



LDFA Board Meeting

March 13, 2012

8:15 am to 10:15 am

City of Ann Arbor

301 E. Huron Street, Ann Arbor, MI 48104

Agenda

- I. Call to Order**
- II. Public Comment**
Public comment shall be allowed at all meetings. An individual may speak for up to three (3) minutes on any item listed on the Agenda. The Chair may extend an individual's speaking time in his/her discretion. Public comment on non-agenda items may be limited in the Chair's discretion.
- III. Approval of the Agenda**
- IV. Approval of the Minutes of the January 24, 2012 Regular Board Meeting**
- V. LDFA Chair's Report**
- VI. LDFA Treasurer's Report**
 - a. Approval of Budget/Contract Committee's recommended budget**
- VII. Reports from Service Providers**
- VIII. Other Business**
 - a. Cantillon resolution**
 - b. Status of audit**
- IX. Motion to Adjourn**



**MINUTES – REGULAR BOARD MEETING
January 24, 2012**

Ann Arbor-Ypsilanti Smart Zone Local Development Finance Authority

**Ann Arbor City Hall Council Chambers
301 E. Huron Street, Ann Arbor, MI 48104**

Members Present: Richard Beedon, Theresa Carroll, Vince Chmielewski, Mark Maynard, Stephen Rapundalo, Ned Staebler, Christopher Taylor, Phil Tepley, Tom Crawford – Ex-officio, Skip Simms-Accelerator Ex-officio, Paula Sorrell-MEDC Ex-officio

Members Excused: Eric Jacobson

Others Present: Ken Bogan-City of Ann Arbor-Finance, Maricat Eggenberger-SPARK, Lori Emerson-SPARK, Greg Fronizer-SPARK, Bill Mayer-SPARK, Kurt Riegger

CALL TO ORDER:

Beedon called the meeting to order at 8:24 am. A quorum was present.

PUBLIC COMMENT:

There was no public comment.

APPROVAL OF THE AGENDA:

Beedon moved, seconded by Carroll, to approve the agenda for this meeting in the form presented at this meeting, except to have the Cantillon discussion moved up to follow the approval of the minutes. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

Minutes of the October 25, 2011 Regular Board Meeting:

Rapundalo moved, seconded by Carroll, to approve the minutes of the October 25, 2011 regular board meeting in the form presented at this meeting. Motion approved unanimously.

Minutes of the December 13, 2011 Board Retreat:

Rapundalo moved, seconded by Carroll, to approve the minutes of the December 13, 2011 board retreat in the form presented at this meeting. Motion approved unanimously.

Cantillon (moved up on agenda from Other Business):

Tepley asked the record reflect his objection to selling Cantillon back to the developer at 10 cents on the dollar.

Maynard noted that the proposal by Kurt Riegger was made after the RFP closed.

Beedon agrees on the record, with Tepley, that the LDFA should not be involved in software development.

DRAFT

After discussion, the Board requested that the Cantillon Committee draft a resolution, to be considered at the next meeting, based on the Committee's recommendation to sell Cantillon to Kurt Riegger.

Election of LDFA Treasurer:

Treasurer: Eric Jacobson was nominated for this position. Beedon moved, seconded by Taylor. Motion approved unanimously.

Annual Appointment of Board Committees:

Staebler moved, seconded by Maynard to create a strategic planning committee. Motion approved unanimously. Committee appointments are as follows (with the Chair of each committee listed first:

Audit: Jacobson, Rapundalo, Chmielewski, Crawford (ex-officio)

Cantillon: Carroll, Taylor, Beedon, Tepley, Crawford (ex-officio)

Budget/Contract: Jacobson, Carroll, Taylor, Rapundalo, Simms (ex-officio)

Metrics: Maynard, Beedon, Staebler, Crawford (ex-officio), Simms (ex-officio), Sorrell (ex-officio)

Strategic Planning: Staebler, Maynard, Tepley, Chmielewski, Crawford (ex-officio)

LDFA CHAIR'S REPORT:

There was no chair report.

LDFA TREASURER'S REPORT:

Bogan, in the absence of the Treasurer, presented the LDFA Financial Report for the 2nd quarter of FY 2012. Also presented was a projection of the LDFA's tax capture, the timeline for the FY 2013 budget.

REPORTS FROM SERVICE PROVIDERS:

Simms presented the 2nd quarter FY 2012 SPARK report. Simms also presented some sample dashboards.

OTHER BUSINESS:

a. Cantillon – See above.

b. Audit – The Board asked the audit committee to proceed with moving forward on an audit of the LDFA and SPARK contract. Beedon moved, seconded by Staebler. Approved unanimously.

MOTION TO ADJOURN:

Beedon moved, seconded by Staebler, to adjourn the meeting at 9:55 am. Motion approved unanimously.

Respectfully Submitted,

Ken Bogan, for Recording Secretary Tom Crawford

Ann Arbor/Ypsilanti SmartZone LDFA

	Actual FY2011	Budgeted FY2012	Forecasted FY2012	Planned FY2013	Proposed FY2013	SPARK Proposed	Committee Recommend	SPARK's Comments	Contract Section	Committee's Comments
REVENUES										
Tax Revenue	\$ 1,475,504	\$ 1,545,181	\$ 1,414,191	\$ 1,626,181	\$ 1,563,019	\$ 1,563,019	\$ 1,563,019			
Miscellaneous Revenue	-	-	-	-	-	-	-			
Microloan Repayments	-	68,750	-	200,000	-	-	-	(a)		
Investment Income	14,723	12,357	12,267	12,357	12,357	12,357	12,357			
Total Revenue	\$ 1,490,227	\$ 1,626,288	\$ 1,426,458	\$ 1,838,538	\$ 1,575,376	\$ 1,575,376	\$ 1,575,376			
EXPENDITURES										
<u>Business Accelerator Support Services</u>										
SPARK Business Accelerator Direct Staffing	\$ 288,400	\$ 300,000	\$ 300,000	\$ 309,000	\$ 309,000	337,000	337,000	We've added staff to do screening and due diligence.	1.1.1	Hired an additional head. More services to current clients.
Phase II - Due Diligence	5,775	50,000	24,188	50,000	50,000	25,000	25,000	Staff will pick up some of this.	1.1.3	
Phase III - Intensive Service	281,441	400,000	320,160	400,000	400,000	400,000	400,000		1.1.6	SPARK will quantify time to first milestone.
Phase IV - Accelerating Opportunities	-	120,000	120,000	120,000	120,000	100,000	100,000		1.1.9	No funds used in '12, but two clients for '13. Also, a reserve for Ph III.
Sub-Total	575,616	870,000	764,348	879,000	879,000	862,000	862,000			Overall, decrease.
Micro Loan Program for Entrepreneurs	400,000	343,750	275,000	475,000	275,000	150,000	150,000	(a) On track to collect \$100k this contract period and more next year.	1.2.1	\$700k loaned out; \$25k written off; terms extended on half
Angel Investment Group Support	12,490	30,000	30,000	30,000	30,000	30,000	-		1.3	\$0 spent in 2012. No compelling need.
Business Networking Events	30,885	30,000	30,000	30,000	30,000	50,000	50,000	Increase in sponsorships	1.5.3	Sponsored and hosted events. Ran out of money in '12.
<u>Entrepreneur Education</u>										
Education Classes	12,681	40,000	40,000	40,000	40,000	75,000	75,000	New initiatives/seminars	1.7	
Bootcamp	40,000	40,000	40,000	40,000	40,000	45,000	45,000	1st increase in 6 years	1.4.3	Pay drill instructors \$1000 >>> \$1200
Sub-Total	52,681	80,000	80,000	80,000	80,000	120,000	120,000			
Cantillon Web Based Education	2,400	5,000	5,000	5,000	-	-	-	Delete section	1.6.1i	
Internship Support & Talent Training						100,000	100,000	New program for internships and training	New	Keep college graduates in Michigan by subsidizing longer internships with Gani match. Also, likke ShiftingGears and ShiftingCode which was paid for by Workforce Development.
Business Software Access for Clients						20,000	20,000	Need for licensing software to enhance services for companies and SPARK		Accounting software, InfoReady (SaaS), and other products to benefit tenants.
SPARK Central Incubator Operating Exp	154,773	168,000	168,000	176,400	176,400	170,000	170,000		1.8	Down slightly.
<u>SPARK Indirect Services</u>										
SPARK Accounting	52,770	63,191	63,191	65,086	65,086	65,086	65,086	3% increase	2.1	
Marketing	71,940	68,250	68,250	71,663	71,663	71,663	71,663	5% increase	2.2	
Sub-Total	124,710	131,441	131,441	136,749	136,749	136,749	136,749			
<u>City of Ann Arbor Indirect Services</u>										
Legal & Admin Support	32,529	50,000	50,000	50,000	50,000	50,000	50,000	Encourage benchmark study paid directly by LDFA, not part of Contractor contract.		Committee agrees that this should be deployed for a benchmarking study. Like the audit, this should be a third party.
Total Operating Expenditures	\$ 1,386,084	\$ 1,708,191	\$ 1,533,789	\$ 1,862,149	\$ 1,657,149	\$ 1,688,749	\$ 1,658,749			
Net Increase (Use) of Fund Balance	\$ 104,143	\$ (81,903)	\$ (107,331)	\$ (23,611)	\$ (81,773)	\$ (113,373)	\$ (83,373)			
RESERVES										
Est. Beginning Fund Balance	\$ 477,949	\$ 582,092	\$ 582,092	\$ 500,189	\$ 474,761	\$ 474,761	\$ 476,578			
Projected Surplus (deficit)	104,143	(81,903)	(107,331)	(23,611)	(81,773)	(113,373)	(83,373)			
Projected ending Fund Balance	\$ 582,092	\$ 500,189	\$ 474,761	\$ 476,578	\$ 392,988	\$ 361,388	\$ 393,205			
Fund Balance as a % of revenues	39%	31%	33%	26%	25%	23%	25%			15% required

Notes:

(a) Microloan repayments exist on the books of SPARK, not the LDFA, unless refunded to the LDFA by SPARK.

Contract column shows section numbers from Attachment A of the SPARK contract.

RESOLUTION TO AUTHORIZE THE SALE OR LICENSE OF CANTILLON

Whereas, the Smartzone LDFA (LDFA) engaged a subcontractor to develop an online educational tool (Cantillon) for entrepreneurs to accelerate their growth in various key operational areas when starting a company;

Whereas, the LDFA's investment in Cantillon was approximately \$170,000 over 5 years;

Whereas, the LDFA board established a subcommittee to evaluate future investment in Cantillon;

Whereas, while over 500 entrepreneurs, including 250-300 boot camp attendees, have registered to use Cantillon, activity reports provided to the Cantillon Committee by the provider did not show evidence that more than a small percentage made substantive use of it;

Whereas, it was apparent that the subset of users that received the most value were University of Michigan students who used Cantillon as part of a business and finance class and through a venture capital club;

Whereas, while these University of Michigan students technically fall within the TIF district and are therefore eligible users, it is the opinion of the Cantillon Committee that it is not the intention of the LDFA to fund programs utilized primarily by university students;

Whereas, Ann Arbor SPARK Business Accelerator staff indicated that it was difficult to convince the primary target companies of the Business Accelerator to use Cantillon, and the Business Accelerator Director indicated that losing access to Cantillon would not negatively impact the Business Accelerator's ability to serve entrepreneurs;

Whereas, the depreciation period on a software/digital asset is typically less than 5 years and the LDFA has received benefit from its use;

Whereas, the subcommittee determined that it would be in the best interest of the LDFA to license and/or sell the Cantillon intellectual property to other entities to maximize the use of the product;

Whereas, the subcommittee oversaw the issuance of an RFP for the sale / license of the product;

Whereas, there were no responders to the RFP;

Whereas, a third party, the contractor hired by the LDFA to help develop the existing product, believes there may be a market for the product if additional investment is put into it and it is marketed outside the LDFA;

Whereas, the LDFA subcommittee already determined it is not in the best interest of the LDFA to further invest in this product and there were no responders to the RFP to purchase or license it;

Whereas, the LDFA is now left with two options: a) to shut it down with no future revenues, expenses or potential benefits to local entrepreneurs; or b) negotiate an agreement with the Party that could may provide future revenue to the LDFA at no additional cost, while also providing potential benefits to the local entrepreneurs;

RESOLVED, That the Board authorizes and directs the Cantillon subcommittee to negotiate the license and/or sale of Cantillon to such third party (Party) on such terms and conditions as the Cantillon subcommittee deems reasonable and in the best interest of the LDFA, which terms and conditions shall include the following terms and conditions which the LDFA board has determined provide LDFA the ability to leverage the investment made to date while retaining appropriate rights that benefit current and future entrepreneurs in the LDFA region:

1. Party will bear all responsibility and costs for content maintenance and end-user support.
2. For such period as the subcommittee determines to be reasonable (the Period), Party will have the right to market Cantillon outside of the LDFA region and will retain all course fees and service revenue generated from users outside of the LDFA region.
3. For the Period, LDFA will retain the right to market and provide Cantillon to entrepreneurs in the LDFA region at no cost to LDFA.
4. On or before expiration of the Period, upon payment of a lump sum of not less than \$25,000 by Party to LDFA, LDFA will transfer its ownership interest in Cantillon to Party.
5. If upon expiration the Period, Party has not made the lump sum payment to LDFA, all Party's rights in Cantillon shall terminate.

RESOLVED, That the Board authorizes and directs the subcommittee to take such actions necessary to complete the license and/or sale of Cantillon, including but not limited to, the execution and delivery by the Chair of the subcommittee of all instruments and documents which are necessary or appropriate in connection with the license and/or sale.