



CABINET FOR ECONOMIC DEVELOPMENT

Matthew G. Bevin
Governor

Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601
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Terry R. Gill, Jr.
Secretary

Vivek K. Sarin
Executive Officer

March 22, 2019

William M. Landrum III, Secretary
Finance and Administration Cabinet
Room 383, Capitol Annex
Frankfort, KY 40601

RE: Economic Development Bond Grant - \$750,000 to the Todd County Fiscal Court on behalf of Novelis Corporation

Dear Secretary Landrum:

In accordance with KRS 154.12-100, this letter shall serve as notice of my recommendation for the use of \$750,000 in Economic Development Bond (EDB) funds for the purpose of making a grant to the Todd County Fiscal Court for the benefit of Novelis Corporation.

Novelis is the global leader in aluminum rolled products and the world's largest recycler of aluminum. The company has selected Guthrie for its new manufacturing facility. The proposed EDB grant funds will be used to meet market demands from the automotive markets.

In consideration of this EDB grant, Novelis Corporation will be required to make investment and create new, full-time Kentucky resident jobs (excluding contract or temporary employees) in Todd County in accordance with the following schedule:

Compliance Date	Full-Time Kentucky-Resident Jobs Required	Job Type	Annual Average Hourly Wage Required	Average Hourly Wage
December 31, 2022	100	Create	38.50	Total Hourly Compensation (includes benefits)
December 31, 2023	100	Create	38.50	Total Hourly Compensation (includes benefits)
December 31, 2024	100	Create	38.50	Total Hourly Compensation (includes benefits)
December 31, 2025	100	Create	38.50	Total Hourly Compensation (includes benefits)
December 31, 2026	100	Create	38.80	Total Hourly Compensation (includes benefits)

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Novelis Corporation will be required to pay the new jobs an average hourly wage of not less than \$38.50, including benefits.

Under the terms of the EDB grant agreement, if Novelis Corporation fails to created or maintain 100 new, full-time jobs, then Novelis Corporation will be required to pay to the Todd County Fiscal Court the sum of \$1,500 for each new full-time job not created or maintained by the company at each of the five annual measurement dates. Furthermore, if Novelis Corporation fails to pay these jobs the average hourly wage of \$38.50, including benefits, it will be required to pay to the Todd County Fiscal Court a pro rata portion of the EDB grant based on a formula to be outlined in the EDB grant agreement. If the company closes, shuts down or ceases operation at any time during the term of the EDB agreement, then the entire amount of the grant will be due and payable to the Todd County Fiscal Court.

Any funds repaid to the Todd County Fiscal Court by Novelis Corporation must be used for economic development purposes as approved by the Cabinet for Economic Development (Cabinet). In no event will the repayment of EDB grant proceeds exceed the EDB grant amount of \$750,000. Novelis Corporation will be required to provide a letter of credit or other form of collateral satisfactory to the Cabinet as security for the repayment of EDB grant proceeds to the Todd County Fiscal Court.

I respectfully request your concurrence in the funding of this project. If KEDFA approves this proposal, I would ask that you place this project on the next agenda of the State Property and Buildings Commission. Please feel free to contact me if you have any questions.

Sincerely,



Terry R. Gill
Secretary



Vivek Sarin
Executive Officer

cc: Erran Persley
Katie Smith

AGREED TO AND APPROVED BY:



Secretary, Finance and Administration Cabinet

27 March 2019

Date

**KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY
ECONOMIC DEVELOPMENT BOND (EDB) PROJECT REPORT**

Date: March 28, 2019
Grantee: Todd County Fiscal Court
Beneficiary: Novelis Corporation
City: Guthrie **County:** Todd
Activity: Manufacturing
Bus. Dev. Contact: L. Witt **OFS Staff:** M. Elder

Project Description: Novelis is the global leader in aluminum rolled products and the world's largest recycler of aluminum. Novelis is considering locating a manufacturing operation in Guthrie, KY to meet market demands from the automotive markets. The proposed project anticipates the creation of at least 125 new, full-time jobs (including non-Kentucky residents).

Anticipated Project Investment - Owned

	Total Investment
Land	\$0
Building/Improvements	\$113,968,998
Equipment	\$185,381,508
Other Start-up Costs	\$5,500,248
TOTAL	\$304,850,754

Anticipated Project Funding

	Amount	% of Total
Economic Development Bond Grant (State)	\$750,000	0.2%
Bank Loan		0.0%
Local Grant		0.0%
Company Equity	\$304,100,754	99.8%
Other		0.0%
TOTAL	\$304,850,754	100.0%

Job and Wage Requirement Table

Compliance Date	Full-time, Kentucky-Resident Jobs Required	Job Type	Average Wage Required	Average Wage Type
December 31, 2022	100	Create	\$38.50	Total Hourly Compensation (includes benefits)
December 31, 2023	100	Create	\$38.50	Total Hourly Compensation (includes benefits)
December 31, 2024	100	Create	\$38.50	Total Hourly Compensation (includes benefits)
December 31, 2025	100	Create	\$38.50	Total Hourly Compensation (includes benefits)
December 31, 2026	100	Create	\$38.50	Total Hourly Compensation (includes benefits)

* Compliance periods will be annually and first compliance period may be accelerated. Subsequent compliance periods will be adjusted if acceleration occurs.

Collateral Required: Letter of credit, certificate of deposit or other collateral satisfactory to the Cabinet

Job Penalty Provision: \$1,500 per job not created or maintained

Wage Penalty Provision: Pro rata portion of EDB grant based on a formula outlined in the EDB grant agreement

Repayment: Repayment provisions will be included in the grant agreement if the company fails to create or maintain the jobs and pay the required wage by the required measurement dates. Any repaid funds will be due and payable to the Grantee/local government and may only be used by the Grantee/local government for economic development projects authorized by the Cabinet.

Disbursement: Grant funds will be disbursed on a reimbursement basis through the Grantee/local government entity after collateral is received by the Cabinet and the investment begins. Funds will flow through the Grantee/local government entity to the Beneficiary/company.

RECOMMENDED ECONOMIC DEVELOPMENT BOND AMOUNT:

\$750,000

Ownership (20% or more):

Novelis Corporation Atlanta, GA

Active State Participation at the Project Site:

<u>Date</u>	<u>Program</u>	<u>Status</u>	<u>Amount</u>
Jan 23, 2018	KBI	Approve/Prelim	\$8,500,000
Jan 23, 2018	KEIA	Approve/Final	\$3,000,000

Unemployment Rate:

County: 3.1%

Kentucky: 3.8%

Recommendation:

Staff recommends approval of this EDB grant subject to the terms set forth in this report and the recommendation letter from the Secretary of the Cabinet for Economic Development (CED). In accordance with KRS 154.12-100, KEDFA's approval of this EDB grant is subject to CED's receipt of the Secretary of the Finance and Administration Cabinet's concurrence to CED's use of the EDB funds for this project.