

## MEMORANDUM

TO: Council Member, Paul Ostrow, Chair  
Ways and Means Committee

FROM: Greg Ortale

DATE: Wednesday, January 17, 2007

RE: iDSS Meet Minneapolis Operational Management Transition Plan

Chairman Ostrow, this memorandum outlines the plan for Meet Minneapolis to assume the operational management of iDSS. This plan has been approved by the Meet Minneapolis Executive Committee in a meeting which took place on January 16. A separate communication from our Chair will be forthcoming prior to the Ways and Means Meeting on the 22<sup>nd</sup>, however, we did wish this memo to accompany the communication from the Finance Department.

The iDSS Board has considered the operational merger and is voting electronically as two members of the Board are currently out of the country. I anticipate that the vote will support merging the operational management of iDSS into Meet Minneapolis.

Mr. Beck and Mr. Born have had full briefings on the plan in detail and while I have an understanding of what they will be recommending to the Committee, the Meet Minneapolis Board has approved this plan. The details have been kept to a minimum because of proprietary concerns.

The objectives for the plan are:

- Leverage the Meet Minneapolis Operations and Sales structure to create a profitable enterprise that will secure a return on investment for Meet Minneapolis.
- Get iDSS to cash positive profitability under available funding.
- Maintain a robust database platform and assist Meet Minneapolis with a conduct of its core mission.
- Secure an annuity revenue stream to Meet Minneapolis to expand its ability to fund core mission tactics.

The key elements of the transition are to merge an Operational Management of iDSS into Meet Minneapolis within the first quarter of 2007. As part of that merger, Meet Minneapolis will focus sales

energy on registration and housing product while supporting the existing customer databases. No database customers will be added unless they are at a profit margin established for the current customers.

Mission critical resources will be the only resources transferred to Meet Minneapolis. The plan will operate at or below an expense projection which has been reviewed by the Finance Department.

A number of critical financial metrics for the plan to succeed have been reviewed by the Meet Minneapolis Board, Mr. Born and Mr. Beck. There is complete agreement that the metrics must be achieved.

The structure of iDSS will contain the following elements:

- Leveraging of Meet Minneapolis leadership to manage and meet metrics and the approved plan.
- Retain a core, technical, and support team.
- Pair the iDSS sales people with the Meet Minneapolis housing and registration sales team.
- A dedicated executive with CEO experience will be added to the Meet Minneapolis leadership team with direct supervision over iDSS management.
- The operational merger will not impact the core mission initiatives of Meet Minneapolis.

The metrics that will be monitored in regular meetings with Mr. Beck and Mr. Born will include sales. Specifically, the number of deals which are closed and the revenue which will be generated vs. the Plan. Expenses will be monitored against an approved operating expense budget. The product will continue to be developed against a product roadmap in the ASP model.

The Meet Minneapolis Board reviewed what capital is necessary against the plan as projected by Forward Hindsight and Ashish Gadnis. Currently the authorization for a maximum additional line of credit totals \$7.7MM, including interest paid to the city on the loan for 2006. The projected operational merger cost by Forward Hindsight was \$400,000. In addition to this, \$520,000 has been advanced by Meet Minneapolis.

The Meet Minneapolis preferred Plan is to authorize staff to monitor the Plan against the originally approved line of credit. However, the recommendation from Finance, as we understand it, is acceptable to Meet Minneapolis providing 2007 interest payments can be drawn from the line of credit.

The Meet Minneapolis Board understands the concern and frustration of the City regarding iDSS. It should be noted that a substantially different iDSS is operating at this time. The difference is:

- The product is complete both housing and registration, and DMS.

- Expenses have been reduced and brought into line.
- Product pricing is stabilized with a margin of profit on a per product sales basis.
- Staff has been reduced to minimum
- Future operational projected expense has been reviewed for the mission critical necessity.
- Revenue producing activities are successfully underway. There is one strategic partnership signed and several others pending.

The approval of this plan gives iDSS/Meet Minneapolis at best case achieves all of its objectives and at worst case minimizes the net expense impact to the Meet Minneapolis core mission.