Title: Agreement: Centene Employment Incentive (Published for 10-day Review 11/17/2017)

Location: District 1

Recommendation: Pass a Resolution: 1) authorizing the City Manager or City Manager’s designee to execute an Employment Incentive Agreement with Centene Corporation; 2) establishing the Centene Employment Incentive Project multiyear operating project (I02180100); and 3) establishing a $5.4 million expenditure budget in I02180100 with a transfer from available fund balance in the Innovation and Growth Fund (Fund 2031).

Contact: Denise Malvetti, Sr. Development Project Manager, (916) 808-7064, Office of Innovation and Economic Development; John Dangberg, Interim Assistant City Manager, (916) 808-1222, Office of the City Manager

Presenter: John Dangberg, Interim Assistant City Manager, (916) 808-1222, Office of the City Manager

Attachments:
1-Description/Analysis
2-Resolution
3-Exhibit A (Centene Employment Incentive Agreement)
Description/Analysis

**Issue Detail:** Earlier this year, the City, along with several other western cities, received a Request for Information (RFI) from a leading healthcare insurance company stating that they were looking for a western regional corporate office hub that could employ up to 5,000 people. The City later learned that the prospect was Centene Corporation (“Centene”). Centene provides access to affordable healthcare plans to more than 12 million members across the country, and it delivers health insurance solutions for the underinsured and uninsured through Medicaid, Medicare, the Health Insurance Marketplace, and other health solutions through its specialty services companies. The company is currently 66th on Fortune 500 rankings and 27th in Fortune 500’s Fastest-Growing Companies ranking.

As part of their search, Centene was seeking a city that has a sustainable supply of skilled labor, moderate operating costs and competitive state and local incentives. After an exhaustive search, Centene has short-listed Sacramento. Their decision to locate in Sacramento is contingent, in part, upon receipt of an incentive from the City. Centene has already been awarded a tax credit in the amount of $7M from the State of California through the California Competes program.

In 2016, Centene acquired Health Net, which currently employees approximately 3,000 people in the Sacramento region. In addition to wanting to attract Centene to Sacramento, it is critical for the region to retain the existing 3,000 jobs.

Sacramento has historically had an imbalance of public and private sector jobs. To begin to correct that imbalance, on October 2, 2017, City Council approved a Job Growth and Employment Incentive Strategy providing a framework to guide the City’s approach in pursuing major employment opportunities. Centene is the perfect candidate for an incentive through the new policy. Centene creates high-quality, full-time jobs by paying competitive wages and offering comprehensive benefits packages.

The proposed agreement is structured so that Centene can earn up to $9,000 per net new employee if they meet specific salary requirements and employment growth milestones. The maximum amount of the incentives that Centene can earn under the agreement is $13.5 million. The term of the agreement is 15 years from the first year after Centene assigns an eligible full-time employee to work in Sacramento (but no later than January 1, 2022). Centene is eligible to receive incentives beginning in year two through year thirteen. Centene must retain the positions for which they have received an incentive for two years. If the positions are not retained for two years following receipt of an incentive payment, the City can offset or recapture the incentive.
The following information is provided pursuant to Government Code section 53083:

1. Name and address of all corporations that are beneficiaries of the economic development subsidy: Centene Corporation, 7700 Forsyth Boulevard, St. Louis, MO 63105

2. Start and end dates and schedule for the economic development subsidy: The term of the agreement is 15 years from the first year after Centene assigns an eligible full-time employee to work in Sacramento (but no later than January 1, 2022). Centene is eligible to receive incentives beginning in year two through year thirteen.

3. Description of the economic development subsidy, including estimated total amount of the expenditure of public funds: The City will provide an incentive in the amount of $9,000 per net new employee to the region for up to 1,500 employees. The incentive is capped at $13.5 million.

4. Statement of public purpose for the economic development subsidy: The incentive is critical to expand and diversify the city’s employment base and to enhance economic development opportunities in the City. In addition to creating significant tax revenues through Sales, Property, Utility User and Business Operations taxes that will support the city’s essential functions, Centene will create up to 1,500 net new jobs including jobs for the city’s priority residents including veteran’s, former foster youth, convicted felons and individuals that receive public assistance.

5. Projected tax revenue to the local agency as a result of economic development subsidy: The city projects estimated annual tax revenues from combined Utility User Tax, Property Tax, Sales Tax and Business Operations Tax from Centene’s presence in Sacramento to range from $516,000 to $1.63 million.

6. Estimated number of jobs created by the economic development subsidy: The City anticipates that Centene will place approximately 5,000 employees in Sacramento, the city will incentivize up to 1,500 net new jobs.

Policy Considerations: City Council has identified economic development and job growth as a priority and goal for the City through multiple actions. The proposed Employment Incentive Agreement is consistent with the 2013 Economic Development Strategy goal to invest in building Sacramento and the objective to “encourage strategic investments and initiatives that lead to the economic development, job growth and enhance the quality of life in Sacramento” and the city’s recently adopted Job Growth and Employment Incentive Strategy. The strategy underscores the City’s commitment to corporate recruitment efforts that bring large numbers of
high-wage jobs to the City, diversify the City’s economic base, provide employment opportunities to underserved populations, and provide broad public benefits that enhance the quality of life within the City.

**Economic Impacts:** The economic impact of 5,000 jobs is estimated to be the creation of an additional 11,326 indirect and induced jobs and annual labor income in excess of $1.1 billion.

When the 1,500 net new jobs are added to Sacramento, the total impact on employment is estimated to be an additional 3,397 indirect and induced jobs. Income associated with the new jobs produces a cash infusion throughout the entire region. The benefit of adding 1,500 new jobs is estimated at nearly $350 million in new labor income annually to our region.

These figures were calculated using IMPLAN, a leading national provider of economic impact data.

**Environmental Considerations:** Entering into this employment incentive agreement is not a project as defined by Section 15378(b) of the California Environmental Quality Act (CEQA) guidelines (Cal. Code Regs., tit. 14, § 15000 et seq.) because the employment incentive agreement creates the framework for a government funding mechanism that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, therefore, this action is exempt from CEQA review. Any projects in the future will be reviewed as required by CEQA.

**Sustainability:** None.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** The Employment Incentive Agreement with Centene Corporation meets the three objectives of the Job Growth and Employment Incentive Strategy.

1) Creation of High Wage Jobs: The average of the annualized wages paid to the incentivized positions must be at least 125% of County average. Given today’s average of $51,263, it means the average salary of the incentivized positions must be at least $64,079. Furthermore, a minimum of 50% of the jobs must exceed 120% of the county average ($61,516).

2) Stimulate Sustainable and Desirable Job Growth and Economic Development: Centene could bring 5,000 jobs to Sacramento, 2,000 of which would be new to the region. Most positions will be in the fields of health care, information technology, accounting and administration. Centene is considering locating their employees in the North Natomas
area which is critical to achieve the jobs-housing balance that was envisioned as part of the North Natomas Community Plan.

3) Increase Revenue and other Public Benefit to the City: The presence of Centene in Sacramento will generate significant tax revenues through Sales, Property, Utility User and Business Operations taxes. In addition to the financial benefits to the City, the Employment Incentive Agreement has a provision to incentivize the hiring of the city’s priority residents including veteran’s, former foster youth, convicted felons and individuals that receive public assistance.

Financial Considerations: The Employment Incentive Agreement allows Centene to claim an incentive of $9,000 per net new employee added to Sacramento, for up to a maximum of 1,500 employees. The incentive is structured so that the City incentivizes approximately one third of the total jobs created and retained in the City. Centene must retain the positions for two years following receipt of an incentive payment otherwise the City can offset or recapture the funds from Centene. The $13.5 million incentive will be funded by the Innovation and Growth Fund (Fund 2031) that was established in 2015 to support economic development activities. Staff recommends that an incentive project (I02180100) with an initial budget of $5.4 million be established, which is the maximum amount of the first incentive payment. Future allocations will be approved through annual budget appropriations to the project. It is envisioned that a portion of net new tax revenues generated from the presence of Centene in Sacramento will be directed to the fund for future economic development initiatives.

Local Business Enterprise (LBE): Not applicable.
RESOLUTION NO. 2017-

Adopted by the Sacramento City Council

November 28, 2017

Employment Incentive Agreement with Centene Corporation and
Establish Project Budget

BACKGROUND

A. Centene Corporation is considering locating up to approximately 5,000 employees to a regional employment center. Most of the positions will be in the health care, information technology, accounting, and administration fields.

B. The City desires to incentivize high-growth industries to establish and grow major employment centers in areas of the City most appropriate for job creation and to create and retain jobs in the City.

C. This agreement is consistent with the City’s Economic Development Strategy goals of Investing in Local Business and Investing in the region’s Industries and the City’s Job Growth and Employment Incentive Strategy.

D. The City finds the public purpose of this economic development incentive is to promote the general welfare of the City and its residents by creating new full-time jobs, expanding the range of employment opportunities and generating other City revenues, thereby enriching quality of life.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The City Manager or the City Manager’s designee is authorized to execute the Employment Incentive Agreement with Centene Corporation, which is attached as Exhibit A and is part of this resolution.

Section 2. Establish Centene Employment Incentive Project multiyear operating project (I02180100) and expenditure budget in the amount of $5.4 million.

Section 3. Establish a $5.4 million expenditure budget in I02180100 with a transfer from available fund balance in the Innovation and Growth Fund (Fund 2031).
Table of Contents:
  Exhibit A – Employment Incentive Agreement

Adopted by the City of Sacramento City Council on November 28, 2017, by the following vote:

Ayes:
Noes:
Abstain:
Absent:
Attest:
This EMPLOYMENT INCENTIVE AGREEMENT, dated November 28, 2017, for purposes of identification, is between the CITY OF SACRAMENTO, a California municipal corporation (the “City”), and CENTENE CORPORATION, a Delaware corporation.

Background

Centene provides access to affordable healthcare plans to more than 12 million members across the country, and it delivers health insurance solutions for the underinsured and uninsured through Medicaid, Medicare, the Health Insurance Marketplace, and other health solutions through its specialty services companies. Centene creates high-quality, full-time jobs by paying competitive wages and offering comprehensive benefits packages.

Centene is considering locating up to approximately 5,000 employees to a regional employment center. Most of the positions will be in the health care, information technology, accounting, and administration fields.

The City wishes to provide Centene with incentives to establish and expand the employment center in the City because Centene would diversify the City’s economy, create jobs for residents, and stimulate additional tax revenues to the City. The City desires to incentivize high-growth industries to establish and grow major employment centers in areas of the City most appropriate for job creation and to create and retain jobs in the City.

This agreement is consistent with the City’s Economic Development Strategy goals of Investing in Local Business and Investing in the region’s Industries. The City finds the public purpose of this economic development incentive is to promote the general welfare of the City and its residents by creating new full-time jobs, expanding the range of employment opportunities and generating other City revenues, thereby enriching quality of life.

Recognizing that the City is subject to the limitations on incurring indebtedness and liabilities provided for in Section 18 of article XVI of the California Constitution, the parties understand that the City is not presently obligating itself to pay the full amount of the Employment Incentives that can potentially be earned by Centene under this agreement; as such, the City’s obligation to pay an Employment Incentive beyond the City’s current fiscal year will arise only after Centene achieves employment thresholds and generates commensurate public benefits including incremental revenues.

With these background facts in mind, the City and Centene agree as follows:

1. **Term.** This agreement takes effect as described in Section 22 and terminates three years after the end of Agreement Year 12.

2. **Definitions.** The following definitions apply in this agreement:

   “Agreement Year” means each of the twelve consecutive calendar years beginning (i) the calendar year following the date upon which an employee of Centene is first Assigned to the Employment Center, or (ii) January 1, 2022, whichever occurs first.
“Annual Wage Standard” means, for each Agreement Year, an amount equal to the annual wages per employee for Sacramento County as shown on the most recent release as of January 1 of that Agreement Year in the table of annual averages released by the U.S. Bureau of Labor Statistics’ Quarterly Census of Employment and Wages, Annual Averages, Private, 10 Total, all industries, All Counties in California, All establishment sizes (https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm?type=2&st=06&year=2016&qtr=A&own=5&ind=10&supp=0).

“Annual Employment Measurement” means the number of Eligible Full-Time Employees, determined on an Annual Full-Time Equivalent basis, that Centene Assigns to the Employment Center measured each year beginning in Agreement Year 1 and continuing until the second year after Agreement Year 12. The Annual Employment Measurement must be a whole number, therefore, if the number of Eligible Full-Time Employees determined on an Annual Full-Time Equivalent basis is not a whole number, then the measurement will be rounded down to the nearest whole number.

“Annual Full-Time Equivalent” means either of the following: (i) In the case of a Full-Time Employee or combination of Full-Time Employees paid hourly Wages, "Annual Full-Time Equivalent" means the total number of hours Worked by the employee or employees for Centene during a calendar year, not to exceed 1,750 hours per employee, divided by 1,750, or (ii) In the case of a salaried Full-Time Employee or combination of Full-Time Employees, "Annual Full-Time Equivalent" means the total number of weeks Worked by the employee or employees for Centene during a calendar year, not to exceed 50 weeks per employee, divided by 50.

“Assign to the Employment Center” means to require an employee to report for work, receive official business correspondence, and spend the majority of the employee’s office hours (excluding time spent in the field, at training, or on out-of-area business travel) at the Employment Center.

“Centene” means Centene Corporation and its affiliates and subsidiaries listed in Exhibit 1, which may be amended from time to time pursuant to Section 12.

“Eligible Full-Time Employee” means a Full-Time Employee who is hired by Centene after the effective date of this agreement. An Eligible Full-Time Employee does not include any of the following: (i) an individual who becomes an employee of Centene due to Centene’s acquisition of, or merger with, another business located within the geographic boundaries of any county in the Six County Region, (ii) an individual who becomes an employee of Centene due to a transfer of employees from a person or entity that is treated as related to Centene under 26 U.S.C. sections 267, 318, or 707 or from any member of a “controlled group of corporations” (as defined in California Revenue and Taxation Code section 23626) in which Centene is a member, unless the transfer is of an employee employed outside of the Six County Region by a related person or entity and the employee is transferred so that the employee is Located at the Employment Center, or (iii) an individual who becomes an employee of Centene due to employment of any employees that were previously employed by a person or entity that is treated as related to Centene under 26 U.S.C. sections 267, 318, or 707 or by any member of a “controlled group of corporations” (as defined in California Revenue and Taxation Code section 23626) in which Centene is a member, unless the employment is of an employee that was employed outside of the Six County Region by a related person or entity

“Employment Baseline” means (i) for Agreement Year 1, the Employment Baseline is deemed to be zero, and (ii) after Agreement Year 1, the total number of Eligible Full-Time Employees, determined on an Annual Full-Time Equivalent basis, for which Centene has previously received an Employment Incentive, except that if the City has offset or recaptured Employment Incentives under Section 7, then
the Employment Baseline will be decreased by the number of Net New Employees for which the City offset or recaptured Employment Incentives.

“Employment Center” means the physical location or locations within the Natomas Employment Area where Centene conducts or will conduct business as contemplated by this agreement; provided, however, that the 42,364 square feet of office space that Centene currently leases at 1740 and 1760 Creekside Oaks Drive, Sacramento, CA 95833 is deemed to be part of the Employment Center.

“Employment Incentive” means a business attraction incentive payment of $9,000 per Net New Employee claimed by Centene made in exchange for establishing and retaining Net New Employees at the Employment Center.

“Fiscal Year” means July 1 of one year through June 30 of the next year.

“Full-Time Employee” means a common law employee of Centene that is paid Wages for services in California of not less than an average of 35 hours per week.

“Full-Time Equivalent Employee Milestone” means a designated number of Full-Time Employees, determined on an Annual Full-Time Equivalent basis, that Centene Assigns to the Employment Center.

“Net New Employee” means an Eligible Full-Time Employee, determined on an Annual Full-Time Equivalent basis, that represents a net increase in the number of Eligible Full-Time Employees, determined on an Annual Full-Time Equivalent basis, that Centene Assigns to the Employment Center. To determine the number of Net New Employees for a given Agreement Year, subtract the Employment Baseline from the sum of the cumulative number of Net New Employees for which an Employment Incentive was paid to, and retained by, Centene and the number of Eligible Full-Time Employees for which Centene is claiming an Employment Incentive for the most recent Agreement Year.

“Natomas Employment Area” means the area within the city limits of the City of Sacramento depicted in Exhibit 2.

“Priority Employee” means a Full-Time Employee, determined on an Annual Full-Time basis, of Centene who at the date of hire (i) resides within the city limits of the City of Sacramento and (ii) meets at least one of the following criteria: received the federal earned income credit in the previous taxable year; eligible for general assistance through the County of Sacramento’s General Assistance Program; eligible for benefits through CalWORKS or CalFresh; former foster youth; eligible for a veteran preference under City charter section 85; or ex-offender convicted of a felony.

“Six County Region” means the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.

"Wage” or “Wages” means the amount of monetary compensation Centene pays a full-time employee (whether paid by the hour or a salary) per year and does not include tips, overtime, bonuses, commissions, stock options, benefits, or other compensation of any kind.

“Worked” means the number of hours or weeks for which an employee receives paid Wages including all paid leave.

3. Location of Employment Center. Centene shall notify the City of the initial location or locations of the Employment Center, including assessor parcel numbers for all parcels that will constitute the Employment Center, at least 180 days before the beginning of the Agreement Year 1. Centene may
amend the location or locations of the Employment Center, but only if the entire Employment Center remains within the Natomas Employment Area; if Centene amends the location or locations of the Employment Center, Centene shall notify the City of the additional parcels to be included at least 180 days before the beginning of the Agreement Year in which Net New Employees will be claimed on such additional parcels.

4. Employment Incentive. The City shall pay Centene Employment Incentives as provided in Section 5 for each Net New Employee that Centene claims for an Agreement Year, according to the procedure in Section 6, subject to the following conditions:

(a) Centene shall notify the City of the date that Centene first Assigns the first employee to the Employment Center no more than 30 days after the first employee reports to work at the Employment Center.

(b) No Employment Incentive will be paid for an Agreement Year unless at least 50% of the cumulative number of Net New Employees, determined on an Annual Full-Time Equivalent basis, for which Centene is claiming and has claimed an Employment Incentive are paid, on an Annual Full-time Equivalent basis, Wages during the Agreement Year that are equal to or greater than 120% of the Annual Wage Standard. Centene may exclude from the calculation under this subsection (b) Net New Employees who are Priority Employees to the extent they, determined on an Annual Full-Time Equivalent basis, do not exceed 10% of the Net New Employees, determined on an Annual Full-Time Equivalent basis, for which Centene is claiming and has claimed an Employment Incentive. If Centene claims an Employment Incentive for Net New Employees, determined on an Annual Full-Time Equivalent basis, who are Priority Employees in excess of 10% of the Net New Employees for which Centene is claiming and has claimed an Employment Incentive, those Priority Employees in excess of the 10% threshold will be included in the calculation under this subsection (b).

(c) No Employment Incentive will be paid for an Agreement Year unless the average of the Wages paid, on an Annual Full-time Equivalent basis, during the Agreement Year to the cumulative Net New Employees, determined on an Annual Full-Time Equivalent basis, for which Centene is claiming and has claimed an Employment Incentive is equal to or greater than 125% of the Annual Wage Standard that applies to the Agreement Year for which Centene claims the Employment Incentive. Centene may exclude the Wages paid during an Agreement Year to Net New Employees, determined on an Annual Full-Time Equivalent basis, who are Priority Employees from the calculation under this subsection (c) if those Net New Employees do not exceed 10% of the Net New Employees, determined on an Annual Full-Time Equivalent basis, for which Centene is claiming and has claimed an Employment Incentive. To the extent that the cumulative Net New Employees, determined on an Annual Full-Time Equivalent basis, who are Priority Employees exceed 10% of the cumulative Net New Employees, determined on an Annual Full-Time Equivalent basis, for which Centene is claiming and has claimed an Employment Incentive, the Wages paid during an Agreement Year to the Net New Employees, determined on an Annual Full-Time Equivalent basis, who are Priority Employees and are in excess of the 10% threshold for Priority Employees will be included in the calculation under this subsection (c).

(d) In the event the Wages of Net New Employees for which Centene previously received an Employment Incentive do not keep pace with an increase to the Annual Wage Standard, resulting in average Wages that do not meet the standards set forth in subsections (b) and (c)
above, Centene shall not be paid additional Employment Incentives until the average Wages again meet the standards set forth in subsections (b) and (c); provided, however, that failure to meet the standards set forth in subsections (b) and (c) is not a basis for the City to recapture Employment Incentives under Section 7, nor shall it be a basis for the City to terminate the Agreement pursuant to subsection (f), if the failure to meet the standards set forth in subsections (b) and (c) is solely due to the Wages of Net New Employees for which Centene previously received an Employment Incentive not keeping pace with an increase in the Annual Wage Standard.

(e) Each April 1 beginning in Agreement Year 2, and continuing until April 1 of the second year after Agreement Year 12, Centene shall submit to the City completed employment surveys, in the format of Exhibit 3, certifying the number of Eligible Full-Time Employees, on an Annual Full-Time Equivalent basis, that Centene Assigns or has Assigned to the Employment Center during the calendar year immediately preceding the year in which Centene submits the employment survey and for which Centene seeks an Employment Incentive.

(f) If Centene does not satisfy any condition in this Section 4, then it is in default under this agreement. The City may, in its sole discretion, immediately terminate this agreement if Centene fails to cure the default within 365 days after receiving notice of default from the City.

5. **Employment Incentive Milestones.** Employment Incentives will be available subject to following conditions:

(a) The total amount of Employment Incentives paid under this agreement will not exceed $13,500,000.

(b) There will be five tranches of 300 Net New Employees, on an Annual Full-Time Equivalent basis, for which Centene may claim Employment Incentives. Each tranche has a Full-Time Employee Equivalent Milestone that Centene must achieve and maintain to claim Employment Incentives for any of the 300 Net New Employees in that tranche. The five tranches of 300 Net New Employees and corresponding Full-Time Equivalent Employee Milestones are as follows:

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Net New Employees</th>
<th>Full-Time Equivalent Employee Milestone</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>300</td>
<td>1 – 1,000</td>
</tr>
<tr>
<td>2</td>
<td>300</td>
<td>1,001 – 2,000</td>
</tr>
<tr>
<td>3</td>
<td>300</td>
<td>2,001 – 3,000</td>
</tr>
<tr>
<td>4</td>
<td>300</td>
<td>3,001 – 4,000</td>
</tr>
<tr>
<td>5</td>
<td>300</td>
<td>4,001 – 5,000</td>
</tr>
<tr>
<td><strong>Totals:</strong></td>
<td><strong>1,500</strong></td>
<td><strong>5,000</strong></td>
</tr>
</tbody>
</table>

(c) For Agreement Year 1, Centene may claim a maximum of 600 Net New Employees.

(d) For Agreement Years 2 – 12, Centene may claim a maximum of 300 Net New Employees for an Agreement Year; this maximum of 300 Net New Employees does not include any of the 600 Net New Employees that Centene could have, but did not, claim for Agreement Year 1. The cumulative maximum number of Net New Employees that may be claimed under this subsection (d) is summarized in the table below:
<table>
<thead>
<tr>
<th>Agreement Year</th>
<th>Cumulative Maximum Number of Net New Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>600</td>
</tr>
<tr>
<td>2</td>
<td>900</td>
</tr>
<tr>
<td>3</td>
<td>1,200</td>
</tr>
<tr>
<td>4</td>
<td>1,500</td>
</tr>
</tbody>
</table>

(e) Centene is not required to claim all Net New Employees in the same year in which the increase in the number of Eligible Full-Time Employees occurs, and Centene may claim a Net New Employee as follows: (i) in the Agreement Year in which the increase in Eligible Full-time Employees, determined on an Annual Full-Time Equivalent basis, occurs, or (ii) in any Agreement Year after the increase in Eligible Full-time Employees occurs if the number of Eligible Full-time Employees, determined on an Annual Full-Time Equivalent basis, and the Full-Time Equivalent Employee Milestone required for that tranche of Net New Employees are maintained during the Agreement Year for which Centene claims the Employment Incentive for the Net New Employees.

6. **Procedure for Employment Incentive Payments.** Beginning in Agreement Year 2 and continuing until the first calendar year after Agreement Year 12, the City shall make Employment Incentive payments to Centene according to the following procedure:

(a) Centene shall submit to the City the completed employment survey required by Section 4(e).

(b) In each employment survey Centene will provide (i) the number of Net New Employees for which Centene is claiming an Employment Incentive, and (ii) the cumulative number of Eligible Full-Time Employees, on an Annual Full-Time Equivalent basis during the prior Agreement Year, and (iii) the cumulative total full-time employment, on an Annual Full-time Equivalent basis, at the Employment Center during the prior Agreement Year.

(c) The City shall make the annual Employment Incentive payment no later than June 30 following Centene’s submission of an employment survey claiming an Employment Incentive.

7. **Offset and Recapture of Employment Incentive Payment.**

(a) If the number of Eligible Full-Time Employees Centene reports on an annual employment survey is less than the Employment Baseline in any of the two calendar years after an Agreement Year in which Centene received an Employment Incentive, then the City may, in its sole discretion, either: (i) Apply the amount of the Employment Incentive payment that the City paid for each Net New Employee that is less than the Employment Baseline as an offset against future Employment Incentive payments, or (ii) require Centene to reimburse the City up to 100% of the amount of the Employment Incentive payment that the City paid for each Net New Employee that makes up the difference between the total number of Net New Employees for which Centene received and retained an Employment Incentive and the Employment Baseline. If Centene is required to reimburse the City for part or all of an Employment Incentive payment as provided in this Section 7, Centene shall make the payment no more than 30 days after the City demands payment.
(b) In the event that an Employment Incentive for a Net New Employee is offset or recaptured, the Employment Baseline shall be reduced by an equivalent number of Eligible Full-Time Employees, on an Annual Full-Time Equivalent basis.

8. Inspection and Audit. During the term of this agreement, Centene shall maintain all payroll and employment records related to each Net New Employee for which Centene receives an Employment Incentive under this agreement, including evidence to the City’s reasonable satisfaction that substantiates that each Net New Employee who Centene claims is a Priority Employee meets the definition of a Priority Employee. Once per calendar year, the City, through its accountants, auditors, attorneys, and consultants, may, upon giving 15-business days notice to Centene, inspect (which includes making and retaining copies) and audit the records in support of Exhibit 3 at the Employment Center to ensure Centene’s compliance with the terms of this agreement except that all “personally identifiable information,” as defined by the California Online Privacy Protection Act (“CalOPPA”) (Cal. Bus. & Prof. Code §22577, subd. (a)), must be redacted prior to making or retaining copies. Centene shall reimburse the City for reasonable third-party audit expenses incurred by the City no more than 30 days after the City provides Centene with an invoice for the audit services.

9. Indemnity. Centene shall indemnify, defend (if so requested by the City, and with counsel reasonably acceptable to both Centene and the City), and hold the City, its officers, employees, agents, and assigns (severally and collectively, any “Indemnitee”), harmless from any loss, expense or other cost (including, without limitation, attorneys’ fees) related to any claim, action, lawsuit or other proceeding, whether administrative, at law or in equity, brought or maintained by or on behalf of any person or entity (other than Centene or any Indemnitee) against any Indemnitee as a result of any conduct of Centene in performing any obligation arising under this agreement, except to the extent that any such claim, action, lawsuit, or other proceeding was caused by an Indemnitee’s sole negligence or willful misconduct. Without limitation on the foregoing provisions, and notwithstanding any other provision of this agreement, if any court or administrative body of competent jurisdiction orders the return to the City of any Employment Incentive payment, Centene shall hold any Indemnitee harmless from any claims that Centene may have for reimbursement or contribution with respect to any such funds.

Centene shall indemnify, defend (with counsel reasonably acceptable to both Centene and the City) and hold the City and its elected and appointed officers, officials, employees, agents, consultants, and contractors (collectively, the “Indemnities”) harmless from and against all liability, loss, cost, expense (including without limitation attorneys’ fees and costs of litigation), claim, demand, action, suit, judicial or administrative proceeding, penalty, deficiency, fine, order, and damage which directly or indirectly, in whole or in part, are caused by, arise in connection with, result from, relate to, or are alleged to be caused by, arise in connection with, or relate to, the payment or requirement of payment of prevailing wages (including all claims that may be made by contractors, subcontractors, or third party claimants pursuant to Labor Code sections 1726 and 1781), the failure to comply with any state or federal labor laws, regulations or standards in connection with this agreement, including California Labor Code Section 1720 et seq. and related regulations, or any act or omission of Centene related to this agreement with respect to the payment or requirement of payment of prevailing wages.

The provisions of this Section 9 shall survive the termination of this agreement.

10. Contingent Obligation. This agreement does not create an immediate indebtedness of the City of the Employment Incentive payments that may be made under this agreement; instead, the City’s
obligation to make an Employment Incentive payment is contingent on Centene providing consideration by hiring and retaining Eligible Full-Time Employees and arises only after Centene provides such consideration.

11. **CEQA Compliance.** This agreement contains the framework for a government funding mechanism to provide Centene with financial incentives for new jobs that it creates within the city. The parties acknowledge that City is not committing itself to any specific project by entering into this agreement. Centene shall determine the location of the Employment Center. The execution of this agreement and this agreement imposes no obligation on the City to approve any Employment Center project. If preparation of the Employment Center for occupancy requires development that meets the definition of a project for purpose of the California Environmental Quality Act (“CEQA”), then no such project shall be deemed to be approved until after (i) the project is reviewed in accordance with the requirements of CEQA, (ii) any additional conditions or changes to the project based on the CEQA review have been resolved in a manner acceptable to the City, and (iii) all required permits for the project have been obtained by a qualified applicant in accordance with applicable laws and regulations. As required by law, the City retains the sole and independent discretion as the lead agency to decide whether to approve a project and, among other things, balance the benefits of the project against any significant environmental impacts prior to taking final action if such significant impacts cannot otherwise be avoided, and determine not to proceed with approval of the project.

12. **Affiliates and Subsidiaries.** Annually during the term of this agreement, if there is a change in the affiliates or subsidiaries listed in Exhibit 1, then Centene shall update Exhibit 1 no later than December 31, and upon the City’s request, Centene shall provide the City with documentation that each entity with Eligible Full-Time Employees that Centene claims as Net New Employees meets the definition of an affiliate or subsidiary.

13. **Notices.** Any notice, request, or other communication under this agreement must be in writing and is considered properly given and effective only when mailed or delivered in the manner provided by this Section 13 to the persons identified below. A notice or other communication that is mailed is effective or considered to have been given on the third day after it is deposited in the U.S. Mail (certified mail and return receipt requested), addressed as set forth below, with postage prepaid. A notice or other communication sent in any other manner will be effective or will be considered properly given when actually delivered. A party may change its address for these purposes by giving written notice of the change to the other party in the manner provided in this Section 13.

From the City:

**If to the City:**

City of Sacramento  
915 I Street, 5th Floor  
Sacramento, California 95814  
Attention: Howard Chan  
City Manager

To the City:

**If to Centene:**

Centene Corporation  
7700 Forsyth Blvd.  
Clayton, Missouri 63105  
Attention: Tricia Dinkelman  
Vice President, Tax

Page 8 of 14
14. **Assignments.** A party may not assign or otherwise transfer this agreement or any interest in it without the other party’s prior written consent, which the other party may withhold in its sole discretion. An assignment or other transfer made contrary to this Section 14 is void.

15. **Binding effect.** This agreement binds and inures to the benefit of the parties’ successors and assigns.

16. **Time of Essence.** Time is of the essence in performing this agreement.

17. **Severability.** If a court with jurisdiction rules that any nonmaterial part of this agreement is invalid, unenforceable, or contrary to law or public policy, then the rest of this agreement remains valid and fully enforceable.

18. **Waiver.** A party’s failure to insist on strict performance of this agreement or to exercise any right or remedy upon breach of this agreement will not constitute a waiver of the performance, right, or remedy. A party’s waiver of another party’s breach of any provision in this agreement is not a continuing waiver or a waiver of any later breach of the same or any other provision. A waiver is binding only if set forth in a writing signed by the waiving party.

19. **Interpretation.** This agreement is to be interpreted and applied in accordance with California law, except that the rule of interpretation in California Civil Code section 1654 will not apply.

20. **Attorneys’ fees.** The parties must bear their own costs and attorneys’ fees incurred in connection with this agreement.

21. **No Third-Party Beneficiaries.** This agreement is solely for the benefit of the City and Centene. It is not intended to directly benefit any third parties.

22. **Effective date.** This agreement is effective on the date both parties have signed it, as indicated by the dates in the signature blocks below.

23. **Counterparts.** The parties may sign this agreement in counterparts, each of which is considered an original, but all of which constitute the same agreement. Facsimiles, pdfs, and photocopies of signature pages of the agreement have the same binding effect as originals.

24. **Integration and modification.** This agreement, along with Exhibit 1, set forth the parties’ entire understanding regarding the matters set forth above and is intended to be their final, complete, and exclusive expression of those matters. It supersedes all prior or contemporaneous agreements, representations, and negotiations—written, oral, express, or implied—and may be modified only by another written agreement signed by both parties.

*(Signature Page Follows)*
City of Sacramento

By: __________________________
Howard Chan
City Manager
Date: ____________, 2017

Approved as to Form
Sacramento City Attorney

By: __________________________
Michael Sparks
Senior Deputy City Attorney

Attest:

By: __________________________
Assistant City Clerk

Centene Corporation

By: __________________________
Tricia Dinkelman
Vice President, Tax
Date: 11/17, 2017
EXHIBIT 1
(Centene Corporation & Subsidiaries Organizational Chart)
Not for Profit Companies

1. The Centene Foundation for Quality Health Care (MO) – sole member – Centene Corporation (FEIN #20-1516497)
2. The Centene Charitable Foundation (MO) – sole member – Centene Corporation (FEIN #20-1298192)
3. Cenpatico Foundation (TX) (FEIN #27-1252360)

Medicaid Regional Care Organizations (MCOs):

1. Alabama Healthcare Advantage, Inc. (AL) (FEIN #46-1633357)
2. Alabama Healthcare Advantage North (AL) (FEIN #47-1958096)
3. Alabama Healthcare Advantage South (AL) (FEIN #47-1958061)
4. Alabama Healthcare Advantage East (AL) (FEIN #47-1959219)
5. Alabama Healthcare Advantage West (AL) (FEIN #47-1958437)
Exhibit 3
Annual Employment Survey

Calendar Year: 
Agreement Year: 
Annual Wage Standard this Agreement Year: 

1.) Enter the number of hourly Eligible Full-Time Employees Assigned to the Employment Center that were paid for 1,750 hours or more during this Agreement Year.

2.) Enter the number of salaried Eligible Full-Time Employees Assigned to the Employment Center that were paid for 50 weeks or more during this Agreement Year.

3.) Enter the number of hourly Eligible Full-Time Employees Assigned to the Employment Center that were paid for less than 1,750 hours during this Agreement Year.

4.) Enter the total number of paid hours Worked during this Agreement Year by the Eligible Full-Time Employees in the answer to question 3.

5.) Enter the quotient that results when the answer to question 4 is divided by 1,750.

6.) Enter the number of salaried Eligible Full-Time Employees Assigned to the Employment Center were paid for less than 50 weeks during this Agreement Year.

7.) Enter the total number of paid weeks Worked during this Agreement Year by the Eligible Full-Time Employees in the answer to question 6.

8.) Enter the quotient that results when the answer to question 7 is divided by 50.

9.) Enter the number of cumulative Net New Employees for which Centene has claimed Employment Incentives under this agreement (Add lines 10 and 13).

10.) Enter the Employment Baseline for this Agreement Year. (Enter line 26 from Annual Employment Survey from the immediately preceding Agreement Year, except in Agreement Year 1, enter "0")

11.) Enter the annual change (negative if decrease) in the number of Eligible Full-Time Employees, determined on an Annual Full-Time Equivalent basis, Assigned to the Employment Center during this Agreement Year (sum of the answers to Lines 1, 2, 5, and 8). This is the Annual Employment Measurement. If the number is not a whole number, then round down to the nearest whole number.

12.) Enter the total number of the Full-Time Employees, determined on an Annual Full-Time Equivalent basis, Assigned to the Employment Center during this Agreement Year.

13.) Enter the lesser of lines 11 and 12. If less than zero, enter "o". This is the number of Net New Employees for which Centene is claiming Employment Incentives for this Agreement Year.

14.) Enter the number of Net New Employees for which Centene will claim Employment Incentives this Agreement Year.* (May not exceed the lesser of Line 11 or the cumulative number of Net New Employees allowed for this and prior Agreement Years for which Centene has not received and retained an Employment Incentive.)

15.) Enter the number of cumulative Net New Employees for which Centene has claimed Economic Incentives under this agreement (Add lines 10 and 13).

16.) Enter the number of Net New Employees, on an Annual Full-Time Equivalent basis, who are Priority Employees for which Centene is claiming an Employment Incentive this Agreement Year.**
Enter the average wage, determined on an Annual Full-Time Equivalent basis, for the Net New Employees in Line 15, excluding the wages of Net New Employees who are Priority Employees on Line 20 (in dollars).

Enter the number equal to 10 percent of Net New Employees for which Centene has claimed and is claiming the Employment Incentive (Line 15 multiplied by 10%). This is the maximum number of cumulative Priority Employees Centene may claim through this Agreement Year.

Enter the cumulative number of Net New Employees who are Priority Employees from prior agreement years, on an Annual Full-Time Equivalent basis. (Enter Line 20 from Exhibit 3 Annual Employment Survey of Agreement Year immediately prior to this Agreement Year.)

Enter the number of Priority Employees for this Agreement Year, on an Annual Full-time Equivalent basis. (Enter the lesser of Line 16 and the difference that results from subtracting the answer to Line 18 from the answer to Line 17.)

Enter the total number of Net New Employees who are Priority Employees for this and all prior Agreement Years. (Enter the sum of Line 18 and Line 19.) This is the maximum number of Priority Employees that Centene may exclude from the calculations on Lines 21, 22, 23, and 24. Enter the answer to this Line on Line 18 of the survey for the next Agreement Year.

Enter the average wage, determined on an Annual Full-Time Equivalent basis, for the Net New Employees in Line 15, excluding the wages of Net New Employees who are Priority Employees on Line 20 (in dollars).

Enter the amount on line 21 as a percentage of the Annual Wage Standard (must equal or exceed 125%).

Enter the number of Net New Employees, in Line 15, determined on an Annual Full-Time Equivalent basis, excluding Net New Employees who are Priority Employees on Line 20, that were paid at least 120% of the Annual Wage Standard during this Agreement Year.

Enter the percentage of Net New Employees in Line 15, determined on an Annual Full-Time Equivalent basis, excluding Net New Employees who are Priority Employees from Line 20, that were paid at least 120% of the Annual Wage Standard this Agreement Year. (Line 23 divided by the difference of Line 15 less Line 20)

Enter the number of Net New Employees for which an Employment Incentive may be offset or recaptured (under Section 7 of the agreement) since the prior Annual Employment Survey, if any, through the end of this Agreement Year.

Enter the Baseline for the next Agreement Year. (Subtract Line 25 from Line 15. Enter result on Line 10 of the Annual Employment Survey of the Agreement Year following this Agreement Year).

Enter the Economic Incentives payment claim amount for the above-named Agreement Year. (Line 13 multiplied by $9,000)

Enter the cumulative amount of Employment Incentives that have been paid, but not offset or recaptured under Section 7 of the agreement.

*For all employees included as Net New Employees for #12, the business must be prepared to provide documentation of date of hire for Net New Employees included in the Employment Incentives. The business is not required to claim the Job Creation Incentive in the year of increase and may claim the Net New Employee(s) in a subsequent agreement year, provided the increase in employment is maintained at the time the incentive is claimed.

**Centene must retain and, if requested by the City, provide evidence that Priority Employees meet eligibility requirements, as provided in Section 8 of the agreement.

I, ________________________________, the authorized representative for Centene Corporation certify and declare to the City of Sacramento, under penalty of perjury, under the laws of the State of California, that the information reported in this document is complete and accurate.

______________________________  ______________________________
Signature:  Date