

ERIE COUNTY CONVENTION CENTER AUTHORITY
MINUTES
Thursday, May 23, 2024

Board Members Present: Dahlkemper, Deitrick, Glass, Hilbert, Johnson, McCormick, Riley, Sapienza, and White

Board Members Excused: Nuber and Richards

Others Present: Michele Bryan (Teams), TJ Hesch, Charles Iverson, Ed Snyder and Jim Walczak; Solicitor

Ms. White called the meeting to order at 3:09 PM.

INTRODUCTION OF GUESTS:

Mr. Iverson said we have Mr. TJ Hesch who is joining us today. He said that Mr. Hesch was recently hired as Erie Events Director of Finance & Administration. He said that Mr. Hesch will be taking over when I retire in November. Mr. Iverson said that he will be working with Mr. Hesch over the next five months to get him up to speed so he will be in the position to take over towards the end of the year. Mr. Iverson said that I think he will be a great addition to the team.

The Board introduced themselves to Mr. Hesch and congratulated him on his new position and welcomed him to Erie Events.

Mr. Iverson said he would also like to introduce Ms. Michele Bryan, CPA, from the MaherDuessel Accounting Firm, who will be presenting the 2023 Audit Report to the Board with a summary of the financial statements for the annual audit. The Board welcomed Ms. Bryan to the meeting.

PUBLIC COMMENT:

Ms. Bryan said that she is happy to take questions throughout the presentation. She said that we did meet with Erie County Convention Center Authority Audit Committee to review the draft of the 2023 Audit Report which was prepared by MaherDuessel. She said the report was discussed in more detail and that she would be providing an overview of the financial statements today as outlined in the power point presentation. Ms. Bryan said that we issued three sets of audited financial statements. She said that we issued a statement on May 14th for the Authority that also included the Sheraton and Courtyard so it would include all the operations of the Authority. Ms. Bryan said that we also did a separate report for the Sheraton and Courtyard hotels.

Ms. Bryan said they had no difficulties performing the audit. She said that we always receive excellent cooperation. Ms. Bryan said that things went smoothly and according to the timeline of the audit, there were no corrective or uncorrected misstatements to report which just basically means there is no adjustments that were required by the auditors during the process of issuing the financial statements.

Ms. Bryan said I also did want to indicate that you do not have any material weaknesses or significant deficiencies being recorded as part of audit process. She said that when we look at the financial statements, we also test internal controls. She said that we look for other matters of concern for the organization and there are no significant deficiencies or material weaknesses to point out to the Board today. Ms. Bryan asked if the Board had any questions she could address and provided her contact information to answer any questions for the Board they might have in the future.

Ms. White asked the Board if they had any questions or comments. There were none.

Ms. White, said that the Erie County Convention Center Authority Audit Committee is recommending that the Board accept the 2023 Audit as presented.

Ms. White motioned to accept the 2023 Audit as presented. Mr. Riley seconded the motion. The motion was approved unanimously.

Ms. White asked if there was any additional public comment. There was none.

Ms. White asked for approval of the April 18, 2024 minutes.

Mr. McCormick motioned to approve the April 18, 2024 minutes. Mr. Glass seconded the motion. The motion was approved unanimously.

FINANCIAL REPORT

Mr. Iverson presented the April 30, 2024 Financial Statement to the Board. Mr. Iverson said, overall, in April we had what I would say is an extraordinarily strong month. He said we outperformed our budget at all four venues. He said he would like to make a couple comments about each of those specific venues.

Mr. Iverson said starting with the arena, they exceeded greatly above their performance target by about \$30,000. Mr. Iverson said that a couple of things happened in the month of April to make that happen. He said that we had two additional Otters games in excess of what we had expected because of how the timing of the playoff games worked out. Mr. Iverson said we actually expected to have one game last month and only one game in April but we ended up with three. He said that that threw some additional favorable activity to the bottom line. Mr. Iverson said that, in addition, we had one unbudgeted concert with Brantley Gilbert. He said that the only downside, in terms of activity, was the Paw Patrol event. He said that it was a budgeted event, but that it significantly underperformed our expectations. He said it was an extremely significant variance. Mr. Iverson said that we expected budgeted paid attendance in excess of 11,000 but did less than 3,000 which had a negative impact. Mr. Iverson said, nonetheless, we were still able to end the month about \$30,000 ahead of budget as it related to all of that collective activity for the arena.

Mr. Iverson said the theater ended the month very strong, as well. He said they exceeded budget expectations in excess of \$90,000 for the month. Mr. Iverson said that things really lined up for us in that regard. He said that we had one concert that was budgeted, which was Godsmack, and then two unbudgeted events. Mr. Iverson said that Godsmack significantly outperformed our expectations. He said that they doubled what we thought they were going to do. He said that it was almost a sellout show. Mr. Iverson said that, in addition, the Pennsylvania Music Educators Association event also did very well. He said that we did not expect that to be a ticketed event for us so we generated significant box office fees. He said that the ticketing fees associated with that event were also not budgeted. Mr. Iverson said food and beverage concession activity, associated with all those events, outperformed budget as well. Mr. Iverson said, the other positive was, you get that all without really incurring any significant incremental operating expenses. He said that everybody who participated did really well in terms of executing those events without incurring additional incremental costs. Mr. Iverson said, quite frankly, I do not recall ever seeing a favorable variance that large for the theater.

Mr. Iverson said that the ballpark slightly performed over budget as well. He said that most of that had to do with timing of recognition of some of our fields supplies. He said, and again, the whole crew did a great job executing the budgeted games and held their part time wage costs under budget for the month which also contributed to the favorable performance that we saw for the ballpark.

Mr. Iverson said, lastly, the convention center also had a very strong month. He said they performed in excess of \$80,000 to budget. He said we saw favorable performance related to budgeted and some unbudgeted events that actualized. Mr. Iverson said, in addition, some of the budgeted events also performed beyond their expectations in excess of \$125,000 in revenue ahead of budget. Mr. Iverson said a lot of that flow to the bottom line was good expense control in the month. Mr. Iverson said, so again, we did \$300,000 for all operating venues with \$100,000 of revenue budgeted. He said that it was a very attractive month. Mr. Iverson said that takes us on a year-to-date basis of about \$225,000 ahead of budget. He said that we have a good start to the year through this first four months. Mr. Iverson said that right now the forecast, in looking ahead in to the next four months, seems to be lining up pretty close with our expectations so we did not include any adjustments to the forecast beyond what is in the budget. Mr. Iverson said, of course, we will continue to look at that moving forward as we move through the remainder of the year and adjust the forecast appropriately based upon what we are seeing in terms of variances and event activity versus our expectations. Mr. Iverson said we are happy to answer any specific questions you might have.

Mr. McCormick asked what is the amount of the generated hotel tax we expect to use to meet our budget. Mr. Iverson said that we are using, on an annual basis right now, about \$1 million of the \$2.8 million that we have generated to cover venue operating subsidies. A brief discussion followed.

Ms. Dahlkemper motioned to accept the April 30, 2024; Financial Statements as presented. Mr. McCormick seconded the motion. The motion was approved unanimously.

MANAGEMENT REPORT

Mr. Pine said we do have a Construction Committee update that we will go into a little later. He said, however, I want to talk a little bit about where we are with the 216 Bayfront project, Monacella Massage, because that is moving along nicely. Mr. Pine said that we have construction drawings completed for that project. He said that Shelley Bueller was reviewing the drawings because we have indicated specific items that will be the responsibility of the tenant as part of the project. He said that the cost of these items will be part of the tenant's responsibility in addition to the normal square footage rent. Mr. Pine said that we had a meeting with the architect and tenant last week to discuss what those items specifically were. Mr. Pine said that Mr. Iverson and I anticipate, after the holiday next week, we will put this project out for bid. He said that we will probably open it for three weeks. Mr. Pine said, again, we met with a couple of local construction companies just to get an idea of how long this project would take because our goal is to have a February 1, 2025 lease date. Mr. Pine said that Ms. Hitz's term of her current lease ends at the end of January in the Renaissance Building. He said that we want to make sure, from a construction timing standpoint, that we have a proper amount of time to get her transitioned into 216 Bayfront without business interruption. Mr. Pine said that would mean we are looking to begin construction come August. He said that this project is a prevailing wage project. He said that Mr. Iverson gathered some information to make sure that that gets included. Mr. Iverson said that we are doing all the things needed to ensure that the money that we spend on this project can be used for future matching grant funds when we go after additional RACP grants in the future. He said that this project will qualify for this purpose.

Mr. Pine said that Mr. Iverson mentioned the Godsmack concert. He said that the event was nearly a sell-out crowd. Mr. Pine said that he wanted to give credit to our theatre team. Mr. Pine said that because we knew the sold ticket count and that it would likely be a beer drinking crowd, the theatre team opened up the bar in the rehearsal hall as an additional location for guests. Mr. Pine said that the theatre, based on its original design, has narrow hallways which is very difficult to service guests from a beverage standpoint. Mr. Pine said that Barry Copple and his team opened up the additional bar by utilizing the rehearsal hall. He said that our marketing team created signage and we had ushers positioned to direct guests to that location as an overflow beverage area. He said we did about \$25,000 in beverage sales for Godsmack. Mr. Pine said that I don't think that would have happened without the additional bar. He said I want to commend the theatre team for thinking outside the box. He said that I think the more we provide that option for larger events, the more people are going to be aware that the rehearsal hall bar is open which will allow us to provide better service to our guests and generate additional revenue. A brief discussion followed.

Mr. Pine said that Godsmack was one of the events I wanted to give an update on because it was a co-promoted show. He said last year, in the beginning of the budget process, I asked the Board to create an account where we could be a little more aggressive in terms of our partnerships with promoters. He said I asked to create a fund, up to \$200,000, that we would allocate for the use of co-promoted shows. Mr. Pine said I am happy to say we have 13 co-promoted shows, so far, on our books for 2024. He said that two of them are events that will be occurring in July. Mr. Pine said we have tapped into zero dollars of the Co-Promotional Fund. Mr. Pine said that it is the ability to have those funds, if needed, which allows me the flexibility to be able to negotiate and bring more concerts to our venues. He said that does not mean that all of the concerts that we have had have been as successful as Godsmack. He said that that concert was extremely successful for us. He said we also have additional funds that we are able to share, essentially, if the show does not do great. Mr. Pine said that ticket revenue is one of the funds that we can share with the promoter. He said we share some of that revenue to be able to give a soft landing to the promoter, or, at least to break even. Mr. Pine said that every time the promoter leaves, even if the show did not perform as expected, they are not walking away with a deficit. He said this is making them return to our venues. Mr. Pine said that my goal is with some of the larger concerts, at the Erie Insurance Arena, is to improve the talent level that we are attracting. Mr. Pine said that I think co-promoting these concerts is going to help us get there. He said that once promoters come here and realize that they are at least not going to be hurt by coming to our market, I think we are going to really position ourselves well. Mr. Pine said I would like to thank the Board for creating the Co-Promotion Fund. He said that I know, for many of you, that was a big unknown if you do not understand that side of the entertainment industry. Mr. Pine said that I am happy to say we have not used those funds, it has been a successful program and that it will continue to be successful down the road for the reasons I have mentioned.

Ms. Dahlkemper said when you say we have not used it, is that just because the events made enough money where you did not have to share those funds set aside with the promoters. Mr. Pine said that is correct. Mr. Pine said it is essentially an insurance policy. He said, historically with concerts, the only revenue that the promoter has access to is ticket revenue. He said, essentially, what we are saying is with a co-promoted event is that you get ticket revenue, but we will also share with you some of the food and beverage revenue which typically just goes to the venue. He said we also share some ticket convenience charges. Mr. Pine said, then you might ask, what is in the game for us? He said that we are essentially giving a piece of our revenue but in my mind, and I think in all of our minds, we are getting events that we

would not typically get. He said that by providing a cushion, we become a city where they are going to stop and perform. He said because we are willing to share the expenses and revenue, it reduces their risk and they are much more willing to bring their concert to Erie.

Mr. Pine said, lastly, we announced the 8 Great Tuesday lineup a week ago. Mr. Pine said that I am going to ask Mr. Snyder, during his management report, to give a little more in-depth update. Mr. Pine said, we are fulfilling two roles. He said as part of our agreement, the number one role is to book the artists which Mr. Snyder is handling for us. Mr. Pine said that Ms. Brigid Doyle is handling sponsorships and VIP tent sales. He said those are our two roles. He said I think we have a really good mix of talent.

Mr. Pine said I would be happy to answer any questions that you might have for me on my report.

Mr. McCormick said people thought that the program for Law Day did not go well at the theatre. He asked if we have a policy, when a tenant wants to bring an event and we know is not going to work or could be risky, do we steer them in a different direction. A brief discussion followed.

Mr. Snyder said that Lisa DiLuzio, our sales team and I have talked specifically about association conference business and how to leverage the theatre with the convention center for speaking engagements, because I think you are all right. He said that I think that the auditorium here is a much better option than the ballroom for those types of events. He said for Pennsylvania Music Educators Association is a good example of leveraging both buildings specifically as we run out of inventory in the convention center with how busy we are. Mr. Snyder said it probably would not work for Law Day, but when someone is in town for a few days, and they need a speaking engagement space, how do we leverage this space?

Mr. Snyder said I have a couple of things to touch on in the management report. He said I want to highlight the American Baptist Association Conference for June of 2027. He said that lead came from Amy O'Connell while attending the Connect Conference in Las Vegas. He said that they also came to the Familiarization Tour that I mentioned at the previous meeting. Mr. Snyder said both the conference in Las Vegas and the Familiarization Tour, showcasing our area, potentially could be paying off for future conferences.

Mr. Snyder said I would like to highlight our event coordinators at the convention center. He said, as Mr. Iverson mentioned, some of the events finished very strong in the past month and a lot of that has to do with upselling the events. He said that we are running out of room inventory, in some cases, due to the amount of business we have. Mr. Snyder said it is a big opportunity for us to reach out to our clients and see if we can add meal breaks, change menus or add additional audio-visual equipment. He said that Ms. Erica Zeiber has been doing great with her efforts, specifically with the Pennsylvania Music Educators Association, Wabtec, PA Optometric and the Western PA United Methodist events. Mr. Snyder said that is a great opportunity for the convention center to add revenue and that comes from Ms. Zeiber and Ms. Ariana Malizia-Vroman and the rest of the team's hard work.

Lastly, Mr. Snyder said that 8 Great Tuesdays schedule was announced about a week and half ago. He said that we have some regional bands from Pittsburgh, The Clark's and Norman Nardini, who are part of the lineup. He said that we worked with a couple of our promoters who have brought concerts to the theater. Mr. Snyder said that John King is a nationally touring country artist from Nashville and that he is scheduled to perform on August 20th. Mr. Snyder said that, obviously, there is also a lot of local talent. He said that there are a lot of folks that I would like to get in here, but we only have 16 slots. He said that we have had some good conversations with groups already for next year and that we probably have about five or six artists that want to come back. He said we have a couple from Los Angeles and a jazz group from New Orleans. He said that if we continue to work on this, I think we can build a strong program and make sure we include our local folks because I think that is important. He said that this is a great asset to the community and a free event. Mr. Snyder said I think it fits our partnership.

Mr. Glass asked how do we cover the cost and how do we cover the budget for talent that is spent. Mr. Snyder said we have some local sponsors, like PNC Bank, who is sponsoring the concert on August 13th, to help offset some of the additional costs. Mr. Snyder said, again, we are working with Grise Audio Visual to make sure that they are there for all the events. Mr. Snyder said that we work with the Port Authorities budget, at the moment, that they currently have in place. Mr. Pine said the Port Authority funds the cost for the talent and then they pay us small fee for booking.

Ms. Dahlkemper said, I don't know all these groups and what kind of genre the music is that they play but criticisms of 8 Great Tuesdays, some years ago, has been that it is not diverse enough to attract all the different people that we have in our community. She said I am just curious if that was taken in to consideration because, again, I do not know all these groups and what kind of music they play. Mr. Snyder said I agree 100 percent but that was a challenge we ran into because of the timing. Mr. Snyder said that is why I liked the jazz group in New Orleans, hopefully for next year. He said I have had conversations with the Philharmonic as well and they were very excited to participate potentially in the future. He said that this year there is a little bit of variety with classic rock, some funk, jazz and country.

Mr. Pine said that Mr. Snyder's objective, which we have discussed, is to begin the search for talent this September and really start thinking about if you are booking appropriately and to take our time and really set up a lineup

instead of having three weeks to do it. He said we had the same discussion about variety. Mr. Pine said that it is a free community event and it needs to be diverse. He said that is the definition of community. A brief discussion followed.

Mr. Glass motioned to accept the Management Reports as presented. Mr. Riley seconded the motion. The motion was approved unanimously.

OLD BUSINESS

Mr. McCormick said that everything seems to have gone really well with the Sheraton Renovation Project with the exception of some kitchen equipment that they put together differently and we did not have a big enough gas line. He said they figured out that the regulator was not set up right. Mr. McCormick said that there is a lot of little stuff like that to be completed and that Mr. Neal Wurst is working his way through each item.

Mr. Pine said that the Construction Committee met earlier in the month. He said that we have and will continue to look at the Bayfront Market House. He said that we will get the final details presented to you once we get there. Mr. Pine said one of the things that the committee discussed, related to the Bayfront Market House, was for us to get a better understanding, long term, of what pressure we are going to have in terms of parking. He said that we will be adding an additional asset that people are going to want to come to specifically. He said that means more vehicles which will increase the need for more parking. Mr. Pine said direction was given to explore the option of bringing in consultant that can take a look at our current parking capacity and what the needs will be further down the road based on our plans, in addition to adding the two floors to the parking ramp. He said that I was at a convention with Ray Williams and Ed Snyder, this past week, and one of the attendees that I spoke with was in the design and architecture consulting business. He said I brought this up to him to get some ideas. He said we need to move quickly on this assessment since we are looking to start the Bayfront Market House project in the spring and I don't want to slow that down. He said that I think we all want to understand the parking situation before we build something that is going to create some problems that we no longer have square footage to solve.

EXECUTIVE SESSION

Ms. White said that the Authority needed to enter into an Executive Session for a legal matter.

Mr. Riley motioned to go into Executive Session. Mr. McCormick seconded the motion. The motion was approved unanimously.

The Authority returned to public session.

ADJOURNMENT

Mr. McCormick motioned to adjourn. The motion was approved unanimously.

The meeting adjourned at 4:10 PM.