



TO: Mayor and Council

FROM: Steven D. Powers, City Administrator

CC: Tom Crawford, CFO

DATE: June 11, 2014

SUBJECT: SPARK

For the June 16 City Council meeting I will be recommending renewal of the City's contract with SPARK for \$75,000. I believe City Council's questions regarding SPARK have been answered through the FY 15 budget discussion and the LDFA extension. If my understanding is incorrect, or you have additional questions regarding SPARK, please let me know.

SPARK facilitates transactions that contribute to the city's economic health. SPARK helps existing companies stay in Ann Arbor, helps existing companies expand in Ann Arbor, and helps attract new ones to the city. None of the City's \$75,000 is used to incent the companies in anyway. The money is not given to companies, but is used to support economic development services provided by SPARK to its members.

The City's \$75,000 contract for services is part of a \$1.4 million operating budget. The budget's operating sources are 40% government, 26% university, and 34% private.

Regarding job creation and retention, SPARK has provided contact information for the job and investment information for the 14 project success in 2013, including a telephone and an email address. None of the 14 project successes reported to City Council by SPARK received an incentive from Ann Arbor, so there is no City agreement or contract that compels the companies to submit job information or document it in any particular way. SPARK collects projected job creation information from companies. Self-reported job information is a metric, among others, to use in evaluating the success of our region's economic development agency.

For companies that City Council chooses to support with a financial incentive, such as tax abatement, the requirement for job reporting and audits should be written into the City's approval action. The City could audit the jobs or delegate that to SPARK or some other third party. An audit would help ensure that a company receiving City financial support was retaining or creating the jobs used to justify the incentive.

SPARK assists companies with MEDC incentives. Eight of the fourteen 2013 reported successes received grants from the MEDC totaling \$3,492,000.

SPARK is considering arranging a bus tour of the companies SPARK has assisted in Ann Arbor in 2013 and so far in 2014. If any councilmembers are interested in a tour, please let me know.