



City of Ann Arbor

Meeting Minutes

Local Development Finance Authority (LDFA)

301 E. Huron St.
Ann Arbor, MI 48104
[http://a2gov.legistar.com/
Calendar.aspx](http://a2gov.legistar.com/Calendar.aspx)

Thursday, March 24, 2022

8:15 AM

Larcom City Hall, 301 E Huron St.,
Basement, Conference Room and Via
Zoom

Members of the public may listen or speak at public comment, call: (877) 853-5247 Enter
Webinar ID: 934 2614 3961

I. CALL TO ORDER

Meeting was called to order at 8:29 AM by Praschan with the call of Roll.

II. ROLL CALL

Present: 6 - Caryn Charter, Stephen Rapundalo, Phil Tepley, Heather Grisham, Ali Ramlawi, and Carrie Leahy

Absent: 3 - Michele Mueller, Chair Michael Psarouthakis, and Shannon Beeman

III. PUBLIC COMMENT

Michael Psarouthakis - offered apologies and explained absence as unable to attend the meeting due to experiencing COVID symptoms. Noted he attended the Michigan Strategic Fund Board Meeting earlier in the week, they were allowed to meet virtually. Relayed his understanding is that it is not an absolute State requirement, would like to make record of that and believes he should be able to be a participating member.

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.

IV. MOTION TO APPOINT PHIL TEPLEY AS MEETING CHAIR

A motion was made by Leahy, seconded by Charter, that Phil Tepley be appointed as meeting Chair. On a voice vote, the motion carried.

V. APPROVAL OF AGENDA

A motion was made by Grisham, seconded by Leahy, that the

Agenda be Approved. On a voice vote, Chair Tepley declared the motion carried.

VI. APPROVAL OF MINUTES

Item was postponed to the next meeting to allow for corrections to the Meeting Minutes of January 27, 2022

[22-0556](#) LDFA Board Meeting Minutes - January 27, 2022

Attachments: MeetingMinutes Jan 27 2022 DRAFT.pdf, 01 27 22 Final MeetingMinutes.pdf

A motion was made by Rapundalo, seconded by Councilmember Ramlawi, that the Minutes be Postponed to the next Local Development Finance Authority (LDFA) meeting. On a voice vote, Chair Tepley declared the motion carried.

VII. LDFA CHAIR'S REPORT

No report was presented. New Board Member Shannon Beeman was absent and has communicated a replacement will be appointed.

New Board Member Introduction - Shannon Beeman, Washtenaw County

VIII. MOTION TO RE-OPEN THE AGENDA

A motion was made by Rapundalo, seconded by Tepley, that the agenda be re-opened be Approved. On a voice vote, Chair Tepley declared the motion carried.

IX. MOTION TO AMEND THE AGENDA TO DISCUSS LDFA LOGO

A motion was made by Rapundalo, seconded by Councilmember Ramlawi, that the amendment to the agenda be Approved. On a voice vote, Chair Tepley declared the motion carried.

1. LDFA Logo

Bill Mayer and Jenn Queen reviewed the logo conceptual designs prepared for the Board's review. Option #2 did not include the Upper Peninsula, which could be added. Option #3 colors could be updated to complement SPARK and not be the same color. The board discussed that care should be given to the color and/or design in that it should not

be interpreted as SPARK, the LDFA needed its own unique logo. Marketing/Communications is a SPARK contract item; therefore, viewed as appropriate to utilize SPARK to design logo options. Option #3 was viewed as clean, simple and an improvement over the current logo. Next step agreed upon was that SPARK will return to the board with concepts of color options/palettes for option #3. Board member Leahy indicated, the SPARK Contract covers the ownership of intellectual property, the logo would be owned by the LDFA.

X. LDFA TREASURER'S REPORT

Treasurer Tepley reported that the February invoice of \$280,440.44 was paid to SPARK. Expenses are tracking well with budget performance. First draft of the audit has been received and the audit committee is in the process of discussing some items/responses with SPARK.

XI. REPORTS FROM SERVICE PROVIDERS

1. [22-0563](#) LDFA Directors and Officers Liability Declarations - Nancy Meldrum

Attachments: LOCAL_DEVELOPMENT_FINANCE_AUTH_DECLARATION 02 01 22.pdf

Nancy Meldrum of Hylant Group addressed questions previously expressed by the Board:

- How do you determine adequate policy limits for the board: there is not a hard & fast for insurance? Not like in a building insurance, where a building worth \$10M should have coverage of \$10 M. Board coverage is more complex. One of the key factors that underwriters look at to establish the program is what is the net equity of the entity? The net equity on the application the net equity is roughly \$4.5 M. Should you be sued by an outside party claiming damages, could your entity continue to function after that loss. Could you continue function if you net equity was reduced to \$2M. You are a unique organization and you would likely be able to function at a lower equity amount of \$2M. We reviewed and recommended to cover \$3M. A third party would want you to be responsible for their legal fees; therefore, the additional \$1M the legal fees of the 3rd party. For your equity size, the \$3M makes sense.*
- Other factors that go into D & O, individual board members can be held legally and financially responsible. Your bylaws, Article 12, indemnification clause indicates that a director shall not be personally liable to third parties. This is a good clause to have. It however, doesn't*

mean it still couldn't be claimed or awarded.

- *Without knowing the size of the projects, you are involved with, if you are involved in a \$10M- \$15M project, could you as a board be held liable for the mis-management or mis-direction of that project? Interesting discussion occurred with underwriters, they would not say the board would be responsible for the total costs, but it depends on how much direction the board is giving in the project. If given step-by-step instruction is being provided, it could be deemed that because of the board's action, it caused financial loss to the project, damages could be awarded. You have brought parties in from different areas, I am sure the parties provided information and it is vetted; therefore, the likely hood is not as great; however, want to make you aware of the possibility . Should you get involved in a project that would have more board involvement, higher limits could be changed, provided, and considered.*

2. Spark Report

Bill Mayer reported he echoed Phil's report that things are tracking well as to budget performance. The next quarterly report will be shared at the next meeting. He further reported that SPARK has had two recent Senior Staff changes. Jen Queen is leaving SPARK and has been hired by Don Hix. We will miss her greatly but still have her under contract. She will continue to assist in wrapping up some critical items to avoid a disruption. SPARK's CEO is interviewing candidates for her replacement yesterday and today so, we hope to have this vacancy filled in April. Liz Perpich was also hired away by the Hudson River Foundation in Detroit, handing out money to worthy causes. We did a big push to try and find the next CFO and realize we are in a very challenging market; therefore, made a decision to hire an interim CFO while a search continues. For full disclosure to the board, Tom Crawford had been appointed and is assisting SPARK on a temporary basis. The good news being there will not be a disruption in service.

XII. OTHER BUSINESS

1. [22-0571](#) Tech Park Project Status Update

Attachments: Tech Park Project Status 3-17-22 .pdf

Received and Filed

2. [22-0558](#) LDFA - SPARK Agreement FY2023

Attachments: LDFA - 2022-2023 Contract .pdf, LDFA - 2022-2023 Draft Contract V2.pdf, 2022-2023 Contract Changes Memo V2.pdf

Treasurer Tepley reported that the budget committee met multiple times to discuss the SPARK Agreement and corresponding budget. There are three documents posted for review, one marked up view and one being a memo that Bill Mayer provided to explain the changes to the agreement. The committee felt that things previously reported as direct staffing, things like leadership salary, fractional salary, we felt that the direct staff would be better if that represent those who are directly helping companies other staffing is really administration and overhead. We thought it best to shift that to a newly titled line accounting/overhead and is \$420,787. This change more accurately reflects what SPARK is providing.

Board Member Charter explained the change that reports the amount reported separately is used to confirm that we are not exceeding the legislative mandate of 20% limit for administrative expenses. The other change in the budget is the Tech Trek budget.

Board Member Meyers spoke about the desire to get talent to the area (Ypsilanti) to work in Tech companies and a spend a lot of resources on it. We started small with a little program, which was expanded. The operations at SPARK East are good, we feel like we want people to be able to be employed in Ann Arbor or Ypsilanti in tech. We have a summer works program, but how do we target younger people. We want to start a tech summer camp for a couple of weeks and work with EMU, UM, SPARK and figure that out. Also, potentially fund a scholarship to actually help fund a kid that has no means in Ypsilanti to go to school for tech. The change gives us flexibility. A proposal and confirmation for use of the funds would be presented to use the Talent/Program line item.

Treasurer Tepley explained it just a budget shift of \$25,000 from programs to talent. The talent is a critical priority and there are other programs out there that we can support.

Board Member Mueller, who arrived at 9:10 AM, contributed WCC has funding and are already involved in programs in the area whose mission is to get Youth in the Technology area.

Treasurer Tepley continued to explain there where no other major changes.

Bill Mayer spoke to the prepared memo. Direct staffing changes were already addressed. Demand is strong requiring a bump from \$825,000 to \$850,000 in services. In section 4.1 major events and sponsorship didn't have a budget amendment but we adjusted the data we capture when they register. We now collect name, email, address, job title,

company name, yes/no to the entrepreneur question and then most importantly, residential zip code. Next the major events line, we are referring to it as major events as opposed to the A2 Tech 360 making sure a hybrid format is available. We removed specific dates to make things easier. Section 5.6 is just a clarification. Section 6, the City has modified living wage requirement it was \$15.66 it has been raised to \$16.52 since SPARK uses internships we modeled paying \$17/hour; as well as, a rough labor market. That drove the change in the internship talent line. Under the software line, we were able to because of a surplus under the mobility line to purchase a pitchbook license that was extremely helpful. Therefore, another seat and some new software to help with payroll integration is driving the increase. Incubator improvements in Spark Central, the \$25,000 will allow us on the 3rd floor to address a shortage of electrical outlets in 2 of the suites in addition to take out two walls for an open floor plan space to make it more useable. The company will be contributing a minimum of \$5,000.00 Finally, we will add some glass frost to reduce the impacts of Liberty Plaza, although it is improved. Thank you to the committee.

A motion was made by Grisham, seconded by Charter, that the SPARK 2023 Contract be Approved as presented. On a voice vote, Chair Tepley declared the motion carried.

3. [22-0559](#) LDFA FY 2023 Budget - Draft

Attachments: LDFA FY2023 Budget-Draft.pdf

Marti Praschan referred the Board to the attached budget document that incorporated the SPARK contract changes; as well as, the agreement with the City that was approved last year as a two year agreement. The proposed budget is \$6,816,617 and uses \$1,673,726 of fund balance. Most of the fund balance were unspent funds of the Fiber Project. Board Member Grisham asked who invested the funds and it was reported that the City invests the funds. In addition, she asked for an explanation of the professional services line item. It was explained that the contract with the City included procurement support for the grant process.

A motion was made by Charter, seconded by Rapundalo, that the LDFA Budget for FY 2023 be approved as presented. On a voice vote, Chair Tepley declared the motion carried.

4. **SPARK Central Improvements**

Bill Mayer requests the improvements that were requested in the budget be allowed to begin in April and to be reimbursed upon completion. SPARK would assume the risk for the possibility of the budget not being passed by City Council.

A motion was made by Leahy, seconded by Councilmember Ramlawi, that the improvements to SPARK Central commence in April with the project to be completed/reimbursed in FY 23. On a voice vote, the Chair Tepley declared the motion carried.

5. [22-0561](#) LDFA Annual Report to Council - FY 2021

Attachments: LDFA - AA Council Annual Report FY2021.pdf

A motion was made by Rapundalo, seconded by Charter, that the Report be filed. On a voice vote, the Chair Tepley declared the motion carried.

XIII. ADJOURNMENT

A motion was made by Rapundalo, seconded by Councilmember Ramlawi, that the meeting be adjourned. On a voice vote, the Chair declared the motion carried.

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**City Clerk's Office
301 E. Huron St.
Ann Arbor, MI 48104**

Requests made with less than two business days' notice may not be able to be accommodated.