

# KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

## BOARD MEETING

June 27, 2019

### MINUTES

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#### **Call to Order**

The Kentucky Economic Development Finance Authority (KEDFA) convened at 10:02 a.m. EDT on June 27, 2019, at the Cabinet for Economic Development, Old Capitol Annex, Board of Directors Conference Room, 300 West Broadway in Frankfort, Kentucky.

#### **Notification of Press**

Jean R. Hale, Chairman, received verification that the media had been notified of the KEDFA regular monthly board meeting.

#### **Roll Call**

**Members Present:** Jean R. Hale, J. Don Goodin, Melinda Hill, proxy for Secretary William M. Landrum, III, Tucker Ballinger and Chad Miller

**Staff Present:** Bobby Aldridge, Tim Back, Jessica Burke, Sarah Butler, Brittany Cox, Michelle Elder, Kate Greenwell, David Hamilton, Andy Luttner, Brandon Mattingly, Kylee Palmer, Debbie Phillips, Lindsey Ransdell, Katie Smith and Teresa Spreitzer

**Others Present:** Michael Kalinyak, Hurt, Deckard & May; Mike Herrington, Stites & Harbison; Alex Stafferini, Stoll Keenon Ogden; Billy Aldridge, Kentucky Finance and Administration Cabinet, Office of Financial Management; Casey Bolton, Commonwealth Economics, Adam Caswell, Northern Kentucky University; Geoffrey Dickinson, SB Friedman Development Advisors; Matt Elberfield, Campbell County Administrator/Deputy Judge; Jeff Hodges, Gray Construction; Barry Lendrum, Paladin; Sarah Mixon, Anderson Economic Group, LLC; Jim Parsons, Keating Muething & Klekamp; Jessica Zaigler, Polsinelli PC; and Matt Zoellner, Scott, Murphy & Daniel

#### **Approval of Minutes**

Chairman Hale entertained a motion to approve the minutes from the May 30, 2019 regular KEDFA board meeting and executive session.

Melinda Hill moved to approve the minutes, as presented; Tucker Ballinger seconded the motion. Motion passed; unanimous.

#### **Approved/Undisbursed Report**

Chairman Hale called on Kylee Palmer to review the approved/undisbursed report. After review, the Authority accepted the report as presented.

#### **Financial Statements and Monitoring Reports**

Chairman Hale called on Katie Smith to review the financial statements and monitoring reports. After review, the Authority accepted the statements and reports as presented.

#### **Local Industrial Revenue Bond (IRB) Project**

Chairman Hale called on Michelle Elder to present a Local IRB project to the Authority.

**Nucor Steel Gallatin LLC  
Gallatin County**

Ms. Elder stated in accordance with KRS 103.210, Gallatin County requested KEDFA review and approve a one hundred percent (100%) reduction in the state ad valorem tax rate on the industrial building and equipment which Nucor Steel Gallatin LLC proposed to be financed through the issuance of industrial revenue bonds by Gallatin County. The company proposed an expansion of its existing operations to include additional pickling and galvanizing (Phase 1) and melting capacity (Phase II) to increase the volume of steel being created at the mill in Ghent. The principal amount of the IRB authorization is up to \$645,000,000 for a term of 30 years. A Payment in Lieu of Tax Agreement will be required with the school district.

Staff recommended approval of the requested percentage reduction in the state ad valorem tax rate on the industrial building and equipment proposed to be financed through the issuance of the industrial revenue bonds.

Don Goodin moved to approve the staff recommendation, as presented; Ms. Hill seconded the motion. Motion passed; unanimous.

Note: The KEDFA board did not make any type of determination as to the legality of the bonds to be issued by Gallatin County, but only approved the reduction on the ad valorem tax rate as provided by KRS 103.200 and KRS 132.020.

**KEDFA IRB Project (Final)**

Chairman Hale called on Debbie Phillips to present a KEDFA IRB Project for final approval to the Authority.

**CommonSpirit Health**

Ms. Phillips referenced in the board material a new bond issue report relating to the issuance of healthcare facilities revenue bonds in an amount not to exceed \$330,000,000 on behalf of CommonSpirit Health. The bond proceeds will be used to acquisition finance all or a portion of projects financed and/or refinanced by a series of bonds issued by KEDFA in 2013 and/or refinance all or a portion of a series of bonds issued by KEDFA in 2004 (Series 2004C), 2009 (Series 2009A) and 2011 (Series 2011B-1 and Series 2011B-2). The jurisdictions of Lexington-Fayette Urban County Government, Laurel County Fiscal Court, Jessamine County Fiscal Court, Nelson County Fiscal Court and Montgomery County Fiscal Court have adopted resolutions requesting KEDFA issue these bonds.

A TEFRA hearing for the purpose of receiving public comment on the proposed bond issue was conducted at 9:00 a.m., June 27, 2019 at the Old Capitol Annex, Board of Directors Conference Room, 300 West Broadway in Frankfort, with no public comment.

If the financing is approved, KEDFA would serve as the conduit issuer of the bonds. The bonds would not constitute a general obligation of KEDFA and KEDFA would not be obligated to pay principal or interest for the bonds from its own funds.

Staff recommended the adoption of the KEDFA final bond resolution.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Goodin seconded the motion. Motion passed; unanimous.

**KEDFA IRB Project (Amendment)**

Chairman Hale called on Ms. Phillips to present a KEDFA IRB project amendment to the Authority.

**Carmel Manor, Inc.  
Campbell County**

Ms. Phillips stated that in 2015, KEDFA approved and issued Healthcare Facilities Revenue Bonds, Series 2015 on behalf of Carmel Manor, Inc. in a principal amount not to exceed \$18,630,000. The Bank and Borrower have agreed to a revised interest rate formula and a new period during which the Purchaser agrees to hold the bonds. Therefore, a second amendment to the Financing Agreement and any other documents is required.

KEDFA is a conduit issuer in the transaction and will not have a general obligation or be held liable for the bonds.

Staff recommended approval of the amendment to the bond resolution.

Mr. Goodin moved to approve the staff recommendation, as presented; Chad Miller seconded the motion. Motion passed; unanimous.

**Kentucky Business Investment (KBI) Project (Amendment)**

Chairman Hale called on Bobby Aldridge to present a KBI project amendment to the Authority.

**Amazon.com Services, Inc.  
Clark County**

Mr. Aldridge stated on March 26, 2015, KEDFA granted final approval to AMZN wacs, Inc. to assist with the leasing and equipping of a new customer support facility in Clark County. The company activated the project on April 1, 2015 and later that year converted to a limited liability company, changing the company name to AMZN wacs LLC. Effective on January 1, 2019, AMZN wacs LLC merged with and into Amazon.com Services, Inc., a Delaware corporation, with Amazon.com Services, Inc. as the surviving entity. The company requested that Amazon.com Services, Inc. be designated as the approved company. All other aspects of the project remain the same.

Staff recommended approval of the KBI amendment request.

Ms. Hill moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

**Kentucky Enterprise Initiative Act (KEIA) Projects (Extension)**

Chairman Hale called on Mr. Aldridge to present the KEIA project extension requests to the Authority.

Mr. Aldridge stated 14 companies requested additional time to complete the projects and asked that all 14 be presented as one motion.

<u>Company</u>	<u>County</u>	<u>Extension</u>
DCL Logistics	Jefferson	2 Month
Takigawa Corporation America	Nelson	3 Month
Accumetric LLC	Hardin	6 Month
Cabot Corporation	Carroll	6 Month
Carter Lumber Company	Warren	6 Month
FedEx Ground Package System Inc.	Boone	6 Month
Altec Inc. dba Altec Industries, Inc.	Hardin	12 Month
Ironton Enterprises LLC	McCracken	12 Month
Kentucky Fresh Harvest, LLC	Lincoln	12 Month

<b>Logan Aluminum</b>	Logan	12 Month
<b>Michter's Distillery LLC</b>	Washington	12 Month
<b>Nucor Steel Gallatin LLC</b>	Gallatin	12 Month
<b>Orbis Material Handling, Inc.</b>	Nelson	12 Month
<b>Piramal Pharma Solutions LLC</b>	Fayette	12 Month

Staff recommended approval of the KEIA extension requests.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

### **KBI Projects (Preliminary)**

Chairman Hale called on staff to present the KBI preliminary projects to the Authority.

#### **International Farmaceutical Extracts LLC Boyle County**

**Andy Luttner  
Michelle Elder**

Andy Luttner stated International Farmaceutical Extracts LLC specializes in the extraction and distillation of CBD oil from industrial hemp flower pellets. The company is considering building a manufacturing plant with capacity of 5,000 pounds per day of CBD oil.

Ms. Elder stated the project investment is \$6,036,500 of which \$2,033,500 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 34 with an average hourly wage of \$31.55 including benefits. The state wage assessment participation is 3.00% and the City of Danville will participate at 0.72% with Boyle County Fiscal Court participating at 0.28%. The company acknowledges that the project is to be located in a county currently certified as an enhanced incentive county, and further acknowledges that it does not wish to proceed under the KBI program provisions applicable to such projects, and instead waives the enhanced county benefits.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$800,000.

After discussion, Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

#### **Itsuwa KY, LLC Nelson County**

**Andy Luttner  
Michelle Elder**

Mr. Luttner stated Itsuwa KY, LLC specializes in electro-coating of automotive parts. The company is considering expanding its coating and painting operation in Bardstown to supply the growing demands of automotive industry.

Ms. Elder stated the project investment is \$1,064,900, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 20 with an average hourly wage of \$18.00 including benefits. The state wage assessment participation is 1.50% and the City of Bardstown will participate at 0.50%. The company will be required to maintain a base employment equal to the greater of the number of full-time, Kentucky resident employees as of the date of preliminary approval or 43 full-time, Kentucky resident employees (the base employment number required by a previous project).

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$145,000.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Goodin seconded the motion. Motion passed; unanimous.

**Alpla, Inc.  
Warren County**

**Lindsey Ransdell  
Michelle Elder**

Lindsey Ransdell stated Alpla, Inc. is a world leader in the development and production of plastic packaging solutions. The company produces bottles, closures and injection molded parts for a wide range of customers. Alpla is considering adding a new bottling and packaging capacity on-site at one of its customer's locations in Bowling Green.

Ms. Elder stated the project investment is \$50,000,000 of which \$6,200,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 60 with an average hourly wage of \$33.00 including benefits. The state wage assessment participation is 3.00% and the City of Bowling Green will participate at 1.00%. The company will be required to maintain 90% of the total countywide full-time, Kentucky resident employees at all company locations, excluding the site of the project, as of the date of preliminary approval. In addition, the company will be required to maintain 90% of the total statewide full-time, Kentucky resident employees at all company locations, excluding the site of the project, as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$900,000.

Chairman Hale moved to approve the staff recommendation, as presented; Mr. Ballinger seconded the motion. Motion passed; unanimous.

**KBI Projects (Extension)**

Chairman Hale called on Ms. Elder to present the KBI extension requests to the Authority.

Ms. Elder stated six companies requested additional time to complete the projects and asked that all six be presented as one motion.

<u>Company</u>	<u>County</u>	<u>Extension</u>
<b>Ervin Cable Construction of Florida, LLC</b>	Union	6 Month
<b>Astecnos America Corporation</b>	Jessamine	12 Month
<b>Beltline Electric Company, Inc.</b>	McCracken	12 Month
<b>General Motors LLC</b>	Warren	12 Month
<b>INFAC North America Inc.</b>	Taylor	12 Month
<b>Robert Bosch Automotive Steering LLC</b>	Boone	12 Month

Staff recommended approval of the KBI extension requests.

Mr. Miller moved to approve the staff recommendation, as presented; Mr. Ballinger seconded the motion. Motion passed; unanimous.

**KBI Projects (Final)**

Chairman Hale called on Ms. Phillips to present the KBI projects for final approval to the Authority.

Ms. Phillips stated seven companies requested KBI final approval, four of which have modifications since preliminary approval. Ms. Phillips asked that all seven be presented as one motion.

**No Modifications:**

<u>Project Name</u>	<u>County</u>	<u>Type Project</u>
<b>EZ Pack Refuse Hauling Solutions, LLC dba Commercial Specialty Truck Holdings</b>	Harrison	Manufacturing
<b>IDEXX Distribution, Inc.</b>	Jefferson	Service & Technology
<b>Nucor Steel Gallatin LLC</b>	Gallatin	Manufacturing

**Modifications:**

**Central Motor Wheel of America, Inc.** Bourbon Manufacturing  
The total investment increased from \$45,500,000 to \$111,933,148; the eligible costs increased from \$10,000,000 to \$25,033,148; the job target increased from 85 to 145; the average hourly wage target increased from \$33.00 to \$35.88; the total negotiated tax incentive increased from \$1,750,000 to \$3,000,000. The statewide employment requirement has been removed from the KBI project due to the company's current participation in the Kentucky Reinvestment Act (KRA) program which already requires the company to retain a 90% statewide job retention. All other aspects of the project remain the same.

**DecoArt, Inc.** Lincoln Service & Technology  
The project changed from leased to owned; the total investment decreased from \$1,326,000 to \$1,309,588; and the eligible costs increased from \$726,000 to \$1,309,588. All other aspects of the project remain the same.

**Ernst & Young U.S. LLP** Jefferson Service & Technology  
The total investment increased from \$4,350,000 to \$10,239,410; the eligible costs increased from \$3,050,000 to \$4,915,188 (rent is no longer an eligible expense); the job target increased from 125 to 157; and the total negotiated tax incentive increased from \$1,000,000 to \$1,250,000. All other aspects of the project remain the same.

**Smart Wood USA, LLC** Knox Manufacturing  
The company name changed from North America Sticks, LLC to Smart Wood USA, LLC. All other aspects of the project remain the same.

Staff recommended approval of the KBI final resolutions and tax incentive agreements and the authorization to execute and deliver the documents.

Mr. Goodin moved to approve the staff recommendation, as presented; Ms. Hill seconded the motion. Motion passed, unanimous.

**KRA Project (Final)**

Chairman Hale called on Ms. Phillips to present the KRA final project to the Authority.

**Tarter Tube, LLC  
Casey County**

Ms. Phillips stated Tarter Tube, LLC requested final approval. There were no modifications to the project since preliminary approval.

The company currently has 111 full-time, Kentucky resident employees and has expended approximately \$2,858,149 in equipment and related costs of which \$1,429,075 are eligible costs. Tarter Tube, LLC is eligible to receive the \$500,000 negotiated tax incentive amount as preliminarily approved.

Staff recommended final approval of the KRA resolution, revitalization agreement and the authorization to execute and deliver the documents.

Mr. Miller moved to approve the staff recommendation, as presented; Mr. Ballinger seconded the motion. Motion passed; unanimous.

### **Incentive for Energy Independence Act (IEIA) Project (Extension)**

Chairman Hale called on Ms. Palmer to present an IEIA extension request to the Authority.

#### **Secure Energy Kentucky, LLC McCracken County**

Ms. Palmer stated Secure Energy Kentucky, LLC requested a 12 month extension of its project.

Staff recommended approval of IEIA extension request.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Goodin seconded the motion. Motion passed; unanimous.

### **Kentucky Small Business Tax Credit (KSBTC) Projects**

Chairman Hale called on Tim Back to present the KSBTC projects to the Authority.

Mr. Back stated there were 15 Kentucky small businesses from 12 counties with qualifying tax credits of \$162,800. The 15 businesses created 59 jobs and invested \$579,296 in qualifying equipment and/or technology.

Mr. Back requested the following tax credits be presented as one motion:

<b>Qualified Small Business</b>	<b>County</b>	<b>Beg. Emp.</b>	<b>Elig. Pos.</b>	<b>Average Hourly Wage</b>	<b>Qualifying Equipment and/or Technology</b>	<b>Tax Credit</b>
Babcon Inc.	Madison	34	5	\$ 19.80	\$ 24,850	\$ 17,500
Craig Services LLC	Jessamine	3	1	\$ 19.68	\$ 7,828	\$ 3,500
CSS Distribution Group, Inc.	Jefferson	13	2	\$ 19.86	\$113,950	\$ 7,000
Engineered Building Systems, Inc.	Campbell	9	3	\$ 31.57	\$ 18,880	\$ 10,500
Groff Engineering & Consulting LLC	Montgomery	0	1	\$ 25.50	\$ 16,065	\$ 3,500
JC Brewer Construction, Inc.	Warren	13	8	\$ 16.16	\$ 5,260	\$ 5,200
Kiper Hibbard LLC	Bullitt	6	6	\$ 20.64	\$ 60,385	\$ 21,000
Lindsay Pizza, Inc.	Boone	0	1	\$ 26.92	\$ 55,000	\$ 3,500
Paris Machining, LLC	Bourbon	30	5	\$ 12.66	\$ 45,000	\$ 17,500
Rubel Creative, Inc.	Warren	6	3	\$ 30.77	\$ 10,683	\$ 10,500
RussTech Admixtures, Inc.	Jefferson	16	1	\$ 20.90	\$ 30,575	\$ 3,500
Shippers Supply Company, Incorporated	Jefferson	16	6	\$ 17.80	\$ 6,170	\$ 6,100
United Installs LLC	Kenton	14	8	\$ 17.74	\$ 25,384	\$ 25,000
Visumatic Industrial Products, Inc.	Fayette	31	1	\$ 27.50	\$ 6,122	\$ 3,500
Vittitow Cabinet Shop, Inc.	Nelson	41	8	\$ 15.84	\$153,144	\$ 25,000

Staff recommended approval of the tax credits.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

## Other Business

### KBI Enhanced Incentive Counties for FY 2019-2020

Chairman Hale called on Kate Greenwell to present the KBI Enhanced Incentive Counties for 2019-2020 to the Authority.

Ms. Greenwell stated the counties **Boyle** and **Carroll** are in the third year of decertification and projects must complete final approval by June 30, 2020. The counties of **Gallatin**, **Garrard** and **Metcalfe** are completing the final year of decertification and projects must complete final approval by June 30, 2019.

**Owen** and **McCracken** counties meet the criteria for certification and are designated as a KBI Enhanced Incentive County as of July 1, 2019.

Staff recommended adoption of the resolution certifying the Kentucky Business Investment (KBI) Program Enhanced Incentive Counties for FY 2019-2020.

Ms. Hill moved to adopt the resolution, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

### Closed Session

Pursuant to KRS Section 61.810(1)(g), Chairman Hale entertained a motion to enter into executive session to discuss a specific business proposal, the open discussion of which would jeopardize the siting, retention, expansion or upgrade of the business.

Ms. Hill moved to enter into executive session; Mr. Miller seconded the motion. Motion passed; unanimous.

The board entered into executive session at 10:28 a.m.

### Regular Session

Chairman Hale entertained a motion to return to regular session.

Ms. Hill moved to return to regular session; Mr. Miller seconded the motion. Motion passed; unanimous.

The board returned to regular session 10:48 a.m.


### Adjournment

There being no further business, Chairman Hale entertained a motion to adjourn.

Mr. Miller moved to adjourn the June KEDFA board meeting; Ms. Hill seconded the motion. Motion passed; unanimous.

The meeting adjourned at 10:48 a.m.

**APPROVED  
PRESIDING OFFICER:**



J. Don Goodin, Vice Chairman