



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	April 16, 2014
SUBJECT/REPORT NO:	Innovation Factory Request for Funding – 2014 (PED14056) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Neil Everson (905) 546-2424 Ext. 2359
SUBMITTED BY:	Neil Everson Acting General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That Council approve funding of \$50,000 to the Innovation Factory as the City of Hamilton's 2014 community partnership contribution;
- (b) That Council approval of the \$50,000 contribution be conditional on the Council established annual KPIs (Key Performance Indicators) as contained in this report;
- (c) That the \$50,000 contribution for the Innovation Factory be funded from the Economic Development Investment Reserve Act #: 362098900.

EXECUTIVE SUMMARY

At the General Issues Committee meeting of January 9, 2012, Ron Neumann, the then Executive Director of the Innovation Factory, requested that the City of Hamilton make a \$50,000 community partnership contribution to the Innovation Factory for the years 2012 and 2013.

In response, the General Issues Committee requested the following information that was supplied and attached to the February 7, 2012 General Issues Report (PED12023).

- 1) Source of Funding;
- 2) Conflict of Interest Information;
- 3) Provide Audited Financial Statements;
- 4) Governance information, both with Innovation Factory and other jurisdictions with similar concepts; and,

5) Annual Reports on outcomes and activities of Innovation Factory.

Over the last year, the Innovation Factory (IF) has since restructured their operations and while simultaneously increasing efficiencies within the organization, they have added new programs and reduced the staff complement.

One of their most successful programs implemented just last year is LiFT. The LiFT program is designed to help fledgling companies identify the challenges within their current stage of growth. The IF staff then work directly with the company to build a tailored innovation assessment specific to their needs and goals. IF provides access to industry experts, programs, and other resources to overcome the challenges.

Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: This request can be accommodated through the Economic Development Investment Reserve with NO impact on the Levy.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND

Innovation Factory is Hamilton's not-for-profit Regional Innovation Centre (RIC) and services a gap that currently exists in our community which is to help people commercialize intellectual property. Officially launched in November 2010, its core function is to accelerate the innovation process for technology-based companies and to amplify the economic and social impact of key ideas and discoveries. It is focused on strengthening Hamilton's next generation of job generators.

Innovation Factory is just completing its third full year of operation. In 2013, IF experienced a change in leadership with the departure of Ron Neumann, Executive Director and Keanin Loomis, Chief Technology Officer.

The Board of Directors acted quickly to replace the Executive Director with David Carter. Mr. Carter is the former CTO and co-founder of Awareness Inc. Before founding Awareness Inc., Mr. Carter worked as an Internet Strategy Manager at Microsoft. Also, joining the IF team in 2013 were Scott Smith as Director of Operations and two Executives-in-residence Peter Smith and Bernard Lim.

Julie Ellis CEO of Mabel's Labels is the current Chair of the Board of Directors, replacing Mark Chamberlain, who completed his three year term late last year. Neil

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Everson, Director Economic Development Division, remains as a board member on the Innovation Factory and represents the City of Hamilton in an oversight capacity. As of the 2012 year end, Innovation Factory had engaged and assisted over 212 technology-based companies and has organized over 20 events to engage Hamilton's emerging high-tech community. The City Council established Key Performance Indicators for 2013 are as follows:

Quarter	Meetings	Jobs	Events	Attendees
Jan - Mar	382		22	895
Apr - Jun	432		17	793
Jul - Sep	613		6	422
Oct - Dec	543		13	971
Totals	1,970	72	58	3,081

Innovation Factory has completed its third year of operations and 2014 represents its first year of a new three year funding commitment from the Ministry of Research and Innovation. They will receive \$450,526 in 2014 and \$422,917 in 2015 which represents a 75% contribution to their budget on an annual basis.

The remaining 25%, or approximately \$150,000 per year, needs to be raised by community partners. For 2014, private sector and institutional partners have already committed to \$95,000 with additional monies expected in the second quarter of the year.

Innovation Factory is requesting that the City of Hamilton contribute \$50,000 in 2014 with a renewable option in 2015 to assist them in reaching their 25% community partnership contribution goal. Audited financial statements for Innovation Factory, completed by Grant Thornton, will be available in the second quarter of 2014.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

Not applicable.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

It is not uncommon for a municipality to be a contributing partner to an RIC. Waterloo Region's Communitech, receives an annual partnership contribution of \$100,000 from

the City of Waterloo, City of Kitchener and the Region of Waterloo. The TechAlliance in London receives \$200,000 per year from the City of London.

Staff recommends that the City of Hamilton provide the full funding request of \$50,000 for 2014. Per Council direction, the 2013 funding request includes the key performance measures developed jointly by staff and the Innovation Factory.

ALTERNATIVES FOR CONSIDERATION

Provide a lesser amount than what is being requested or provide no funding whatsoever. Either option would require Innovation Factory to generate more revenue through the business community in order to meet their 25% community target or reduce their expenses accordingly. This could have a negative impact on their service delivery to their clientele.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.1 Continue to grow the non-residential tax base.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report PED14056 - Innovation Factory Audited Financial Statements - Year End March 31, 2012

NE/dkm