

INDUSTRIAL DEVELOPMENT AUTHORITY, INC.
MEETING MINUTES
June 15, 2000

The Industrial Development Authority (IDA), Inc. met at 10:00 a.m., Thursday, June 15, 2000, in the Department of Economic Development's Conference Room, 1st Floor, City Hall. The following members were present:

Mike Dipp, Jr.
Bob Bowling

Edmundo Rueda
Pete Parraz

Tanny Berg
Victoria Perea.

The following members were absent:

Alejandro Burgos

Pat Mitchell

Michael Gonzales.

Others present included Steven Adams, First Southwest Company; Norman Gordon and Josette Flores, Diamond Rash Gordon & Jackson; Keith Illig, Excel Laminates; John Nance, Assistant City Attorney; and, Bobby Franco, Leo Gemoets, Adrian Ocegueda, and Linda Castle, Economic Development.

1. Roll call—determination of quorum

Bobby Franco took roll and determined that five members, representing a quorum, were present.

2. Call meeting to order

Bobby Franco called the meeting to order. He noted that officers need to be elected and asked Mike Dipp, Jr., Vice-Chair, to take over the meeting.

3. Discussion and action on election of officers

Mr. Dipp asked for nominations for Chair, Vice-Chair, Secretary and Treasurer. Nominations were made, seconded and the following officers were elected unanimously:

Mike Dipp, Chair
Tanny Berg, Vice-Chair
Bob Bowling, Secretary
Bob Bowling, Treasurer.

4. Approval of prior meeting minutes

Tanny Berg moved that the minutes be accepted, subject to review. Chair Dipp read the dates of the minutes, June 11, 1998; February 29, 1996; October 25, 1995; May 16, 1994; January 18, 1994; and December 3, 1993. Motion to accept minutes was seconded and approved unanimously.

5. Discussion of the IDA's responsibilities and role associated with New Empowerment Zone Facility Bonds

Norman Gordon explained that the IDA is a non-profit corporation set up in 1979 after the state passed the Industrial Development Act. The legislation was passed in order to encourage economic development through the issuance of tax exempt bonds. The

Corporation was very active before 1986, but in 1986 the tax code was changed, resulting in a statewide limitation on all private activity bonds. The limitation meant that the bonds could only be issued for single family housing projects, student loans, not-for-profit health facilities and industrial development bonds. After 1986, in order to qualify for industrial development bonds, a project had to be manufacturing related and less than a \$10 million investment, with a cap of \$5 million on capital investment. These requirements made projects very difficult to do. The last issue the IDA considered under the state allocation was the Camden Wire plant in 1993.

Mr. Gordon said that in January 1999 portions of El Paso received HUD's Empowerment Zone (EZ) designation which carries with it certain tax incentives. The City has the right to issue \$130 million of tax-exempt industrial development bonds over a period of 10 years to companies locating in the Zone. He noted that one and one-half years of the designation have already passed. Projects in the Empowerment Zone are not limited to manufacturing, not subject to the limitations of the state allocation and not limited to a \$10 million investment. However, there are special Zone requirements that must be met; these are outlined in the information sheet provided to the Board. He said that one of the most difficult requirements of the new bonds is that 35 percent of the company's employees must reside in the Zone.

Mr. Gordon explained that the IDA is the only entity in the city that can issue these revenue bonds. The sole source of payment of these bonds is the company itself; neither the credit of the City of El Paso nor of the IDA members is attached to these bonds. Issuance of the bonds is very carefully set up and is based solely on the viability of the projects.

Mr. Gordon noted that projects will be presented to the Empowerment Zone Board, and that Excel Laminates made a presentation last week to that Board. The Board gave a favorable recommendation to the project. Mr. Gordon said the action before the Corporation today is to approve a resolution agreeing to issue bonds for this project, subject to the ultimate approval of City Council.

Mr. Gordon cautioned that today's meeting is the time to air any objections or concerns about the project. Discussion ensued about the Excel Laminates project and developing criteria for future projects regarding number of employees, etc. Bobby Franco explained that large employers have not been interested in EZ bonds because they felt they would not be able to meet the requirement of hiring 35 percent of their employees from the Zone. He said that the EZ bond program will most likely attract smaller employers who have to make large capital investments.

In reply to a question about what happens if the company does not meet the requirements set forth by the New Empowerment Zone Facility Bonds, Mr. Gordon explained that the bank, most likely Chase Bank in this case, is the trustee who monitors the loan. If the

company fails to meet the loan requirements, then the loan is in default. He said the Board can request monitoring reports from the bank.

Mr. Gordon also noted the issuance of these bonds comes under a special authority and once the bonds are issued, they are gone; repayment of the bonds does not reimburse the pool of the Empowerment Zone facility bonds. He also pointed out that once the resolution before the Board today is approved, then the company can proceed—expenditures made 60 days before the date of the resolution can be considered for the bonds.

6. Consideration of Excel Laminates, Inc.'s application for New Empowerment Zone Facility Bonds

Keith Illig, president of Excel Laminates, presented his project to the Board. His company flame laminates upholstery fabric to foam for automobile seats, using a computer-controlled process that he developed. He said he supplies the two largest auto seat makers in the world, Lear and Johnson Controls, both located on the border, and they want his company to be located here also. Conservatively, he expects to hire 76 people. In response to questions from some members, Mr. Illig stated that he expects to train every worker he hires and that his company is not a big water user and uses systems that are environmentally friendly.

7. Discussion and action on an Inducement/Reimbursement Resolution agreeing to issue New Empowerment Zone Facility Bonds if conditions are satisfied and project completed

Steven Adams explained First Southwest Company's role in this process, i.e., to perform due diligence on Excel Laminates and provide a "comfort letter" to the Board. He handed out an example of the type of letter his firm would give to the IDA.

Mr. Gordon explained that the Board's role today is to give preliminary approval to the project by issuing the Inducement/Reimbursement Resolution and, in addition, to give the go ahead to First Southwest Company, as bond counsel, to proceed with their due diligence on Excel Laminates. He noted some changes to Exhibit "A" to the Resolution, namely that the amount of the costs had changed and the total amount of bonds issued changed to \$12 million. Motion was made by Pete PARRAZ to adopt the Inducement/Reimbursement Resolution; motion was seconded by Tanny Berg. The motion carried by a majority. Motion was made by Bobby Bowling to give the go ahead to First Southwest to proceed with the due diligence. Motion was seconded by Tanny Berg and passed by a majority.

Bobby Franco and his staff were asked to develop criteria that could be used to measure a project's worth in light of the EZ goals.

Norman Gordon told the Board that there are housekeeping items regarding the Authority's bank account that will require action at the next meeting.

Motion made, seconded and passed to adjourn the meeting.