

Summary of Minutes

CITY OF BLOOMINGTON ECONOMIC DEVELOPMENT COMMISSION – BLOOMINGTON INVESTMENT INCENTIVE FUND REVIEW COMMITTEE MEETING HELD ON FRIDAY SEPTEMBER 16, 2011, 2011 AT 11:30 AM IN THE HOOKER CONFERENCE ROOM OF CITY HALL AT SHOWERS, 401 NORTH MORTON STREET, BLOOMINGTON, INDIANA

Call to Order

The meeting of the EDC BIIF Review Committee was called to order in the Hooker Conference Room by Danise Alano-Martin at 11:31 AM.

Roll Call

Economic Development Commission BIIF Review Committee Meeting Members: Vickie Renfrow, City Attorney; Jim Gray, Old National Bank; Kurt Zorn, Indiana University and EDC Member; Danise Alano-Martin, Economic and Sustainable Development Director

Staff present: Adam Wason, Economic and Sustainable Development Assistant Director; Miah Michelsen, Economic and Sustainable Development Department; Shazia Davis, Economic and Sustainable Development Department Intern

Petitioners present: Dean Foster, owner of ProWinds

Public Present: None

Adam Wason introduced Dean Foster representing ProWinds, a local music store. Mr. Foster is applying for a \$75,000 loan to purchase additional inventory (in the form of instruments) and fund infrastructure improvements (remodeling) for the current store at 3rd Street and Jordan in Bloomington. The packet provided shows the application, explanation of the specific project components, budget, and marketing materials.

Danise Alano-Martin explained that staff has been in communication with Mr. Foster and today we would like to learn more about the job components of this project. Mr. Foster explained that he and his wife attended Indianan University and stayed afterwards. They opened ProWinds in a prime location across the street from the Jacobs School of Music. They have been challenged with the recent recession as well as competing with big companies. Recently ProWinds launched a new website that they hope will provide greater online presence and sales.

The requested funding would be for new inventory, displays, and to update the cosmetic look of both the interior and exterior of their showroom. As Mr. Foster explained, the teals and purples of the 1980's look extremely outdated in this era. Mr. Foster informed the committee that their biggest competitor just closed their showroom in South Bend, Indiana, leaving ProWinds as the only store of its kind in the nation.

Ms. Alano-Martin asked Mr. Foster to discuss potential hiring. Mr. Foster said they have already started. Recently they hired one full-time employee and three part-time employees. They anticipate orders to increase, thus requiring them to hire more people.

Mr. Wason asked that Mr. Foster discuss how the current inventory and new inventory will affect his aging accounts payable. Mr. Foster stated that he would be aggressive in liquidating his current inventory mix to get the right inventory mix as this loan begins.

Ms. Alano-Martin asked about the matching funds. Mr. Foster responded that matching funds will come from the sales, normal cash flow, and will match the City portion of the loan internally. Mr. Foster further stated that he often places orders for over \$50,000 in inventory in a given day and that this matching portion would be easily documented. The cash flow and general business funds will match the \$25,000 requested for the remodel. Jim Gray clarified that Mr. Foster is talking about a model that is coming up with the cash through the normal operations of a very high revenue business. Mr. Foster is not sitting with the cash on hand today, but through minor shifts in the business model, they should be able to easily come up with the matching portion of the loan.

Kurt Zorn asked about liquidating the current inventory and how that will be done without losing money. Mr. Foster stated that through their website and other secondary retail outlets such as Ebay, they are often able to disperse extra inventory. ProWinds also just hired an employee with extensive experience utilizing Ebay.

Mr. Gray asked about the store renovation and whether or not that will generate revenue. Mr. Foster said this will allow for a better online promotion due to the new look of the store and when bringing customers to Bloomington, the look will be new and modern. ProWinds' experience with customers coming from out of town is that they have a very high sales percentage rate after visiting the store and community.

ProWinds has been open for 18 years and are located across the street from the School of Music, which many customers find to be very impressive and akin to the ability to provide a high level of service.

Mr. Foster also explained a new program that he thinks will not only increase sales and profitability, but also will serve as a two-way marketing program for ProWinds and its suppliers. By creating a preferred partner program with suppliers that will be cross-promotional and will also hopefully open up higher lines of credit from the suppliers, both sides should benefit. Mr. Foster plans to meet with big suppliers, and express the message that it is time to be proactive in the effort to increase sales. Mr. Foster is confident that suppliers will want to partner to help facilitate growth because they are sitting on a lot of product now. Furthermore, this will create a friendly and healthy competition amongst suppliers.

Mr. Gray pointed out to the review committee that he and Mr. Wason had a conversation about the improvement project being a leasehold project and that this will put the City in

a position where they will night be first in line for collateral. It was understood by the committee that the collateral position is not as strong as we normally see.

Mr. Gray asked a few more questions about the receivables that are in the ninety plus day range. Mr. Foster stated that one item is a simple accrued collections account in the traditional collections process and the other will be a write-off at the end of the year.

Ms. Alano-Martin said staff is aware of all these concerns. Mr. Gray said the difference is that the money for matching funds is not currently sitting in the account. Rather, it is part of a five million dollar cash flow cycle. Getting \$150,000 out of a \$5 million cash flow business is not nearly as difficult as if the business were only generating \$400,000 in annual revenue.

Vickie Renfrow wanted to remind Mr. Foster that the loan is not interest free as he stated. Ms. Alano-Martin stated that it is tied to the interest amount the City receives on their account balance. It is at 0.3% right now, close to no interest.

Mr. Zorn stated that he has no more questions and the questions he had are already answered.

Mr. Foster explained that ProWinds is trying to simplify things and is using IU students for their website development. The entire website will be developed for only \$15,000, which is unheard of. Mr. Gray agreed, noting that in most cases \$15,000 is what the consulting companies charge to provide recommendations only, let alone to implement it.

Ms. Alano-Martin said she appreciates Mr. Foster's patience with the City considering that everyone here is not familiar with this particular market, which is a little different than previous applications they have had.

Mr. Gray moved that this application be forwarded to the Economic Development Commission. Mr. Zorn seconded. The motion carried unanimously.

This application will be heard in the Economic Development Commission meeting next Friday, September 23 at noon in the Hooker Conference Room at City Hall.

The meeting was adjourned at 12:16 PM.