

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

98-556

SYNOPSIS -

AGENDA:

DECEMBER 21, 1998

SUBJECT:

CITY LOAN TO MERCURY
PLASTIC ENGINEERING,
INC.

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY MANAGER

On the December 21, 1998, Council agenda is a roll call for preliminary approval of a Des Moines Action Loan Fund Loan for \$200,000 to Mercury Plastic Engineering, Inc. On June 16, 1997, the City Council, by Roll Call No. 97-2084, approved a Des Moines Action Loan Fund Loan in the amount of \$200,000 to assist the company in consolidating its operation into a new facility here in Des Moines. No funds have been advanced under this preliminary approval and subsequent to that approval, the proposed project has changed with the company deciding to expand at its current location at 300 SE Allen, Des Moines. The roll call on the December 21, 1998, Council agenda provides preliminary approval for a City loan to assist the company's revised expansion plans.

Terrance N. Vorbrich, Development Financing Coordinator with the City's Office of Economic Development, has been working with representatives of Mercury Plastic Engineering, Inc. since the spring of 1997.

FISCAL IMPACT -

The City loan will be funded with Community Development Block Grant (CDBG) funds from the Des Moines Action Loan Fund. No general funds will be used. No City funds will be disbursed before all other funding has been committed.

RECOMMENDATION -

Approval of the roll call giving preliminary approval to a City loan in the amount of \$200,000 at 3 percent

interest, payable over ten years from the Des Moines Action Loan Fund.

BACKGROUND -

Mercury Plastic Engineering, Inc. manufactures and distributes plastic products to retailers and other end users. The company is owned and operated by Garrick Doebele of Clive. Mr. Doebele also owns interests in similar manufacturing companies in the St. Louis and Kansas City markets.

The company has steadily grown over the past five years and currently employs 78 full-time workers with an annual payroll of \$1.5 million. The company has entered into several new multi-year contracts that will result in the creation of 40 new manufacturing jobs at an average wage of \$10 per hour within the next two years. The company also provides its workers with medical and dental insurance.

The expansion will require \$937,500 in new equipment costs and up to \$1.0 million in working capital. The company has preliminary financing commitments as follows: \$1.0 million for working capital from Norwest Business Credit and \$650,000 in commercial leases on new injection molding equipment. The project will not be able to proceed without additional financial assistance to purchase accessory equipment (i.e., raw material silos and conveyors) and complete improvements to the facility's electrical and water services. The company has asked for City assistance to complete the expansion's financing package. The proposed City loan for \$200,000 will be used to purchase the needed accessory equipment and on-site improvements. The City loan will be repaid over a term of ten years with 3 percent interest and secured by a lien on the equipment to be purchased with the City funds, a junior lien on the company's existing machinery and equipment, and the personal guarantee of the principal.

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