

OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

CITY COUNCIL COMMUNICATION 96-513
DECEMBER 2, 1996 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
EMCO INDUSTRIES, INC.	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT A. STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR

SYNOPSIS —

On the December 2, 1996, Council agenda is a roll call to approve the submission of a Community Economic Betterment Account (CEBA) application to the State of Iowa and to give preliminary approval for a local contribution from the City of Des Moines Action Loan Fund in the amount of \$200,000 to EMCO Industries, Inc.

EMCO Industries, Inc. is a wholly-owned subsidiary of EMCO Enterprises, Inc. and operates out of leased buildings at 220 New York, Des Moines. EMCO Industries, Inc. is a manufacturer of hardware in the fastener industry. Its principal product groups are automotive exhaust parts manufacturing and distribution, and industrial fasteners, primarily u-bolts with annual sales of about \$13.9 million. The company employs 94 people with an annual payroll of about \$2.6 million. Seventy of its employees are engaged in production and are members of the United Auto Workers Union. The production jobs average \$10.47 per hour plus medical and pension benefits.

EMCO Enterprises, Inc., has made the decision to sell this subsidiary and has been negotiating with a Ft. Wayne, Indiana company that would result in the break-up and relocation of this division outside the state. Mr. Donald Flynn, Controller, EMCO Industries, Inc., has negotiated an exclusive 30-day window to purchase EMCO Industries, Inc. for approximately \$7.9 million with the intent of keeping the company and its 94 jobs located in the City of Des Moines.

Mr. Flynn is endeavoring to arrange financing of the purchase as follows: commercial banks to provide asset-based loans in the approximate amount of \$5.0 million (two local banks have expressed interest and given Mr. Flynn letters of intent subject to final approval), private investors to provide debt/equity financing in the amount of \$2.3 million (Mr. Flynn has made several contacts and reportedly has at least one group very interested in the project), and public assistance totaling \$675,000. The public financing assistance package is comprised of the following entities and amounts: City of Des Moines Action Loan Fund (DMALF) loan in the amount of \$200,000 at three percent interest repaid over a term of up to 10 years; State of Iowa CEBA loan in the amount of \$200,000 at zero percent interest repaid over a term of up to 10 years; a Mid-Iowa Development Loan Fund, Inc. loan in the amount of \$200,000 at four percent interest repaid over a term of 10 years; and a loan from MidAmerican Energy Company in the amount of \$75,000 at six percent interest repaid over a term of five years.

FISCAL IMPACT —

No General Fund dollars will be used. The proposed \$200,000 City Loan is from the DMALF and is to be repaid over a term of 10 years at an interest rate of three percent.

RECOMMENDATION —

Approval of the roll call, contingent upon the company's receipt of all other private and public financing commitments at the approximate amounts identified in this communication. Upon receipt of all financing commitments, loan documents will be presented to City Council for final approval.