

**EDA/EDC – Joint Board Meeting  
Thursday, October 11, 2018  
7:30 A.M. to 9:15 A.M.  
Yellowstone Conference Room, First 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.

Agenda items may be rearranged unless an item is listed as having a "time certain". Action may be taken on any item listed on the Board Agenda.

**7:30 A.M. Call to Order/Pledge of Allegiance/Roll Call: Eric Simonsen, EDC Chair**

**7:32 A.M. Public Comment/Recognitions/Special Announcements and Introductions:**

- Introductions
- Policy Updates:
  - I 185 Medicaid Expansion: John Felton, CEO, Riverstone Health and Steve Loveless, CEO, St. Vincent Healthcare
  - 6-Mills for Higher Education—Paige Spalding

**8:00 A.M. Changes to Today's Agenda**

**8:02 A.M. Consent Agenda**

- September 13, 2018 Board Meeting Minutes (Attachment A) (EDA/EDC Action)
- August 2018 EDA and EDC Financials (Attachment B) (EDA/EDC Action)

**8:05 A.M. Program-Level Reports and Action Items**

- EDA-EDC Management Services Agreement Amendment/Update—Becky (Attachment C) (EDA/EDC Action)
- Big Sky Finance —Brandon
  - 504/RLF Loan Approvals (Attachment D) (EDC Action)
  - SMART Audit Response/Policy Updates (Attachment E) (EDC Action)  
(Policy Updates - Separate Email Attachments)
- Nominating Committee Update—Becky
  - EDC Board Election Results (Attachment F) (Info)
  - EDA Application Process Update (Info)
  - Update-EDA Board Ex-officio Position—Downtown Alliance, CEO (Info)
- Update: Future Facilities Taskforce Recommendation/Due Diligence —Becky (Info)
- Update: E-Space Launch—Dena (Info)
- Annual Meeting-Oct. 18<sup>th</sup> (95% Goal)—Melanie (info)
- Recruitment Program Report—Allison/Melanie
  - USDA Federal Office Relocation—Letter of Interest (Handout) (EDA/EDC Action)
  - Update: One Big Sky District (info)

**8:45 A.M. Executive Directors' Report—Steve**

- Ad Hoc Legislative Committee Update (Attachment G) (Info)
  - Initiative 185—Medicaid Expansion Policy Statement (Attachment H) (Action—3/5)
  - 6-Mills for Higher Ed. (Attachment I) (Action—3/5)
- Conflict of Interest Waiver Request-Crowley Fleck (Attachment J) (EDA-EDC Action)

**8:55 A.M Other Reports**

- Conflict of Interest Guidance—Kevin Heaney
- Billings Cultural Partners—Jack Nickels, President

**9:10 A.M. Public Comment**

**9:15 A.M. Adjourn**-----Next EDA/EDC Board Meeting Nov. 8, 2018. *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.*



BIG SKY  
ECONOMIC DEVELOPMENT

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# ATTACHMENT A



EDA · EDC CREATING MONTANA BUSINESS OPPORTUNITIES

**EDA/EDC Joint Board Minutes**  
**Thursday, September 13, 2018 – 8:00 AM – 9:30 AM**  
**Yellowstone Room, 1<sup>st</sup> 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, Ken Lutton, Paul Neutgens, Robin Rude, Sheri Nicholson, Greg Upham (ex-officio), Matt Lurker (ex-officio), Robyn Driscoll (ex-officio)

**EDA Board Members Absent:** Jennifer Smith, Mitch Goplen, John Brewer (ex-officio), Shaun Brown (ex-officio)

**EDC Board Members Present:** Aaron Ramage, Andy Gott, Bob Wilmouth, Craig Bartholomew, Debbie Singer, Dennis Pitman, Eric Simonsen, Mac Fogelsong, Mike Nelson, Ty Elkin, Wayne Nelson

**EDC Board Members Absent:** Dan Edelman, David Ellis, David Trost, Doug Hansen, Duncan Peete, Jon Stepanek, Mike Phillips, Mike Seppala, Molly Schwend, Scott Chesarek, Steve Loveless

**Staff and Guests:** Steve Arveschoug, Austin Trunkle, Becky Rogers, Dustin Frost, Ben Rose, Brandon Berger, Dianne Lehm, Rosalind Dix, Deanna Langman, Melanie Schwarz, Dena Johnson, Haley Vannatta, Chris Kukulski, John Ostlund, Harrison Fagg, Russ Fagg, Kim Olsen, Katy Easton

**Call to Order:**

Eric Simonsen, EDC Chair, called the meeting to order at 8:03 a.m. with the Pledge of Allegiance.

**Public Comment/Recognitions/Special Announcements:**

Eric began by asking the Board to acknowledge the passing of both Bruce MacIntyre and Dr. Nick Wolters with a moment of silence. Both gentlemen were instrumental in the success of Billings over the course of several decades.

Eric then proceeded to introduce Dustin Frost, BSED's new VBOC Director, and new Board Members, Greg Upham and Matt Lurker. Greg is the new Superintendent of School District 2 and Matt is the new city administrator for the City of Laurel.

Katy Easton, CEO of the Downtown Billings Alliance, gave a Downtown public safety update. Multiple business owners have expressed great concern regarding the issue of transients deterring business in the Downtown Corridor. Katy explained that the county jail has no beds available and this, in-turn, allows these issues to fester. One of the outreach efforts that has been successful is the implementation of a licensed addiction counselor, Josiah Hugs. Hugs accompanies Downtown police officers in an effort to help individuals that suffer from some form of addiction. Katy also mentioned that there are monthly community innovation meetings at the public library in the community room. These meetings act as a space for community members to dialogue and brainstorm ideas that can be implemented to mitigate the transient issue. Wayne Nelson asked Katy if there are any efforts

being made to calm traffic on N 27<sup>th</sup> Street and make pedestrian safety a priority. Katy and Steve both explained that Bruce McCandless and Wyeth Friday have been brought in on this continuing dialogue.

New Board Member Matt Lurker is the new City Administrator of Laurel and gave a quick introduction. Matt's goal is to help Laurel become a thriving bedroom-community in much the same way Belgrade and Fort Collins have to Bozeman and Denver, respectively.

**Agenda Changes:** None

**Consent Agenda:**

**Approval of the July 2018 Board Meeting Minutes and the July 2018 EDA and EDC financials**

Motion: Duncan Peete, to approve the July 2018 Board Meeting Minutes and the July 2018 EDA and EDC Financials, as presented to the Board.

Second: Sheri Nicholson

Discussion: None

Motion carried

**Review Proposed Revised FY 2019 Budget**

Jim presented the revised FY2019 Budgets. There was virtually no change in the EDC budget. There were three primary drivers that resulted in changes to the EDA budget. 1) The PTAC reimbursement rate was decreased by about \$70,000. The original rate received from the FEDS changed which caused the decrease. 2) The employer contributions to salary and wages decreased as a result of a full-time position in Recruitment changing to a part-time position. 3) The estimated Tax Protest Rate was reduced to 2.4%. Those decreases will very closely offset the decrease in PTAC reimbursement rate. The changes roughly equate a \$2,500 difference from the original budget.

Motion: Debbie Singer, to approve the Proposed Revised FY 2019 Budget, as presented to the Board.

Second: Fred Sterhan

Discussion: None

Motion carried

**Program-Level Reports and Action Items**

**PTAC – 20 Years of Success for Montana Businesses - Deanna**

Deanna spoke to the success of the PTAC (Procurement and Technical Assistance Center) as it celebrates its 20<sup>th</sup> anniversary. The PTAC program helps businesses obtain government contracts. Deanna reviewed the economic impact of the PTAC over the past 20 years. DLA (Defense Logistics Agency) recently did a ROI for PTAC centers across the country and the Montana PTAC landed in the top five. Deanna also took this opportunity to formally introduce and praise the work of PTAC advisor Rosalind Dix. Deanna closed by thanking the Board for their support and commitment.

**Big Sky Finance – Brandon**

**504/RLF Loan Approvals**

Big Sky EDC is requesting approval to submit to the US Small Business Administration the following SBA 504 loan requests. The Big Sky EDC Loan Committee has reviewed the requests and recommends approval to the full EDC Board for submission to the SBA for final approval. The requests meet all the underwriting and eligibility requirements of the EDC.

1. **Snyder Motors Inc. / Z Enterprises LLC** – Request is for the purchase of land and new construction for Snyder Motors Inc. located in Bozeman, MT. This will be a relocation from a previously leased building in the same Bozeman/Belgrade area. The new project will be located on Jackrabbit Lane just north of Four corners. Previous location was further north off Jackrabbit Lane. Snyder Motors has been in operation since 2011 and is owned 100% by Zach Snyder. It is a pre-owned, late model dealer and also

provides maintenance and repairs and detailing services. They have a second location in Bozeman on 7<sup>th</sup> Avenue. They have been one of the top used car dealers in the Bozeman/Belgrade area.

There are projected to be three new jobs created resulting from this project. A Public Policy goal of Rural Development will be met. The total SBA debenture will be \$741,000 on a 20-yr note comprising 40% of the total project costs. Big Sky EDC will be in a 2<sup>nd</sup> lien position on the real property behind Opportunity Bank (Bozeman).

Motion: Wayne Nelson, to approve the Snyder Motors Inc. / Z Enterprises LLC loan request, as presented to the Board.

Second: Duncan Peete

Discussion: None

Motion carried

2. **Jason Tanguay, DDS, LLC / Interproximal Spaces LLC** – Request is for the purchase of a newly constructed commercial condominium, tenant improvements and new equipment for Jason Tanguay, DDS, LLC, located in Bozeman, MT. The property will be located in the Cannery District at 105 E. Oak Street. This is an existing dental practice that is expanding and relocating from downtown Bozeman to this new location. Big Sky Finance provided SBA 504 financing on their current location, therefore this will be their second SBA 504 note for the business. The existing 504 loan will be paid off prior to their move to the new location.

There are projected to be two new jobs created resulting from this project. A Public Policy goal for Rural Development along with a Community Development goal for being in a HubZone will be achieved. The total SBA debenture will be \$732,000 on a 25-year note comprising 40% of the total project costs. Big Sky EDC will be in a 2<sup>nd</sup> lien position behind First Security Bank (Bozeman) on both the real and personal property acquired.

Motion: Wayne Nelson, to approve the Jason Tanguay, DDS, LLC / Interproximal Spaces LLC loan request, as presented to the Board.

Second: Duncan Peete

Discussion: None

Motion carried

3. **The Mountain Project, LLC / Wolfe Family LLC** – Request is for the purchase of an existing building to house the operations of The Mountain Project, LLC. The Mountain Project is a newly established CrossFit gym located in Bozeman, MT. The building is located near the Cannery District in Bozeman, just north on the other side of the interstate. The business opened in this location in the fall of 2016. Mike Wolfe is 100% owner of the business, and 50/50 owner of the real estate with his wife. Mr. Wolfe is a professional ultra-marathoner and trainer. He is active in the day to day operations of the gym. The gym provides sport specific training as well as general CrossFit training.

There are projected to be two new jobs created resulting from this project. A Public Policy goal for Rural Development will be achieved. The total SBA debenture will be \$221,000 on a 20-year note comprising 35% of the total project costs. Big Sky EDC will be in a 2<sup>nd</sup> lien position on the real property behind Bank of Montana.

Motion: Andy Gott, to approve The Mountain Project, LLC / Wolfe Family LLC loan request, as presented to the Board.

Second: Duncan Peete

Discussion: None

Motion carried

**Beartooth RC&D MOU** – Steve

Steve brought the MOU with Beartooth RC&D before the Board. We partner with Beartooth to serve our rural counterparts. This year, our contribution will be around \$11,000 which was within what the budget had projected. Steve asked the Board to grant him the authority to execute the MOU.

Motion: Mike Nelson, to approve to grant Steve Arveschoug the authority to execute the MOU.

Second: Ken Lutton

Discussion: None

Motion carried

**Nominating Committee Recommendations** – Becky

**EDC Board Nominees/Call for an Election**

Becky provided the Board with a Nominating Committee update. There will be three seats on the EDA and six seats on the EDC that will come open as the year closes out. During the candidate search process, we asked our Member Investors to provide a recommendation list for the EDC. This year's ballot will be divided into two votes. The first vote is a slate ballot for incumbent and essential industry representation. The three names on that ballot are: Eric Simonsen, Mitch Goplen and Spencer Frederick. The second vote be an open ballot of six names for the three remaining seats. The nominees for that list include: Ann Kosempa, Dave Ballard, George Warmer, John Bourke, Nicole Benge, and Tom Schlotterback. The nominees not selected for the Board with this election will remain on an active candidate list for future openings.

This is an EDC action only.

Motion: Debbie Singer, for the Board to approve the ballot sent out to the Member Investor list, as presented to the Board.

Second: Wayne Nelson

Discussion: None

Motion carried

**EDA Board Ex-officio Position – Downtown Alliance, CEO**

The Nominating Committee also asked the Board to approve recommending to the County Commissioners an additional ex-officio seat for the Downtown Billings Alliance CEO.

Motion: Sheri Nicholson, for the Board to approve recommending to the County Commissioners an additional ex-officio seat for the Downtown Billings Alliance CEO, as presented to the Board.

Second: Robin Rude

Discussion: None

Motion carried

**Future Facilities Taskforce Recommendation – 3 Finalists** – Becky

Note: Mike Nelson excused himself as he has a conflict of interest regarding one of the proposal finalists. With the Future Facilities update, Steve began by thanking Becky for her steadfast work and attention to details throughout this process. Steve drew attention to the BSED mission statement and reflected on how our work has necessitated the consideration of a new or expanded facility. Steve passed out the Big Sky Business Journal which showcases an entrepreneurial meetup. The faces in most of the pictures are of young professionals and aspiring business owners. Steve used this example to remind our Board of who we will be serving in the very near future and to bear their expectations in mind. As we wrote our RFP, we consulted with legal counsel to ensure the process was within the legal bounds of a Tradeport Authority as prescribed by the County Commissioners in 1989. Additionally, BSED provided updates to our County Commissioners to keep them abreast of the information coming out of the process. Becky explained the methodology behind the needs analysis and needs assessment. Becky interviewed like-partners across the region to see how they arrived at their current space. Also, BSED conducted focus groups with staff members, community members, and Board members. Becky paused to thank our current landlords, Harrison and Russell Fagg, and mentioned how gracious they've been for the past 16 years. With respect to space-

programming, it is estimated we will need between 14,000 and 16,000 square feet. The large increase will come from the Entrepreneurship program that BSED will be taking on as well as an increased training room/board meeting room. The RFP process resulted in having received 12 proposals. Nine were for lease and three were for purchase. Becky displayed and handed-out the total scores for the 12 proposals. After scoring, there were seven proposals that the Future Facility Taskforce (FFT) visited. Upon having conducted site visits and re-scoring the proposals, the FFT arrived at three finalists. The finalists, in no particular order, are Granite Tower, Hart Albin Proposal A, and Montana Paint Building. One of the next steps is to take the staff and any interested Board members on site visits to the finalists. After the visits and due diligence efforts have concluded, the FFT will reconvene for a final time to review the findings. Becky asked for the Board's guidance concerning tenant improvement costs and shared the Executive Committee's recommendations. Wayne Nelson liked the idea of the cost being built into the lease. No further discussion was held on tenant improvements. Becky discussed how the continued due diligence would be conducted. It will involve more cost analysis and further analysis on the location and accommodation of space needs. She asked for further guidance in the due diligence process.

Motion: Cory Moore, to approve the Future Facility Taskforce's recommendation to take the three finalists through a continued due diligence process, as presented to the Board.

Second: Wayne Nelson

Discussion: None

Motion carried

#### **Billings Works – Pledge to Career Center for CTE OR Simulation** – Melanie/Karen

Melanie stood in for Karen to ask the Board to reconsider where the dollars for the donation to the simulated operating room will come from. The initial approval came from the surplus dollars earmarked for improvements to Conrad Road. Those improvements have yet to be settled and the money is still not able to be released. In light of this delay, Melanie is asking the Board to approve using \$10,000 from our operating income from FY 18.

Motion: Jon Stepanek, to approve using \$10,000 from our operating income from FY 18 request as presented to the Board.

Second: Robin Rude

Discussion: None

Motion carried

Melanie also reminded the Board that our Annual Meeting will be on October 18<sup>th</sup> and hopes for 95% attendance among our Board Members.

#### **Executive Directors' Report - Steve**

##### **Ad Hoc Legislative Committee Recommendations**

##### **Initiative 185 – Medicaid Expansion Funding**

Steve spoke to our Board about Initiative 185 which will be on the ballot in November. Steve is asking the Board to take a position on the initiative. Both the Ad Hoc Legislative Committee and the Executive Committee have voted to back a "yes" vote for the initiative. Steve mentioned the Montana Chamber of Commerce has not taken a position on the initiative. Steve mentioned that according to the By-Laws, the EDA must pass the vote by a 3/5 majority. The EDC may simply act as a majority. Denis Pitman abstained from the vote citing his position as a County Commissioner. Cory made a motion for the EDA to support Initiative 185 and Chuck seconded. The motion passed 8 to 1. On the EDC side. Mike Nelson spoke in opposition of I-185. He made the point that this could lead down a tricky path when you tax a good and earmark those dollars for a specific industry or cause. Cory countered by reminding the Board of the toll tobacco users take on the medical industry. Mike agreed that the aim of the initiative is commendable, but he argued that it would be more appropriate for those funds to end up in a general fund. Dana Pulis agreed with Mike and said that if the negative health impact of tobacco is the driving force behind the initiative, then refined sugar should be taxed as well citing the obesity and diabetes epidemic the country is in the throws of at this time. With these concerns in mind, Steve proposed that he could draft a Policy Statement that is in favor of the aim of I-185 but also acknowledges that this isn't the best way to resolve funding for Medicaid

Expansion. Bob Wilmouth requested to hear more from the Healthcare industry concerning this. Steve will invite a few members of the Healthcare industry to address the Board in October.

Dana then asked if she could reconsider her vote. Steve explained that after the EDC vote takes place, a member of the prevailing side of the EDA vote may make a motion for reconsideration.

Duncan then amended his motion to a vote in favor of supporting I-185 with the Policy Statement from Steve included.

Motion: Duncan Peete, to approve to a vote in favor of supporting I-185 with the Policy Statement from Steve included, as presented to the Board.

Second: Mike Nelson

Discussion: None

Motion carried

Dana then made a motion to reconsider the EDA vote. Cory seconded and the motion for reconsideration was on the floor. (Both Dana and Cory were affirmative votes with the original motion). The vote for reconsideration deadlocked at 4 in favor and 4 opposed. The motion for reconsideration fails.

#### **Montana infrastructure Coalition Membership**

Steve asked the Board to approve the renewal of our current membership in the Montana Infrastructure Coalition.

Motion: Robin Rude, to approve the renewal of the membership, as presented to the Board.

Second: Craig Bartholomew

Discussion: None

Motion carried

#### **American Airlines Revenue Guarantees – Disposition of Funds**

Steve asked the Board to approve the recommendation from the Executive Committee to leave our surplus dollars (~\$6,800) in the American Airlines Revenue Guarantee account for purposes of airliner service promotion.

Motion: Ken Lutton, to approve the recommendation from the Executive Committee, as presented to the Board.

Second: Dana Pulis

Discussion: None

Motion carried

#### **Tax Protest Dollars Earmarked for Future Facilities**

Steve recommends that the dollars (\$143,000) we received from the resolution of tax protests be put towards potential costs incurred with respect to finding a future facility or furnishing our current space. Any remainder would be put into the Opportunity Fund.

Motion: Ken Lutton, to approve that the dollars we received from the resolution of tax protests be put towards potential costs incurred with respect to find a future facility or furnishing our current space, as presented to the Board.

Second: Chuck Tooley

Discussion: None

Motion carried

**One Big Sky District**

Allison mentioned there were positive meetings earlier this week with Bob Dunn and the Landmark Development Group. They are looking at an October 2<sup>nd</sup> Stakeholders Meeting with the details to come. At this meeting, there will be an update on the work they've completed thus far.

**Public Comment: None**

**Meeting adjourned: 10:05 am**

Next Meeting – October 11, 2018

Respectfully submitted,

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Robin Rude, EDA Secretary/Treasurer

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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.*



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# ATTACHMENT B

**Internal Memorandum**

**Date:** September 25, 2018

**To:** Steve Arveschoug  
Big Sky EDA/EDC Executive Committee  
Big Sky EDA/EDC Board of Directors

**From:** Jim Tevlin

**Subject:** August BSEDA Financial Statements

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Attached are Big Sky EDA and EDC's financial statements for the month of August 2018.

# Big Sky EDA Balance Sheet

	Aug 31, 2018	Aug 31, 2017	+/-
<b>ASSETS</b>			
<b>Current Assets</b>			
<b>Checking/Savings</b>			
First Interstate Bank	\$ 132,908.74	\$ 24,329.81	\$ 108,578.93
Opportunity Fund	658,858.05	6,097,536.06	(5,438,678.01) (A)
Stockman GE Maintenance	28,479.10	46,322.10	(17,843.00)
Yellowstone County Funds	287,730.35	139,693.17	148,037.18
	<u>1,107,976.24</u>	<u>6,307,881.14</u>	<u>(5,199,904.90)</u>
<b>Other Current Assets</b>			
Accounts Receivable	175,717.17	262,595.36	(86,878.19)
American Revenue Guarantee	6,887.28	25,000.00	(18,112.72)
Due To/Due From EDC	171,187.38	52,583.13	118,604.25
Miscellaneous Receivables	11,862.55	24,342.45	(12,479.90)
Tax Levy Receivable	5,785.23	4,945.98	839.25
Tax Levy Receivable - Protested	999.26	138,952.69	(137,953.43)
Allowance for Doubtful Accts	(999.26)	(138,952.69)	137,953.43
Prepaid Expenses	516.32	2,342.86	(1,826.54)
	<u>371,955.93</u>	<u>371,809.78</u>	<u>146.15</u>
<b>Other Assets</b>			
Cabelas Conduit	9,643.12	5,003.80	4,639.32
Opportunity Fund - CDs	5,119,531.00	-	5,119,531.00 (A)
Deferred Outflow of Resources	173,851.38	173,851.38	-
Long Term TEDD Receivable	75,000.00	-	75,000.00
	<u>5,378,025.50</u>	<u>178,855.18</u>	<u>5,199,170.32</u>
<b>TOTAL ASSETS</b>	<u><u>6,857,957.67</u></u>	<u><u>6,858,546.10</u></u>	<u><u>(588.43)</u></u>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	85,824.39	151,058.16	(65,233.77)
Accrued Expenses	257,463.59	177,063.47	80,400.12
Deferred Revenue - GE Settlement	-	3,847,304.21	(3,847,304.21)
Deferred Revenues - GE Rent	-	57,026.15	(57,026.15)
	<u>343,287.98</u>	<u>4,232,451.99</u>	<u>(3,889,164.01)</u>
<b>Long Term Liabilities</b>			
Deferred Inflow of Resources	2,035.97	2,035.97	-
Pension Liability	615,173.80	615,173.80	-
	<u>617,209.77</u>	<u>617,209.77</u>	<u>-</u>
<b>Net Assets</b>	<u>5,897,459.92</u>	<u>2,008,884.34</u>	<u>3,888,575.58</u>
<b>TOTAL LIABILITIES &amp; NET Assets</b>	<u><u>\$ 6,857,957.67</u></u>	<u><u>\$ 6,858,546.10</u></u>	<u><u>\$ (588.43)</u></u>

(A) In FY18, the proceeds of the sale of the GE facility (approx \$6 million) were invested in certificates of deposit with maturities of 18 months.

**Big Sky EDA**  
**Statement of Operations-Actual vs Budget**  
For the Two Months Ended August 31,

	<u>2018</u>	<u>Annual Budget</u>	<u>Budget Remaining</u>
<b>Income</b>			
Department of Defense	\$ 90,000.00	\$ 549,626.00	\$ 459,626.00
EDC Reimbursement	83,803.68	601,012.56	517,208.88
Grant Administration	4,266.00	17,650.00	13,384.00
Health Levy Revenue	14,415.00	90,264.00	75,849.00
Mill Levy Revenue	(365.37)	1,391,361.00	1,391,726.37
Opportunity Fund Investment	-	150,000.00	150,000.00
Recovery of Protested Taxes	146,854.25		(146,854.25)
SBA/MT Dept of Commerce	18,083.34	117,650.00	99,566.66
SBDC Program Income	62.81	3,211.00	3,148.19
VBOC	28,082.91	300,000.00	271,917.09
	<u>385,202.62</u>	<u>3,220,774.56</u>	<u>2,835,571.94</u>
<b>Expense</b>			
Advertising	400.83		(400.83)
Property Tax Protests	-	28,147.22	28,147.22
Business Recruitment	-	16,000.00	16,000.00
Community Development Projects	-	50,000.00	50,000.00
Contingency	-	17,500.00	17,500.00
Dues and Subscriptions	12,494.08	47,834.00	35,339.92
Employer Contributions	72,352.40	507,433.91	435,081.51
Insurance	10,052.00	14,766.00	4,714.00
Contract Support	-	2,000.00	2,000.00
Marketing	7,793.28	81,854.00	74,060.72
Miscellaneous	1,844.28	39,447.40	37,603.12
Office Equipment	1,894.18	8,700.00	6,805.82
Office Expense	4,165.60	19,000.00	14,834.40
One Big Sky District	1,527.80	55,000.00	53,472.20
Professional Fees	9,595.89	59,017.00	49,421.11
PTAC Satellite	13,955.76	87,714.00	73,758.24
PTAC Subcenter	40,829.68	253,543.00	212,713.32
Rent	21,617.00	111,632.00	90,015.00
Salaries/Wages	238,552.46	1,617,320.86	1,378,768.40
Sponsorships	1,500.00	6,600.00	5,100.00
TEDD	319.52	5,000.00	4,680.48
Telecommunications	8,840.39	48,001.00	39,160.61
Travel/Training	10,416.03	124,621.00	114,204.97
Workforce Development	1,353.71	15,000.00	13,646.29
	<u>459,504.89</u>	<u>3,216,131.39</u>	<u>2,756,626.50</u>
<b>Operating Income/(Loss)</b>	<b>(74,302.27)</b>	<b>4,643.17</b>	<b>78,945.44</b>
<b>Other Income</b>			
Interest Income	932.92	87,477.23	86,544.31
<b>Net Income</b>	<b><u>\$ (73,369.35)</u></b>	<b><u>\$ 92,120.40</u></b>	<b><u>\$ 165,489.75</u></b>

In July 2018, the CHS refinery settled their protested taxes at approximately 90% of the protested amount. These funds will be earmarked to offset expenses associated with EDA's future facilities.

**Big Sky EDA**  
**Statements of Operations-Year Over Year Actual**  
For the Two Months Ended August 31,

	<u>2018</u>	<u>2017</u>	<u>+/-</u>
<b>Income</b>			
Department of Defense	\$ 90,000.00	\$ 86,391.00	\$ 3,609.00
EDC Reimbursement	83,803.68	79,958.58	3,845.10
EPA - Brownfields	-	14,863.33	(14,863.33)
Grant Administration	4,266.00	2,000.00	2,266.00
Health Levy Revenue	14,415.00	13,757.25	657.75
Mill Levy Revenue	(365.37)	1,539.96	(1,905.33)
Recovery of Protested Taxes	146,854.25	-	146,854.25
SBA/MT Dept of Commerce	18,083.34	19,352.86	(1,269.52)
SBDC Program Income	62.81	-	62.81
VBOC	28,082.91	49,058.51	(20,975.60)
	<u>385,202.62</u>	<u>266,921.49</u>	<u>118,281.13</u>
<b>Expense</b>			
Advertising	400.83	129.66	271.17
BEAR	-	329.31	(329.31)
Dues and Subscriptions	12,494.08	11,039.08	1,455.00
Employer Contributions	72,352.40	73,268.18	(915.78)
Incubator Expense	-	746.32	(746.32)
Insurance	10,052.00	12,869.38	(2,817.38)
Marketing	7,793.28	13,580.86	(5,787.58)
Miscellaneous	1,844.28	6,243.35	(4,399.07)
Office Equipment	1,894.18	-	1,894.18
Office Expense	4,165.60	1,990.35	2,175.25
One Big Sky District	1,527.80	-	1,527.80
Professional Fees	9,595.89	43,891.84	(34,295.95)
Program Expense	-	515.45	(515.45)
PTAC Satellite	13,955.76	16,944.14	(2,988.38)
PTAC Subcenter	40,829.68	40,262.12	567.56
Rent	21,617.00	21,494.52	122.48
Repairs	-	227.50	(227.50)
Salaries/Wages	238,552.46	233,105.00	5,447.46
SBDC Indirect	-	-	-
Sponsorships	1,500.00	2,500.00	(1,000.00)
TEDD	319.52	-	319.52
Telecommunications	8,840.39	5,525.14	3,315.25
Travel/Training	10,416.03	20,770.67	(10,354.64)
Workforce Development	1,353.71	1,471.82	(118.11)
	<u>459,504.89</u>	<u>506,904.69</u>	<u>(47,399.80)</u>
<b>Operating Income/(Loss)</b>	<b>(74,302.27)</b>	<b>(239,983.20)</b>	<b>165,680.93</b>
<b>Other Income</b>			
Interest Income	913.87	390.86	523.01
<b>Net Income/(Loss)</b>	<b>\$ (73,388.40)</b>	<b>\$ (239,592.34)</b>	<b>\$ 166,203.94</b>

In July 2018, the CHS refinery settled their protested taxes at approximately 90% of the protested amount. These funds will be earmarked to offset expenses associated with EDA's future facilities.

Prior year amounts include \$15k for Brownfields assessments and \$25k for TEDD master plan expenses.

# Big Sky Economic Development Corporation

## Balance Sheets

	Aug 31, 2018	Aug 31, 2017	+/-	
<b>ASSETS</b>				
<b>Current Assets</b>				
First Interstate Bank	\$ 472,176.87	\$ 180,661.78	\$ 291,515.09	(A)
FIB SSBCI Principal	1,153,074.66	1,107,593.06	45,481.60	
FIB-Long Term Reserve	150,000.00	-	150,000.00	
FIB-Operating Reserve	100,000.00	50,000.00	50,000.00	
FIB-Opportunity Fund	22,200.00	19,200.00	3,000.00	
First Interstate Bank-RLF	215,900.75	236,988.78	(21,088.03)	
Wells Fargo	-	81,732.95	(81,732.95)	(A)
Accounts Receivable	1,000.00	1,000.00	-	
Certificates of Deposit	-	75,114.53	(75,114.53)	(A)
Miscellaneous Receivables	4,000.00	390.85	3,609.15	
Prepaid Expenses	907.35	-	907.35	
RLF Portfolio-Current	77,883.12	74,780.79	3,102.33	
SSBCI Portfolio-Current	123,202.93	205,671.98	(82,469.05)	
	<u>2,320,345.68</u>	<u>2,033,134.72</u>	<u>287,210.96</u>	
<b>Other Assets</b>				
FIB-OBSD/Coulson Park	205,850.00	-	205,850.00	(B)
RLF Portfolio-Non Current	249,023.07	206,550.02	42,473.05	
SSCBI Portfolio-Non Current	914,231.17	982,485.61	(68,254.44)	
<b>TOTAL ASSETS</b>	<u><u>3,689,449.92</u></u>	<u><u>3,222,170.35</u></u>	<u><u>467,279.57</u></u>	
<b>LIABILITIES &amp; EQUITY</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	1,028.20	6,388.39	(5,360.19)	
Accrued Expenses	37,950.00	5,000.00	32,950.00	
Due to/Due From EDA	171,187.38	52,583.13	118,604.25	
	<u>210,165.58</u>	<u>63,971.52</u>	<u>146,194.06</u>	
<b>Net Assets</b>	<u>3,479,284.34</u>	<u>3,158,198.83</u>	<u>321,085.51</u>	
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>\$ 3,689,449.92</u></u>	<u><u>\$ 3,222,170.35</u></u>	<u><u>\$ 467,279.57</u></u>	

(A) In FY18, the certificates of deposit and bank accounts held by Montana Community Finance Corporation were closed/matured. The remaining funds were deposited into our First Interstate Bank account.

(B) These restricted funds are specifically earmarked for the One Big Sky District and Coulson Park master plans.

**Big Sky Economic Development Corporation**  
**Statements of Operations-Actual vs Budget**  
For the Two Months Ended August 31,

	<u>2018</u>	<u>Annual Budget</u>	<u>Budget Remaining</u>
<b>Income</b>			
504 Loan Origination	50,728.73	127,500.00	76,771.27
504 Loan Servicing	85,783.92	531,600.00	445,816.08
Member Investment	12,000.00	300,000.00	288,000.00
Miscellaneous Income	1,500.00	13,000.00	11,500.00
Private BillingsWorks Funding	2,500.00	20,000.00	17,500.00
Recovery of Bad Debt	1,000.00	3,600.00	2,600.00
RLF Business Loan Interest	1,532.56	12,476.00	10,943.44
SSBCI Revenue	4,748.70	29,140.00	24,391.30
	<u>159,793.91</u>	<u>1,037,316.00</u>	<u>877,522.09</u>
<b>Expense</b>			
BEAR Program	506.01	6,108.00	5,601.99
Business Recruitment	2,386.05	81,000.00	78,613.95
Contingency	-	10,000.00	10,000.00
Dues and Subscriptions	2,329.17	15,593.00	13,263.83
EDA Reimbursement	83,803.68	598,137.86	514,334.18
Event Expense	-	51,500.00	51,500.00
Insurance	1,860.00	11,000.00	9,140.00
Marketing	1,786.09	11,000.00	9,213.91
Membership Development	23.00	7,500.00	7,477.00
Miscellaneous	1,710.12	36,418.00	34,707.88
Office Supplies	2,010.82	2,056.00	45.18
Postage and Delivery	99.13		(99.13)
Professional Fees	88.00	22,500.00	22,412.00
Rent	5,181.82	36,320.00	31,138.18
Sponsorships	-	2,000.00	2,000.00
Telephone	836.95	4,980.00	4,143.05
Travel & Training	5,903.60	28,500.00	22,596.40
Workforce Development	552.80	59,695.00	59,142.20
	<u>109,077.24</u>	<u>984,307.86</u>	<u>875,230.62</u>
<b>Operating Income</b>	<u>\$ 50,716.67</u>	<u>\$ 53,008.14</u>	<u>\$ 2,291.47</u>

**Big Sky Economic Development Corporation**  
**Statements of Operations-Year Over Year Actual**  
For the Two Months Ended August 31,

	<u>2018</u>	<u>2017</u>	<u>+/-</u>
<b>Income</b>			
504 Loan Origination	\$ 50,728.73	\$ 4,113.36	\$ 46,615.37
504 Loan Servicing	85,783.92	89,794.09	(4,010.17)
Member Investment	12,000.00	6,383.88	5,616.12
Miscellaneous Income	1,500.00	757.75	742.25
Private BillingsWorks Funding	2,500.00	-	2,500.00
Recovery of Bad Debt	1,000.00	900.00	100.00
RLF Business Loan Interest	1,532.56	3,822.89	(2,290.33)
RLF Loan Fund (net)	-	171.03	(171.03)
SSBCI Revenue	4,748.70	5,052.30	(303.60)
	<u>159,793.91</u>	<u>110,995.30</u>	<u>48,798.61</u>
<b>Expense</b>			
BEAR Program	506.01	-	506.01
Business Recruitment	2,386.05	2,779.76	(393.71)
Dues and Subscriptions	2,329.17	877.31	1,451.86
EDA Reimbursement	83,803.68	79,958.58	3,845.10
Event Expense	-	1,596.00	(1,596.00)
Insurance	1,860.00	-	1,860.00
Marketing	1,786.09	2,123.45	(337.36)
Membership Development	23.00	330.26	(307.26)
Miscellaneous	1,710.12	(59.45)	1,769.57
Office Supplies	2,010.82	313.64	1,697.18
Postage and Delivery	99.13	164.26	(65.13)
Professional Fees	88.00	1,735.00	(1,647.00)
Rent	5,181.82	4,756.38	425.44
Repairs	-	200.00	(200.00)
Telephone	836.95	837.36	(0.41)
Travel & Training	5,903.60	3,243.56	2,660.04
Workforce Development	552.80	-	552.80
	<u>109,077.24</u>	<u>98,856.11</u>	<u>10,221.13</u>
<b>Operating Income</b>	<u>\$ 50,716.67</u>	<u>\$ 12,139.19</u>	<u>\$ 38,577.48</u>



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# ATTACHMENT C

**Big Sky Economic Development Authority  
Big Sky Economic Development Corporation  
Agreement for Professional Services**

**Section 1 Parties to the Agreement**

This agreement is made and entered into in Billings, Yellowstone County, Montana, this \_\_\_ day of \_\_\_\_\_ by and between Big Sky Economic Development Authority, a local government entity, hereinafter referred to as Big Sky EDA, and Big Sky Economic Development Corporation, a Montana Non-Profit Corporation, hereinafter referred to as Big Sky EDC. This agreement in no way diminishes the responsibility of the Big Sky EDC Board of Directors for the operations of the certified development company that is Big Sky EDC.

**Section 2 Purpose of Agreement**

The purpose of this agreement is to secure from Big Sky EDA staff and support services for Big Sky EDC necessary for continuous effective operations and to comply with applicable regulations of the Small Business Administration.

**Section 3 Services Performed**

3.1 Staff Services

- ~~Big Sky EDA will provide to Big Sky EDC the services of an employee (Business Recruitment Program Manager) who will conduct business retention and recruitment activities.~~
- Big Sky EDA will provide to Big Sky EDC the services of five employees (Director of Business Finance, **Three** Loan Officers and **One** Loan Specialist) who will conduct business finance marketing, packaging and processing activities in support of Big Sky EDC's lending programs.
- Big Sky EDA will provide to Big Sky EDC the services of **two** employees (Director of Marketing and Member-Investors **and Business Outreach Project Manager**) that will conduct overall organizational marketing for EDA and EDC as well as Member-Investor recruitment, management, policy coordination and communication activities with the purpose of maintaining and expanding Big Sky EDC's Member-Investor base.
- Big Sky EDA will provide to Big Sky EDC the services of an employee (Executive Director) who will conduct overall executive-level management of Big Sky EDC.

- 3.2 **Support Services**
- Big Sky EDA will provide other necessary general and administrative support services including accounting, operations, reception and support to the Big Sky EDA Executive Director.

**Section 4 Other**

- 4.1 Big Sky EDA will provide office space including telephone and internet access for employees who will conduct Big Sky EDC's lending and Member-Investor programs.
- 4.2 Big Sky EDA will provide liability insurance allocable to employees who will conduct Big Sky EDC's lending and Member-Investor programs.

**Section 5 Reimbursement**

- 5.1 Reimbursement of Staff and Other Services

Big Sky EDC shall reimburse Big Sky EDA, on a monthly basis for the following expenses associated with services in Section 4 above:

	<b>Salary</b>	<b>Fringe</b>	<b>Rent</b>	<b>Phone &amp; Internet</b>	<b>Liability Insurance</b>
<b>Director-Business Finance</b>	100%	100%	100%	100%	100%
<b>Loan Officer (3)</b>	100%	100%	100%	100%	100%
<b>Loan Spec (1)</b>	100%	100%	100%	100%	100%
<b>Director-Mkt/MI Relations</b>	50%	50%	50%	50%	50%
<b>Business Outreach Proj. Mgr</b>	50%	50%	50%	50%	50%
<b>Executive Director</b>	25%	25%	-	-	-
<b>Controller</b>	-	-	-	-	-
<b>Operations Director</b>	-	-	-	-	-
<b>Receptionist</b>	-	-	-	-	-

- Compensation under this agreement is for services performed, and payment is for services actually performed.
  - Sources of compensation for services under this contract include Member-Investor funds, program income, and reserves. All compensation will be paid to Big Sky EDA directly by Big Sky EDC, and not by any borrower.
  - Based on prevailing area wage rates and on professional knowledge and expertise of board members, Big Sky EDC has determined that the compensation rates charged by Big Sky EDA are customary and reasonable for similar services in the area.
  - Contract payments for professional services will not exceed 65 to 75 percent of Big Sky EDC's income.
- 5.2 Big Sky EDA is prohibited from imposing any requirement on any applicant or borrower to purchase any other services from Big Sky EDA as a condition of Big Sky EDA performance of any staff or management functions of Big Sky EDC.
- 5.3 Additional compensation from CDC fee income such as multipliers or bonuses are not permitted.
- 5.4 All compensation paid to Big Sky EDA will be paid by Big Sky EDC and Big Sky EDA cannot charge the borrower for the same services.

## **Section 6 Term of Agreement, Termination**

- 6.1 **Term:** This agreement shall remain in effect for the period **July 1, 2018 to June 30, 2020** unless modified by mutual agreement between the parties, or terminated by either party in accordance with provisions of this section. This agreement shall also provide for one 2-year option for renewal at the expiration of the initial term of this agreement on the same terms and conditions set forth herein.
- 6.2 **Termination:** Either party, without penalty, may terminate this agreement by delivery to the other party a written notice of termination within 30 days of the effective termination date. In the event of notice of termination, Big Sky EDC shall be entitled to receive services and Big Sky EDA shall be eligible to receive reimbursement for costs incurred pursuant to this agreement until the effective termination date.

**Section 7 Miscellaneous Provision**

- 7.1 Conflict of Interest: No member of the governing body of Big Sky EDC and no member of the governing body of Big Sky EDA shall have any personal financial interest in this agreement.
- 7.2 Breach: It is expressly understood that the only remedy in the event of breach of terms of this agreement shall be termination of the agreement in accordance with Section 6.2
- 7.3 Entire Agreement: This agreement constitutes the entire agreement between parties relating to the rights herein granted and the obligations herein assumed. The parties hereto agree that the laws of the State of Montana shall govern this agreement.
- 7.4 Independent Contractors: It is expressly understood and agreed by the parties hereto that they are independent contractors and that nothing contained herein should be construed as giving rise to a partnership or joint venture.
- 7.5 The CDC’s Board of Directors specifically acknowledges and retains the ultimate responsibility for all loan approvals and loan servicing actions, 13 CFR paragraph 120.823, and that such responsibility must be carried out independently of any control by a contractor.
- 7.6 No contractor or associate of a contractor may be a voting or non-voting member of the CDC’s Board of Directors.

**Execution**

Executed this \_\_\_\_ day of \_\_\_\_\_, 2018

**Big Sky Economic Development Authority**

\_\_\_\_\_  
Jennifer Smith, Board Chair Big Sky EDA

**Big Sky Economic Development Corporation**

\_\_\_\_\_  
Eric Simonsen, Board Chair Big Sky EDC



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# ATTACHMENT D

**SBA 504 Loan Requests**

I. Big Sky EDC is requesting approval to submit to the US Small Business Administration the following SBA 504 loan requests. The Big Sky EDC Loan Committee has reviewed the requests and recommends approval to the full EDC Board for submission to the SBA for final approval. The requests meet all the underwriting and eligibility requirements of the EDC.

1. **T Bunch, Inc. / Tyson and Sarah Bunch (Bevco Countertops)** – Request is for the purchase of the existing commercial real estate building the operating company, T Bunch, Inc., currently leases. T Bunch, Inc. (Bevco Countertops) is a custom countertop fabrication company based in Billings, MT. The property is located in Lockwood and has been the site of the operations for many years. The business has been in operation since 1979. Tyson and Sarah Bunch purchased the business 7 years ago. Tyson previously worked for the business. Both he and Sarah are active in the day to day operations. Tyson is involved in the production and oversight of shop activities while Sarah assists with the office management.

There are projected to be 3 new jobs created as a result of this project. The total SBA debenture will be \$196,000 on a 20-year note comprising 40% of the total project costs. Big Sky EDC and the SBA will be in a 2<sup>nd</sup> lien position on the real property behind Western Security Bank.

It should be further noted that the Loan Committee has approved the request with a vote of 4-1. Two members, both commercial lenders, abstained from voting due to conflict. Therefore, there was only one commercial lender to vote on the request. SBA requirements for approval and submission of a SBA 504 loan is for there to be two individuals with commercial lending experience voting on the request. Due to the fact we only had one able to vote, this loan must be approved by the EDC Board in order to submit the application to SBA. Loan committee has approved the request.



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# ATTACHMENT E

**SMART Analytical Review - 2018**  
**Big Sky Economic Development Corporation**  
**Final Response**

**Findings:**

**1. Finding: Big Sky Economic Development Corporation (BSEDC) does not provide the Board with reports on the 504-loan portfolio asset quality and industry concentration on at least a semi-annual basis.**

- *Action Taken:* The Loan Policy Manual for Big Sky Finance (Big Sky EDC) has been updated to account for the semi-annual reporting of the SBA 504 Loan portfolio to the Board of Directors. This will be accomplished at two of the regularly scheduled meetings at least 6 six months between each meeting. This report will provide, at a minimum, detail on the portfolios industry concentration, overview of the portfolio, and a copy of the most recent quarterly SBA Lender Portal Report. This reporting will be reflected in the Board meeting minutes.

The Internal Controls for Big Sky Finance provides for the semi-annual reporting of the SBA 504 Loan portfolio status to the Board of Directors. Additional Board reporting is included in the Internal Controls.

**Finding: Board meeting minutes are not signed.**

- *Action Taken:* All BSEDC Board minutes are signed by the Corporate Secretary once the minutes have been approved by the Board of Directors. The minutes are signed following the Board meeting at which the minutes were approved. Copies of signed Board minutes will be on file with the CDC Finance Director as well as with the organizational documents maintained by the Director of Operations for Big Sky Economic Development.

**Finding: CDC does not maintain Executive Committee minutes.**

- *Action Taken:* BSEDC does maintain Executive Committee meeting minutes. Executive Committee meeting minutes will be kept on file with the CDC Finance Director. Beginning with FYE 2018, CDC will document all Executive Committee meetings within its annual report.

**2. Finding: Big Sky Economic Development Corporation has not submitted Statements of Personal History (SBA Form 1081) to SBA within 30 days of Board member changes. CDC must obtain an SBA Form 1081 from all Loan Committee Members and keep on file with the CDC.**

- *Action Taken:* BSEDC has updated its policies, procedures and internal controls to ensure it: 1) submits SBA Form 1081s and fingerprint cards to SBA for all new officers, Board members, professional staff and contractors; 2) obtains SBA Form 1081 for all Loan Committee Members and keeps on file with CDC; 3) obtains SBA's written approval of the forms submitted prior to any staff working with the CDC, and within 30 days of Board members being appointed; and 4) retains copies of the approval documentation. This function will be administered by the CDC Finance Director.

CDC Finance Director works with the Operations Director who has the role of new Board Member orientation in obtaining the required SBA documentation. Form 1081 is provided to new Board Member and any new professional staff as soon as they are elected or hired. CDC Finance Director will work with these individuals to schedule a time to have their fingerprints completed. Operations Director works to have completed form returned to CDC Director within 30 days. Loan Committee Members have been provided Form 1081 to be completed and returned at this time. Any new Loan Committee Member will be required to complete the form when selected to the committee.

**3. Finding: Big Sky Economic Development Corporation does not have appropriate controls in place related to loan approvals.**

- *Action Taken:* BSEDC has appropriate controls to ensure that Board and Loan Committee members abstain from voting on loans where any affiliations or potential conflicts of interest exist. Internal Controls have been updated describing the conflict of interest.

CDC Finance Director currently works closely with the Operations Director and Admin Support Specialist at Board meetings to ensure Board members have abstained from voting on loans where there may be a conflict of interest. Finance Director confirms Board members in attendance and if there is any affiliation or conflict based on the loan request. Any conflict or affiliation will be announced during the meeting and noted in the Board minutes.

CDC Finance Director will work with Loan Officer to ensure no Loan Committee member votes on a loan where there may be a conflict of interest. All abstentions will be documented in the Board and Loan Committee minutes.

**4. Finding: Big Sky Economic Development's Internal Control Policy does not include: 1) loan quality classification standards consistent with the standardized classification systems used by the Federal Financial Institution Regulators (FFIR), as the risk rating system lacks the ratings for Special Mention and Doubtful classifications; and, 2) specification of the control requirements for the oversight of Lender Service Providers.**

- *Action Taken:* The Internal Control Policy of BSEDC includes all requirements of 13 CFR 120.826(b).

BSEDC has established a new 7 grade loan classification system which includes the Special Mention and Doubtful classifications. This new loan grading system will be utilized for current and ongoing loan risk ratings. This was initially instituted as a recommendation from our independent loan review.

CDC does not utilize Lender Service Providers. However, this has been addressed within the Internal Control Policy.

**5. Finding: Big Sky Economic Development Corporation's CPA engagement letter does not contain the language providing SBA access to work papers, policies, and procedures related to the services performed without written authorization from the CDC.**

- *Action Taken:* BSEDC has obtained the CPA engagement letter for the FYE 2018 Audit that provides SBA access to and copies of any work papers, policies, and procedures relating to services performed, without prior written authorization from the CDC. BSEDC has also requested of the Auditors that they prepare a letter to CDC management with observations of the CDC's internal control as part of its next financial audit.

CDC Finance Director works with BSEDC's Controller to ensure the above requirements are met. Controller is responsible for the coordination of the completion of the audit.

BSEDC's updated Loan Policy Manual and the restated Internal Control Policy have been presented to the CDC's Board of Directors and management for final approval. Additions and modifications have been highlighted for the Board's review and approval.

#### **Recommendations for Improvement:**

**1. Big Sky Economic Development Corporation should ensure that its bank deposits are fully protected by federal deposit insurance or collateralized by the depository.**

- Response: CDC Finance Director has discussed this with the Controller and Executive Director. At this time, the recommendation is being taken under advisement. Further research will be completed and discussed with management and Executive Committee as to possible what might be done.

**2. Big Sky Economic Development Corporation should provide its Board of Directors with 504-related training.**

- Response: 504-related training is provided to all new Board of Directors as they are appointed as part of their orientation. This is provided by the CDC Finance Director in a one-on-one setting. Updates to the 504 program will be provided to the Board of Directors at regularly scheduled meetings as the updates arise. Furthermore, sufficient detail on the 504 loan portfolio will be provided to the Board of Directors semi-annually as part of the Board reporting. All Board members are required to review and sign the Board of Directors Annual Certification annually and upon appointment to the Board.

**3. Big Sky Economic Development Corporation should modify its Conflict of Interest Policy to ensure that potential conflicts of interest are re-evaluated on an ongoing basis.**

- Response: Current practice is in place, organizationally, for all Board members to sign the Conflict of Interest Policy on an annual basis. New staff members are provided the Conflict of Interest Policy as part of their new hire packet. Conflict of Interest policy is reviewed annually by management.

**4. Big Sky Economic Development Corporation should ensure that its Independent Loan Reviews are conducted at least annually.**

- Response: BSEDC will engage the third party conducting the Independent Loan Review on a more consistent, annual basis to ensure the review is completed within 12 months of the previous review. Reviewer will be engaged annually no later than October 31<sup>st</sup> of each year (4<sup>th</sup> month of fiscal year). Review will be completed prior to December 31<sup>st</sup> and presented to the Board of Directors no later than the February Board meeting.

**5. Big Sky Economic Development Corporation should revise its risk rating methodology to define the process for managing exceptions, overrides, upgrades, and downgrades, and include alternate methods for loan grading when updated financials are not received.**

- Response: BSEDC's risk rating methodology has been revised as part of the update to its Loan Policy Manual and its Internal Control Policy. If updated financials are not received as part of the loan review process, the loan will be classified as Special Mention until that year's financials are received. Loan Officer will continue to work with borrower to obtain updated financials. If updated financials not received, then other analysis will be completed as to the financial stability of the borrower. This would include, but not limited to, analysis of payment history, loan status, property tax payment status, insurance status, and other possible technical default situations. Comments will be included with loan grade.

Loan officers have the ability and to override the risk rating based on subjective analysis of the credit, if necessary. Any overrides of the grade assigned per the scale will be noted within the file (Ventures) and the Finance Director will be notified.

**6. Big Sky Economic Development Corporation should incorporate key SBA Loan Program requirements for eligibility, underwriting, closing, and servicing into its Loan Policy Manual.**

- Response: These requirements have been specifically outlined in the Loan Policy Manual.

**7. Big Sky Economic Development Corporation should ensure that it maintains a diversified loan portfolio so that industry concentrations do not reach a level that would increase financial risks for SBA.**

- Response: CDC Finance Director monitors and tracks the SBA 504 loan portfolio industry concentration on a recurring basis. Procedures have been defined within its Loan Policy Manual as to the monitoring and reporting of concentrations.



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# ATTACHMENT F

**MEMO****October 11, 2018****TO:** EDA/EDC Board Members**FROM:** Becky Rogers, Operations Director**RE:** EDA/EDC Board Nomination Process Update

The EDC Board election ended on Thursday, September 27<sup>th</sup>. The Member Investors voted with a majority vote to add the following nominees as EDC Board Members starting January 1, 2019:

- Ann Kosempa – Pub Station (5 year term)
- Dave Ballard – Ballard Oil (5 year term)
- Eric Simonsen – Simonsen Architect (3 year term)
- Mitch Goplen – Billings Clinic (3 year term)
- Nicole Bengé – NorthWestern Energy (5 year term)
- Spencer Frederick – Stockman Bank (5 year term)

The process for filling the open EDA seats has also begun. There are three open seats as a result of the following terms ending:

- Chuck Tooley
- Mitch Goplen
- Sheri Nicholson

The board openings were posted by the County Commissioners on September 25<sup>th</sup>. Applications for the EDA Board are due to the County on Thursday, October 25<sup>th</sup> at 5:00pm. The Nominating Committee will hold interviews the following week and then bring a recommendation to the Board. County Commissioners. The County Commissioners will make the final appointment. The term for the newly appointed EDA Board Members will begin on January 1, 2019.



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# ATTACHMENT G

**October 2018  
Executive Director's Report  
(with Program Highlights)  
to the Executive Committee & Board of Directors**

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## **Strategic Priorities**

### **1. Strengthen Opportunities for Business Expansion and Economic Diversity**

Foster Development of Planned, Ready-to-Go Industrial Space— See the TEDD update as a part of the Community Development section of this report. Our first public outreach meeting on the expansion of the TEDD will be October 3<sup>rd</sup>, 5PM at the Lockwood Fire Station. We will also meet with the Lockwood School Board on October 9<sup>th</sup>.

“GE to Zoot Project”— Final closeout work pending (Conrad Rd and O&M costs).

#### Opportunities for Building Economic Diversity and Support Innovative Business Growth—

- a) E-Space — A Model for Great Entrepreneurship and Business Growth Services—The branding work continues, with a planned unveiling the afternoon of our Annual Meeting—October 5<sup>th</sup>. The next big challenge is defining the space and that work is in progress. We did secure all the partner funding needed to move this project forward (\$54,000 per year), so we will soon begin the hiring process for our E-Space Program Manager. Exciting! A detailed update is available in the Small Business Development Center (SBDC) section of this report.
- b) Coal Country Coalition—Be looking for details on our annual Summit for regional economic development partners—targeting late October or early November. Stay tuned.

### **Workforce Development and Talent Attraction**

Advocacy for MSU Billings and RMC— the MSUB Foundation held the groundbreaking for the new science building. What a great afternoon for the University and for the community. Now, moving forward, I have been asked to join other community members to support Chancellor Edelman’s effort to update the MSUB strategic plan. Additionally, for both RMC and MSUB, we are working with the One Big Sky District Planning Team to help define both development opportunities and needs related to the “health and wellness district” concept that is a part of this planning effort.

BillingsWorks/Talent Attraction and Career and Technical Education/Career Center—See the Billings Works Update as a part of this report for details on work related to Better Off in Billings.

### **2. Key Building-Remarkable Community Investments--Lead/partner/support key redevelopment and enhancement projects:**

One Big Sky District— Planning and design work is underway and moving at 80MPH. We have a lot of work to do over the next 60 days. Catalyst projects are being identified in both the “lifestyle district” and the “health and wellness district.” Landmark and CTA are working this week on specific design elements related to a convention center, and they will present those preliminary ideas to City Council on October 1<sup>st</sup> and then to the balance of the Strategy Partners on October 2<sup>nd</sup>. Details of those meetings (time/location) has been sent to the Board via Allison. Our work with Landmark on October 1-2 will also include an info sharing meeting with our area legislators.

Coulson Park Redevelopment and Entryways Now—We held a project kick-off event on September 14<sup>th</sup>. The RFP for the Master Plan is out and responses are in. The review process will begin ASAP. We should have a contractor on board for this project by early November or sooner. The community will be asked to share ideas throughout the planning process.

EBURD Redevelopment—No new info to report. See the Community Development section of this report for more info, as available.

Trailhead Hospitality Vision Steering Committee—No new info. The scope of work for a plan/design/budget for the improvement of the Metra Park backside walkway, fence and landscaping is almost complete. The next step is securing funding for that work. Recall--the goal being to take steps forward in the improvement of the HWY 87 corridor as one of the major entryways for our community. The next meeting of the Committee is set for November 2, 2018, 11:45 A.M. to 1:00 P.M. at the City/County Planning Office, First Floor Conference Room. They meet every other month.

Air Service—I have been receiving a lot of concerns regarding our air service, most especially the cost of airfare. Now is the time to schedule our annual outreach visits with the airlines. The issue of cost will be on the top of the list for me. The redevelopment of the airport terminal is beginning its design phase. You will receive notice of public meetings, and I would encourage you to attend. The City needs to clearly understand the expectations of our business community for the quality of both air service and our airport facilities. Lastly, per the Board's direction, I will instruct the Air Service Taskforce to keep BSED's \$6,800 in remaining revenue guarantee contribution to help with future air service enhancement efforts.

## **Program Updates**

### **SBDC**

The SBDC team traveled to DC for their annual conference. We received professional development training in the areas of on-trend marketing strategies, cyber security, business incubation & acceleration programs, management, high-growth startups, multi-million dollar exits, business development and access to capital. We had the privilege of connecting with Congressional staff on our program funding as well as attended tours of the Capital and White House. September was productive in serving several new and existing companies with technical assistance and consulting. We served several members in our pre-business workshop as well as through our online training program of Profit Mastery.

### **B.E.A.R.**

The BEAR meeting worked directly with a company who attended the monthly meeting to practice and refine their pitch for Early Stage Montana. They received input and coaching on key aspects of both their pitch and business model. The team assessed the status of ongoing company referrals as well outlined a strategy to help expanding companies grow. The BEAR team added VBOC Director, Dustin Frost and Insurance Agent, Heather Peters to the team of mentors.

### **Entrepreneur Program & Space**

*Meet-UP | Mentor-UP | Business-UP*

The momentum continues for our new entrepreneur hybrid program offering programmed space, incubation & acceleration services, case management consulting and expert mentorship.

The [Early Stage Montana](#) team held the first state-wide finale bringing all the regional winners to Bozeman to compete for 50K in prize money and a chance to pitch in front of Angel Investors and Venture Capitalists. 7 companies pitched throughout a daylong event that also included panel discussions led by tech sector experts from across the country. 2 companies tied for first place which led to 2

companies splitting the grand prize. The top 3 won the ability to pitch at the next Frontier Angel investor meeting for a chance at obtaining additional funding for their company. All 7 of the Early Stage companies show multi-million dollar exit potential at year 5.

We are in the home stretch of working with Dana Pulis and her team at Kinetic to develop a brand for the program that will be unveiled at our annual meeting.

We have secured over \$50k in additional member investor dollars to fund ongoing operating costs for the program. The job posting for the new Program Manager | Senior Business advisor has been posted on our website. We are excited to find a talented and dynamic leader for this exciting new role.

### **Big Sky Finance**

The team at Big Sky Finance continues to stay busy with SBA 504 loan requests. During September, we closed on two 504 loans totaling \$2,898,000, both of which should fund in November. One of these is the first 25-year debenture we have closed here in Montana. Sherry will be traveling to Kalispell to close on this loan. The other is for a project here in Billings. As these two loans come to a close and fund, we are in the process of underwriting three new loans we hope to take to loan committee in early October. Overall, there continues to be good SBA 504 loan activity as the summer comes to an end. Here in Billings, Ben and Brandon relocated their offices up to the 4<sup>th</sup> floor to make room for our new VBOC Director and Business Outreach Project Manager. We should be out of the boxes by year-end!

SBA 504 effective rates for the month of September continue to be favorable, down slightly from the previous month. The rate on the 25-year note was 5.29%, the 20-year note was 5.25% and the 10-year note for equipment loans was 5.25%. All fixed rates for the term of their loan!

### **VBOC**

New VBOC Director, Dustin Frost, started on Sept. 10. After initial onboarding and introduction to the BSED programs and staff, highlights include:

1. Introduction to National and Montana SBA key players.
2. Assignment of Seattle VBOC director as a Mentor for Dustin. After video conference introduction, the tentative plan for Dustin is to do a three-day trip to Seattle for introduction to Seattle VBOC programs, trainings and daily operation (November 19 – 21).
3. Travel to Bozeman (Sept. 20 – 22) for Bunker Labs – Bozeman end of summer event, meeting with Commit Foundation Leadership, introduction to Montana Women's Business Center Leadership and Early Stage Montana Showcase. The Bunker Labs relationship is significant and will there will be an ongoing effort to build a partnership. This also allowed me to meet new Montana SBA Deputy Director Brent Donnelly.
4. Meeting with American Legion Post 117 Commander.
5. Brian's scheduled B2B trainings per agreement are continuing. Dustin travelled with Brian to Malmstrom for B2B from Sept. 25 to Sept. 27 for initial introduction to the trainings and to meet key local and base contacts. Dustin is also scheduled to attend upcoming B2B trainings in Wyoming and Utah in October and November.
6. National Veterans Small Business Week is Nov. 5 – 9. Stay tuned for details about a Billings event during that week. VBOC will also coordinate with resource partners in our 3 states to participate in other trainings or events during this week.

## **Community Development**

The Lockwood TEDD Advisory Board met on September 19th in BSED's Yellowstone Room and began developing their annual work plan. The process to expand the zoning jurisdictional boundary for those property owners wishing to be included in the TEDD has been completed as of September 25th. The Comprehensive Development Plan Amendment is now being considered by the Planning Board and then will be considered by the County Commissioners. Upcoming meeting and public hearing dates include: October 10<sup>th</sup> Planning Board public hearing, October 30<sup>th</sup> Board of County Commissioners public hearing, November 13<sup>th</sup> second public hearing at the Board of County Commissioners.

Coulson Park press conference took place on September 14 to announce the City is seeking consultants to develop the Master Plan for the park.

Additional property owner projects have been completed in Emerald Hills with the Fuels Reduction Program. A new Brownfield assessment project has been submitted to EPA for approval. The Subaru redevelopment project tax abatement request has been approved by Billings City Council and is now under consideration by the County Commissioners.

## **PTAC**

PTAC is in the process of planning its annual matchmaking event which is set for March 7<sup>th</sup>, 2019. We are anticipating representation from approximately 30 agencies and attendance by over 100 companies. On October 3<sup>rd</sup>, the procurement staff from the State of Montana will be in Billings to present information on how to contract with the state. This is a fantastic opportunity for companies to learn about the multitude of business opportunities that are available through 36 unique, state agencies. From August, 2017-July 2018, PTAC clients across the state were successful in winning 1,980 unique federal, state and local contracts valued at over \$97 million! Of that, 207 contracts totaling \$24,816,055 were awarded to companies in our area. **September 28<sup>th</sup> is National PTAC Day** and is an opportunity for PTACs nationwide to celebrate the work and counseling they have provided to their clients.

## **Recruitment and Outreach**

Over the last month, the focus of recruitment has been project management for One Big Sky District, putting together a proposal for the new office locations for USDA, and refining the recruitment strategy through learning best practices with two other economic development agencies.

Following the conversations with two leaders in recruitment in markets of similar size, many of the methods and approaches we employ were validated and new information was gleaned regarding how they engage their community in identifying prospects and how essential having ready to go sites is in the process. In the upcoming weeks we will be finalizing our strategy for the year ahead with the new information and will be convening the recruitment committee.

## **BillingsWorks**

September was a month full of outreach for BillingsWorks! The Better Off in Billings social media campaign closed on the 3<sup>rd</sup> and brought the Facebook page just under 500 likes. We had lots of submissions of content (pictures and videos) capturing what makes our locals #betteroffinbillings! Karen joined Governor Bullocks' Education Policy Advisor, Siri Smillie, in a presentation for the National Governors' Association-Education Advisors in Little Rock, AR speaking on the value of a local workforce initiative partnering with its state. BillingsWorks also convened an IT/Tech Sector Partnership meeting, presented the Career Center's Simulated OR room with a \$10,000 check, and saw the Jobs for Montana Graduates' Cellular Plus and Rimrock Mall practicums kick off this past month.

## **Marketing and Member Investor**

We hired the first ever, Business Outreach Project Manager, Marcell Bruski. Marcell will be part of the team that includes BillingsWorks, New Business Recruitment, Marketing and Member Investors. Please welcome Marcell to the team.

We are less than one month from our 29<sup>th</sup> Annual Meeting. This year we will be hosting two events. The first is the Annual Meeting Lunch – Building a Remarkable Community through Dynamic Economic Development. Our speakers will include a brief overview from Bob Dunn regarding the One Big Sky District planning and then our keynote panel includes Montana Governor Steve Bullock, Wyoming Governor Matt Mead, and South Dakota Governor Dennis Daugaard. The second event will be at 4:00 that afternoon – Transforming Communities through Entrepreneurship. This event will be a meet-up for local entrepreneurs and will be the unveiling of the new name and logo for the Entrepreneur Space. We will also have a national entrepreneur as a speaker as well as the winners from the recent statewide Early Stage Montana.

## **Organizational/Program/Policy Matters**

1. Future Facilities Taskforce – Due Diligence has continued on the three proposals selected as finalists, which include (in no particular order) Granite Tower, Montana Paint Building, and Hart Albin Building. On Monday, September 24<sup>th</sup>, BSED staff and a handful of Board Members took a tour of each facility to see the proposed space and ask questions. Work on the cost analysis is still being conducted as well as the space assessment analysis. Eric Simonsen from Simonsen-Architect has been contracted to conduct an analysis on each proposed floorplan to determine how functional the proposed space is in comparison to the space requested in the RFP. Next steps in the process include running the analysis past a few industry experts, meeting with the Taskforce to collect final thoughts on the analysis, and then bringing a final recommendation to the Board in October.
2. Work, Thrive, Live Initiative (WTL) – In October, the Work, Thrive, Live team is sitting down with BSED Directors to review the current policy that gives guidance for structuring flexible schedules, a hot topic identified through the WTL research. The WTL team has drafted some recommendations to the policy and will review and gather feedback from the Directors. From there the WTL team will discuss those recommendations with Steve, who will determine the final policy. The goal is to outline clearly defined expectations of what discretion Directors have to structure the flexibility of their team's schedule.
3. Strategy Plan—Final Strategic Plan/Work Plan document will be sent to the Board prior to the October Board meeting. So sorry for the delay. We will also provide the Board with a Summary Strategic Plan document that will not include the work plans.
4. Montana Economic Developers Association (MEDA)—The MEDA held its 2018 Fall Conference last week (September 20-21) in Missoula. We invested a considerable amount of time working on our legislative strategy for the 2019 Session. We also shared ideas regarding the use of Opportunity Zones, in partnership with other economic development tools, to help stimulate community development projects, including housing and other private-sector investments. It was a great meeting of economic developers from all over Montana. As a reminder here's a general outline of the objectives of the MEDA strategy: 1) extend the 2019 sunset date that applies to the suite of economic development tools; 2) redirect funding to the SBDC network and the certified regional development corporations throughout Montana; and 3) following the Session, begin work on a renewed game plan for the essential tools and resources for the economic development of Montana

in preparation for the 2021 session. I will provide the BSED Ad Hoc Legislative Committee details of this MEDA strategy for their review.

5. Ad Hoc Legislative Committee—right now I am working on the “policy statement” for the I-185 Medicaid expansion proposal. This is tough in that I want to clearly show our support for Medicaid expansion, but also recognize the concerns expressed by the Board regarding the single-interest tax approach to funding. I have asked Steve Loveless to help edit my first draft, and I should have that ready for review at the Executive Committee (or sooner via separate email to the Board). The Committee will meet October 12<sup>th</sup> to develop the BSED Legislative Priorities, and that should be ready for Board action at our November meeting. Per the direction of the Board, BSED will remain an associate member of the Montana Infrastructure Coalition.

**Respectfully submitted,  
October 3 and 11, 2018**

A handwritten signature in black ink, appearing to read 'SA', with a long horizontal line extending to the right.

**Steve Arveschoug  
Executive Director**



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# ATTACHMENT H

**MEMO**

**October 2, 2018**

**TO:** EDA/EDC Board of Directors

**FROM:** Steve Arveschoug, Executive Director

**RE:** Draft Medicaid Expansion Policy Statement

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**DRAFT**

**Big Sky Economic Development  
Medicaid Expansion Policy Statement**

“The Board of Directors of Big Sky Economic Development, both the EDA and the EDC, does hereby affirm its support for efforts to extend Montana’s Medicaid Expansion Program (Montana Health and Economic Livelihood Partnership—HELP). As we testified during the 2015 Legislative Session, BSED believes that the expansion of Medicaid supports healthcare delivery in both urban and rural communities throughout Montana, helps to sustain our robust, growing healthcare infrastructure and workforce, and provides a significant impact to our local and state-wide economy. In Yellowstone County, the healthcare industry employs over 20% of our active workforce and contributes approximately \$2.5 billion to our local economic base. BSED acknowledges and supports the premise behind Initiative 185—to assure funding for the sustainability of the Medicaid expansion program in Montana. BSED would also encourage Montana policymakers to thoughtfully consider all options that would achieve the appropriate funding for the Medicaid expansion program.”



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# ATTACHMENT I

# Montana LR-128, Property Tax for State University System Measure (2018)

Montana LR-128, the **Property Tax for State University System Measure**, is on the ballot in Montana as a legislatively referred state statute on November 6, 2018.<sup>[1]</sup>

A **"yes"** vote supports renewing a six-mill tax on real estate and personal property to provide funding for the Montana University System (MUS) from January 1, 2019, through December 31, 2028.

A **"no"** vote opposes renewing a six-mill tax on real estate and personal property to provide funding for MUS.

## Montana LR-128



### Election date

November 6, 2018

### Topic

Taxes and Education

### Status

On the ballot

### Type

State statute

### Origin

State legislature

List of Montana measures ▼

Submit

## Overview

### Measure design

LR-128 would levy a 6 mill tax on the taxable value of all real estate and personal property subject to taxation in the state of Montana. It would go to the Montana university system to be used "for the continued support, maintenance, and improvement of the Montana University System." The funds raised from the levy would be deposited in the state special revenue fund. A six-mill tax rate is equivalent to \$6 for each \$1,000 of a property's taxable value.<sup>[2]</sup> If approved by voters, the act would be effective January 1, 2019, and would terminate on December 31, 2028. Approval of the ballot measure would provide an estimated \$20.9 million in fiscal year 2020 and \$21.5 million in fiscal year 2021 for MUS. Should voters reject the measure, the tax would terminate and cease as a source of revenue for MUS.<sup>[3]</sup> For fiscal year 2017, MUS's total operating budget was estimated to be \$1.5 billion. About \$508.8 million of that was expected to be spent on educational units, with \$19 million derived from the six-mill tax.<sup>[4]</sup>

### How did this measure get on the ballot?

The six-mill tax for higher education was first levied after a public vote in 1948 and was reauthorized at the ballot box every 10 years, including in 1958, 1968, 1978, 1988, 1998, and 2008. The highest margin of approval for the tax was 67.24 percent in 1978, and the lowest margin of approval was 51.51 percent in 1958. The average approval rate of the seven times the tax was voted on was 60.10 percent.

Sen. Mary Moe (D-12) introduced the measure into the state legislature as Senate Bill 85 on January 4, 2017. On January 24, 2017, the Senate approved the referral, with 32 voting in favor and 17 against. The House of Representatives passed the measure, 86 to 13, on February 22, 2017. The measure was enrolled on March 8, 2017.

### Supporters and opponents

*How current is this campaign finance information?*

Two committees—**Business for Higher Education** and **Montanans for the 6Mill**—are registered to support this measure, and one committee—**Montanans Against Higher Taxes**—was registered to oppose it. The support committees had raised a total of \$589,738 in contributions and spent \$545,274. The opposition committee raised \$3,749.52 in contributions and had spent \$2,778.

## Text of measure

### Ballot title

The ballot title is as follows:<sup>[1]</sup>

“  FOR continuing to levy 6 mills for the support of the Montana university system.  
 AGAINST continuing to levy 6 mills for the support of the Montana university system.<sup>[5]</sup> ”

### Full text

The full text of the measure is as follows:<sup>[1]</sup>

**Section 1. Tax levy for university system.** There is levied upon the taxable value of all real estate and personal property subject to taxation in the state of Montana 6 mills for the continued support, maintenance, and improvement of the Montana university system. The funds raised from the levy must be deposited in the state special revenue fund.

**Section 2. Codification instruction.** Section 1 is intended to be codified as an 17 integral part of Title 15, chapter 10, part 1, and the provisions of Title 15, chapter 10, part 1, apply to section 1.

**Section 3. Effective date.** If approved by the electorate, this act is effective January 1, 2019.

**Section 4. Termination.** Section 1 terminates December 31, 2028.

**Section 5. Submission to electorate.** This act shall be submitted to the qualified electors of Montana at the general election to be held in November 2018 by printing on the ballot the full title of this act and the following:

## Support

**Montanans for Higher Education and Montanans for the Six Mill** (also styled *Montanans for the 6Mill*) are leading the campaign in support of this measure.<sup>[6]</sup>

On their website, Montanans for the Six Mill wrote the following:<sup>[7]</sup>

“ The 6-Mill Levy is a legislative referendum that is voted on once a decade. Since 1948, Montanans have kept their commitment to future generations by approving the 6-Mill levy, increasing opportunity for students, communities and Montana's economy. Voters will decide on the 6-mill levy during the general election in 2018. The money from the levy goes towards supporting, maintaining and improving the university system's four-year colleges. The 6-Mill Levy ensures the university system is accessible to all and drives economic growth. As Montana businesses continue to look to the university system to provide a well-educated, skilled workforce, the 6-Mill Levy allows students to pursue their professional goals while preparing themselves to be competitive.<sup>[5]</sup> ”

Montanans for the Six Mill give the following six reasons for supporting the levy:<sup>[7]</sup>

- **The 6-Mill Levy is not a new tax.**
  - It simply renews an existing levy to fund colleges and universities that was set in 1948 and has been approved by voters every ten years since without a single increase.
- **The 6-Mill Levy is a Montana tradition.**
  - It is a commitment to our kids that has been approved by Montana voters for 70 years. This is a critical investment in our future generations and our state.
- **The 6-Mill Levy benefits all Montana communities.**

## Opposition

**Montanans Against Higher Taxes** is leading the campaign in opposition to this measure.<sup>[8]</sup>

On their website, Montanans Against Higher Taxes wrote the following:<sup>[9]</sup>

“ We believe that Higher Education spending has become out-of-control as everyday Montanans struggle financially with rising costs of living and low wages. When Montana ranks 47th in wages nationally they should not have to subsidize a university system of flat in-state enrollment, large amounts of debt and ever-increasing spending. University enrollment of in-state students has been flat or falling across the 14 campuses in the state, while out-of-state enrollment climbs dramatically to make up for increased spending. College students at some campuses enjoy perks like pool parties, DJs, raves, climbing walls, racquetball courts etc. and can even ski for college credit. Less than half of every dollar contributed by state taxpayers actually goes toward education, with the rest covering salaries, benefits, activities etc. Vote NO on LR-128 in Nov. 2018 to give yourself and your neighbors a \$200 million tax cut and make the Montana University System live within its means.<sup>[5]</sup> ”

## Campaign finance

See also: *Campaign finance requirements for Montana ballot measures*

**The campaign finance information on this page is according to the most recent scheduled reports, which covered through August 27, 2018. The deadline for the next scheduled reports was October 1, 2018.**

Two committees—Business for Higher Education and Montanans for the 6Mill—are registered to support this measure, and one committee—Montanans Against Higher Taxes—is registered to oppose it. The support committees had raised a total of \$589,738 in contributions and had spent \$545,274. The opposition committee had raised \$3,750 in contributions and had spent \$2,778.<sup>[10][11][8]</sup>

Total campaign contributions:	
<b>Support:</b>	<b>\$589,738.44</b>
<b>Opposition:</b>	<b>\$3,749.52</b>

The largest donor to the support campaign was MEA-MFT, which provided \$315,625 in contributions. MEA-MFT is a labor union that represents "state, county, & municipal employees; public K-12 school teachers and support staff; higher education faculty; health care employees; Head Start teachers and staff; retired members; and student members (college students who plan to become teachers)."<sup>[11][12]</sup>

The largest donor to the opposition campaign was Timothy Adams, who provided \$677.06 in contributions—\$500 in cash and the rest in in-kind services.<sup>[8]</sup>

## Support

Following are summaries of the contributions and expenditures for the support committees according to the most recent reports available:

Committees in support of Montana Property Tax for State University System				Totals in support	
Supporting committees	Cash contributions	In-kind services	Cash expenditures	Total raised:	\$589,738.44
Business for Higher Education	0.00	\$625.00	0.00		
Montanans for the Six Mill	\$536,618.90	\$52,494.54	\$492,154.28	Total spent:	\$545,273.82
<b>Total</b>	<b>\$536,618.90</b>	<b>\$53,119.54</b>	<b>\$492,154.28</b>		

## Donors

The five largest donors to the support campaign according to the most recent reports are below:<sup>[10][11]</sup>

Donor	Cash	In-kind	Total
MEA-MFT	\$300,000.00	\$15,625.18	\$315,625.18
Montana Public Interest Research Group (MPIRG)	\$0.00	\$35,093.18	\$35,093.18
Montana Hospital Association	\$25,000.00	\$0.00	\$25,000.00
Washington Corporation	\$20,000.00	\$0.00	\$20,000.00
Committee to Keep the 6 - mill Levy - LR 118	\$17,221.90	\$0.00	\$17,221.90
Glacier Bank Corp	\$15,000.00	\$0.00	\$15,000.00

## Opposition

Following are summaries of the contributions and expenditures for the opposition committee according to the most recent reports available:<sup>[8]</sup>

Committees in opposition to Montana Property Tax for State University System				Totals in opposition	
Opposing committees	Cash contributions	In-kind services	Cash expenditures	Total raised:	\$3,749.52
Montanans Against Higher Taxes	\$3,572.46	\$177.06	\$2,600.84	Total spent:	\$2,777.90
<b>Total</b>	<b>\$3,572.46</b>	<b>\$177.06</b>	<b>\$2,600.84</b>		

## Donors

The largest donors to the opposition campaign according to the most recent reports available are below:<sup>[8]</sup>

Donor	Cash	In-kind	Total
Timothy Adams	\$500	\$177.06	\$677.06
Geoff Goble	\$503.46	\$0.00	\$503.46
Stephen A Zabawa	\$500	\$0.00	\$500.00

## Methodology

To read Ballotpedia's methodology for covering ballot measure campaign finance information, click here.

# Background

## Montana University System

See also: *Higher education in Montana*

The Montana University System (MUS) was established in 1994.<sup>[13]</sup> A seven-member Board of Regents governs the system. As of 2017, MUS was comprised of sixteen public institutions of higher education, including two state university systems and three community colleges. The following institutions were members of MUS:<sup>[14]</sup>

- Montana State University (Bozeman, Gallatin College, Billings, City College at Billings, Northern, Great Falls College)
- University of Montana (Missoula, Missoula College, Bitterroot College, Montana Tech, Highlands College, Western, Helena College)
- Dawson Community College
- Flathead Valley Community College
- Miles Community College

Following is a chart of MUS tuition and fees for one academic year (two full-time 15-credits semesters) for in-state students. For 2017-2018, the average cost of full-time tuition for a 4-year undergraduate degree was \$6,412 per year, or about \$25,651 for four years.<sup>[15]</sup>

### MONTANA UNIVERSITY SYSTEM

#### MUS Tuition & Fees History - Residents

Academic Year Rates for Full-time\* Students

Institution	Full-time Resident										
	2000-01	2005-06	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>2-year Colleges</b>											
Gallatin College MSU						3,091	3,111	3,135	3,144	3,161	3,836
City College at MSUB	2,503	3,478	3,661	3,693	3,719	3,747	3,765	3,782	3,810	3,830	3,255
Great Falls College MSU	2,383	2,877	3,012	3,025	3,069	3,077	3,086	3,094	3,130	3,130	3,443
Highlands College of MT Tech	2,220	2,936	3,128	3,128	3,142	3,155	3,226	3,236	3,303	3,324	3,229
Helena College UM	2,293	2,874	3,061	3,061	3,061	3,061	3,061	3,061	3,070	3,079	3,745
Missoula College UM	2,448	3,096	3,347	3,369	3,391	3,404	3,459	3,498	3,543	3,588	3,280
Dawson Community College*	1,368	2,324	2,736	2,856	3,083	3,083	3,113	3,359	3,570	3,630	3,720
Flathead Valley Community College*	1,748	2,349	3,496	3,584	3,657	3,730	3,820	3,836	3,965	4,049	4,637
Miles Community College*	1,512	2,835	3,420	3,420	3,630	3,720	3,810	3,900	3,945	3,990	4,125
<b>4-year Colleges - Undergraduate</b>											
Montana State University, Bozeman	3,079	5,220	5,999	6,168	6,428	6,705	6,752	6,801	6,849	6,887	7,079
Montana State University, Billings	3,052	4,856	5,207	5,241	5,470	5,710	5,745	5,779	5,807	5,827	5,833
Montana State University, Northern	2,692	4,088	4,440	4,476	4,643	4,818	4,818	4,818	4,871	4,922	5,861
Montana Tech	3,006	5,123	5,885	5,928	6,175	6,435	6,464	6,494	6,579	6,623	7,139
University of Montana, Missoula	3,066	4,711	5,330	5,476	5,722	5,973	6,044	6,099	6,157	6,215	7,063
University of Montana, Western	2,603	3,433	3,689	3,696	3,945	4,109	4,141	4,152	4,226	4,284	5,502
<b>Graduate</b>											
Montana State University, Bozeman	3,533	6,041	6,774	7,136	7,443	7,771	7,818	7,866	7,915	7,953	8,177
Montana State University, Billings	3,495	5,608	6,005	6,039	6,307	6,590	6,625	6,659	6,687	6,707	6,871
Montana State University, Northern	3,300	5,656	6,171	6,207	6,460	6,726	6,726	6,726	6,779	6,831	7,034
Montana Tech	3,360	5,838	6,774	6,730	7,016	7,264	7,348	7,378	7,463	7,507	7,681
University of Montana, Missoula	3,458	5,349	5,909	6,206	6,489	6,777	6,848	6,903	6,961	7,019	7,870

\*Full-time enrollment equals 15 credits per semester

source: Official Tuition & Fee spreadsheets approved by the Board of Regents; Identical information submitted to WICHE's Tuition and Fees in the West publication

\*in-district community college rates

The average cost of tuition per academic year in nearby states was around \$7,453, or about \$29,812 for four years.<sup>[16]</sup>

Following is a chart of the Montana University System's operating budget for fiscal year 2018:<sup>[17]</sup>

## Montana University System - Ed. Units Only

### Current Unrestricted Expenditures & Metrics

EXPENDITURES	FY14	FY15	FY16	FY17	FY18	Difference	
	Budgeted					1yr	4yr
Instruction	\$218,808,410	\$230,809,393	\$236,459,293	\$243,871,649	\$247,818,861	2%	13%
Academic Support	\$53,343,303	\$56,269,963	\$56,238,622	\$56,367,224	\$56,841,883	1%	7%
Student Services	\$39,916,939	\$41,351,358	\$41,322,005	\$44,116,578	\$43,708,754	-1%	9%
Institutional Support	\$38,569,399	\$41,179,541	\$40,339,154	\$45,626,284	\$43,926,272	-4%	14%
Operation & Maintenance	\$51,290,688	\$51,928,652	\$54,478,877	\$54,672,287	\$55,871,170	2%	9%
Research	\$6,211,786	\$4,667,821	\$2,739,631	\$2,957,829	\$2,754,583	-7%	-56%
Public Service	\$4,102,113	\$4,274,664	\$4,293,893	\$4,240,795	\$4,222,815	0%	3%
<b>Total CU Exp (net of waivers/SA)→</b>	<b>\$412,242,638</b>	<b>\$430,481,392</b>	<b>\$435,871,475</b>	<b>\$451,852,646</b>	<b>\$455,144,338</b>	1%	10%
<i>Waivers/Discounts</i>	<i>\$40,843,478</i>	<i>\$43,688,354</i>	<i>\$42,616,693</i>	<i>\$44,237,242</i>	<i>\$48,364,725</i>	9%	18%
<i>Special Approps/OTO</i>	<i>\$2,600,564</i>	<i>\$3,795,370</i>	<i>\$5,726,621</i>	<i>\$10,270,228</i>	<i>\$746,349</i>	-93%	-71%
<b>Total CU Expenditures</b>	<b>\$455,686,680</b>	<b>\$477,965,116</b>	<b>\$484,214,789</b>	<b>\$506,360,116</b>	<b>\$504,255,412</b>	0%	11%
Key Metrics							
% Instruction Exp	53%	54%	54%	54%	54%	0%	1%
% Instruct/Acad/Stud Ser Expenditures per Student	76%	76%	77%	76%	77%	0%	1%
	\$11,084	\$11,768	\$12,154	\$12,593	\$12,842	2%	16%

(based on Total CU Exp - net of waivers)

- **Instruction – 13% increase over 4 years, comprises 54% of total expenditures** BOR target = 50%
- **% Instruction + Aca Support + Stud Service is consistently over 75%** BOR target = 70%
- **Expenditures per Student – budgeted to increase 2% over last year** MT ranks 46<sup>th</sup> in nation 3

## Measures

See also: *Taxes on the ballot and Education on the ballot*

In 1920, Montanans approved Initiative 18, which enacted a 1.5-mill tax for 10 years to provide funding for the state university system. The legislature referred Referendum 34 to the ballot in 1930. Voters approved the measure, which levied a three-mill tax for 10 years to provide funding for the University of Montana, the Agricultural Experiment Station, and the Agricultural Extension Service. The legislature referred a measure, titled Referendum 42, in 1940. The measure levied a 3.5-mill tax to provide funds for the university system.

The six-mill tax for higher education was first levied after a public vote in 1948 and was reauthorized at the ballot box every 10 years, including in 1958, 1968, 1978, 1988, 1998, and 2008. The highest margin of approval for the tax was 67.24 percent in 1978, and the lowest margin of approval was 51.51 percent in 1958. The average approval rate of the seven times the tax was voted on was 60.10 percent.

Year	Measure	Percent "Yes"	Percent "No"
1948	R-51	60.80%	39.20%
1958	R-61	51.51%	48.49%
1968	R-65	58.81%	41.19%
1978	LR-75	67.24%	32.76%
1988	LR-106	64.14%	35.86%
1998	LR-113	61.40%	38.60%
2008	LR-118	56.79%	43.21%
<b>Average</b>		<b>60.10%</b>	<b>39.90%</b>

## Referred statutes on the ballot



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# ATTACHMENT J

**Steve Arveschoug**

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**From:** Kevin P. Heaney <kheaney@crowleyfleck.com>  
**Sent:** Wednesday, September 26, 2018 3:52 PM  
**To:** Steve Arveschoug  
**Subject:** Conflict of Interest - Consent and Waiver

Steve,

The City of Billings asked Crowley Fleck to represent it in lobbying and government affairs matters in the 2019 Montana Legislative Session, and potentially beyond the end of the session. I will not provide those legal services, other Crowley Fleck attorneys will. Since we represent Big Sky Economic Development Authority in the One Big Sky project in which the City is an adverse party, Crowley Fleck can only represent the City in lobbying and governmental affairs matters if BSED and the City both consent and waive any conflict of interest. Crowley Fleck believes it can represent the City in lobbying and government affairs matters without limiting or adversely affecting our ongoing representation of BSED. If BSED consents to Crowley Fleck's representation of the City, Crowley Fleck will maintain all confidences of BSED and the City and will not share confidential information received from one client with the other client, no matter how pertinent it may be. Please send me a reply email in the affirmative, if BSED consents to Crowley Fleck's representation of the City as described above. By consenting, BSED waives: (1) the right to assert a conflict of interest arising from Crowley Fleck's representation of BSED and the City; and (2) any claims arising from that conflict. If you have questions regarding the above, please contact me.

Thanks,

Kevin

Kevin Heaney  
Crowley Fleck PLLP  
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