

ITEM # 12
DATE 01-08-2008

COUNCIL ACTION FORM

SUBJECT: APPROVAL OF CEBA FUNDING AGREEMENT WITH THE IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT AND PHASIENT LEARNING TECHNOLOGIES, LLC AND AUTHORIZATION OF CITY RLF LOAN AGREEMENT WITH PHASIENT

BACKGROUND:

Phasient Learning Technologies, LLC (Phasient) is an Ames based e-learning company engaged in web-based training solutions. Phasient's products and services include development of courseware, learning management systems, and course development tools. The company began operations in January 2002, and beginning in 2004, has seen steady increases in sales. Clients include several top Iowa companies including Pioneer, Principal Financial Group, Winnebago Industries, and GuideOne Insurance.

Phasient has received approval for financial assistance from the Iowa Department of Economic Development (IDED) for direct assistance in the amount of a \$100,000 (CEBA) loan (50% forgivable/50% no-interest loan). The IDED assistance is for a project to fund the expansion of Phasient's Learning Management Systems through development and direct sales of new e-learning technologies at the Ames location. The project involves acquisition of computer hardware/software, research and development, working capital, and job training. This project will increase full-time employment at the Ames, Iowa site by 24 employees. Phasient will be investing company funds totaling \$4,175,000 for the project. The local match for the project is a \$20,000 no-interest Revolving Loan Fund loan to be funded by the City.

The company received assistance for a previous project from both IDED and the City of Ames that is in the process of being closed out. The company repaid their loan with the City on time, but did not meet the employment target and owes a penalty of \$12,500. The company has asked to pay this penalty from the proceeds of the new Revolving Loan Fund loan.

ALTERNATIVES:

1. Approve a resolution approving the CEBA funding agreement between the City of Ames, Phasient Learning Technologies, LLC, and the IDED. Authorize the Mayor to enter into a Revolving Loan Fund agreement with Phasient Learning Technologies, LLC for a \$20,000 no-interest loan with \$12,500 of proceeds to be used for the employment penalty on a prior loan agreement.

2. Deny the application for assistance.

MANAGER'S RECOMMENDED ACTION:

The proposed project will provide expansion of quality jobs without additional public infrastructure.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving a resolution approving the CEBA funding agreement between the City of Ames, Phasient Learning Technologies, LLC, and the IDED and authorizing the Mayor to enter into a Revolving Loan Fund agreement with Phasient Learning Technologies, LLC for a \$20,000 no-interest loan with \$12,500 of proceeds to be used for the employment penalty on a prior loan agreement.