

Leon County Board of County Commissioners Budget Discussion Item #4

June 23, 2015

To: Honorable Chairman and Members of the Board

From: Vincent S. Long, County Administrator 

Title: Approval to Redirect \$25,000 QTI Budget Through FY 18 to Support Broadband Internet for Domi Station

County Administrator Review and Approval:	Vincent S. Long, County Administrator
Department/ Division Review:	Alan Rosenzweig, Deputy County Administrator Ken Morris, Assistant County Administrator Pat Curtis, Director, Management Information Systems Scott Ross, Director of the Office of Management and Budget
Lead Staff/ Project Team:	Michelle Taylor, Network & Technical Services Manager Joshua Pascua, Management Analyst

Fiscal Impact:

This item has a fiscal impact. Each year, the Board approves an annual expenditure of \$25,000 earmarked for future use as the County's portion of the Qualified Targeted Industry (QTI) "local match" placed in an escrow account with the Tallahassee-Leon County Economic Development Council (EDC). This item seeks the Board's consideration of a temporary redirection of the Board's annual \$25,000 QTI budget to offset the cost to provide broadband Internet at Domi Station for a period of three years. The County's unencumbered fund balance for QTI incentives is currently \$299,155.

Staff Recommendation:

Option #1: Redirect the annual QTI budget of \$25,000 for FY 2016 through FY 2018 to support Broadband Internet for Domi Station.

Report and Discussion

Background:

At the May 12, 2015 Board meeting, the Commission directed staff to bring back a budget discussion item regarding the provision of broadband internet service to Domi Station. The Board has long maintained a strong focus on supporting entrepreneurship as a means of spurring job growth in Leon County. Given the Board's commitment to economic development and partnership with the Domi Station business incubator, this budget discussion item seeks the Board's approval for providing broadband fiber optic internet service at Domi Station. Improved Internet service has been identified as a crucial need by entrepreneurs at Domi Station.

During the FY 2014 budget process, Leon County invested \$250,000 for one-time capital improvements to transform a County-owned warehouse that formerly housed election equipment into a business incubator. On October 29, 2013, Leon County entered into a public-private partnership with Domi Education Inc. (Domi) to operate a business incubator program in the renovated warehouse now known as Domi Station. Under the agreement, Domi Station is operated privately by Domi as a tenant in a county-owned facility. Domi pays the County an at-cost lease (approximately \$3,850 annually) for the Domi Station incubator facility in return for providing the community a comprehensive technology driven business incubator program and related services. Currently, no County tax dollars are used in the operation of Domi Station as Domi's lease payments cover any operational costs of the incubator that the County would bear. The terms of Domi's public-private partnership are explained in detail in the attached lease agreement (Attachment #1). The lease term is for five years, and may be renewed in 2019.

This budget discussion item contemplates providing broadband internet service to Domi Station through a temporary reallocation of the Board's annual \$25,000 QTI budget. The State's QTI tax refund incentive program is available to companies that create high-wage jobs in targeted high value-added industries. The program includes refunds on corporate income, sales, ad valorem and certain other taxes for pre-approved applicants who create the targeted jobs. Traditionally, a QTI local match of 20% is required from the local community where the job creation is occurring, which is split evenly between the County and the City of Tallahassee (City). As part of the QTI application process, the County and City must adopt a resolution indicating their support for the project and their commitment to provide the required match in the form of a reimbursement over the course of several years.

Analysis:

Below, staff provides an analysis of current QTI funding obligations and the opportunity to use QTI funding to support increased Internet service at Domi Station.

Qualified Targeted Industry Incentive Program

Each year, the Board has approved annual expenditures of \$25,000, earmarked for future use as the County's portion of the QTI "local match." These expenditures have been placed in an escrow account at the EDC as part of its annual contract. The QTI assistance is provided on a reimbursement basis and is only released once the required jobs have been created. The EDC and County staff work regularly with business prospects seeking to expand or relocate to Leon County. The most recent company to be awarded QTI assistance was Kaye Scholer, LLP, which is in the process of creating over 100 jobs at an average annual wage of \$54,000 (150% of the average local wage).

The EDC currently has \$355,155 set aside in the County's QTI account, for use in attracting new high-paying jobs to Leon County. Of that amount, \$56,000 has been encumbered for the County's QTI match payments to Kaye Scholer, LLP. Kaye Scholer, LLP is eligible to apply for further QTI reimbursement payments until 2017, at which point the remaining County funds encumbered for QTI payments to Kaye Scholer, LLP would be unencumbered and useable for other QTI projects. \$299,155 is currently unencumbered and available in the County's QTI account for QTI assistance in growing Leon County's economy. This amount is currently sufficient to pledge for new QTI projects without the County's annual QTI fund payment of \$25,000. However, if the Board approves several new QTI projects, the annual \$25,000 QTI payments may be needed to support the County's QTI contribution in future years. This can be managed in a variety of ways once future projects are approved by the Board. Staff will continue to work with the EDC to carefully monitor the progress of QTI reimbursements and keep the Board abreast on the status of the County's QTI fund balance.

Domi Station High-speed Fiber Optic Broadband Internet Support

Domi Station is home to over 125 entrepreneurs that make up 35 startup businesses. In Domi Station's first year of operation, Domi Station companies earned over \$800,000 in revenue and created 18 full-time jobs. Many of these startup companies are technology based and significantly rely on Internet access to develop and grow their business. Domi is currently seeking a significant increase in their Internet service that will greatly assist entrepreneurs at Domi Station. This Internet service increase will require capital improvements in the form of a new fiber optic cable being installed to connect Domi Station to an existing fiber optic data line. Based on the Internet demands by Domi Station entrepreneurs, the new fiber line would initially provide one gigabit of data transport with 100 megabits of dedicated Internet access (symmetrical, for both uploading and downloading) and this level of service is easily scalable should Domi Station's bandwidth requirements increase in the future.

Leon County's Office of Human Services and Community Partnerships (HSCP), located next to Domi Station at the Amtrak Complex, currently has broadband Internet via a fiber-optic data line. Staff examined creating a connection from the HSCP office to Domi Station to allow Domi Station members access to the Leon County Internet network. However, staff does not recommend providing Domi Station improved Internet service via the Leon County Internet network as it serves the Leon County Sheriff's Office, Court Judicial, the State Attorney's Office, Public Defender, and the Public Safety Complex among others. Due to the high level of security required to serve these offices, private use of the Leon County network is prohibited. As part of an annual Florida Department of Law Enforcement network security audit, this is one of the items verified through the audit process.

Based on this information, staff has secured several quotes regarding the cost for a local Internet provider to install a fiber optic data line and the monthly Internet service fee to be charged to provide high-speed fiber optic Internet directly to Domi Station. Based on the quotes provided, a fiber optic data line would be installed to connect Domi Station to an existing fiber line located on Railroad Avenue. The construction and installation charges have been waived in the quotes assuming a three-year service contract. Based on the best quote, staff estimates it would cost approximately \$1,817 to provide high-speed fiber optic Internet to Domi Station each month, or \$21,804 per year.

This budget discussion item seeks the Board's consideration of a temporary redirection of the Board's annual \$25,000 QTI budget for FY 2016 through FY 2018 to address the recurring service charge to provide broadband Internet for Domi Station for a period of three years.

Options:

1. Redirect the annual QTI budget of \$25,000 for FY 2016 through FY 2018 to Broadband Internet for Domi Station.
2. Allocate up to \$25,000 from general revenue for FY 2016 through FY 2018 to support Broadband Internet for Domi Station.
3. Do not provide funding to support high-speed fiber optic Internet for Domi Station.
4. Board direction.

Recommendation:

Option #1.

Attachments:

1. Business Incubator Facility Lease Agreement
2. Quotes for High-speed fiber optic Internet Service at Domi Station