



EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

EDA/EDC Joint Board Minutes
Thursday, October 11, 2018 – 7:30 AM – 9:15 A.M.
Yellowstone Room, 1st Floor - Granite Tower

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

EDA Board Members Present: Cory Moore, Fred Sterhan, Greg McDonald, Ken Lutton, Mitch Goplen, Paul Neutgens, Robin Rude, Greg Upham (ex-officio), John Brewer (ex-officio), Matt Lurker (ex-officio), Robyn Driscoll (ex-officio)

EDA Board Members Absent: Chuck Tooley, Dana Pulis, Jennifer Smith, Sheri Nicholson

EDC Board Members Present: Aaron Ramage, Andy Gott, Bob Wilmouth, Craig Bartholomew, Dan Edelman, David Trost, Dennis Pitman, Duncan Peete, Eric Simonsen, Jon Stepanek, Mac Fogelsong, Mike Nelson, Mike Phillips, Mike Seppala, Molly Schwend, Scott Chesarek, Steve Loveless, Ty Elkin, Wayne Nelson

EDC Board Members Absent: David Ellis, Debbie Singer, Doug Hansen

Staff and Guests: Steve Arveschoug, Austin Trunkle, Becky Rogers, Dianne Lehm, Melanie Schwarz, Dena Johnson, Lorene Hintz, Marcell Bruski, Dustin Frost, Brandon Burger, Jim Tevlin, Dr. Bob Merchant, Jack Nickels, JJ Camody, Evelyn Pyburn, Jim Duncan, John Felton, Chris Kukulski

Call to Order:

Eric Simonsen, EDC Chair, called the meeting to order at 7:30 A.M. with the Pledge of Allegiance.

Public Comment/Recognitions/Special Announcements:

Eric introduced John Felton of Riverstone Health and Steve Loveless, Board Member and CEO of St. Vincent Healthcare. Steve and John spoke in favor of Initiative 185 and its aim of expanding Medicaid in Montana. Steve shared a personal story illustrating the ill effects of tobacco usage. Steve also mentioned that the Billings Gazette ran a piece earlier this week clarifying the numbers and confusion surrounding the initiative. Bryce Ward, a Missoula based economist, analyzed the economic impact of the Medicaid expansion and the result indicated there was substantial benefit to passing the initiative. Steve also explained the reimbursement rates of traditional Medicaid vs Medicaid expansion. The State pays 65% of the cost of a traditional Medicaid patient but only pays 10% of the cost of expansion patient. The economics change because expansion converts some of the traditional patients to expansion patients and saves the State money.

John Felton then spoke to how Medicaid expansion affects his healthcare system. Mr. Felton mentioned how the health of the workforce impacts the local economy. He also spoke about the fact that Medicaid serves a lower income demographic. If this group is unable to seek care before their condition worsens, it will cost more in the long-term. Initiative 185 disperses 4% of the tax raised to Veteran Healthcare. The annual contribution equates to \$2M. Mr. Felton navigated a webpage that details specifically the impact of Medicaid expansion in Montana.

Dr. Bob Merchant spoke and said he sees many patients each day with issues directly related to tobacco use. Dr. Merchant said he would like work himself out of a job by increasing awareness of the ill effects of tobacco. It is estimated that a tobacco users annual medical expenses cost each Montana taxpayer \$800.

Cory Moore asked about the constitutionality of the initiative, which has been a talking point in political advertisements. The presenters replied to Cory that the language in the initiative was crafted very thoughtfully and they believe it is indeed constitutional. They conceded that it will likely be challenged but are confident it will be upheld. Superintendent Greg Upham asked if any portion of these funds will be used to educate the youth about the dangers of nicotine use. The presenters said there was \$3-4 million being allocated to preventative measures and cessation assistance. Greg McDonald asked Steve Arveschoug if there will be any Member Investors who will be unhappy with a supportive stance with regard to I-185. Steve said he anticipates there may be some who are upset but he is happy to explain to them why the Board made their decision.

Paige Spalding was then introduced to speak in favor of the 6 Mills for Higher Education. This is a mill levied every ten years and the taxes raised benefit the Montana University System. In its 70-year history, the levy has never failed and generates about \$200M over its ten-year life. Students could see an 18% increase to their tuition if the levy were to fall. Currently, 80% of Montana graduates find work within a year of graduation. Paige asked that when you receive your ballot, to please remember this levy is for our children and our future.

Agenda Changes:

"Other Reports" on the agenda will be struck and moved to next month's meeting.

Discussion was held about changing the agenda to allow the Board to vote right away on Initiative 185 and 6-Mills for Higher Ed instead of at the end of the meeting.

Motion: Craig Bartholomew, to change the agenda to allow the Board to vote on the Initiatives, as presented to the Board.

Second: Ken Lutton

Discussion: None

Motion carried

Ad Hoc Legislative Committee Update

Steve proceeded to read the Policy Statement that had been requested by the Board during the September Board Meeting. The vote will require a 3/5 majority to pass.

Abstained: Dan Edelman, Jon Stepanek, and Denis Pitman. All three are on the EDC Board.

Motion: David Trost, to approve to adopt the Policy Statement regarding I-185, as presented to the Board.

Second: Duncan Peete

Discussion: None

Motion carried with 7 votes in favor on the EDA side and 16 votes in favor on the EDC side.

A vote was then held for the 6-Mills for Higher Ed. This vote required a 3/5 majority to pass.

Motion: Cory Moore, on the EDA side, to approve backing a "Pro-6 Mills for High Education" stance, as presented to the Board.

Second: Ken Lutton

Discussion: None

Motion carried with 7 EDA votes in favor.

Motion: Wayne Nelson, on the EDC side, to approve backing a "Pro-6 Mills for High Education" stance, as presented to the Board.

Second: Craig Bartholomew

Discussion: None

Motion carried with 16 EDC votes in favor.

Consent Agenda:

Approval of the September 2018 Board Meeting Minutes

One change was made to the minutes to correct attendance. David Ellis was in attendance but was not included in the minutes.

Motion: Craig Bartholomew, to approve the September 2018 Board Meeting Minutes as presented to the Board.

Second: Jon Stepanek

Discussion: None

Motion carried

Approval of the August 2018 EDA and EDC Financials

Motion: Duncan Peete, to approve the August Financials, as presented to the Board.

Second: Steve Loveless

Discussion: None

Motion carried

Program-Level Reports and Action Items

EDA-EDC Management Services Agreement Amendment/Update - Becky

Becky presented the management services agreement and discussed the changes made as a result of adding staff to Melanie's department. The Business Outreach Project Manager will now be part of the EDC reimbursement to the EDA. Becky also included the fact that this current agreement will be for a two-year term, pending SBA approval.

Motion: Mike Nelson, to approve the management services agreement pending SBA approval, as presented to the Board.

Second: Ken Lutton

Discussion: None

Motion carried

There was also action needed to approve the Resolution to Adopt the New Management Services Agreement. This ensures compliance with the SBA. This item is EDC Action only.

Motion: Craig Bartholomew, to approve the Resolution to Adopt the New Management Services Agreement, as presented to the Board.

Second: Jon Stepanek

Discussion: None

Motion carried

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. **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 \$194,000 on a 20-year note comprising 40% of the total project costs. Big Sky EDC and the SBA will be in a 2nd 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.

Abstained: Mike Seppala

Motion: Andy Gott, to approve the T Bunch, Inc./Tyson and Sarah Bunch (Bevco Countertops) loan request, as presented to the Board.

Second: Duncan Peete

Discussion: None

Motion carried

SMART Audit Response/Policy Updates

Brandon presented the results of the SBA SMART Analytical Review. The conclusion was Acceptable with Corrective Action Required. As a result of the Board's approval, all Corrective Actions are in place. Big Sky Finance has already implemented several of the recommendations listed in the audit findings. Attached at the end of this document are the SMART Review Findings and the Response Plan in its entirety. In addition to this document, The Board was provided with the updated Loan Policy and updated Internal Control Policy. Brandon went through each of the findings with the Board and the action to be implemented at this time. Brandon also went through each of the Recommendations for Improvement and discussed the action to be taken. Andy Gott asked if any of these were repeat findings. Brandon let Andy know that this was the first SMART audit Big Sky Finance has undergone so there are no repeat findings. Brandon asked that the Board vote to approve the Audit Response Plan (see ATTACHMENT) in addition to the Updated Loan Policy and Updated Internal Controls Policy.

Motion: Wayne Nelson, to approve the Audit Response Plan in addition to the Updated Loan Policy and Updated Internal Controls Policy, as presented to the Board.

Second: Mike Seppala

Discussion: None

Motion carried

Nominating Committee Update – Becky

Becky gave a Nominating Committee Update.

The EDC Board election results yielded Spencer Frederick, Ann Kosempa, Tom Schlotterback, Dave Ballard, Mitch Goplen and Eric Simonsen.

The application process for the seats open on the EDA Board can be found on the county's website and submissions are due on Thursday, October 25th.

Last week, BSED submitted a letter asking the County Commissioners to consider adding an Ex-officio position for the CEO of the Downtown Billings Alliance. The Commissioners will make a decision on this request at their next work session.

Becky gave a Future Facilities Taskforce update to the Board. Becky is very close to finishing the due diligence process. There will be a workshop on 10/29 that will allow the Board to see the analysis in depth and ask questions of the process and provide feedback.

Becky discussed the steps taken for the analysis and what was still left to do. With the cost analysis, Becky pulled in expertise including Craig, who provided help with lease and purchase analysis in addition to help from a commercial broker. The total operating costs were considered at 10, 15, and 20 years across the three proposals. Becky also shows a set of numbers that reflect a down payment on the purchase proposal. Becky also spoke about the space needs analysis. BSED contracted with Eric Simonsen to conduct a space programming assessment and how the space can be best utilized. Eric will present his findings at the workshop. It should be noted that Eric will abstain from voting on a final decision, as a result of his work on the project. Third was a location analysis which will reflect other considerations identified in the needs analysis. Becky will also follow up with the county Commissioners and respond to questions they asked that were answered during the due diligence. This will happen before the November Board Meeting.

Recruitment Program Report - Allison

Allison gave an update on the USDA request for proposal and OBSD.

No handout was given and no action taken for this update as indicated in the agenda. Allison updated the Board that we will be sending a letter of interest to propose for the new headquarters for the National Institute of Food and Agriculture and the Economic Research Service. That letter is due this coming Monday. Our congregational delegation will be providing letters of support. The RFP will be taking into consideration the following: Overall logistics, workforce, the community and quality of life offered, Capital and operating costs, and the technology infrastructure. Their focus as they look to move will be on improving efficiency, focusing on customer service, and increasing economic development in rural America.

Mike Phillips asked how realistic this proposition is. Allison mentioned that we have a strong position to offer from and that the potential to bring 600 jobs to Billings is immensely important. Steve added that he anticipates that the USDA will receive thousands of intent to propose letters.

Allison then went through her OBSD update. Landmark Development has contracted several entities to help with the financial analysis portion of the masterplan. Greg McDonald asked what the request of the legislature will be. Allison said the essence of the ask would be that the legislature grants an economic development tool that would be provided after a certain amount of private investment has been received.

Update: E-Space Launch – Dena

Dena presented an E-Space update and said that they have secured the entirety of their funding. Dena reminded the Board that there will be a meetup following the Annual Meeting on October 18th. The event will take place at the Depot and will be free to those who register. Dena encouraged the Board to attend and bring a guest with them. Dena gave an example of innovative thinking from Billings that included a company who produces and sells a plant-based drink called Kava.

Annual Meeting – October 18th (95% Goal) – Melanie

Melanie spoke about the annual meeting and that 90% of the Board have RSVP'd the event. The Governors of Montana, Wyoming, and South Dakota will be speaking about economic development in our respective states. Melanie also introduced Marcell Bruski as the new Business Outreach Project Manager.

Executive Director' Report – Steve

Conflict of Interest Waiver Request – Crowley Fleck

Crowley Fleck has entered into an agreement with the City of Billings to lobby on their behalf regarding certain issues. As such, the firm has asked BSED to sign a Conflict of Interest waiver.

Motion: David Trost, to approve to authorize Steve to execute signing the waiver, as presented to the Board.

Second: Duncan Peete

Discussion: None

Motion carried

Public Comment: None

Meeting adjourned: 9:24 A.M.

Next Meeting – November 8, 2018

Respectfully submitted,



Robin Rude, EDA Secretary/Treasurer



Mike Seppala, EDC Secretary/Treasurer

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

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