

**CITY COUNCIL COMMUNICATION 98-058
FEBRUARY 16, 1998 AGENDA**

SUBJECT:

**ENTERPRISE CORPORATION
INTERNATIONAL**

SUBMITTED BY:

**RICHARD CLARK
DEPUTY CITY MANAGER**

SYNOPSIS –

On the February 16, 1998, Council agenda is a roll call to approve amendments to the Community Economic Betterment Account (CEBA) and City of Des Moines Loan Agreements for Enterprise Corporation International, Inc. (ECI), and authorize the Mayor to issue a letter to the Iowa Department of Economic Development (IDED) supporting the CEBA amendment and consent to the use of state funds in assisting the company's state-wide employment growth. The amendments to the CEBA and City Loan Agreements extend the project completion date to September 1998. The extension has been requested by the company due to the difficulty it is experiencing in filling needed positions with qualified employees. The company's job goal is 50 new positions of which they have created 27. The company's inability to fill positions in Des Moines has resulted in its opening of a satellite office in Manning, IA, to be staffed by up to 33 employees within the next two years. The City of Manning is asking the City of Des Moines to consent to the use of state funds to assist in opening the satellite office. The company remains committed to creating 50 new positions within the City of Des Moines; however, the rate of this growth will be dependent upon the company's ability to attract and hire qualified employees. City staff person, Terrance N. Vorbrich, has been working with the company and state staff on this project.

FISCAL IMPACT –

The City loan was funded in April 1996 in the amount of \$100,000 out of the Des Moines Action Loan Fund (DMALF). It currently has an outstanding balance of \$90,000. The loan is being repaid at zero interest over ten years. No General Fund dollars were used.

RECOMMENDATION –

Approve the roll call which authorizes amendments to the CEBA and City Loan

Agreements for Enterprise Corporation International, and authorize the Mayor to issue a letter to the Iowa Department of Economic Development consenting to the use of state funds in assisting the company' s establishment of a satellite office in Manning, IA.

BACKGROUND –

In April 1996, ECI opened its corporate offices and a technical support call center in 8,400 square feet of leased space at 2600 Grand Avenue. The ECI call center provides technical support services to manufacturers, distributors, and end-users of computer hardware and compact disk equipment and software. The company originally provided technical call center services for manufacturers of compact disc hardware and have since expanded to provide technical call center services for recordable compact disc hardware and Tier II computer hardware manufacturers. ECI has also expanded other non-technical support services to provide compact disk and computer hardware manufacturers with return merchandise warranty authorization services and catalog fulfillment services on the world-wide internet.

The company has experienced difficulty in finding qualified individuals to fill its technical customer support and advanced technical support engineer positions. The company is an active participant in job fairs and recruiting activities sponsored by Des Moines Area Community College (DMACC), American Institute of Business (AIB), Drake University, Board of Regent Institutions, and Iowa Workforce Development. The company is also working to identify potential employees with local groups such as Urban Dreams and the Enterprise Community Employment Consortium. The company remains committed to continue its growth in the City of Des Moines and meet its original job goals with additional staffing growth in the areas of corporate administration, advance technical support engineers, and marketing staff. This growth, however, will be restrained by the number of qualified employees the company is able to recruit and hire in the City of Des Moines.

The project was originally approved by City Council in June 1995 and by the State of Iowa CEBA committee in July 1995. The project opened its Des Moines office in March 1996. The company has invested about \$1 million in leasehold improvements, equipment, furniture and fixtures, and working capital at the Des Moines location. The company projected the creation of 50 full-time equivalent jobs within two years. The company has grown to a Des Moines staff of 27 full-time employees with an average wage of \$12.43 per hour excluding benefits. The proposed amendments will allow the company additional time to meet its job goals. The company originally requested that their two-year term be amended to reflect a March 1996 start date rather than the July 1995 CEBA approval date. State staff indicate that CEBA administrative rules allow them to extend the CEBA contract for a period of one year from the original project completion date of September 1997, which will create a new completion date of September 1998.

To meet its immediate need for entry level employees, ECI is opening a satellite office in Manning, IA, to facilitate its return merchandise warranty authorization and internet catalog fulfillment services. No existing Des Moines employees will be transferred to the Manning operation. The transfer of these activities out of the Des Moines facility will allow those Des

Moines employees to be shifted to advanced customer technical call services, which are higher skilled and higher compensated positions. Company management indicate the warranty and fulfillment activities to be performed in Manning will assist in the further expansion of the Des Moines advance technical service center by allowing the company to cross sell more than one service to new clients. The Manning facility will employ up to 33 positions within two years at an average wage of between \$8 and \$10 per hour. The City of Manning is proposing to submit an \$80,000 request for financial assistance on behalf of the company under the State of Iowa Economic Development Set-Aside Program to assist this new facility.