

COUNCIL ON DEVELOPMENT FINANCE

March 25, 2013

PUBLIC HEARING 393

THOSE PRESENT:

Mr. Andy Lubin, Chairperson
Senator Brian Bushweller
Steve Biener, Esquire
Honorable Nancy Cook
Mrs. Richelle Vible

Director Alan Levin
Mrs. Rachael Mears
Ms. Cassie Robbins
Mrs. Lee Porter
Mrs. Bernice Whaley
Mr. Mr. Wessels Stone
Mr. Tim McLaughlin
Mr. Peter Bothum

ALSO PRESENT: **GE Aviation** – Mr. Wessels and Ms. Liz Connolly; **Mountaire Farms of Delaware, Inc.** – Mr. John Wren; Ms. Courtney Stewart, Controller General's Office; Mr. Adam Damin and Mr. Brian Maxwell with OMB; Ms. Melinda McGuigan, EDIS, and Mr. Andrew , Senator Coons' Office

LOCATION: Buena Vista, 661 South DuPont Highway, New Castle, Delaware 19720

TIME: 9:00 A.M.

CALL TO ORDER

The meeting was called to order at 9:00 A.M. by Chairman Lubin, on Monday, March 25, 2013.

OLD BUSINESS:

Senator Bushweller made a motion that the minutes of the February 25, 2013 Council on Development Finance meeting be approved as presented. Mrs. Vible seconded the motion which was then adopted by unanimous vote.

NEW BUSINESS:

Mountaire Farms of Delaware, Inc. ("Mountaire" or the "Applicant"): The Applicant is requesting a grant from the Delaware Strategic Fund in an amount not to exceed \$255,000. The Applicant proposes to uses the funds for the construction of a Hatchery addition to its existing operations in Millsboro, Delaware (the "Project").

Mr. Stone presented this request to the Council. He stated that DEDO had worked with the Department of Agriculture on this Project. He stated that Mountaire is one of the largest poultry companies in Delaware with 3700 employees on the Delmarva Peninsula. He stated that Mountaire is expanding again and though it may be small in dollars, he explained that it will make a big difference for Mountaire.

Mr. Stone stated that this expansion of a 21,000 square foot addition to the building will increase Mountaire's hatchery production by over 750,000 chicks per week, increasing the total to over 1,800,000 per week. This expansion will also result in adding approximately 40 new chicken growing houses on the Delmarva Peninsula.

Mr. Stone stated that this is a fully integrated poultry processing facility and major hatchery. Mountaire also has grain elevators in Harrington.

Mr. Stone stated that the request is for the expansion to be funded as a capital expenditures grant. He added that not only will four new jobs be created, but it will expand Mountaire's presence as these chickens will be marketed throughout the world.

Mr. John Wren stated that he had been with Mountaire for 28 years. He stated that it is an exciting project which will expand its customer base and that there is a need for Mountaire's product. He stated that the Millsboro plant is at 100% capacity. He stated that they produce over 2,000,000 eggs a week and currently have four different companies hatching eggs for them; located in New York, Pennsylvania, Georgia and Maryland. He stated that they want this operation at their own facilities so they can fully control the operation.

Mr. Wren stated that they needed a place to keep the eggs cool so that the eggs would not start developing inside the egg. He stated that Mountaire expects to spend \$8.5 million on this Project which will include updating some of the processing equipment. He added that they will be able to process 90,000 chickens an hour.

Mr. Wren stated that Mountaire is putting some new technology into this hatchery, which will affect the growth of the eggs. He explained that as an embryo grows, it starts developing its own heat in the egg shell. He stated Mountaire is taking the embryonic heat from the egg, running it through heat exchangers, saving Mountaire about \$65,000 in heat costs.

Mr. Biener asked if the facilities that were being consolidated were in or out of Delaware. Mr. Wren stated they were currently located out of Delaware.

Chairman Lubin asked if there were any public comments; there were none.

Motion Made By: Senator Cook
Seconded By: Mrs. Vible

TO: Recommend a Capital Expenditure grant in an amount not to exceed Three Percent of \$8,500,000 in qualified capital expenditures for a total amount not to exceed \$255,000, such proceeds being used for the construction of a Hatchery addition to the existing operations located in Millsboro, Delaware.

Approved by Vote of 5 to 0.

GE Aviation (“GE Aviation” or the “Applicant”): The Applicant, located at 400 Bellevue Road, Newark, Delaware, is requesting a performance grant in an amount not to exceed \$304,833 and a capital expenditure matching grant in an amount not to exceed \$810,000 from the Delaware Strategic Funds to be used for the transformation and expansion of its Newark, Delaware facility (the “Project”)

Ms. Whaley presented this request to the Council. She stated that GE is requesting a \$304,833 performance based grant based on the creation of 70 new full-time positions and a capital expenditure grant for 3% of \$27,000,000 up to \$810,000 for the building renovation and new equipment in order to transform its Newark, Delaware facility into a LEAN laboratory to demonstrate the production flow of its ceramic composites materials.

Mr. Wessels stated that GE Aviation wants to grow the Newark, Delaware operation into a LEAN lab for the business. He stated that this transformation would create seventy new jobs for the Newark site with investments of \$27,000,000 in capex costs. He stated that GE Aviation has developed a ceramic matrix composite which is a material that is very light and has a high heat capability. Mr. Wessels stated that GE Aviation currently has 84 people and they hope to go to 100 this year and to 154 by 2016 based on projections.

Mr. Wessels stated that GE Aviation has eleven LEAN labs currently. He stated that the company wants to prove out the technology and industrialize it at the Newark facility. He stated that they would also be able to do low rate initial productions and they would develop new hardware as well. Mr. Wessels stated that the initial driver for growth is the “leap engine”. He added that the company is looking at significant growth for 2020. Mr. stated that GE Aviation has sold 4,500 of these new engines. He stated that the GE9X is the largest engine in the world and that GE Aviation will be the exclusive producer of the Boeing 777-X. Mr. Wessels stated that the company will be making low pressure turbine blades, turbine nozzles and turbines.

Mr. Wessels stated that the company’s positions are highly skilled positions. He stated that their current facility limits the company in producing their hardware. He added that by adding people and equipment, the company hopes to go to 50 parts per day from the 10 parts they do today.

Mr. Lubin asked if there was a way to attract more University of Delaware students into their company. Mr. Wessels stated that they do not actually have a co-op program but

they do have summer students. He added that they have one summer student who will be hired permanently. Mr. Wessels stated that he is meeting with Dr. Lesby of the University of Delaware to see how they can work together on this matter.

Mrs. Vible asked about a LEAN lab – do these labs have a defined life. She asked if the company had other products that could be produced in the next generation. Mr. Wessels stated that everything is finite but he doesn't see this operation ending anytime soon. He stated that he believes that this operation will go well into 2030 and beyond. He stated the company has actual scenarios for volume growth into the late 2030s. He stated that this plant is very viable.

Director Levin stated that since 2009, he and the Governor have visited GE Aviation several times. He stated that it is a remarkable facility and that what they create is nothing short of amazing. He stated that GE Aviation took the weight out of a product and made something stronger and better. Director Levin stated that GE Aviation came to DEDO at the end of last year and presented DEDO with this opportunity and the deal was quickly put together. He stated that he believes this Project is a great opportunity for lab space and many opportunities down the road.

Chairman Lubin asked if there were any public comments; there were none.

Motion Made By: Mr. Biener
Seconded By: Senator Bushweller

TO: Recommend a performance grant in an amount not to exceed \$304,833 and a capital expenditure matching grant in an amount not to exceed \$810,000 from the Delaware Strategic Fund, such funds being used for the transformation and expansion of its Newark, Delaware facility.

Approved by Vote of 5 to 0.

Recognition of Council Member: Mr. Biener recently submitted his resignation from the Council and today is the last meeting he will be attending. Director Levin complimented Mr. Biener on his superb participation. On behalf of the State of Delaware and the Governor, Director Levin thanked Mr. Biener for his service and dedication. He stated that it has been a pleasure working him.

Executive Session – Ms. Vible made a motion that the Council go into executive session pursuant to 29 Del. C. §10004(b) to conduct a strategy session for the purpose of obtaining legal advice or opinion from an attorney-at-law, with respect to pending or potential litigation related to collection issues, which if conducted in an open meeting, would have an adverse effect on the bargaining or litigation position of the Authority, and to discuss draft financial statements, which do not constitute public records within the meaning of 29 Del. C., § 10002(l). The motion was seconded by Senator Bushweller which was then adopted by unanimous vote.

Mr. Biener made a motion that the Council go out of executive session. The motion was seconded by Senator Bushweller which was then adopted by unanimous vote.

ADJOURNMENT

The meeting adjourned at 10:25 a.m.

Respectfully submitted,

Lee Porter, Secretary

LKP

cc: Members of the Council on Development Finance
Director Alan Levin
Cynthia Collins, DAG

The next CDF meeting is scheduled for Monday, April 22, 2013 at 9:00 A.M. at the Haslett Building in Dover, Delaware.