



# MEMORANDUM

Council Agenda  
Item No. VII.AF.  
12/20/2016

## The City of OKLAHOMA CITY

TO: Mayor and City Council

FROM: James D. Couch, City Manager

Joint Economic Development Agreement with the Oklahoma City Economic Development Trust and HealthSmart Holdings, Inc., expansion and creation of primary jobs in Oklahoma City, 3121 Quail Springs Parkway, \$225,000, retroactive to October 1, 2016. Ward 8.

Location 3121 Quail Springs Parkway

Background The Company plans to add 150 new jobs in Oklahoma City over the next three years. These jobs reflect both an expansion of existing operations in Oklahoma City as well as a new business presence in Oklahoma City by the Company and are the result of general business expansion and growth. The average first year wage for these new jobs is estimated to be \$57,000. After evaluating options for the location of this business unit, HealthSmart plans to expand Oklahoma office space in Oklahoma City due to the efficiencies and infrastructure of this location, along with the quality of the local area workforce and availability of state and local business incentives.

### Company Background

HealthSmart is a national administrator of health plans for self-funded employers. The Company has approximately 1400 employees. The Company is headquartered in Irving, Texas, and in addition to its Oklahoma City operation, has offices in San Antonio, Texas, Lubbock, Texas, Denver, Colorado, and Charleston, West Virginia. The Oklahoma City location will support Care Management and Claims Processing.

### Project Background

The Greater Oklahoma City Chamber and The City have worked with the Company since the middle of May 2016. In evaluating its location options for its business operations facility, Company management met with City and Chamber staff to discuss the needs of its planned operation. Based in part upon local incentives (city and state), the Company has decided to locate and expand this operation in Oklahoma City.

Economic Impact

The total estimated economic impact of this project is \$39,960,021 over the first three year period (based on total project impact, including capital investment, wages, state and local taxes). The estimated local sales tax and property tax revenue is expected to be \$164,814 over the first three year period and \$72,712 annually from the third year forward.

Recommended SIP offer: \$225,000

The Greater Oklahoma City Chamber Economic Development Division recommends a local incentive package of \$225,000 based on the following information provided by the Company:

- Incentive based on the creation of 150 new jobs over three years.
- Estimated average annual wage of \$57,000 (first year wage).
- Estimated first year additional payroll of \$3,000,000, ramping up to \$7,500,000 by the start of the third year.
- This is the latest expansion in an established pattern or continual growth by the Company.
- There is the potential for additional future growth.
- The Company considered a number of alternative locations for these jobs. The state and local incentives were important in positioning Oklahoma City as a competitive location for this operation.

Approval of the Economic Development Agreement outlines the requirements of HealthSmart Holdings, Inc., the Oklahoma City Economic Development Trust and The City of Oklahoma City.

Previous Action	OCEDT adopted resolution on August 23, 2016 (Item No. IV. A.) and Council adopted resolution on August 30, 2016 (Item No. VII. AI.) authorizing the General Manager or designee to negotiate an agreement with HealthSmart Holdings, Inc.
Cost	Not to exceed \$225,000
Source of Funds	OCEDT – GOLT Fund – ED Operations-Rstr – OKC Economic Development Trust – HealthSmart – Economic Development Contract (OCEDT – 110 – 5709 – 0400599 – ED0149 – 52010030)
Review	City Manager’s Office - Economic Development

Recommendation: Agreement be approved.