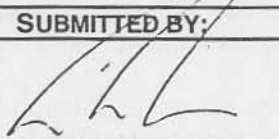


OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

ITEM _____

CITY COUNCIL COMMUNICATION 96-008
JANUARY 2, 1996 AGENDA

SUBJECT:	TYPE:	PREPARED BY:	SUBMITTED BY:
CEBA APPLICATION AND CITY LOAN TO OPIS CORPORATION	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT STRICKER ECONOMIC DEVELOPMENT	 ERIC A. ANDERSON CITY MANAGER

SYNOPSIS —

A Community Economic Betterment Account (CEBA) application to the State and documents for preliminary approval for a \$65,000 City loan to the OPIS Corporation has been prepared. OPIS Corporation, located at 1101 Walnut Street, develops and markets software which provides a complete management system for use in customer service assistance.

FISCAL IMPACT —

The project cost over the next two years is estimated at about \$2.6 million. The company has identified a need to finance up to \$580,000 to support its expansion. The proposed financing is: \$450,000 bank loan from Hawkeye Bank, \$65,000 CEBA-State of Iowa loan, and a \$65,000 City of Des Moines loan. The remaining \$2 million will be financed through the company's internal cash flow.

The City's contribution, in the form of a \$65,000 loan at a three percent interest rate, payable over five years, is to be funded from tax increment revenues from the Riverpoint Capitol-Center Urban Renewal Area. No City funds will be disbursed until all other financing sources have committed.

RECOMMENDATION —

Approve submission of a CEBA application to the State and provide preliminary approval of a local contribution from the City.

BACKGROUND —

OPIS Corporation was founded in 1989 by Doug Nicholas who is the company's CEO and principal stockholder. The company has become a recognized leader in the development of help desk, customer support, and problem management software.

OPIS Corporation has developed a leading PC-based help desk system: *SupportExpress*. *SupportExpress* features a unique tri-lobe, learning-based design that provides the foundation for identifying problems, establishing procedures and providing solutions. It provides instant access to on-line manuals, known manuals, error messages and other important reference materials. OPIS Corporation's proprietary SpeedSearch algorithm matches current problems with past solutions contained in the learning base, retrieving solutions from the learning base to solve simple or complex problems. *SupportExpress* streamlines time management with extensive, ready-to-run reports and an ad hoc report generator. OPIS Corporation also offers add-on modules to extend *SupportExpress* capabilities by interfacing with many third-party products to give the help desk worldwide support tools and capabilities. Current customers include: A.A.R.P., Caterpillar, CIGNA Systems, Pioneer, The Principal Group, Intel, Hughes Aircraft, Nabisco and various governmental agencies.

The company sells directly and through resellers located nationally and internationally. Sixty-five percent of the company's sales are outside of Iowa. Marketing leads are generated by direct mail, trade shows and magazine advertisements. Sales are conducted over the phone using demonstration software mailed to the potential client. The help desk market has grown from about \$125 million in 1994 to \$225 million in 1995. It is estimated to grow at an annual rate of 35 percent to 45 percent between 1996 to 2000 with potential market sales between \$850 million and \$1 billion.

The company is continuing to increase its sales of *SupportExpress* and develop more sophisticated versions of its present product that will operate in a client-server environment.

The company currently employs 19 full-time equivalent (FTE) employees with an annual payroll of \$520,000 (an average wage of \$13.16 per hour plus benefits). The company will create 26 new FTE jobs over the next three years, bringing its total employment in the City to 45 FTE. The new FTE positions to be created will pay an average wage of \$14 per hour plus benefits.

To accommodate this growth, the company is proposing to expand and remodel additional office space at its current location, purchase additional computer hardware and software, and obtain additional working capital for product development and growth. The company is also working with DMACC to obtain a training grant for new employees through the State's 260E Industrial New Jobs Training Program.