There might be expenses for reporting fees, lobbying fees, or some travel costs.

Mr. Cleaver: So, that’s roughly $50,000 to get a phone call for $4,000. That’s what you’re saying, that they make a phone call.

Mr. Sample: Or a quarter of a million.

Dr. Wood: Well, this round it was $2.5 million.

Mr. Sample: We can’t attribute all of it to them, but I think they’re definitely helpful in getting us to the right people.

Mr. Paris: And I see this as just the beginning of things to come.

Mr. Sample: Once we got the acceptance of Erie County government to use this and encourage Ridge to work with Erie County government and to get them to bring us this stuff, once County Executive Dahlkemper grabbed a hold of it and now they’re feeding stuff saying this is what we need – can you get us a meeting?

Mr. Lee: Mr. Chairman, I think it’s very important to not minimize it not saying that anyone is because this is more a point of clarification, but it’s more than phone calls – it’s relationships. The Ridge Policy Group has an outstanding reputation not only statewide, but nationally. Through that, they have been able to cultivate and develop relationships that we just do not have the ability or capacity to do. Because of that, they have taken us to a national level on many fronts. For example, the Blue Zones program. They have opened up a door where our Director of Health, Mellissa Lyon, has had an opportunity to go with them to Washington to speak about Blue Zones and to share with them about the positive initiative that we are doing here in Erie County.
Consequently, some other counties around the country are considering Blue Zones. That type of exposure and that type of relationship-building is invaluable.

Mr. Cleaver: Does that contract come up on a year-to-year basis?

Dr. Wood: There is a contract that is on a month-to-month basis. We initially had a period of a year and since then it’s been on a month-to-month basis.

Mr. Cleaver: I was just curious. I wonder why we have State legislators and their office help, why they can’t get their foot in the door. I haven’t heard the answer to that one yet. Gary mentioned that they have pull here, there, and there and that’s fine as long as we get the benefit of it. From what I can see or hear there is some, but I’m not sold on it. I’m just speaking my peace.

SOLICITOR’S REPORT

Mr. Wachter: A series of months ago, the Board had approved a convertible loan to Blue Highway Capital. In that approval you had authorized the Executive Director and myself to negotiate the agreement with Blue Highway in order to spend some money in Erie County. We had negotiated those agreements, we had closed on those, and Blue Highway realized there was an interest rate that needed to be fixed in the agreements where we had negotiated a three percent interest rate on the funds prior to their investment by Blue Highway Capital, however the documents reflected a six percent interest rate. I just wanted to report to the Board that we amended that, and it’s been corrected.

I also wanted to add, if I may, to Mr. Lee’s report regarding Summer JAMS. We have a young woman who is working with us at the Knox Firm for Summer JAMS and while she’s been doing a significant amount of shadowing and such, I think that she has been well-received and is a good representative of the program. My own personal experience with her is that she’s been great.

Mr. Lee: Thank you, Mr. Wachter.

OLD BUSINESS

There is no old business to follow up on.

NEW BUSINESS


Dr. Wood reads the resolution.

Mr. Sample makes a motion to accept the resolution into record. Mr. Cleaver seconds the motion. There is no further discussion. Motion carries 6-0.

ADJOURNMENT

Mr. Sample moves to adjourn.