

CONSENT AGENDA
ITEM NO. **21**

**CITY OF SAN ANTONIO
ECONOMIC DEVELOPMENT DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council

FROM: Ramiro A. Cavazos, Director

SUBJECT: San Antonio Technology Accelerator Initiative (SATAI) Grant Agreement

DATE: January 26, 2006

SUMMARY AND RECOMMENDATIONS

This ordinance authorizes an agreement between the City of San Antonio and the San Antonio Technology Accelerator Initiative Network Foundation (SATAI). The purpose of the agreement is to establish the terms and conditions of a \$500,000 grant to assist SATAI in promoting and facilitating the community's technology initiatives.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

Through the completion of a technology strategic plan commissioned by the City in February 2000, it was determined that an organization focused on accelerating technology-driven new enterprise growth was a necessary component in the development of San Antonio's economy. SATAI was created in April 2001, and has been financially assisted by the City in subsequent budget processes.

The mission of SATAI is to identify, aggregate, and coordinate resources, initiatives, and networks necessary to foster the growth of San Antonio's technology-based growth industries. In order to achieve this mission, SATAI operates five programs:

1. The Enterprise Services program provides entrepreneurs developing technology-based ventures with direct, hands-on technical assistance in achieving their business objectives. Of the companies throughout the country who seek private equity funding but do not complete a program like this, only 5% will receive funding. Sixty percent of the companies who complete SATAI's program and seek private equity funding receive it.
2. Under the Investment Services program, SATAI serves as the South Texas Regional Center for Innovation and Commercialization (STRCIC). The STRCIC was established in 2005 upon the State of Texas establishing the Emerging Technology Fund. The Emerging Technology Fund is a \$200 million fund created to focus on innovation, research, and job creation. Half of the fund is to be used to provide investment capital for emerging technology companies, but in order to be considered for this money, a company has to be recommended to the State by a Regional Center for Innovation and Commercialization. SATAI serves this purpose for the San Antonio region and will help attract millions of dollars of investment capital to the region. In fact, SATAI has set the state standard for

“Best Practices” in this area. In the first round of applications, 2 of 3 of the recommendations from the STRCIC were accepted out of a total of 8 accepted statewide.

3. The Capital Network program focuses on developing financial resources for San Antonio’s emerging technology sector. Through this program, SATAI hosts a network of certified investors and is working with the Texas Research and Technology Foundation to create a local pre-seed and seed fund. In 2006, SATAI will engage in new initiatives to attract venture capital firms to San Antonio.
4. The Network Services program coordinates and facilitates communication and interaction among the city’s investor, service provider and entrepreneurial organizations. Under this program, SATAI has established a network of service provider firms – including legal, marketing, accounting, and marketing firms, for example – that provide pro bono work to companies. SATAI also hosts the annual “Stars of Innovation” gala and provides a seminar series for entrepreneurs through their SATAI U. program.
5. The Special Projects program provides assistance to the City, academic institutions, government, and development authorities in pursuing San Antonio initiatives designed to advance technology-related economic development opportunities. These projects and initiatives often require legislative efforts at the state or federal level. For example, under this program, SATAI is coordinating the community’s participation in the World Congress on Information Technology, a worldwide conference of IT company CEOs, CTOs, CIOs, and other C-level executives being held in Austin in May 2006.

SATAI has been very successful in achieving its mission. The following table highlights some of their results.

Measure	2003-2004	2005	Total
Total clients served	228	131	359
New high-tech jobs created	187	77	264
Investor portfolio clients	15	14	29
Clients securing investments	9	10	19
Rounds of investments	16	13	29
Accredited investors in network	62	34	96
Client presentations to investors	67	129	196
Total seed investment in SATAI clients ¹	\$9.44 M	\$6.70 M	\$16.10 M
Total venture capital investment in SATAI clients ¹	\$12.60 M	\$6.30 M	\$24.90 M
Total investment ¹	\$22.04 M	\$13.00 M	\$41.00 M

¹Data collected for portfolio clients only. Not all portfolio clients would disclose financial information.

POLICY ANALYSIS

This contract is consistent with City Council budgetary priorities and the FY2006 Adopted Operating Budget, which authorizes funding for this purpose. It is also consistent with the City’s *Strategic Plan for Enhanced Economic Development*.

FISCAL IMPACT

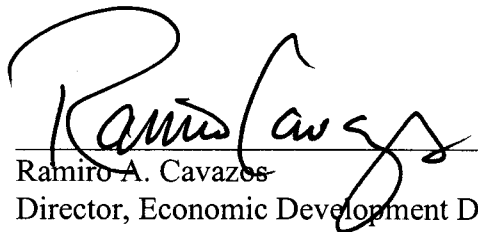
This agreement will be funded by \$500,000 authorized in the FY2006 Budget. The money will be used to fund the continued operations of SATAI, as indicated in the attached budget. Funds will be transferred to SATAI in one lump-sum payment.

COORDINATION

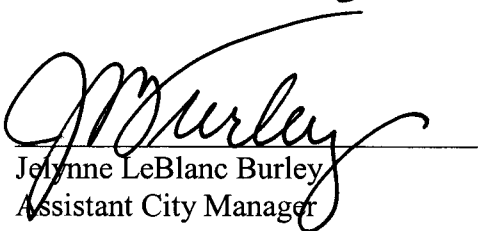
The item has been coordinated with the City Attorney's Office, the Finance Department, and the Budget Office.

SUPPLEMENTARY COMMENTS


The Discretionary Contracts Disclosure Forms are attached.



Ramiro A. Cavazos
Director, Economic Development Department



Jelynn LeBlanc Burley
Assistant City Manager



Sheryl L. Sculley
City Manager

Attachments

City of San Antonio
Discretionary Contracts Disclosure
For use of this form, see Section 2-59 through 2-61 of the City Code (Ethics Code)
Attach additional sheets if space provided is not sufficient.

(1) Identify any individual or business entity that is a party to the discretionary contract:

SATAI Foundation - 501(c)(3)
SATAI LLC -

(2) Identify any individual or business entity which is a partner, parent or subsidiary business entity, of any individual or business entity identified above in Box (1):

☐ No partner, parent or subsidiary; or

List partner, parent or subsidiary of each party to the contract and identify the corresponding party:
SATAI LLC is a single member LLC in which the SATAI Foundation is the single member.

(3) Identify any individual or business entity that would be a subcontractor on the discretionary contract.

☐ No subcontractor(s); or

• Regnier Valdez - Marketing
• Brumley PEO - Payroll

List subcontractors: Small personal service subcontractors, not yet identified may be used to provide temporary services, less than \$50,000 each.

(4) Identify any lobbyist or public relations firm employed by any party to the discretionary contract for purposes related to seeking the discretionary contract.

☒ No lobbyist or public relations firm employed; or

List lobbyists or public relations firms:

¹ A business entity means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law. A sole proprietor should list the name of the individual and the d/b/a, if any.

(5) Political Contributions
List all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made to any *current or former member of City Council*, any *candidate for City Council*, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under Box (1), (2), (3) or (4) above, or by the officers, owners, of any business entity listed in Box (1), (2) or (3).

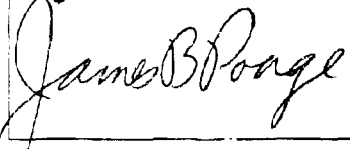
<input checked="" type="checkbox"/> No contributions made; If contributions made, list below:			
By Whom Made:	To Whom Made:	Amount:	Date of Contribution:

(6) Disclosures in Proposals
Any individual or business entity seeking a discretionary contract with the City must disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 2-43 of the City Code (Ethics Code), ("conflicts of interest") by participating in official action relating to the discretionary contract.

☒ Party not aware of facts which would raise a "conflicts-of-interest" issue under Section 2-43 of the City Code; or

Party aware of the following facts:

This form is required to be supplemented in the event there is any change in the information before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed, whichever occurs first.

Signature: 	Title: <i>President</i> Company or D/B/A: <i>SATAI</i>	Date: <i>Jan 6, 2005</i>
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² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.



**SATAI NETWORK
STATEMENT OF SUPPORT AND REVENUE - Projected
THROUGH DECEMBER 31, 2006**

Revenues, Gains and Support

Estimate of Carryforward (from Texas Research Park Foundation)	\$52,669	5.0%
<u>Grant Income</u>		
City of San Antonio Grant	\$500,000	47.1%
Bexar County	\$50,000	4.7%
<u>UTSA Support</u>		
Office space, office furniture, computers & services, utilities	\$311,316	29.3%
<u>Fundraising</u>		
Gala - Net Income	\$18,000	1.7%
Contributions	\$50,000	4.7%
<u>Enterprise Services</u>		
Capital Network Alliance	\$1,500	0.1%
SATAI U	\$7,000	0.7%
<u>Investment Services</u>		
Service Fees (RCIC)	\$71,000	6.7%
<u>Investment Income (will be based on cash flow)</u>		

Total Revenues, Gains and Other Support	<u>\$1,061,485</u>	100.0%
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Expenses

Payroll	\$459,840	44.0%
Benefits	\$92,269	8.8%
Office space, office furniture, computers & services, utilities	\$311,316	29.8%
Fixed Travel and Communication allowances	\$24,480	2.3%
Marketing-(includes printing) fund-raising campaign & network services	\$24,000	2.3%
Legal	\$15,000	1.4%
Travel	\$18,000	1.7%
Miscellaneous/Contingency	\$18,000	1.7%
Program Support Funds	\$23,280	2.2%
Insurance (Employee Liability - D&O)	\$10,975	1.1%
Meals/Functions/Meetings	\$6,000	0.6%
Membership Dues, Conference Fees	\$8,000	0.8%
Web Hosting - Maintenance	\$4,800	0.5%
Accounting	\$4,200	0.4%
Postage/Delivery	\$2,400	0.2%
Payroll Service	\$1,800	0.2%
Supplies, Materials (stationery, etc)	\$1,800	0.2%
Telephone	\$1,800	0.2%
Bank Fees	\$900	0.1%
Equipment Purchase Repair and Maint. upgrades	\$1,080	0.1%
Audit/Tax	\$15,000	1.4%

Total Expenses	<u>\$1,044,940</u>	100.0%
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PROJECTED CHANGE IN SATAI NETWORK NET ASSETS

\$16,545