




TO: Mayor Jim Gray
Lexington Fayette Urban County Council

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

DATE: October 26, 2012

RE: Kentucky Business Investment program
Xact Associates, LLC dba Xact Communications

Xact Associates, LLC dba Xact Communications has submitted an application and received preliminary approval from the Kentucky Economic Development Finance Authority to participate in the Kentucky Business Investment (KBI) program. Xact Communications' decision to locate their new telecommunications 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 20 new jobs with an average wage of approximately \$69,000 per year plus benefits. Xact Communications plans to invest nearly \$1,500,000 in new equipment, building improvements, start-up costs, and lease costs for a 10-year period.

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 costs and 50% of the annual rent 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.

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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%)
20	\$1,380,288.00	\$55,211.52	\$41,408.64	\$13,802.88	\$17,253.60
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	\$13,802,880.00	\$552,115.20	\$414,086.40	\$138,028.80	\$172,536.00

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

Economic Impact Statement for the Bluegrass Alliance Region

Created at

Research sponsored by



June 5, 2012

contact: Paul Coomes (502.852.4841) or Barry Kornstein (502.852.4866), University of Louisville

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Project Name: **Xact Communications**

Major product or service: **Telecommunications services headquarters**

Proposed Site: **Fayette County, KY**
Fayette County

Direct Impact

Estimated Annual Net New Impact

Jobs (full-time equivalents)	20
Average annual earnings per job (assumed)	\$69,014
Total payroll, excluding benefits	\$1,380,280
Average value of merchants inventory	\$0
Average value of goods in storage, public warehouses	\$0
New taxable real estate (buildings, improvements, enhanced land value)	\$0
New manufacturing machinery	\$0
New taxable tangible property (non-mfg equipment)	\$1,327,942
New motor vehicles	\$0
City/County occupational tax revenues	\$31,056
City/County property tax revenues	\$843
County Public School System occupational tax revenues	\$4,141
County Public School System property tax revenues	\$2,399
Kentucky State property tax revenues	\$1,992

Local Economic Multipliers for this Project

Indirect Effects (intra-industry spending)

Employment	1.78
Compensation	1.47

Induced Effects (household spending)

Employment	1.31
Compensation	1.17

Total Effects (Indirect + Induced)

Employment	2.33
Compensation	1.72

Indirect (Intra-Industry) Employment and Payroll Impacts

Jobs in 8 County Bluegrass Alliance Region		16	
Bourbon County, KY	0	Jessamine County, KY	1
Clark County, KY	1	Madison County, KY	1
Fayette County, KY	10	Scott County, KY	1
Franklin County, KY	1	Woodford County, KY	1

Payroll in 8 County Bluegrass Alliance Region \$655,300

Bourbon County, KY	\$11,774	Jessamine County, KY	\$23,673
Clark County, KY	\$25,169	Madison County, KY	\$28,222
Fayette County, KY	\$448,343	Scott County, KY	\$77,012
Franklin County, KY	\$22,163	Woodford County, KY	\$18,943

Induced (Household) Employment and Payroll Impacts

Jobs in 8 County Bluegrass Alliance Region		11	
Bourbon County, KY	0	Jessamine County, KY	1
Clark County, KY	1	Madison County, KY	1
Fayette County, KY	7	Scott County, KY	0

Franklin County, KY

0

Woodford County, KY

0

Payroll in 8 County Bluegrass Alliance Region		\$343,026	
Bourbon County, KY	\$8,454	Jessamine County, KY	\$22,060
Clark County, KY	\$14,190	Madison County, KY	\$19,567
Fayette County, KY	\$243,543	Scott County, KY	\$15,730
Franklin County, KY	\$7,364	Woodford County, KY	\$12,119

Total (Direct + Indirect + Induced) Employment and Payroll Impacts

Jobs in 8 County Bluegrass Alliance Region		47	
Bourbon County, KY	1	Jessamine County, KY	2
Clark County, KY	1	Madison County, KY	2
Fayette County, KY	38	Scott County, KY	2
Franklin County, KY	1	Woodford County, KY	1

Payroll in 8 County Bluegrass Alliance Region		\$2,378,606	
Bourbon County, KY	\$20,228	Jessamine County, KY	\$45,733
Clark County, KY	\$39,359	Madison County, KY	\$47,789
Fayette County, KY	\$2,072,166	Scott County, KY	\$92,742
Franklin County, KY	\$29,527	Woodford County, KY	\$31,062

City/County Occupational Tax Revenues

Bourbon County, KY	\$389	Jessamine County, KY	\$977
Clark County, KY	\$1,104	Madison County, KY	\$1,321
Fayette County, KY	\$46,624	Scott County, KY	\$1,565
Franklin County, KY	\$619	Woodford County, KY	\$730

County Public School System Occupational Tax Revenues

Fayette County, KY	\$6,216	Scott County, KY	\$464
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Kentucky State Tax Revenues

Kentucky State Individual Income Tax Revenues	\$92,719
Kentucky State Sales Tax Revenues	\$91,778

Summary of Tax Revenues

City/County Governments	\$54,172
County Public School Systems	\$9,079
Kentucky State Government	\$186,489

Additional tax revenues and other collections are likely, but are not as easy to measure. These include the County-wide net profits tax, the County-wide insurance premium tax, Kentucky corporate income and license taxes, Kentucky motor vehicle usage and gasoline taxes.

No attempt is made to estimate any public costs associated with the proposed economic development.

Calculations assume property listed is "new". The average annual taxable value of tangible personal property is assumed to be 1/3 of the purchase price.

Estimated impacts do not take account of, and are not reduced by, any tax incentives for the direct or indirect jobs added.