

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.



MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)

FINANCIAL REPORT

June 30, 2018



CONTENTS

| | <u>PAGE</u> |
|--|---------------|
| ORGANIZATION..... | 1 |
| INDEPENDENT AUDITOR'S REPORT..... | 2 through 4 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS..... | 5 through 3 |
| FINANCIAL STATEMENTS | |
| <u>Government-wide Financial Statements</u> | |
| Statement of Net Position..... | 39 and 40 |
| Statement of Activities | 41 |
| <u>Fund Financial Statements</u> | |
| Balance Sheet – Governmental Funds..... | 42 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position..... | 43 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds | 44 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 45 |
| Notes to Financial Statements | 46 through 87 |
| REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS | |
| Budgetary Comparison Schedule – Special Revenue Funds..... | 88 through 90 |
| Budgetary Comparison Schedule Budget-to-GAAP Reconciliation – Special Revenue Funds | 91 |
| Schedule of Changes in Other Post Employment Benefits Liability and Related Ratios for the Last Ten Fiscal Years | 92 |
| Schedule of Proportionate Share of PERS Net Pension Liability for the Last Ten Fiscal Years | 93 |
| Schedule of Contributions for the Last Ten Fiscal Years | 94 |
| Notes to Required Supplementary Information | 95 through 97 |

CONTENTS (CONTINUED)

| | <u>PAGE</u> |
|--|-------------|
| SUPPLEMENTARY INFORMATION | |
| Balance Sheet – Combining Debt Service | 98 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Combining Debt Service | 99 |
| Budgetary Comparison Schedule – Debt Service..... | 100 |
| Budgetary Comparison Schedule Budget-to-GAAP Reconciliation – Debt Service | 101 |
| INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | |
| | 102 and 103 |

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
ORGANIZATION
Fiscal Year Ended June 30, 2018

Director

Ellen Buchanan..... Director

Board of Commissioners

Karl EnglundChair
Nancy MoeVice-Chair
Melanie BrockMember
Ruth ReinekingMember
Natasha Prinzing JonesMember

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Missoula Redevelopment Agency
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Missoula Redevelopment Agency (the Agency), a component unit of the City of Missoula, Montana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Missoula Redevelopment Agency, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 10 to the financial statements, the Agency has adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 38, budgetary comparison information on pages 88 through 91, the schedule of changes in other post employment benefits liability and related ratios for the last ten fiscal years on page 92, the schedule of proportionate share of the PERS net pension liability on page 93, the schedule of PERS contributions on page 94, and the notes to the required supplementary information on pages 95 through 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information presented on pages 98 through 101 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining debt service balance sheet and combining debt service statement of revenues, expenditures and changes in fund balances are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The debt service budgetary comparison schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
December 28, 2018

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Fiscal Year Ended June 30, 2018

The Missoula Redevelopment Agency (the Agency) is a component unit of the City of Missoula (the City). Its budget is prepared at the same time as the City Budget and undergoes review and approval by City officials as part of the City's budgeting process. Moreover, all expenditures of the Agency are reviewed and approved by the Missoula City Finance Office and the Missoula City Council.

The financial statements of the Agency are based on information provided by the Missoula County Treasurer and the City Finance Office. The Agency records are reconciled with the information prepared and maintained by the City.

Our discussion and analysis of the Agency's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Agency's financial statements and accompanying notes, which begin on page 39.

Financial Highlights

The following tables summarize the financial condition and operating results for 2018 compared to 2017:

| | <u>2018</u> | <u>2017</u> | <u>Increase (Decrease)</u> |
|--|-------------------------------|-------------------------------|--------------------------------|
| Current assets | \$ 9,049,428 | \$ 10,955,283 | \$ (1,905,855) |
| Noncurrent assets | <u>1,300,757</u> | <u>1,331,476</u> | <u>(30,719)</u> |
| Total assets | <u>10,350,185</u> | <u>12,286,759</u> | <u>(1,936,574)</u> |
| | | | |
| Deferred outflows of resources | 166,784 | 108,565 | 58,219 |
| Total assets and deferred outflows of resources | <u>10,516,969</u> | <u>12,395,324</u> | <u>(1,878,355)</u> |
| | | | |
| Current liabilities | 1,390,383 | 3,247,550 | (1,857,167) |
| Noncurrent liabilities | <u>29,864,033</u> | <u>28,586,530</u> | <u>1,277,503</u> |
| Total liabilities | <u>31,254,416</u> | <u>31,834,080</u> | <u>(579,664)</u> |
| | | | |
| Deferred inflows of resources | 7,393 | 1,581 | 5,812 |
| Total liabilities and deferred inflows of resources | <u>31,261,809</u> | <u>31,835,661</u> | <u>(573,852)</u> |
| | | | |
| Net position | | | |
| Restricted for debt service | 674,645 | 675,665 | (1,020) |
| Unrestricted | <u>(21,419,485)</u> | <u>(20,116,002)</u> | <u>(1,303,483)</u> |
| Total net position | <u>\$ (20,744,840)</u> | <u>\$ (19,440,337)</u> | <u>\$ (1,304,503)</u> |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2018

Financial Highlights (Continued)

| | <u>2018</u> | <u>2017</u> | <u>Increase (Decrease)</u> |
|-----------------------------------|------------------------|------------------------|--------------------------------|
| REVENUES | | | |
| General revenues | \$ 7,874,745 | \$ 4,741,221 | \$ 3,133,524 |
| Total revenues | <u>7,874,745</u> | <u>4,741,221</u> | <u>3,133,524</u> |
| EXPENSES | | | |
| Housing and community development | 7,790,679 | 11,420,490 | (3,629,811) |
| Interest | <u>1,278,270</u> | <u>1,038,938</u> | <u>239,332</u> |
| Total expenses | <u>9,068,949</u> | <u>12,459,428</u> | <u>(3,390,479)</u> |
| Change in net position | (1,194,204) | (7,718,207) | 6,524,003 |
| NET POSITION | | | |
| Beginning of year | (19,440,337) | (11,722,130) | (7,718,207) |
| Restatement | <u>(110,299)</u> | <u>-</u> | <u>(110,299)</u> |
| End of year | <u>\$ (20,744,840)</u> | <u>\$ (19,440,337)</u> | <u>\$ (1,304,503)</u> |

The beginning net position of Fiscal Year 2018 was restated due to required standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses in accordance with Governmental Accounting Standards Board (GASB) Statement 75. For defined benefit OPEB plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

- During the year the Agency had revenues of \$7,874,745 and expenses totaling \$9,068,949 which resulted in a change in net position of (\$1,194,204), an increase of \$6,524,003 from 2017.
- The Agency's revenues are derived primarily from Tax Increment Property Tax, State Personal Property Tax Reimbursements, State Entitlements, and Investment Earnings. Small amounts of revenue are received from other miscellaneous sources. The Agency's fiscal year 2018 revenues were \$3,133,524 higher than in fiscal year 2017.
- Public/Private Partnership expenditures for fiscal year 2018 included Consumer Direct (100 Consumer Direct Way), Scott Street Village-Phase I (Northside), Woodbury developments (1515 Dearborn), Berkshire Hathaway (1020 South Avenue), Merle Norman (2000 South Avenue), Morrison-Maierle (1055 Mount Avenue), onXmaps (1900 Stephens Avenue), YWCA Secret Seconds (920 Kensington), Lucky's Market (Southgate Mall), Missoula Organization of Realtors (724 Burlington), Confulx Brewing (202 E. Main Street), and Lee Gordon Place (503 E Front Street).

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Financial Highlights (Continued)

- Public projects funded solely or in part with tax increment funds in fiscal year 2018 included Agnes Avenue shared use path, Bitterroot Trail segments, Brooks Street Corridor Study, Mary Avenue East, Mary Avenue West, MRL Park, South Reserve Pedestrian Bridge, City Design Standards, Garden City Harvest, Missoula Food Bank, West Broadway Island, Missoula Economic Partnership-Competitive Realities Report, Caras Park Stormwater improvements, Caras Park loading zone, Mountain Line/UM Transit Study, and several street and sidewalk improvement projects.
- The Agency also paid out \$1,094,065 in principal and \$1,278,270 in interest for a total of \$2,372,335 in debt service payments.

Using This Report

This audit report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities are government-wide statements, which are required by GASB Statement 34. These statements report on all of the Agency's activities and are on a full-accrual basis. They are intended to present a long-term view of the Agency's finances.

The Balance Sheet and Income Statement (Statement of Revenues, Expenditures and Changes in Fund Balances) are considered fund financial statements, which are financial statements that report on one or more funds (governmental funds) of the governmental entity. These statements are on a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds are used to account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Governmental funds include general funds, special revenue funds, debt service funds, and capital project funds. The fund financial statements tell how the Agency's redevelopment activities were financed in the short term as well as what remains for future redevelopment. Also, these statements report the Agency's operations in more detail than the government-wide statements by providing information about the Agency's most significant funds.

About the Agency

Two of the most important questions asked about the Agency are, "How well did the Agency respond to redevelopment opportunities in the past fiscal year?" and "What ability will it have to respond to future redevelopment opportunities?" The Statement of Net Position and the Statement of Activities report information about the Agency as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

You can think of the Agency's net position (the difference between assets and liabilities) as one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net position are one indicator of whether the Agency has been responding to redevelopment opportunities at a level equal to, above, or below its annual revenue.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2018

About the Agency (Continued)

When reviewing the Agency's overall financial position, however, other non-financial factors should also be considered such as changes in the property value assessment formula, which is determined by the State legislature, the total mills levied by the taxing jurisdictions, and whether the Agency has sold bonds to assist a redevelopment project.

The fund financial statements provide detailed information about the most significant funds, not the Agency as a whole. The Agency had six urban renewal districts (URDs) active in fiscal year 2018 and each has its own development fund. Approved by City Council following the processes set forth in state law, the table below shows a history of each district's study of blight, plan adoption, original sunset date and any debt instruments in the district that would adjust a sunset date. All of the districts derive a majority of their revenue from tax increment provisions allowed by State law. Tax increment is collected by the County, transferred to the City, and deposited into the respective urban renewal districts' development fund. These funds in turn provide money for the Agency's redevelopment programs: Tax Increment Financing (TIF), Commercial Rehabilitation Loan Program (CRLP), the Code Compliance Assistance Program (CCP) and the Façade Improvement Program (FIP). The TIF program is provided for by State law. The other three programs, CRLP, CCP and FIP, are redevelopment programs approved by the Agency's Board and/or Missoula City Council as allowed by State law.

| District | Declaration of Blight | Resolution # | Plan Adopted | Ordinance # | Base Year | Base Value | Original Sunset Tax Year | Bonds and Debt Instruments | | Sunset Date |
|--------------------------------|-----------------------|--------------|-------------------|-------------|-----------|-------------|--------------------------|---|--|-------------|
| | | | | | | | | | | |
| URD I | January 23, 1978 | 3737 | December 18, 1978 | 3866* | 1978 | \$973,988 | 1998 | Central Park 1989; Refunding 1997 | | 6/30/2005 |
| URD II | September 16, 1991 | 5210 | December 16, 1991 | 2803 | 1991 | \$1,859,823 | 2006 | Millsite Lease 2006, Brownfields 2006, Safeway 2007, Intermountain 2013, Silver Park, et al 2013 | | 6/30/2031 |
| URD III | October 2, 2000 | 6370 | December 11, 2000 | 3163 | 2000 | \$8,172,844 | 2015 | South Reserve Pedestrian Bridge 2015, Mary Avenue East 2016, Mary Avenue West 2017, MRL Property 2018 | | 6/30/2040 |
| Front Street URD | August 20, 2007 | 7263 | October 15, 2007 | 3359 | 2007 | \$1,413,035 | 2022 | Park Place 2010-Refunding 2014, First Interstate Bank-Refunding 2017, ROAM 2017 | | 6/30/2041 |
| Riverfront Triangle URD | May 7, 2007 | 7223 | July 21, 2008 | 3380 | 2008 | \$157,858 | 2023 | none | | 6/30/2024 |
| North Reserve-Scott Street URD | April 7, 2014 | 7865 | August 25, 2014 | 3534 | 2014 | \$1,491,205 | 2029 | 1 2015, Scott Street Village - Phases 2 & 3 2017 | | 6/30/2042 |
| Hellgate URD | April 7, 2014 | 7865 | August 25, 2014 | 3533 | 2014 | \$1,025,448 | 2029 | none | | 6/30/2030 |

* This was a resolution for first plan. Subsequent plans were adopted by ordinance.

In sum, the government-wide financial statements provide a long-term view of the Agency's financial well-being, whereas the fund financial statements provide a detailed short-term view of the Agency's general operations, basic services and fund balances for future redevelopment. The relationship (or difference) between the government-wide statements (as reported in the Statement of Net Position and the Statement of Activities) and the fund financial statements (as reported in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances) is explained in the reconciliations included in the financial statements section of this report.

Retirement Plans

As a component unit of the City, the Agency employees participate in the Montana Public Employees Retirement System (PERS). The Agency employees and the State of Montana all contribute to the retirement plan. The retirement plan is administered by the State of Montana.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Capital Assets

Other than office furniture, equipment and computer-related assets the only other asset associated with the Agency is a 2015 Dodge Grand Caravan. This vehicle was purchased through the City's procurement process for \$24,576 and put into service on December 24, 2014. This asset is listed under the City's general capital assets account. All other physical assets or improvements to public assets through purchases, construction or partnerships undertaken by the Agency are owned by the City. Private assets created or improved as a result of projects developed in partnerships with private entities pursuant to urban renewal activities or programs of voluntary or compulsory repairs are assets of the private entities. As reported in the Statement of Net Position, the Agency's assets include cash and investments, taxes/assessments receivable (net), other receivables, and amounts due from other governments. The Agency complies with the City's Fixed Asset Management System with respect to tracking furniture, equipment and computer-related assets.

Current and Noncurrent Liabilities

The Agency has current and noncurrent liabilities. Current liabilities include accounts payable for project related expenditures, accrued wages, the current portion of the Agency's compensated absences (vacation hours) and the current portion of notes payable, and tax increment revenue bonds payable. Noncurrent liabilities include post-employment benefits, the long-term portion of the Agency's compensated absences (sick and compensatory hours), and the long-term portion of the notes payable, guarantor payable and tax increment revenue bonds payable.

Bonds and Notes Payable

Below is a summary list of the Agency's long term debt. Amounts below indicate total principle amount at issuance. Current debt service requirements to maturity can be found under Note 5 to the financial statements starting on page 54.

| |
|--|
| Series 2006 \$3,600,000 Millsite Lease Buy-Out |
| Series 2006 \$1,750,000 Brownfields Revolving Loan Fund Note |
| Series 2007 \$1,500,000 Safeway/St. Pats Project |
| Series 2013 \$5,750,000 URD II Silver Park, Trestle, Wyoming St |
| Series 2013 \$1,753,500 Intermountain Project (Corso/The Source) |
| Series 2014 \$2,864,000 2010 Front St Parking Refunding |
| Series 2015 \$1,364,400 NRSS Projects (Bretz, C.D., Edgell) |
| Series 2015 \$5,000,000 S. Reserve St Pedestrian Crossing |
| Series 2016 \$7,065,000 Mary Avenue East Improvements |
| Series 2017A \$1,162,500 2010 FIB Note Refunding (taxable) |
| Series 2017B \$277,500 2010 FIB Note Refunding (tax exempt) |
| Series 2017C \$3,260,500 Front Street Student Housing Project |
| Series 2017A \$1,600,000 URD III Mary Avenue West |
| Series 2017 \$723,514 NRSS Scott Street Village - Phases 2 & 3 |

Series 2006 - \$3,600,000 – Millsite Lease Buy-Out

On August 6, 2006 the City of Missoula pursuant to Resolution 7120 approved the sale of \$3,600,000 in tax increment revenue bonds related to the Old Sawmill District project in URD II. The bond terms are 25 years and therefore extend the life of URD II until 2031. The Series 2006 \$3.6 million tax increment bonds received an AA rating from Standard & Poors; the first rating of a tax increment bond in the State of Montana.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Bonds and Notes Payable (Continued)

Series 2006 - \$1,775,000 – Brownfields Revolving Loan Fund Note

On August 10, 2006, the Missoula Revitalization Project LLC, the City of Missoula and the Agency entered into a Loan Agreement and Note with the Missoula Area Economic Development Corporation for a \$1,000,000 loan, later increased to \$1,125,000, from the Missoula Brownfields Revolving Loan Fund. Tax Increment currently received from the Old Sawmill District property and the tax increment generated as a result of the environmental remediation and subsequent platting of the property was pledged to service the loan over the life of URD II. On December 14, 2009 the amount of the loan was increased to \$1,525,000. On December 22, 2009 the terms of the Loan Agreement and Note were amended to defer paying principal until 2023. On July 2, 2012, pursuant to resolution 7712, the amount of the loan was increased to \$1,775,000. The loan is now serviced by MoFi (formerly Montana & Idaho Community Development Corporation.)

Series 2007 - \$1,500,000 – Safeway/St. Patrick Hospital Project

On October 15, 2007 the City of Missoula pursuant to Resolution 7286 approved the sale of \$1.5 million in tax increment revenue bonds related to the Safeway/St. Patrick Hospital project in URD II. The bonds are secured by a first lien upon and pledge of tax increment revenues derived from the project.

Series 2010 - \$3,000,000 & Series 2014 \$2,864,000 Refunding – Front Street Parking Structure

On December 22, 2010 the City of Missoula pursuant to Resolution 7587 pledged \$3 million in tax increment funds from the Front Street URD to the Missoula Parking Commission (the Commission) for payment of Parking Facilities Revenue Bonds issued to construct the Front Street Parking Structure. The pledged TIF was 1.35 times 40% of the average annual debt service of the \$7.5 million Parking Revenue Bonds (Series 2010B) dated December 29, 2010. On April 9, 2014, the Commission redeemed the Series 2010B bonds and reissued \$7,160,000 in Parking Facilities Revenue Refunding Bonds, Series 2014. This decision was made as a result of the reduction of approximately 8.7% in federal subsidy payments due to the sequestration. The Commission was receiving the subsidy as part of the government's direct-pay tax credit for eligible bonds. The Agency confirmed its pledge of tax increment to the Series 2014 Refunding Bonds in the principal amount of \$2,864,000 in Resolution 7864, which was approved on April 7, 2014. The pledged TIF amount on these bonds is provided in two equal installments of \$133,425. Excess increment will be returned to the Agency after the October 1st bond payment and is used to fulfill subordinate debt requirements.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Bonds and Notes Payable (Continued)

Series 2013 - \$5,750,000 – Wyoming Street / MRL Trestle / Silver Park

On March 4, 2013 the City of Missoula pursuant to Resolution 7758 approved the sale of \$5,750,000 in tax increment urban renewal revenue bonds in URD II to fund public improvements related to the extension of Wyoming Street, replacement of the MRL Trestle and construction of the City-owned park parcel known as Silver Park. The original purchaser of the negotiated sale bonds was First Security Bank, Missoula MT, a division of Glacier Bank. Per Montana Urban Renewal law, the bond term is limited to a final maturity date no later than the existing Series 2006 bond maturity date of July 1, 2031. The interest rate on the bond is 3.150% per annum. Principal and interest payments are due to the City's paying agent, US Bank, on January 1 and July 1, commencing January 1, 2014. Maximum annual debt service per the amortization schedule is \$426,028 in fiscal year 2029.

Series 2013 - \$1,753,500 – Intermountain Site

On May 20, 2013 the City of Missoula pursuant to Resolution 7782 approved the sale of \$1,753,500 in tax increment urban renewal revenue bonds in URD II to fund certain public improvements related to redevelopment of the former Intermountain Lumber Site along Russell Street. The projects on the site include a residential development known as Corso Apartment Homes and a fitness center known as The Source. The original purchaser of the negotiated sale bonds was First Security Bank, Missoula MT, a division of Glacier Bank. Per Montana Urban Renewal law, the bond term is limited to a final maturity date no later than the existing Series 2006 bond maturity date of July 1, 2031. The interest rate on the bond is 4.250% per annum. Interest is calculated on the basis of a year of 360 days composed of twelve 30-day months. Capitalized interest payments were payable from the bond funds on January 1 and July 1, commencing July 1, 2014. Thereafter, principal and interest payments are payable from tax increment generated by the projects to the City's paying agent, US Bank, on January 1 and July 1, commencing January 1, 2016. Maximum annual debt service per the amortization schedule is \$146,292 in fiscal year 2028.

Series 2015 - \$5,000,000 – South Reserve Street Pedestrian Bridge

On November 16, 2015 the City of Missoula pursuant to Resolution 8022 approved the sale of \$5,000,000 in tax increment urban renewal revenue bonds in URD III to fund the design and construction of a pedestrian bridge over South Reserve Street connecting the Missoula to Lolo Trail to the Bitterroot Branch Trail. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula MT. The final maturity date is July 1, 2040. The interest rate on the bond is 4.350% per annum. An initial interest payment was due July 1, 2016 and thereafter, interest only payments are due on January 1 and principal and interest payments are due on July 1 payable from tax increment generated by URD III to the City's paying agent, US Bank, commencing January 1, 2017. Maximum annual debt service per the amortization schedule is \$342,500 in fiscal year 2018.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Bonds and Notes Payable (Continued)

Series 2015 - \$1,364,400 – North Reserve/Scott St. (Bretz RV, Consumer Direct and Scott Street Village – Phase I)

On December 14, 2015 the City of Missoula pursuant to Resolution 8031 approved the sale of \$1,364,400 in tax increment urban renewal revenue bonds in North Reserve/Scott Street (NRSS) URD to fund certain public improvements related to redevelopment of Bretz RV & Marine, construction of the new Consumer Direct office building and phase one of the Scott Street Village housing project. The bond was issued as senior subordinate debt to future public improvement bonds approved in the district. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula MT. The final maturity date is July 1, 2035. The interest rate on the bond is 4.50% per annum. Capitalized interest payments were payable from the bond funds on July 1, 2016, January 1, 2017 and July 1, 2017. Thereafter, principal and interest payments are payable from tax increment generated by the NRSS district to the City's paying agent, US Bank, on January 1 and July 1, commencing January 1, 2018. Maximum annual debt service per the current amortization schedule is \$56,646 in fiscal year 2035.

Series 2016 - \$7,065,000 – Mary Avenue East - Infrastructure Improvements

On January 25, 2015 the City of Missoula pursuant to Resolution 8038 approved the sale of up to \$7,100,000 in tax increment urban renewal revenue bonds in URD III to fund certain public infrastructure improvements related to the construction of an extension of Mary Avenue from the Bitterroot railroad line east through the Southgate Mall property to Brooks Street. This bond was issued on parity with the \$5,000,000 South Reserve Street Pedestrian Bridge bond and closed on October 14, 2016 for the final amount of \$7,065,000. The bond will be drawn down in five installments beginning with \$3,000,000 drawn upon closing. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula MT. The final maturity date is July 1, 2040. The interest rate on the bond is 4.350% per annum. An initial interest payment was due on July 1, 2017 and thereafter, interest only payments are due on January 1 and principal and interest payments are due on July 1 payable from tax increment generated by URD III to the City's paying agent, US Bank, commencing January 1, 2018. Maximum annual debt service per the amortization schedule is \$492,271 in fiscal year 2018.

Series 2017A - \$1,162,500 – First Interstate Bank Note Refunding - Taxable

On December 19, 2016 the City of Missoula pursuant to Resolution 8126 approved the sale of \$1,162,500 in subordinate lien tax increment urban renewal revenue and refunding bonds in Front Street URD to refund the Series 2010 First Interstate Bank Note. This bond Series 2017A was issued on January 12, 2017 for the refunding of the *taxable* portions of the Note and is subordinate to the Series 2014 Front Street Parking Structure Refunding Bonds. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula MT. The final maturity date is July 1, 2041. The interest rate on the bond is 5.750% per annum. An initial interest payment was due on July 1, 2017 and thereafter, interest only payments are due on January 1 and principal and interest payments are due on July 1 payable from tax increment generated by Front Street URD to the City's paying agent, US Bank, commencing January 1, 2018. Maximum annual debt service per the amortization schedule is \$90,748 in fiscal year 2029.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Bonds and Notes Payable (Continued)

Series 2017B - \$277,500 – First Interstate Bank Note Refunding – Tax Exempt

On December 19, 2016 the City of Missoula pursuant to Resolution 8126 approved the sale of \$277,500 in subordinate lien tax increment urban renewal revenue and refunding bonds in Front Street URD to refund the Series 2010 First Interstate Bank Note. This bond Series 2017B was issued on January 12, 2017 for the refunding of the *tax-exempt* portions of the Note and is subordinate to the Series 2014 Front Street Parking Structure Refunding Bonds. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula MT. The final maturity date is July 1, 2041. The interest rate on the bond is 4.500% per annum. An initial interest payment was due on July 1, 2017 and thereafter, interest only payments are due on January 1 and principal and interest payments are due on July 1 payable from tax increment generated by Front Street URD to the City's paying agent, US Bank, commencing January 1, 2018. Maximum annual debt service per the amortization schedule is \$19,368 in fiscal year 2023.

Series 2017C - \$3,260,500 – E. Front Street Student Housing (ROAM) – Public Parking

On December 19, 2016 the City of Missoula pursuant to Resolution 8126 approved the sale of up to \$3,260,500 in subordinate lien tax increment urban renewal revenue and refunding bonds in Front Street URD to finance the acquisition of one floor of the parking created as part of a 488-bed student housing project. The parking will be owned and operated by the Missoula Parking Commission. This bond Series 2017C was issued on January 12, 2017 and was to be drawn down in two installments; costs of issuance at the time of issue and the acquisition funds on May 31, 2018. Due to construction delays, the acquisition funds were not drawn down in fiscal year 2018. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula MT. The final maturity date is July 1, 2041. The interest rate on the bond is 4.500% per annum. Interest only payments are due July 1 and January 1 commencing July 1, 2017 through January 1, 2019. Thereafter interest only payments are due on January 1 and principal and interest payments are due on July 1 payable from tax increment generated by Front Street URD to the City's paying agent, US Bank, commencing July 1, 2019. The Debt Service Schedule shall be revised following the final advance of principal in accordance with the Disbursement Agreement in order to reflect installments of principal and interest sufficient to pay the outstanding principal amount by July 1, 2041. Maximum annual debt service per the current amortization schedule is \$234,778 in fiscal year 2040.

Series 2017A - \$1,600,000 – Mary Avenue West

On June 5, 2017 the City of Missoula pursuant to Resolution 8165 approved the sale of \$1,600,000 in tax increment urban renewal revenue bonds in URD III to fund public infrastructure improvements related to the reconstruction of Mary Avenue west from the Bitterroot railroad line to Reserve Street. This bond Series 2017A was issued on parity with the \$5,000,000 South Reserve Street Pedestrian Bridge bond and closed on June 22, 2017. The bond was completely drawn down at closing. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula, MT. The final maturity date is July 1, 2040. The interest rate on the bond is 4.650% per annum.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Bonds and Notes Payable (Continued)

Series 2017A - \$1,600,000 – Mary Avenue West (Continued)

An initial interest payment is due on January 1, 2018 and thereafter, interest only payments are due on January 1 and principal and interest payments are due on July 1 payable from tax increment generated by URD III to the City's paying agent, US Bank, commencing July 1, 2018. Maximum annual debt service per the amortization schedule is \$116,850 in fiscal year 2031.

Series 2017 - \$723,514 – Scott Street Village – Phase 2 & 3

On December 11, 2017 the City of Missoula pursuant to Resolution 8229 approved the sale of \$723,514 in tax increment urban renewal revenue bonds in North Reserve-Scott Street URD to fund public infrastructure improvements related to the construction of phases 2 and 3 of a housing development called Scott Street Village by Edgell Building Incorporated. This bond was issued on parity with other senior subordinate debt in the district. Collectively these bonds would be subordinate to future public improvement bonds approved in the district. The original purchaser of the negotiated sale bonds was First Security Bank, Division of Glacier Bank, Missoula MT. The final maturity date is July 1, 2042. The interest rate on the bond is 4.750% per annum. Costs of issuance funds in the amount of \$36,618 were drawn down at closing on December 21, 2017 with the remainder of \$686,896 to be drawn down at project completion on November 1, 2018. An interest only payment is due on July 1, 2018 and thereafter principal and interest payments are payable from tax increment generated by the NRSS district to the City's paying agent, US Bank, on January 1 and July 1, commencing January 1, 2019. The Debt Service Schedule shall be revised following the final advance of principal in accordance with the Disbursement Agreement in order to reflect installments of principal and interest sufficient to pay the outstanding principal amount by July 1, 2042. Maximum annual debt service per the amortization schedule is \$50,100 in fiscal year 2029.

Refer to Note 5 on pages 54 through 66 for further information regarding the Agency's long-term debt including schedules of outstanding balances.

Revenues

In fiscal year 2018, the Agency received general and other revenues and did not generate any program revenue. Of the Agency's \$7,874,745 total revenue reported in the Statement of Activities, 88% was tax increment received from property taxes. The next largest revenue source for the Agency is the State of Montana in the form of State entitlement funds authorized under 2001 Legislative House Bill 124, Personal Property Reimbursements authorized under 2011 Legislative Senate Bill 372 and 2013 Legislative Senate Bill 96 and Public Employees Retirement System (PERS) contributions. State of Montana funds account for 10% of the Agency's total revenue received. The remaining 2% is \$152,433 in miscellaneous revenue.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Expenses

Under the Statement of Activities, most of the Agency's expenses are expressed under Housing and Community Development. Specifically, these expenses include project assistance under the Agency's redevelopment and rehabilitation programs and administrative costs such as personnel, office supplies and equipment. There was also \$1,278,270 in interest expense paid on the Agency's outstanding bonds and notes.

Special Items, Contributions, Transfers, Other

When applicable, the Agency financially contributes its proportionate share towards City of Missoula activities that affect the Agency, such as purchase of new computer servers and software. In addition, the Agency may contribute to City projects undertaken by other departments within the URDs.

The Agency contracts with the City of Missoula to provide administrative support as well as assistance from Engineering, Public Works, Finance, Parks and Recreation, and the Attorney's Office on various projects. The amount paid to the City also includes the Agency's pro rata share of the City's liability insurance coverage for errors and omissions and its pro rata share of General Fund transfers to the employee health benefits fund. The amount paid in fiscal year 2018 was \$148,857 and was recorded under Housing and Community Development in the financials.

Administrative transfers between districts are done annually to reimburse the district that has paid the administrative expenses of the Agency. In fiscal year 2018, the administrative expenses were paid from URD III. The amounts transferred are based on the proportionate share of staff time spent working on projects in each district. The amount of money budgeted to be transferred in fiscal year 2018 from URD II to URD III for administrative expenses was \$250,000. After reconciliation of time spent in each district on projects, it was determined that URD II had a credit from prior years so no funds were transferred. Since tax increment is still limited (due to commitments to debt service or lack of redevelopment) in the Front Street, Riverfront Triangle, North Reserve-Scott Street and Hellgate URDs, staff time spent on their creation and working on projects in those districts is still being tracked for future reconciliation of administrative expenses. For the first time since its creation, Hellgate URD's taxable value for calendar year 2017 was above the base value (2014) so there was tax increment revenue in that district in fiscal year 2018. A detailed accounting of what each district owes URD III is maintained so a reimbursement can be made when tax increment revenues from these districts are sufficient.

Notes Receivable

\$61,000 – The Women's Center

In fiscal year 2011, the Agency granted an interest-free loan to The Women's Center under the Façade Improvement Program for improvements to their building in URD III. The loan was executed in February 2011 for \$61,000 repayable over ten years. Since this loan does not have a revenue generating component (interest), it was recognized as cash out and as a note receivable on the fund financial statements. Repayment of the note requires The Women's Center to remit \$6,100 to the Agency by February 1 each year beginning in 2012. As of June 30, 2018, three payments remain on this note receivable.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Notes Receivable (Continued)

\$10,368 – Montana Mapping & GPS

In fiscal year 2014, the Agency granted an interest-free loan to Montana Mapping & GPS (now known as onXmaps) for facade improvements to their building located at 1925 Brooks Street in URD III. The loan was executed on May 22, 2014 for \$10,368 repayable over ten years. Since this loan does not have a revenue generating component (interest), it was recognized as cash out and as a note receivable on the fund financial statements. Repayment of the note requires onXmaps to remit \$1,036.80 to the Agency by May 1 each year beginning in 2015. As of June 30, 2018, six payments remain on this note receivable.

\$62,000 – Glidewell Investments & Insurance Group (GiiG)

In fiscal year 2015, the Agency granted an interest-free loan to Glidewell Investments & Insurance Group (GiiG) for facade improvements to their building located at 1750 South Avenue West in URD III. The loan was executed on December 30, 2015 for \$62,000 repayable over ten years. Since this loan does not have a revenue generating component (interest), it was recognized as cash out and as a note receivable on the fund financial statements. Repayment of the note requires GiiG to remit \$6,200 to the Agency by October 1 each year beginning in 2016. As of June 30, 2018, eight payments remain on this note receivable.

Mountain Water Company

In fiscal year 2012, the Agency entered into an agreement with the developer of the Bitterroot Town Homes, Collin Bangs. Whereas in exchange for tax increment financing used to extend a water main to the project, Mr. Bangs assigned to the Agency the reimbursements he would have received from Mountain Water for making the infrastructure improvements. The Mountain Water Company reimbursement program was authorized under State law and included providing reimbursements to developers for expenses to install, upgrade or extend water mains or fire hydrants. The program did not apply to service lines. Reimbursements occur over a 40 year period. When the Agency approved tax increment financing for eligible Mountain Water Company infrastructure expenses as part of a project, the developer was asked to assign any reimbursements they would receive to the Agency. The reimbursements the Agency receives do not include an interest component; therefore are recorded as cash out and as a note receivable on the fund financial statements. The City of Missoula acquired Mountain Water Company in 2017 and therefore the reimbursement program no longer exists. As part of the purchase agreement, the City is honoring all existing notes payable.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2018

Notes Receivable (Continued)

Below is a summary of the Agency's current primary government notes receivable projects that included water main installations or upgrades or primary government infrastructure improvements that previously qualified for the reimbursement program and were assumed by the City of Missoula.

| | Project Name | Final Amended Contract | Total Payments to 6/30/18 | Outstanding Balance as of 6/30/18 | URD II / 7392 | URD III / 7393 | NRSS URD/7397 |
|----|--|-------------------------------|----------------------------------|--|----------------------|-----------------------|----------------------|
| 1 | Eaton Street (Bitterroot) Townhomes | \$ 40,000 | \$ 7,000 | \$ 33,000 | | \$ 33,000 | |
| 2 | Fire Hydrant Installation - URD II (2 hydrants) | \$ 18,592 | \$ 2,744 | \$ 15,848 | \$ 15,848 | | |
| 3 | Fire Hydrant Installation - URD III (4 hydrants) | \$ 35,397 | \$ 5,354 | \$ 30,043 | | \$ 30,043 | |
| 4 | Western Montana Mental Health Center | \$ 64,915 | \$ 9,737 | \$ 55,177 | \$ 55,177 | | |
| 5 | Russell Street (Corso) Apartments | \$ 130,179 | \$ 16,272 | \$ 113,906 | \$ 113,906 | | |
| 6 | Wyoming Street | \$ 259,178 | \$ 32,397 | \$ 226,781 | \$ 226,781 | | |
| 7 | South Crossing/Dore Lane | \$ 8,989 | \$ 899 | \$ 8,090 | | \$ 8,090 | |
| 8 | S. 1st Street W Fire Hydrant | \$ 14,394 | \$ 1,080 | \$ 13,315 | \$ 13,315 | | |
| 9 | Brett RV Fire Hydrant | \$ 9,919 | \$ 744 | \$ 9,175 | | | \$ 9,175 |
| 10 | Burlington Regent Fire Hydrant | \$ 7,479 | \$ 561 | \$ 6,918 | | \$ 6,918 | |
| 11 | Consumer Direct - water main extension | \$ 73,464 | \$ 3,767 | \$ 69,696 | | | \$ 69,696 |
| | Total | \$ 662,506 | \$ 80,556 | \$ 581,950 | \$ 425,028 | \$ 78,051 | \$ 78,871 |

Fund Balances and Transactions of Individual Governmental Funds

| | URD I | URD II | URD III | Front Street |
|--------------------------|----------------------------|--------------------------------|-----------------------|---------------------|
| Beginning Balance 7/1/17 | \$ 44 | \$ 2,071,401 | \$ 4,591,551 | \$ 766,581 |
| Ending Balance 6/30/18 | <u>\$ 44</u> | <u>3,458,842</u> | <u>1,911,679</u> | <u>653,755</u> |
| \$ Change | <u>\$ -</u> | <u>\$ 1,387,441</u> | <u>\$ (2,679,872)</u> | <u>\$ (112,826)</u> |
| % Change | 0% | 67% | -58% | -15% |
| | Riverfront Triangle | N. Reserve Scott Street | Hellgate | Debt Service |
| Beginning Balance 7/1/17 | \$ 36,961 | \$ 259,005 | \$ - | \$ 1,683,564 |
| Ending Balance 6/30/18 | <u>\$ 239,205</u> | <u>\$ 1,025,465</u> | <u>\$ 129,976</u> | <u>\$ 1,874,367</u> |
| \$ Change | <u>\$ 202,244</u> | <u>\$ 766,460</u> | <u>\$ 129,976</u> | <u>\$ 190,803</u> |
| % Change | 547% | 296% | 100% | 11% |

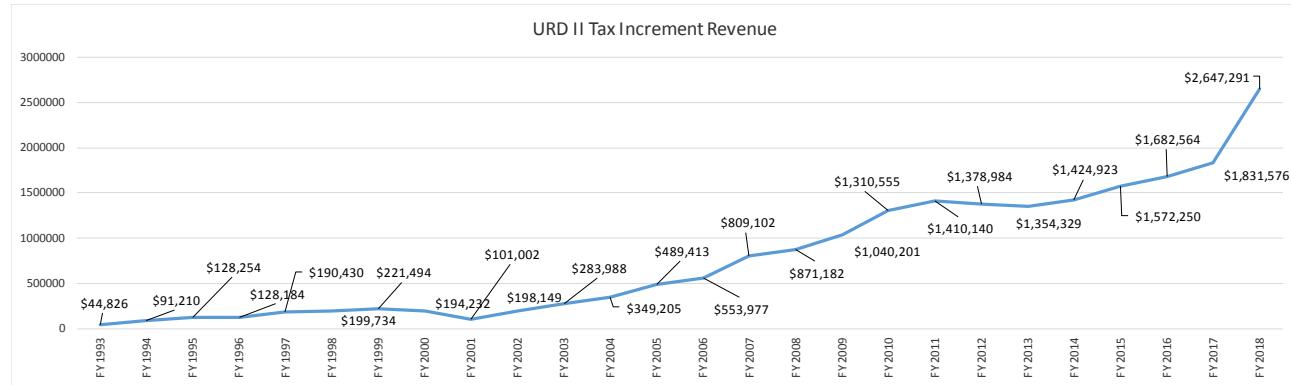
URD II saw a 67% increase in fund balance in fiscal year 2018. This increase was primarily due to the Agency having fewer projects underway during the year and a 52% increase in revenue from fiscal year 2017. The most significant completed projects were Garden City Harvest, a community garden non-profit that built new offices and a community room at their property off River Road and the Missoula Food Bank, which expanded their food pantry, offices and opened a food nutrition educational area for youth at a new location on Wyoming Street. Total revenues including transfers in from debt service funds were \$1,894,000. Expenditures were \$506,559. There were no transfers out in fiscal year 2018.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2018

Fund Balances and Transactions of Individual Governmental Funds (Continued)

URD II (Continued)

The first table below reflects trends in budgeted tax increment revenue only. The second table is a summary of expenditures and transfers out for the district.



| URD II | |
|--|---------------------------|
| Project Name | Expenditure Amount |
| Bitterroot Trail - Pine Street Link - Design, Engineering & Const. Admin | \$ 29,876 |
| California Street Improvements - Wyoming Connection - Design & Engineering | 10,808 |
| California Street Reconstruction - South - Design and Engineering | 56,248 |
| Garden City Harvest - 1657 River Road | 36,500 |
| Missoula Economic Partnership - Competitive Realities Report | 10,000 |
| Missoula Food Bank | 35,000 |
| Missoula Food Bank/SpectrUM | 271,054 |
| Russell Street Bridge - Power Line Feasibility Study | 3,079 |
| Technology Campus - Master Plan | 5,000 |
| West Broadway Island - Design, Engineering, Const. Admin | 15,546 |
| Wyoming Street - Prince to California - Design/Engineering/CA | 33,448 |
| Total | \$ 506,559 |

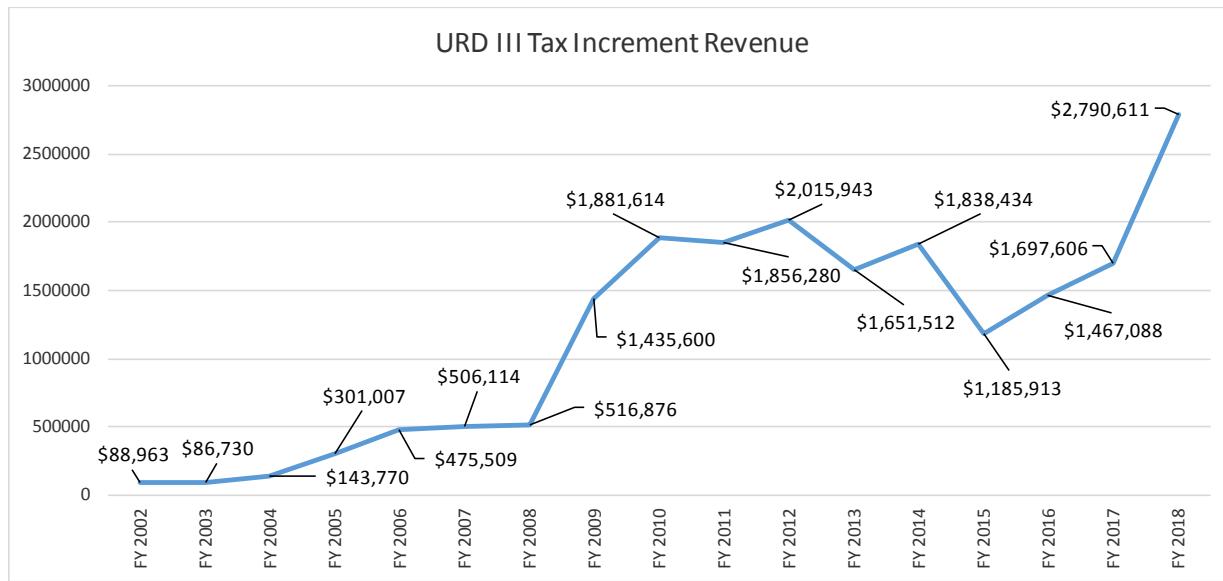
URD III saw a 58% decrease in fund balance in fiscal year 2018. This decrease is primarily attributable to several large projects being completed or nearing completion by the end of the year. URD III saw a 56% increase in revenue from fiscal year 2017. The increase in revenue can be attributed to new commercial growth in the district resulting in higher taxable values in 2017, which was a revaluation year by the Montana Department of Revenue. Other financing sources included draws on the Mary Avenue East tax increment revenue bond amounting to \$1,665,000. Total revenues including transfers in from debt service funds were \$2,285,749. Total expenditures were \$6,478,947 and included \$756,289 for administrative expenses and \$5,722,658 for project related expenses. A project related transfer out was \$151,674.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2018

Fund Balances and Transactions of Individual Governmental Funds (Continued)

URD III (Continued)

The table below reflects trends in budgeted tax increment revenue only.



MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2018

Fund Balances and Transactions of Individual Governmental Funds (Continued)

URD III (Continued)

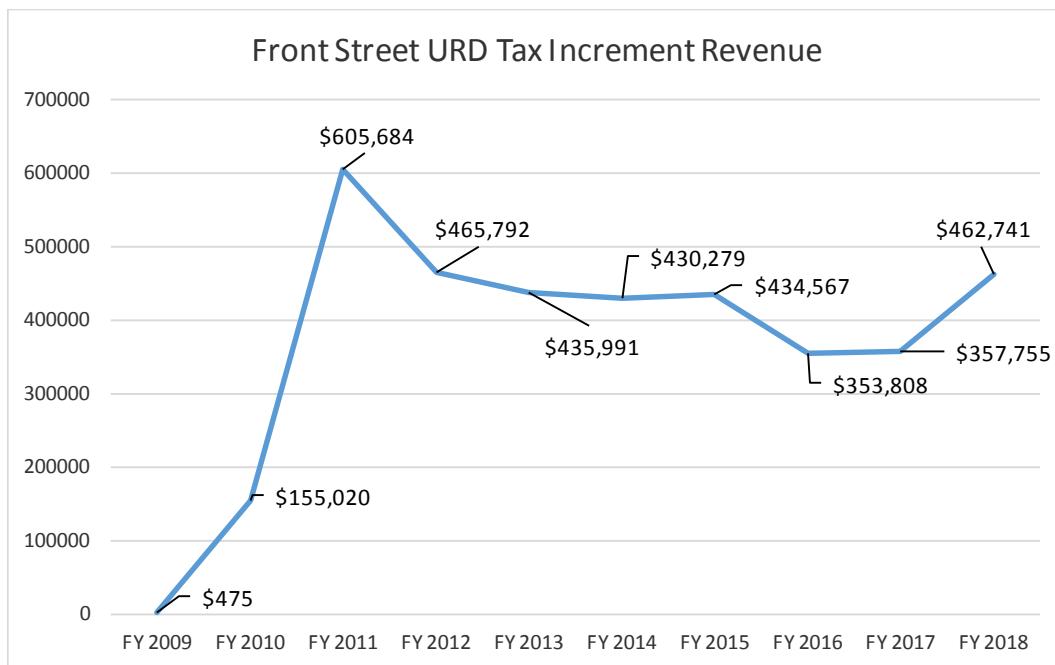
The table below is a summary of expenditures and transfers out for the district.

| URD III | Project Name | Expenditure Amount |
|---|---------------------|---------------------------|
| 1515 Dearborn Avenue - Woodbury | | \$ 253,748 |
| Admin - Communication & Transportation | | 73 |
| Admin - Employer Contributions | | 134,255 |
| Admin - Gasoline | | 260 |
| Admin - Machinery and Equipment | | 7,749 |
| Admin - Office Supplies | | 1,473 |
| Admin - Operating Supplies | | 573 |
| Admin - Other Repair & Maintenance Supplies | | 1,476 |
| Admin - Overtime Pay | | 1,441 |
| Admin - PERS Contributions | | 9,600 |
| Admin - Printing, Duplication, Typing and Binding | | 2,512 |
| Admin - Professional Services | | 161,605 |
| Admin - Publicity, Subscriptions and Dues | | 5,603 |
| Admin - Repair & Maintenance Services | | 4,168 |
| Admin - Repair & Maintenance Supplies | | 422 |
| Admin - Salaries & Wages | | 417,112 |
| Admin - Telephone | | 25 |
| Admin - Training | | 3,035 |
| Admin - Travel | | 4,907 |
| Agnes Avenue - Shared Use Path | | 21,733 |
| Berkshire Hathaway - 1020 South Avenue West | | 64,940 |
| Bitterroot Trail - Johnson Extension - Construction | | 289,500 |
| Bitterroot Trail - Johnson Extension - Design, Engineering & Const. Admin | | 59,837 |
| Brooks Corridor TOD Infrastructure Study | | 120,710 |
| Clark Street Sidewalk - Irrigation Pipe | | 447 |
| Clark Street Sidewalks - Construction | | 221,151 |
| Clark Street Sidewalks - Design, Engineering & Const. Mgmt | | 11,719 |
| Design Standards Development | | 30,000 |
| Holiday Village Sidewalk - Construction | | 117,717 |
| Holiday Village Sidewalk - Design, Eng, Const. Admin | | 27,623 |
| Lucky's Market | | 50,000 |
| Mary Avenue East - Construction | | 1,842,563 |
| Mary Avenue West - Construction | | 1,108,616 |
| Mary Avenue West - Construction Admin/Close Out (Ph IV-V) | | 80,841 |
| Mary Avenue West - Final Design & Const. Docs (Ph II-III) | | 31,481 |
| Mary Avenue West - Land | | 20,836 |
| Merle Norman - 2000 South Avenue West | | 62,575 |
| Missoula Organization of Realtors - 724 Burlington Avenue | | 50,000 |
| Morrison-Maierle Project - 1055 Mount Avenue | | 221,365 |
| MRL Park - Construction | | 299,684 |
| MRL Park - Design & Engineering | | 108,383 |
| MRL Park - Geotechnical Services | | 5,000 |
| MRL Park - Playground | | 109,000 |
| MRL Park - Top Soil Hauling Costs | | 34,278 |
| MRL Property on Johnson Street - SHEC Appraisal | | 4,750 |
| OnXMaps - 1920 Stephens Avenue | | 291,342 |
| S. Reserve Street Trail Crossing - Construction | | 94,899 |
| S. Reserve Street Trail Crossing - Transfers Out | | 151,674 |
| Secret Seconds - 920 Kensington | | 87,921 |
| Total | | \$ 6,630,621 |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2018

Fund Balances and Transactions of Individual Governmental Funds (Continued)

Front Street URD saw a 15% decrease in fund balance in fiscal year 2018. There was a 71% decrease in revenue due to additional debt service requirements taken out before remaining revenue is transferred to the district's development fund. Overall there was a 29% increase in anticipated tax increment revenue to the district. Total revenues including transfers in from debt service funds were \$69,204. Total expenditures were \$182,030. The first table below reflects trends in budgeted tax increment revenue only. The second table is a summary of expenditures for the district.

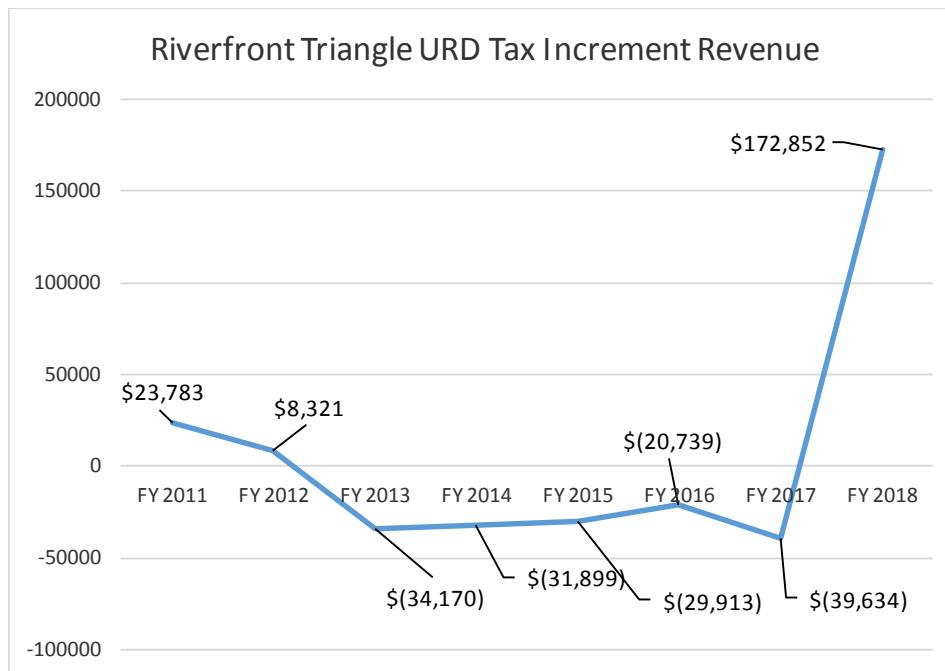


| Front Street URD | |
|---|---------------------------|
| Project Name | Expenditure Amount |
| Bond Services | \$ 5,500 |
| Caras Park Loading Zone | 34,500 |
| Caras Park Stormwater | 25,000 |
| Carousel for Missoula | 1,000 |
| Confux Brewing - 202 East Main Street | 45,765 |
| Downtown Intersections - ADA Upgrades - Feasibility Study | 5,000 |
| Downtown Master Plan | 500 |
| Lee Gordon Place - 503 East Front Street | 48,766 |
| Legal Fees | 6,000 |
| UM Transportation Study | 10,000 |
| Total | \$ 182,030 |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2018

Fund Balances and Transactions of Individual Governmental Funds (Continued)

Riverfront Triangle URD saw a 547% increase in fund balance in fiscal year 2018. This increase is attributable to there being a substantial increase in revenue and few expenditures in the district during the year. After several years of a taxable value below the base, the district's taxable value exceeded the base value in 2017 resulting in tax increment revenue. Over the years, several public parcels have become privately owned and 2017 was a revaluation year by the Montana Department of Revenue. Total revenues were \$244,925 and total expenditures were \$42,681. The first table below reflects trends in budgeted tax increment revenue only. The second table is a summary of expenditures for the district.

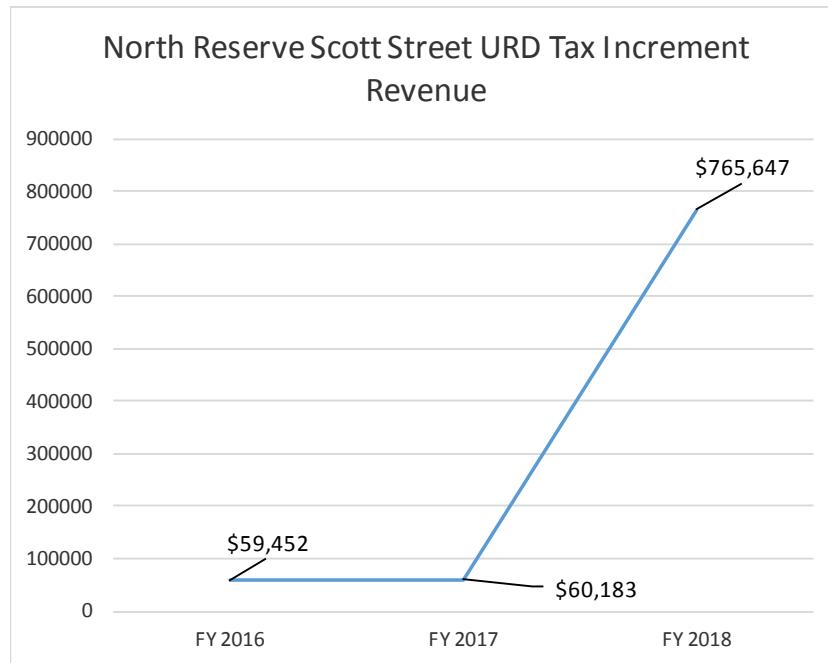


| Riverfront Triangle URD | |
|--|---------------------------|
| Project Name | Expenditure Amount |
| Hotel Fox Conference Center | \$ 500 |
| Bitterroot Mural Project | 16,681 |
| Fox Site - Environmental Soils Testing | 25,500 |
| Total | \$ 42,681 |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2018

Fund Balances and Transactions of Individual Governmental Funds (Continued)

North Reserve – Scott Street (NRSS) URD saw a 296% increase in fund balance in fiscal year 2018. This increase is directly attributable to new development in the district since its creation in 2014. NRSS URD had three large projects underway during the year. Scott Street Village – Phase 1 was completed and Consumer Direct was nearing completion by year end. Scott Street Village – Phase 2 & 3 was also underway after tax increment revenue bonds were sold in December 2017. Total revenues including transfers from debt service (excluding bond proceeds) was \$769,063. Bond proceeds drawn down were \$578,126. Total expenditures and transfers out were \$580,729. The first table below reflects trends in budgeted tax increment revenue only. The second table is a summary of expenditures and transfers out for the district.

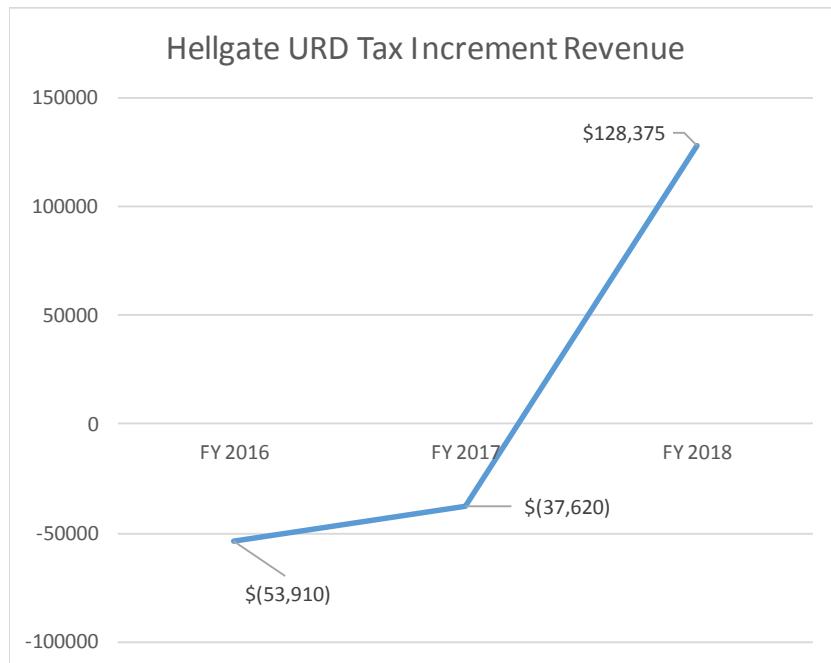


| North Reserve-Scott Street URD | |
|---|---------------------------|
| Project Name | Expenditure Amount |
| \$1,364,400 Series 2015 NRSS - Consumer Direct - Transfer Out | \$ 15,206 |
| \$1,364,400 Series 2015 NRSS - Scott St Village Ph 1 - Transfer Out | 675 |
| \$723,514 Series 2017 Scott St Village Ph 2-3 - COI | 34,917 |
| \$723,514 Series 2017 Scott St Village Ph 2-3 - Transfer Out | 1,700 |
| Missoula Economic Partnership - Competitive Realities Report | 10,000 |
| Scott Street Village - Phase I | 518,231 |
| Total | \$ 580,729 |

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Fund Balances and Transactions of Individual Governmental Funds (Continued)

Hellgate URD saw the first receipts of tax increment since its creation in 2014. The ending fund balance was \$129,976, entirely contributed from new tax increment revenue. There were no expenditures in the district during the year. The table below reflects trends in budgeted tax increment revenue only. Negative values result from a current year's taxable value being lower than the base year value. In these years, tax increment is zero.



Overall Financial Position

Changes in the Agency's overall financial position from 2017 to 2018 from the Government-wide perspective include a decrease in total assets and deferred outflows of resources of \$1,878,355 and a decrease in total liabilities and deferred inflows of resources of \$573,852 with a resulting overall net position of \$(20,744,840). The decrease in assets can be attributable to spend down of resources for projects throughout the year, several of which were bond funded. The decrease in liabilities can be attributed to a decrease in long term debt for the Agency due to debt service payments and fewer large projects underway.

Due to ever-changing project completion schedules, it is not uncommon for projects that are budgeted in one year to be completed in another year. The Agency's tax increment funds, as they are accrued, are *planned, pledged or committed* to projects or held in contingency accounts for projects that arise during the year.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Planned Projects

Planned projects are projects that are under consideration and in the pre-development stage. During this stage, estimated budgets are created as “place holders”. As project planning proceeds, the Agency’s Board may pledge or commit to the projects, or abandon them if costs or circumstances warrant it. Similarly, the Agency funds a number of redevelopment programs adopted by the Missoula City Council. These programs are made available to assist private property owners with smaller projects that fit the program objectives and criteria. Since it is impossible to determine in advance how many property owners might apply for assistance under these programs, at any given time the program budgets may be underutilized. Still, it is the Agency’s practice to be responsive to private sector redevelopment initiatives—even small ones—so these programs are adequately funded each year.

There were five projects primarily in the ***planning*** phase during fiscal year 2018, the **Brooks Street Transit Oriented Development Study** in URD III; the **Bitterroot Trail Pine Street link, California Street Improvements** and **West Broadway Island** in URD II; and the **Fox Site** in Riverfront Triangle URD.

Brooks Street Transit Oriented Development (TOD) Study: The Agency is leading a steering committee that has engaged a consultant team to identify strategies to foster transit-oriented development (TOD) along the Brooks Street corridor. The scope of the TOD study includes examining ways to make it easier for pedestrians and bicyclists to cross and move along Brooks Street, how to make high-frequency transit feasible on the corridor, and how to encourage sustainable multi-use development along Brooks. Recommendations will include infrastructure changes that could include permanent transit stops, curb reconfiguration, wider sidewalks, bike lanes and streetscape amenities that improve walkability and livability. The goal is to redevelop the Brooks corridor into a desirable place to live, work and play. The Brooks TOD Study will be used to pursue funding opportunities such as a BUILD grant (formerly known as TIGER grant) or Small Starts grant from the Federal Transit Authority. The consultants are expected to complete the study in spring 2019.

Bitterroot Trail – Pine Street link: For many years, the Agency, City, and Westside Neighborhood have promoted a trail along MRL’s Bitterroot Branch Line between Broadway and the north boundary of URD II, just north of Toole Avenue. Construction of the trail has been fragmented over time as it has been associated with specific projects. Those include Safeway (now Fresh Market), Spruce Street Plaza (former Meadow Gold Dairy), and redevelopment of the building at 806 West Spruce that includes the Draught Works Brewery. The remaining segment, between West Pine Street and the alley between West Pine and West Spruce Streets, has not been developed due to the City’s uncertainty of the ultimate West Pine Street configuration. The elevation of the overall street is higher than the rail line so the existing street profile creates a valley as it crosses the rails. The steepness of the valley makes it very difficult to design fully accessible public sidewalks thus creating the design uncertainty. Meanwhile, the area has become a very unpleasant place with an accumulation of trash, transient camps, and criminal activity. At the beginning of fiscal year 2018, the Agency entered into a design and engineering agreement with WGM Group intended to produce a design that rectified the above issues and includes pedestrian lighting along the entire length of the trail between West Broadway and Toole Avenue.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Planned Projects (Continued)

Bitterroot Trail – Pine Street link (Continued):

Design complications regarding the sidewalks delayed the project. The final design is expected to be advertised for bid in the second or third quarter of fiscal year 2019.

California Street Improvements South – Dakota to S 3rd St W: The Agency has engaged WGM Group to lead a public process with public and private stakeholders in the California Street vicinity to develop a vision of a redesigned California Street between Dakota Street and S. 3rd St. W. Several meetings were held with private property owners and public agencies to gather input on streetscape elements and the functioning of California Street west of the Old Sawmill District in URD II. WGM is currently developing three design alternatives to present to the stakeholders with the goal of selecting a preferred design alternative and preparing an approved preliminary design and a probable cost of construction to reconstruct this portion of California Street. The construction phase of the project will be dependent on available resources.

West Broadway Island: The West Broadway Island is a roughly five-acre site along the Clark Fork River and West Broadway. The City purchased the property through the Agency in 2012 for use as public open space and conservation lands. Much of the site is within the 100-year floodplain and floodway. The north boundary of the property is an irrigation canal. The Agency engaged Morrison-Maierle, Inc. in fiscal year 2014, to plan and engineer a new pedestrian bridge and renovation of an existing access to the property, design new pedestrian trails and stabilization of the south bank of the irrigation canal, and to develop an action plan to minimize noxious weeds and restore native riparian vegetation. Morrison-Maierle's design analysis includes implementation of public safety measures consistent with the City's Crime Prevention Through Environmental Design Principles (CPTED) measure. In addition, the project design responds to the proposed Max Wave project, an irrigation diversion replacement and corollary kayak play wave within the river adjacent to the southeast side of West Broadway Island. After receiving all necessary building and environmental permits in 2018, the project is expected to be advertised for construction bids in the first quarter of fiscal year 2019. Construction is anticipated during fiscal year 2019.

Fox Site: Much of what makes up the Fox Site was given to the City by the owners of the Fox Theater in the mid-1980s. Two more adjacent properties were added later to make up a comprehensive redevelopment site. Since that time, the City, through the Agency, has demolished structures, improved utility infrastructure and removed a buried landfill that was used in the early part of the 20th century. The City authorized the Agency to conduct development agreement negotiations with one of the respondents to the most recent Request For Proposals, Hotel Fox Partners, for redevelopment of the Fox Site into an upscale conference hotel and conference center. At the request of the Mayor, Hotel Fox found that, with City participation, it is feasible to build and operate a much larger regional conference center. It also found that a larger full-service hotel may be feasible and for the hotel design to include residential condominiums. Hotel Fox purchased nearly seven acres of land adjacent to the Fox Site for a much larger development.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Planned Projects (Continued)

Fox Site (Continued):

In 2017, the City, MRA, and Hotel Fox entered into a Master Development Agreement for redevelopment of the Fox Site. That Agreement identifies the primary components of several subsequent collateral agreements that will address specific development components. In fiscal year 2018, the developer and the City entered into a number of collateral agreements, which cover the sale of the land, design, financing and construction of the individual components of the project, public and private parking, condominiumization and lease of portions of the structures, etc. Pursuant to the collateral agreements, construction drawings will be completed and ready for City review by the end of fiscal year 2019.

Pledged Projects

Often times the Agency Board will make a conditional pledge to a public or private project that is not fully financed or completely planned. The purpose of the pledge is to create “seed money,” “matching funds,” or other financing incentives for the project sponsors or investors. This period also allows for further development of the project design and time to acquire the necessary approvals.

The most significant *pledged* projects in fiscal year 2018 were the **Montana Rail Link (MRL) Property** (URD III) and the **Wayfinding System** (URD II & III).

MRL Property Development Overview: The City was in negotiations with Montana Rail Link (MRL) for years in an effort to get the necessary easements to complete the Bitterroot Trail, which runs adjacent to the Bitterroot Branch Railroad line through Missoula. Late in fiscal year 2016, it appeared that MRL might be open to selling the City the 12 acre property adjacent to the major missing trail segment between North Avenue and South Avenue. The sale of the property to the City was successfully completed in fiscal year 2017 through the use of TIF funding. The Agency began planning for construction of the remaining missing trail segment and the development of a 4 acre park in a dense neighborhood with a large deficit of park land. The trail project and the park will be completed in fiscal year 2019. Bonds are anticipated to be issued in early fiscal year 2019 to reimburse the district for acquisition costs and costs for construction of the park and trail. In the future, the City anticipates redeveloping the remaining north portion of the property to include both housing and commercial components.

Wayfinding: The Agency programmed \$175,000 in fiscal year 2016 to implement a Wayfinding System in URD III. This project has been a part of the Agency's Capital Improvements Program as a placeholder while final planning, design features and funding were being worked out for the City-wide wayfinding system. Wayfinding signage for URD II was added to the CIP when the decision was made to fund and implement the vehicular layer for the entire system as one project. The pedestrian level signs for the downtown had funding and were installed in 2016. The project was bid and came in well over the budget projections and available funding; consequently, implementation has been put on hold for the citywide system.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Committed Projects

If and when project sponsors complete fundraising to a level that allows a project to proceed, *pledged* funds become *committed* through use of development agreements. Development agreements specify required performance by the project sponsor in order to obtain tax increment funding. The funds become contractually committed in the development agreement and often the commitment will bridge one or more fiscal years. When the Agency undertakes public infrastructure improvements within a district, tax increment funds become committed when the project receives approval by the Agency Board of Commissioners.

The most significant *committed* project in **URD II** in fiscal year 2018 was **Garden City Harvest**.

Garden City Harvest: Garden City Harvest operates four major programs on two urban farms, (the River Road Farmstead and the PEAS Farm in the Rattlesnake Valley) along with ten community garden locations. Its programs are the: Neighborhood Farms Program providing access to food for low income community members, Community Gardens scattered throughout the community where seasonal garden tenants learn to grow food to feed their families, Farm to Schools Program, which gives thousands of students hands-on food production education, and the Youth Development Program which uses farming as a form of therapy and employment for at-risk youth. Garden City Harvest purchased land adjacent to its River Road Farm location for farm use as well as to build facilities that can accommodate its rapidly expanding programs and staff. Total investment in the project was \$2.4 million including TIF assistance of \$53,000 for deconstruction expenses and new public sidewalks, curbs, and gutters in the River Road right-of-way. The construction was completed in the third quarter of fiscal year 2018.

Near the end of construction it was found that the existing well water source was inadequate for expanded kitchen use and a fire suppression sprinkler system, which was required for the new indoor gathering area. Public water is unavailable to most of the neighborhood around the River Road Farm. Impending reconstruction of nearby Russell Street created an opportunity to create a partnership between Missoula Water, MRA and Garden City Harvest that provides access to public water for a large area of the City through the extension of a water main to the River Road Farm and a portion of the neighborhood. This project is expected to receive funding approvals at the beginning of fiscal year 2019, and be completed near the beginning of fiscal year 2020.

The most significant *committed* projects in **URD III** in fiscal year 2018 were **Mary Avenue East, Mary Avenue West, Montana Rail Link (MRL) Property - Bitterroot Trail Extension, MRL Park, Morrison-Maierle Office (1055 Mount Avenue) and onXmaps (1900 Stephens Avenue)**.

Mary Avenue East: The City had long identified the need for a street connection between Brooks and Reserve Streets with a railroad crossing at Mary Avenue. In fiscal year 2016, the Southgate Mall Associates decided that the street through the Mall, connecting neighborhoods to each other and to the retail center was a benefit to the community and the Mall. After much discussion and planning, the Agency Board and the City Council approved a request from Southgate Mall Associates for reimbursement for the construction of a new City street through the Mall property during fiscal year 2017. Bonds were sold, construction was substantially completed and the street was opened to traffic in fiscal year 2018 with only punch list items remaining.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Committed Projects (Continued)

Mary Avenue West: The Mary Avenue West street improvements project was completed in fall 2017. Although several elements of the Mary Avenue East project still are being completed, the roadway was opened when Mary Avenue West was opened, creating an east-west connection between Reserve Street and Brooks Street that has been in city planning documents for more than 20 years. Curbs, sidewalks, a roundabout, narrow travel lanes, and on-street parking help calm traffic on Mary Avenue West, which includes a mix of residential and commercial uses.

Montana Rail Link (MRL) Property – Bitterroot Trail Extension: The City of Missoula and the Agency completed the purchase of the MRL property just north of Southgate Mall in fiscal year 2017. The property is bounded by North Avenue, Johnson Street, South Avenue, and the west right-of-way line of the MRL rail road tracks. This triangular shaped property created a significant gap in the Bitterroot Trail, and closing this gap had been a priority for the Agency for many years. With the purchase of the property completed, MRA engaged DJ&A, P.C. as the project engineer for the trail extension project. Final design of the trail segment including a signalized diagonal bike crossing of South Avenue was completed in December 2017. The project was nearing completion at fiscal year end. A grand opening ribbon cutting was held in mid-July. The construction of this trail section will complete the 50-mile paved Bitterroot Trail between downtown Missoula and Hamilton, Montana.

Montana Rail Link (MRL) Property – MRL Park: Staff from the Agency worked with the Department of Parks and Recreation to prepare a master plan for MRL Park through an extensive public input process. Participants in the master planning process identified a dog park, playground, multi-use playing court, community garden, picnic pavilion, and green open space as preferred program elements in the park. The Agency is managing design and construction, with input from Parks. A design team led by DHM Landscape Architects was selected to progress the master plan into construction documents, incorporating railroad artifacts donated by MRL. The Agency elected to use a Construction Manager at Risk (CMAR) process to streamline and expedite construction, and Dick Anderson Construction was selected as the preferred construction manager. Park construction started in May 2018 and is expected to be substantially complete by Fall 2018.

Morrison-Maierle Office – 1055 Mount Avenue: In January 2017, the Agency approved assistance to the Mount Stephens Corporation, for TIF eligible items related to construction of a new office building at 1055 Mount Avenue to be leased to Morrison-Maierle Engineering. Morrison-Maierle is a Helena based firm that offers a full suite of engineering services, (civil, mechanical, structural, and transportation from roads to airports) throughout the Rocky Mountain west. It has had offices in Missoula for several years but with its Western Montana business load rapidly expanding, it needed to add personnel well beyond the capacity of the current location. Completed in the last quarter of fiscal year 2018, the building is a two-level, 14,198 square foot structure built along Mount Avenue and Regent Streets with 45 parking spaces. Construction and leasehold improvements cost over \$4 million. TIF assistance of \$221,366 was for deconstruction of two small buildings, construction of public sidewalks, reconstruction of the adjacent public alleyway, and to extend high speed communication service to the area.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Committed Projects (Continued)

onXmaps – 1900 Stephens Avenue: In October 2016, the Agency approved a request for TIF assistance from the owner of onXmaps (formerly Montana Mapping and GPS) related to construction of a new office building. Previously, the business redeveloped the adjacent property located at 1925 Brooks Street to house its rapidly expanding business creating digital maps. With the 1925 Brooks Street facility full, the business purchased a former used car site to build the three-story 13,260 square foot new building that, together with the existing facility, will accommodate current business and growth estimates for the next few years. The total cost of the project was approximately \$3 million. During the last quarter of fiscal year 2018, the Agency reimbursed TIF eligible costs of \$291,341 related to deconstruction and removal of two small buildings on the site; repair and reconstruction of sidewalks, curbs and gutters around the site; upgrading water and sewer utilities to the site; and placing electrical and fiber main lines underground. The majority of the funding was to extend a new public water main to the site, which will allow additional redevelopment in the neighborhood.

The most significant *committed* projects in the **Front Street URD** in fiscal year 2018 were **Lee Gordon Place, Missoula Mercantile** and **ROAM Student Housing**.

Lee Gordon Place: In 2015, North Missoula Community Development Corporation (NMCDC) received a parcel of land on Front Street to facilitate the creation of affordable housing downtown. The housing plan includes seven affordable townhouses with incorporated garages, which will be part of a community land trust. Homebuyers will own the buildings, but NMCDC will retain ownership of the land. Each homeowner will enter into a 75-year renewable ground lease that will include a resale formula (approved by HUD) that restricts the amount of equity a homeowner is allowed to take from the home when it is sold. This will ensure that the homes stay affordable for low to moderate income households, with no additional subsidy. The Agency has assisted with deconstruction and site preparation costs, as well as curb and sidewalk replacement in the public right-of-way. Construction started in spring 2018 and expected to be completed in spring 2019.

Missoula Mercantile: In fiscal year 2016, a developer approached the City and the Agency about a project to redevelop a critical half block in downtown at the corner of Front Street and Higgins Avenue. The property consisted of one of the oldest commercial buildings in Missoula and had previously been home to Macys Department Store. Macys closed in 2010 and the building had been vacant for six years, during which time it continued to deteriorate. After efforts to restore the building and add on to it was not deemed to be feasible for a number of reasons, the proposal was to demolish the structure and replace it with a large hotel with a significant amount of ground floor retail. After a great deal of community discussion lasting well into fiscal year 2017, the City Council approved the issuance of a demolition permit and entered into a development agreement with the developer. The Agency Board approved a request to Proceed without Prejudice so that the deconstruction/demolition could be carried out while construction documents were being completed for the hotel. Deconstruction/demolition began in fiscal year 2017 after an unsuccessful lawsuit challenging the City Council action in approving the permit. TIF funds for reimbursement for remediation, deconstruction/demolition, utility relocation and improvements in the public right of way was approved at the end of fiscal year 2017.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Committed Projects (Continued)

Missoula Mercantile (Continued):

Construction of the hotel continued through fiscal year 2018 and it is anticipated to be complete and occupied in February, 2019.

ROAM Student Housing: Lambros-Farran, LLC is developing a 488-bed purpose-built housing project along the 300 block of East Front Street. The project will be a six-story building which will include two levels of below-grade structured parking totaling about 300 spaces, four levels of purpose-built residential units, many common area amenities, and 6,200 square feet of retail space along East Front Street. The project targets the college student market in a model that will lease by the room rather than the unit. The residence units will be comprised of a common area surrounded by up to four individual rooms that include beds, a study area, and a private bathroom. General amenities for residents include group study rooms, gathering rooms, a cyber-lounge/business center, fitness center, music practice rooms, a bike and ski maintenance room, secure bicycle storage, natural light to most rooms, outdoor courtyards, etc. The location was chosen by the developer because of its proximity to the University of Montana Main Campus and Missoula College along with easy non-motorized access to downtown entertainment and shopping. Including recent price increases in materials, the total project cost is estimated at \$38,000,000. The project will have a major impact on existing downtown businesses and creates potential for new retail and service businesses by providing a substantial new customer base. Tax increment financing assistance approved by the City Council upon Agency recommendation will purchase the upper parking floor for ownership and management as public parking by the Missoula Parking Commission. The approximately \$3.2 million purchase of the parking floor will be financed through a tax increment revenue bond based on the project's new property taxes to be paid by the developer. The developer anticipates the construction to be complete by December 2018. The property transfer to the Parking Commission and payment of the cost will be at that time.

The most significant **committed** project in the **Riverfront Triangle URD** in fiscal year 2018 was **Stockman Bank**.

Stockman Bank: Stockman Bank purchased property in downtown Missoula to construct a new 6-story bank and office building on the corner of Broadway and Orange Streets. The Agency Board approved a request for the bank to Proceed without Prejudice in April 2015 for the deconstruction and demolition of two buildings on the property while plans were being finalized. In fiscal year 2017, Stockman applied for tax increment financing assistance for deconstruction/demolition, utility relocations and improvements in the public right of way. The Board approved the request and the building was occupied in fiscal year 2018. Bonds have not been sold and reimbursement has not occurred due to delays in completing some of the improvements in the public right of way that were approved for tax increment financing assistance.

The most significant **committed** project in the **North Reserve-Scott Street (NRSS) URD** in fiscal year 2018 was **Scott Street Village – Phase I-III**.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Committed Projects (Continued)

Scott Street Village – Phases I-III: The overall Scott Street Village project is the start of a residential expansion of the Northside Neighborhood that has been long advocated and hoped for by the City and neighborhood leaders and planners. The development is in keeping with community goals stated in the Growth Policy, Urban Renewal Plan and NRSS area Master Plan, by adding housing affordable for the moderate income or “workforce” families of Missoula.

Scott Street Village is a three phase home-ownership residential development on the former Clausen Manufacturing industrial site at the corner of Scott and Rodgers Streets. Edgell Building, Inc., owned by David and Mark Edgel, is the developer of Scott Street Village assisted by Collin Bangs, a longtime Missoula real estate broker and developer. The homes in the overall project will be a mix of over 50 townhomes and single family residences.

In 2015, the Agency approved \$518,320 in tax increment financing assistance for the first phase of the project, which included construction and upgrade of public streets and sidewalks, extension and upgrade of sewer, gas, and water main lines to the site, and demolition of dilapidated former industrial buildings. The assistance amount was included in a larger tax increment revenue bond that included assistance to two other NRSS projects. Reimbursement for approved tax increment financing eligible items in Phase I (24 single family homes and four townhomes) was made in the second quarter of fiscal year 2018.

Phase II of Scott Street Village will include six single family homes and 18 townhouses. All units will face the main streets internal to the site. Completion of Phase II is expected by the end of calendar year 2018. Phase III is planned as a 60-unit apartment complex to be built on the west end of the project site at a total estimated cost of \$5 million.

The tax increment financing eligible public infrastructure improvement for Phase II totaled \$524,868 along with eligible activities associated with Phase III estimated a \$162,000. A tax increment revenue bond was sold in December 2017 to finance the approved eligible items. Upon completion of Phase II reimbursement will be made for both Phase II and Phase III approved public infrastructure improvements.

In addition to the above, the Agency financially participated in several smaller private/public partnerships and publicly funded **committed** projects during fiscal year 2018. These were included in the districts' expenditure summaries presented earlier.

Taxing Policies

Taxing policies adopted by the Montana State Legislature, for example those that decrease the valuation of personal property or business equipment, have had an effect on the growth of the tax increment funds. Often the Legislature will provide reimbursement or other mechanisms to offset the financial impact their policy changes have on local taxing jurisdictions. The Agency's revenues are tied to revenues collected by the local taxing jurisdictions. The Agency itself does not have any taxing authority. State reimbursements or entitlements are intended to “make whole” on the losses experienced as a result of tax policy changes.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2018

Taxing Policies (Continued)

An example of such revenue the Agency receives from the State of Montana is the State Entitlement Share funds authorized under 2001 Legislative House Bill 124. Looking forward, one negative aspect of this situation is that, as the current law reads, the State Entitlement funds that the Agency receives disappear upon the sunset of a district. Unlike the tax increment revenue normally captured by district, which will revert back to the taxing jurisdictions upon sunset, the State Entitlement amount received annually by the Agency will revert back to the State of Montana. When House Bill 124 was passed into law, only URD I and II received Entitlement funds. More recent legislative changes to the taxes assessed on personal property included reimbursement components to local tax increment financing districts through the Entitlement Share program. As of fiscal year 2018, all of the Agency's urban renewal districts except North Reserve-Scott Street URD and Hellgate URD, receive state reimbursements through the Entitlement Share.

State Reimbursements

FY18 MRA Entitlement Share & Class 8 Personal Property Reimbursement Schedule

| County Name | TIF Name | TIF Number | Annual Entitlement Share Payments Per 15-1-121(8)(b), MCA (1) (HB 124) | | Annual Class 8 Personal Property Reimbursement (SB 372) | | Annual Class 8 Personal Property Reimbursement (SB 96) | | Total Annual Entitlement & Reimbursement Payment |
|-------------|-----------------------------------|------------|--|---|---|---|--|---|--|
| Missoula | Urban Renewal District III (1-1D) | 04-0583D | \$ - | + | \$ 121,116 | + | \$ 156,734 | = | \$ 277,850 |
| Missoula | Urban Renewal District II (1-1C) | 04-0583C | 225,251 | + | 57,789 | + | 117,246 | = | 400,286 |
| Missoula | Urban Renewal District II (4-1C) | 04-0586C | 30,009 | + | 4,239 | + | 8,058 | = | 42,305 |
| Missoula | Front Street URD (1-1F) | 04-0583F | - | + | 22,983 | + | 30,992 | = | 53,975 |
| Missoula | Riverfront URD (1-1R) | 04-0583R | - | + | 4,494 | + | 4,822 | = | 9,316 |
| | | | \$ 255,260 | | \$ 210,620 | | \$ 317,851 | | \$ 783,732 |

2015 Legislative Session

Senate Bill 157: Passed during the 2015 legislative session, this bill generally revised the property tax laws. The bill provides for a 2-year reappraisal cycle for class three agricultural and class four residential and commercial property. The purpose of this bill was to mitigate the fluctuations in market value for class three and four properties that occurred during the previously adopted 6-year reappraisal cycle. The bill specifies that class ten property is revalued every six years and all other property is revalued annually. The bill clarifies that the method of appraisal and assessment provided for in Section 15-7-111 MCA must be used in each county of the state so that comparable properties with similar full market values and subject to taxation in Montana have substantially equal taxable values in the tax year.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

2015 Legislative Session (Continued)

House Bill 114: Passed during the 2015 legislative session, this bill passed and clarified the laws related to the usage of tax increment remittances to school districts. Tax increment law allows for local governments to enter into agreements with other affected taxing bodies to remit any portion of the annual tax increment not currently required for the payment of costs allowed in 7-15-4288 MCA (tax increment activities) or pledged to the payment of principal and interest on bonds. With respect to any portion of a remittance to a school district, the law now reads that the amount must be used to reduce property taxes or be designated as operating reserve for the fiscal year following the fiscal year in which the remittance was received.

2017 Legislative Session

House Bill 30: Passed during the 2017 legislative session, this bill, which was requested by the Revenue and Transportation Interim Committee, amends Montana Code Annotated section 7-15-4286. The bill amends tax increment provisions related to certain local mill levies and exempts levies voted on after the adoption of tax increment financing. It applies to tax increment provisions adopted by urban renewal districts and targeted economic development districts established on or after April 6, 2017 and voted levies approved after April 6, 2017.¹

House Bill 76: Passed during the 2017 legislative session, this bill, which was requested by the Revenue and Transportation Interim Committee, amends Montana Code Annotated section 7-15-4291. The bill requires remittances of unused tax increment to be made proportionally to all affected taxing jurisdictions and applies to remittance agreements entered into on or after October 1, 2017.¹

House Bill 396: Passed during the 2017 legislative session, this bill amends Montana Code Annotated section 7-15-4221 and 7-15-4282. The bill revises laws related to tax increment financing, and requires consultation with affected local taxing jurisdictions when adopting tax increment financing provisions as part of an urban renewal plan or a targeted economic development district comprehensive plan and when modifying an urban renewal plan related to the use of general obligation bonds. The bill was effective April 4, 2017.¹

Senate Bill 27: Passed during the 2017 legislative session, this bill amends Montana Code Annotated section 2-7-503, 7-15-4221, 7-15-4236, 7-15-4237 and 7-15-7279. The bill revises tax increment financing laws, requires a public meeting with opportunity for public comment for urban renewal agencies, requires local government annual financial reports to include information on the financial activities of districts using tax increment financing, and requires an urban renewal agency to include certain additional information in its annual report. The bill was effective October 1, 2017.¹

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Budget to Actual Variances

Occasionally, there will be variations between budgeted amounts for projects and the actual amount expended. This is due to timing anomalies that are driven by project completion dates. Often times the Agency may budget funds for a project in one fiscal year but expend them in a later year if the project is put on hold or delayed for other reasons. A variety of factors from weather and financing to the availability of supplies, material or equipment may cause a project schedule to slip. In Montana, where the construction season straddles two fiscal years, it is not uncommon for a project to begin in one fiscal year and be completed in a subsequent fiscal year.

Currently Known Facts

The City of Missoula has six urban renewal districts that generate tax increment revenue administered by the Agency. URD II and III have existed for a number of years and have established revenues. Several years ago, the City created Front Street and Riverfront Triangle Districts, both of which are part of what was the original downtown district, URD I. They are areas that did not experience the level of redevelopment investment enjoyed by other parts of the downtown district. On August 25, 2014, the City created two new districts, the Hellgate Urban Renewal District and the North Reserve-Scott Street (NRSS) Urban Renewal District. Both have a base tax year of 2014 and per state law their tax increment provisions run 15 years and expire in 2029 (fiscal year 2030) unless outstanding debt exists in the districts. The City issued bonds in the NRSS URD during fiscal year 2018 with a term of 25 years, extending the life of that district to fiscal year 2042 if the bonds are not retired early. The bonds will reimburse the developer for eligible public improvements for Phase II and III of the Scott Street Village residential development.

The Agency's involvement in the Old Sawmill District project in URD II provided the opportunity to extend the life of the district through the issuance of tax increment revenue bonds in 2006. The debt was issued for 25 years which pushed the district's sunset date to 2031. With the life of the district extended, the Agency expanded the URD II boundaries to more appropriately reflect areas of need and is focusing on several large redevelopment projects as well as smaller spinoff projects that will rely on the Agency for assistance. The reconstruction of Russell Street is currently underway and will be a catalyst for significant redevelopment, some of which has already begun occurring. Three new housing projects have been completed in the Old Sawmill District and a student housing project is under construction. Other new residential projects are being constructed in the area and are a result of the investment of tax increment funds in the area's infrastructure.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Currently Known Facts (Continued)

The City has issued three bonds in URD III for infrastructure projects that will greatly enhance both motorized and non-motorized transportation in the district. The boundaries for URD III were also adjusted in 2015 to more accurately reflect needs in that part of Missoula. A \$5 million bond with a 25-year term was issued in December 2015 to finance the construction of a bicycle/pedestrian bridge over South Reserve Street, completing the Bitterroot Trail between Missoula and Hamilton. This project was completed in fiscal year 2017 and the bond issue extends the life of URD III until 2040. A second bond in the amount of \$7.065 million was issued in October 2016 for the construction of the extension of Mary Avenue (east) through the Southgate Mall property. A third bond was issued in June 2017 to make improvements to Mary Avenue (west) to create a much needed east-west connection across the Bitterroot Branch Line railroad tracks between Brooks and Reserve Streets.

During fiscal year 2017, Montana Rail Link agreed to sell a 12 acre tract of land in URD III to the City at a greatly reduced price enabling the MRA to build a much needed park for the neighborhood along with one of the last missing Bitterroot Trail segments. The sale was closed on May 2, 2017 and planning for the trail and park began shortly thereafter. Construction of the trail was completed shortly after the fiscal year end with the MRL Park on schedule to be completed in late fiscal year 2019. The park occupies approximately four acres and the balance will be developed as a mixed use project with an emphasis on a mix of housing types and price points in a public/private partnership.

There are currently two tenants on the property with one actively looking for a new location and the other may be accommodated in the mixed use redevelopment. The City is engaged in developing a comprehensive housing policy which will help guide the residential portion of the redevelopment on the northern eight acres of the site.

In 2008, the Agency partnered with the Downtown Business Improvement District, the Missoula Parking Commission, the Missoula Downtown Association and private investors to create the Greater Downtown Master Plan. The Master Plan encompasses much of the West Broadway corridor, the east-west spine of URD II and all of the Front Street and Riverfront Triangle Urban Renewal Districts.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Currently Known Facts (Continued)

The Agency staff continues to be a part of the Downtown Master Plan Implementation Committee, with the Director serving as Chair of the Committee. Numerous projects that were recommendations from the Master Plan have been accomplished with assistance from the Agency and the use of tax increment funds. These include the construction of the new parking structure on Front Street, which was financed through the issuance of bonds that are being paid for by a combination of parking and tax increment revenues, securing funding to study the conversion of Front and Main Streets from a one-way couplet to two-way streets, assistance with the construction of a new homeless shelter, approval of assistance for purchase of one floor of public parking in conjunction with the construction of a 488 bed student housing project on Front Street, improvements to Caras Park and A Carousel for Missoula, and assistance with the redevelopment of the historic Missoula Mercantile property, which is a catalyst project identified in the Master Plan. The construction of the student housing and Mercantile projects began in fiscal year 2017 and will be completed in fiscal year 2019. The Downtown Master Plan Implementation Committee has acknowledged the need for an update to the Plan and in fiscal year 2018 were able to raise \$400,000 and issue a Request for Proposals for a consulting team to update the plan. It is anticipated that the update will be completed in fiscal year 2019.

In fiscal year 2011, the Agency sent out a Request for Proposals for the development of the City owned portion of the Riverfront Triangle. The City Council subsequently entered into an agreement with Hotel Fox Partners, LLC to grant them the exclusive right for one year to perform their due diligence and negotiate a Development Agreement with the Agency/City. Several extensions were granted to study the feasibility of a larger hotel and community conference center. Decisions about moving forward with development of a conference center, the size, ownership and management structure continued through fiscal year 2016. Those discussions continued, resulting in a Master Development Agreement approved in fiscal year 2017 that included a hotel, large conference center, three floors of residential condos and structured parking. The hotel/conference center is another important component in the implementation of the Downtown Master Plan. Work has continued on this complex project during fiscal year 2018 with the expectation that building permits will be issued in fiscal year 2019. The development group purchased most of the balance of the Riverfront Triangle property from Providence Health Care and are working on development of that property as retail, office and residential uses.

At the beginning of the recession, the Agency embarked on a project to build sidewalks in those areas of URD II and URD III that do not presently have any sidewalks or have gaps in the system.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2018

Currently Known Facts (Continued)

The Agency has built over 14 miles of new sidewalks in the past several years and will continue the program until there is a complete sidewalk system in both districts. This program provides sidewalks and improves drainage in low income neighborhoods that would otherwise not have these amenities in the foreseeable future. One of the major adjustments to the URD III boundary was to include a five block area on the western edge of the District that was not included when URD III was created in 2000. The Agency funded the construction of new sidewalks in this area and they were built in fiscal year 2018.

The Missoula County Fairgrounds, located in the heart of Midtown Missoula, has been isolated from the community by being fenced off from the public. MRA has been working with the new leadership to transform the Fairgrounds in a way that meets the needs of many different constituents. In fiscal year 2018, the MRA Board approved funding for trail connections through and around the Fairgrounds, opening up the grounds' large number of acres and providing connections between neighborhoods and public facilities. Work on the project is expected to begin in fiscal year 2019.

The City and MRA partnered to develop a set of design standards for the commercial corridors and the downtown core of Missoula. Most of fiscal year 2018 was spent crafting those guidelines and standards with a talented group of consultants. It is anticipated that the Design Excellence Overlay and Guidelines will be adopted by the City Council in fiscal year 2019. This is another important component of the Downtown Master Plan recommendations for the urban core. It will also provide guidance for MRA investment in our major commercial corridors in the urban renewal districts. These include Broadway, Russell Street and Brooks Street where we are already seeing or anticipate significant redevelopment.

Summary

The Agency will work with its partner organizations to update and continue implementation of the Downtown Master Plan and redevelopment of the Riverfront Triangle. The Agency continues to seek out redevelopment opportunities in URD III that include design elements that reflect good urban design and add diversity to the housing supply, particularly through the transformation of Brooks Street as an urban street that invites transit, pedestrian and bicycle use. The Agency's efforts continue to be targeted on the creation of connectivity, more pedestrian friendly, sustainable development patterns and economic development projects. That effort is evidenced by the trail and sidewalk construction projects in URD II and URD III with a commitment to completing the networks in both districts. Major undertakings in the coming year will focus on implementation of the NRSS URD Master Plan, redevelopment in the Front Street URD, and redevelopment of the Riverfront Triangle property.



Missoula Redevelopment Agency
Ellen Buchanan
Director

^{1.} Megan Moore, R. A. (June 2017). *Summary of Tax Legislation Enacted and Vetoed During the 2017 Legislative Session*.

FINANCIAL STATEMENTS

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
STATEMENT OF NET POSITION
 June 30, 2018

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | |
| CURRENT ASSETS | |
| Cash and investments | \$ 7,979,544 |
| Taxes/assessments receivable, net | 536,057 |
| Current portion of notes receivable - primary government | 29,959 |
| Other current assets | 88,777 |
| Due from other governments | <u>415,091</u> |
| Total current assets | <u>9,049,428</u> |
| NONCURRENT ASSETS | |
| Notes receivable - unrelated | 74,121 |
| Notes receivable - primary government | 551,991 |
| Restricted cash | <u>674,645</u> |
| Total noncurrent assets | <u>1,300,757</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Unamortized loss on debt refunding | 16,824 |
| Pension and OPEB adjustments | <u>149,960</u> |
| Total deferred outflows of resources | <u>166,784</u> |
| Total assets and deferred outflows of resources | <u><u>\$ 10,516,969</u></u> |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
STATEMENT OF NET POSITION (CONTINUED)
 June 30, 2018

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | |
| CURRENT LIABILITIES | |
| Accounts payable | \$ 779,545 |
| Accrued wages | 12,321 |
| Accrued interest | 800 |
| Compensated absences | 81,673 |
| Current portion of notes payable | 110,000 |
| Current portion of tax increment revenue bonds payable | <u>406,044</u> |
| Total current liabilities | <u>1,390,383</u> |
| NONCURRENT LIABILITIES | |
| Post employment benefits | 154,831 |
| Compensated absences, less current portion | 9,234 |
| Net pension liability | 503,250 |
| Notes payable, less current portion | 4,020,917 |
| Guarantor payable | 97,619 |
| Tax increment revenue bonds payable, less current portion | <u>25,078,182</u> |
| Total noncurrent liabilities | <u>29,864,033</u> |
| Total liabilities | <u>31,254,416</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension and OPEB adjustments | <u>7,393</u> |
| NET POSITION | |
| Restricted for debt service | 674,645 |
| Unrestricted | <u>(21,419,485)</u> |
| Total net position | <u>(20,744,840)</u> |
| Total liabilities, deferred inflows of resources, and net position | <u><u>\$ 10,516,969</u></u> |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2018

| <u>FUNCTIONS/PROGRAMS</u> | <u>Expenses</u> | <u>Governmental Activities</u> |
|--|------------------------|--------------------------------|
| Governmental Activities | | |
| Housing and community development | \$ 7,790,679 | \$ (7,790,679) |
| Interest expense | <u>1,278,270</u> | <u>(1,278,270)</u> |
| Total governmental activities | <u>9,068,949</u> | <u>(9,068,949)</u> |
| Total primary government | <u>9,068,949</u> | <u>(9,068,949)</u> |
| General Revenues | | |
| Property taxes for general purposes | 6,931,017 | |
| State contribution - PERS | 7,563 | |
| State entitlement funds (HB124) | 255,260 | |
| Personal property reimbursement (SB372 and SB96) | 528,472 | |
| Miscellaneous | <u>152,433</u> | |
| Total general revenues | <u>7,874,745</u> | |
| Change in net position | (1,194,204) | |
| Net Position | | |
| Beginning of year | (19,440,337) | |
| Restatement for total other post employment benefits liability | <u>(110,299)</u> | |
| End of year | <u>\$ (20,744,840)</u> | |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
BALANCE SHEET – GOVERNMENTAL FUNDS
 June 30, 2018

| | Urban Renewal District I | Urban Renewal District II | Urban Renewal District III | Front Street District | Riverfront Triangle District | N. Reserve Scott Street District | Hellgate District | Major Debt Service | Total |
|---|--------------------------------|---------------------------------|----------------------------------|-----------------------------|------------------------------------|--|----------------------|--------------------------|----------------------|
| ASSETS | | | | | | | | | |
| CURRENT ASSETS | | | | | | | | | |
| Cash and investments | \$ 44 | \$ 2,880,783 | \$ 2,252,727 | \$ 652,957 | \$ 134,116 | \$ 831,708 | \$ 109,444 | \$ 1,117,765 | \$ 7,979,544 |
| Taxes/assessments receivable, net | - | - | - | - | 103,199 | - | 15,225 | 417,633 | 536,057 |
| Current portion of notes receivable - primary government | - | 12,194 | 15,633 | - | - | 2,132 | - | - | 29,959 |
| Other current assets | - | - | 6,017 | - | - | - | - | 82,760 | 88,777 |
| Due from other governments | - | 21,920 | 8,004 | 2,222 | 2,139 | 644 | 6,286 | 373,876 | 415,091 |
| Interfund receivable | <u>44</u> | <u>188,675</u> | <u>175,297</u> | <u>50,340</u> | <u>114,242</u> | <u>948,726</u> | <u>130,955</u> | <u>1,992,034</u> | <u>528,554</u> |
| | <u>44</u> | <u>3,103,572</u> | <u>2,457,678</u> | <u>705,519</u> | <u>239,454</u> | <u>948,726</u> | <u>130,955</u> | <u>1,992,034</u> | <u>9,577,982</u> |
| NONCURRENT ASSETS | | | | | | | | | |
| Notes receivable - unrelated | - | - | 74,121 | - | - | - | - | - | 74,121 |
| Notes receivable - primary government | - | 412,834 | 62,418 | - | - | 76,739 | - | - | 551,991 |
| Restricted cash | - | - | - | - | - | - | - | 674,645 | 674,645 |
| | - | <u>412,834</u> | <u>136,539</u> | <u>-</u> | <u>-</u> | <u>76,739</u> | <u>-</u> | <u>674,645</u> | <u>1,300,757</u> |
| Total assets | <u>44</u> | <u>\$ 3,516,406</u> | <u>\$ 2,594,217</u> | <u>\$ 705,519</u> | <u>\$ 239,454</u> | <u>\$ 1,025,465</u> | <u>\$ 130,955</u> | <u>\$ 2,666,679</u> | <u>\$ 10,878,739</u> |
| LIABILITIES | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | |
| Accounts payable | \$ - | \$ 57,564 | \$ 670,217 | \$ 51,764 | \$ - | \$ - | \$ - | \$ - | \$ 779,545 |
| Accrued wages | - | - | 12,321 | - | - | - | - | - | 12,321 |
| Interfund payable | - | - | - | - | - | - | - | 528,554 | 528,554 |
| Accrued interest | - | - | - | - | - | - | - | 800 | 800 |
| Total liabilities | <u>-</u> | <u>57,564</u> | <u>682,538</u> | <u>51,764</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>529,354</u> | <u>1,321,220</u> |
| DEFERRED INFLOW OF RESOURCES | | | | | | | | | |
| Uncollected tax revenue | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>249</u> | <u>-</u> | <u>979</u> | <u>262,958</u> | <u>264,186</u> |
| Total deferred inflow of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>249</u> | <u>-</u> | <u>979</u> | <u>262,958</u> | <u>264,186</u> |
| FUND BALANCES | | | | | | | | | |
| Nonspendable | - | - | 79,101 | - | - | - | - | - | 79,101 |
| Restricted | <u>44</u> | <u>3,458,842</u> | <u>1,832,578</u> | <u>653,755</u> | <u>239,205</u> | <u>1,025,465</u> | <u>129,976</u> | <u>1,874,367</u> | <u>9,214,232</u> |
| Total fund balance | <u>44</u> | <u>3,458,842</u> | <u>1,911,679</u> | <u>653,755</u> | <u>239,205</u> | <u>1,025,465</u> | <u>129,976</u> | <u>1,874,367</u> | <u>9,293,333</u> |
| Total liabilities deferred inflows and fund balances | <u>44</u> | <u>\$ 3,516,406</u> | <u>\$ 2,594,217</u> | <u>\$ 705,519</u> | <u>\$ 239,454</u> | <u>\$ 1,025,465</u> | <u>\$ 130,955</u> | <u>\$ 2,666,679</u> | <u>\$ 10,878,739</u> |

The Notes to Financial Statements are an integral part of this statement.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
 June 30, 2018

| | |
|---|-------------------------------|
| Total fund balances - governmental funds | \$ 9,293,333 |
| Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds | 264,186 |
| Deferred outflows of resources related to unamortized loss on debt refunding are applicable to future periods and, therefore, are not reported in the funds | 16,824 |
| Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds | |
| Deferred outflows of resources related to pensions and post employment benefits | 149,960 |
| Deferred inflows of resources related to pensions and post employment benefits | (7,393) |
| Long-term liabilities, both current and noncurrent portions, are not due and payable in the current period and therefore are not reported as liabilities in the funds | <u>(30,461,750)</u> |
| Total net position - governmental activities | <u><u>\$ (20,744,840)</u></u> |

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

| | Urban Renewal District I | Urban Renewal District II | Urban Renewal District III | Front Street District | Riverfront Triangle District | N. Reserve Scott Street District | Hellgate District | Major Debt Service | Total |
|--|--------------------------------|---------------------------------|----------------------------------|-----------------------------|------------------------------------|--|----------------------|--------------------------|---------------------|
| REVENUES | | | | | | | | | |
| Tax increment property tax | \$ - | \$ - | \$ - | \$ 235,328 | \$ - | \$ 129,944 | \$ 6,477,800 | \$ 6,843,072 | |
| State contribution - PERS | - | - | 7,563 | - | - | - | - | - | 7,563 |
| State entitlement funds (HB124) | - | - | - | - | - | - | - | 255,260 | 255,260 |
| Personal property reimbursement (SB372 and SB96) | - | - | - | - | 9,316 | - | - | 519,156 | 528,472 |
| Miscellaneous | _____ | <u>21,920</u> | <u>112,042</u> | <u>2,222</u> | <u>281</u> | <u>644</u> | <u>32</u> | <u>15,292</u> | <u>152,433</u> |
| Total revenues | <u>_____</u> | <u>21,920</u> | <u>119,605</u> | <u>2,222</u> | <u>244,925</u> | <u>644</u> | <u>129,976</u> | <u>7,267,508</u> | <u>7,786,800</u> |
| EXPENDITURES | | | | | | | | | |
| Housing and community development | - | 506,559 | 4,010,046 | 147,530 | 26,000 | 563,148 | - | - | 5,253,283 |
| Capital outlay | - | - | 2,468,901 | 34,500 | 16,681 | - | - | - | 2,520,082 |
| Debt service expense - interest | - | - | - | - | - | - | - | 1,278,270 | 1,278,270 |
| Debt service expense - principal | _____ | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,094.065</u> | <u>1,094.065</u> |
| Total expenditures | <u>_____</u> | <u>506,559</u> | <u>6,478,947</u> | <u>182,030</u> | <u>42,681</u> | <u>563,148</u> | <u>-</u> | <u>2,372,335</u> | <u>10,145,700</u> |
| Excess (deficiency) of revenues over expenditures | _____ | <u>(484,639)</u> | <u>(6,359,342)</u> | <u>(179,808)</u> | <u>202,244</u> | <u>(562,504)</u> | <u>129,976</u> | <u>4,895,173</u> | <u>(2,358,900)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Transfers in | - | 1,872,080 | 2,166,144 | 66,982 | - | 768,419 | - | 2,548,865 | 7,422,490 |
| Transfers out | - | - | (151,674) | - | - | (17,581) | - | (7,253,235) | (7,422,490) |
| Issuance of long-term debt | _____ | <u>-</u> | <u>1,665,000</u> | <u>-</u> | <u>-</u> | <u>578,126</u> | <u>-</u> | <u>-</u> | <u>2,243,126</u> |
| Total other financing sources (uses) | <u>_____</u> | <u>1,872,080</u> | <u>3,679,470</u> | <u>66,982</u> | <u>-</u> | <u>1,328,964</u> | <u>-</u> | <u>(4,704,370)</u> | <u>2,243,126</u> |
| Net change in fund balances | - | 1,387,441 | (2,679,872) | (112,826) | 202,244 | 766,460 | 129,976 | 190,803 | (115,774) |
| FUND BALANCES | | | | | | | | | |
| Beginning of year | <u>44</u> | <u>2,071,401</u> | <u>4,591,551</u> | <u>766,581</u> | <u>36,961</u> | <u>259,005</u> | <u>-</u> | <u>1,683,564</u> | <u>9,409,107</u> |
| End of year | <u>\$ 44</u> | <u>\$ 3,458,842</u> | <u>\$ 1,911,679</u> | <u>\$ 653,755</u> | <u>\$ 239,205</u> | <u>\$ 1,025,465</u> | <u>\$ 129,976</u> | <u>\$ 1,874,367</u> | <u>\$ 9,293,333</u> |

The Notes to Financial Statements are an integral part of this statement.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2018

Amounts reported for *governmental activities* in the statement of activities are different because:

| | |
|--|------------------------------|
| Net change in fund balances - total governmental funds | \$ (115,774) |
| Proceeds from long-term debt agreements are revenues in the governmental funds, but increase long-term liabilities in the statement of net position | (2,243,126) |
| Tax increment revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements | 87,945 |
| The change in compensated absences payable is reported in the statement of activities as a reduction to expense | 3,057 |
| The change in the other postemployment benefits is reported in the statement of activities as an expense | (10,523) |
| The change in the proportionate share of the net pension liability related to proportionate share of collective pension expense is reported on the statement of activities as a reduction to expense | 24,038 |
| On-behalf State contributions to pensions are revenues in the statement of activities, but do not provide current financial resources to the governmental fund | 7,563 |
| The change in the deferred outflows of resources related to unamortized loss on debt refunding is reported in the statement of activities as an expense | (1,597) |
| The change in the guarantor payable is reported in the statement of activities as an expense | (39,852) |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position | <u>1,094,065</u> |
| Change in net position - statement of activities | <u><u>\$ (1,194,204)</u></u> |

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Missoula Redevelopment Agency (the Agency) was established in 1978 by the City of Missoula (the City) as a separate legal entity in accordance with state urban renewal laws (Section 7-15-4201, MCA). The Agency has the authority to renovate property within blighted areas legally designated as urban renewal districts, but the authority to exercise the power of eminent domain, acquire and resell property, and to issue tax increment bonds remains with the City. The City has established seven urban renewal districts (URDs): URD I in 1978, URD II in 1991, URD III in 2000, Front Street district in 2007, Riverfront Triangle district in 2008, North Reserve – Scott Street Urban Renewal District in 2014 and Hellgate Urban Renewal District in 2014. The five-member governing board is appointed by the Mayor and approved by City Council. Due to the control exercised by the City and the limited powers of the Agency, the Agency is considered a component unit of the City.

The Agency has no authority to levy taxes. However, under the City's Urban Renewal Plans, revenue derived from incremental property taxes, which result from increases in the taxable value of property within an urban renewal district, are designated for urban renewal purposes and provide the primary funding source for the Agency.

State law provides that the tax increment provisions applicable to a renewal district established prior to 1980 be terminated seventeen years after enactment or when all tax increment debt has been retired. For districts established after 1980, state law provides they be terminated fifteen years after enactment or when all tax increment debt has been retired. Because the tax increment provisions for URD I were enacted on December 18, 1978, the Agency was scheduled to terminate on December 18, 1995. However, the City issued tax increment bonds on December 15, 1989, as permitted by state law. The issuance of these bonds extended the tax increment provisions for the term of the bonds, whose final maturity was July 1, 2005. URD II was scheduled to terminate in 2006, but was extended to 2031 through the issuance of tax increment bonds on August 15, 2006. URD III was scheduled to terminate in 2015 but was extended to 2040 through the issuance of a tax increment bond on December 1, 2015. Front Street URD was scheduled to terminate in 2022 but was extended to 2041 through the issuance of a revenue bond on January 12, 2017. Riverfront Triangle URD is scheduled to terminate in 2023. On August 25, 2014, the North Reserve – Scott Street (NRSS) Urban Renewal District Plan and the Hellgate Urban Renewal District Plan were approved. Hellgate URD will sunset in 2030. NRSS URD was extended to 2042 through the issuance of a tax increment bond on December 21, 2017.

Basis of Presentation and Basis of Accounting

The Agency complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)

Government-wide Statements

The statement of net position and the statement of activities report information about the overall financial position and activities of the Agency.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the Agency are generally financed through incremental property taxes and state entitlements. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function. However, the Agency does not collect any program revenue. Accordingly, all revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Fund Financial Statements

These statements provide information about the Agency's funds. The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column in the governmental funds statements. The Agency reports all of its urban renewal districts as major funds. Individual debt service funds are aggregated into a single debt service major fund.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Agency considers all revenues available if they are collected within 75 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term liabilities which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)

Fund Financial Statements (Continued)

Real and personal property taxes and interest earnings are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Agency and are recognized as revenue at that time. The Agency recorded real and personal property taxes for the current year as revenue. Taxes and assessments receivable remaining unpaid at year-end and not expected to be collected soon enough thereafter to be available to pay obligations of the current year were reserved and offset against taxes/assessments receivable, with a corresponding reduction in revenues, as required by GAAP. In addition, prior period delinquent taxes collected in the current period were recorded as revenue in the current period as required by GAAP. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Due to the nature of the Agency, there is no General Fund.

Major Funds

GASB Statement No. 34 requires that all governmental funds whose assets, liabilities, revenues or expenditures exceed 10% or more of the total for all government funds be reported as major funds. An entity may also determine if a fund should be reported as major that does not meet the above requirement. Accordingly, the Agency has chosen to record all of its URD development funds as major funds. A description of these funds follows:

Special Revenue Funds

- Urban Renewal District I – used to account for all activities of District I
- Urban Renewal District II – used to account for all activities of District II
- Urban Renewal District III – used to account for all activities of District III
- Front Street District – used to account for all activities of Front Street District
- Riverfront Triangle District – used to account for all activities of Riverfront Triangle District
- North Reserve/Scott Street District – used to account for all activities of North Reserve/Scott Street District
- Hellgate District – used to account for all activities of Hellgate District

Debt Service Funds

These are used to account for the accumulation of resources for, and the payment of, tax increment debt principal, interest and related costs, and to comply with the requirements of the tax increment bond and note covenants and resolutions. These funds are included as a debt service fund in the Agency's financial statements.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)

Classification of Fund Balance

The Agency has adopted GASB Statement No. 54, which defines how fund balances of the governmental funds are presented in the financial statements. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – Constraint is imposed by City Council by resolution. The Agency Board does not have the authority to issue resolutions.
- Assigned – Amounts the Agency intends to use for a specific purpose. Constraint is internally expressed intent by government body or authorized official through budget approval process or express assignment.
- Unassigned – No constraints and negative balance in non-general funds.

Expenditure Order for Resource Categories

| <u>Order</u> | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> |
|--------------|------------------------------|---------------------------|
| First: | Restricted | Assigned |
| Second: | Committed | Committed |
| Third: | Assigned | Restricted |
| Fourth: | Unassigned | Unassigned |

Budgets and Budgetary Accounting

An annual appropriated operating budget is adopted each fiscal year for the governmental funds on the modified accrual basis of accounting. Revenues are budgeted in the year they are measurable and available. Expenditures are budgeted in the year they are expected to be incurred. As required by Montana law, the full amount of increment derived from property taxes levied for the fiscal year is included in the Agency's budget.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)

Budgets and Budgetary Accounting (Continued)

As required by State statute, the Agency follows these procedures to develop its annual budget:

- a) On or before June 10, department heads and supervisors file with the City detailed and itemized estimates, both of the probable revenue from sources other than taxation and of all expenditures required by the office or department for the next fiscal year.
- b) The City finance department prepares a tabulation showing the complete expenditure program of the Agency for the next fiscal year and the sources of revenue by which it is to be financed.
- c) On or before the fourth Monday in July, the City Council shall make any revisions it considers advisable.
- d) Public hearings are held.
- e) By the second Monday in August, the City Council adopts the final budget.

Budget appropriation transfers may be made between the general classifications of salaries and wages, maintenance and operations and capital outlay. Final reported budget amounts represent the originally adopted budget as amended by resolution of the City Council. It is management's responsibility to see that the budget is followed to the fund level.

The City Council may amend a final budget when shortfalls in budgeted revenues require reductions in approved appropriations to avert deficit spending; when savings result from unanticipated adjustments in projected expenditures; when unanticipated state or federal monies are received; for bonding; or when a public emergency occurs which could not have been foreseen at the time of adoption. The procedure to amend the budget in total can be made only after the Agency prepares a resolution, notice is published of a public hearing, and a public hearing is held in accordance with state law.

New Accounting Pronouncements

The Agency has adopted the provisions of the following GASB pronouncement for fiscal year 2018:

- *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

- *Statement No. 85, Omnibus.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Agency's cash is held by the City Treasurer and pooled with other City cash. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis. Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions. Investments held by the Agency are reported at fair value.

The Agency categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets (these investments are valued using prices quoted in active markets); Level 2 inputs are significant other observable inputs (these investments are valued using matrix pricing); Level 3 inputs are significant unobservable inputs (these investments are valued using consensus pricing). The Agency had no investments that required categorization within the fair value hierarchy.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These short-term interfund loans are reported as "interfund receivables and payables" in the fund financial statements.

Tax Increment

The City's property tax levies are set on or before the second Monday in August, in connection with the budget process. Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, the taxes become delinquent (and a lien is placed upon the property).

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Increment (Continued)

After three years, the County may exercise the lien and take title to the property. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are usually billed at the end of April. The first half is due thirty days after billing (usually by May 31) and the second half is due November 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxable valuations for each Urban Renewal District and the corresponding tax increment amounts for November 2017 property tax billing are as follows:

| | <u>Taxable Value</u> | <u>Increment Value</u> |
|---|----------------------|------------------------|
| Urban Renewal District II | \$ 4,742,939 | \$ 2,883,116 |
| Urban Renewal District III | 11,202,692 | 3,029,848 |
| Front Street Urban Renewal District | 1,915,446 | 502,411 |
| Riverfront Triangle Urban Renewal District | 345,528 | 187,670 |
| Hellgate Urban Renewal District | 1,164,829 | 139,381 |
| North Reserve Scott Street Urban Renewal District | 2,337,126 | 845,921 |

Capital Assets

Capital assets are recorded in the City's general capital asset accounts.

Compensated Absences

Under terms of state law, the Agency employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for all accumulated vacation leave and 25% of accumulated sick leave. Expenditures for these compensated absences are recorded when paid, because the amounts expected to be liquidated from current resources do not vary materially from year to year. Compensated absences to be funded from future resources are reflected as liabilities in the government-wide financial statements to the extent they are vested.

Other Postemployment Benefits

The Agency recognizes and reports its postemployment health care benefits in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 2. CASH AND INVESTMENTS

The Agency's cash is invested in the City's investment pool. The Agency's portion of underlying cash and investments of the City's investment pool consists of the following:

| | |
|--|----------------------------|
| Demand Deposits | \$ 8,551,850 |
| Cash on Hand | 7,185 |
| Certificates of Deposit | 95,154 |
| Less restricted cash held for debt service reserve | <u>(674,645)</u> |
| | <u><u>\$ 7,979,544</u></u> |

The City's investment pool does not have a credit rating. Investment in the pool exposes the Agency to interest rate risk due to the underlying investment in government securities. This risk is managed by the City.

Information regarding insurance coverage or collateralization, interest rate risk, and investment in derivatives and similar instruments for the investment in the City's investment pool is available in the City's comprehensive annual financial report (CAFR). There is no regulatory oversight for the City's investment pool, and participants' equity in the pool approximates the fair value of the underlying investments.

NOTE 3. OTHER CURRENT ASSETS

Other current assets consist of the following at June 30, 2018:

| | |
|-------------------|-------------------------|
| Prepaid expenses | \$ 4,980 |
| Other receivables | <u>83,797</u> |
| | <u><u>\$ 88,777</u></u> |

NOTE 4. NOTES RECEIVABLE

In July 2010, the Agency executed a \$61,000 note receivable under its Façade Improvement Program. The note bears interest at 0% and calls for annual payments of \$6,100 over ten years. At June 30, 2018, the note had an outstanding balance of \$18,300. In May 2014 and December 2015, the Agency executed additional note receivables under its Façade Improvement Program in the amount of \$10,368 and \$62,000, respectively. The notes bear interest at 0% and call for annual payments of \$1,037 and \$6,200, respectively, over ten years. At June 30, 2018, the notes had an outstanding balance of \$6,221 and \$49,600, respectively.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 4. NOTES RECEIVABLE (CONTINUED)

In October 2011, the Agency was assigned a \$40,000 note receivable in relation to a Water Main Extension Contract with Mountain Water Company. The note bears interest at 0% and calls for annual payments of \$1,000 over forty years. In 2013, 2016 and 2017, the Agency executed additional notes in relation to the Water Main Extension Contracts and fire hydrant installations with Mountain Water Company for \$508,261, \$40,781 and \$73,464, respectively. The notes bear interest at 0% and call for annual payments over forty years. In June 2017, the City of Missoula assumed all of the Mountain Water notes. At June 30, 2018, the outstanding balances of all the City of Missoula notes were \$425,028, \$78,051 and \$78,871 in URD II, URD III, and the NRSS, respectively.

Collections to maturity at June 30, 2018, are as follows:

| Year Ending June 30, | Principal |
|-------------------------|--------------------------|
| 2019 | \$ 30,207 |
| 2020 | 30,207 |
| 2021 | 30,207 |
| 2022 | 24,107 |
| 2023 | 24,107 |
| Thereafter | <u>517,236</u> |
| Total | <u><u>\$ 656,071</u></u> |

NOTE 5. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2018, were as follows:

| | Beginning Balance | Additions | Debt Retired | Ending Balance | Current Portion |
|----------------------|----------------------|---------------------|-----------------------|----------------------|--------------------|
| Compensated Absences | \$ 93,965 | \$ - | \$ (3,058) | \$ 90,907 | \$ 81,673 |
| Notes Payable | 4,267,068 | - | (136,151) | 4,130,917 | 110,000 |
| Guarantor Payable | 57,767 | 39,852 | - | 97,619 | - |
| Bonds Payable | 24,198,880 | 2,243,126 | (957,780) | 25,484,226 | 406,044 |
| Total | <u>\$ 28,617,680</u> | <u>\$ 2,282,978</u> | <u>\$ (1,096,989)</u> | <u>\$ 29,803,669</u> | <u>\$ 597,717</u> |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable

Mill Site Bonds

The Agency issued \$3,600,000 of Tax Increment Urban Renewal Bonds in August 2006. The bonds were issued to finance acquisition of the Champion Mill Site Property located within District II. The bonds were issued at par, bear interest ranging from 4.5% to 5.125%, and are secured by a first lien upon and pledge of tax increment revenues from District II. The bond resolution requires, among other things, that all of District II's tax increment revenue, except revenues generated by the excluded properties as identified in the bond covenants, be deposited in a debt service fund as required to pay principal and interest on the bonds when due, and to provide certain reserves for future bond payments. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District II, to redeem all or a portion of the Series 2006 bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District II, as provided by state law.

Debt service requirements to maturity on the August 2006 tax increment bonds at June 30, 2018, are as follows:

| Year Ending | | | | |
|-------------|---------------------|-------------------|---------------------|--|
| June 30, | Principal | Interest | Total | |
| 2019 | \$ 135,000 | \$ 113,525 | \$ 248,525 | |
| 2020 | 140,000 | 107,450 | 247,450 | |
| 2021 | 145,000 | 101,150 | 246,150 | |
| 2022 | 155,000 | 94,625 | 249,625 | |
| 2023 | 160,000 | 86,681 | 246,681 | |
| 2024-2028 | 935,000 | 302,017 | 1,237,017 | |
| 2029-2033 | 675,000 | 65,075 | 740,075 | |
| Total | <u>\$ 2,345,000</u> | <u>\$ 870,523</u> | <u>\$ 3,215,523</u> | |

Silver Park, Wyoming Street and Trestle Bonds

The Agency issued \$5,750,000 of Tax Increment Urban Renewal Bonds in March 2013. The bonds were issued to finance public improvements in Silver Park, the construction of Wyoming Street from Hickory Street to California Street and replace the aging train trestle located within District II. The bonds were issued at par and bear an interest rate of 3.15%. The bonds are secured by a first lien upon and pledge of tax increment revenues from District II. The Agency estimates tax increment revenue to be sufficient to cover the principal and interest requirements of the Series 2006 and Series 2013 Bonds. The bond resolution requires, among other things, that all of District II's tax increment revenue, except revenues generated by the excluded properties as identified in the bond covenants, be deposited in a debt service fund as required to pay principal and interest on the bonds when due, and to provide certain reserves for future bond payments.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Silver Park, Wyoming Street and Trestle Bonds (Continued)

After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District II, to redeem all or a portion of the Series 2013 bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District II, as provided by state law.

Debt service requirements to maturity on the March 2013 tax increment bonds at June 30, 2018, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|---------------------|
| 2019 | \$ 142,000 | \$ 70,985 | \$ 212,985 |
| 2020 | 290,000 | 135,230 | 425,230 |
| 2021 | 299,000 | 126,032 | 425,032 |
| 2022 | 308,000 | 116,534 | 424,534 |
| 2023 | 318,000 | 106,754 | 424,754 |
| 2024-2028 | 1,751,000 | 377,606 | 2,128,606 |
| 2029-2033 | 1,399,000 | 89,509 | 1,488,509 |
| Total | <u>\$ 4,507,000</u> | <u>\$ 1,022,649</u> | <u>\$ 5,529,649</u> |

Intermountain Lumber Site

The Agency issued \$1,753,500 of Tax Increment Urban Renewal Bonds in May 2013. The bonds were issued to finance demolition, site preparation, and infrastructure improvements on the old Intermountain Lumber Site Property located within District II. The bonds were issued at par and bear an interest rate of 4.25%. The bonds are secured by a first lien upon and pledge of tax increment revenues derived from the Project Site. The bond resolution requires, among other things, that the Project's tax increment revenue, be deposited in a debt service fund as required to pay principal and interest on the bonds when due.

After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District II, including additional expenses for the Lumber Site development, to redeem all or a portion of the Series 2013 bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District II, as provided by state law.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Intermountain Lumber Site (Continued)

Debt service requirements to maturity on the May 2013 tax increment bonds at June 30, 2018, are as follows:

| Year Ending | | | | |
|-------------|---------------------|-------------------|---------------------|--|
| June 30, | Principal | Interest | Total | |
| 2019 | \$ 42,500 | \$ 30,728 | \$ 73,228 | |
| 2020 | 87,000 | 58,735 | 145,735 | |
| 2021 | 91,000 | 54,995 | 145,995 | |
| 2022 | 95,000 | 51,085 | 146,085 | |
| 2023 | 99,000 | 47,005 | 146,005 | |
| 2024-2028 | 561,500 | 167,567 | 729,067 | |
| 2029-2033 | 470,000 | 40,789 | 510,789 | |
| Total | <u>\$ 1,446,000</u> | <u>\$ 450,904</u> | <u>\$ 1,896,904</u> | |

Safeway Bonds

The Agency issued \$1,500,000 of Tax Increment Urban Renewal Revenue Bonds in October 2007. The bonds were issued to finance demolition, site preparation and infrastructure improvements and their associated design costs related with the Safeway, Inc. Project site. The bonds were issued at par, bear interest of 6.95%, and are secured by a first lien upon and pledge of tax increment revenues derived from the Project Site. Should tax increment revenues in any given year not be sufficient to pay the principal and interest payments, Safeway, Inc. (the Guarantor) is obligated to pay the deficiency. Tax increment in excess of debt service requirements will be (1) used to make Guarantor reimbursements for prior debt service deficiencies, (2) retained in an excess tax increment fund until the amount equals the maximum annual debt service for the bonds, and (3) used to prepay the Series 2007 bonds.

Repayment of the debt service deficiency to the Guarantor at June 30, 2018, is scheduled as follows:

| Year Ending | | | |
|-------------|------------------|--|--|
| June 30, | Principal | | |
| Total | <u>\$ 97,619</u> | | |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Safeway Bonds (Continued)

Debt service requirements to maturity on the tax increment bonds at June 30, 2018, are as follows:

| Year Ending | | | | |
|-------------|----------------------------|--------------------------|----------------------------|--|
| June 30, | Principal | Interest | Total | |
| 2019 | \$ 60,000 | \$ 79,925 | \$ 139,925 | |
| 2020 | 60,000 | 75,755 | 135,755 | |
| 2021 | 65,000 | 71,585 | 136,585 | |
| 2022 | 70,000 | 66,894 | 136,894 | |
| 2023 | 75,000 | 62,029 | 137,029 | |
| 2024-2028 | 465,000 | 221,705 | 686,705 | |
| 2029-2033 | <u>370,000</u> | <u>46,565</u> | <u>416,565</u> | |
| Total | <u><u>\$ 1,165,000</u></u> | <u><u>\$ 624,457</u></u> | <u><u>\$ 1,789,457</u></u> | |

South Reserve Street Pedestrian Bridge Bonds

The Agency issued \$5,000,000 of Tax Increment Urban Renewal Revenue Bonds in December 2015. The bonds were issued to fund the design and construction of a pedestrian bridge over South Reserve Street connecting the Missoula to Lolo Trail to the Bitterroot Branch Trail. The bonds were issued at par, bear interest of 4.35%, and are secured by a first lien upon and pledge of tax increment revenues derived from District III. The bond resolution requires, among other things, that District III's tax increment revenues be deposited in a debt service fund as required to pay principal and interest on the bonds when due. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District III, to redeem all or a portion of the bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District III, as provided by state law.

Debt service requirements to maturity on the December 2015 tax increment bonds at June 30, 2018, are as follows:

| Year Ending | | | | |
|-------------|----------------------------|----------------------------|----------------------------|--|
| June 30, | Principal | Interest | Total | |
| 2019 | \$ - | \$ 103,204 | \$ 103,204 | |
| 2020 | 135,000 | 203,471 | 338,471 | |
| 2021 | 140,000 | 197,490 | 337,490 | |
| 2022 | 145,000 | 191,291 | 336,291 | |
| 2023 | 150,000 | 184,875 | 334,875 | |
| 2024-2028 | 860,000 | 817,365 | 1,677,365 | |
| 2029-2033 | 1,065,000 | 608,891 | 1,673,891 | |
| 2034-2038 | 1,315,000 | 351,371 | 1,666,371 | |
| 2039-2043 | <u>935,000</u> | <u>62,096</u> | <u>997,096</u> | |
| Total | <u><u>\$ 4,745,000</u></u> | <u><u>\$ 2,720,055</u></u> | <u><u>\$ 7,465,055</u></u> | |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

North Reserve/Scott Street Bonds

In December 2015, the City of Missoula approved the sale of \$1,364,400 of Senior Subordinate Tax Increment Urban Renewal Revenue Bonds in the NRSS District. The bonds were issued to fund certain public improvements related to redevelopment of Bretz RV & Marine, construction of the new Consumer Direct office building and the Scott Street Village housing project. The bonds were issued as senior subordinate debt to future public improvement bonds approved by the NRSS District. The bonds were issued at par, bear interest of 4.50%, and are secured by a senior subordinate lien upon and pledge of tax increment revenues derived from the NRSS District. The bond resolution requires, among other things, that NRSS District's tax increment revenue, be deposited in a debt service fund as required to pay principal and interest on the bonds when due. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within NRSS District, to redeem all or a portion of the bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District, as provided by state law.

Debt service requirements to maturity on the December 2015 tax increment bonds at June 30, 2018, are as follows:

| Year Ending | Principal | Interest | Total |
|-------------|---------------------|-------------------|---------------------|
| June 30, | June 30, | June 30, | June 30, |
| 2019 | \$ 26,544 | \$ 30,018 | \$ 56,562 |
| 2020 | 54,894 | 58,230 | 113,124 |
| 2021 | 57,392 | 55,732 | 113,124 |
| 2022 | 60,004 | 53,121 | 113,124 |
| 2023 | 62,734 | 50,390 | 113,124 |
| 2024-2028 | 359,182 | 206,439 | 565,621 |
| 2029-2033 | 448,691 | 116,930 | 565,621 |
| 2034-2038 | 264,680 | 18,131 | 282,811 |
| Total | <u>\$ 1,334,121</u> | <u>\$ 588,991</u> | <u>\$ 1,923,112</u> |

Front Street Series A Bonds

In December 2017, the City approved the sale of \$1,162,500 of Tax Increment Urban Renewal Subordinate Lien Revenue Refunding Bonds in the Front Street District. The bonds were issued to refund the taxable portion of the Series 2010 First Interstate Bank Note. The bonds were issued at par, bear interest of 5.75%, and are secured by a subordinate lien upon and pledge of tax increment revenues derived from Front Street District. The bond resolution requires, among other things, that Front Street District's tax increment revenues be deposited in a debt service fund as required to pay principal and interest on the bonds when due. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within Front Street District, to redeem all or a portion of the bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District, as provided by state law.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Front Street Series A Bonds (Continued)

Debt service requirements to maturity on the January 2017 tax increment bonds at June 30, 2018, are as follows:

| Year Ending | Principal | Interest | Total |
|-------------|---------------------|-------------------|---------------------|
| June 30, | \$ | \$ | \$ |
| 2019 | \$ - | \$ 32,746 | \$ 32,746 |
| 2020 | 25,000 | 64,774 | 89,774 |
| 2021 | 26,500 | 63,293 | 89,793 |
| 2022 | 28,000 | 61,726 | 89,726 |
| 2023 | 29,500 | 60,073 | 89,573 |
| 2024-2028 | 175,500 | 271,989 | 447,489 |
| 2029-2033 | 232,500 | 213,684 | 446,184 |
| 2034-2038 | 306,500 | 136,749 | 443,249 |
| 2039-2043 | 315,500 | 37,533 | 353,033 |
| Total | <u>\$ 1,139,000</u> | <u>\$ 942,569</u> | <u>\$ 2,081,569</u> |

The Agency increased its aggregate debt service payments by \$153,521 over the next 25 years by refunding the prior debt and there was an economic gain on the refunding of \$114,419. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. In accordance with GASB Statement No. 65 (GASB 65) this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. At June 30, 2018, the City reports deferred outflows of resources in the amount of \$16,824 related to the refunding bonds. The deferred charges will be amortized as a component of interest expense in the Statement of Revenues, Expenses and Changes in Fund Balances.

Front Street Series B Bonds

In January 2017, the City of Missoula approved the sale of \$277,500 of Tax Increment Urban Renewal Subordinate Lien Revenue Refunding Bonds in the Front Street District. The bonds were issued to refund the portion of the Series 2010 First Interstate Bank Note related to financing the 2010 public improvements. The bonds were issued at par, bear interest of 4.50%, and are secured by a subordinate lien upon and pledge of tax increment revenues derived from Front Street District. The bond resolution requires, among other things, that Front Street District's tax increment revenues be deposited in a debt service fund as required to pay principal and interest on the bonds when due. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within Front Street District, to redeem all or a portion of the bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District, as provided by state law.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Front Street Series B Bonds (Continued)

Debt service requirements to maturity on the January 2017 tax increment bonds at June 30, 2018, are as follows:

| Year Ending | | Principal | Interest | Total |
|-------------|-------------------|-------------------|-------------------|-------|
| June 30, | | | | |
| 2019 | \$ - | \$ 6,098 | \$ 6,098 | |
| 2020 | 7,000 | 12,038 | 19,038 | |
| 2021 | 7,000 | 11,723 | 18,723 | |
| 2022 | 7,500 | 11,396 | 18,896 | |
| 2023 | 8,000 | 11,048 | 19,048 | |
| 2024-2028 | 45,500 | 49,399 | 94,899 | |
| 2029-2033 | 57,000 | 37,913 | 94,913 | |
| 2034-2038 | 70,500 | 23,614 | 94,114 | |
| 2039-2043 | 68,500 | 6,356 | 74,856 | |
| Total | <u>\$ 271,000</u> | <u>\$ 169,583</u> | <u>\$ 440,583</u> | |

Information regarding the change in cash flow and economic gain related to the refunding are noted above under Front Street Series A Bonds. The refunding was completed with the issuance of both the Front Street Series A and B Bonds.

Front Street Series C Bonds

In January 2017, the City of Missoula approved the sale of \$3,260,500 of Tax Increment Urban Renewal Subordinate Lien Revenue Bonds in the Front Street District. The bonds will be used to acquire a public parking unit to be owned and operated by the Missoula Parking Commission as well as fund the issuance costs. The bonds were issued as subordinate debt to the 2014 bonds and any future debt issued at parity with the 2014 bonds approved in the Front Street District. The bonds were issued at par, bear interest of 4.50%, and are secured by a subordinate lien upon and pledge of tax increment revenues derived from Front Street District. The bond resolution requires, among other things, that Front Street District's tax increment revenues be deposited in a debt service fund as required to pay principal and interest on the bonds when due. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within the Front Street District, to redeem all or a portion of the bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District, as provided by state law.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Front Street Series C Bonds (Continued)

Debt service requirements to maturity on the January 2017 tax increment bonds at June 30, 2018, are as follows:

| Year Ending | | | | |
|-------------|-------------------------|----------------------------|----------------------------|--|
| June 30, | Principal | Interest | Total | |
| 2019 | \$ - | \$ 3,342 | \$ 3,342 | |
| 2020 | - | 87,423 | 87,423 | |
| 2021 | - | 146,093 | 146,093 | |
| 2022 | - | 143,460 | 143,460 | |
| 2023 | - | 139,365 | 139,365 | |
| 2024-2028 | - | 628,706 | 628,706 | |
| 2029-2033 | - | 494,843 | 494,843 | |
| 2034-2038 | - | 327,881 | 327,881 | |
| 2039-2043 | <u>60,488</u> | <u>119,936</u> | <u>180,424</u> | |
| Total | <u><u>\$ 60,488</u></u> | <u><u>\$ 2,091,049</u></u> | <u><u>\$ 2,151,537</u></u> | |

The above schedule shall be revised following the final advance of principal in accordance with the Disbursement Agreement in order to reflect installments of principal and interest sufficient to pay the outstanding principal amount by July 1, 2041.

URD III Series A – Mary Avenue West Bonds

In June 2017, the City of Missoula approved the sale of \$1,600,000 of Tax Increment Urban Renewal Revenue Bonds in District III. The bonds were issued to fund certain public improvements and extensions to Mary Avenue from the Bitterroot Branch Railroad Line westward to Reserve Street. The bonds were issued on parity with other URD III bonds. The bonds were issued at par, bear interest of 4.65%, and are secured by a first lien upon and pledge of tax increment revenues derived from District III. The bond resolution requires, among other things, that District III's tax increment revenues be deposited in a debt service fund as required to pay principal and interest on the bonds when due. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District III, to redeem all or a portion of the bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District, as provided by state law.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

URD III Series A – Mary Avenue West Bonds (Continued)

Debt service requirements to maturity on the June 2017 tax increment bonds at June 30, 2018, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2019 | \$ - | \$ 36,270 | \$ 36,270 |
| 2020 | 40,000 | 71,610 | 111,610 |
| 2021 | 45,000 | 69,634 | 114,634 |
| 2022 | 45,000 | 67,541 | 112,541 |
| 2023 | 50,000 | 65,333 | 115,333 |
| 2024-2028 | 280,000 | 289,463 | 569,463 |
| 2029-2033 | 350,000 | 216,458 | 566,458 |
| 2034-2038 | 435,000 | 125,434 | 560,434 |
| 2039-2043 | 315,000 | 22,436 | 337,436 |
| Total | <u>\$ 1,560,000</u> | <u>\$ 964,178</u> | <u>\$ 2,524,178</u> |

URD III – Mary Avenue East Bonds

In January 2015, the City of Missoula approved the sale of \$7,065,000 of Tax Increment Urban Renewal Revenue Bonds in District III. The bonds were issued in October 2015 to fund certain infrastructure improvements in connection with the Southgate Mall Project. The bonds were on parity with other URD III bonds. The bonds were issued at par, bear interest of 4.35%, and are secured by a first lien upon and pledge of tax increment revenues derived from District III. The bond resolution requires, among other things, that District III's tax increment revenues be deposited in a debt service fund as required to pay principal and interest on the bonds when due. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District III, to redeem all or a portion of the bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District, as provided by state law.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

URD III – Mary Avenue East Bonds (Continued)

Debt service requirements to maturity on the October 2015 tax increment bonds at June 30, 2018, are as follows:

| <u>Year Ending</u> | <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------------|----------------------------|-----------------------------|--------------|
| 2019 | \$ - | \$ 145,334 | \$ 145,334 | |
| 2020 | 193,000 | 294,865 | 487,865 | |
| 2021 | 201,000 | 286,295 | 487,295 | |
| 2022 | 210,000 | 277,356 | 487,356 | |
| 2023 | 219,000 | 268,025 | 487,025 | |
| 2024-2028 | 1,246,000 | 1,185,506 | 2,431,506 | |
| 2029-2033 | 1,542,000 | 883,268 | 2,425,268 | |
| 2034-2038 | 1,908,000 | 509,472 | 2,417,472 | |
| 2039-2043 | <u>1,356,000</u> | <u>90,132</u> | <u>1,446,132</u> | |
| Total | <u>\$ 6,875,000</u> | <u>\$ 3,940,252</u> | <u>\$ 10,815,252</u> | |

Scott Street Village – Phase 2 & 3 Bonds

On December 11, 2017 the City of Missoula pursuant to Resolution 8229 approved the sale of \$723,514 in tax increment urban renewal revenue bonds in North Reserve-Scott Street (NRSS) URD to fund public infrastructure improvements related to the construction of phases 2 and 3 of a housing development called Scott Street Village by Edgell Building Incorporated. This bond was issued on parity with other senior subordinate debt in the district. The bonds were issued at par, bear interest of 4.750%, and are secured by a senior subordinate lien upon and pledge of tax increment revenues derived from the NRSS District. The bond resolution requires, among other things, that NRSS District's tax increment revenue, be deposited in a debt service fund as required to pay principal and interest on the bonds when due. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within NRSS District, to redeem all or a portion of the bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District, as provided by state law.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Scott Street Village – Phase 2 & 3 Bonds (Continued)

Debt service requirements to maturity on the December 2017 tax increment bonds at June 30, 2018, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-------------------------|--------------------------|--------------------------|
| 2019 | \$ - | \$ 4,325 | \$ 4,325 |
| 2020 | - | 33,147 | 33,147 |
| 2021 | - | 32,342 | 32,342 |
| 2022 | - | 31,498 | 31,498 |
| 2023 | - | 30,613 | 30,613 |
| 2024-2028 | - | 138,236 | 138,236 |
| 2029-2033 | - | 108,799 | 108,799 |
| 2034-2038 | - | 71,573 | 71,573 |
| 2039-2043 | <u>36,618</u> | <u>24,500</u> | <u>61,118</u> |
| Total | <u><u>\$ 36,618</u></u> | <u><u>\$ 475,033</u></u> | <u><u>\$ 511,651</u></u> |

The above schedule shall be revised following the final advance of principal in accordance with the Disbursement Agreement in order to reflect installments of principal and interest sufficient to pay the outstanding principal amount by July 1, 2042.

Notes Payable

MPC Note Payable

In December 2010, the Missoula Parking Commission (MPC) issued \$7,500,000 of bonds to fund the construction of a new parking structure. In April 2014, MPC refunded the 2010 bonds and issued new bonds totaling \$7,160,000. The Agency agreed to fund a portion of the bonds which will be supported by parking revenue and tax increment revenue. The bonds bear interest ranging from 2.00% to 4.35%. The Agency has committed to paying 40% of all principal and interest payments for the life of the bond. Under the terms of the agreement, the Agency will transfer \$133,425 of pledged tax increment funds to MPC in two equal installments each year.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

MPC Note Payable (Continued)

Debt service requirements to maturity on the MPC note payable at June 30, 2018, are as follows:

| Year Ending | Principal | Interest | Total |
|-------------|----------------------------|----------------------------|----------------------------|
| June 30, | \$ | \$ | \$ |
| 2019 | \$ 110,000 | \$ 101,330 | \$ 211,330 |
| 2020 | 110,000 | 98,030 | 208,030 |
| 2021 | 112,000 | 94,830 | 206,830 |
| 2022 | 114,000 | 91,470 | 205,470 |
| 2023 | 118,000 | 86,910 | 204,910 |
| 2024-2028 | 658,000 | 366,130 | 1,024,130 |
| 2029-2033 | 794,000 | 221,946 | 1,015,946 |
| 2034-2038 | <u>556,000</u> | <u>48,981</u> | <u>604,981</u> |
| Total | <u><u>\$ 2,572,000</u></u> | <u><u>\$ 1,109,628</u></u> | <u><u>\$ 3,681,628</u></u> |

Brownfields RLF Note Payable

In 2004, the City of Missoula applied for and received a \$1 million grant from the U.S. Environmental Protection agency (EPA) to create a revolving loan fund (RLF) to be used for brownfields remediation. The City entered into a subrecipient agreement with the Missoula Area Economic Development Corporation (MAEDC) to manage the revolving loan fund. MAEDC provided \$200,000 in matching funds required under the EPA grant, creating a total loan fund of \$1.2 million. In August 2006, MAEDC, at the direction of the Missoula Brownfields Cleanup RLF Committee, made a loan of \$1,000,000 bearing interest at 1.5% to Millsite Revitalization Project (MRP) LLC, the developer of the Old Sawmill District, with MRA and the City identified as co-borrowers. The loan will be repaid solely from tax increment revenue resulting from the increased taxable value of the property within the Old Sawmill District post remediation and platting. Subsequent tax increment revenue from property development will be available to the district for other uses. The note is not a general obligation of the City. For these reasons, the loan is reflected as a liability of MRA. The City received additional funding from EPA and in December 2009, MRA, MRP, and MAEDC elected to increase the loan by \$400,000 under the same terms. Subsequent to issuance, the servicing on the loan transferred to MoFi. In July 2012, the loan was increased to \$1.775 million.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Brownfields RLF Note Payable (Continued)

Debt service requirements to maturity on the Brownfields note payable at June 30, 2018, are as follows:

| Year Ending | | | | |
|-------------|---------------------|-------------------|---------------------|-------|
| June 30, | | Principal | Interest | Total |
| 2019 | \$ - | \$ 11,781 | \$ 11,781 | |
| 2020 | | 23,384 | 23,384 | |
| 2021 | | 23,512 | 23,512 | |
| 2022 | 88,781 | 23,320 | 112,101 | |
| 2023 | 177,562 | 21,373 | 198,936 | |
| 2024-2028 | 887,812 | 66,917 | 954,729 | |
| 2029-2033 | 404,761 | 8,493 | 413,254 | |
| Total | <u>\$ 1,558,917</u> | <u>\$ 178,780</u> | <u>\$ 1,737,697</u> | |

2010 Series First Interstate Bank Note Payable

In December 2010, the Agency issued a note with First Interstate Bank (the Bank) for \$1,623,380 to repay the Bank for project costs incurred that were legally eligible for reimbursement from tax increment funding. The Agency and the Bank agreed to a repayment schedule that included a subordinate note that was to be financed by the Bank's guaranteed minimum tax payments over 25 years at 6.55%.

On January 12, 2017, the Agency issued two subordinate lien revenue refunding bonds, Series 2017A and Series 2017B, which is a current refunding of the above note. Additional details related to the refunding are included above under the Series 2017A and Series 2017B Front Street Bonds. Due to the refunding, the Bank note was paid in full as of June 30, 2017.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 6. COMMITMENTS

The Agency has entered into contracts for various projects and activities as approved by the Board of Commissioners. As of June 30, 2018, the Agency had commitments totaling \$11,829,630 that will be financed from operating funds and bond proceeds.

Urban Renewal District II:

Public:

| | |
|----------------------------------|--------------------------|
| Bitterroot Trail Connection | \$ 23,066 |
| California Street Reconstruction | 35,158 |
| Downtown Master Plan | 50,000 |
| Legal Services | 10,000 |
| Police Facility* | 500,000 |
| Public Art | 25,000 |
| Wayfinding & Entry Features | 77,750 |
| West Broadway Island | 18 |
| Wyoming Street Reconstruction | <u>76,969</u> |
| | <u><u>\$ 797,961</u></u> |

** Current year commitment only: Total is \$1,000,000*

North Reserve/Scott Street Urban Renewal District:

Private:

| | |
|---------------------------------------|--------------------------|
| Consumer Direct | \$ 94,269 |
| Scott Street Village - Phase II & III | 686,896 |
| Edgell | <u>3,158</u> |
| | <u><u>\$ 784,323</u></u> |

Riverfront Triangle District:

Private:

| | |
|---------------|----------------------------|
| Stockman Bank | <u><u>\$ 1,512,105</u></u> |
|---------------|----------------------------|

Hellgate District:

Public:

| | |
|-----------------------------|-------------------------|
| Downtown Master Plan Update | <u><u>\$ 15,000</u></u> |
|-----------------------------|-------------------------|

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 6. COMMITMENTS (CONTINUED)

Urban Renewal District III:

Public:

| | |
|---|-----------|
| 2018 Aerial Photography and MRA Wall Maps | \$ 10,000 |
| Bitterroot Trail | 139,915 |
| Brooks Street Corridor | 44,290 |
| Fire Hydrant | 15,000 |
| Mary Avenue East - Bond | 732,894 |
| Missoula County Fairgrounds | 1,155,500 |
| MRL Park | 1,342,847 |
| Wayfinding & Entry Features | 125,750 |

Private:

| | |
|---------------------------|----------------------------|
| Montana Ace Fancy Plants | 50,000 |
| Naylor Building | 50,000 |
| 1515 Dearborn | 463,009 |
| Bridge Pizza South | 80,230 |
| McElmurry Homes | 20,000 |
| Solar Plexus | 251,500 |
| South Crossing (Woodbury) | 94,499 |
| Stockman Bank | 454,941 |
| | <u><u>\$ 5,030,375</u></u> |

Front Street Urban Renewal District:

Public:

| | |
|-------------------------------|----------|
| Design Standards Development | \$ 5,000 |
| Downtown Master Plan & Update | 10,000 |
| Missoula Public Library* | 200,000 |
| Downtown Intersections | 31,400 |

Private:

| | |
|------------------------------|----------------------------|
| Front Street Housing Project | 3,200,012 |
| Levasseur Street Townhomes | 211,000 |
| Lee Gordon Place | 32,454 |
| | <u><u>\$ 3,689,866</u></u> |

* Current year commitment only: Total is \$500,000

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 7. PENSION PLAN

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (PERS or the Plan). Employers are required to record and report their proportionate share of the collective net pension liability (NPL); pension expense; and deferred inflows and deferred outflows of resources associated with pensions.

The Agency uses a June 30, 2017 and 2016 measurement date for the 2018 and 2017 reporting amounts, respectively.

PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government's and school district's collective NPL that is associated with the non-State employer.

The State of Montana also had a funding situation that is not special funding whereby the State General Fund provides contributions from the coal tax severance fund. All employers are required to report the portion of coal tax severance income and earnings attributable to the employer.

| | Net Pension Liability as of 6/30/2018 | Net Pension Liability as of 6/30/2017 | Percent of Collective NPL as of 6/30/2018 | Percent of Collective NPL as of 6/30/2017 | Change in Percent of Collective NPL |
|--|---|---|---|---|---|
| Agency's Proportionate Share | \$ 503,250 | \$ 477,765 | 0.02584% | 0.02805% | -0.00221% |
| State of Montana Proportionate Share associated with Agency | 6,819 | 5,838 | 0.03475% | 0.00034% | 0.03441% |
| Total | \$ 510,069 | \$ 483,603 | 0.06059% | 0.02839% | 0.03220% |

The table above displays the Agency's share of the NPL for June 30, 2018 and 2017. The Agency's proportionate share of the NPL was based on the Agency's contributions received by PERS during the measurement period July 1, 2015 through June 30, 2016 and July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERS' participating employers. As of June 30, 2018 and 2017, the Agency recorded a liability of \$503,250 and \$477,765 and the Agency's appropriate share was 0.02584% and 0.02805%, respectively.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 7. PENSION PLAN (CONTINUED)

Changes in Actuarial Assumptions and Methods:

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Changes in Benefit Terms:

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

Changes in Proportionate Share:

Between the measurement date of the collective NPL and June 30, 2018, there were no changes in proportion that would have an effect on the Agency's proportionate share of the collective NPL.

Pension Expense

| | <u>Pension Expense as of 6/30/2018</u> | <u>Pension Expense as of 6/30/2017</u> |
|--|--|--|
| Agency's | | |
| Proportionate Share of PERS | \$ 67,596 | \$ 45,474 |
| State of Montana Proportionate Share associated with the Agency | 364 | 489 |
| State of Montana Coal Tax associated with the Agency | 7,199 | 8,371 |
| Total | <u>\$ 75,159</u> | <u>\$ 54,334</u> |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 7. PENSION PLAN (CONTINUED)

Pension Expense (Continued)

At June 30, 2018 and 2017, the Agency recognized its proportionate share of the PERS' Pension Expense of \$67,596 and \$45,474 respectively. The Agency also recognized grant revenue of \$364 and \$489, respectively, for the support provided by the State of Montana for the proportionate share of the Pension Expense that is associated with the Agency, and grant revenue of \$7,199 and \$8,371 from the Coal Tax Fund.

Recognition of Deferred Inflows and Outflows

At June 30, 2018, the Agency reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between actual and expected experience | \$ 12,394 | \$ 728 |
| Changes in assumptions | 68,789 | - |
| Difference between projected and actual earnings on pension plan investments | - | 3,380 |
| Changes in proportionate differences between Agency contributions and proportionate share of contributions | - | - |
| Difference between actual and expected contributions | 32,259 | - |
| Contributions paid to PERS subsequent to the measurement date – fiscal year 2018* | <u>36,448</u> | <u>-</u> |
| Total | <u>\$ 149,890</u> | <u>\$ 4,108</u> |

* Amounts reported as deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability beginning in the year ended June 30, 2019.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

| Year Ended <u>June 30:</u> | Amounts of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to <u>Pension Expense</u> |
|-------------------------------|---|
| 2019 | \$ 17,826 |
| 2020 | 39,352 |
| 2021 | 30,607 |
| 2022 | (10,711) |

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 7. PENSION PLAN (CONTINUED)

Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP (Defined Contribution Retirement Plan) by filing an irrevocable election. Members may not be participants of both the defined benefit and the defined contribution retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

Summary of Benefits

Eligibility for Benefit

Service retirement:

Hired prior to July 1, 2011:

Age 60, 5 years of membership service;
Age 65, regardless of membership service; or
Any age, 30 years of membership service.

Hired on or after July 1, 2011:

Age 65, 5 years of membership services;
Age 70, regardless of membership service.

Early Retirement

Early retirement, actuarially reduced:

Hired prior to July 1, 2011:

Age 50, 5 years of membership service; or
Any age, 25 years of membership service.
Age 55, 5 years of membership service.

Hired on or after July 1, 2011:

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 7. PENSION PLAN (CONTINUED)

Summary of Benefits (Continued)

Second Retirement (requires returning to PERS-covered employer or PERS service):

Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- The same retirement as prior to the return to service;
- A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

5 years of membership service

Member's Highest Average Compensation (HAC)

- Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 7. PENSION PLAN (CONTINUED)

Summary of Benefits (Continued)

Monthly Benefit Formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
 - 1.5% for each year PERS is funded at or above 90%
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%
 - 0% whenever the amortization period for PERS is 40 years or more

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 7. PENSION PLAN (CONTINUED)

Overview of Contributions

Rates are specified by state law for periodic member and employer contributions and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The State legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are shown in the table below.

| Fiscal Year | Member | | State & Universities | | Local Government | | School Districts | |
|-------------|-----------------|-----------------|----------------------|--|------------------|--------|------------------|--------|
| | Hired <07/01/11 | Hired >07/01/11 | Employer | | Employer | State | Employer | State |
| 2018 | 7.900% | 7.900% | 8.570% | | 8.470% | 0.100% | 8.200% | 0.370% |
| 2017 | 7.900% | 7.900% | 8.470% | | 8.370% | 0.100% | 8.100% | 0.370% |
| 2016 | 7.900% | 7.900% | 8.370% | | 8.270% | 0.100% | 8.000% | 0.370% |
| 2015 | 7.900% | 7.900% | 8.270% | | 8.170% | 0.100% | 7.900% | 0.370% |
| 2014 | 7.900% | 7.900% | 8.170% | | 8.070% | 0.100% | 7.800% | 0.370% |
| 2012-2013 | 6.900% | 7.900% | 7.170% | | 7.070% | 0.100% | 6.800% | 0.370% |
| 2010-2011 | 6.900% | | 7.170% | | 7.070% | 0.100% | 6.800% | 0.370% |
| 2008-2009 | 6.900% | | 7.035% | | 6.935% | 0.100% | 6.800% | 0.235% |
| 2000-2007 | 6.900% | | 6.900% | | 6.800% | 0.100% | 6.800% | 0.100% |

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 year and remains below 25 years following the reduction of both the additional employer and member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 7. PENSION PLAN (CONTINUED)

Overview of Contributions (Continued)

3. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust fund.

Stand-Alone Statements

The financial statements of the Montana Public Employees Retirement Board (PERB) *Comprehensive Annual Financial Report* (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov>

Actuarial Assumptions

The total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the measurement date valuation were based on the results of the last actuarial experience study, dated May 2017, for the six-year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

Investment Return 7.65%

Admin Expense as % of Payroll 0.26%

General Wage Growth* 3.50%

*includes Inflation at 2.75%

Merit Increases 0% to 4.8%

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 7. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Postretirement Benefit Increases:

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increase by the applicable percentage each January, inclusive of other adjustments to member's benefits.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013

Members hired on or after July 1, 2013

- 1.5% for each year PERS is funded at or above 90%
- 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
- 0% whenever the amortization period for PERS is 40 years or more.

- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables with no projections.

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 7. PENSION PLAN (CONTINUED)

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized below.

| Asset Class | Target Asset Allocation | Real Rate of Return | Long-Term Expected Real Rate of Return |
|------------------------------|-------------------------|---------------------|--|
| Cash Equivalents | 2.60% | 4.00% | 0.10% |
| Domestic Equity | 36.00% | 4.55% | 1.64% |
| Foreign Equity | 18.00% | 6.35% | 1.14% |
| Fixed Income | 23.40% | 1.00% | 0.23% |
| Private Equity | 12.00% | 7.75% | 0.93% |
| Real Estate | 8.00% | 4.00% | 0.32% |
| Total | 100.00% | | 4.37% |
| Inflation | | | <u>2.75%</u> |
| Portfolio Return Expectation | | | 7.12% |

The long-term expected nominal rate of return above of 7.12% is an expected portfolio rate of return provided by Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 7. PENSION PLAN (CONTINUED)

Sensitivity Analysis (Continued)

| | 1.0% Decrease <u>(6.65%)</u> | Current Discount Rate <u>(7.65%)</u> | 1.0% Increase <u>(8.65%)</u> |
|---|---------------------------------|---|---------------------------------|
| City of Missoula's Net Pension Liability | \$ 32,934,064 | \$ 22,613,111 | \$13,949,453 |
| Missoula Redevelopment Agency's Net Pension Liability | \$ 732,940 | \$ 503,250 | \$ 310,442 |

Summary of Significant Accounting Policies

Montana Public Employee Retirement Administration (MPERA) prepared its financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, the fiduciary net position; and additions to or deductions from fiduciary net position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

NOTE 8. INTERFUND TRANSACTIONS

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers are also used to reimburse Urban Renewal District III for the fund's share of administrative costs. A summary of interfund transfers follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|----------------------------|----------------------------|----------------------------|
| Urban Renewal District II | \$ 1,872,080 | \$ - |
| Urban Renewal District III | 2,166,144 | 151,674 |
| Front Street URD | 66,982 | - |
| NRSS URD | 768,419 | 17,581 |
| Debt Service | <u>2,548,865</u> | <u>7,253,235</u> |
| | <u><u>\$ 7,422,490</u></u> | <u><u>\$ 7,422,490</u></u> |

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 9. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts, damage or loss of assets, errors and omissions, injuries to employees, employee medical claims, and natural disasters. The Agency manages these risks through participation with the City's risk management practices. Information related to the City's risk management is available in its CAFR.

NOTE 10. POSTEMPLOYMENT BENEFITS

The Agency participates in the City of Missoula's defined benefit health plan. The single employer plan administered by the City is named the Health Benefits Plan for the Employees of the City of Missoula. Benefits and contributions rates are established by the City, with input from the Employee Benefits Committee, and are approved by City Council. The plan's financial information is included as part of the City's self-insurance internal service fund in the City of Missoula CAFR. Terminated employees of the Agency may remain on the City's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal C.O.B.R.A. law. Retirees of the Agency may remain on the City's health plan as long as they wish, provided they pay the monthly premiums. State law requires the Agency to provide this benefit. There are no other postemployment benefits provided by the Agency. The Agency has six employees participating in the plan, one retiree, and no C.O.B.R.A. participants.

The Agency adopted the provisions of GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions," in fiscal year 2018. GASB 75 addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) that are provided to the employees of state and local governments, establishing standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses. For defined benefit OPEB plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Information on the City's health benefits plan for retirees is included below.

The City's medical plan is a self-funded PPO plan. The table below presents a high-level summary of the medical benefits offered in the plan year beginning July 1, 2018, which was used for the June 30, 2018 valuation. Dental benefits are not provided for retirees.

| | |
|--|---|
| Medical Deductible (Individual/Family) | \$470/\$1,300 |
| Out-of-Pocket Maximum (Individual/Family) | \$3,170/\$6,350 |
| Coinsurance (In Network/Out of Network) | 30%/50% |
| Prescription Deductible | \$50 |
| Prescription Copays (Tier 1/Tier 2/Tier 3) | 10% (min \$5)/20% (min \$20)/50% (min \$35) |
| Prescription Out-of-Pocket Maximum | \$3,400/\$6,800 |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

The retiree contributes 85% of the total active premium, excluding dental coverage, and the City contributes the remaining 15% to the plan. The plan is financed on a pay-as-you-go basis with Agency contributions ensuring that adequate reserves are maintained in the plan. Reserves maintained by the City are not considered assets of the post-employment benefits plan since they are not contributed to a trust that meets the criteria in GASB 75, paragraph 4. The retiree and Agency contribution rates for the plan for fiscal year 2019 were used for the June 30, 2018 valuation and are as follows.

| Coverage | Retiree Contribution | MRA Contribution | Total Premium |
|------------------------|----------------------|------------------|---------------|
| Retiree | \$ 774.50 | \$ 136.65 | \$ 911.00 |
| Retiree, spouse | 890.80 | 157.20 | 1,048.00 |
| Retiree, spouse, child | 939.25 | 165.75 | 1,105.00 |
| Retiree, child | 822.80 | 145.20 | 968.00 |
| Each additional child | 48.45 | 8.55 | 57.00 |

The following table reports the changes to the OPEB liability for fiscal year 2018, as well as deferred inflows and outflows of resources and OPEB expense recognized.

Changes in OPEB Liability

| | |
|---|-----------------------|
| OPEB Liability, Beginning Balance | \$ 37,224 |
| Restatement-Change in Accounting Principle | 110,299 |
| Restated Beginning Balance | 147,523 |
| Service Cost | 9,097 |
| Interest | 5,090 |
| Difference between expected and actual experience | (3,823) |
| Changes in assumptions | 82 |
| Employer Contributions | (3,138) |
| Net Change | 7,308 |
| OPEB Liability, Ending Balance | <u>\$ 154,831</u> |

Deferred Inflows of Resources

| | |
|---|-----------------------|
| Difference between expected and actual experience | \$ (3,823) |
| Current year amortization of experience differences | 538 |
| Ending Balance | <u>\$ (3,285)</u> |

Deferred Outflow

| | |
|---|------------------|
| Changes in assumptions | \$ (82) |
| Current year amortization of assumption changes | 12 |
| Ending Balance | <u>\$ 70</u> |

| | |
|------------------|----------------------|
| OPEB Expense | <u>\$ 13,661</u> |
|------------------|----------------------|

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

The Agency's total OPEB liability is \$154,831 as of June 30, 2018 and was determined by an actuarial valuation as of that date. The Agency's beginning OPEB liability was restated by a total of \$110,299 due to the implementation of GASB 75. The following assumptions and other inputs were used to calculate the total OPEB liability using the entry age normal cost method in the actuarial valuation.

| | |
|--------------------|---|
| Discount Rate | 3.45% - S&P Municipal Bond 20 Year High Grade Rate Index as of July 2, 2018 |
| Payroll Growth | 2.75% to 3%, used midpoint 2.875% |
| General Inflation | 3.0% per year |
| Participation Rate | 35% of eligible employees are assumed to elect healthcare coverage in retirement |
| Admin Trend Rate | 3% |
| Mortality Rate | Male and Female RP-2000 Combined Employee and Annuitant Mortality Tables, projected to 2020 using scale BB, males set back 1 year |

| Medical Trend Rate | Effective July 1 | Trend Rate |
|--------------------|------------------|------------|
| | 2018 | 6.20% |
| | 2019 | 6.00% |
| | 2020 | 5.80% |
| | 2021 | 5.60% |
| | 2022 | 5.40% |
| | 2023 | 5.20% |
| | 2024+ | 5.00% |

| | |
|--------------|--|
| Cost Sharing | Projections related to the sharing of benefit-related costs are based on an established pattern of practice with the City of Missoula contributing 15% of retiree premiums |
|--------------|--|

The table below shows the assumption changes from the beginning balance at June 30, 2017.

Changes of Assumptions

| | | |
|---------------|-----------|-------|
| Discount Rate | 6/30/2017 | 3.13% |
| | 6/30/2018 | 3.45% |
| Medical Trend | 6/30/2017 | 6.8% |
| | 6/30/2018 | 6.2% |

The following tables disclose the sensitivity of the total OPEB liability to changes in the discount rate and the medical trend rate, showing how the total OPEB liability would change if the rates used were increased or decreased by 1%.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

| | 1% Decrease (2.45%) | Discount Rate (3.45%) | 1% Increase (4.45%) |
|----------------------|--------------------------------------|--|--------------------------------------|
| Total OPEB Liability | <u>\$ 187,432</u> | <u>\$ 154,831</u> | <u>\$ 129,616</u> |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:

| | 1% Decrease (5.2%) | Trend Rate (6.2%) | 1% Increase (7.2%) |
|----------------------|-------------------------------------|------------------------------------|-------------------------------------|
| Total OPEB Liability | <u>\$ 126,779</u> | <u>\$ 154,831</u> | <u>\$ 192,157</u> |

Changes in the total OPEB liability due to changes in actuarial assumptions and differences between expected actuarial experience and actual experience are deferred and recognized in the OPEB expense over a closed period equal to the average expected remaining service lives of employees and retirees, starting with the current reporting period. The average remaining service lives as of June 30, 2018 was 7.11 years. Amounts reported as deferred inflows and outflows of resources will be recognized in OPEB expense as follows.

| <u>Year</u> | <u>Actual to Expected Experience (Inflow)</u> | <u>Changes in Assumptions (Outflow)</u> | <u>Combined</u> |
|--------------|---|---|--------------------------|
| 2018 | \$ (538) | \$ 12 | \$ (526) |
| 2019 | (538) | 12 | (526) |
| 2020 | (538) | 12 | (526) |
| 2021 | (538) | 12 | (526) |
| 2022 | (538) | 12 | (526) |
| 2023 | (538) | 12 | (526) |
| 2024 | (538) | 12 | (526) |
| 2025 | (59) | 1 | (58) |
| Total | <u>\$ (3,825)</u> | <u>\$ 85</u> | <u>\$ (3,740)</u> |

The City of Missoula allocated the annual retired contributions and the liability to the component units based on the number of active participants in the plan as of June 30, 2018.

The schedule of changes in the total OPEB liability, presented as required supplementary information following the notes to the financial statements, presents a multi-year schedule of changes in the total OPEB.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 11. RELATED PARTY TRANSACTIONS

The Agency paid the City of Missoula \$148,857 for Administrative Services for fiscal year 2018 including \$131,200 for administrative assistance, \$4,957 for the Agency's pro rata contribution to the City's employee health benefits fund, \$4,257 for the City's worker's compensation fund, and \$8,443 for other various expenses.

The City of Missoula provides the Agency with office space through a development agreement. The office space is currently being provided rent-free.

In June 2017, the City of Missoula acquired Mountain Water Company and assumed all of the notes between Mountain Water and the Agency. See Note 4 for additional information.

NOTE 12. GOVERNMENTAL FUND BALANCE REPORTING AND SPENDING PRIORITIES

The Agency has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in government funds.

At June 30, 2018, the Agency had a total fund balance in Governmental funds of \$9,293,333. In accordance with GASB Statement No. 54 this fund balance has been classified as follows:

Special Revenue Funds

| | | |
|--------------|-----------|--|
| Nonspendable | \$ 79,101 | Prepaid expenses and notes receivable |
| Restricted | 7,339,865 | Restricted for urban renewal development |

Debt Service

| | | |
|------------|----------------------------|-----------------------------|
| Restricted | <u>1,874,367</u> | Restricted for debt service |
| | <u><u>\$ 9,293,333</u></u> | |

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 13. SUBSEQUENT EVENTS

Subsequent to June 30, 2018, the Agency issued \$1,239,404 Series 2018A URD III and \$2,681,782 Series 2018B URD III bonds on September 13, 2018, related to the MRL Property Development project. Also, the Agency received the final advance of principle for the Series 2017 NRSS tax increment senior subordinate bonds, related to the Scott Street Village Phase 2-3 improvements, on December 3, 2018, in the amount of \$686,896. Additionally, as set forth in the Tax Increment Remittance Agreement, dated November 21, 2018, the Agency agrees to remit Available Tax Increment received in fiscal year 2018-2019 to the applicable Taxing Bodies. The aggregate amount to be remitted is as follows:

- Urban Transportation District, \$109,347;
- State, \$118,920;
- County, \$518,611, plus \$302,979 for countywide schools;
- City, \$750,000;
- Missoula High School District, \$306,517;
- Missoula Elementary District, \$477,786; and
- Hellgate Elementary District, \$138,371.

The Agency shall distribute remittance amounts to each Taxing Body in two substantially equal payments, with the first payment expected to be made in January 2019 and the second payment expected to be made in July 2019. It is acknowledged and agreed that the timing and amounts of the payments to be made under this Agreement will be determined by the receipt of property tax revenues from the County pursuant to its property tax collection and distribution procedures.

NOTE 14. RESTATEMENT OF BEGINNING NET POSITION

As described in note 1, the Agency adopted the provisions of GASB Statement 75. As a result of this adoption, beginning net position has been restated to reflect the previously unrecognized net OPEB liability.

| | |
|--|------------------------|
| Beginning net position, as originally reported | \$ (19,440,337) |
| Other post employment benefits liability, June 30, 2017 | 37,224 |
| Other post employment benefits liability, June 30, 2017, as restated | <u>(147,523)</u> |
| Net restatement | <u>(110,299)</u> |
| Beginning net position, as restated | <u>\$ (19,550,636)</u> |

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 15. DEFICIT NET POSITION

As of June 30, 2018, the Agency had a deficit net position of \$20,744,840. Liabilities and deferred inflows exceed assets and deferred outflows due to the inherent nature of the Agency. Debt is issued to fund urban renewal projects, which are not held as assets by the Agency. The majority of the debt held by the Agency is secured by tax increment revenues derived from related districts.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2018

| | Urban Renewal District II | | | | Urban Renewal District III | | | |
|---|----------------------------|----------------------------|----------------------------|-------------------------------|-----------------------------|----------------------------|----------------------------|-------------------------------|
| | Budgeted Amounts | | Actual | Variance with Final Budget | Budgeted Amounts | | Actual | Variance with Final Budget |
| | Original | Final | | | Original | Final | | |
| Budgetary Fund Balance, July 1, 2017 | \$ 2,071,401 | \$ 2,071,401 | \$ 2,071,401 | \$ - | \$ 4,591,551 | \$ 4,591,551 | \$ 4,591,551 | \$ - |
| Resources (Inflows): | | | | | | | | |
| Miscellaneous | - | - | 21,920 | 21,920 | - | - | 112,042 | 112,042 |
| Investment earnings (expense) | - | - | - | - | - | - | - | - |
| Tax increment property tax | - | - | - | - | - | - | - | - |
| State contribution PERS | - | - | - | - | - | - | 7,563 | 7,563 |
| State personal property tax reimbursement | - | - | - | - | - | - | - | - |
| Grant | - | - | - | - | - | - | - | - |
| State entitlement | - | - | - | - | - | - | - | - |
| Long-term debt proceeds | - | - | - | - | 7,362,000 | 1,665,000 | 1,665,000 | - |
| Transfers in | <u>1,279,532</u> | <u>2,083,740</u> | <u>1,872,080</u> | <u>(211,660)</u> | <u>1,040,943</u> | <u>2,366,818</u> | <u>2,166,144</u> | <u>(200,674)</u> |
| Amounts available for appropriation | <u><u>\$ 3,350,933</u></u> | <u><u>\$ 4,155,141</u></u> | <u><u>3,965,401</u></u> | <u><u>\$ (189,740)</u></u> | <u><u>\$ 12,994,494</u></u> | <u><u>\$ 8,623,369</u></u> | <u><u>8,542,300</u></u> | <u><u>\$ (81,069)</u></u> |
| Charges to Appropriations (Outflows): | | | | | | | | |
| Housing and community development | \$ 2,726,183 | \$ 3,827,391 | 506,559 | \$ 3,320,832 | \$ 8,353,010 | \$ 7,007,538 | 4,010,046 | \$ 2,997,492 |
| Capital outlay | 77,750 | 77,750 | - | 77,750 | 6,157,517 | 1,464,156 | 2,468,901 | (1,004,745) |
| Transfers to other governments | - | - | - | - | - | - | - | - |
| Transfers out | <u>250,000</u> | <u>250,000</u> | <u>-</u> | <u>250,000</u> | <u>-</u> | <u>151,675</u> | <u>151,674</u> | <u>1</u> |
| Total charges to appropriations | <u><u>\$ 3,053,933</u></u> | <u><u>\$ 4,155,141</u></u> | <u><u>506,559</u></u> | <u><u>\$ 3,648,582</u></u> | <u><u>\$ 14,510,527</u></u> | <u><u>\$ 8,623,369</u></u> | <u><u>6,630,621</u></u> | <u><u>\$ 1,992,748</u></u> |
| Budgetary Fund Balance, June 30, 2018 | | | <u><u>\$ 3,458,842</u></u> | | | | <u><u>\$ 1,911,679</u></u> | |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS (CONTINUED)
 For the Year Ended June 30, 2018

| | Front Street District | | | | Riverfront Triangle District | | | |
|--|-----------------------|---------------------|-------------------|----------------------------|------------------------------|---------------------|-------------------|----------------------------|
| | Budgeted Amounts | | Actual | Variance with Final Budget | Budgeted Amounts | | Actual | Variance with Final Budget |
| | Original | Final | | | Original | Final | | |
| Budgetary Fund Balance, July 1, 2016 | \$ 766,581 | \$ 766,581 | \$ 766,581 | \$ - | \$ 36,961 | \$ 36,961 | \$ 36,961 | \$ - |
| Resources (Inflows): | | | | | | | | |
| Miscellaneous | - | - | 2,222 | 2,222 | - | - | 281 | 281 |
| Investment earnings (expense) | - | - | - | - | - | - | - | - |
| Tax increment property tax | - | - | - | - | - | 172,852 | 235,328 | 62,476 |
| State contribution PERS | - | - | - | - | - | - | - | - |
| State personal property tax reimbursement | - | - | - | - | 9,316 | 9,316 | 9,316 | - |
| Grant | - | - | - | - | - | - | - | - |
| State entitlement | - | - | - | - | - | - | - | - |
| Long-term debt proceeds | 3,200,012 | 3,200,012 | - | (3,200,012) | 1,512,105 | 1,512,105 | - | (1,512,105) |
| Transfers in | 79,623 | 184,609 | 66,982 | (117,627) | - | - | - | - |
| Amounts available for appropriation | <u>\$ 4,046,216</u> | <u>\$ 4,151,202</u> | <u>835,785</u> | <u>\$ (3,315,417)</u> | <u>\$ 1,558,382</u> | <u>\$ 1,731,234</u> | <u>281,886</u> | <u>(1,449,348)</u> |
| Charges to Appropriations (Outflows): | | | | | | | | |
| Housing and community development | \$ 808,667 | \$ 895,086 | 147,530 | \$ (747,556) | \$ 1,558,382 | \$ 1,731,234 | 26,000 | \$ (1,705,234) |
| Capital outlay | 3,256,115 | 3,256,115 | 34,500 | (3,221,615) | - | - | 16,681 | 16,681 |
| Transfers to other governments | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total charges to appropriations | <u>\$ 4,064,782</u> | <u>\$ 4,151,201</u> | <u>182,030</u> | <u>\$ (3,969,171)</u> | <u>\$ 1,558,382</u> | <u>\$ 1,731,234</u> | <u>42,681</u> | <u>\$ (1,688,553)</u> |
| Budgetary Fund Balance, June 30, 2018 | | | <u>\$ 653,755</u> | | | | <u>\$ 239,205</u> | |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS (CONTINUED)
 For the Year Ended June 30, 2018

| | North Reserve Scott Street District | | | | Hellgate District | | | |
|--|-------------------------------------|---------------------|---------------------|-------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| | Budgeted Amounts | | Actual | Variance with Final Budget | Budgeted Amounts | | Actual | Variance with Final Budget |
| | Original | Final | | | Original | Final | | |
| Budgetary Fund Balance, July 1, 2017 | \$ 259,005 | \$ 259,005 | \$ 259,005 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Resources (Inflows): | | | | | | | | |
| Miscellaneous | - | - | 644 | 644 | - | - | 32 | 32 |
| Investment earnings (expense) | - | - | - | - | - | - | - | - |
| Tax increment property tax | - | - | - | - | - | 122,885 | 129,944 | 7,059 |
| State contribution PERS | - | - | - | - | - | - | - | - |
| State personal property tax reimbursement | - | - | - | - | - | - | - | - |
| Grant | - | - | - | - | - | - | - | - |
| State entitlement | - | - | - | - | - | - | - | - |
| Long-term debt proceeds | 936,008 | 1,265,022 | 578,126 | (686,896) | - | - | - | - |
| Transfers in | - | 676,205 | 768,419 | 92,214 | - | - | - | - |
| Amounts available for appropriation | <u>\$ 1,195,013</u> | <u>\$ 2,200,232</u> | <u>1,606,194</u> | <u>\$ (594,038)</u> | <u>\$ -</u> | <u>\$ 122,885</u> | <u>129,976</u> | <u>7,091</u> |
| Charges to Appropriations (Outflows): | | | | | | | | |
| Housing and community development | \$ 1,012,354 | \$ 2,150,801 | 563,148 | \$ (1,587,653) | \$ - | \$ 122,885 | - | \$ (122,885) |
| Capital outlay | - | - | - | - | - | - | - | - |
| Transfers to other governments | - | - | - | - | - | - | - | - |
| Transfers out | 49,431 | 49,431 | 17,581 | (31,850) | - | - | - | - |
| Total charges to appropriations | <u>\$ 1,061,785</u> | <u>\$ 2,200,232</u> | <u>580,729</u> | <u>\$ (1,619,503)</u> | <u>\$ -</u> | <u>\$ 122,885</u> | <u>-</u> | <u>\$ (122,885)</u> |
| Budgetary Fund Balance, June 30, 2018 | | | <u>\$ 1,025,465</u> | | | | <u>\$ 129,976</u> | |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – BUDGET-TO-GAAP RECONCILIATION –
SPECIAL REVENUE FUNDS
 June 30, 2018

Explanation of perspective differences between budgetary inflows
 and outflows and GAAP revenues and expenditures

Sources/Inflows of Resources

Actual available for appropriation from the budgetary
 comparison schedule

| | Urban Renewal District II | Urban Renewal District III | Front Street District | Riverfront Triangle District | N. Reserve Scott Street District | Hellgate District |
|--|---------------------------------|----------------------------------|-----------------------------|------------------------------------|--|----------------------|
|--|---------------------------------|----------------------------------|-----------------------------|------------------------------------|--|----------------------|

\$ 3,965,401 \$ 8,542,300 \$ 835,785 \$ 281,886 \$ 1,606,194 \$ 129,976

The fund balance at the beginning of the year is a budgetary resource
 but is not a current year revenue for financial reporting purposes

(2,071,401) (4,591,551) (766,581) (36,961) (259,005) -

Issuance of long-term debt is a budgetary resource but is not a
 current year revenue for financial reporting purposes

- (1,665,000) - - (578,126) -

Transfers from other funds are inflows of budgetary resource but are
 not revenues for financial reporting purposes

(1,872,080) (2,166,144) (66,982) - (768,419) -

Total revenues as reported on the statement of revenues,
 expenditures and changes in fund balances - governmental funds

\$ 21,920 \$ 119,605 \$ 2,222 \$ 244,925 \$ 644 \$ 129,976

Uses/Outflows of Resources

Actual total charges to appropriations from the budgetary
 comparison schedule

\$ 506,559 \$ 6,630,621 \$ 182,030 \$ 42,681 \$ 580,729 \$ -

Transfers to other governments are outflows of budgetary resources
 but are not expenditures for financial reporting purposes

- - - - - -

Transfers to other funds are outflows of budgetary resources but are
 not expenditures for financial reporting purposes

- (151,674) - - (17,581) -

Total expenditures as reported on the statement of revenues,
 expenditures, and changes in fund balances - governmental funds

\$ 506,559 \$ 6,478,947 \$ 182,030 \$ 42,681 \$ 563,148 \$ -

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS LIABILITY
AND RELATED RATIOS FOR THE LAST TEN FISCAL YEARS
 June 30, 2018

**Schedule of Changes in Other Post Employment Benefits Liability and Related Ratios
 For the Last Ten Fiscal Years***

| | <u>2018</u> |
|---|--------------------------|
| OPEB Liability, Beginning Balance | \$ 37,224 |
| Restatement-Change in Accounting Principle | <u>110,299</u> |
| Restated Beginning Balance | 147,523 |
| Service Cost | 9,097 |
| Interest | 5,090 |
| Deferred Inflows - Difference between expected and actual experience | (3,823) |
| Deferred Outflow - Changes in assumptions | 82 |
| Employer Contributions | <u>(3,138)</u> |
| Net Change | <u>7,308</u> |
| Ending Balance | <u><u>\$ 154,831</u></u> |
| Covered Payroll | 395,024 |
| Total Other Post-Employment Benefits Liability as a percentage of Covered Payroll | 39.2% |

Note to Schedule: Assets are not accumulated in a trust to pay related benefits that meets the criteria in GASB 75, paragraph 4.

**The amounts presented above for each fiscal year were determined as of June 30th. The schedule is intended to show information for 10 years, additional years will be displayed as they become available.*

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS
 June 30, 2018

Schedule of Proportionate Share of the Net Pension Liability for the Last Ten Fiscal Years*

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Employer's proportion of the net pension liability as a percentage | 0.02584% | 0.02805% | 0.02372% | 0.02343% |
| Employer's net pension liability as an amount | \$ 503,250 | \$ 477,765 | \$ 331,558 | \$ 291,968 |
| State of Montana's net pension liability associated with the Agency | <u>6,819</u> | <u>5,838</u> | <u>4,073</u> | <u>3,565</u> |
| Total | <u>\$ 510,069</u> | <u>\$ 483,603</u> | <u>\$ 335,631</u> | <u>\$ 295,533</u> |
| Employer's covered payroll | \$ 320,532 | \$ 335,973 | \$ 279,336 | \$ 265,198 |
| Employer's proportionate share as a percentage of covered payroll | 159.13% | 143.94% | 120.15% | 111.44% |
| Plan fiduciary net position as a percentage of the total pension liability | 98.66% | 98.79% | 98.79% | 98.79% |

**The amounts presented for each fiscal year were determined as of June 30.*

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS
 June 30, 2018

Schedule of Contributions for the Last Ten Fiscal Years*

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Contractually required contributions | \$ 26,829 | \$ 30,804 | \$ 24,657 | \$ 22,861 |
| Contributions in relation to the contractually required contributions | <u>26,829</u> | <u>30,804</u> | <u>24,657</u> | <u>22,861</u> |
| Contribution deficiency (excess) | <u><u>\$</u> <u>-</u></u> | <u><u>\$</u> <u>-</u></u> | <u><u>\$</u> <u>-</u></u> | <u><u>\$</u> <u>-</u></u> |
| Employer's covered-employee payroll | \$ 320,532 | \$ 335,973 | \$ 279,336 | \$ 265,198 |
| Contributions of covered-employee payroll | 8.37% | 9.17% | 8.83% | 8.62% |

**The amounts presented for each fiscal year were determined as of June 30.*

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2015 Legislative Changes:

General Revisions – House Bill 101, effective January 1, 2016

Second Retirement Benefit – for PERS

Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:

- Refund of member's contributions from second employment plus regular interest (currently 0.25%);
- No service credit for second employment;
- Start same benefit amount the month following termination; and
- GABA starts again the January immediately following second retirement.

For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:

- Member receives a recalculated retirement benefit based on laws in effect at second retirement; and
- GABA starts the January after receiving recalculated benefit for 12 months.

For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:

- Refund of member's contributions from second employment plus regular interest (currently 0.25%);
- No service credit for second employment;
- Start same benefit amount the month following termination; and
- GABA starts again the January immediately following second retirement.

For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:

- Member receives the same retirement benefit as prior to return to service;
- Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
- GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws – House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The Plan Choice Rate (PCR) was paid off effective March 2016 and the contributions of 2.37%, 0.47%, and the 1.00% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
June 30, 2018

Changes of Benefit Terms (Continued)

2017 Legislative Changes:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitation – for PERS

If a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

***Terminating Employers* – Recovery of actuary costs – for PERS**

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

- Terminating members eligible to retire may, in lieu of receiving monthly retirement benefit, refund their accumulated contributions in a lump sum.
- Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive one lump-sum payment.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who become disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
June 30, 2018

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

- FY2018 - \$31.386 million
- FY2019 - \$31.958 million
- Beginning July 1, 2019 through at least June 30, 2025, 101% of the contributions from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
 - FY2020 - \$32.277 million
 - FY2021 - \$32.6 million
 - FY2022 - \$32.926 million
 - FY2023 - \$33.255 million
 - FY2024 - \$33.588 million
 - FY2025 - \$33.924 million

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

| | |
|--------------------------------|--|
| General Wage Growth* | 3.50% |
| Investment Rate of Return* | 7.65% |
| *Includes inflation at | 2.75% |
| Merit salary increases | 0% to 4.8% |
| Asset valuation method | 4-year smoothed market |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of pay, open |
| Mortality (healthy members) | For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year |
| Mortality (disabled members) | For males and females: RP 2000 Combined Mortality Table |
| Admin expenses as % of payroll | 0.26% |

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's administrative expenses.

SUPPLEMENTARY INFORMATION

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
BALANCE SHEET – COMBINING DEBT SERVICE
 June 30, 2018

| | URD II Bonds | Brownfields RLF Note | Safeway St. Patrick Hospital Bonds | Front Street Notes | Inter- Mountain Bonds | URD III Bonds | N. Reserve Scott Street Bonds | Total |
|--|---------------------|-------------------------|---|--------------------------|-----------------------------|-------------------|-------------------------------------|---------------------|
| ASSETS | | | | | | | | |
| CURRENT ASSETS | | | | | | | | |
| Cash and investments | \$ 276,490 | \$ 2,196 | \$ 62,000 | \$ 287,121 | \$ - | \$ 446,773 | \$ 43,185 | \$ 1,117,765 |
| Taxes/assessments receivable, net | 252,460 | - | - | 54,488 | - | 99,704 | 10,981 | 417,633 |
| Other current assets | - | - | - | 82,760 | - | - | - | 82,760 |
| Due from other governments | 113,533 | - | - | 21,212 | - | 135,702 | 103,429 | 373,876 |
| | <u>642,483</u> | <u>2,196</u> | <u>62,000</u> | <u>445,581</u> | <u>-</u> | <u>682,179</u> | <u>157,595</u> | <u>1,992,034</u> |
| NONCURRENT ASSETS | | | | | | | | |
| Restricted cash | 674,645 | - | - | - | - | - | - | 674,645 |
| Total assets | <u>\$ 1,317,128</u> | <u>\$ 2,196</u> | <u>\$ 62,000</u> | <u>\$ 445,581</u> | <u>\$ -</u> | <u>\$ 682,179</u> | <u>\$ 157,595</u> | <u>\$ 2,666,679</u> |
| LIABILITIES | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | |
| Interfund payable | \$ 188,675 | \$ - | \$ - | \$ 50,340 | \$ - | \$ 175,297 | \$ 114,242 | \$ 528,554 |
| Accrued interest payable | 800 | - | - | - | - | - | - | 800 |
| Total liabilities | <u>189,475</u> | <u>-</u> | <u>-</u> | <u>50,340</u> | <u>-</u> | <u>175,297</u> | <u>114,242</u> | <u>529,354</u> |
| DEFERRED INFLOW OF RESOURCES: | | | | | | | | |
| Uncollected tax revenue | 177,319 | - | - | 25,360 | - | 60,110 | 169 | 262,958 |
| Total deferred inflow of resources | <u>177,319</u> | <u>-</u> | <u>-</u> | <u>25,360</u> | <u>-</u> | <u>60,110</u> | <u>169</u> | <u>262,958</u> |
| FUND BALANCES | | | | | | | | |
| Restricted | 950,334 | 2,196 | 62,000 | 369,881 | - | 446,772 | 43,184 | 1,874,367 |
| Total fund balances | <u>950,334</u> | <u>2,196</u> | <u>62,000</u> | <u>369,881</u> | <u>-</u> | <u>446,772</u> | <u>43,184</u> | <u>1,874,367</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 1,317,128</u> | <u>\$ 2,196</u> | <u>\$ 62,000</u> | <u>\$ 445,581</u> | <u>\$ -</u> | <u>\$ 682,179</u> | <u>\$ 157,595</u> | <u>\$ 2,666,679</u> |

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – COMBINING DEBT SERVICE

For the Year Ended June 30, 2018

| | URD II Bonds | Brownfields RLF Note | Safeway St. Patrick Hospital Bonds | Front Street Notes | Inter- Mountain Bonds | URD III Bonds | N. Reserve Scott Street Bonds | Total |
|--|--------------------|-------------------------|---|--------------------------|-----------------------------|--------------------|-------------------------------------|---------------------|
| REVENUES | | | | | | | | |
| Tax increment property tax | \$ 2,432,248 | \$ - | \$ - | \$ 444,357 | \$ - | \$ 2,751,992 | \$ 849,203 | \$ 6,477,800 |
| State Entitlement/CMAQ Funds | 255,260 | - | - | - | - | - | - | 255,260 |
| State Personal Property Tax Reimbursement | 187,331 | - | - | 53,975 | - | 277,850 | - | 519,156 |
| Miscellaneous | 1 | - | 15,292 | (1) | - | 1 | (1) | 15,292 |
| Total revenues | 2,874,840 | - | 15,292 | 498,331 | - | 3,029,843 | 849,202 | 7,252,216 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Interest expense | 269,632 | 23,806 | 84,824 | 185,514 | 64,058 | 591,294 | 59,142 | 1,278,270 |
| Principal expense | 406,000 | 34,286 | 50,000 | 132,000 | 81,500 | 360,000 | 30,279 | 1,094,065 |
| Total expenditures | 675,632 | 58,092 | 134,824 | 317,514 | 145,558 | 951,294 | 89,421 | 2,372,335 |
| Excess (deficiency) of revenues over expenditures | 2,199,208 | (58,092) | (119,532) | 180,817 | (145,558) | 2,078,549 | 759,781 | 4,879,881 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | 675,568 | 58,092 | 123,961 | 431,349 | 146,158 | 1,015,372 | 98,365 | 2,548,865 |
| Transfers out | (2,875,859) | - | - | (498,331) | - | (3,029,842) | (849,203) | (7,253,235) |
| Total other financing sources (uses) | (2,200,291) | 58,092 | 123,961 | (66,982) | 146,158 | (2,014,470) | (750,838) | (4,704,370) |
| Net change in fund balance | (1,083) | - | 4,429 | 113,835 | 600 | 64,079 | 8,943 | 190,803 |
| FUND BALANCES | | | | | | | | |
| Beginning of year | 951,417 | 2,196 | 57,571 | 256,046 | (600) | 382,693 | 34,241 | 1,683,564 |
| End of year | \$ 950,334 | \$ 2,196 | \$ 62,000 | \$ 369,881 | \$ - | \$ 446,772 | \$ 43,184 | \$ 1,874,367 |

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE
 For the Year Ended June 30, 2018

| | Major Debt Service | | | | Variance with Final Budget | |
|--|----------------------------|-----------------------------|----------------------------|----------------------------|-------------------------------|--|
| | Budgeted Amounts | | Actual | | | |
| | Original | Final | | | | |
| Budgetary Fund Balance, July 1, 2017 | \$ 1,683,564 | \$ 1,683,564 | \$ 1,683,564 | \$ - | - | |
| Resources (Inflows): | | | | | | |
| Miscellaneous | - | 15,292 | 15,292 | - | - | |
| Long-term debt proceeds | - | - | - | - | - | |
| Tax increment property tax | 3,947,120 | 6,749,846 | 6,477,800 | (272,046) | (272,046) | |
| State personal property tax reimbursement | 519,156 | 519,156 | 519,156 | - | - | |
| State entitlement | 255,260 | 255,260 | 255,260 | - | - | |
| Transfers in | <u>2,597,591</u> | <u>2,618,764</u> | <u>2,548,865</u> | <u>(69,899)</u> | <u>(69,899)</u> | |
| Amounts available for appropriation | <u><u>\$ 9,002,691</u></u> | <u><u>\$ 11,841,882</u></u> | <u><u>11,499,937</u></u> | <u><u>\$ (341,945)</u></u> | <u><u>(341,945)</u></u> | |
| Charges to Appropriations (Outflows): | | | | | | |
| Debt service expenditures | \$ 2,597,549 | \$ 2,619,920 | 2,372,335 | \$ 247,585 | - | |
| Miscellaneous | - | - | - | - | - | |
| Transfers out | <u>4,721,536</u> | <u>7,525,282</u> | <u>7,253,235</u> | <u>272,047</u> | <u>272,047</u> | |
| Total charges to appropriations | <u><u>\$ 7,319,085</u></u> | <u><u>\$ 10,145,202</u></u> | <u><u>9,625,570</u></u> | <u><u>\$ 519,632</u></u> | <u><u>\$ 519,632</u></u> | |
| Budgetary Fund Balance, June 30, 2018 | | | <u><u>\$ 1,874,367</u></u> | | | |

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – BUDGET-TO-GAAP RECONCILIATION –
DEBT SERVICE
June 30, 2018

Explanation of perspective differences between budgetary inflows
and outflows and GAAP revenues and expenditures

Sources/Inflows of Resources

| | |
|--|---------------------|
| Actual available for appropriation from the budgetary comparison schedule | \$ 11,499,937 |
| The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes | (1,683,564) |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | <u>(2,548,865)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | <u>\$ 7,267,508</u> |

Uses/Outflows of Resources

| | |
|--|---------------------|
| Actual total charges to appropriations from the budgetary comparison schedule | \$ 9,625,570 |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | <u>(7,253,235)</u> |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$ 2,372,335</u> |

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Missoula Redevelopment Agency
Missoula, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Missoula Redevelopment Agency (the Agency), a component unit of the City of Missoula, Montana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control we that we consider to be material weaknesses. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Zurmuehlen Co., P.C.

Missoula, Montana
December 28, 2018



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