



**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**98-330**

**SYNOPSIS —**

**AGENDA:**  
AUGUST 17, 1998

**SUBJECT:**  
ECONOMIC  
DEVELOPMENT  
ASSISTANCE TO  
KEYSTONE  
ELECTRICAL  
MANUFACTURING  
CO.

On the August 17, 1998, City Council agenda is a roll call giving final approval to loan documents relating to a State of Iowa, Community Economic Betterment Account (CEBA) loan in the amount of \$115,000 and a City loan in the amount of \$115,000 to Keystone Electrical Manufacturing Co. By Roll Call No. 97-3942, dated December 8, 1997, the City Council approved submission of the CEBA application and gave preliminary approval of the City loan. Terry N. Vorbrich with the City's Office of Economic Development is the City staff contact.

**TYPE:**  
**RESOLUTION  
ORDINANCE  
RECEIVE/FILE**

The City and State of Iowa are being asked to participate in a financial package totaling \$2.825 million, which will retain local ownership of Keystone Electrical Manufacturing Co., located at 122 S.W. 16th Street, and its 35 employees with an annual payroll of about \$1.1 million (average wage of \$13.82 per hour), and assist the company to create six new production positions within the next two years at an average starting wage of \$11.55 per hour. The company also provides a comprehensive employee benefit package which includes: Medical and Dental Insurance, 401K, Pension Plan, Life and Disability Insurance. The manufacturing work force is represented by the International Brotherhood of Electrical Workers Local #347.

**SUBMITTED BY:**  
RICHARD CLARK  
DEPUTY CITY  
MANAGER

**FISCAL IMPACT –**

The City loan in the amount of \$115,000 is to be funded on an interim basis from the Economic Development Enterprise Account which will be reimbursed from Riverpoint Capitol-Center Urban Renewal Area Project tax increment revenue as it becomes available. The City loan will be administered by the Office of Economic Development and repaid over a term of five years at an interest rate of 3 percent to the City's Economic Development Enterprise Fund Account.

## **RECOMMENDATION –**

### **Approval of the roll call.**

## **BACKGROUND –**

Keystone Electrical Manufacturing Co., is a designer and manufacturer of custom electrical relaying equipment, medium voltage switchgear, and complementary products. The company's customers are investor owned and public utilities and rural cooperatives, primarily in the Continental United States. The business, located at 122 S.W. 16th Street, was founded in 1965 in Des Moines by William G. Milliman.

Mr. Milliman has made the decision to sell the company and has held discussions with two out-of-state companies that would result in the relocation of this company's activities outside the state. Mr. Frederick V. Buie, General Manager of Keystone Electrical Manufacturing Co., has negotiated an agreement to purchase the company with the intent of keeping the company located in the City of Des Moines.

Mr. Buie has over 19 years of manufacturing and engineering experience in commercial and government contract business. Prior to joining Keystone Electrical Manufacturing Co., Mr. Buie held management positions with various wholly owned manufacturing subsidiaries of General Electric, including Manager – Plant Operations & Technology for GE Electrical Distribution & Controls; Manager – Product Configuration & Support, Manager – Quality Engineering, Manager – Materials Applications Engineering, and Senior Engineer – Configuration Management for GE Aerospace.

The company's financing needs total \$2.825 million for the ownership purchase, new equipment, and working capital, as follows: \$200,000 in cash equity injection; a City loan in the amount of \$115,000 at 3 percent interest repaid over a term of five years; a State of Iowa CEBA loan in the amount of \$115,000 at zero percent interest repaid over a term of five years; a \$895,700 promissory note to the seller, Mr. Milliman; and a \$1.5 million operating line of credit to support the company's working capital needs from Brenton Bank. The financing provided by the seller will be subordinate to the

proposed Bank, City, and CEBA loans.

Subsequent to the structure of this financial assistance package, Economic Development staff became aware that Keystone Electrical Manufacturing Co. was a plaintiff in litigation against the City for damages it incurred as a result of the 1993 floods. As part of the purchase agreement between Mr. Buie and Mr. Milliman, the ownership of the cause of action in *Keystone v. City of Des Moines* will be transferred to Mr. Milliman with an assigned value of zero. Mr. Buie and Keystone Electrical Manufacturing Co. will not be a party to the cause of action.