



TO: Mayor Jim Gray  
Lexington Fayette Urban County Council

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FROM: Gina Greathouse  
Senior Vice President, Economic Development, Commerce Lexington Inc.

DATE: November 7, 2013

RE: Kentucky Business Investment program  
Alliance Coal, LLC

Alliance Coal, LLC has submitted an application and received preliminary approval from the Kentucky Economic Development Finance Authority to participate in the Kentucky Business Investment (KBI) program. Alliance Coal's decision to expand its regional headquarters in Lexington will create wealth and provide additional job opportunities for the citizens of Lexington and the surrounding area.

The company plans to create 25 new jobs with an average wage of approximately \$65,000 per year plus benefits. The company has determined the median wage is approximately \$78,000 per year. Alliance Coal plans to invest \$8.3 million in land, new construction, and equipment and start-up costs.

With the KBI program, the state and local government enter into a ten-year agreement with an approved company under which the business can recover up to 100% of its start-up and equipment costs through Kentucky corporate income tax credits and a wage assessment fee of up to 4%. Although the company may not actually use the full KBI benefit, we demonstrate in the chart below the maximum amount that the company could recover through the local 1% wage assessment.

The maximum potential fiscal impact of this project is summarized in the following table.

New		Total	KY portion	LFUCG portion	LFUCG
F-T	Total	Wage	of Wage	of Wage	Projected
Jobs	Payroll	Assessment (4%)	Assessment (3%)	Assessment (1%)	Collections(1.25%)
15	\$975,000.00	\$39,000.00	\$29,250.00	\$9,750.00	\$12,187.50
20	\$1,300,000.00	\$52,000.00	\$39,000.00	\$13,000.00	\$16,250.00
25	\$1,625,000.00	\$65,000.00	\$48,750.00	\$16,250.00	\$20,312.50
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	\$15,275,000.00	\$611,000.00	\$458,250.00	\$152,750.00	\$190,937.50

This is an excellent project for our community and I strongly recommend approval of the 10 year local 1% wage assessment benefit through KBI.

Cc: Kevin Atkins, LFUCG