



ANN ARBOR/YPSILANTI
SMARTZONE LDFA

2006 ANNUAL REPORT

For the period July 1, 2005 – June 30, 2006



2006 Board of Directors

(A) Robin Risser, Chair	Term Expires: June 30, 2009
(A) Mike Reid, Vice Chair	Term Expires: June 30, 2007
(Y) Steve Pierce, Treasurer	Term Expires: June 30, 2004*
(A) Christine Ballman	Term Expires: June 30, 2009
(Y) John Gawlas	Term Expires: June 30, 2007
(A) Mickey Katz-Pek	Term Expires: June 30, 2008
(Y) Richard King	Term Expires: June 30, 2009
(A) Tom Kinnear	Term Expires: June 30, 2008
(A) Mike Korybalski	Term Expires: June 30, 2007

Ex-Officio Board Members

Tim Robinson, Secretary	Affiliation: WDC
Jeff Mason	Affiliation: MEDC

(A) Denotes City of Ann Arbor Appointee (Y) denotes City of Ypsilanti Appointee

* Submitted for re-appointment to Ypsilanti City Council for term ending June 30, 2008 without formal response.



Introduction

In 2001, the Michigan Economic Development Corporation (MEDC) created eleven separate SmartZones throughout the state, including Ann Arbor/Ypsilanti, for the purpose of highlighting Michigan's unique technology business opportunities and promoting job creation. The foundational documents for the Ann Arbor/Ypsilanti SmartZone included 1.) An initial SmartZone application to the MEDC, 2.) A Tax Increment Financing plan, and 3.) A Municipal Cooperation Agreement between the cities of Ann Arbor and Ypsilanti, and maintain a primary focus on developing and sustaining local "Business Accelerators" and "Business Incubators" as the vehicles through which services to emerging technology driven businesses are delivered.

The governing body, known as the Ann Arbor/Ypsilanti SmartZone Local Development Finance Authority (LDFA) consists of a nine-member board of directors of which six members are appointed by the Ann Arbor City Council and the Ypsilanti City Council appoints three members. The LDFA operates under a set of bylaws that were initially approved by the Ann Arbor and Ypsilanti City Councils. Proposed changes or amendments to the bylaws are adopted by the LDFA's Board of Directors and submitted to the Ann Arbor City and Ypsilanti City Councils for approval.

The LDFA provides local financing for the Ann Arbor/Ypsilanti SmartZone through a tax capture mechanism within a specific district. The geographic boundaries for the Ann Arbor/Ypsilanti SmartZone LDFA was defined as the combined DDAs of the two respective cities, and under the tax capture formula, tax levies eligible for capture include only those for which a prior claim had not been established by either DDA. The SmartZone captures up to one-half of the school operating and state education taxes within the Ann Arbor portion of the district, and is based on the increase in taxable value due to new development and appreciation above the base year of 2002. Presently, TIF revenue is generated only within the geographic boundaries of the Ann Arbor DDA.

Summary of Fiscal Year Operations

Through contracts with qualified service providers, the Ann Arbor/Ypsilanti SmartZone LDFA funded Business Accelerator activities to work with emerging technology based businesses, identifying those that have the greatest potential for commercialization, rapid growth, and ultimately the ability to promote job development within the SmartZone district. The Business Accelerator provides entrepreneurs and their emerging technology businesses with educational and networking services, assistance in market definition, business plan development, and exploring financing alternatives.



During the July 1, 2005 – June 30, 2006 period, the Ann Arbor/Ypsilanti SmartZone LDFA Board met six times. Among the issues deliberated by the Board of Directors were development of the annual budget, analysis of expected revenue over the life of the TIF Plan, scope of work and performance metrics for contracted services, conflict of interest policies, long range planning, and assignment of the service contract from IT Zone to Ann Arbor SPARK.

The Ann Arbor/Ypsilanti SmartZone LDFA has no employees and conducted all operations through negotiated service contracts. To this end, The Ann Arbor/Ypsilanti SmartZone LDFA entered the July 1, 2005 – June 30, 2006 fiscal year with eight measurable goals. Table 1 summarizes the actual results delivered versus the goals and objectives established in the scope of work:

Table 1

Service	Goals & Targets	FY 2006 Results
Entrepreneurial Education	Sponsor 30 events with a total of 1,000 attendees. Achieve an average of 60% entrepreneurs.	62 events 2,472 attendees 60.6% entrepreneurs
Web Based Educational Programs and Resources	Develop a web portal designed to provide access to available resources	www.annarborspark.org provides: <ul style="list-style-type: none"> • Innovation business news and headlines. • Blog section for commentary, plus links to resources and articles. • Events through ITZone partnership • List and links to Partner organizations. • Cantillon education project was started and initial evaluation has started.
Intensive Business Planning Sessions (Boot Camp)	2 Boot Camps 60 participants	<ul style="list-style-type: none"> • Nov. 5 & 6 Boot Camp 13 companies, 20 entrepreneurs, 10 auditors, 35 mentors • June 1 & 2 Boot Camp 13 companies, 25 entrepreneurs, 31 mentors



Entrepreneurial Consulting	Client Companies by Stage: Total Reviewed: 50 Due Diligence Conducted: 13 Acceleration Engagement: 10 Post Acceleration Alumni: 8	Unduplicated Count Total Reviewed: 74 Due Diligence: 24 Acceleration Engagements: 12 Post Acceleration: 8
Regional Collaboration	Formally execute appropriate agreements with resources located in the region of the AnnArbor/Ypsilanti SmartZone to articulate offerings and avoid duplication of service.	NEF, GLEQ, ITZone, SBTDC, WDC, U of M Tech Transfer consulted regularly, (at least quarterly) to compare deal flow and event schedules
Capital Formation	Raise \$1 million from external sources into active clients and Business Accelerator clients. Raise over \$2 million including BA alumni.	\$2,939,000 of outside capital raised by the 20 Accelerator clients this fiscal year. \$10,900,000 raised by all companies served by the BA program, including Boot Camp participants, and companies receiving due diligence attention and service.
Client Tracking	Develop and implement a means of tracking long range progress of accelerator companies, including job creation	A temporary database monitoring 26 metric points was developed to include all the Measurable statistics and more. In June WDC and SPARK BA signed agreement with Salesforce.com to continue tracking in a more efficient manner, conducive to sharing all economic data and easier reporting. BA served companies and alumni Initial employment: 51 Additional jobs created: 35
Budget and Cash Match	The budget for the Business Accelerator for FY 06 is \$254,000. LDFA contribution is not to exceed 45.7% of total SPARK cash expenditure. Submit quarterly reports.	Actual Income \$882,749 Actual Expense \$717,667 LDFA Expense Contribution 35.4%



Statement of Operations

	FY 2006	FY 2007
	Actual	Proposed Budget
	(\$)	(\$)
Revenues:		
Tax Revenue	\$ 313,790	\$ 525,000
Investment Income	6,626	-
Total Revenues	\$ 320,416	\$ 525,000
Expenditures:		
Contracted Services	\$ 254,000	\$ 498,625
Unallocated Contingency	-	25,875
Audit Expense		500
Total Expenditures	\$ 254,000	\$ 525,000
Net Increase/(Decrease)	\$ 66,416	\$ -
Memo:		
Fund Balance at Fiscal Year End	\$ 104,260	\$ 104,260



Statement of Operations *(continued)*

Detail of Expenditures

Smart Zone LDFA
INCOME STATEMENT AND STATEMENT OF CHANGES IN FUND BALANCE

	FY 2006	FY 2007
	Actual	Projected Expenditures
	(\$)	(\$)
Expenditures:		
Executive Director	\$ 50,000	NA
Education Service Manager	\$ 50,000	NA
Contract Mentors	\$ 50,000	NA
Programs	\$ 50,000	NA
Operating Expense	\$ 30,000	NA
Lease	\$ 20,000	NA
Business Accelerator	NA	\$ 223,500
Entrepreneurial Education	NA	90,000
Marketing	NA	52,000
Entrepreneurial Boot Camp	NA	40,000
Networking Events	NA	20,000
Web Site Development	NA	35,000
Incubator Feasibility Study	NA	25,000
Undesignated Contingency	NA	26,375
Legal & Administrative Support	4,000	13,125
Total Expenditures	\$ 254,000	\$ 525,000

The 2006 Service Contract with the IT Zone (assigned to Ann Arbor SPARK) provided definitions of the goals and objectives to be accomplished in the contract period, while the budget detail focused primarily on who would provide services and the operational costs (burden) of how they would be provided.

Expenditures in FY 2007 are intended to more clearly identify what services will be provided, define periodic reporting obligations, and establish unambiguous payment terms for each specific deliverable while leaving the internal administration and operation of the contract to the discretion of the service provider(s).

Administrative Support Services were provided by WDC under a separate contract in FY 2006. Administrative Support Services to be provided by the City of Ann Arbor in FY 2007.