

Economic Development Briefing

Proposed agreement with
athenahealth, Inc.

January 23, 2014



Economic Development Proposal

- The purpose of today's briefing is to present the following:
 - An overview of athenahealth, Inc. and the economic development proposal.
 - A review of the economic development matrix score.
 - A summary of the WebLOCI fiscal impact analysis.
 - A compilation of the anticipated benefits and expectations which will be established by this economic development agreement.
 - A proposed timeline for future City Council action.

+ Background

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athenahealth, Inc.

- athenahealth, Inc. was founded in 1997 as a birthing center and its founders became frustrated with paperwork and billing systems. When they couldn't find an existing solution, they developed their own.
- athenahealth, Inc. is a publicly-traded leading provider of cloud-based health information technology services, including:
 - Electronic Health Records
 - Care Coordination
 - Patient Communication
 - Medical Billing and Practice Management
 - athenaClaritySM, a Healthcare Data Analytics Tool for Health Networks
 - Cloud-based intelligence tools, such as Bugs + Drugs, a free app that provides timely, location-specific bacterial resistance data
- The average family practice increases their bottom line \$39,800 by using athenahealth, Inc.'s patient communications software services.

+ Background

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athenahealth, Inc.

- athenahealth, Inc. currently has 36 employees in Austin and is considering Austin for a 607-employee expansion of its R&D functions.
- The company is headquartered in the Boston metropolitan area and has operations in 5 other states (including Texas) and in India.
- athenahealth, Inc. has 2,853 full-time employees. It has experienced 30% annual revenue growth since its founding.
- athenahealth, Inc. applied for incentives prior to October 24, 2013 and is therefore one of 10 “grandfathered” projects. The project was evaluated based on the City’s economic development policy prior to October 24th.

+ Economic Development Proposal

What criteria and analysis were used?

- Economic Development Matrix
 - The matrix is a scoring tool that assesses firms using the following five categories of criteria:
 - Overall economic and fiscal impact.
 - Linkages to the local economy.
 - Infrastructure impact.
 - Character of jobs and labor force practices.
 - Quality of life and cultural vitality.
- WebLOCI fiscal impact analysis

+ Economic Development Matrix

What is the score for this project?

- athenahealth, Inc. scored 90 out of 100.
- The score is reflective of the following:
 - An investment of \$7.75 million in business personal property.
 - Creating 607 new full-time jobs in Austin over the next 10 years with an average annual wage of \$132,085.
 - Offering employees a comprehensive benefits package including:
 - Health, dental, and vision insurance
 - Life insurance
 - Same sex partner benefits
 - On-the-job training
 - Employee stock purchase plans
 - Tuition reimbursement; and
 - Paid maternity leave.

+ Economic Development Matrix

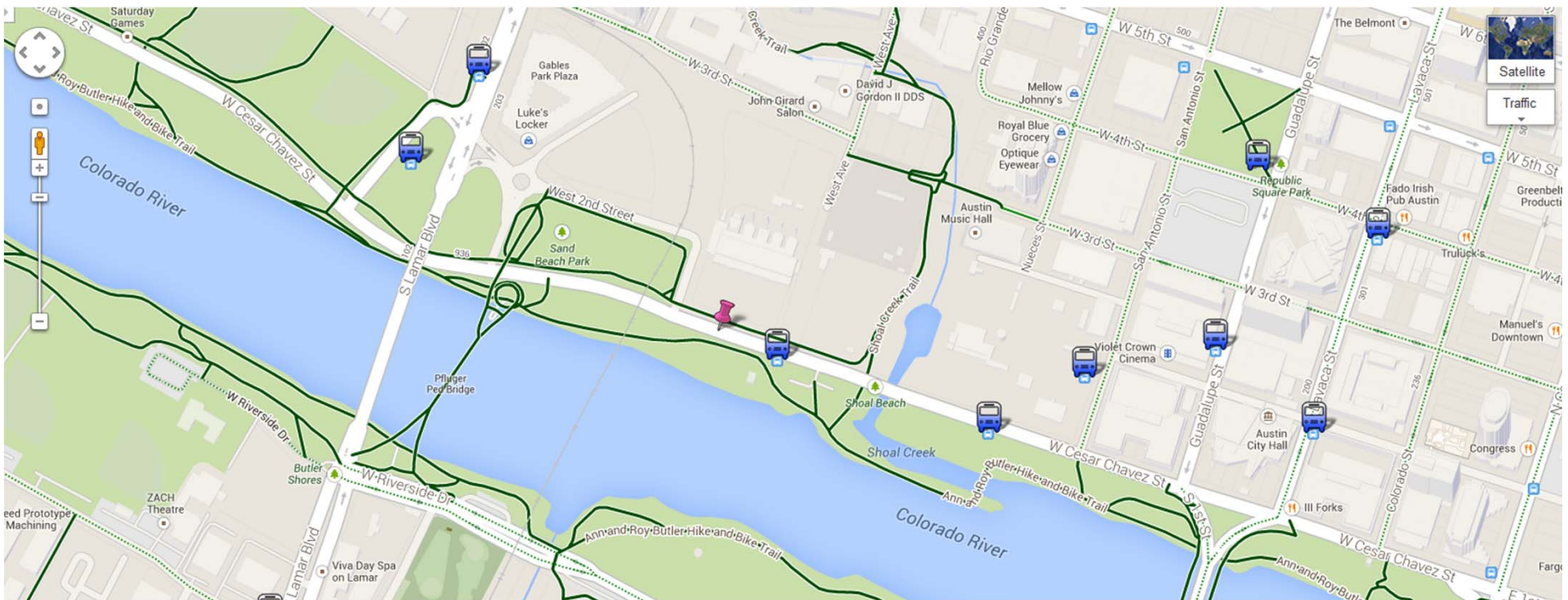
What is the score for this project?

- athenahealth, Inc. scored 90 out of 100.
- The score is reflective of the following (cont'd):
 - Locating at the Seaholm Redevelopment in the Central Business District.
 - Hiring 90% of their new, full-time employees locally.
 - Corporate Citizenship Initiatives:
 - Providing athenahealth, Inc. software to underserved communities, such as medical clinics in developing countries, volunteer-run clinics in Texas, and mission-driven nursing schools in New England.
 - A quarterly employee-driven charitable giving program.
 - A strong history of employee advancement: 15-25% of employees are promoted each year.

+ Economic Development Agreement

Project Location: 800 W Cesar Chavez

- The project is well connected to bicycle and pedestrian infrastructure and is within a ½ mile walk of the following bus routes: 3, 7, 17, 20, 110, 111, 171, 338, 935, 970, 982, 983, 985, 987
- A MetroRapid stop will be installed in front of the adjacent Green Water Treatment Plant
- ProjectConnect proposes a connection to urban rail and Lone Star Rail at Seaholm



+ WebLOCI Fiscal Impact Analysis

The financial benefits and costs of this project.

- The fiscal impact analysis represents only direct benefits and costs as a result of the investment and jobs created.
- Total direct benefits over a 10-year period = \$5.93 million.
- Total costs over a 10-year period = \$4.26 million.*
- The recommended economic development grant is equal to \$250 per job per year over 10 years.
- Total net benefit (\$5.93M - \$4.26M) = \$1.67 million.

* This cost figure is net cost which includes a performance-based economic development grant of \$679,500. All figures above are rounded.

+ Economic Development Agreement

What are the contractual obligations?

athenahealth, Inc.– Performance Obligations

- Invest \$7.75 million in business personal property.
- Create 607 new full-time jobs with an average annual wage of \$132,085.
- Retain the Company's existing 36 jobs in the City of Austin.
- Provide health insurance coverage to its employees and their dependents, including domestic partners.
- Abide by a supplier diversity policy.
- Efforts to recruit employees locally and will utilize local non-profits to expand its pool of diverse candidates during the hiring process.
- Comply with the standards and principles of the City's ordinance for minority-owned and women-owned business enterprises ("M/WBE Program Ordinance").

+ Economic Development Agreement

What are the contractual obligations?

City of Austin – Performance Obligations

- Provide a 10 year performance-based economic development grant, payable on an annual basis.
- The total estimated value of this grant is \$679,500 over the duration of the agreement.
- The City is not obligated to make a grant payment for any year in which the City has determined that athenahealth, Inc. has failed to fulfill an obligation or condition applicable to the Company.

+ Next Steps

- Today – Set the public hearing for the January 30th City Council meeting so that the public may comment on the proposed Economic Development agreement between the City of Austin and athenahealth, Inc.
- January 27th– Online public comments from www.austintexas.gov/ed will be transmitted to City Council.
- January 30th–A public hearing will be conducted followed by a City Council vote.