

## CITY-COUNTY REVOLVING LOAN FUND

Board Meeting Minutes

June 17, 2004

The City-County Revolving Loan Fund Board met Thursday, June 17, 2004, at 3:30 p.m. in the Community Development Conference Room, 8th Floor, City Hall. The following members were present:

Randolph Young  
Bob Guerra  
Mike Dipp, Jr.

Mary Haynes  
Maggie Adame  
Larry Madrid

George Stewart  
Carmen Contreras

Others present: Gordon Cook, Rio Grande Council of Governments; Jesse Acosta, County Planning Department; Dan Villegas, JPMorgan Chase; Rob Gregoire, RCG Foods; Linda Castle and Melissa Johnson, Economic Development.

### **A. Call to Order and Establish Quorum**

Chair Young called the meeting to order at 3:34 p.m.

### **B. Approval of Minutes of April 15, 2004 RLF Board Meeting**

Chair Young asked for a motion to approve the minutes of April 15, 2004. Motion for approval was made by Mike Dipp and seconded by Bob Guerra; the motion passed unanimously.

### **C. Discussion and Action on Request for Modification of RLF Loan**

Dan Villegas presented JPMorgan Chase's request for modification of the loan to RCG Foods of Texas, along with projections for the company for 2004. Mr. Villegas stated that the JPMorgan Chase loan would be principal deferred for 6 months, with full payments beginning in August 2004. The request is for the RLF to do a 12-month principal deferment. The Empowerment Zone will also have a 12-month principal deferment on their loan.

Rob Gregoire, Manager of RCG Foods, spoke to the Board, commenting that the company provides breads, deli and other prepackaged foods. He said RCG Foods has passed USDA's testing procedures for food preparation. Mr. Gregoire explained that the company was doing well until Costco cancelled a large order, causing a loss of about \$200,000. An additional loss of \$40,000 was taken when RCG Foods did not have the proper truck refrigeration for distribution to the Las Vegas casinos on contract. Mr. Gregoire stated that although the company was upside down on profits from December 2003 to February 2004, full payments were kept current with all accounts and that he has brought JPMorgan Chase current with interest only payments. He said his employee base began with 28 employees; currently RCG Foods employs 48 people with very low turnover. RCG Foods has reinstated their contract with Costco, and supplies 15 Las Vegas casinos with product. Mr. Gregoire stated that they are considering partnering with Albertson's and Big 8 Grocery Stores for locally made products and that he is getting 8A certified, which will allow RCG Foods to compete for contracts with prisons and schools.

Chair Young referenced page 20 on Chase's projections, and asked which one would be the most realistic. Mr. Villegas stated that the best projection is that gross margins will improve from 26% to 34% by the end of the year. Mr. Villegas commented that the projections do not take into consideration the possibility of being awarded the \$1 million state prison bid. Chair Young asked for a motion. Mike Dipp made a motion to approve

the loan modification as requested; Larry Madrid seconded the motion and the motion passed unanimously.

**D. Discussion and Action on Loan Applications**

Linda Castle stated there were no loan applications at the present time.

**E. Discussion and action on Requesting a Waiver from EDA On Loan Cap**

Gordon Cook provided information about the pediatric clinic project in Horizon City that may come to the RLF for \$100,00.00 for working capital. He said the doctor has bank financing and is working on an SBA 504 construction loan. Since the RLF Plan calls for a maximum loan amount of \$50,000, Mr. Cook said the Board would need to approve requesting a change from the EDA to the RLF Plan to increase the maximum loan amount to \$100,000. Mr. Cook commented that although the job creation requirement would be met, it is uncertain if HUD's requirement that the jobs be filled by low-to-moderate income people will be met. Mary Haynes asked if the County is in favor of the project. Jessie Acosta stated that the item was taken before the Commissioners Court and that the County is in favor of the project. Mr. Cook asked if the Board would consider amending the RLF Plan and requesting a waiver at the same time, prior to considering the job commitment to HUD. Ms. Haynes made a motion to modify the EDA cap to \$100,000 with a request to EDA for waiver and RLF Plan amendment. George Stewart seconded the motion and the motion passed unanimously.

**F.&G. Presentation on Reports to EDA and CAIP and Discussion and Action on EDA and CAIP Reports**

Linda Castle summarized the EDA report, stating there are a total of 31 loans in the portfolio and noting that the balance available for loaning is slightly above the percentage that EDA likes to see, which is below 25%. She noted that what EDA really wants is to see all their money loaned out. She said the CAIP grant is a separate source of funding which has \$142,437 available for loans. She reported that ACCION has made four loans from their sub grant. She said that \$206,000 is currently available to loan in the City or County with \$181,000 available for loaning in the County areas, for a total of \$387,000. Mr. Young wondered why CAIP funds had been used before EDA funds were used; Linda Castle and Gordon Cook replied that the funding agencies exert a great deal of pressure to get their grant money expended, making it necessary to loan from both funds.

Chair Young asked for a motion to accept the loan report. Mary Haynes made a motion to accept the report; Mike Dipp seconded the motion and the motion passed unanimously.

**H. Discussion and action on monthly loan payment report – Gordon Cook, Linda Castle**

The monthly loan payment report was provided to the Board members. Gordon Cook reported that the Economic Development Director requested City Legal Department's assistance with collection on the J.G.W. Food Systems case, with the City probably hiring Harold Davis to represent its interests. Mr. Cook noted that Peter and Sandra Martinez, The Pastry House, filed for bankruptcy on March 31, 2004. The RLF has received no payments from the Martinezes since April 2004; the El Paso City's Legal Department currently has the file. Gordon said he visited the store, that it is still in business with attractive product on display. Chair Young asked for a motion to approve the report. Mike Dipp made a motion to approve the report and Larry Madrid seconded the motion

**I. Discussion and action on recent development with City/County Revolving Loan Fund Program - Staff**

Chair Young asked if all the County appointees had been re-appointed. Linda Castle reported that Mr. Young and Ms. Haynes had been re-appointed. George Stewart said he had left a message with Commissioner Scruggs about his appointment; Jesse Acosta said he is attempting to get the Commissioners to make appointments.

Linda Castle reported that GECU appears to be interested in joining the RLF Program.

#### **H. Discussion and action on next meeting date – Chair**

After some discussion, the next meeting date was set for Thursday, July 15, 2004 at 3:30 p.m.

#### **I. Adjournment**

Chair Young asked for a motion to adjourn. George Stewart made the motion for adjournment and Larry Madrid seconded the motion and the motion passed. The meeting adjourned at 4:21 p.m.