

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> July 15, 2013
	<b>Agenda Item No.</b> 35 <b>Roll Call No.</b> <u>13-1110</u> <b>Communication No.</b> <u>13-362</u> <b>Submitted by:</b> Matthew A. Anderson, Assistant City Manager

**AGENDA HEADING:**

Approval of second amendment to the loan agreement and promissory note between the City of Des Moines and American Healthways Services, Inc.

**SYNOPSIS:**

American Healthways Services, 400 Locust, Suite 600, Des Moines is a wholly owned subsidiary of Healthways, Inc. a publicly traded company with worldwide operations. The Company has asked that the Loan Agreement and Promissory Note dated 7th of January, 2008 with the City be amended to replace the required letter of credit with a corporate guaranty of the parent company. Office of Economic Development staff recommends approval of the resolution.

**FISCAL IMPACT: NONE**

**ADDITIONAL INFORMATION:**

By Roll Call No. 08-049, dated January 7, 2008, the City Council approved a Loan Agreement and Promissory Note with American Healthways Services, Inc providing financial assistance to establish an office in the downtown area. The agreement was based on the creation of at least 60 full-time equivalent jobs with a starting wage of at least \$26.20 per hour, within two (2) years of the agreement and maintaining those jobs through August 31, 2012. If the company met the job creation requirements and extended/renewed its lease in the downtown area for a second five (5) year term the loan would be converted to a forgivable loan. The agreement provided an additional incentive for job creation over the initial 60 jobs by providing an economic development grant to be advanced at the rate of \$2,000 per job for each additional job over the initial 60 jobs created within two (2) years of the agreement up to a maximum of \$80,000.

As of June 30, 2012, American Healthways Services employs 72 full-time employees in downtown Des Moines at an average wage of \$31.85 per hour, plus benefits at its leased space in Capital Square. Of its employment, 58 positions meet or exceed the wage and benefit criteria (97% achievement rate) stipulated in the Loan Agreement dated January 2008. Based on the actual jobs created that meet or exceed the wage criteria, the company did not qualify for funding under the additional economic development grant. Healthways is currently evaluating its present and future space needs relative to extension of its current lease at Capital Square that expires in December 2013. Office of Economic Development staff is in contact with Healthways representatives regarding the company's future plans.

Healthways, Inc. (NASDAQ: HWAY) corporate offices are located in Nashville, TN, and is the largest independent global provider of well-being improvement solutions. Dedicated to creating a healthier

world one (1) person at a time, the Company uses the science of behavior change to produce and measure positive change in well-being for its customers, which include employers, integrated health systems, hospitals, physicians, health plans, communities, and government entities. The company provides highly specific and personalized support for each individual and their team of experts to optimize each participant's health and productivity and to reduce health related costs. Healthways has scaled its proprietary technology infrastructure and delivery capabilities developed over 30 years and now serve approximately 45 million people on four (4) continents. The company's 10-K filing with the US Securities and Exchange Commission for the fiscal year ended December 31, 2012 reflects a company net worth of \$278,821,000 on total assets of \$748,268,000. As on June 28, 2013 the company stock price reflected a market capitalization of \$581,024,020.

Healthways, Inc. and its subsidiaries, contracts services to Wellmark and administers the Iowa Blue Zones Project sponsored by Wellmark.

### **PREVIOUS COUNCIL ACTION(S):**

Date: August 27, 2012

Roll Call Number: [12-1352](#)

Action: [First](#) Amendment to the Loan Agreement with American Healthways Services, Inc., to extend the project completion date and promissory maturity date to December 31, 2013, to coincide with their lease extension. ([Council Communication No. 12-460](#)) Moved by Meyer to adopt. Motion Carried 7-0.

Date: January 7, 2008

Roll Call Number: [08-049](#)

Action: [Agreements](#) related to an Economic Development Forgivable Loan for \$120,000, an Economic Development Grant of up to \$80,000, a State of Iowa Community Economic Betterment Account (CEBA) Loan of \$150,000, and a CEBA Forgivable Loan of \$150,000 to American Healthways Services, Inc. ([Council Communication No. 08-009](#)). Moved by Vlassis to adopt. Motion Carried 7-0.

Date: August 6, 2007

Roll Call Number: [07-1527](#)

Action: [Application](#) for Financial Assistance to the State of Iowa Department of Economic Development for a Community Economic Betterment Account (CEBA) loan Healthways and approving preliminary terms of an economic development loan of \$120,000. ([Council Communication No. 07-469](#)). Moved by Vlassis to adopt. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S): NONE**

### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Review of Loan Agreement extension in December 2013.

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