

EDA/EDC Joint Board Minutes
Thursday, July 12, 2018 – 7:30 AM – 9:15 AM
Yellowstone Room, 1st Floor - Granite Tower

BIG SKY ED Mission Statement: - Focused on sustaining and growing our region's vibrant economy and outstanding quality of life, Big Sky Economic Development provides leadership and resources for business creation, expansion, retention, new business recruitment and community development.

EDA Board Members Present: Chuck Tooley, Cory Moore, Dana Pulis, Fred Sterhan, Greg McDonald, Jennifer Smith, Ken Lutton, Robin Rude, Sheri Nicholson, Greg Upham (ex-officio)

EDA Board Members Absent: Mitch Goplen, Paul Neutgens, John Brewer (ex-officio)

EDC Board Members Present: Bob Wilmouth, Craig Bartholomew, Dan Edelman, David Ellis, Debbie Singer, Duncan Peete, Eric Simonsen, Denis Pitman, Jon Stepanek, Mac Fogelsong, Mike Nelson, Mike Phillips, Mike Seppala, Molly Schwend, Steve Loveless

EDC Board Members Absent: Aaron Ramage, Andy Gott, David Trost, Doug Hansen, Ty Elkin, Wayne Nelson

Staff and Guests: Steve Arveschoug, Allison, Corbyn, Lorene Hintz, Hailey McDonald, Jim Tevlin, Deanna Langman, Karen Baumgart, Ben Rose, Brandon Berger, Patrick Klugman, Dianne Lehm, Alex Tyson, Kristi Drake, Lew Anderson, Matt Lurker

Call to Order:

Jennifer Smith, EDA Chair, called the meeting to order at 7:30 am with the Pledge of Allegiance.

Public Comment/Recognitions/Special Announcements:

Steve began by welcoming Chancellor Edelman to our Board. Chancellor Edelman spoke to how warmly the community has welcomed his wife and himself. Additionally, Commissioner Denis Pitman has replaced Commissioner John Ostlund on our Board as well. Finally, we would like to recognize the outgoing SD2 Superintendent, Terry Bouck. Terry's service on our Board and in our community has been significant and he will certainly be missed. With that, we are excited to welcome new Superintendent Greg Upham to our Board. Greg comes to us from Helena and we are excited to begin our partnership with him.

Next was Alex Tyson with Visit Billings presented to the Board. Alex passed around materials and publications both recognizing Billings as an excellent community to live and as a destination to visit. Visit Billings puts "Heads in Beds". The number of 12.2 Million non-Montana residents visited our state last year and it's important we increase this number to capitalize on the dollars being spent on our local economies. The top expenditures for out-of-state individuals are fuel, restaurants and bars, retail sales, lodging, and vehicle rentals. The campaign for Visit Billings has been "Billings, Montana's Trailhead". Over the next 12-24 months, this will likely evolve into "Forge Your Own Path".

Changes to Today's Agenda:

There was one change to the agenda, under Brandon's report, we'll talk about a Smart Audit right after the loan approvals.

Consent Agenda:

Approval of the June 2018 Board Meeting Minutes and the May 2018 EDA and EDC Financials

Motion: Sheri Nicholson, to approve the June 2018 Board Meeting Minutes and the April 2018 EDA and EDC Financials, as presented to the Board.

Second: Mike Seppala

Discussion: None

Motion carried

Program-Level Reports and Action Items:

Big Sky Finance - Brandon

Brandon presented his loan approval requests.

Motion will be taken at a later time to approve Jason Tanguay, DDS, LLC/Interproximal Spaces, LLC and Snyder Motors Inc./Z Enterprises LLC loans because we did not have a qualified quorum of two lenders to approve the SBA 504 loan request for Interproximal Spaces LLC and Z Enterprises LLC.

Glacier Country Enterprises, LLC/Nelson Real Estate Holdings, LLC – Request is for the purchase of land and new construction for Nelson’s ACE Hardware located in Whitefish, MT. This will be a relocation and expansion of this existing business currently located in downtown Whitefish. The new location will be located at 6490 Highway 93 South and will provide much better accessibility and visibility. The new building will be much larger and consist of 14,000 S.F. which will allow them to expand their product lines, lawn and garden center and eventually sell bulk items and add a small engine repair shop. The Nelson family has owned and operated Nelson’s ACE Hardware in Whitefish for over 70 years. Richard and Marilyn Nelson are second generation owners.

There are projected to be two new jobs created resulting from this project. Public Policy goal for Rural Development and Veteran Owned business, along with a Community Development goal for being located in a HubZone will be achieved. The total SBA debenture will be \$1,229,000 on a 25-year note comprising 36.87% of the total project costs. Big Sky EDC will be in a 2nd lien position on the real property behind First Interstate Bank of Whitefish.

Motion: Debbie Singer, to approve the Glacier Country Enterprises, LLC/Nelson Real Estate Holding, LLC loan request, as presented to the Board.

Second: Duncan Peete

Discussion: None

Motion carried

In addition to loan approval requests, Brandon presented the findings of the SBA SMART Audit. The final report has been issued and Brandon is asking the Board for acknowledgement of the receipt of the audit. The letter is included on the next page.

Motion: Craig Bartholomew, to approve the acknowledgement of the findings of the SMART audit as presented to the Board.

Second: Eric Simonsen

Discussion: None

Motion carried

Big Sky EDC Board Meeting – July 12, 2018

SMART Analytical Review Report Summary

Result: Acceptable with Corrective Action Required

Findings:

1. CDC does not provide Board with reports on 504 portfolio asset quality and industry concentrations on at least a semi-annual basis, Board meeting minutes are not signed, and CDC does not maintain Executive Committee.
2. CDC did not provide timely submission of Statements of Personal History (Form 1081) for new Board members.
3. Meeting minutes indicated a Board member did not abstain from voting on a loan approval where the TPL was the Board member's employer.
4. CDC's internal control policy does not include all key SBA Loan Program requirements.
5. CDC CPA engagement letter does not comply with SBA Loan Program requirements.

Recommendations for Improvement:

1. BSEDC should ensure its bank deposits are fully protected by FDIC.
2. BSEDC should provide its Board of Directors with 504-related training.
3. Modify its Conflict of Interest Policy to ensure potential conflicts of interest are re-evaluated on an ongoing basis.
4. Ensure Independent Loan Reviews are completed at least annually.
5. Revise its Risk Rating methodology.
6. Incorporate key SBA Loan Program requirements for eligibility, underwriting, closing and servicing into its Loan Policy Manual.
7. Ensure that it maintains a diversified loan portfolio so industry concentrations do not reach a level that would increase financial risks for SBA.

Timeline:

1. All EDC Board of Directors must acknowledge receipt of the Report within 30 days (by July 27).
2. Respond in 30 days (by July 27) to OCRM describing how we intend to address the above-referenced Findings and Recommendations for Improvement, along with a detailed timeline by which Corrective actions will be completed.
3. Complete within 120 days all Corrective Actions. All must be in place and approved by the Board of Directors within 120 days.

Recruitment: Update One Big Sky District Dev. Plan – Allison/Steve

Allison presented an update on the One Big Sky District. Tomorrow, July 13, 2018, will be the first work session as we enter the planning phase of the project.

With regard to the Line of Credit Agreement with the DBA, the Phase I site assessment on the Yesteryear Antiques property has been provided to the Board. If the building should undergo extensive remodeling or a demolition, additional testing may need to be done.

Motion: Greg McDonald, to approve the findings of the environmental assessment, as presented to the Board.

Second: Robin Rude

Discussion: None

Motion carried

Ben then came up to explain the particulars of the line of credit.

Motion: Dana Pulis, to approve the terms in the DBP Line of Credit Agreement, as presented to the Board.

Second: Ken Lutton

Discussion: None

Motion carried

Allison gave an Air Service update. Flight loads have been in the high 80% range, which is considered strong performance, but because of rising fuel costs, we dipped into our revenue guarantees to cover the airline's higher costs. It is important to note that there will be no revenue guarantees next year.

BillingsWorks – Overview of 2018 State of the Workforce Report – Karen

Karen presented the findings of the State of the Workforce Report. The full report is available online at BillingsWorks.com. Karen framed the discussing by comparing the supply and demand of the future workforce. We have more open jobs than we do new graduates in our community. In addition, we have additional positions coming open because of Baby Boomers retiring and leaving the workforce. Karen discussed the need for employers to become innovative in where they find talent. BillingsWorks is addressing that need by partnering with the community to provide training programs for employability skills, focusing on program development at the Career and Technical Education Center, and helping employers build internships and apprentice models. Karen also recognized our summer intern, Hailey McDonald, and the outstanding work she has been doing for our organization.

Future Facilities Taskforce - Update – Becky/Jennifer

Becky gave an update on the Future Facility Taskforce. The RFP was released on June 28th and a Mandatory Meeting held on July 11th that all potential proposers were required to attend. There were about 16 different entities represented so we are hopeful we will receive some proposals. Proposals are due on August 2nd and then the Taskforce will vet the options. We hope to bring a recommendation to the Board for consideration in September.

Community Development – Strategic Placemaking Projects – Dianne

Skyline Trail Project – Dianne introduced Kristi Drake, Executive Director of Trailnet, to our Board. Kristi spoke about the importance of having a trail system and how that fits into the idea of placemaking and talent attraction. The amount of \$504,000 has been contributed to the trail systems of Billings since 2004. Billings currently has in excess of 50 miles of trails. One of the drawbacks is that very few of them are linked together. Currently, an 18 - mile (broken) loop is built around Billings. By filling in the remaining eight miles to connect the marathon loop, Billings could open itself up to a significant recreation opportunities.

Motion: Chuck Tooley, to approve to draft a letter of support for Trailnet's proposed funding mechanism, as presented to the Board.

Second: Mac Fogelsong

Discussion: None

Motion carried

TEDD Reimbursement Agreement Amendment – Dianne spoke about the TEDD Reimbursement Agreement Amendment. Two property owners missed the opportunity to be included in the TEDD boundary. With this request in mind, Community Development took the issue to the commissioners to re-zone the parcels and introduce them to the TEDD. The amendment would be to add the \$6,800 cost to the agreement.

Motion: Sheri Nicholson, to approve to add \$6,800 to the TEDD Reimbursement Agreement Amendment, as presented to the Board.

Second: Duncan Peete

Discussion: None

Motion carried

Coulson Park Master Plan Update – Dianne gave an update on the funding raised for the Coulson Park Master Plan. They are within \$3,000 of the \$90,000 total.

PTAC 20th Anniversary “Real Impact for 20 Years” – Deanna

Since we were short on time, Steve gave an abbreviated report on the PTAC 20th Anniversary “Real Impact for 20 Years” and asked Deanna if she would wait until the next Board meeting to talk about the accomplishments on this.

Executive Director’s Report – Steve

August Dialogue with Executive Committee – Steve mentioned that since there will be no Board meeting in the month of August, any Board Member is welcome to join the Executive Committee meeting if they were to feel so inclined. The August Executive Committee meeting will be a dialogue discussing hot topics. He welcomed any suggestions about what those hot topics should be.

MEDA Policy Initiatives/Ad Hoc Legislative Committee – As part of his new role as MEDA Board President, Steve spent 1.5 days working on legislative strategy. Some programs and funding will sunset in 2019, including the funding for the SBDC and other key programs, so there will be a push for extending that funding as well as other new economic development tools.

July 16th Staff Breakfast FY 2019 Kickoff – Work Plans/Goals and Strategic Priorities – Steve informed the Board the staff will be having a Fiscal Year 2019 Strategy kick-off breakfast on July 16th. The discussion will focus on what it will take as a team to help each program meet its goals.

Public Comment: None


Meeting adjourned: 9:22 am

Next Meeting – September 13, 2018

Respectfully submitted,



Robin Rude, EDA Secretary/Treasurer



Mike Seppala, EDC Secretary/Treasurer

When approved, minutes and meeting materials will be filed electronically in the Big Sky EDA office.

Big Sky Economic Development Board of Directors will make reasonable accommodations for known disabilities that may interfere with an individual's ability to participate. Persons requiring such accommodations should make their requests to Big Sky Economic Development as soon as possible before the meeting day. Please call Big Sky ED at 256-6871.