

COUNCIL ACTION FORM

SUBJECT: ENDORSEMENT OF IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT APPLICATION FOR FINANCIAL ASSISTANCE FOR RURAL SOLUXIONS, LLC WITH LOCAL MATCH OF \$11,000 FUNDED BY THE AMES ECONOMIC DEVELOPMENT COMMISSION

BACKGROUND:

Rural Soluxions, LLC is a startup company having an association with a Georgia-based software development company called Xpanion. Rural Soluxions, LLC was founded with a business plan to provide software testing and quality assurance for software developed by Xpanion. A similar operation was successfully established by Xpanion in Kearney, Nebraska in 2006.

Over the next two to three years, Rural Soluxions, LLC expects to grow to 20 employees at the Ames location. Employees will have a starting wage of \$16.50 per hour, plus benefits. The project will require no infrastructure investment by the City, and expanded operations will be located in leased office space.

The Rural Soluxions, LLC application for assistance to the Iowa Department of Economic Development (IDED) will be reviewed for approval by the IDED later this month. The local match requested from the City is an \$11,000 zero interest loan, half of which is forgivable.

A review of the application determined that the created jobs did not meet the City's economic development assistance target pay rate of 130% of the Story County average wage rate for a high percentage of the jobs created. Additionally, the company's management team has limited experience and the proposed financing for the project does not include a capital contribution by Rural Soluxions, LLC. The application does not include the addition of any management employees at the Ames location, but the company has told the AEDC that at least one management employee will be working out of the Ames location.

Based on the City's evaluation parameters, staff would not recommend that the City provide the local match for this project. The company does have a business plan with a commitment for business from an established customer in Xpanion, and will be providing jobs at a wage rate that slightly exceeds 100% of the Story County average wage rate (currently \$16.34/hour). Based on this, the Ames Economic Development Commission (AEDC) has agreed to fund the local match of \$11,000.

For the IDED to continue consideration of this project, the City Council must adopt a resolution supporting the submittal of the Rural Soluxions, LLC application for IDED assistance. The commitment for the local match will be provided by the AEDC. If

Council supports this application for assistance while the AEDC provides the local match, the City will have no financial obligation for the project and will only be assisting with administration. Should it choose, Council itself could fund the match, which would create a City financial commitment for the project.

ALTERNATIVES:

1. Adopt a resolution supporting the submittal of an application from Rural Soluxions, LLC, requesting economic development assistance from IDED with no City commitment for a local match. The local match will be provided by the Ames Economic Development Commission in the form of an \$11,000 loan, half of which will be forgivable.
2. Adopt a resolution supporting the submittal of an application from Rural Soluxions, LLC, requesting economic development assistance from IDED with a City commitment for a local match. The local match will be provided by the City in the form of an \$11,000 loan, half of which will be forgivable.
3. Deny the application for assistance.

MANAGER'S RECOMMENDED ACTION:

The proposed project has the potential to provide expansion of jobs and lease of office space in Ames without additional public infrastructure. It does not, however, meet the City's economic development parameters for a local match from the City.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative 1, thereby adopting a resolution supporting the submittal of an application from Rural Soluxions LLC, requesting economic development assistance from IDED with the local match being provided by the Ames Economic Development Commission.