

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, 2019



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MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
ORGANIZATION
Fiscal Year Ended June 30, 2019

Director

Ellen Buchanan..... Director

Board of Commissioners

Karl EnglundChair

Nancy Moe Vice-Chair

Melanie Brock Member

Ruth Reineking Member

Natasha Prinzing Jones Member

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, 2019, 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 audit 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, 2019, 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.

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 42, budgetary comparison information on pages 95 through 98, the schedule of changes in other post employment benefits liability and related ratios for the last ten fiscal years on page 99, the schedule of proportionate share of the PERS net pension liability on page 100, the schedule of contributions for the last ten fiscal years on page 101, and the notes to the required supplementary information on pages 102 and 103 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 104 through 107 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 31, 2019, 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 31, 2019

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

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, 2019. Please read it in conjunction with the Agency's financial statements and accompanying notes, which begin on page 43.

Financial Highlights

The following tables summarize the financial condition and operating results for 2019 compared to 2018:

	<u>2019</u>	<u>2018</u>	Increase (Decrease)
Current assets	\$ 10,706,389	\$ 9,049,428	\$ 1,656,961
Noncurrent assets	<u>1,270,809</u>	<u>1,300,757</u>	<u>(29,948)</u>
Total assets	<u>11,977,198</u>	<u>10,350,185</u>	<u>1,627,013</u>
Deferred outflows of resources	<u>131,424</u>	<u>166,784</u>	<u>(35,360)</u>
Total assets and deferred outflows of resources	<u>12,108,622</u>	<u>10,516,969</u>	<u>1,591,653</u>
Current liabilities	2,275,102	1,390,383	884,719
Noncurrent liabilities	<u>41,146,681</u>	<u>29,864,033</u>	<u>11,282,648</u>
Total liabilities	<u>43,421,783</u>	<u>31,254,416</u>	<u>12,167,367</u>
Deferred inflows of resources	<u>32,993</u>	<u>7,393</u>	<u>25,600</u>
Total liabilities and deferred inflows of resources	<u>43,454,776</u>	<u>31,261,809</u>	<u>12,192,967</u>
Net position			
Restricted for debt service	674,645	674,645	-
Unrestricted	<u>(32,020,799)</u>	<u>(21,419,485)</u>	<u>(10,601,314)</u>
Total net position	<u>\$ (31,346,154)</u>	<u>\$ (20,744,840)</u>	<u>\$ (10,601,314)</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Financial Highlights (Continued)

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
REVENUES			
General revenues	\$ 8,350,636	\$ 7,874,745	\$ 475,891
Total revenues	<u>8,350,636</u>	<u>7,874,745</u>	<u>475,891</u>
EXPENSES			
Housing and community development	17,460,601	7,790,679	9,669,922
Interest	<u>1,491,349</u>	<u>1,278,270</u>	<u>213,079</u>
Total expenses	<u>18,951,950</u>	<u>9,068,949</u>	<u>9,883,001</u>
Change in net position	(10,601,314)	(1,194,204)	(9,407,110)
NET POSITION			
Beginning of year	(20,744,840)	(19,440,337)	(1,304,503)
Restatement	<u>-</u>	<u>(110,299)</u>	<u>110,299</u>
End of year	<u>\$ (31,346,154)</u>	<u>\$ (20,744,840)</u>	<u>\$ (10,601,314)</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 \$8,350,636 and expenses totaling \$18,951,950 which resulted in a change in net position of (\$10,601,314), a decrease of \$9,407,110 from 2018.
- 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 2019 revenues were \$475,891 higher than in fiscal year 2018.
- Public/Private Partnership expenditures for fiscal year 2019 included:
 - 1515 Dearborn - Lucky Strike/Les Schwab – Woodbury
 - Bridge Pizza South - 3000 Brooks Street
 - McElmurry Homes - 1515 South Avenue
 - Solar Plexus - 1605 Stephens Avenue
 - South Crossing (Woodbury) – Phase 2 – South Brooks Street
 - Adrastea (Naylor) Building - 830 West Central Avenue
 - Bridge Pizza South - 3000 Brooks Street
 - Consumer Direct – 100 Consumer Direct Way
 - Montana Ace Garden Center - 1101 Burlington Street

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Financial Highlights (Continued)

- Scott Street Village - Phase II & III
- Stockman Bank - 321 W Broadway
- Montana Street Homes - 1717 Montana Street (Homewood)
- Public projects funded solely or in part with tax increment funds in fiscal year 2019:
 - Bitterroot Trail - Johnson Street Extension
 - Brooks Street Corridor - Transit Orientated Development - Infrastructure Study
 - Dearborn Ave Sidewalks - Irrigation Repair
 - Mary Avenue East
 - Mary Avenue West - Street Trees
 - MRL Park - 1930 South Avenue West
 - URD III Street Trees
 - Downtown Master Plan Update
 - Missoula College Pedestrian Bridge
 - Design Excellence Standards Development
 - Downtown Intersections - MDT/ADA Upgrades - Bulb Out Construction
 - Downtown Master Plan & Update
 - Missoula Public Library
 - Bitterroot Trail - Pine Street to Spruce Street
 - California Street Reconstruction - South - Design/Engineering
 - Garden City Harvest - 1657 River Rd – Neighborhood Water Main Extension
 - Max Wave
 - Police Facility - 101 North Catlin
 - Public Art - "Perseverance" in Silver Park
 - West Broadway Island
 - Wyoming Street Reconstruction
- The Agency also paid out \$1,504,987 in principal and \$1,491,349 in interest for a total of \$2,996,336 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Using This Report (Continued)

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. 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 2019 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.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2019

About the Agency (Continued)

Original Declaration of Blight – January 23, 1978 – City of Missoula Resolution # 3737
 Agency created – May 22, 1978 - Resolution #3779
 Authorized Power to Use Tax Increment – May 22, 1978 - Resolution #3778

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	Resolution #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, Merc 2019	6/30/2043
Riverfront Triangle URD	May 7, 2007	7223	July 21, 2008	3380	2008	\$157,858	2023	Stockman Bank 2019	6/30/2043
North Reserve-Scott Street URD	April 7, 2014	7865	August 25, 2014	3534	2014	\$1,491,205	2029	Bretz, Consumer Direct, Scott Street Village Phase 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

* A resolution was used to adopt the 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 contribute to the retirement plan. The retirement plan is administered by the State of Montana.

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

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, 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 principal amount at issuance. Current debt service requirements to maturity can be found under Note 5 to the financial statements starting on page 58.

Series 2006 \$3,600,000 Millsite Lease Buy Out
Series 2006 \$1,775,000 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 2018A \$1,239,404 MRL Property - Taxable
Series 2018B \$2,681,782 MRL Property - Tax-Exempt
Series 2019 \$1,529,318 Stockman Bank
Series 2019 \$3,647,844 Mercantile
TOTAL

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, 2019

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.

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Bonds and Notes Payable (Continued)

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

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 current 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 current 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 current amortization schedule is \$342,062 in fiscal year 2019.

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Bonds and Notes Payable (Continued)

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

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 current amortization schedule is \$492,159 in fiscal year 2026.

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 current amortization schedule is \$90,748 in fiscal year 2029.

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Bonds and Notes Payable (Continued)

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

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 current amortization schedule is \$19,368 in fiscal year 2023.

Series 2017C - \$3,260,500 – East 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 until fiscal year 2019. 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. Maximum annual debt service per the current amortization schedule is \$225,073 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. 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 current amortization schedule is \$116,850 in fiscal year 2031.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Bonds and Notes Payable (Continued)

Series 2017 - \$723,514 – Scott Street Village – Phase II & III

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 II and III 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 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. Maximum annual debt service per the current amortization schedule is \$49,901 for multiple fiscal years.

Series 2019 - \$3,647,844 – The Mercantile

On February 11, 2019 the City of Missoula pursuant to Resolution 8321 approved the sale of \$3,647,844 in tax increment urban renewal revenue bonds in the Front Street URD to fund environmental remediation, deconstruction, select demolition, historic preservation and public infrastructure improvements related to the construction of The Mercantile building. The bond was issued on parity with other subordinate debt in the district and closed on May 10, 2019. The bond was completely drawn down at closing. The original purchaser of the negotiated sale bonds was Stockman Bank of Montana, Missoula, MT. The final maturity date is July 1, 2043. The interest rate on the bond is 4.00% per annum. Interest only payments are due January 1 and principal and interest payments are due July 1 payable from tax increment generated by the Front Street URD directly to the bond holder commencing January 1, 2020. Maximum annual debt service is \$240,554.

Series 2019 - \$1,529,318 – Stockman Bank Downtown

On March 11, 2019 the City of Missoula pursuant to Resolution 8325 approved the sale of a \$1,529,318 tax increment urban renewal revenue Note in Riverfront Triangle URD to fund environmental remediation, demolition, burial of overhead power lines within the public right of way, and public infrastructure improvements related to the construction of a new Stockman Bank building. This Note Series 2019 was issued as subordinate debt to any future bonds issued in the district, unless designated as subordinate debt also. The bond was completely drawn down at closing on June 6, 2019. The original purchaser of the negotiated sale note was Stockman Bank of Montana, Missoula, MT. The final maturity date is July 1, 2043. The interest rate on the bond is 4.00% per annum. Interest only payments are due January 1 and principal and interest payments are due July 1 payable from tax increment generated by the Riverfront Triangle URD directly to the bond holder commencing July 1, 2019. Maximum annual debt service per the amortization schedule is \$94,391.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Bonds and Notes Payable (Continued)

Series 2018 - \$3,921,186 - MRL Property

On August 27, 2018 the City of Missoula pursuant to Resolution 8289 approved the sale of \$3,921,186 principal amount of tax increment urban renewal revenue bonds, consisting of \$1,239,404 Taxable Series 2018A and \$2,681,782 Tax Exempt Series 2018B, to finance the acquisition of the MRL property (bound by South Avenue, North Avenue, Johnson Street and the Bitterroot Branch railroad line) and the undertaking of certain improvements thereto. Improvements included the Bitterroot Branch Trail extension design and construction and the MRL Park design and construction. This bond Series 2018A and Series 2018B was issued on September 13, 2018 and was drawn down immediately. 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 Series 2018A Taxable bond is 5.250% per annum. The interest rate on the Series 2018B tax exempt bond is 4.375% per annum. Principal and interest payments are due January 1 and July 1 payable from tax increment generated by URD III to the City's paying agent, US Bank, commencing January 1, 2019. Debt service payments have been equalized for both issues. Maximum annual debt service for Series 2018A is \$94,681 and for Series 2018B is \$189,428.

Refer to Note 5 on pages 58 through 75 for further information regarding the Agency's long-term debt including schedules of outstanding balances.

Revenues

In fiscal year 2019, the Agency received general and other revenues and did not generate any program revenue. Of the Agency's \$8,350,636 total revenue reported in the Statement of Activities, 88% was tax increment funds received from property taxes. The next largest revenue source for the Agency is the State of Montana, accounting for 10%. This revenue comes 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. The remaining 2% is \$166,453 in miscellaneous revenue.

Expenses

In the Statement of Activities, most of the Agency's expenses are reflected 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 \$1,491,349 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.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2019

Special Items, Contributions, Transfers, Other (Continued)

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 2019 was \$315,456 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 2019, 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. Since tax increment is still limited (due to commitments to debt service or lack of redevelopment) in the Front Street, Riverfront Triangle, 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. Running total of amounts owed to URD III for administrative expenses at June 30, 2019 consisted of the following:

<u>URD II</u>	<u>Front Street</u>	<u>Riverfront</u>	<u>NRSS</u>	<u>Hellgate</u>
\$ -	\$ 889,274	\$ 435,241	\$ 19,979	\$ 24,991

Tax Increment Remittance

Pursuant to Section 7-15-4291 of the Montana Code Annotated (M.C.A.), the City is authorized to enter into agreements to remit any portion of the annual tax increment not currently required for the payment of urban renewal costs, or pledged to the payment of the principal or premiums, if any, and interest on bonds. In August 2018, the Agency Board and the Missoula City Council approved a tax increment remittance to the City of Missoula in the amount of \$750,000. In accordance with M.C.A., the City must provide for the remittance to each taxing body for which the mill rates are included in the calculation of the tax increment for the applicable district(s) in an amount proportional to the taxing body's share of the total mills levied in the applicable district(s). Based on the City of Missoula's proportionate share of the total mills levied in fiscal year 2018, the total remittance for fiscal year 2019 was \$2,722,531. The table below summarizes the tax increment remittance amounts distributed to each taxing jurisdiction.

FY 19 Tax Increment Remittance Summary

<u>Taxing Jurisdiction</u>	<u>Remittance</u>
Missoula Urban Transportation District	\$ 109,347
State of Montana	118,920
Missoula County	518,611
City of Missoula	750,000
Missoula County High Schools	306,517
Missoula County for Countywide Schools	302,979
Missoula Elementary District #1	477,786
Hellgate School District #4	138,371
Total	<u>\$ 2,722,531</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

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, 2019, two payments remain on this note receivable.

\$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, 2019, five 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, 2019, seven 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, 2019

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 6/30/19	Outstanding Balance as of 6/30/19	URD II / 7392	URD III / 7393	NRSS URD/7397
Eaton Street (Bitterroot) Townhomes	\$ 40,000	\$ 8,000	\$ 32,000	\$ -	\$ 32,000	\$ -
Fire Hydrant Installation - URD II (2 hydrants)	18,592	3,209	15,383	15,383		
Fire Hydrant Installation - URD III (4 hydrants)	35,397	6,239	29,158		29,158	
Western Montana Mental Health Center	64,915	11,360	53,555	53,555		
Russell Street (Corso) Apartments	130,179	19,527	110,652	110,652		
Wyoming Street	259,178	38,877	220,301	220,301		
South Crossing/Dore Lane	8,989	1,124	7,865		7,865	
S. 1st Street W Fire Hydrant	14,394	1,439	12,955	12,955		
Bretz RV Fire Hydrant	9,919	992	8,927			8,927
Burlington Regent Fire Hydrant	7,479	748	6,731		6,731	
Consumer Direct - water main extension	73,464	5,651	67,812			67,812
Total	\$ 662,506	\$ 97,166	\$ 565,340	\$ 412,846	\$ 75,754	\$ 76,739

Fund Balances and Transactions of Individual Governmental Funds

	URD I	URD II	URD III	Front Street
Beginning Balance 7/1/18	\$ 44	\$ 3,458,842	\$ 1,911,679	\$ 653,755
Ending Balance 6/30/19	44	3,441,763	3,061,845	403,273
\$ Change	\$ -	\$ (17,079)	\$ 1,150,166	\$ (250,482)
% Change	0%	0%	60%	-38%

	Riverfront Triangle	N. Reserve Scott Street	Hellgate	Debt Service
Beginning Balance 7/1/18	\$ 239,205	\$ 1,025,465	\$ 129,976	\$ 1,874,367
Ending Balance 6/30/19	202,839	867,391	133,758	1,979,928
\$ Change	\$ (36,366)	\$ (158,074)	\$ 3,782	\$ 105,561
% Change	-15%	-15%	3%	6%

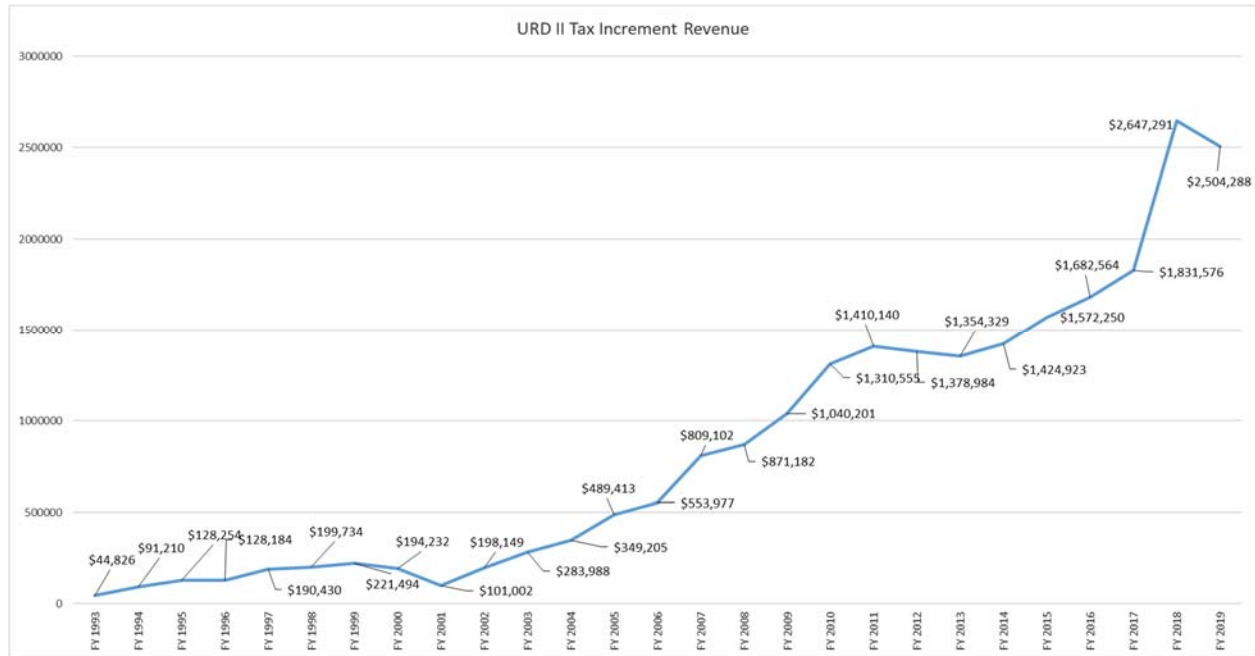
URD II saw a less than 1% decrease in fund balance in fiscal year 2019. The district had nine projects underway during the year, all public related. They included two park and trail projects, three planning efforts, a neighborhood water main extension, design and engineering for a Wyoming Street upgrade, the police facility on Catlin Street and the Montana Street Homes affordable housing project. Total revenues into the district, net of the required amount for debt service, were \$1,878,669. Total expenditures and transfers out were \$1,895,748.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

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.



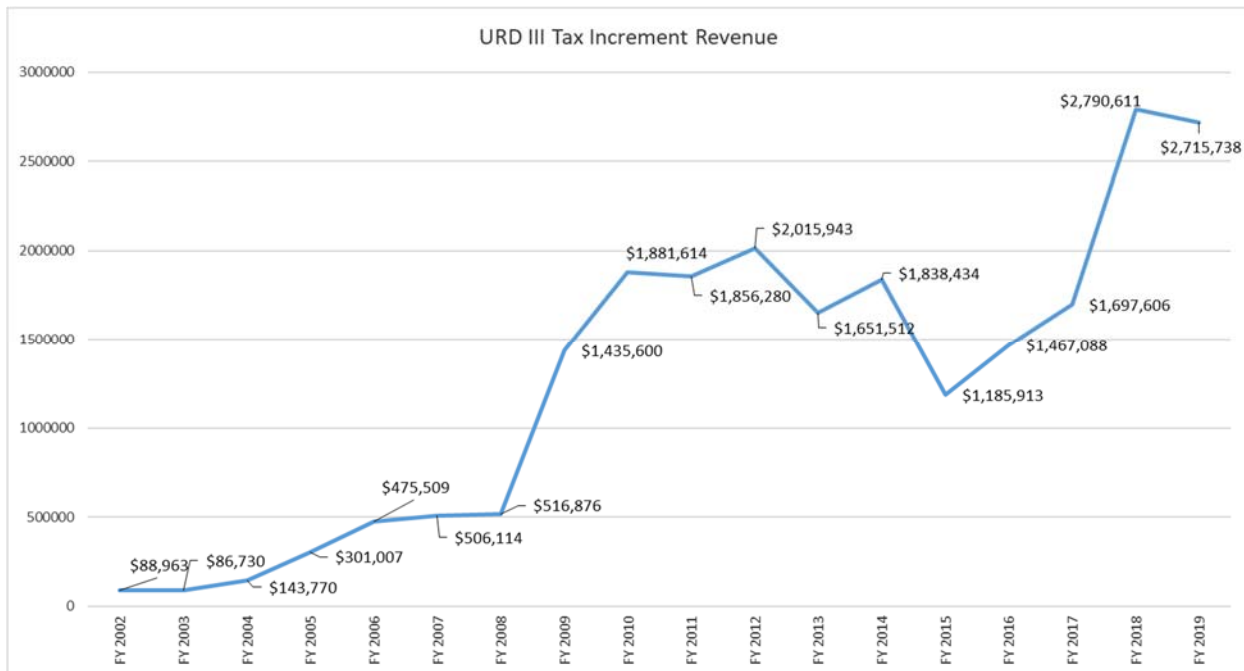
Urban Renewal District II	
Project Name	Expenditure Amount
Admin - Contributions - Tax Increment Remittance	\$ 200,001
Admin - Transfers to Other Funds	285,595
Bitterroot Trail - Pine Street Link - Design, Engineering & Const. Admin	44,552
Bitterroot Trail - Pine Street Link - Lighting	52,570
California Street Reconstruction - South - Design and Engineering	35,158
Downtown Master Plan Update	50,000
Garden City Harvest - 1657 River Road - Neighborhood Water Line	170,696
Max Wave - Professional Services	4,898
Montana Street Homes - 1717 Montana Street	93,673
Police Facility on Catlin	250,000
West Broadway Island - 2019 Improvements - Construction	526,337
West Broadway Island - 2019 Improvements - Design, Engineering, Const. Admin	116,529
West Broadway Island - 2019 Improvements - Miscellaneous	2,140
Wyoming Street - Prince to California - Design, Engineering, Const. Admin	63,600
Total	\$ 1,895,748

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2019

Fund Balances and Transactions of Individual Governmental Funds (Continued)

URD III saw a 60% increase in fund balance in fiscal year 2019. This increase is primarily attributable to several projects being in the construction phase during the year. Monies committed to projects typically remain in the fund until they are complete. The district had 21 projects that were underway during the year including one planning effort, five public parks, trails and road projects and the remaining 15 were public/private partnerships. Total revenues into the district, net the amount required for debt service, were \$2,690,533. Bond proceeds were \$3,921,186. Total expenditures, tax increment remittance and transfers out were \$5,461,553 and included \$944,481 for administrative expenses, \$1,600,000 in tax increment remittance and \$2,917,072 for project related expenses.

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, 2019

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.

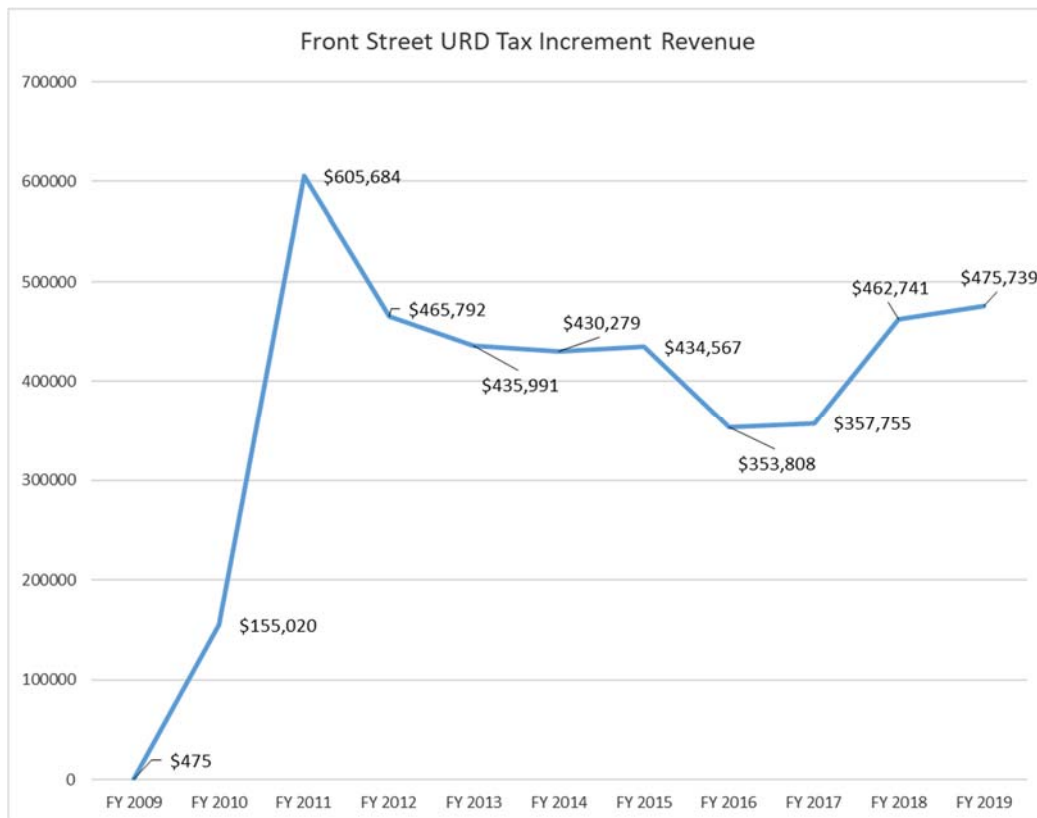
Urban Renewal District III	
Project Name	Expenditure Amount
\$7.065M Series 2016 Mary Avenue East TIB - COI	\$ 2,815
1515 Dearborn - Woodbury - Les Schwab	379,678
2019 URD III Street Tree Project - Mary Ave West	28,587
2019 URD III Street Tree Project - Misc. streets	16,789
Ace Garden Center - 1101 Burlington Ave	50,000
Admin - Communication & Transportation	92
Admin - Contributions - Tax Increment Remittance	1,600,000
Admin - Electricity & Natural Gas	363
Admin - Employer Contributions	143,492
Admin - Gasoline	407
Admin - Office Supplies	6,903
Admin - Other Repair & Maintenance Supplies	554
Admin - Overtime Pay	4,192
Admin - PERS Contributions	449
Admin - Printing, Duplication, Typing and Binding	1,398
Admin - Professional Services	332,659
Admin - Publicity, Subscriptions and Dues	5,710
Admin - Repair & Maintenance Services	4,290
Admin - Salaries & Wages	437,574
Admin - Supplies	804
Admin - Training	415
Admin - Travel	5,081
Admin - Water Charges	100
Adrastea (Naylor) Building - 830 West Central Ave	50,000
Bitterroot Trail - Johnson Extension - Construction	88,581
Bitterroot Trail - Johnson Extension - Design, Eng. & Const. Admin	4,831
Bridge Pizza - Brooks Street	80,230
Brooks Corridor TOD Infrastructure Study	40,601
Dearborn Avenue Sidewalks - Irrigation Repair	1,400
Legal Services - Fairgrounds Development Agreement	2,000
Mary Avenue East - Construction	732,894
McElmurray Homes - 1515-1519 South Avenue	20,000
MRL Park - Community Garden	10,027
MRL Park - Construction	894,412
MRL Park - Design & Engineering	100,507
MRL Park - Miscellaneous	6,564
MRL Park - Percent for Art	19,914
MRL Park - Playground	54,056
MRL Park - Public Art - Add'l Amount	12,500
MRL Park - Temporary Fence for Johnson St Property	1,800
Series 2018A&B MRL Bonds - COI	67,387
Solar Plexus - 1605 Stephens Avenue	251,500
Total	\$ 5,461,553

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Fund Balances and Transactions of Individual Governmental Funds (Continued)

Front Street URD saw a 38% decrease in fund balance in fiscal year 2019. This decrease is attributable to expenditures and out flows exceeding revenues. The district had seven projects underway during the year; four public/private partnerships and three public endeavors. Both the ROAM student housing project and Missoula Mercantile projects were completed and tax increment revenue bonds issued to reimburse the developer for eligible items. The two other partnerships were housing developments. Lee Gordon Place is an affordable homeownership residential model and Levasseur Street Townhomes is a market rate residential project. The public projects included a grant to assist with the Downtown Master Plan update, Americans with Disabilities Act (ADA) upgrades to two downtown street corners and the Agency's initial contribution towards funding the new Missoula Public Library. Total revenues into the district, net required amount for debt service and excluding bond proceeds, were \$42,489. Bond proceeds were \$6,847,855. Total expenditures and transfers out were \$7,140,826.

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, 2019

Fund Balances and Transactions of Individual Governmental Funds (Continued)

Front Street URD (Continued)

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

Front Street URD	
Project Name	Expenditure Amount
\$3,647,844 Series 2019 Merc Bond - COI	\$ 50,000
Downtown ADA Upgrades	31,398
Downtown Master Plan Update	10,000
Lee Gordon Place - 503 E Front St	32,454
Levasseur Street Townhomes	19,130
Missoula Mercantile	3,597,844
Missoula Public Library - New Building	200,000
ROAM Student Housing	3,200,000
Total	\$ 7,140,826

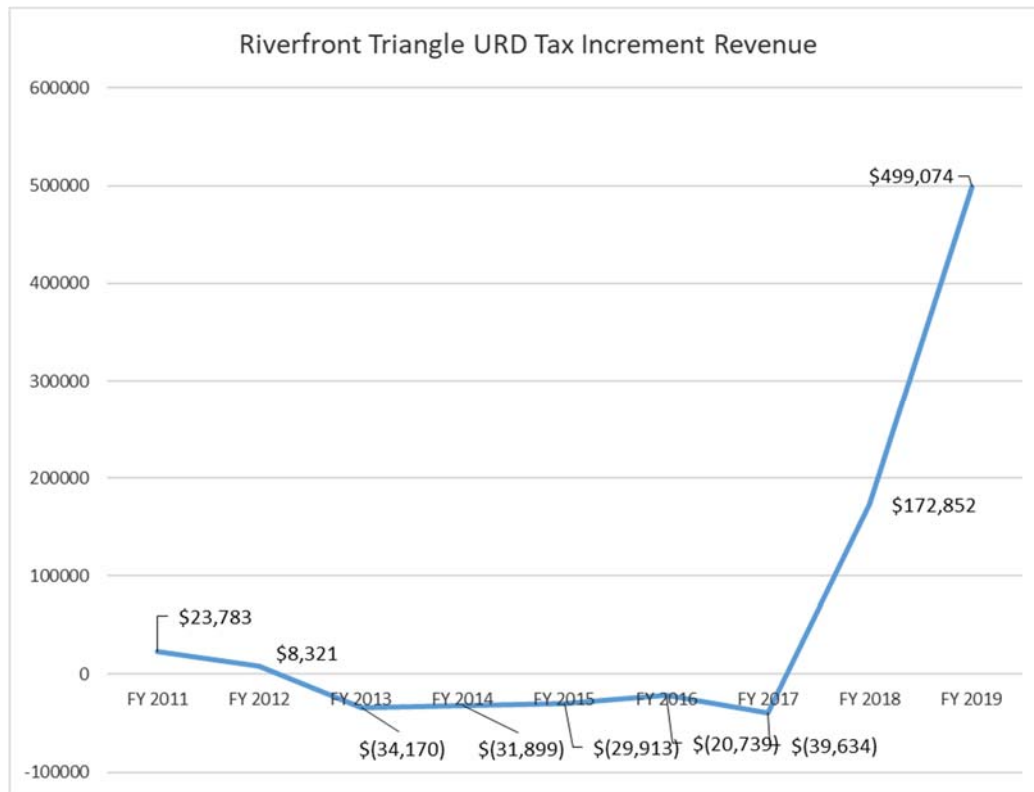
Riverfront Triangle URD saw a 15% decrease in fund balance in fiscal year 2019. This decrease is attributable to expenditures and out flows exceeding revenues. The district had two projects underway during the year. The Hotel Fox project is still in the planning phases and several agreements were executed during the year that lay out the redevelopment of the City owned Fox Site and related parking. The Stockman Bank project was completed and Series 2019 tax increment revenue bonds were sold to reimburse the developer for eligible expenses. Total revenues into the district, net required amount for debt service and excluding bond proceeds, were \$329,655. Bond proceeds drawn down were \$1,529,318. Total expenditures and transfers out were \$1,895,339.

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2019

Fund Balances and Transactions of Individual Governmental Funds (Continued)

Riverfront Triangle URD (Continued)

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



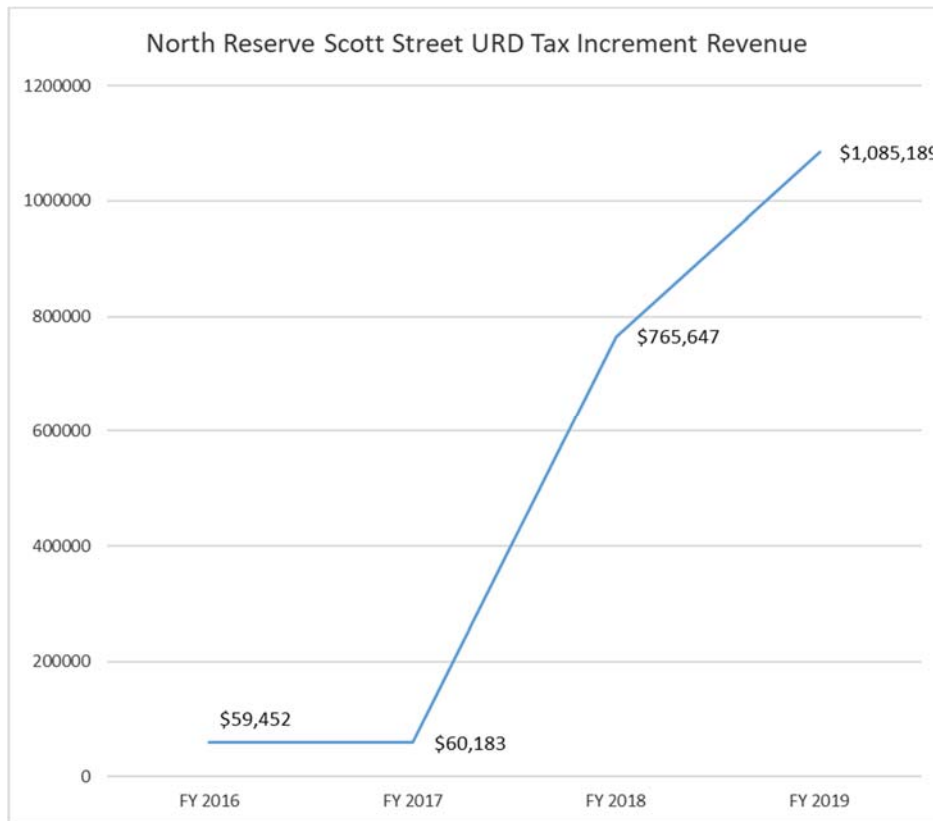
The table below is a summary of expenditures and transfers out for the district.

Riverfront Triangle URD	
Project Name	Expenditure Amount
\$1,529,318 Series 2019 Stockman Bank TIB - COI	\$ 32,500
Admin - Transfers to Other Funds	100,000
Hotel Fox - Legal Services	261,527
Stockman Bank	1,496,316
Stockman Bank - Street Light	4,995
Total	\$ 1,895,339

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2019

Fund Balances and Transactions of Individual Governmental Funds (Continued)

North Reserve – Scott Street (NRSS) URD saw a 15% decrease in fund balance in fiscal year 2019. This decrease is attributable to expenditures and out flows exceeding revenues. NRSS URD had two projects underway during the year. The Scott Street Village – Phase II & III were completed and the final draw on the Series 2017 bonds was taken in December 2018 to reimburse the developer for eligible expenses. Consumer Direct expended its remaining grant funds to install street trees on Howard Raser Drive. Total revenues into the district, net required amount for debt service and excluding bond proceeds, were \$901,522. Bond proceeds drawn down were \$686,896. Total expenditures, tax increment remittance and transfers out were \$1,746,492. The first table below reflects trends in budgeted tax increment revenue only. The second table is a summary of expenditures, remittances and transfers out for the district.

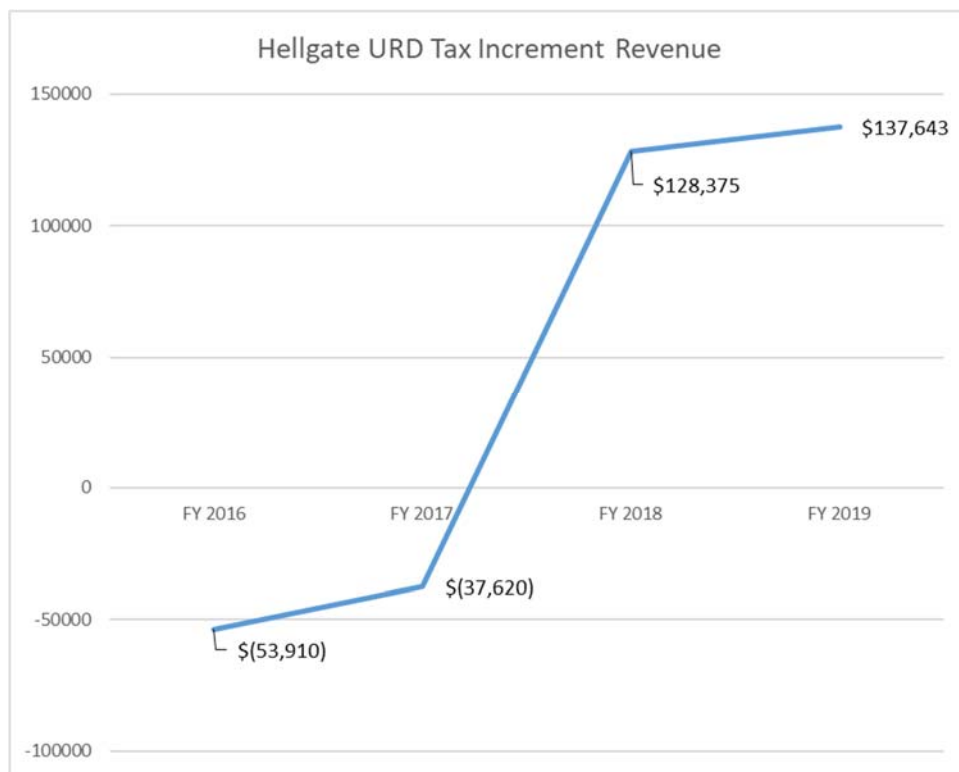


North Reserve - Scott Street URD	
Project Name	Expenditure Amount
Admin - Contributions - Tax Increment Remittance	\$ 822,532
Admin - Transfers to Other Funds	218,904
Consumer Direct	90,031
NRSS URD - Master Plan Reimbursement	231,183
Scott Street Village - Phase II-III	383,842
Total	\$ 1,746,492

MISSOULA REDEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2019

Fund Balances and Transactions of Individual Governmental Funds (Continued)

Hellgate URD saw a 3% increase in fund balance in fiscal year 2019. This increase is directly attributable to a slight increase in tax increment revenue and the district's remittance amount and expenditures nearly matching its revenue. Only two projects were funded in the district in fiscal year 2019 and both were planning efforts. Total revenues were \$142,773. Total expenditures, tax increment remittance and transfers out were \$138,991. The first table below reflects trends in budgeted tax increment revenue only. The second table is a summary of expenditures, remittances and transfers out for the district.



Hellgate URD	
Project Name	Expenditure Amount
Admin - Contributions - Tax Increment Remittance	\$ 99,997
Admin - Transfers to Other Funds	18,994
Downtown Master Plan Update	15,000
Missoula College Pedestrian Bridge	5,000
Total	\$ 138,991

MISSOULA REDEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
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Overall Financial Position

Changes in the Agency's overall financial position from 2018 to 2019 from the Government-wide perspective include an increase in total assets and deferred outflows of resources of \$1,591,653 and an increase in total liabilities and deferred inflows of resources of \$12,192,967 with a resulting overall net position of (\$31,346,154). The increase in assets can be attributed to project timing. The increase in liabilities can be attributed to a large accounts payable amount at year end related to the second half of the tax increment remittance. Several bond issues were also completed during the year, increasing the Agency's long term debt.

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.

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 two projects primarily in the *planning* phase during fiscal year 2019, the **Brooks Street Transit Oriented Development Study** in URD III, 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 HDR as the 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 early 2020.

MISSOULA REDEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Planned Projects (Continued)

Fox Site: 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. After several years of working to achieve the hotel-regional conference center, Hotel Fox was unable to find adequate financing for the large development and, with permission of the City Council, transferred its development rights to Clark Fork Riverfront Project. Through its partner entity, Stonefly Capital, Clark Fork Riverfront Project intends to complete the Hotel Fox deal with a changed emphasis of the conference center to a multi-use civic events center. The center, to be called "Drift" will be able to host large dinners, lectures, live music and theatrical performances, and a variety of art exhibits and tradeshow.

While design of the hotel and civic events center is proceeding, the City, MRA, and Clark Fork Riverfront Project will finalize amendments to the various agreements that included Hotel Fox that address specific development components include sale of the land, design, financing and construction of the individual components of the project, public and private parking, condominiumization and leases of portions of the structures, etc. The developer intends to be under construction in July 2020.

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* project in fiscal year 2019 was the **Montana Rail Link (MRL) Property (URD III)**.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Pledged Projects (Continued)

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 were completed in fiscal year 2019. Bonds were 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. Currently the property is listed as a State Superfund site for past found contaminants. The City is using Brownfields grants to conduct required testing and begin the process of delisting the site.

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* projects completed in **URD II** in fiscal year 2019 were **Bitterroot Trail – Pine Street Link, Montana Street Homes (1717 Montana Street)** and **West Broadway Island**.

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 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 its topographic complexity and the City's uncertainty of the ultimate West Pine Street configuration. The area had become a very unpleasant place with an accumulation of trash, transient camps, and criminal activity. Design was completed for the trail in early 2019 and construction was nearly complete by the end of fiscal year 2019. Completed and opened in early fiscal year 2020, the trail includes and accessible pedestrian and bicycle path and crossing of Pine Street, a rebuilt rail crossing of the street, and pedestrian lighting from Broadway to Toole Street.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Committed Projects (Continued)

Montana Street Homes – 1717 Montana Street: A couple of years ago, a local affordable non-profit housing provider, Homeword, Inc. was able to purchase 10 small modular homes that were to have been used in the Baaken Oil Fields in North Dakota. With the downturn in the oil market, the unused units were sold to non-profit housing groups at a greatly reduced price. Homeword was able to purchase a vacant property suitable for infill on Montana Street adjacent to the new Missoula Food Bank. The site is the former home of an automobile salvage and scrap storage yard. Homeword received a Brownfields Revolving Loan Fund grant from the City to clean up the contaminated soil left behind by the former uses.

Homeword placed six of the units on permanent foundations and sold them to income qualified home buyers. The land ownership is a Community Land Trust model which will preserve the affordability of these units in perpetuity. In addition to the houses, the site will contain ten garden plots for use by the homeowners and Garden City Harvest. A portion of the food produced will be provided to the Missoula Food Bank. TIF assistance in the project included extending water and sewer main lines to the site, repair and replacement of sidewalks, curbs, and gutters along Montana Street, and irrigation ditch modifications so the site was accessible and to make it safer for the neighborhood.

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. Design was concluded in early 2019 for a project that includes a new pedestrian bridge at the east end of the project, renovation of an existing bridge to the property, a new pedestrian trail, and stabilization of the south bank of the irrigation canal. Additionally, efforts to minimize noxious weeds and restore native riparian vegetation are ongoing and will continue into the future. Design of the improvements includes public safety measures consistent with the City's Crime Prevention Through Environmental Design Principles (CPTED). Construction of the project was well underway by the end of fiscal year 2019 and completed in early fiscal year 2020.

The most significant *committed* projects completed in **URD III** in fiscal year 2019 were **Adrastea (830 West Central Avenue), Bridge Pizza Brooks (3000 Brooks Street), Les Schwab / Dairy Queen / 3 Rivers Pediatric Dentistry (1515 Dearborn Avenue), Montana Ace Garden Center (1101 Burlington Street) and Montana Rail Link Park (1930 South Avenue):**

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Committed Projects (Continued)

Adrastea – 830 West Central Avenue: The two-story commercial office building located at 830 West Central Avenue was built in 1974. It contains approximately 5,100 square feet of office space which has been occupied by the Urban Indian Health Center for many years. With Façade Improvement Program assistance the owner was able to add a metal cornice along the roofline which, along with the horizontal siding, created a modern appearance and provided shadowing that will make the façade more interesting from the street. It also helped the owner upgrade most of the façade materials, particularly replacing less than permanent artificial stucco with authentic stucco. Much more efficient window systems were installed with the ability to be opened in warm weather, is expected to greatly reduce heating and cooling costs. The new exterior design is a striking improvement to the commercial neighborhood, its more energy efficient, and use more permanent materials.

Bridge Pizza Brooks – 3000 Brooks Street: The owners of longtime downtown restaurant business Bridge Pizza purchased and renovated the former Tower Pizza building and property in Midtown to create a second location on the south side of town. With assistance through the Façade Improvement Program, the corrugated steel exterior of the building was replaced with brick and steel siding with downcast decorative lighting. Because of the FIP assistance, the locally owned business was able to use a more traditional design and materials of brick and metal to provide a sense of permanence to the otherwise temporary feel to some of the nearby corporate architecture. TIF funds also assisted in repaving the entire alley behind the project and adjacent properties to allow safer and more efficient access to all three businesses as well as the residential uses on the other side of the alley.

Les Schwab / Dairy Queen / 3 Rivers Pediatric Dentistry – 1515 Dearborn Avenue: The final phase of a project that redeveloped an entire block in Midtown Missoula into three new businesses at 1515 Dearborn Avenue was completed in fiscal year 2019. The project started in 2016 when the Agency Board approved a proceed without prejudice request for the developer to demolish a defunct bowling alley and car wash that had become attractive nuisance sites. Later that year the Board approved a first phase of TIF funding to reimburse the demolition costs, asbestos abatement, and right-of-way improvements associated with a new Les Schwab tire facility. The developer subsequently entered into negotiations with 3 Rivers Pediatric Dental and Dairy Queen to develop two more new businesses on the remainder of the site. The Board approved TIF reimbursement for the demolition associated with those projects in 2017, and right-of-way improvements adjacent to those projects in 2018.

Montana Ace Garden Center – 1101 Burlington Street: A subsidiary of Montana Ace Hardware, the Garden Center started as a landscape plant business in the Trempers Shopping Center. In 2008, it moved several blocks north to an unused two-acre storage yard located at 1101 Burlington Avenue. It primarily provides landscape plants, associated materials, and garden tools to homeowners and smaller commercial landscape firms. More recently, supported by MRA's Façade Improvement Program, the Garden Center was able to renovate a large warehouse next to the storage yard.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Committed Projects (Continued)

Montana Ace Garden Center – 1101 Burlington Street (Continued):

The 12,000 square foot warehouse now allows the formerly seasonal business to expand to year round service with enclosed retail space, a sizable indoor house plant inventory, Christmas tree sales, indoor greenhouses, a bird feed product area, etc. The main business entry on Burlington Avenue was a nearly blank concrete block wall. The Center's project renovated the interior to accommodate the uses described above along with restrooms for customers and employees, office space, etc. Work on the blank exterior wall included a large portion being covered with colored metal siding, new entry doors, and new windows. Additionally, a timber pergola and awnings were added over and around the new storefront. With FIP assistance the project was able to include more than just a simple entry system and enabled the use of more permanent façade materials such as heavy gauge metal siding, glass, wood, and hardi-plank. Energy efficient doors and windows were installed. The overall exterior improvements markedly enhanced the visual aesthetics of the portions of the building from Burlington Avenue, put a vacant warehouse and storage yard to retail use, and decreased energy use even with the active uses.

Montana Rail Link Park – 1930 South Avenue: The City of Missoula used funds from the Agency and the Open Space Bond to purchase a 12 acre property in the heart of Midtown Missoula from Montana Rail Link in fiscal year 2017. In 2018 the Agency funded design and construction of the 4 acre MRL neighborhood park on the south end of the property and the final segment of the Bitterroot Trail. The Agency issued bonds to reimburse the district for acquisition costs and park and trail construction costs in fiscal year 2019. The dog park was opened in late 2018, and the Agency sponsored a community celebration and ribbon cutting in spring 2019 to open the remainder of the park when the lawn had grown in sufficiently. In the future, the City anticipates redeveloping the remaining north portion of the property to include both housing and commercial components.

The most significant *committed* projects completed in the **Front Street URD** in fiscal year 2019 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 are 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 provided \$81,220 in tax increment assistance for deconstruction and site preparation costs, as well as curb and sidewalk and street tree planting in the public right-of-way. All seven units were under contract when the project was completed in May 2019. While NMCDC retains ownership of the underlying land, the finished housing units are individually owned and generating property taxes.

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Fiscal Year Ended June 30, 2019

Committed Projects (Continued)

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 Macy's Department Store. Macy's 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. Construction of the hotel continued through fiscal year 2018 and was completed in February 2019. \$3.6 million of tax increment urban renewal revenue bonds were sold in May 2019 to reimburse the developer for environmental remediation, deconstruction, select demolition, historic preservation and public infrastructure improvements. New taxes generated from the project are sufficient to pay the annual debt service on the bonds and the excess will fund future urban renewal projects in the district.

ROAM Student Housing: Completed in 2019, Lambros-Farran, LLC developed a 488-bed housing project along the 300 block of East Front Street. The project is a six-story building including 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 age market in a model that will lease by the room rather than the unit. The residence units are 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. The project will have a major impact on existing downtown businesses and has created new retail and service businesses. A tax increment financing bond was approved by the City Council to purchase the upper parking floor to be owned and managed as public parking by the Missoula Parking Commission. The total project cost is about \$38,000,000.

The \$3.2 million purchase of the parking negotiated prior to initial project construction is considerably less than the final cost of building that floor. It provides needed public parking in the District in a model recommended by the Downtown Master Plan. Although the entire Front Street URD is obligated, amortization of the TIF revenue bond is based on the project's new property taxes. Excess tax increment generated from ROAM goes back into the district to fund future urban renewal projects.

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Fiscal Year Ended June 30, 2019

Committed Projects (Continued)

The most significant *committed* project completed in the **Riverfront Triangle URD** in fiscal year 2019 was **Stockman Bank**.

Stockman Bank: Stockman Bank purchased property in downtown Missoula to construct a new six-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. The final improvements in the public right of way were completed in fiscal year 2019. In June 2019, \$1.5 million of tax increment urban renewal revenue bonds were sold to reimburse the developer for environmental remediation, demolition, burial of overhead power lines within the public right of way, and public infrastructure improvements. New taxes generated from the project are sufficient to pay the annual debt service on the bonds and contribute the district's cash balance to fund future urban renewal projects in the district.

The most significant *committed* projects completed in the **North Reserve-Scott Street (NRSS) URD** in fiscal year 2019 were **Consumer Direct – Lighting** and **Scott Street Village – Phase I-III**.

Consumer Direct – Lighting: In 2015, \$630,000 in TIF assistance was approved for extending and upgrading public infrastructure and right-of-way associated with construction of the Consumer Direct Care Network headquarters in the northwest portion of the North Reserve/Scott Street Urban Renewal District (NRSS). Construction was completed on the approximately \$23 million facility in early calendar year 2017. The assistance for Consumer Direct was packaged in a TIF revenue bond approved by the City Council along with TIF participation in other NRSS projects for public infrastructure at Phase I of the Scott Street Village residential project and an expansion of Bretz RV and Marine.

Many of Consumer Direct's nearly 300 Missoula employees use public transit service on Reserve Street or other alternative transportation methods to commute to and from work. The business was constructed at the end of what is now at night a long, dark street and safety of those employees was a growing concern of the business.

To help alleviate the nighttime safety issue, Consumer Direct requested MRA to help install pedestrian scale street lighting along the north side of Howard Raser Drive between Consumer Direct and Grant Creek Road.

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Fiscal Year Ended June 30, 2019

Committed Projects (Continued)

Consumer Direct – Lighting (Continued):

The lighting along Howard Raser Drive was of the style installed on Brooks Avenue near Dore Lane as well as in the Mary Avenue Project with LED lamps to save energy. The final project cost, which was subject to Montana Prevailing Wage Rates as required by MRA for such work, was \$77,718. The final \$12,313 residual funds remaining in that bond from project savings will be placed in the Debt Service fund.

Scott Street Village – Phases I-III: The three-phase Scott Street Village project started a residential expansion of the Northside Neighborhood that has been long advocated and hoped for by the City, 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.

The first two phases of Scott Street Village are home-ownership residential development on the former Clausen Manufacturing industrial site at the corner of Scott and Rodgers Streets. The third phase is a 60-unit apartment building just west of Phase II. Edgell Building, Inc., owned by David and Mark Edgell, is the developer of Scott Street Village assisted by Collin Bangs, a longtime Missoula real estate broker and developer. The homes in the first two phases are 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, completed near the end of calendar year 2018, included six single family homes and 18 townhouses along the public streets associated with the site. The tax increment financing eligible public infrastructure improvements for Phase II totaled \$524,868 along with eligible activities associated with Phase III estimated a \$162,000. Both TIF amounts were primarily associated with extension of water and sewer mains and finishing the public street network through and adjacent to the overall project. It was found to be much more efficient to construct Phase III improvements along with Phase II even though construction of the \$6 million, 60-unit apartment complex Phase III is anticipated to begin in 2020. Like Phase I, all utility extensions and streets constructed with TIF funds are in accordance with the adopted NRSS District Master Plan and will provide service to additional development in the neighborhood.

A tax increment revenue bond was sold in December 2017 to finance the approved eligible items. \$303,054 remains from the Phase II/Phase III TIF bond to be used by December 2020 to fund street improvements in the eastern one-third of the District.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2019

Committed Projects (Continued)

In addition to the above, the Agency financially participated in several smaller private/public partnerships and publicly funded **committed** projects during fiscal year 2019. 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.

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 a 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 2019, 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

FY19 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

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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

2019 Legislative Session

House Bill 462: Introduced during the 2019 legislative session by Tom Burnett (R), this bill proposed revising the administration of tax increment financing districts, providing for reporting on an annual basis, requiring the Department of Revenue to administer the reporting requirements and provide information to the public through the internet and biennial report, limiting certification of base taxable value of new or amended districts based on a percentage of local government taxable value, and requiring an impact analysis if the adopt or expansion of a tax increment financing provision will result in a base taxable value greater than 35% of the jurisdiction's certified taxable value. This bill died in committee. <https://www.billtrack50.com/BillDetail/1065706>

House Bill 367: Introduced during the 2019 legislative session by Rodney Garcia (R), this bill proposed requiring an urban renewal district that approves a tax increment financing provision to create a committee to make recommendations to the municipality to about the administration of the district and the tax increment financing provision. This bill died in process. <https://www.billtrack50.com/BillDetail/1050300>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

2019 Legislative Session (Continued)

Senate Bill 321: Introduced during the 2019 legislative session by Brian Hoven (R), this bill revises targeted economic development district laws; providing that the tax increment that is not utilized to pay costs or bonds by a targeted economic district that has issued bonds must be remitted to taxing jurisdictions in the same manner as it would have been distributed without tax increment financing; amending sections 7-15-4286, 7-15-4291, 20-9-104, and 20-9-141, MCA. Signed into law on May 2, 2019. <https://leg.mt.gov/bills/2019/billhtml/SB0321.htm>

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 purpose of the bonds were to 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 assist in the development of the long vacant mill site. Issuance of the 2006 TIF Revenue bonds allowed this property to become unencumbered and, at the same time, extended the life of the district 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. Five new residential buildings have been completed in the Old Sawmill District, one of which is purpose built student housing. 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, 2019

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. This infrastructure has already been a catalyst for significant private investment in the area.

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 in early fiscal year 2019 and the 4 acre MRL Park was completed later in fiscal year 2019. Additional revenue bonds were sold to reimburse the district for acquisition and improvements. The balance of the property 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. Environmental remediation is planned for fiscal year 2020 as a first step prior to development.

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. 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. The Downtown Master Plan Implementation Committee 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. The updated plan was completed in fiscal year 2019 with adoption by City Council scheduled for early fiscal year 2020.

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Currently Known Facts (Continued)

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 would 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. As a result of lack of available financing, building permits has not been issued and the deal has been restructured with approval by the City Council for the assignment of the development rights to another entity. The new goal is to break ground on the hotel and an events/civic center with residential condominiums above and structured parking below. It is anticipated that construction will begin in early fiscal year 2021.

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. 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. Work on these projects will continue for another 5 – 8 years.

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 began 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. The Design Excellence Overlay and Guidelines have been adopted by the City Council. 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2019

Currently Known Facts (Continued)

In fiscal year 2017, the City created an office of Housing and Community Development with a goal of creating the City's first housing policy and finding more targeted and efficient uses of the federal housing funds received by the City. During fiscal year 2018 and into fiscal year 2019, an intensive process was conducted involving city leaders, elected officials, developers, lenders, affordable housing providers, City staff and other interested parties crafting this new policy to address Missoula's housing shortage which exists at every level. MRA staff has played a major role in the development of this newly adopted policy and understands that the use of TIF funds will be critical in the implementation phase.

Summary

The Agency will work with its partner organizations to update and continue implementation of the new 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 expanding housing opportunities, further 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, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental Activities
CURRENT ASSETS	
Cash and investments	\$ 9,781,978
Taxes/assessments receivable, net	518,738
Current portion of notes receivable	29,959
Other current assets	89,987
Due from other governments	<u>285,727</u>
Total current assets	<u>10,706,389</u>
NONCURRENT ASSETS	
Notes receivable - unrelated	60,784
Notes receivable - primary government	535,380
Restricted cash	<u>674,645</u>
Total noncurrent assets	<u>1,270,809</u>
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized loss on debt refunding	16,093
Pension and OPEB adjustments	<u>115,331</u>
Total deferred outflows of resources	<u>131,424</u>
Total assets and deferred outflows of resources	<u>\$ 12,108,622</u>

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

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
STATEMENT OF NET POSITION (CONTINUED)
 June 30, 2019

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	Governmental Activities
CURRENT LIABILITIES	
Accounts payable	\$ 1,556,595
Accrued wages	15,451
Accrued interest	24,815
Compensated absences	88,300
Current portion of notes payable	110,000
Current portion of tax increment revenue bonds payable	<u>479,941</u>
Total current liabilities	<u>2,275,102</u>
NONCURRENT LIABILITIES	
Post employment benefits	160,783
Compensated absences, less current portion	14,686
Net pension liability	465,741
Notes payable, less current portion	5,331,477
Tax increment revenue bonds payable, less current portion	<u>35,173,994</u>
Total noncurrent liabilities	<u>41,146,681</u>
Total liabilities	<u>43,421,783</u>
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB adjustments	<u>32,993</u>
NET POSITION	
Restricted for debt service	674,645
Unrestricted	<u>(32,020,799)</u>
Total net position	<u>(31,346,154)</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 12,108,622</u></u>

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

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Governmental Activities</u>
<u>Governmental Activities</u>		
Housing and community development	\$ 17,460,601	\$ (17,460,601)
Interest expense	<u>1,491,349</u>	<u>(1,491,349)</u>
Total governmental activities	<u>18,951,950</u>	<u>(18,951,950)</u>
 Total primary government	 <u>\$ 18,951,950</u>	 <u>(18,951,950)</u>
<u>General Revenues</u>		
Property taxes for general purposes		7,390,033
State contribution - PERS		10,418
State entitlement funds (HB124)		255,260
Personal property reimbursement (SB372 and SB96)		528,472
Miscellaneous		<u>166,453</u>
Total general revenues		<u>8,350,636</u>
 Change in net position		 (10,601,314)
 Net Position		
Beginning of year		<u>(20,744,840)</u>
End of year		<u>\$ (31,346,154)</u>

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

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2019

	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	\$ 3,077,002	\$ 3,772,071	\$ 415,398	\$ 181,538	\$ 937,905	\$ 152,332	\$ 1,245,688	\$ 9,781,978
Taxes/assessments receivable, net	-	-	-	-	-	-	9,598	509,140	518,738
Current portion of notes receivable	-	12,194	15,633	-	-	2,132	-	-	29,959
Other current assets	-	-	5,577	-	-	-	-	84,410	89,987
Due from other governments	-	-	-	-	-	-	8,453	277,274	285,727
Interfund receivable	-	149,833	148,978	20,328	28,801	149,299	-	-	497,239
	<u>44</u>	<u>3,239,029</u>	<u>3,942,259</u>	<u>435,726</u>	<u>210,339</u>	<u>1,089,336</u>	<u>170,383</u>	<u>2,116,512</u>	<u>11,203,628</u>
NONCURRENT ASSETS									
Notes receivable - unrelated	-	-	60,784	-	-	-	-	-	60,784
Notes receivable - primary government	-	400,652	60,121	-	-	74,607	-	-	535,380
Restricted cash	-	-	-	-	-	-	-	674,645	674,645
	<u>-</u>	<u>400,652</u>	<u>120,905</u>	<u>-</u>	<u>-</u>	<u>74,607</u>	<u>-</u>	<u>674,645</u>	<u>1,270,809</u>
Total assets	<u>\$ 44</u>	<u>\$ 3,639,681</u>	<u>\$ 4,063,164</u>	<u>\$ 435,726</u>	<u>\$ 210,339</u>	<u>\$ 1,163,943</u>	<u>\$ 170,383</u>	<u>\$ 2,791,157</u>	<u>\$12,474,437</u>
LIABILITIES									
CURRENT LIABILITIES									
Accounts payable	\$ -	\$ 197,918	\$ 985,868	\$ 32,453	\$ 7,500	\$ 296,552	\$ 36,304	\$ -	\$ 1,556,595
Accrued wages	-	-	15,451	-	-	-	-	-	15,451
Interfund payable	-	-	-	-	-	-	-	497,239	497,239
Accrued interest	-	-	-	-	-	-	-	24,815	24,815
Total liabilities	<u>-</u>	<u>197,918</u>	<u>1,001,319</u>	<u>32,453</u>	<u>7,500</u>	<u>296,552</u>	<u>36,304</u>	<u>522,054</u>	<u>2,094,100</u>
DEFERRED INFLOW OF RESOURCES									
Uncollected tax revenue	-	-	-	-	-	-	321	289,175	289,496
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>321</u>	<u>289,175</u>	<u>289,496</u>
FUND BALANCES									
Nonspendable	-	-	66,361	-	-	-	-	-	66,361
Restricted	<u>44</u>	<u>3,441,763</u>	<u>2,995,484</u>	<u>403,273</u>	<u>202,839</u>	<u>867,391</u>	<u>133,758</u>	<u>1,979,928</u>	<u>10,024,480</u>
Total fund balance	<u>44</u>	<u>3,441,763</u>	<u>3,061,845</u>	<u>403,273</u>	<u>202,839</u>	<u>867,391</u>	<u>133,758</u>	<u>1,979,928</u>	<u>10,090,841</u>
Total liabilities deferred inflows and fund balances	<u>\$ 44</u>	<u>\$ 3,639,681</u>	<u>\$ 4,063,164</u>	<u>\$ 435,726</u>	<u>\$ 210,339</u>	<u>\$ 1,163,943</u>	<u>\$ 170,383</u>	<u>\$ 2,791,157</u>	<u>\$12,474,437</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, 2019

Total fund balances - governmental funds	\$ 10,090,841
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	289,496
Deferred outflows of resources related to unamortized loss on debt refunding are applicable to future periods and, therefore, are not reported in the funds	16,093
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	115,331
Deferred inflows of resources related to pensions and post employment benefits	(32,993)
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>(41,824,922)</u>
Total net position - governmental activities	<u>\$ (31,346,154)</u>

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

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, 2019

	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	\$ -	\$ -	\$ -	\$ -	\$ 169,852	\$ -	\$ 142,726	\$ 7,052,146	\$ 7,364,724
State contribution - PERS	-	-	449	-	-	-	-	-	449
State entitlement funds (HB124)	-	-	-	-	-	-	-	255,260	255,260
Personal property reimbursement (SB372 and SB96)	-	-	-	-	9,316	-	-	519,156	528,472
Miscellaneous	-	33,087	12,107	3,354	424	972	47	18,840	68,831
Total revenues	-	33,087	12,556	3,354	179,592	972	142,773	7,845,402	8,217,736
EXPENDITURES									
Housing and community development	-	1,031,246	4,173,911	3,940,826	1,790,344	1,284,092	119,999	-	12,340,418
Capital outlay	-	578,907	1,284,827	3,200,000	4,995	-	-	-	5,068,729
Debt service expense - interest	-	-	-	-	-	-	-	1,491,349	1,491,349
Debt service expense - principal	-	-	-	-	-	-	-	1,504,987	1,504,987
Total expenditures	-	1,610,153	5,458,738	7,140,826	1,795,339	1,284,092	119,999	2,996,336	20,405,483
Excess (deficiency) of revenues over expenditures	-	(1,577,066)	(5,446,182)	(7,137,472)	(1,615,747)	(1,283,120)	22,774	4,849,066	(12,187,747)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	1,845,582	2,677,977	39,135	150,063	900,550	-	3,083,058	8,696,365
Transfers out	-	(285,595)	(2,815)	-	(100,000)	(462,400)	(18,992)	(7,826,563)	(8,696,365)
Issuance of long-term debt	-	-	3,921,186	6,847,855	1,529,318	686,896	-	-	12,985,255
Total other financing sources (uses)	-	1,559,987	6,596,348	6,886,990	1,579,381	1,125,046	(18,992)	(4,743,505)	12,985,255
Net change in fund balances	-	(17,079)	1,150,166	(250,482)	(36,366)	(158,074)	3,782	105,561	797,508
FUND BALANCES									
Beginning of year	44	3,458,842	1,911,679	653,755	239,205	1,025,465	129,976	1,874,367	9,293,333
End of year	\$ 44	\$ 3,441,763	\$ 3,061,845	\$ 403,273	\$ 202,839	\$ 867,391	\$ 133,758	\$ 1,979,928	\$ 10,090,841

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, 2019

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

Net change in fund balances - total governmental funds	\$ 797,508
Proceeds from long-term debt agreements are revenues in the governmental funds, but increase long-term liabilities in the statement of net position	(12,985,255)
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	25,309
The change in compensated absences payable is reported in the statement of activities as a reduction to expense	(12,079)
The change in the other postemployment benefits is reported in the statement of activities as an expense	(12,858)
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 an expense	(29,447)
On-behalf State contributions to pensions are revenues in the statement of activities, but do not provide current financial resources to the governmental fund	10,418
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	(731)
The change in the guarantor payable is reported in the statement of activities as revenue	100,834
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>1,504,987</u>
Change in net position - statement of activities	<u><u>\$ (10,601,314)</u></u>

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

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 September 13, 2018. Front Street URD was scheduled to terminate in 2022 but was extended to 2043 through the issuance of a revenue bond on May 10, 2019. Riverfront Triangle URD was scheduled to terminate in 2023 but was extended to 2043 through the issuance of a revenue bond on June 6, 2019. 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, 2019

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, 2019

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 off set 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, 2019

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, 2019

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 2019:

- *GASB Statement No. 83, Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on guidance in this Statement. This Statement is effective for years beginning after June 15, 2018.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

- *GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The Statement improves consistency in the information that is disclosed in the notes to government financial statements related to debt and provides financial statement users with additional essential information about debt, including amounts of unused lines of credit, assets pledged as collateral for debt, and terms specified in debt agreements related to significant events of default or termination events with finance-related consequences and subjective acceleration clauses. This Statement is effective for years beginning after June 15, 2018.

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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). 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 2018 property tax billing are as follows:

	<u>Taxable Value</u>	<u>Increment Value</u>
Urban Renewal District II	\$ 4,600,200	\$ 2,470,377
Urban Renewal District III	11,134,939	2,962,095
Front Street Urban Renewal District	1,931,931	518,896
Riverfront Triangle Urban Renewal District	702,205	544,347
Hellgate Urban Renewal District	1,175,577	150,129
North Reserve Scott Street Urban Renewal District	2,698,231	1,207,026

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, 2019

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	\$ 10,322,701
Cash on Hand	9,239
Certificates of Deposit	124,683
Less restricted cash held for debt service reserve	<u>(674,645)</u>
	<u><u>\$ 9,781,978</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, 2019:

Prepaid expenses	\$ 5,577
Other receivables	<u>84,410</u>
	<u><u>\$ 89,987</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, 2019, the note had an outstanding balance of \$12,200. 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, 2019, the notes had an outstanding balance of \$5,184 and \$43,400, respectively.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

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, 2019, the outstanding balances of all the City of Missoula notes were \$412,846, \$75,754 and \$76,739 in URD II, URD III, and the NRSS, respectively.

Collections to maturity at June 30, 2019, are as follows:

Year Ending June 30,	Principal
2020	\$ 29,959
2021	29,947
2022	29,947
2023	23,847
2024	23,847
Thereafter	488,577
Total	<u>\$ 626,123</u>

NOTE 5. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences	\$ 90,907	\$ 12,079		\$ 102,986	\$ 88,300
MAEDC Note - direct borrowing	1,558,917	-	(18,615)	1,540,302	-
MPC Note	2,572,000	-	(110,000)	2,462,000	110,000
Stockman Bank Note - direct borrowing	-	1,529,318	(90,143)	1,439,175	-
Guarantor Payable	97,619	-	(97,619)	-	-
Bonds Payable - direct placement	21,974,226	11,455,938	(1,090,829)	32,339,335	280,341
Bonds Payable	3,510,000	-	(195,400)	3,314,600	199,600
Total	<u>\$ 29,803,669</u>	<u>\$ 12,997,335</u>	<u>\$ (1,602,606)</u>	<u>\$ 41,198,398</u>	<u>\$ 678,241</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

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, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	170,000	78,841	248,841
2025-2029	980,000	255,239	1,235,239
2030-2032	460,000	33,012	493,012
Total	<u>\$ 2,210,000</u>	<u>\$ 756,998</u>	<u>\$ 2,966,998</u>

Silver Park, Wyoming Street and Trestle Bonds – Direct Placement

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, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Silver Park, Wyoming Street and Trestle Bonds – Direct Placement (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, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 146,000	\$ 66,481	\$ 212,481
2021	299,000	126,032	425,032
2022	308,000	116,534	424,534
2023	318,000	106,754	424,754
2024	329,000	96,658	425,658
2025-2029	1,806,000	322,024	2,128,024
2030-2032	1,015,000	48,433	1,063,433
Total	<u>\$ 4,221,000</u>	<u>\$ 882,916</u>	<u>\$ 5,103,916</u>

Intermountain Lumber Site – Direct Placement

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, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Intermountain Lumber Site – Direct Placement (Continued)

Debt service requirements to maturity on the May 2013 tax increment bonds at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 44,000	\$ 28,911	\$ 72,911
2021	91,000	54,995	145,995
2022	95,000	51,085	146,085
2023	99,000	47,005	146,005
2024	103,500	42,755	146,255
2025-2029	585,500	143,448	728,948
2030-2032	342,500	22,153	364,653
Total	<u>\$ 1,360,500</u>	<u>\$ 390,352</u>	<u>\$ 1,750,852</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, 2019, has been estimated at \$116,456. In 2019 the previously recorded Guarantor provision was reversed as the Agency does not consider the loss probable. No provision has been made at June 30, 2019.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

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, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 59,600	\$ 75,755	\$ 135,355
2021	65,000	71,585	136,585
2022	70,000	66,894	136,894
2023	75,000	62,029	137,029
2024	80,000	56,642	136,642
2025-2029	500,000	188,866	688,866
2030-2031	<u>255,000</u>	<u>22,761</u>	<u>277,761</u>
Total	<u>\$ 1,104,600</u>	<u>\$ 544,532</u>	<u>\$ 1,649,132</u>

South Reserve Street Pedestrian Bridge Bonds – Direct Placement

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, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 100,268	\$ 100,268
2021	140,000	197,490	337,490
2022	145,000	191,291	336,291
2023	150,000	184,875	334,875
2024	160,000	178,133	338,133
2025-2029	895,000	779,194	1,674,194
2030-2034	1,110,000	561,585	1,671,585
2035-2039	1,375,000	292,864	1,667,864
2040-2041	<u>635,000</u>	<u>27,949</u>	<u>662,949</u>
Total	<u>\$ 4,610,000</u>	<u>\$ 2,513,649</u>	<u>\$ 7,123,649</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

North Reserve/Scott Street Bonds – Direct Placement

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, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 27,754	\$ 28,810	\$ 56,564
2021	57,392	55,732	113,124
2022	60,004	53,121	113,125
2023	62,734	50,390	113,124
2024	65,589	47,535	113,124
2025-2029	375,527	190,094	565,621
2030-2034	469,109	96,512	565,621
2035-2036	162,328	7,359	169,687
Total	<u>\$ 1,280,437</u>	<u>\$ 529,553</u>	<u>\$ 1,809,990</u>

Front Street Series A Bonds – Direct Placement

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, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Front Street Series A Bonds – Direct Placement (Continued)

Debt service requirements to maturity on the January 2017 tax increment bonds at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 32,028	\$ 32,028
2021	26,500	63,293	89,793
2022	28,000	61,726	89,726
2023	29,500	60,073	89,573
2024	31,500	58,319	89,819
2025-2029	185,500	261,611	447,111
2030-2034	245,500	199,942	445,442
2035-2039	324,500	118,608	443,108
2040-2042	243,000	21,476	264,476
Total	<u>\$ 1,114,000</u>	<u>\$ 877,076</u>	<u>\$ 1,991,076</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, 2019, the City reports deferred outflows of resources in the amount of \$16,093 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 – Direct Placement

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, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Front Street Series B Bonds – Direct Placement (Continued)

Debt service requirements to maturity on the January 2017 tax increment bonds at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 5,940	\$ 5,940
2021	7,000	11,723	18,723
2022	7,500	11,396	18,896
2023	8,000	11,048	19,048
2024	8,500	10,676	19,176
2025-2029	47,500	47,306	94,806
2030-2034	59,500	35,291	94,791
2035-2039	73,500	20,374	93,874
2040-2042	52,500	3,634	56,134
Total	<u>\$ 264,000</u>	<u>\$ 157,388</u>	<u>\$ 421,388</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 – Direct Placement

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, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Front Street Series C Bonds – Direct Placement (Continued)

Debt service requirements to maturity on the January 2017 tax increment bonds at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 71,210	\$ 71,210
2021	87,179	140,459	227,638
2022	91,102	136,448	227,550
2023	95,201	132,256	227,457
2024	99,486	127,875	227,361
2025-2029	568,750	566,451	1,135,201
2030-2034	708,767	423,285	1,132,052
2035-2039	883,252	244,873	1,128,125
2040-2042	631,162	43,437	674,599
Total	<u>\$ 3,164,899</u>	<u>\$ 1,886,294</u>	<u>\$ 5,051,193</u>

URD III Series A – Mary Avenue West Bonds – Direct Placement

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, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

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

Debt service requirements to maturity on the June 2017 tax increment bonds at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 35,340	\$ 35,340
2021	45,000	69,634	114,634
2022	45,000	67,541	112,541
2023	50,000	65,333	115,333
2024	50,000	63,008	113,008
2025-2029	295,000	276,094	571,094
2030-2034	365,000	199,834	564,834
2035-2039	455,000	104,741	559,741
2040-2041	215,000	10,114	225,114
Total	<u>\$ 1,520,000</u>	<u>\$ 891,639</u>	<u>\$ 2,411,639</u>

URD III – Mary Avenue East Bonds – Direct Placement

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, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

URD III – Mary Avenue East Bonds – Direct Placement (Continued)

Debt service requirements to maturity on the October 2015 tax increment bonds at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 294,865	\$ 294,865
2021	201,000	286,295	487,295
2022	210,000	277,356	487,356
2023	219,000	268,025	487,025
2024	228,000	258,303	486,303
2025-2029	1,301,000	1,130,108	2,431,108
2030-2034	1,609,000	814,733	2,423,733
2035-2039	1,991,000	424,669	2,415,669
2040-2041	923,000	40,564	963,564
Total	<u>\$ 6,682,000</u>	<u>\$ 3,794,918</u>	<u>\$10,476,918</u>

Scott Street Village – Phase 2 & 3 Bonds – Direct Placement

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 4.75%, 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, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

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

Debt service requirements to maturity on the December 2017 tax increment bonds at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 8,475	\$ 16,475	\$ 24,950
2021	17,559	32,342	49,901
2022	18,403	31,498	49,901
2023	19,288	30,613	49,901
2024	20,215	29,686	49,901
2025-2029	116,618	132,888	249,506
2030-2034	147,470	102,036	249,506
2035-2039	186,485	63,021	249,506
2040-2043	159,178	15,477	174,655
Total	<u>\$ 693,691</u>	<u>\$ 454,036</u>	<u>\$ 1,147,727</u>

URD III Series 2018A – MRL – Direct Placement

In August 2018, the City of Missoula approved the sale of \$1,239,404 of Tax Increment Urban Renewal Revenue Bonds in District III. The bonds were issued in September 2018 to finance the acquisition of the Montana Rail Link (MRL) property and the undertaking of certain improvements. The bonds were on parity with other URD III bonds. The bonds were issued at par, bear interest of 5.25%, 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, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

URD III Series 2018A – MRL – Direct Placement (Continued)

Debt service requirements to maturity on the September 2018 tax increment bonds at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 15,944	\$ 31,396	\$ 47,340
2021	33,155	61,526	94,681
2022	34,918	59,762	94,680
2023	36,775	57,905	94,680
2024	38,732	55,949	94,681
2025-2029	226,839	246,564	473,403
2030-2034	293,934	179,469	473,403
2035-2039	380,873	92,529	473,402
2040-2041	134,878	7,142	142,020
Total	<u>\$ 1,196,048</u>	<u>\$ 792,242</u>	<u>\$ 1,988,290</u>

URD III Series 2018B – MRL – Direct Placement

In August 2018, the City of Missoula approved the sale of \$2,681,782 of Tax Increment Urban Renewal Revenue Bonds in District III. The bonds were issued in September 2018 to finance the acquisition of the Montana Rail Link (MRL) property and the undertaking of certain improvements. The bonds were on parity with other URD III bonds. The bonds were issued at par, bear interest of 4.375%, 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, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

URD III Series 2018B – MRL – Direct Placement (Continued)

Debt service requirements to maturity on the September 2018 tax increment bonds at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 38,169	\$ 54,857	\$ 93,026
2021	78,861	107,079	185,940
2022	82,349	103,437	185,786
2023	85,990	99,634	185,624
2024	89,793	95,662	185,455
2025-2029	512,170	434,965	947,135
2030-2034	635,905	311,232	947,137
2035-2039	789,531	157,604	947,135
2040-2041	272,148	11,992	284,140
Total	<u>\$ 2,584,916</u>	<u>\$ 1,376,462</u>	<u>\$ 3,961,378</u>

Front Street Series 2019 – Direct Placement

In February 2019, the City of Missoula approved the sale of \$3,647,844 of Tax Increment Urban Renewal Revenue Bonds in the Front Street District. The bonds were issued in May 2019 for the Mercantile Project and related improvements. The bonds were issued at par, bear interest of 4.00%, and are secured by a first lien upon and pledge of tax increment revenues derived from the Front Street District. The bond resolution requires, among other things, that the 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, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Front Street Series 2019 – Direct Placement (Continued)

Debt service requirements to maturity on the May 2019 tax increment bonds at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 93,628	\$ 93,628
2021	73,969	144,434	218,403
2022	97,599	141,003	238,602
2023	101,503	137,021	238,524
2024	105,563	132,880	238,443
2025-2029	594,635	596,243	1,190,878
2030-2034	723,465	464,837	1,188,302
2035-2039	880,205	304,961	1,185,166
2040-2044	1,070,905	110,448	1,181,353
Total	<u>\$ 3,647,844</u>	<u>\$ 2,125,455</u>	<u>\$ 5,773,299</u>

Notes Payable

Riverfront Triangle Series 2019 – Direct Borrowing

In March 2019, the City of Missoula approved the sale of \$1,529,318 of Tax Increment Urban Renewal Revenue Note in the Riverfront Triangle District. The note was issued in June 2019 for the Stockman Bank Project and related infrastructure improvements. The note was issued at par, bear interest of 4.00%, and are secured by a first lien upon and pledge of tax increment revenues derived from the Riverfront Triangle District. The note resolution requires, among other things, that the Riverfront Triangle District's tax increment revenues be deposited in a debt service fund as required to pay principal and interest on the note 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 Riverfront Triangle District, to redeem all or a portion of the note 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, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Riverfront Triangle Series 2019 – Direct Borrowing (Continued)

Debt service requirements to maturity on the Riverfront note payable at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 28,784	\$ 28,784
2021	36,824	56,831	93,655
2022	38,297	55,328	93,625
2023	39,829	53,766	93,595
2024	41,421	52,141	93,562
2025-2029	233,329	233,959	467,288
2030-2034	283,880	182,397	466,277
2035-2039	345,383	119,664	465,047
2040-2044	420,212	43,339	463,551
Total	<u>\$ 1,439,175</u>	<u>\$ 826,209</u>	<u>\$ 2,265,384</u>

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.

Debt service requirements to maturity on the MPC note payable at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	122,000	83,370	205,370
2025-2029	682,000	339,632	1,021,632
2030-2034	826,000	189,260	1,015,260
2035-2036	378,000	24,795	402,795
Total	<u>\$ 2,462,000</u>	<u>\$ 1,008,297</u>	<u>\$ 3,470,297</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Brownfields RLF Note Payable – Direct Borrowing

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.

Debt service requirements to maturity on the Brownfields note payable at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 23,384	\$ 23,384
2021	-	23,512	23,512
2022	88,782	23,320	112,102
2023	177,562	21,373	198,935
2024	177,562	18,668	196,230
2025-2029	887,812	53,630	941,442
2030-2031	208,584	3,104	211,688
Total	<u>\$ 1,540,302</u>	<u>\$ 166,991</u>	<u>\$ 1,707,293</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%.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

2010 Series First Interstate Bank Note Payable (Continued)

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.

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, 2019, the Agency had commitments totaling \$5,149,410 that will be financed from operating funds and bond proceeds.

Urban Renewal District II:

Public:

Bitterroot Trail Connection	\$ 365,477
Legal Services	10,000
Public Art	25,000
YWCA Expansion	142,404
West Broadway Island	78,233
Wyoming Street Reconstruction	653,290

Private:

Blackfoot River Outfitters	80,582
Burton Street Apartments	123,994
DJ&A Office Building	301,432
The Row at Milwaukee Trail	<u>122,239</u>
	<u><u>\$ 1,902,651</u></u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 6. COMMITMENTS (CONTINUED)

Urban Renewal District III:

Public:

Legal Services	\$ 8,000
Brooks Street Corridor	3,689
Fire Hydrant	15,000
Mary Avenue East - Bond	16,120
Missoula County Fairgrounds	1,155,500
MRL Park	163,233
Street Trees	8,164

Private:

Aspen Grove Therapy & Wellness	154,200
Tremper's Kent Plaza	376,100
Cornerstone Dental	50,000
Dram Shop Central	50,000
The Trail Head	150,000
Stockman Bank	454,941
	<u>\$ 2,604,947</u>

Front Street Urban Renewal District:

Private:

Levasseur Street Townhomes	\$ 191,870
Radius Gallery	146,888
	<u>\$ 338,758</u>

North Reserve/Scott Street Urban Renewal District:

Private:

Scott Street Village - Phase II & III	<u>\$ 303,054</u>
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NOTE 7. PENSION PLAN

Montana Public Employee's Retirement System (PERS)

Pension Amount Totals

Employers are provided guidance in GASB Statement 68, paragraph 74, that pension amounts must be combined as a total or aggregate for reporting. This is true when employees are provided benefits through more than one pension, whether cost-sharing, single-employer, or agent plans.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 7. PENSION PLAN (CONTINUED)

Montana Public Employee's Retirement System (PERS) (Continued)

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Special Funding

The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers.

Not Special Funding

Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions.

The proportionate shares of the Agency's and the state of Montana's NPL for June 30, 2019 and 2018, are displayed below. The Agency's proportionate share equals the ratio of the Agency's contributions to the sum of all Agency and non-Agency contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid.

As of June 30, 2019, the Agency recorded a liability of \$465,741 and the Agency's proportionate share was 0.02231%.

	Net Pension Liability as of 6/30/2019	Net Pension Liability as of 6/30/2018	Percent of Collective NPL as of 6/30/2019	Percent of Collective NPL as of 6/30/2018	Change in Percent of Collective NPL
Agency's Proportionate Share	\$ 465,741	\$ 503,250	0.02231%	0.02584%	-0.00352%
State of Montana Proportionate Share associated with Agency	156,105	6,819	0.03002%	0.03475%	-0.00473%
Total	<u>\$ 621,846</u>	<u>\$ 510,069</u>	<u>0.05233%</u>	<u>0.06059%</u>	<u>-0.00826%</u>

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 7. PENSION PLAN (CONTINUED)

Montana Public Employee's Retirement System (PERS) (Continued)

Net Pension Liability (Continued)

Changes in Actuarial Assumptions and Methods:

There were no changes in assumptions or other inputs that affected the measurement of the TPL.

Changes in Benefit Terms:

There have been no changes in benefit terms since the previous measurement date.

Changes in Proportionate Share:

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense

	Pension Expense <u>as of 6/30/2019</u>	Pension Expense <u>as of 6/30/2018</u>
Agency's		
Proportionate Share of PERS	\$ 61,062	\$ 67,596
State of Montana Proportionate Share associated with the Agency	10,418	364
State of Montana Coal Tax associated with the Agency	-	7,199
Total	<u>\$ 71,480</u>	<u>\$ 75,159</u>

At June 30, 2019, the Agency recognized its proportionate share of the PERS' Pension Expense of \$61,062. The Agency also recognized grant revenue of \$10,418 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 \$-0- from the Coal Tax Fund.

MISSOULA REDEVELOPMENT AGENCY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 7. PENSION PLAN (CONTINUED)

Montana Public Employee's Retirement System (PERS) (Continued)

Recognition of Deferred Inflows and Outflows

At June 30, 2019, 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	\$ 35,416	\$ -
Changes in assumptions	39,605	-
Difference between projected and actual earnings on pension plan investments	-	7,233
Changes in proportionate differences between Agency contributions and proportionate share of contributions	-	16,501
Difference between actual and expected contributions	-	-
Contributions paid to PERS subsequent to the measurement date – fiscal year 2019*	<u>37,957</u>	<u>-</u>
Total	<u>\$ 112,978</u>	<u>\$ 23,734</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, 2020.

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

<u>Year Ended June 30:</u>	<u>Amounts of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension Expense</u>
2020	\$ 39,527
2021	29,430
2022	(14,698)
2023	(2,972)

MISSOULA REDEVELOPMENT AGENCY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 7. PENSION PLAN (CONTINUED)

Montana Public Employee's Retirement System (PERS) (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:

Hired prior to July 1, 2011:	Age 50, 5 years of membership service; or Any age, 25 years of membership service.
Hired on or after July 1, 2011:	Age 55, 5 years of membership service.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 7. PENSION PLAN (CONTINUED)

Montana Public Employee's Retirement System (PERS) (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
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 7. PENSION PLAN (CONTINUED)

Montana Public Employee's Retirement System (PERS) (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, 2019

NOTE 7. PENSION PLAN (CONTINUED)

Montana Public Employee's Retirement System (PERS) (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 &	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Universities Employer	Employer	State	Employer	State
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
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.
 - c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

MISSOULA REDEVELOPMENT AGENCY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 7. PENSION PLAN (CONTINUED)

Montana Public Employee's Retirement System (PERS) (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.
- iii. The state contributed a Statutory Appropriation from the General Fund of \$33,454,182.

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 6.30%

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 7. PENSION PLAN (CONTINUED)

Montana Public Employee's Retirement System (PERS) (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
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 7. PENSION PLAN (CONTINUED)

Montana Public Employee's Retirement System (PERS) (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, 2019, are summarized below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	<u>8.00%</u>	4.00%
Total	100.00%	

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
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 7. PENSION PLAN (CONTINUED)

Montana Public Employee's Retirement System (PERS) (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	\$ 30,175,261	\$ 20,480,969	\$13,219,337
Missoula Redevelopment Agency's Net Pension Liability	\$ 673,569	\$ 465,741	\$ 295,081

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).

Employer Contributions and the Defined Contribution Plan

The Agency contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.

Member and employer contribution rates are specified by state law 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 7. PENSION PLAN (CONTINUED)

Montana Public Employee's Retirement System (PERS) (Continued)

Employer Contributions and the Defined Contribution Plan (Continued)

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the reporting period ended June 30, 2019, the Authority did not recognize any net pension liability or pension expense for the *defined contribution plan*. Plan level non-vested forfeitures for the 316 employers that have participants in the PERS-DCRP totaled \$746,144.

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	\$ 1,845,582	\$ 285,595
Urban Renewal District III	2,677,977	2,815
Front Street URD	39,135	-
Riverfront URD	150,063	100,000
NRSS URD	900,550	462,400
Hellgate URD	-	18,992
Debt Service	<u>3,083,058</u>	<u>7,826,563</u>
	<u><u>\$ 8,696,365</u></u>	<u><u>\$ 8,696,365</u></u>

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

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 01, 2018, which was used for the June 30, 2019 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

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

The retiree and Agency contribution rates for the plan for fiscal year 2019 were used for the June 30, 2019 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 2019, as well as deferred inflows and outflows of resources and OPEB expense recognized.

Changes in OPEB Liability	
OPEB Liability, Beginning Balance	\$ 154,831
Service Cost	8,955
Interest	5,202
Difference between expected and actual experience	(7,572)
Changes in assumptions	2,668
Employer Contributions	(3,301)
OPEB Liability, Ending Balance	<u>\$ 160,783</u>
Deferred Inflows of Resources	
Deferred Inflows of Resources, Beginning Balance	\$ (3,285)
Difference between expected and actual experience	(7,572)
Current year amortization of experience differences	1,598
Ending Balance	<u>\$ (9,259)</u>
Deferred Outflow of Resources	
Deferred Outflow of Resources, Beginning Balance	\$ 70
Changes in assumptions	2,668
Current year amortization of assumption changes	(385)
Ending Balance	<u>\$ 2,353</u>
OPEB Expense	<u>\$ 9,643</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

The Agency's total OPEB liability is \$160,783 as of June 30, 2019 and was determined by a roll forward actuarial valuation as of that date. 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	3.36% - S&P Municipal Bond 20 Year High Grade Rate Index as of July 1, 2019
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	<u>Effective July 1</u>	<u>Trend Rate</u>
	2019	6.20%
	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, 2018.

Changes of Assumptions

Discount Rate		
	6/30/2018	3.45%
	6/30/2019	3.36%

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%.

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

	1% Decrease (2.23%)	Discount Rate (3.36%)	1% Increase (4.36%)
Total OPEB Liability	<u>\$ 195,039</u>	<u>\$ 160,783</u>	<u>\$ 134,292</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>\$ 131,054</u>	<u>\$ 160,783</u>	<u>\$ 200,477</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2019 was 7.11 years. Amounts reported as deferred inflows and outflows of resources will be recognized in OPEB expense as follows.

Year	Actual to Expected Experience (Inflow)	Changes in Assumptions (Outflow)	Combined
2020	\$ (1,061)	\$ 374	\$ (687)
2021	(1,061)	374	(687)
2022	(1,061)	374	(687)
2023	(1,061)	374	(687)
2024	(1,061)	374	(687)
Thereafter	<u>(1,210)</u>	<u>426</u>	<u>(784)</u>
Total	<u>\$ (6,515)</u>	<u>\$ 2,296</u>	<u>\$ (4,219)</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, 2019.

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.

NOTE 11. RELATED PARTY TRANSACTIONS

The Agency paid the City of Missoula \$315,456 for Administrative Services for fiscal year 2019 including \$285,470 for administrative assistance, \$5,704 for the Agency's pro rata contribution to the City's employee health benefits fund, \$4,397 for the City's worker's compensation fund, and \$19,885 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.

As set forth in the Tax Increment Remittance Agreement, dated November 21, 2018, the Agency paid the City of Missoula \$750,000 in fiscal year 2019.

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

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, 2019, the Agency had a total fund balance in Governmental funds of \$10,090,841. In accordance with GASB Statement No. 54 this fund balance has been classified as follows:

Special Revenue Funds		
Nonspendable	\$ 66,361	Prepaid expenses and notes receivable
Restricted	8,044,552	Restricted for urban renewal development
Debt Service		
Restricted	<u>1,979,928</u>	Restricted for debt service
	<u>\$ 10,090,841</u>	

NOTE 13. SUBSEQUENT EVENTS

Subsequent to June 30, 2019, as set forth in the Tax Increment Remittance Agreement for Fiscal Year 2019-20, the Agency agrees to remit Available Tax Increment received in fiscal year 2019-2020 to the applicable Taxing Bodies. The aggregate amount to be remitted is as follows:

- Urban Transportation District, \$111,637;
- State, \$119,751;
- County, \$536,662, plus \$305,484 for countywide schools;
- City, \$725,000;
- Missoula High School District, \$299,466;
- Missoula Elementary District, \$493,074; and
- Hellgate Elementary District, \$137,101.

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 2020 and the second payment expected to be made in July 2020. 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 14. DEFICIT NET POSITION

As of June 30, 2019, the Agency had a deficit net position of \$31,346,154. 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 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, 2019

	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, 2018	\$ 3,458,842	\$ 3,458,842	\$ 3,458,842	\$ -	\$ 1,911,679	\$ 1,911,679	\$ 1,911,679	\$ -
Resources (Inflows):								
Miscellaneous	-	-	33,087	33,087	-	-	12,107	12,107
Investment earnings (expense)	-	-	-	-	-	-	-	-
Tax increment property tax	-	-	-	-	-	-	-	-
State contribution PERS	-	-	-	-	-	-	449	449
State personal property tax reimbursement	-	-	-	-	-	-	-	-
Grant	-	-	-	-	-	-	-	-
State entitlement	-	-	-	-	-	-	-	-
Long-term debt proceeds	-	-	-	-	3,920,000	5,076,686	3,921,186	(1,155,500)
Transfers in	<u>2,360,455</u>	<u>1,942,516</u>	<u>1,845,582</u>	<u>(96,934)</u>	<u>2,400,701</u>	<u>2,371,808</u>	<u>2,677,977</u>	<u>306,169</u>
Amounts available for appropriation	<u>\$ 5,819,297</u>	<u>\$ 5,401,358</u>	<u>5,337,511</u>	<u>\$ (63,847)</u>	<u>\$ 8,232,380</u>	<u>\$ 9,360,173</u>	<u>8,523,398</u>	<u>\$ (836,775)</u>
Charges to Appropriations (Outflows):								
Housing and community development	\$ 4,528,387	\$ 4,671,356	1,031,246	\$ 3,640,110	\$ 6,554,257	\$ 7,658,911	4,173,911	\$ 3,485,000
Capital outlay	757,750	680,000	578,907	101,093	1,813,940	1,301,260	1,284,827	16,433
Transfers to other governments	-	-	-	-	-	-	-	-
Transfers out	<u>250,000</u>	<u>50,000</u>	<u>285,595</u>	<u>(235,595)</u>	<u>-</u>	<u>-</u>	<u>2,815</u>	<u>(2,815)</u>
Total charges to appropriations	<u>\$ 5,536,137</u>	<u>\$ 5,401,356</u>	<u>1,895,748</u>	<u>\$ 3,505,608</u>	<u>\$ 8,368,197</u>	<u>\$ 8,960,171</u>	<u>5,461,553</u>	<u>\$ 3,498,618</u>
Budgetary Fund Balance, June 30, 2019			<u>\$ 3,441,763</u>				<u>\$ 3,061,845</u>	

Budget and Actual are presented on the budget basis of accounting. The Agency prepares its budget on the cash basis. Generally accepted accounting principles (GAAP) require the use of the modified accrual basis of accounting for governmental fund financial statements.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS (CONTINUED)
For the Year Ended June 30, 2019

	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, 2018	\$ 653,755	\$ 653,755	\$ 653,755	\$ -	\$ 239,205	\$ 239,205	\$ 239,205	\$ -
Resources (Inflows):								
Miscellaneous	-	-	3,354	3,354	-	-	424	424
Investment earnings (expense)	-	-	-	-	-	-	-	-
Tax increment property tax	-	-	-	-	172,852	499,355	169,852	(329,503)
State contribution PERS	-	-	-	-	-	-	-	-
State personal property tax reimbursement	-	-	-	-	9,316	9,316	9,316	-
Grant	-	-	-	-	-	-	-	-
State entitlement	-	-	-	-	-	-	-	-
Long-term debt proceeds	6,797,856	6,797,856	6,847,855	49,999	1,512,105	1,512,105	1,529,318	17,213
Transfers in	<u>74,465</u>	<u>33,373</u>	<u>39,135</u>	<u>5,762</u>	<u>-</u>	<u>-</u>	<u>150,063</u>	<u>150,063</u>
Amounts available for appropriation	<u>\$ 7,526,076</u>	<u>\$ 7,484,984</u>	<u>7,544,099</u>	<u>\$ 59,115</u>	<u>\$ 1,933,478</u>	<u>\$ 2,259,981</u>	<u>2,098,178</u>	<u>(161,803)</u>
								-
Charges to Appropriations (Outflows):								
Housing and community development	\$ 4,332,897	\$ 4,284,971	3,940,826	\$ (344,145)	\$ 1,859,273	\$ 2,159,701	1,790,344	\$ (369,357)
Capital outlay	3,200,012	3,200,012	3,200,000	(12)	-	-	4,995	4,995
Transfers to other governments	-	-	-	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total charges to appropriations	<u>\$ 7,532,909</u>	<u>\$ 7,484,983</u>	<u>7,140,826</u>	<u>\$ (344,157)</u>	<u>\$ 1,859,273</u>	<u>\$ 2,259,701</u>	<u>1,895,339</u>	<u>\$ (364,362)</u>
								-
Budgetary Fund Balance, June 30, 2019			<u>\$ 403,273</u>				<u>\$ 202,839</u>	

Budget and Actual are presented on the budget basis of accounting. The Agency prepares its budget on the cash basis. Generally accepted accounting principles (GAAP) require the use of the modified accrual basis of accounting for governmental fund financial statements.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS (CONTINUED)
For the Year Ended June 30, 2019

	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, 2018	\$ 1,025,465	\$ 1,025,465	\$ 1,025,465	\$ -	\$ 129,976	\$ 129,976	\$ 129,976	\$ -
Resources (Inflows):								
Miscellaneous	-	-	972	972	-	-	47	47
Investment earnings (expense)	-	-	-	-	-	-	-	-
Tax increment property tax	-	-	-	-	128,375	137,643	142,726	5,083
State contribution PERS	-	-	-	-	-	-	-	-
State personal property tax reimbursement	-	-	-	-	-	-	-	-
Grant	-	-	-	-	-	-	-	-
State entitlement	-	-	-	-	-	-	-	-
Long-term debt proceeds	686,896	686,896	686,896	-	-	-	-	-
Transfers in	601,373	920,914	900,550	(20,364)	-	-	-	-
Amounts available for appropriation	<u>\$ 2,313,734</u>	<u>\$ 2,633,275</u>	<u>2,613,883</u>	<u>\$ (19,392)</u>	<u>\$ 258,351</u>	<u>\$ 267,619</u>	<u>272,749</u>	<u>5,130</u>
								-
Charges to Appropriations (Outflows):								
Housing and community development	\$ 2,050,819	\$ 2,183,188	1,284,092	\$ (899,096)	\$ 246,750	\$ 257,619	119,999	\$ (137,620)
Capital outlay	-	-	-	-	-	-	-	-
Transfers to other governments	-	-	-	-	-	-	-	-
Transfers out	20,000	450,087	462,400	12,313	10,000	10,000	18,992	8,992
Total charges to appropriations	<u>\$ 2,070,819</u>	<u>\$ 2,633,275</u>	<u>1,746,492</u>	<u>\$ (886,783)</u>	<u>\$ 256,750</u>	<u>\$ 267,619</u>	<u>138,991</u>	<u>\$ (128,628)</u>
Budgetary Fund Balance, June 30, 2019			<u>\$ 867,391</u>				<u>\$ 133,758</u>	

Budget and Actual are presented on the budget basis of accounting. The Agency prepares its budget on the cash basis. Generally accepted accounting principles (GAAP) require the use of the modified accrual basis of accounting for governmental fund financial statements.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – BUDGET-TO-GAAP RECONCILIATION –
SPECIAL REVENUE FUNDS
June 30, 2019

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

	Urban Renewal District II	Urban Renewal District III	Front Street District	Riverfront Triangle District	N. Reserve Scott Street District	Hellgate District
Sources/Inflows of Resources						
Actual available for appropriation from the budgetary comparison schedule	\$ 5,337,511	\$ 8,523,398	\$ 7,544,099	\$ 2,098,178	\$ 2,613,883	\$ 272,749
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(3,458,842)	(1,911,679)	(653,755)	(239,205)	(1,025,465)	(129,976)
Issuance of long-term debt is a budgetary resource but is not a current year revenue for financial reporting purposes	-	(3,921,186)	(6,847,855)	(1,529,318)	(686,896)	-
Transfers from other funds are inflows of budgetary resource but are not revenues for financial reporting purposes	<u>(1,845,582)</u>	<u>(2,677,977)</u>	<u>(39,135)</u>	<u>(150,063)</u>	<u>(900,550)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 33,087</u>	<u>\$ 12,556</u>	<u>\$ 3,354</u>	<u>\$ 179,592</u>	<u>\$ 972</u>	<u>\$ 142,773</u>
Uses/Outflows of Resources						
Actual total charges to appropriations from the budgetary comparison schedule	\$ 1,895,748	\$ 5,461,553	\$ 7,140,826	\$ 1,895,339	\$ 1,746,492	\$ 138,991
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	<u>(285,595)</u>	<u>(2,815)</u>	<u>-</u>	<u>(100,000)</u>	<u>(462,400)</u>	<u>(18,992)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,610,153</u>	<u>\$ 5,458,738</u>	<u>\$ 7,140,826</u>	<u>\$ 1,795,339</u>	<u>\$ 1,284,092</u>	<u>\$ 119,999</u>

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, 2019

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

	<u>2019</u>	<u>2018</u>
OPEB Liability, Beginning Balance	\$ 154,831	\$ 37,224
Restatement-Change in Accounting Principle	<u>-</u>	<u>110,299</u>
Restated Beginning Balance	154,831	147,523
Service Cost	8,955	9,097
Interest	5,202	5,090
Deferred Inflows - Difference between expected and actual experience	(7,572)	(3,823)
Deferred Outflow - Changes in assumptions	2,668	82
Employer Contributions	<u>(3,301)</u>	<u>(3,138)</u>
Net Change	<u>5,952</u>	<u>7,308</u>
Ending Balance	<u><u>\$ 160,783</u></u>	<u><u>\$ 154,831</u></u>
Covered Payroll	406,381	395,024
Total Other Post-Employment Benefits Liability as a percentage of Covered Payroll	39.6%	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, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability as a percentage	0.02231%	0.02584%	0.02805%	0.02372%	0.02343%
Employer's net pension liability as an amount	\$ 465,741	\$ 503,250	\$ 477,765	\$ 331,558	\$ 291,968
State of Montana's net pension liability associated with the Agency	<u>156,105</u>	<u>6,819</u>	<u>5,838</u>	<u>4,073</u>	<u>3,565</u>
Total	<u><u>\$ 621,846</u></u>	<u><u>\$ 510,069</u></u>	<u><u>\$ 483,603</u></u>	<u><u>\$ 335,631</u></u>	<u><u>\$ 295,533</u></u>
Employer's covered payroll	\$ 366,991	\$ 320,532	\$ 335,973	\$ 279,336	\$ 265,198
Employer's proportionate share as a percentage of covered payroll	169.44%	159.13%	143.94%	120.15%	111.44%
Plan fiduciary net position as a percentage of the total pension liability	74.90%	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, 2019

Schedule of Contributions for the Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 31,083	\$ 26,829	\$ 30,804	\$ 24,657	\$ 22,861
Contributions in relation to the contractually required contributions	<u>31,083</u>	<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>
Employer's covered-employee payroll	\$ 366,991	\$ 320,532	\$ 335,973	\$ 279,336	\$ 265,198
Contributions of covered-employee payroll	8.47%	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, 2019

Changes of Benefit Terms

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

2017 Legislative Changes:

Working Retiree Limitations – for PERS

Effective July 1, 2017, 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.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) 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.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest Credited To Member Accounts

Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-Sum Payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

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 became 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, 2019

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 2016 Experience Study:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.3%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
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)	Form 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 actual administrative expenses

SUPPLEMENTARY INFORMATION

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BALANCE SHEET – COMBINING DEBT SERVICE
June 30, 2019

	URD II Bonds	Brownfields RLF Note	Safeway St. Patrick Hospital Bonds	Front Street Notes & Bonds	Inter- Mountain Bonds	URD III Bonds	N. Reserve Scott Street Bonds	Riverfront Bonds	Total
ASSETS									
CURRENT ASSETS									
Cash and investments	\$ 270,098	\$ 20,811	\$ 60,737	\$ 278,329	\$ 3,100	\$ 424,046	\$ 94,176	\$ 94,391	\$ 1,245,688
Taxes/assessments receivable, net	319,098	-	-	40,935	-	108,216	23,525	17,366	509,140
Other current assets	-	-	-	84,410	-	-	-	-	84,410
Due from other governments	<u>47,169</u>	<u>-</u>	<u>-</u>	<u>11,185</u>	<u>-</u>	<u>80,504</u>	<u>126,732</u>	<u>11,684</u>	<u>277,274</u>
	<u>636,365</u>	<u>20,811</u>	<u>60,737</u>	<u>414,859</u>	<u>3,100</u>	<u>612,766</u>	<u>244,433</u>	<u>123,441</u>	<u>2,116,512</u>
NONCURRENT ASSETS									
Restricted cash	<u>674,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>674,645</u>
Total assets	<u><u>\$ 1,311,010</u></u>	<u><u>\$ 20,811</u></u>	<u><u>\$ 60,737</u></u>	<u><u>\$ 414,859</u></u>	<u><u>\$ 3,100</u></u>	<u><u>\$ 612,766</u></u>	<u><u>\$ 244,433</u></u>	<u><u>\$ 123,441</u></u>	<u><u>\$ 2,791,157</u></u>
LIABILITIES									
CURRENT LIABILITIES									
Interfund payable	\$ 149,833	\$ -	\$ -	\$ 20,328	\$ -	\$ 148,978	\$ 149,299	\$ 28,801	\$ 497,239
Accrued interest payable	<u>3,100</u>	<u>18,615</u>	<u>-</u>	<u>-</u>	<u>3,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,815</u>
Total liabilities	<u>152,933</u>	<u>18,615</u>	<u>-</u>	<u>20,328</u>	<u>3,100</u>	<u>148,978</u>	<u>149,299</u>	<u>28,801</u>	<u>522,054</u>
DEFERRED INFLOW OF RESOURCES:									
Uncollected tax revenue	<u>216,434</u>	<u>-</u>	<u>-</u>	<u>31,792</u>	<u>-</u>	<u>39,742</u>	<u>958</u>	<u>249</u>	<u>289,175</u>
Total deferred inflow of resources	<u>216,434</u>	<u>-</u>	<u>-</u>	<u>31,792</u>	<u>-</u>	<u>39,742</u>	<u>958</u>	<u>249</u>	<u>289,175</u>
FUND BALANCES									
Restricted	<u>941,643</u>	<u>2,196</u>	<u>60,737</u>	<u>362,739</u>	<u>-</u>	<u>424,046</u>	<u>94,176</u>	<u>94,391</u>	<u>1,979,928</u>
Total fund balances	<u>941,643</u>	<u>2,196</u>	<u>60,737</u>	<u>362,739</u>	<u>-</u>	<u>424,046</u>	<u>94,176</u>	<u>94,391</u>	<u>1,979,928</u>
Total liabilities, deferred inflows and fund balances	<u><u>\$ 1,311,010</u></u>	<u><u>\$ 20,811</u></u>	<u><u>\$ 60,737</u></u>	<u><u>\$ 414,859</u></u>	<u><u>\$ 3,100</u></u>	<u><u>\$ 612,766</u></u>	<u><u>\$ 244,433</u></u>	<u><u>\$ 123,441</u></u>	<u><u>\$ 2,791,157</u></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, 2019

	URD II Bonds	Brownfields RLF Note	Safeway St. Patrick Hospital Bonds	Front Street Notes & Bonds	Inter- Mountain Bonds	URD III Bonds	N. Reserve Scott Street Bonds	Riverfront Bonds	Total
REVENUES									
Tax increment property tax	\$ 2,386,563	\$ -	\$ -	\$ 472,709	\$ -	\$ 2,751,077	\$ 1,102,952	\$ 338,845	\$ 7,052,146
State Entitlement/CMAQ Funds	255,260	-	-	-	-	-	-	-	255,260
State Personal Property Tax									
Reimbursement	187,331	-	-	53,975	-	277,850	-	-	519,156
Miscellaneous	<u>1</u>	<u>-</u>	<u>18,837</u>	<u>(1)</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>(1)</u>	<u>18,840</u>
Total revenues	<u>2,829,155</u>	<u>-</u>	<u>18,837</u>	<u>526,683</u>	<u>-</u>	<u>3,028,929</u>	<u>1,102,954</u>	<u>338,844</u>	<u>7,845,402</u>
EXPENDITURES									
<u>Current:</u>									
Interest expense	258,109	23,313	81,175	257,089	64,252	722,946	80,217	4,248	1,491,349
Principal expense	<u>421,000</u>	<u>18,615</u>	<u>60,400</u>	<u>237,600</u>	<u>85,500</u>	<u>508,222</u>	<u>83,508</u>	<u>90,142</u>	<u>1,504,987</u>
Total expenditures	<u>679,109</u>	<u>41,928</u>	<u>141,575</u>	<u>494,689</u>	<u>149,752</u>	<u>1,231,168</u>	<u>163,725</u>	<u>94,390</u>	<u>2,996,336</u>
Excess (deficiency) of revenues over expenditures	<u>2,150,046</u>	<u>(41,928)</u>	<u>(122,738)</u>	<u>31,994</u>	<u>(149,752)</u>	<u>1,797,761</u>	<u>939,229</u>	<u>244,454</u>	<u>4,849,066</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	670,417	41,928	121,475	487,548	149,752	1,208,440	214,716	188,782	3,083,058
Transfers out	<u>(2,829,154)</u>	<u>-</u>	<u>-</u>	<u>(526,684)</u>	<u>-</u>	<u>(3,028,927)</u>	<u>(1,102,953)</u>	<u>(338,845)</u>	<u>(7,826,563)</u>
Total other financing sources (uses)	<u>(2,158,737)</u>	<u>41,928</u>	<u>121,475</u>	<u>(39,136)</u>	<u>149,752</u>	<u>(1,820,487)</u>	<u>(888,237)</u>	<u>(150,063)</u>	<u>(4,743,505)</u>
Net change in fund balance	(8,691)	-	(1,263)	(7,142)	-	(22,726)	50,992	94,391	105,561
FUND BALANCES									
Beginning of year	<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>-</u>	<u>1,874,367</u>
End of year	<u>\$ 941,643</u>	<u>\$ 2,196</u>	<u>\$ 60,737</u>	<u>\$ 362,739</u>	<u>\$ -</u>	<u>\$ 424,046</u>	<u>\$ 94,176</u>	<u>\$ 94,391</u>	<u>\$ 1,979,928</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE
For the Year Ended June 30, 2019

	Major Debt Service			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1, 2018	\$ 1,874,367	\$ 1,874,367	\$ 1,874,367	\$ -
Resources (Inflows):				
Miscellaneous	-	18,837	18,840	3
Long-term debt proceeds	-	-	-	-
Tax increment property tax	6,666,290	7,172,902	7,052,146	(120,756)
State personal property tax reimbursement	519,156	519,156	519,156	-
State entitlement	255,260	255,260	255,260	-
Transfers in	2,288,228	3,091,543	3,083,058	(8,485)
Amounts available for appropriation	<u>\$ 11,603,301</u>	<u>\$ 12,932,065</u>	<u>12,802,827</u>	<u>\$ (129,238)</u>
Charges to Appropriations (Outflows):				
Debt service expenditures	\$ 2,612,702	\$ 3,013,753	2,996,336	\$ 17,417
Miscellaneous	-	-	-	-
Transfers out	<u>7,440,706</u>	<u>8,090,321</u>	<u>7,826,563</u>	<u>263,758</u>
Total charges to appropriations	<u>\$ 10,053,408</u>	<u>\$ 11,104,074</u>	<u>10,822,899</u>	<u>\$ 281,175</u>
Budgetary Fund Balance, June 30, 2019			<u>\$ 1,979,928</u>	

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – BUDGET-TO-GAAP RECONCILIATION –
DEBT SERVICE
June 30, 2019

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	\$ 12,802,827
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,874,367)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(3,083,058)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 7,845,402</u>

Uses/Outflows of Resources

Actual total charges to appropriations from the budgetary comparison schedule	\$ 10,822,899
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(7,826,563)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,996,336</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, 2019, 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 31, 2019.

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 31, 2019



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