

Memorandum

Date: 1/13/2012
To: The Honorable Mayor and City Council members
From: Brent Trout, City Administrator
Re: Micro Enterprise Program

Review:

The program purpose is to help retain, grow and develop resident small businesses beginning July 1, 2012. The program goals include increased employment, increased economic activity and reduced commercial property vacancy rates. *The attached agreement for administration of the Micro Enterprise Program between the City of Mason City and North Iowa Area Community College, John Pappajohn Entrepreneurial Center is presented for consideration by the City Council.* The agreement will initiate the development of the program materials and marketing with the intent to start accepting applications from interested businesses as soon as possible prior the July 1, 2012 program start date.

The agreement covers five primary areas: purpose of the program, City responsibilities, NIACC JPEC responsibilities, program guidelines, and program terms. The language follows along the ideas expressed at the work session presentation. The basics of the agreement state that NIACC JPEC will administer the program and the City will fund the program. The City will also provide oversight responsibilities to ensure the program is being run according to the guidelines. The agreement states that the maximum reimbursement level for the program is \$5,000 per year and \$15,000 total reimbursement per applicant.

Council Action Requested:

I recommend City Council approve the agreement between the City of Mason City and North Iowa Area Community College, John Pappajohn Entrepreneurial Center to administer the Micro Enterprise Program.

Brent Trout

 Brent Trout, City Administrator

CC: Kevin Jacobson, Finance Director
 Pam Myhre, Growth Development & Planning Director

Agreement between the City of Mason City and the North Iowa Area Community College John Pappajohn Entrepreneurial Center for Administration of the Micro Enterprise Program

The City of Mason City hereafter referred to as City and the North Iowa Area Community College John Pappajohn Entrepreneurial Center hereafter referred to as NIACC JPEC are entering in to an agreement to create and administer the Micro Enterprise Program.

1) Purpose

The program is designed to help retain, grow and develop resident small businesses beginning July 2, 2012. The programs goals include increased employment, increased economic activity and reduced commercial property vacancy rates.

The program will provide eligible businesses with up to 50% of their associated property tax payments in payments as reimbursement for approved expenses incurred in the operation of their business to increase employment and invest in their business.

2) City Responsibilities

- a) The City will provide the start up money to begin the program in the amount of \$10,000. The money will be paid to NIACC JPEC in the following manner:
 - i) \$10,000 paid by March 1, 2012 for initial costs to start up program
- b) The City will act as the disbursing agent to the program participants. The City will pay the NIACC JPEC an ongoing 10% fee based on the amount of the award to each business throughout the existence of this agreement between the city and NIACC JPEC. The 10% fee will be accrued each year and paid on July 1 of the following fiscal year, beginning July 1, 2013. For example if an award is given for \$2,500 to a business, JPEC will receive an administrative fee of \$250 for the completion of all paperwork and oversight of that business' award. That fee is accrued with others throughout the year and paid on the 1st business day of the new fiscal year.
- c) The City will create a committee consisting of three members of City staff to review requests for payment from the NIACC JPEC to verify that the agreements and responsibilities are completed by the business. The City will then process a purchase order and send the check to the business for the funds and accrue separate annual payments to the NIACC JPEC for the administrative fee. The committee will also review all applications received by the NIACC JPEC. The NIACC JPEC is solely responsible for business application and reimbursement approvals with the City committee responsible for verifying the program is compliant with this agreement. The committee will forward summary reports to the City Council for review with comments.
- d) The City will authorize and appropriate an initial funding amount of \$150,000 for this program. TIF funds will be the primary funding source for project with general fund reserves as the secondary source. The funding to be used will depend on the location of the business in an existing TIF district. The funding amount will allow for the extension of up to \$136,400 in credit to businesses and up to \$13,600 in administrative fees (10% of potential awards) to the NIACC JPEC (see 2B).
- e) The City will advertise the program on the City of Mason City website.

f) The City will designate a point of contact for the program.

3) NIACC JPEC Responsibilities

a) Designate a point of contact for the administration of the program.

b) Develop the following materials and conduct the following activities at the start up of the program:

i) Develop intake forms to verify eligibility of applicants and for tracking.

ii) Develop program marketing materials to include among other items an information sheet about the program that lists the qualifications, training requirements of participants, amount of funding available, eligible funding uses, amount of funding possible and any other information necessary to adequately explain the program.

iii) Develop a marketing plan for the program.

iv) Place the program information and details on the NIACC JPEC website.

v) Provide information to the City, Mason City Chamber of Commerce, Main Street Mason City and North Iowa Corridor Economic Development Corporation so they can place the program details on their respective websites.

vi) Create a press release regarding the kick off of the program and conduct a press conference to kick off the new program.

c) Act as Administrator of the program and determine eligibility of applicants.

d) Review and approve applicants for program funding and reimbursement of approved expenses according to established program guidelines listed in Section 4.

e) Create reports to track the progress of the program and participants. Submit reports in writing to the City Council through the City Administrator quarterly for the first year of the program and semi-annually after July 1, 2013.

f) Review program participant's expense receipts and reimbursement requests to validate their request. Submit an invoice to the City Administrator for reimbursement to the business.

g) Teach the FastTrac[®] program or other approved entrepreneurial training course to the participants of the program as determined by the NIACC JPEC. Provide ongoing counseling to each business.

h) Provide information to participating businesses about other potential funding sources.

i) Ensure participant is utilizing Quickbooks[®] or other approved accounting system to track and report business financials to NIACC JPEC.

j) Review participant's quarterly financial statements for the duration of its participation in the program.

4) Program Guidelines

a) The applicants for the program will meet the following guidelines for eligibility.

i) The participant must be a for profit business.

- ii) The business must have less than nine full time equivalent employees in the twelve months prior to entering the program.
- iii) The business must be located in owned or leased property within the city limits of Mason City. Home-based businesses are NOT eligible.
- iv) The business will have been in business less than 5 years or have under \$500,000 in annual revenues.

b) Applicants will be eligible for the following funding amounts.

- i) Each business is eligible for the receipt of credit up to 50% of the property taxes paid on their property per year for an owned building for a maximum of three years. If the business is renting the building it is located in, it would use the amount of property taxes prorated to the amount of the building it is utilizing.
- ii) Funds will be reimbursed to the business upon the presentation and approval of receipts for the purchase of approved goods and/or services in Mason City.
- iii) The maximum amount available per year for each participant is \$5,000 with a total program amount available of \$15,000.
- iv) Eligible Reimbursements include but are not limited to:
 - (1) Payroll for additional employee(s)
 - (2) Training, to include web based marketing and establishment of an internet presence.
 - (3) Inventory
 - (4) Leasehold Improvements
 - (5) Energy Efficiency Improvements
 - (6) Equipment

c) Participant Requirements

- i) Submit application for program with proposed use of funds.
- ii) Participants must complete the FastTrac[®] program within six months after approval or other approved entrepreneurial training course or demonstrate equivalent experience as determined by the NIACC JPEC.
- iii) Business Financials on Quickbooks[®] or other approved accounting system.
- iv) Submit receipts from approved purchases of good and/or services from Mason City businesses in order to receive reimbursement. On-line purchases are NOT eligible for reimbursement.

5) Program Terms

a) The program will exist for three years or until the \$150,000 is expended; whichever occurs first. After the money is expended or three years have passed the program could be reconsidered for authorization and additional funding.

b) If either party desires to terminate this agreement it must provide the other party 90 days notice. The parties will then meet to develop a settlement of expenses relative to existing agreements and participants in the application process. Program guidelines may be modified as needed by agreement of NIACC, JPEC and City of Mason City.

c) The remaining marketing materials generated for the program by the NIACC JPEC will be provided to the City at the end of this agreement.

RESOLUTION NO. 12 -

A RESOLUTION APPROVING AND AUTHORIZING EXECUTION
OF AN AGREEMENT BETWEEN THE CITY OF MASON CITY AND
THE NORTH IOWA AREA COMMUNITY COLLEGE JOHN PAPPA-
JOHN ENTREPRENEURIAL CENTER FOR ADMINISTRATION OF
THE MICRO ENTERPRISE PROGRAM

WHEREAS, the City Council of the City of Mason City, Iowa desires to enter into an agreement with the North Iowa Area Community College John Pappajohn Entrepreneurial Center for the creation and administration of a Micro Enterprise Program to help retain, grow and develop resident small businesses beginning July 2, 2012, and

WHEREAS, the programs goals include increased employment, increased economic activity and reduced commercial property vacancy rates, and

WHEREAS, the program will provide eligible businesses with up to 50% for their associated property tax payments in payments as reimbursement for approved expenses incurred in the operation of their business to increase employment and invest in their business.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Mason City, Iowa:

Section 1: That the Agreement between the City and the North Iowa Area Community College John Pappajohn Entrepreneurial Center for the administration of the Micro Enterprise program, be and the same is hereby approved.

Section 2: That the Mayor and City Clerk are hereby authorized and directed to execute said Agreement, said agreement not to be binding on the City until approved by this Council.

PASSED AND APPROVED this 17th day of January 2012.

Eric Bookmeyer, Mayor

ATTEST:

Brent Trout, City Clerk