

Approved Minutes

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Victor Office Center, 201 North Washington Square, 4th Floor, Lansing, Michigan on March 1, 1996 at 10:30 a.m.

Members Present:

Doug Rothwell, Chairperson
Elizabeth McDermott Chappell (via phone)
Phil Kazmierski (acting for and on behalf of Robert A. Welke, authorization attached)
Mark Hilpert (acting for and on behalf of Doug Roberts, authorization attached)
John McCormack
David Porteous
William LaMothe (via phone)
Mark Murray

Others Present:

Gary Barnett, IMCO Recycling
Diana Burns, Michigan Jobs Commission
Matt DeLong, Michigan Department of Transportation
Joyce Elferdink, Branch County Economic Growth Alliance
Jim Donaldson, Outstate Regional Director, Michigan Jobs Commission
Lee Newton, IMCO Recycling
Mike Pohnl, MEGA Specialist, Michigan Jobs Commission
Larry R. Schrauben, Michigan Jobs Commission
Bill Stewart, City of Coldwater
Douglas Stites, Chief Operating Officer, Michigan Jobs Commission
Tony Tummarello, IMCO Recycling
Don VanVleet, IMCO Recycling
Deirch Velarde, Michigan Jobs Commission
John Wernet, Attorney General's Office

Call to Order

The meeting was called to order by Chairman Rothwell at 10:35 a.m.

Adoption of the Minutes from the February 20, 1996 Meeting

It was moved, supported, and carried that the Minutes from the February 20, 1996 meeting be adopted.

Public Comment

None

Composition and Function of Executive Committee

Mr. Rothwell stated that it is very critical to have adequate participation on the Executive Committee from both the public and private sectors for the purpose of reviewing applications, raising issues, and making recommendations to the full Board. In addition, it is desirable to have the flexibility for alternate members to participate on the Executive Committee if one of the current members is unable to attend an Executive Committee meeting. Current members of the Executive Committee are: Doug Rothwell, David Porteous, Elizabeth McDermott Chappell and Doug Roberts.

Further, there is a need to have a Chairperson of the Executive Committee who is responsible for running the meeting and reporting the Executive Committee's recommendations on individual applications to the MEGA Board. MEGA staff would present the applications with staff's recommendations for the Executive Committee's review and recommendation.

Mr. Rothwell went on to explain that because David Porteous is currently the Vice Chairperson of the MEGA Board it would be appropriate for him to be Chairperson of the Executive Committee also.

Mr. Rothwell explained there are two motions before the Board for consideration and approval, one for the appointment of a Chairperson of the Executive Committee and one to identify the Executive Committee and designate their respective alternates.

It was moved, supported, and carried that David Porteous be appointed Chairperson of the Executive Committee.

It was moved, supported, and carried that the Executive Committee would consist of the following Members and that alternates be selected for the Executive Committee when a member is unable to attend the meeting.

For Doug Roberts (or designee) the alternate is Mark Murray (or designee)

For David Porteous the alternate is John McCormack

For Elizabeth McDermott Chappell the alternate is William LaMothe

For Doug Rothwell the alternate is Doug Stites

Action Item

IMCO Recycling, Inc.
Central Tower at Williams Square
5215 N. O'Connor Blvd., Suite 940
Irving, Texas 75039

Chairman Rothwell introduced Mr. Jim Donaldson of the Michigan Jobs Commission and stated that Mr. Donaldson would be presenting a summary of the proposed project.

History of Company

IMCO began in Sapulpa, Oklahoma as a manufacturer of magnesium and magnesium nodes. The company rapidly expanded to include the secondary processing of aluminum dross which is a by-product of aluminum processing. During the 1970s and 1980s, IMCO's product mix grew to include all forms of magnesium and aluminum scrap. Between 1987 and 1993, the company grew by 350 percent. Currently, IMCO operates 12 facilities it has either built or purchased.

Project Description

IMCO plans to build a new facility in either Fort Wayne, Indiana or Coldwater, Michigan. It will be a fully integrated aluminum recycling plant based on proprietary IMCO technology. The plant would be sited on 50 acres to allow room for expansions. Production equipment would include six furnaces, environmental systems to meet air quality standards, storage, shipping, receiving, and transportation equipment. Investment for this project will be approximately \$12 million and is expected to create 110 jobs that will provide an average weekly wage of \$500.

Cost Analysis

Based on figures obtained from the company, the annual cost disadvantage for IMCO to establish their manufacturing facility in Coldwater, Michigan rather than in Fort Wayne, Indiana, is approximately \$550,000 over the term of the incentive. The cost differential is primarily attributable to utility and transportation costs.

Benefit to State

Based on the economic analysis done at the University of Michigan, it is estimated that this facility will generate a total of 221 new jobs in the state by the year 2009. Total state government revenues through the year 2009, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$6,783,000 (1996 dollars) due to the presence of the IMCO Recycling facility.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 12 years and a business activity credit of 100 percent for a period of 10 years for up to 110 employees.

Board Members Discussion

Mr. Porteous stated that this application illustrates the flexibility of the MEGA program to tailor the tax credits to each project and the ability of Michigan to compete effectively with other states for new plant location and other investments.

Mr. Porteous indicated that the first question he always asks is if the project could be done without the benefits of MEGA. He stated it was his opinion that this project would not have been possible without the MEGA credits.

Mr. McCormack questioned if the REMI Study done by the University of Michigan included workforce development training costs and infrastructure incentives? Mr. Pohnl responded that the study does not include the infrastructure funds because they are federally funded, but does include workforce training costs.

Mr. Murray asked who the customers were for the new Coldwater plant? Mr. Tummarello responded that the project is a joint venture with Alchem Aluminum to service 50% of their aluminum needs. The remaining capacity will service other IMCO customers in Indiana, Ohio, Michigan, New York and Canada.

Mr. Murray wanted to make sure MEGA staff was aware that the potential exists with the REMI Study for double counting the job impact. Mr. Pohnl responded that this issue has been discussed with the University of Michigan staff on several occasions and that he has been assured that, to the extent possible, the analysis adjusts for the potential of overstating job impact. The REMI Study for the IMCO project used a multiplier of less than two.

Mr. Kazmierski asked how IMCO's products were transported? Mr. Tummarello responded that currently trucks are used but there is a potential for rail usage later as the company grows.

Mr. Porteous asked if it was true that IMCO ships the metal in liquid form and whether this was unique to IMCO? Mr. Tummarello responded that this was unique to IMCO and that this product accounted for approximately 50% of the company's business.

It was moved, supported, and carried that Resolution 1996-004 awarding tax credits to IMCO Recycling, Inc. be adopted.

ADOPTED:

AYES: Doug Rothwell, Phil Kazmierski (acting for and on behalf of Robert A. Welke, authorization attached), Mark Hilpert (acting for and on behalf of Doug Roberts, authorization attached), Elizabeth McDermott Chappell (via phone), William LaMothe (via phone), John McCormack, David Porteous, Mark Murray

NAYS: None

Mr. Rothwell suggested that Mr. Stites give an update regarding the March 12th meeting. Mr. Stites indicated that there are three applications for the March 12th meeting and an outside chance that two more will be added. Currently, there are three applications for review at the Executive Committee scheduled for March 7th.

Mr. Stites also indicated that there are at least four or five other applications in the initial stages. Mr. Stites stated it would be a good idea not to schedule another special meeting in March -- other than the regularly scheduled March 12th meeting and we should try to adhere to the regular monthly meeting schedule.

Mr. LaMothe (via phone) left the meeting at 10:55 a.m.

Mr. Porteous asked if Mr. Stites had any idea how many applications could be considered in 1996. Mr. Stites responded possibly in the 20-25 range. Mr. Rothwell reminded the Members that the limit for 1996 is still 25 because the statute has not been amended.

Adjournment

The meeting adjourned at 10:57 a.m.