

**KENTUCKY PRIVATE ACTIVITY BOND ALLOCATION COMMITTEE
MINUTES
March 27, 2015**

The Kentucky Private Activity Bond Allocation Committee (the "Committee") meeting was called to order by Lori Flanery, Secretary, Finance and Administration Cabinet, on Friday, March 27, 2015 at 1:30 p.m. in Room 182 of the Capitol Annex, Frankfort, Kentucky. Other members present were Ed Ross, Controller, Finance and Administration Cabinet; Mike Bartlett, proxy for Mary Lassiter, Secretary, Governor's Executive Cabinet; Ms. Jane Driskell, State Budget Director; and Katie Smith, proxy for Larry Hayes, Secretary, Cabinet for Economic Development.

Office of Financial Management ("OFM") and staff to the Committee present were Ryan Barrow, Executive Director and Secretary to the Committee; Sandy Williams, Deputy Executive Director; John Brady and Tammy McCall.

John Egan with Frost Brown Todd, LLC., representing Kelley Beekeeping Company, was present as a guest.

Secretary Flanery verified with staff that a quorum was present and that the press had been notified of the meeting.

The first item on the agenda was the approval of the December 18, 2014 minutes. Ms. Katie Smith made a motion to approve the minutes. Ms. Jane Driskell seconded the motion. **The motion CARRIED.**

Update on Regulation Change – Mr. John Brady presented an update on the proposed amendment to 200 KAR 15:010. He reminded the Committee the regulation change was first discussed in the July 18, 2014 Committee meeting. As a result of the amendment to KRS 103.286 and the creation of KRS 103.282 under Senate Bill 153 during the 2014 Session of the General Assembly, emergency and regular administrative regulation changes were filed on December 19, 2014. The changes added definitions for energy efficiency, added criteria to evaluate energy efficiency projects and amended the Notice of Intent to include energy efficiency projects. Mr. Brady stated the regulation changes went before the Administrative Regulation Review Subcommittee on March 10, 2015, and were approved. They were then referred to the State Government Committee which will meet in April 2015. If the regulation is approved at the meeting in April, then it will go into effect that day. If the committee does not meet in April, then the regulation will be considered final and will go into effect on May 1, 2015.

2015 Available Volume Cap – Mr. Brady gave a summary of the 2015 Volume Cap allocation amounts. He stated that as of July 1, 2014, Kentucky's population was estimated at 4,413,457 and the 2015 federal per capita allocation amount remained at \$100, to bring the total Kentucky volume cap for calendar year 2015 to \$441,345,700. The state issuer pool received 60% of the total allocation or \$264,807,420; the local issuer pool received 30% or \$132,403,710; and the new energy efficient project pool received 10% or \$44,134,570. Mr. Brady also gave an update on the 2015 unused volume cap carryforward amounts. He noted

that the unused volume cap amounts from the last three years (2012, 2013, 2014) total \$1,185,996,293 which is available for use in 2015. The state issuer pool application period ends May 29, 2015.

2105 Local Issuer Pool – Mr. Brady stated the application period for the local issuer pool was open from January 8, 2015 to March 2, 2015, and one application was received. He directed the Committee to the application from Kelley Beekeeping Company. Mr. Brady reminded the Committee that this borrower received a \$10,000,000 allocation approval at the November 13, 2014 Committee meeting. He stated that Grayson County and the company could not reach an agreement so the company decided to move forward and build in Clarkson, Kentucky, the city where their current facility is located. An Inducement Resolution signed by the Mayor of the City of Clarkson was included in the application documents. Kelley Beekeeping Company requested a \$6,600,000 allocation for a project that would construct a new 75,000 square foot facility for manufacturing and showroom space. The company currently employs 130 people and provides over 3,000 products. The company has grown from 60 to 130 employees in the last year with revenues increasing over 50% during that time. This project will help accommodate the company's growth and improve their technology and capital equipment. The project is expected to create 50 new full-time jobs at an average wage of \$10.17 including benefits. Staff recommended approval. Mr. Brady introduced Mr. John Egan from Frost Brown Todd, LLC, who was representing the project. Mr. Egan stated that Kelley Beekeeping Company appreciated the allocation given last November, but they were not able to finalize the timing or come to an agreement on tax arrangements with Grayson County. The company has always been located in the City of Clarkson so they decided to purchase the property they were leasing in the City, build onto the existing facility, and use the city as their issuer. They expect to issue bonds within 60 days of the approved allocation.

Mr. Ed Ross made a motion to approve the recommended 2015 Local Volume Cap allocation to Kelley Beekeeping Company, and was seconded by Mr. Mike Bartlett. **The motion CARRIED** with Ms. Katie Smith abstaining.

Mr. Brady directed the Committee to the 2015 Local Issuer Pool Staff Analysis which provided a breakdown of the scoring of the project. He stated the project from Kelley Beekeeping Company received a score of 70 out of 100. Twenty-five (25) points were deducted for receiving the previous allocation in November 2014 and another five (5) points for receiving other state incentives last year. Ms. Katie Smith asked if there was cap on the maximum allocation amount that a local issuer could receive. Ms. Sandy Williams confirmed that 25% of the entire volume cap for that year is the maximum allowed.

Summary of 2015 Volume Cap – Mr. Brady summarized the 2015 Volume Cap Allocation balances for the State and Local Issuer Pools. If the \$6,600,000 allocation to Kelley Beekeeping Company is approved at this meeting, the remaining balance in the Local Issuer Pool would be \$125,803,710.

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With no further business before the Committee, Secretary Flanery asked for a motion to adjourn. Mr. Mike Bartlett made the motion and was seconded by Ms. Katie Smith. The meeting adjourned.

Respectfully submitted,



Ryan Barrow
Secretary