Board of Directors Public Hearing and Meeting August 30, 2004

A Board of Directors Public Hearing and meeting was held on Monday, August 30, 2004 at One Smithfield Street at 7:00PM in the Simmons Board Room. Present were Board members: Ms. Joyce Baskins, Mr. Daniel Griffin, Chairman, Dr. Herman Jones, Mr. Rick Pierchalski, Mr. Gerald Voros, Ms. Constance Yarris, Chief Counsel Jim Norris, Executive Director David Donahoe and staff as well as members of the public and news media were also present. Notice of the meeting was published in accordance with the Act and By-laws.

Public Hearing and Comment Period

Mr. Griffin asked Mr. Donahoe to outline the agenda requests that would require budget and/or contract amendments. Mr. Donahoe outlined a request from the City of McKeesport to further amend their 2004 capital budget grant by adding two projects: Lake Emily restoration for $20,000 and resurfacing of Arboretum Drive for $17,205. Also, the Sports and Exhibition Authority was asked for a waiver of the July 1, 2004 due date for delivery of independent engineering inspection reports on the two stadiums and for the initiation of a biennial schedule for the reports. Mr. Donahoe also provided a letter from Chief Counsel advising the Board that a waiver was permissible and recommending against the permanent change in schedule.

Mr. Griffin asked for comments on either of these requests. Hearing none, he asked if there was comment on any other matters of District business.

Mr. Glenn Walsh of Mt. Lebanon spoke with regard to the Children's Museum of Pittsburgh and his concern that they will not meet projections of a break even year in 2005. He cited an example of an expanded Science Center in Columbus, Ohio that is closing its planetarium due to funding shortfalls and suggested that a part of the Children's Museum be dedicated to its historic planetarium use.

Mr. Les Ludwig of Pittsburgh asked for the Board's help in getting the city/county governments to endorse his plan raise private funds to offset deficits in both governments. He estimated his plan would bring in $14 million.

Minutes

Mr. Griffin asked for approval of the minutes from the May 24, 2004 meeting. As there were no additions or corrections, Ms. Baskins moved approval seconded by Mr. Voros and the motion carried unanimously.
Treasurer's Report

Mr. Griffin announced that a new treasurer will be elected later in the evening and asked Mr. Donahoe to give the Treasurer's report:

Board Members:

Tax revenue for the eight months of the year totals $47.7 million. However, collection problems at the state level shorted the District by an estimated $1 million in August so the actual taxes due through eight months total $48.7 million. This is $400,000 or less than a 1% higher than the same eight month period last year. The 2004 budget assumed a growth of 1.4% in tax revenue so we are now short of that goal. Although the second quarter collection showed growth, the first two months of the third quarter have both been below 2003 collections.

Interest earnings for the period will be $184,000, slightly ahead of estimate due to recent increases in interest rates.

All grant payments are on schedule. The administrative budget overall is also on track. Assuming no unexpected expenses, staff estimates that about $16,000 of the administrative budget will not be spent and remain in the grant fund for allocation.

The Board has received detailed financial statements for the first seven months of the year and, as always, these are available for public inspection.

Submitted by,
David Donahoe
Executive Director

Mr. Voros asked what percentage of increase the contractual assets would receive under the new contract. Mr. Donahoe replied that the policy adopted by the board provided for a cap in operating grant increases set at the average increase in tax revenue over the last three years. Mr. Griffin asked for an outline of the reserve policy. Mr. Donahoe said that the Board had adopted a policy of not allowing the reserve to go below 15% of the annual tax revenue which currently would mean a reserve floor of $11 million. As there were no other questions, Mr. Griffin ordered the Treasurer's Report received and filed.

Election of Treasurer

Mr. Griffin noted that the office of Treasurer was currently vacant and opened the floor for nominations. Mr. Pierchalski nominated Ms. Baskins for the position of Treasurer and there were no other nominations. On a voice vote, Ms. Baskins was unanimously elected Treasurer.

Appointment to Board Committees

Mr. Griffin indicated that there were several vacancies on board committees that he would like to fill. He appointed Mr. Pierchalski to the Allocations Committee and Ms. Yarris to the Audit Committee. Mr. Voros motioned with Ms. Baskins seconding the appointments. The Board voted unanimously to approve the appointments.

Audit Committee

Mr. Griffin then asked Mr. Pierchalski to present the report of the Audit Committee:

Board Members:
In accordance with the direction of the Board, the Committee sought proposals from qualified firms to serve as the District’s independent auditor beginning January 1, 2005.

A total of nine firms were sent the request for proposal based on advertisements in local papers. We received two proposals, one from the firm that has served as auditor for the past nine years - Maher Duessel and one from a new firm, McKeever Varga and Senko of Mt. Lebanon. As reported earlier to the Board, the competencies and bottom line fees of the firms are essentially equal.

After review, the Committee is recommending that the District accept the proposal from McKeever, Varga and Senko. The engagement would be for three years with the right of the District to cancel at any time. Given the equal nature of the proposals we think it is in the District’s and the public interest to change auditors periodically. This does not reflect, however, on the service rendered by the current firm.

Submitted by
Rick Pierchalski, Audit Committee Member
Dan Griffin, Board Chair

Based on this report, Mr. Pierchalski moved that the District accept the proposal from McKeever Varga and Senko. Ms. Yarris seconded the motion and it was unanimously approved by the Board. Mr. Voros requested that a letter of commendation be sent to Maher Duessel for their fine work over the past nine years.

Executive Director’s Report

a. Mr. Donahoe presented the request of the City of McKeesport to amend their 2004 capital grant by substituting the following projects: $20,000 for Lake Emily restoration and $17,205 for Arboretum Drive restoration. This request was the subject of the earlier public hearing. Mr. Voros moved approval with Ms. Yarris seconding the motion. The Board approved by a 6-0 vote and the motion was passed.

b. Mr. Donahoe presented the Sports & Exhibition Authority’s request for a waiver of the engineering inspection reports for the two stadiums, which were due on July 1, 2004. He noted that the 2003 reports were received in May of 2004 and indicated excellent maintenance of the facilities. The Authority also was requesting the establishment of a biennial rather than an annual inspection cycle. Mr. Donahoe introduced Mary Conturo, Executive Director of the Authority to answer questions.

Mr. Voros informed the Board that the reason the inspection reports were a part of the contract was the unchecked deterioration to Three Rivers Stadium over the years. The provision was designed to protect the public investment by requiring the tenants to live up to their maintenance obligations. He indicated that while he could agree to the waiver given the circumstances this year, he was not inclined to make it a permanent part of the contract or imply that such a waiver might be given in the future.

Mr. Pierchalski asked Ms. Conturo who paid for the inspection reports. Ms. Conturo replied that the Sports & Exhibition Authority paid $24,000 for PNC
inspection and $18,000 for Heinz field inspection reports.

Further discussion indicated that there was not support on the board for establishing the biennial schedule. Therefore, Ms. Baskins motioned with Ms. Yarris seconding to waive the engineer inspection reports on the two stadiums for July 1, 2004 only. The motion passed without dissent.

c. The request of the Stadium Authority of Pittsburgh for an extension of time to November 15, 2004 for completion of their audit was brought before the Board by Mr. Donahoe. In response to questions from Mr. Pierchalski, Ms. Conturo advised that the delay was due to fraud charges being investigated by the District Attorney and that a forensic auditor had been hired to examine the circumstances surrounding the fraud.

Mr. Donahoe advised that staff had taken steps to determine that all District funds had been used in accordance with the agreement. Mr. Donahoe informed the Board that the authority had agreed to permit the District to make the $2 million debt service payment due September 15, 2004 directly to the bond trustee since the audit was not complete. Chief Counsel Norris advised the Board that interrupting the flow of payments was difficult under the contract requiring the District to perform an audit and then go to court.

Ms. Yarris moved with Mr. Pierchalski seconding the motion for an extension to November 15, 2004 for the Stadium Authority’s 03/04 audit and for permission to pay the September 15th debt service payment directly to the trustee.

d. With regard to the status of the office lease, Mr. Donahoe informed the Board that he had an initial discussion with the county but did not have a final proposal for them to review.

*Old/New Business*

As there was no other old/new business, Mr. Griffin adjourned the meeting at 7:30pm.