



Agenda Item:

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COUNCIL COMMUNICATION

City Manager's Office

GENERAL INFORMATION

Agenda Date: 08/22/05
Agenda Item Type: Resolution

Communication No.: 05-481
Roll Call No.:

Submitted by: Richard Clark, Acting City Manager

SUBJECT—

Resolution approving documents for \$75,000 State of Iowa CEBA Loan and \$75,000 Des Moines Action Loan Fund Loan to Trans-Lux Midwest Corporation, John A. Long, Sr. Vice President & General Manager, 1700 Delaware, Des Moines, IA.

SYNOPSIS—

On the August 22, 2005 Council agenda is a roll call approving loan documents for a \$75,000 State of Iowa CEBA Loan and a \$75,000 Des Moines Action Loan Fund (DMALF) Loan to Trans-Lux Midwest Corporation. By Roll Call No. 03-1867, dated August 11, 2003, City Council approved submission of a CEBA Loan application to the State of Iowa and gave preliminary approval to a Des Moines Action Loan Fund Loan.

FISCAL IMPACT—

The Des Moines Action Loan Fund Loan is funded from Community Development Block Grant. The loan will be at zero percent interest for a term of five years. No general funds will be used.

RECOMMENDATION—

Approval

BACKGROUND—

The CEBA and DMALF loans are to support an expansion of the company's non-sport electronic message center and marquees commercial products lines at the Des Moines facility. In March 2003, a portion of a sister company (Trans-Lux West Corporation) was sold to an unaffiliated company. Trans-

Lux Corporation (Parent Holding Company) has agreed to relocate the remaining portion of this business to Des Moines. Trans-Lux Corporation analyzed several locations in and around Des Moines, before deciding to move forward at their 1700 Delaware location and at leased space at 2245 Dean Avenue, Des Moines.

The \$920,000 expansion project of the Des Moines facility will result in the creation of 25 new positions with an average compensation of about \$32,000 per year plus benefits, and further solidifies the Company's commitment to the existing Des Moines operations and current employment base of 88 workers with an annual payroll of \$2.8 million.

Trans-Lux Midwest Corporation is a wholly owned subsidiary of Trans-Lux Corporation based in Norwalk, Connecticut. It was formed in 1997 to acquire the assets of Fairtron Corporation, which was struggling financially at that time. The Des Moines plants are primarily involved in the manufacture of scoreboards and related electronic display products marketed under the trade name Fair-Play.

By Roll Call No. 97-3941 dated December 8, 1997, City Council approved a \$100,000 forgivable loan and a \$100,000 repayment loan (with an outstanding balance of \$44,047) to Trans-Lux Midwest Corporation as part of a \$3,650,000 expansion project. The Company pledged to retain its existing workforce of 67 and create 65 new jobs for a total of 132 jobs by December 31, 2000. By Roll Call No. 01-728, dated March 12, 2001 and by Roll Call No. 02-581 dated March 4, 2002, City Council approved extensions of the job attainment date to December 31, 2002. The Company has met its job retention obligation and has created 21 new positions for a total of 88 jobs in Des Moines. Under the existing City loan agreement approved in 1997, the Company has not met the job creation goal and would be required to repay the City approximately \$41,000 of the forgivable loan due to the shortfall in its new job creation obligation.

Staff recommended that even though the Company did not meet its original growth expectations due to changing national and international market conditions, that the City participate in the proposed consolidation and expansion thereby strengthen Trans-Lux's presence and commitment to the Des Moines operations. The Company has manufacturing operations in Norwalk, CT that could have accommodated the proposed project. Since many of the products and the technology are the same as those used by Trans-Lux Midwest in its existing operations in Des Moines, an expansion in Norwalk could lead to the possible partial loss of the existing Des Moines operations and employment.

To facilitate the project, staff amended the existing loan agreement to incorporate the new project and the new City repayment loan of \$75,000 and required the Company to maintain its existing 88 jobs plus create the additional 25 jobs for a total employment base of 113, which must be held in the City of Des Moines for a period of seven years. If these new requirements are met then the current job shortfall payment of \$41,000 would be forgiven.