



EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

EDA/EDC Joint Board Minutes
Thursday, June 13th 2019 – 7:00 AM – 9:00 A.M.
Big Sky Economic Development – Yellowstone Conference Room
Granite Tower 222 N. 32nd 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, Greg McDonald, Jennifer Owen, Ken Lutton, Paul Neutgens, Robin Rude, Don Jones (Ex-Officio), John Brewer (Ex-Officio)

EDA Board Members Absent: Dana Pulis, Fred Sterhan, George Warmer, Jennifer Smith, Judi Powers, Greg Upham (Ex-Officio), Katy Easton (Ex-Officio), Shaun Brown (Ex-Officio)

EDC Board Members Present: Aaron Ramage, Ann Kosempa, Dave Ballard, Denis Pitman, Eric Simonsen, Jon Stepanek, Mac Fogelsong, Mike Nelson, Mike Phillips, Molly Schwend, Spencer Frederick, Steve Loveless

EDC Board Members Absent: Andy Gott, Bob Wilmouth, Craig Bartholomew, Dan Edelman, David Ellis, Doug Hansen, Mike Seppala, Mitch Goplen, Nicole Bengé, Scott Chesarek

Staff and Guests: Dan Brooks, Jack Nickels, Dustin Frost, Kevin Scharfe, Roz Dix, Deanna Langman, Dianne Lehm, Brandon Berger, Dena Johnson, Lorene Hintz, Melanie Schwarz, Steve Arveschoug, Becky Rogers, Jim Tevlin, Austin Trunkle

Call to Order:

Mike Nelson, EDC Chair, called the meeting to order at 7:01 A.M. with the Pledge of Allegiance.

Public Comment/Recognitions/Special Announcements and Introductions:

Public Comment

Dan Brooks with the Chamber of Commerce provided a Legislative Recap to our Board. Dan also gave a quick overview of how the legislative process works in Montana. Dan broke down the make-up of both the senate and the house by showing age demographics, parties represented, and whether they are urban or rural. In this session, around 600 bills were passed and over 1,300 introduced. Some of the themes that dominated the legislative session were Medicaid Expansion, Infrastructure, Workforce, and the Conservative Solutions Caucus. Dan continued to give context to each of those main themes. Dan provide some infographics of where the Chamber of Commerce's interests were in the session. There were also highlights of bills that affected our statewide business climate and our economic development tools. Additionally, there was a slide that thanked and recognized our area legislators.

Agenda Changes:

1. Brandon will be making requests of the revolving loan fund.
2. There will be changes to the management services agreement.

Consent Agenda:

Approval of the May 2019 Board Meeting Minutes, the Future Facility Workshop Minutes, and the results of the electronic votes on May 13th and June 6th.

Motion: Eric Simonsen, to approve the May 2019 Board Meeting Minutes, Future Facility Workshop Minutes, and the Electronic Votes, as presented to the Board.

Second: Cory Moore

Discussion: None

Motion carried

Approval of the April 2019 EDA/EDC Financials

Motion: Robin Rude, to approve the April 2019 EDA/EDC Financials, as presented to the Board.

Second: Eric Simonsen

Discussion: None

Motion carried

Program Level Reports and Action Items

FY 2020 Budget Hearing –Jim/Becky

Steve brought the Board's attention to the budget narrative that was set at their seat this morning. Steve wanted to reflect on the accomplishments that are detailed in the first two pages of the narrative and use those as a barometer of our success and how we leverage the dollars we receive.

Jim then went through the budget overview. On the EDA, a couple of big picture items Jim would like to emphasize are where we are in the budget process, and where the budget sits today. We will be seeking a full mill levy from the county commissioners and when the taxable values of property are confirmed in August, we should know what the final levy is in September. Another big picture item Jim would like to address is the consolidation of certain line items into broader categories. This decision was made at the behest of our auditors. Also, we are required by the SBA to report how we are reinvesting our revenues to support economic development. Jim will touch on that later.

Some of the unknowns about the budget are what the mill levy will be, and if there are increases to certain program funding. There is also the pending renewal of the PTAC Cooperative Agreement.

Jim also mentioned a change in the Management Services Agreement (MSA). The EDC will now reimburse the EDA for 25% of the controller's salary.

There has been \$150,000 appropriated to Rock31 from the Opportunity Fund for their first three years. Jim mentioned that there will be \$37,000 to roll over into the next fiscal year.

Jim also drew the Board's attention to projects for the next few years.

On the EDC, one item that has changed since Jim last spoke is the earmarking of \$40,000 of anticipated EDC income to be moved to the Opportunity Fund. Jim went over the EDC reinvestment schedule that was included in the packet. There is about \$190,000 available for economic reinvestment.

Items of emphasis on the EDC for Jim are again the Management Services Agreement, and what the final mill levy number will be. Jim does not anticipate any significant increase in the mill levy over the next few years. With respect to Member Investor revenues, the target for Melanie has gone from \$280,000 to \$370,000. This is the first year of the increased goal and the final number will be known at the end of this month.

Jim closed by saying the key issue is how the budget will look in a few years. There will need to be a plan put in place for the future that ensures the sustainability of our programs and funding. This will be addressed by creating a committee of staff members and Board Members to assess and provide a plan.

Motion: Spencer Frederick, to approve the Preliminary FY2020 Budget, as presented to the Board.

Second: Cory Moore

Abstention: Denis Pitman

Discussion: None
Motion carried

Management Services Agreement

Motion: Cory Moore, to approve the adjusted Management Services Agreement, as presented to the Board.
Second: Robin Rude
Discussion: None
Motion carried

Management Services Agreement Percentage Changes (EDC Only)

Motion: Dave Ballard, to approve the Percentage Changes in the MSA, as presented to the Board.
Second: Aaron Ramage
Discussion: None
Motion carried

Big Sky Finance – Brandon 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. Pangea Restaurant Group LLC – 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 2nd lien position behind Farmers State Bank in Missoula on the real property.

Motion: Aaron Ramage, to approve the Pangea Restaurant Group, LLC loan request as presented to the Board.
Second: Steve Loveless
Discussion: None
Motion carried

Revolving Loan Fund Requests

I. Big Sky EDC Finance Department is requesting approval for the following Revolving Loan Fund requests. The Big Sky EDC Loan Committee has reviewed the requests and recommends approval to the full EDC Board. The requests meet all the underwriting and eligibility requirements of the EDC.

1. Montana Beauty Institute (Sandbarr Investments, LLC) – Request is for \$32,000 for the refinance of existing debt. Borrower had entered into a high interest, short term note in order to assist with a partner buyout. They are looking to refinance this debt on more favorable, market terms. Balance of this note is

approximately \$25k. They also have a single credit card they would like to pay off. This card was used for start up expenses associated with a new product line.

Montana Beauty Institute is owned by Phillip and Gracia Barr. Gracia has operated the business since 2016 when she purchased it. She has over 17 years as a licensed cosmetologist. Montana Beauty Institute offers students all aspects of Nail Technology and Esthetics, providing them with the technical skills and basic principals they need to become successful Nail Technicians or Estheticians. The courses prepare students for the state licensing exam and for entry into the professional beauty industry.

This borrower was referred to Big Sky Finance by Dustin Frost with the VBOC. Phillip Barr is a service-disabled Veteran.

Big Sky Finance Loan Committee unanimously approved the request for presentation to the full Board. Recommended terms: 5-year term / amortization, 6.5% interest.

Motion: Dave Ballard, to approve the Montana Beauty Institute loan request as presented to the Board.
Second: Mike Phillips
Discussion: None
Motion carried

2. Neece's – Request is for \$60,000 for the paydown of existing credit card debt in order to assist the business with cash flow. Neece's currently has a Revolving Loan Fund which was originated in 2014. The current balance is approximately \$40k. Borrower has paid as agreed. They are requesting we advance the \$60k available bringing the outstanding loan balance back up to \$100k. Terms will be 5 years at 6.5%.

Borrower has had to utilize credit cards to supplement cash flow over the last year. They relocated from downtown to Shiloh Crossing in 2015 and have not realized the revenue they projected since the move. Terming out the credit card debt will assist with cash flow. They are also injecting personal funds at the same time.

Big Sky Finance Loan Committee approved the request with a vote of 4-2 for presentation to the full Board.

After discussion of the hardships that Neece's are experiencing, a motion was made by Mike Phillips to give this note a 5-year term, 10-year amortization, and a 5-year balloon with the condition that the business owner consults with our Small Business Development Center.

Dave Ballard seconded.

Denis Pitman offered a substitute motion to table the request until next month. The motion died after it failed to gain a second.

There was significant discussion about the risk involved with the company.

The motion by Mike Phillips carried in a 7-4 vote.

Motion: Mike Phillips, to approve the Neece's loan request and to give this note a 5-year term, 10-year amortization, and a 5-year balloon with the condition that the business owner consults with our Small Business Development Center.
Second: Dave Ballard
Discussion: Above
Motion carried

BIRD MOU

Dianne presented the amended Memorandum of Understanding between the City, the East Billings Urban Renewal District, and Big Sky Economic Development. The City has signed the document and is now circulating it to their partners.

Motion: Greg McDonald, to approve the execution of the BIRD MOU, as presented to the Board.

Second: Ken Lutton

Discussion: None

Motion Carried

Future Facilities Taskforce Update– Becky

The grant application has been submitted after an enormous amount of work by the team. The physical volume of the application totaled more than 2100 pages. The appraisal for the building came back at \$1.6M. Becky has also initiated the Phase I environmental assessment on the property. The EDA Office pushed the review date for our application back a week and will notify us of our status in the process next month. We should hear a final decision in August. In the interim, we are working on renewing our lease with our current landlords who have been very accommodating.

Board Planning Recap – Becky

Becky presented a brief slideshow detailing the results and takeaways of our Board Planning day in April.

State of the Workforce Report and Space 2 Place Awards

Melanie filled in for Karen Baumgart who is at the State Workforce Innovation Board meeting in Lewistown. Melanie played a video that illustrates the opportunities and challenges that Billings faces.

Dianne came up next to list the winners of the 2019 Space2Place grants.

GovMatch Event Update

Deanna showed a short video recap of the GovMatch event that took place at the end of last month. Both Steve and Deanna mentioned that the event has been very well received by both companies and agencies alike. Steve also wanted to extend some special thanks and praise to the PTAC team for all of their work on the GovMatch Event. Steve has heard countless comments about how successfully the event went and how well organized the entire day was.

Executive Director's Report - Steve

Steve thanked everyone for their commitment of extra time this morning.

More recognition was given to Becky, Dena, and Dianne and the team who tackled the EDA Grant application.

Organizational Workplans and Goals and Executive Director's Focus

Steve brought the workplans for each program to the attention of the Board. These plans are the guiding document that frame the work we will complete.

The very last page of this document is the Executive Director's Focus for FY 2020. Steve is asking the Board to whittle down the list by half to concentrate his focus even further.

Legislative Priorities Recap

Steve made the Board aware of the recap piece that details the outcome of the items we were watching during the recent legislative session.

Student Board Member Recommendation

The last item is the proposal of bringing on two students as Ex-Officio EDC Board members. The proposal would have a student from MSUB and RMC with the aim of giving them the experience of what being on a board is like.

Public Comment

Becky mentioned that both Mary Lou and Kathy are retiring at the end of this month and we would like any Board Members who are available to stop by for their retirement party on the 28th.

Jack Nickels offered to send out a rural economic health report to the Board. The results off which were a bit concerning as the rural communities in our state appear to be vastly underserved. Steve replied to Jack that the MEDA Board will be addressing this at their summer retreat.

Jon Stepanek would like to invite Jim Atchison to speak to the Board about the recently announced closings of Units 1 and 2 in Colstrip.

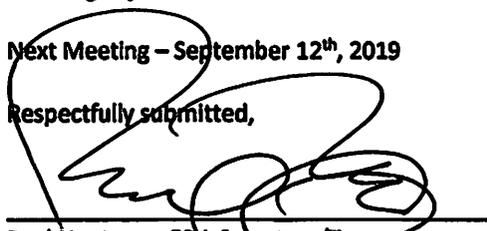
Adjourn

Mike Nelson entertained a motion to adjourn. Dave Ballard motions, Jon Stepanek seconds the motion, and the meeting was adjourned at 9:12AM

Meeting adjourned: 9:12 A.M.

Next Meeting – September 12th, 2019

Respectfully submitted,



Paul Neutgens, EDA Secretary/Treasurer



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.