

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

BOARD MEETING September 26, 2019

MINUTES

Call to Order

The Kentucky Economic Development Finance Authority (KEDFA) convened at 10:01 a.m. EDT on September 26, 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, and Chad Miller

Staff Present: Bobby Aldridge, Tim Back, Jessica Burke, Beka Burton, Sarah Butler, Brittany Cox, Martin David-Jacobs, Rachael Dever, Michelle Elder, Annie Franklin, David Hamilton, Krista Harrod, Jim Kirk, Brandon Mattingly, Kate McCane, Sean Muldoon, Jason Neal, Kylee Palmer, Erran Persley, Debbie Phillips, Jason Rainey, Kristina Slattery, Katie Smith, Teresa Spreitzer and Bruce Zou

Others Present: Michael Kalinyak, Hurt, Deckard & May; Mike Herrington, Stites & Harbison; Jamie Brodsky, Stoll Keenon Ogden; Sarah Mixon, Anderson Economic Group; Dan Kanabroski, Centrality; Casey Bolton, Commonwealth Economics; Daniel Brisco, Dinsmore & Shohl LLP; Billy Aldridge, Kentucky Finance and Administration Cabinet, Office of Financial Management; Bill Owen, Lexington Center Corporation; Kevin Atkins, Lexington-Fayette Urban County Government; Alex Mercer, Louisville Forward; Todd Hamilton and John Magrum, MCM CPAs & Advisors; Geoff Dickinson, Michael Lampl and Ryan Schmitt, SB Friedman Development Advisors; Matt Zoellner, Scott, Murphy & Daniel and Forrest Waits, United Parcel Service Co.

Approval of Minutes

Chairman Hale entertained a motion to approve the minutes from the August 29, 2019 regular KEDFA board meeting and executive session.

Melinda Hill moved to approve the minutes, as presented; Chad Miller 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 Krista Harrod to review the financial statements and monitoring reports. After review, the Authority accepted the statements and reports as presented.

KEDFA Industrial Revenue Bond (IRB) Project (Supplemental Resolution)

Chairman Hale called on Debbie Phillips to present a KEDFA IRB project supplemental resolution to the Authority.

Masonic Homes Independent Living II, Inc.

Jefferson County

Ms. Phillips stated on September 29, 2016, KEDFA approved the issuance of revenue bonds in an aggregate principal amount not to exceed \$140 million for the benefit of Masonic Homes Independent Living II, Inc. The proceeds of the bonds have been used to finance the construction, installation, and equipping of healthcare and health related facilities consisting of independent living units located on the Masonic Homes campus in Louisville.

The Authority and the Bond Trustee are authorized under Section 901 of the Trust Indenture, without the consent of or notice to any of the holders of bonds under the Trust Indenture, to further amend or supplement the Trust Indenture for certain purposes specified therein, including to cure any ambiguity or formal defect.

The Trust Indenture includes a Section 502(b) which requires mandatory sinking fund redemption of the Series 2016B-1 Bonds, which Section 502(b) was inadvertently and incorrectly included in the Trust Indenture and is inconsistent with the actual stated maturity of the Series 2016B-1 Bonds and their redemption provisions as described in the offering materials related to the Series 2016B-1 Bonds.

In order to cure the defect, the Authority, Bond Trustee and the Borrower agree that Section 502(b) should be disregarded and therefore desire to amend the Trust Indenture via this Supplemental Indenture to remove Section 502(b).

The remainder of the Trust Indenture shall remain unchanged in full force and effect.

The bonds do not constitute a general obligation of KEDFA and KEDFA is not obligated to pay principal or interest for the bonds from its own funds.

Staff recommended approval of the supplemental indenture resolution.

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

Local IRB Project

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

Georgia-Pacific Consumer Operations LLC

Warren County

Ms. Phillips stated in accordance with KRS 103.210, Warren County Fiscal Court requested KEDFA review and approve a 100% reduction for years 1 and 2, and a 50% reduction for years 3 through 10 in the state ad valorem tax rate on the industrial building and equipment which is proposed to be financed through the issuance of industrial revenue bonds by the Warren County Fiscal Court. The company proposed an expansion to its existing facility to increase production capacity in Bowling Green. The principal amount of the IRB authorization is up to \$95,000,000 for a term of 20 years. A Payment in Lieu of Tax Agreement will be required with the school district.

The City of Bowling Green, Warren County Fiscal Court and the Board of Education anticipate entering into a PILOT agreement with the company which indicates that the abatement percentage reduction rate may be adjusted by the local authorities should certain requirements not be achieved. The Warren County Fiscal Court or any other local entity involved with the PILOT Agreement will be responsible for notifying the Kentucky Department of Revenue if the local participation rate is reduced below 100% for years 1 and 2 and 50% for years 3 through 10 so the state ad valorem reduction is consistent with the local participation.

Staff recommended approval of the requested percentage reduction in the state ad valorem tax rate on the industrial building and equipment.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Miller 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 the Warren County Fiscal Court, but only approved the reduction on the ad valorem tax rate as provided by KRS 103.200 and KRS 132.020.

Kentucky Enterprise Initiative Act (KEIA) Projects (Extension)

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

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

<u>Company</u>	<u>County</u>	<u>Extension</u>
Heaven Hill Distilleries, Inc.	Jefferson	3 Month
Lux Row Distillers, LLC	Nelson	12 Month
Strong Tower Construction LLC	Jefferson	12 Month

Staff recommended approval of the KEIA extension requests as presented with Strong Tower Construction LLC contingent upon the resolution of an outstanding matter with the Department of Revenue.

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

KBI (Preliminary) and KEIA Project

Chairman Hale called on staff to present the KBI preliminary and KEIA project to the Authority.

United Parcel Service Co. Jefferson County

**Katie Smith
Kate McCane**

Katie Smith stated United Parcel Service Co. (UPS) is the world's largest package delivery company and global leader in supply chain services. The company is considering constructing an additional 2 bay hangar to support the continued expansion of its UPS aircraft fleet, specifically maintenance on the 747-8F aircraft. UPS also will incur many other enhancement projects to the airport and surrounding area. The Approved Affiliates are also considering additional investment costs of at least \$234,000,000 above the projected investment for the Approved Company. Thus, total projected investment for UPS exceeds \$750,000,000.

Kate McCane stated the project investment is \$516,236,609 of which \$466,971,979 qualifies as KBI eligible costs and \$265,197,135 qualifies as KEIA eligible costs. The highest job target

over the term of the agreement is 1,000 with an average hourly wage of \$70.00 including benefits. The state wage assessment participation is 3.00% and Louisville/Jefferson County Metro Government will participate at 1.00%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval. The project will include multiple locations within Louisville/Jefferson County. Only investment costs incurred at 911 Grade Lane will be considered toward calculating eligible costs. Employees and their respective wages at the locations included in the project definition will be eligible for compliance. Only investment costs incurred by the approved company will be considered toward calculating eligible costs. Only the approved company may participate in the corporate income tax credit incentive (no affiliate is eligible). The job creation/maintenance and wage requirements will be satisfied collectively by the approved company and the affiliates, United Parcel Service General Services Co., UPS Worldwide Forwarding, Inc., and United Parcel Service, Inc. (OH), for KBI.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$36,000,000 and the KEIA approved recovery amount of \$2,500,000 for construction materials and building fixtures and \$1,500,000 for flight simulation equipment.

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

KBI Projects (Preliminary)

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

LaurAsh LLC dba ReGadget Kenton County

**Brittany Cox
Debbie Phillips**

Brittany Cox stated LaurAsh LLC dba ReGadget opened for business in January of 2017 with the green initiative of repurposing slightly retired Chromebooks, Apple products and mobile PC equipment. The company offers these products to a wide variety of customers through major marketplaces such as Amazon and Walmart. The company is considering relocating to a larger facility to meet customer demands.

Ms. Phillips stated the project investment is \$4,540,000, 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 \$19.00 including benefits. The state wage assessment participation is 3.00% and the City of Covington will participate at 1.00%.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$250,000.

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

Ag Science Solutions Inc. Simpson County

**Jason Neal
Michelle Elder**

Jason Neal stated Ag Science Solutions Inc. is a start-up industrial hemp extraction operation. The company is considering using an ethanol extraction machine along with ancillary equipment to process a variety of end concentrated products. At full capacity, the extraction machinery could process 12,000 pounds of biomass material per day.

Michelle Elder stated the project investment is \$3,500,000 of which \$950,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 30 with an average hourly wage of \$27.00 including benefits. The state wage assessment participation is 3.00% and the City of Franklin will participate at 1.00%.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$250,000.

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

**The Hollaender Manufacturing Company
Pulaski County**

**Annie Franklin
Michelle Elder**

Annie Franklin stated The Hollaender Manufacturing Company, incorporated in 1946, has operated as a family owned business based in Ohio. The company's main products are structural pipe fittings and handrail systems. These products are used in applications such as rocket launch pads, oil rigs, movie studios, amusement parks, water treatment plants, and powergen facilities around the world. Hollaender is considering establishing a manufacturing location in Somerset.

Ms. Elder stated the project investment is \$667,000 of which \$397,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 16 with an average hourly wage of \$26.47 including benefits. The state wage assessment participation is 5.00%.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$300,000.

Mr. Miller moved to approve the staff recommendation, as presented; Mr. Goodin 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 eight companies requested additional time to complete the projects. Ms. Elder asked that all eight be presented as one motion.

<u>Company</u>	<u>County</u>	<u>Extension</u>
Ring Container Technologies, LLC	Jefferson	3 Month
SCA Personal Care, Inc.	Warren	3 Month
JOMEL Seams Reasonable, LLC	Russell	12 Month
M-I L.L.C.	Boone	12 Month
Reynolds Manufacturing, Inc.	Jefferson	12 Month
Sazerac North America, Inc.	Jefferson	12 Month
Taeyang America Corp.	Simpson	12 Month
Xooker, LLC	Fayette	12 Month

Staff recommended approval of the KBI extension requests.

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

KBI Projects (Final)

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

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

No Modifications:

<u>Project Name</u>	<u>County</u>	<u>Type Project</u>
Kentuckiana Curb Company, Inc.	Jefferson	Manufacturing

Modifications:

**Century Aluminum of Kentucky
General Partnership**

Hancock

Manufacturing

The term of the project increased from 7 to 10 years. All other aspects of the project remain the same.

Integrity Express Logistics LLC

Kenton

Service & Technology

The project location changed from Fort Mitchell to Covington. The City of Covington will participate at 0.50% in wage assessments. The term of the project decreased from ten years to five years. All other aspects of the project remain the same.

Sumitomo Electric Wiring Systems, Inc.

Simpson

Manufacturing

The project has changed from owned to leased with no rent eligible. All other aspects of the project remain the same.

**Wilderness Trace Distillery Limited
Liability Company**

Boyle

Manufacturing

An affiliate, Ferm Solutions, Inc. has been added to the project. The job target increased from 10 to 25. The term of the project decreased from 8 to 5 years. The tax incentive amount increased from \$200,000 to \$250,000. All other aspects of the project remain the same.

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

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

Incentive for Energy Independence Act (IEIA) Projects (Final)

Chairman Hale called on Ms. Palmer to present an IEIA project for final approval to the Authority.

**Lock 14 Hydro Partners, LLC
Lee County**

Ms. Palmer stated Lock 14 Hydro Partners, LLC requested final approval of the IEIA project.

Staff recommended approval of the IEIA negotiated tax incentive amount of \$250,000 and the available recovery methods of sales and use tax refunds.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Miller 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 are 12 Kentucky small businesses, from 10 counties with qualifying tax credits of \$144,000. The 12 businesses created 42 jobs and invested \$248,315 in qualifying equipment or technology.

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

Qualified Small Business	County	Beg. Emp.	Elig. Pos.	Average Hourly Wage	Qualifying Equipment or Technology	Tax Credit
Burns Equine Veterinary Service, PLLC	Scott	0	1	\$ 38.91	\$ 11,695	\$ 3,500
Gladiator Law Marketing, LLC	Madison	6	2	\$ 20.00	\$ 7,189	\$ 7,000
Greene, McCowan & Co., PLLC	Laurel	12	5	\$ 13.21	\$ 24,541	\$ 17,500
Harris, Mackessy & Brennan, Inc.	Jefferson	8	5	\$ 35.10	\$ 17,729	\$ 17,500
Lexington Podiatry, PSC	Fayette	24	3	\$ 13.71	\$ 31,000	\$ 10,500
McCain Bros. Excavating, LLC	Washington	11	6	\$ 19.75	\$ 34,000	\$ 21,000
MILA International, Inc.	Boone	18	1	\$ 12.50	\$ 5,284	\$ 3,500
Mindsight, PLLC	Pulaski	4	2	\$ 15.00	\$ 41,000	\$ 7,000
One Source Logistics LLC	Jefferson	18	5	\$ 16.81	\$ 18,969	\$ 17,500
Polaris of Paducah, Inc.	McCracken	8	2	\$ 18.89	\$ 7,793	\$ 7,000
Shelton & Shelton, LLC	McCracken	9	2	\$ 13.50	\$ 21,030	\$ 7,000
State Electric Company, Inc.	Christian	18	8	\$ 21.00	\$ 28,085	\$ 25,000

Staff recommended approval of the tax credits.

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

Other Business

Audit Report

Ms. Smith introduced Todd Hamilton and John Magrum, MCM CPAs & Advisors, and invited them to review the audited Financial Statements for the years ending June 30, 2019 and 2018 and the Auditor's Communication for year ended June 30, 2019.

Mr. Hamilton stated the audit disclosed no instances of noncompliance and no findings which are required to be reported in accordance with Government Auditing Standards with regard to KEDFA's financial statements for the year ended June 30, 2019.

After review, the Authority accepted the report as presented.

Executive 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 site, 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 11:12 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 11:38 a.m.

Adjournment

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

Mr. Miller moved to adjourn the September KEDFA board meeting; Mr. Goodin seconded the motion. Motion passed; unanimous.

The meeting adjourned at 11:38 a.m.

**APPROVED
PRESIDING OFFICER:**



Jean R. Hale, Chairman