



# BIG SKY ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

## EDA/EDC Joint Board Minutes

Thursday, July 11<sup>th</sup> 2019 – 7:00 AM – 9:00 A.M.

Big Sky Economic Development – Yellowstone Conference Room

Granite Tower 222 N. 32<sup>nd</sup> Street, Billings, MT

*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, Dana Pulis, Fred Sterhan, George Warmer, Jennifer Smith, Jennifer Owen, Judi Powers, Ken Lutton, Paul Neutgens, Robin Rude, Shaun Brown (Ex-Officio), Greg Upham (Ex-Officio)

**EDA Board Members Absent:** Greg McDonald, Katy Easton (Ex-Officio), Don Jones (Ex-Officio), John Brewer (Ex-Officio)

**EDC Board Members Present:** Aaron Ramage, Andy Gott, Ann Kosempa, Craig Bartholomew, Denis Pitman, David Ellis, Eric Simonsen, Jon Stepanek, Mike Nelson, Mike Seppala, Molly Schwend, Nicole Bengé

**EDC Board Members Absent:** Bob Wilmouth, Dan Edelman, Dave Ballard, Doug Hansen, Mac Fogelsong, Mike Phillips, Mitch Goplen, Scott Chesarek, Spencer Frederick, Steve Loveless

**Staff and Guests:** Jim Atchison, Lorene Hintz, Melanie Schwarz, Becky Rogers, Austin Trunkle, Steve Arveschoug, Jack Nickels, Thom MacLean, Dustin Frost, Liz Ching, Tory Kolkhorst, Jim Tevlin, Brandon Berger, Dena Johnson, Patrick Klugman, Deanna Langman, Allison Corbyn, Leslie Modrow, Johnna Jablonski

### Call to Order:

Cory Moore, EDA Chair, called the meeting to order at 7:32 A.M. with the Pledge of Allegiance.

### Public Comment/Recognitions/Special Announcements and Introductions:

#### Public Comment

Jon Stepanek announced that the Montana Broadcasters Awards named a commercial featuring the Billings Mustangs and our very own Cory Moore, as the best commercial of the year.

Leslie Modrow, Director of the Billings Library Foundation announced a forum taking place at the Library with the topic being Russia. The luncheon will be at 12pm on July 25<sup>th</sup> with a private reception to follow at 6pm-7pm at MSUB.

Melanie announced that the mural at the Pub Station has been completed and showed the final product on the screen. A student from the Career Center won the design competition, and RotarAction, the DBA, and BSED coordinated the tracing and painting. Melanie wanted to extend some extra appreciation for all of the work that Marcell Bruski did to bring this project to fruition.

Next was Jim Atchison with South Eastern Montana Development in Colstrip. Jim and his team serve a vast portion of Eastern Montana. Jim wanted to give an update to the Board regarding the recent closures of units 1 and 2. The

coal and power industry employs 800 individuals in their community. Jim wanted to also emphasize that Billings' economy is affected by their work. Jim reminded the Board that a significant amount of tax is generated by coal production and the effects will be felt in Helena. In 2016, pending closures were announced for the plant and were supposed to take place in 2022. Jim said they have increased their efforts to build a diversification strategy for their community and in 2017, the plan was completed by KLJ. There is 6 goals and 17 strategies in the plan and the number one goal was to increase broadband capacity. Just last month, the early closure of units 1 and 2 were announced. Jim said the situation is still fluid and the direct impacts are still not fully known. He went on to say that the community of Colstrip has dug in their heels and is ready to face the issue head on. Jim ended by saying that Colstrip is still open for business and units 3 and 4 will continue to produce clean, sustainable energy. Jim thanked our Board for their support of Colstrip and our partnership in the Coal Country Coalition. The Energy Open will take place in Colstrip on August 15<sup>th</sup> and 16<sup>th</sup>.

Steve spoke more to what the Coal Country Coalition is and that there is likely a meeting this fall that the Board is invited to attend.

Karen announced that we have just been notified that our Better Off in Billings Campaign has won the gold award from the International Economic Development Council.

**Agenda Changes:**

1. Financials will be moved out of the consent agenda to program level reports.

**Consent Agenda:**

Approval of the June 2019 Board Meeting Minutes, and the results of the electronic votes on June 20<sup>th</sup> and June 26<sup>th</sup>.

Motion: Judi Powers, to approve the June 2019 Board Meeting Minutes, and the Electronic Votes, as presented to the Board.

Second: Mike Seppala

Discussion: None

Motion carried

**Program Level Reports and Action Items**

Approval of the May 2019 EDA/EDC Financials – Jim

Steve asked Jim to field some questions regarding the financials for May. Jim began his report but was quickly interrupted by Steve who told Jim that there weren't any questions, and that we wanted to recognize his 17 years of service to our organization as this will be his last Board Meeting.

Steve did have a question regarding the funds we have set aside in our GE Maintenance account. Both Jim and Allison will work on getting a written statement from GE releasing us from further liability so that we may reallocate those funds.

Motion: Mike Seppala, to approve the May 2019 EDA/EDC Financials, as presented to the Board.

Second: Jennifer Smith

Discussion: None

Motion carried

**Big Sky Finance – Brandon**

**SBA 504 Loan Requests**

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

1. **Pangea Restaurant Group LLC** – Request is for an increase in the overall project costs and SBA debenture. The total project costs are being increased by \$35,000 as the borrower's decided to include in the project the purchase of a ventilation hood for the restaurant. This will result in an increase of the SBA debenture from \$828,000 to \$843,000. Loan request was originally approved by the Board on June 13, 2019. Original request was approved by SBA and the increase is pending SBA approval. No other changes to the loan as originally approved. Minimal impact to overall debt service – projected cash flow coverage remains sufficient.

**Original Request – 06/13/2019:** Request is for the purchase of land, existing building and renovations for a new restaurant to be located in downtown Missoula. The restaurant will be called Pangea. The owners of Pangea currently own and operate Liquid Planet Montana in this same location, and currently lease the space. With the purchase, they will close this restaurant location and open Pangea, thus the need for renovations. This will be a full-service restaurant with full bar. They will offer an authentic and culturally diverse menu bringing flavors from around the world. The owners have prior experience in restaurant operations and marketing. An experienced chef is being brought on to assist but will have no ownership.

There are projected to be 25 new jobs created as a result of this project. The total SBA debenture will be \$828,000 on a 25-year note comprising 35% of the total project costs. Big Sky EDC and the SBA will be in a 2<sup>nd</sup> lien position behind Farmers State Bank in Missoula on the real property.

Motion: Mike Nelson, to approve the Pangea Restaurant Group, LLC loan request as presented to the Board.

Second: Craig Bartholomew

Discussion: None

Motion carried

*A second loan approval involving First Interstate Bank was moved to September as a bankers quorum would not have been achieved with the abstention of Andy Gott.*

#### **Future Facilities Taskforce Update– Becky**

Today is the day that our EDA Grant Application will be reviewed by the Denver office. We anticipate knowing early next week if we are being flagged for further consideration. Becky said the letter they send will possibly stipulate what they think is an allowable project cost and if we will receive funding in either this fiscal year or next. The EDA's fiscal year ends in September. Becky believes we will hear more in late August or early September.

Becky then gave a lease amendment update. The Board authorized Staff to execute a lease via electronic vote on June 26<sup>th</sup>. Legal counsel reviewed the agreement the following day and suggested some adjustments. Becky reviewed the adjustments made to the terms of the lease.

Craig asked if money could be borrowed from the Opportunity Fund to move forward with the facility purchase should the federal funds be delayed. Becky said that this question was brought to Kirk (EDA representative for our region) and he said that would pre-spending grant funds would complicate the process. He said it becomes a legal issue and would need to be reviewed with legal counsel before proceeding.

#### **Big Sky Trust Fund Application – Lorene**

Lorene presented to the Board an application for the BSTF.

The Big Sky Trust Fund is a state funded program created by the 2005 Legislature to assist in economic development that will create good-paying jobs, promote long-term growth, retain or expand existing businesses, and encourage workforce development in Montana.

Big Sky EDA board is requesting approval to submit to the Big Sky Trust Fund, Job Creation Grant fund the for the following grant request:

Project Meats dba Ranch House Meats LLC is a basic sector company that will be the recipient of BSTF financial assistance. They must apply for the BSTF grant through a private, nonprofit economic development corporation designated by the Department of Commerce. In this case, Big Sky Economic Development is the applicant for Project Meats dba Ranch House Meats LLC to apply for \$100,000 to create 20 net new jobs in the next 12 months. These jobs must meet or exceed the program's wage eligibility requirements.

Project Meats dba Ranch House Meats LLC is a full-service meat company located in Billings. They produce and sell fresh and shelf-stable meat products through wholesale channels as well as directly to the consumer through their retail store and on-line retail channels. The business was purchased in 2007 by Shane and Tanya Flowers. At the time of purchase, it was a custom-processing facility with annual revenue of \$150,000. They achieved state inspected designation in 2009. In 2014, they opened their first standalone retail location in Billings. Ranch House Meats is owned by three co-founders, Shane and Tanya Flowers, and Patrick Daley. The business grew with internal cash flow and limited debt financing to \$2.05 Million in 2018. Ranch House Meats LLC will purchase and renovate a building for production that will focus 80% on Meat Snacks and shelf stable products. With additional space they will be able to cut fresh meat as well as process meat snacks in two separate locations, keeping the different types of meat processing separate. They also plan to upgrade the current livestock harvest and meat processing facility located in Shepherd to be a USDA Inspected operation. They have cash investment from the owners of \$330,000 and investment/contribution of \$250,000. They will have a long-term loan of \$1,200,000 for building purchase and improvement and a med term loan of \$1,000,000 for equipment. Total sources of fund are \$2,980,000. In addition to the building purchase and improvement of \$1,400,000, equipment of \$1,000,000, they will have \$80,000 of transaction costs, leaving \$500,000 of working capital for the company.

Motion: Robin Rude, to approve the BSTF Grant Application, as presented to the Board.

Second: Ken Lutton

Discussion: None

Motion carried

#### BillingsWorks CTE MOU with SD2 – Karen

Karen was next with a career and technical education update. Edits were made to the MOU between BSED and SD2. The changes include a position title name change to Career Outreach Director. The contract will be for two years and the BillingsWorks Director will also co-supervisor the position with the Superintendent of SD2. Greg mentioned that there were 65 applicants for the Career Outreach Director and 111 for Career Coaches. Greg also said that these positions wouldn't have been possible without the passing of the school levy earlier this year. He thanked BSED for their support and Dana Pullis and her team at Kinetic for their work. Greg went on to say that SD2 is undergoing a paradigm shift and that the community needs to be aware of how we open opportunities for students beyond the college career path. These positions that SD2 will hire for will help to empower teachers and parents of students to find a career path that is right for each student. Greg said 88% of students surveyed said they would be interested in exploring career paths while attending school and receiving dual credit. Cory went on to commend the work of Karen and SD2 in reaching out to students.

Motion: Judi Powers, to approve the execution of the MOU with SD2, as presented to the Board.

Second: Fred Sterhan

Discussion: None

Motion carried

#### Member Investor Program FY19 Recap – Melanie

Melanie presented a spreadsheet for the Board Members to detail the revenue generated this year, and the historical year-over-year increases for the Member Investor Program. Melanie increased the revenues by 27% over the last year. Melanie highlighted the Members who increased their contributions and then spoke to the other funding efforts that were made in the last fiscal year.

#### Coulson Park Update – Patrick

Patrick presented a PowerPoint to the Board to give them an update on the progress of the Coulson Park effort. BSED and their partners raised \$90,000 to develop a Masterplan which is now underway. Patrick also mentioned

that there is a challenge grant available to this project if \$250,000 can be raised before May of 2020. If so, that \$250,000 will be matched in full for a total of \$500,000 of seed money. Patrick showed the three concepts that have been developed by the masterplan consultants. Those concepts are Passive, Active, and Hybrid approaches. As the project moves forward, there will be a series of Coulson Park Picnics with the aim of having members of the public and elected officials attending to give their input and stoke their interest in the project. With respect to timeline, the Masterplan should be completed by September or October. At that point, they will seek approval from the City Council.

**FY2020 Board Calendar – Marcell**

Marcell drew the Board's attention to the updated Board Calendar. The updated information is highlighted in orange and included the date for our Annual Meeting.

**Executive Director's Report - Steve**

**Organizational Workplans and Goals and Executive Director's Focus**

Steve asked the Board to direct their attention to the Organizational Workplans and Goals for our programs as well as the revised Executive Director's Focus on the last page. Steve has distilled his focus and has noted those changes in the document. Items that Steve will keep as top priorities are bolded and in blue, items in which he will serve in an advisory capacity are regular font and blue, and items that will be delegated have been left in regular typeface. Steve is asking the Board to adopt the Workplans and Goals Document.

Motion: Fred Sterhan, to approve and adopt the Workplans and Goals Document, as presented to the Board.

Second: Paul Neutgens

Discussion: None

Motion carried

**Controller Transition Plan – Steve /Becky**

Jim's last day will be August 30<sup>th</sup> and his priorities until then will be closing the ledger for FY2019 and preparing for the audit fieldwork in August. As with all openings, Becky said as we move forward we will take a fresh look at the position and have asked a contingent of Board Members and Staff to be on the hiring committee for the position. In the expected interim between Jim's departure and the hire of the new staff member, we will contract with Avitus Group to come in-house and handle our day-to-day work such as payroll and accounts payable.

Finally, Steve mentioned that there will be no August Board Meeting but there will be a "hot topics" dialogue with the Executive Committee Meeting. Steve invited the Board to give their input on what items should be discussed at that meeting.

Steve also invited the Board to attend the luncheon we will be hosting with Lisa Clarke from Destination Medical Center in Rochester, MN. The meeting will be on July 17<sup>th</sup> at the Northern Hotel.

**Public Comment**

None

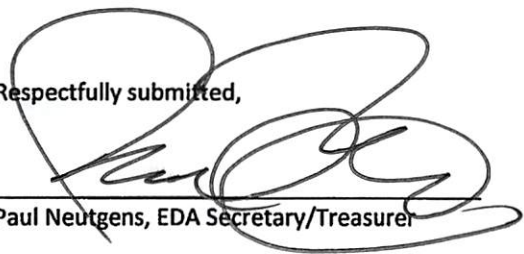
**Adjourn**

Cory Moore entertained a motion to adjourn. Jennifer Smith made the motion, and the meeting was adjourned at 8:58 A.M.

**Meeting adjourned: 8:58 A.M.**

**Next Meeting – September 12<sup>th</sup>, 2019**

Respectfully submitted,



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Paul Neutgens, EDA Secretary/Treasurer



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Steve Loveless, 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.*