

Missoula Redevelopment Agency

(A Component Unit of the City of Missoula)

Missoula, Montana

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT**

June 30, 2023



Missoula Redevelopment Agency

TABLE OF CONTENTS

June 30, 2023

	<u>Page Number</u>
Organization	1
Independent Auditors' Report	2
Management's Discussion and Analysis	6

FINANCIAL SECTION

Government-wide Financial Statements	
Statement of Net Position	46
Statement of Activities	48
Fund Financial Statements	
Balance Sheet – Governmental Funds	49
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	50
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	51
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	52
Notes to the Financial Statements	53

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION

Budgetary Comparison Schedule – Special Revenue Funds	97
Budgetary Comparison Schedule Budget-to-GAAP Reconciliation – Special Revenue Funds	100
Schedule of Changes in Other Post-Employment Benefits Liability and Related Ratios for the Last Ten Fiscal Years	101
Schedule of Proportionate Share of PERS Net Pension Liability for the Last Ten Fiscal Years	102
Schedule of Contributions for the Last Ten Fiscal Years	103
Notes to the Required Supplementary Information	104

Missoula Redevelopment Agency

TABLE OF CONTENTS

June 30, 2023

(Continued)

	<u>Page Number</u>
SUPPLEMENTARY INFORMATION SECTION	
Balance Sheet – Combining Debt Service	107
Statement of Revenues, Expenditures and Changes in Fund Balances – Combining Debt Service	108
Budgetary Comparison Schedule – Debt Service	109
Budgetary Comparison Schedule Budget-to-GAAP Reconciliation – Debt Service	110
 INTERNAL CONTROL AND COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	112
Schedule of Findings and Responses	114

**Missoula Redevelopment Agency
(A Component Unit of the City of Missoula)
Fiscal Year Ended June 30, 2023**

Director

Ellen Buchanan Director

Board of Commissioners

Karl Englund Chair

Natasha Prinzing Jones Vice-Chair

Melanie Brock Member

Ruth Reineking Member

Jack Lawson Member



INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Missoula Redevelopment Agency
Missoula, Montana

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Missoula Redevelopment Agency (the Agency), a component unit of the City of Missoula, Montana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and each major fund of the Agency, as of June 30, 2023, 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 (GAAP).

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITORS' REPORT

(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would include the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT

(Continued)

Required Supplementary Information

GAAP require that the management's discussion and analysis, budgetary comparison information related to special revenue funds, the schedule of changes in other post-employment benefits liability and related ratios for the last ten fiscal years, the schedule of proportionate share of the PERS net pension liability for the last ten fiscal years, the schedule of contributions for the last ten fiscal years, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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 accompanying combining debt service balance sheet, combining debt service statement of revenues, expenditures and changes in fund balances, and debt services budgetary comparison schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining debt service balance sheet and combining debt service statement of revenues, expenditures and changes in fund balances are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT

(Continued)

Other Reporting Required by GAS

In accordance with GAS, we have also issued our report dated January 31, 2024, 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 GAS in considering the Agency's internal control over financial reporting and compliance.

KCoe Isom, LLP

January 31, 2024
Missoula, Montana

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

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, 2023. Please read it in conjunction with the Agency's financial statements and accompanying notes.

Financial Highlights The following tables summarize the financial condition and operating results for 2023 compared to 2022:

June 30	2023	2022	Increase (Decrease)
Current assets	\$ 23,359,569	\$ 14,108,833	\$ 9,250,736
Noncurrent assets	554,679	1,263,171	(708,492)
Total Assets	23,914,248	15,372,004	8,542,244
Deferred outflows of resources	124,634	91,950	32,684
Total Assets and Deferred Outflows of Resources	24,038,882	15,463,954	8,574,928
Current liabilities	1,290,585	1,487,969	(197,384)
Noncurrent liabilities	43,769,128	43,748,455	20,673
Total Liabilities	45,059,713	45,236,424	(176,711)
Deferred inflows of resources	79,565	197,743	(118,178)
Total Liabilities and Deferred Inflows of Resources	45,139,278	45,434,167	(294,889)
Net position:			
Restricted for debt service	-	674,645	(674,645)
Unrestricted	(21,100,396)	(30,644,858)	9,544,462
Total Net Position	(21,100,396)	(29,970,213)	8,869,817
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 24,038,882	\$ 15,463,954	\$ 8,574,928

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

Years Ended June 30	2023	2022	Increase (Decrease)
Revenues			
General revenues	\$ 15,297,878	\$ 14,054,537	\$ 1,243,341
Total Revenues	15,297,878	14,054,537	1,243,341
Expenses			
Housing and community development	4,541,289	7,744,074	(3,202,785)
Interest	1,886,772	1,926,047	(39,275)
Total Expenses	6,428,061	9,670,121	(3,242,060)
Change in Net Position	8,869,817	4,384,416	4,485,401
Net Position			
Beginning of Year	(29,970,213)	(34,354,629)	4,384,416
End of Year	\$ (21,100,396)	\$ (29,970,213)	\$ 8,869,817

- During the year the Agency had revenues of \$15,297,878 and expenses totaling \$6,428,061 which resulted in a change in net position of (\$8,869,817), an increase of \$4,485,401 compared to 2022.
- 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 2023 revenues were \$1,243,341 higher than in fiscal year 2022.
- Public/Private Partnerships – In fiscal year 2023, MRA reimbursed the following amounts for the public benefit components of the projects:

Public-Private Partnerships - public improvement components		
Burton Street Apartments - 525 Burton Street	\$	54,517
Relic - 124 N Higgins - Sippy		74,237
Scott Street Village - Phase 3		74,469
The Wren Hotel - 201 East Main Street		522,007
	Total	\$ 725,230

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

- Public projects funded solely or in part with tax increment funds in fiscal year 2023 are as follows:

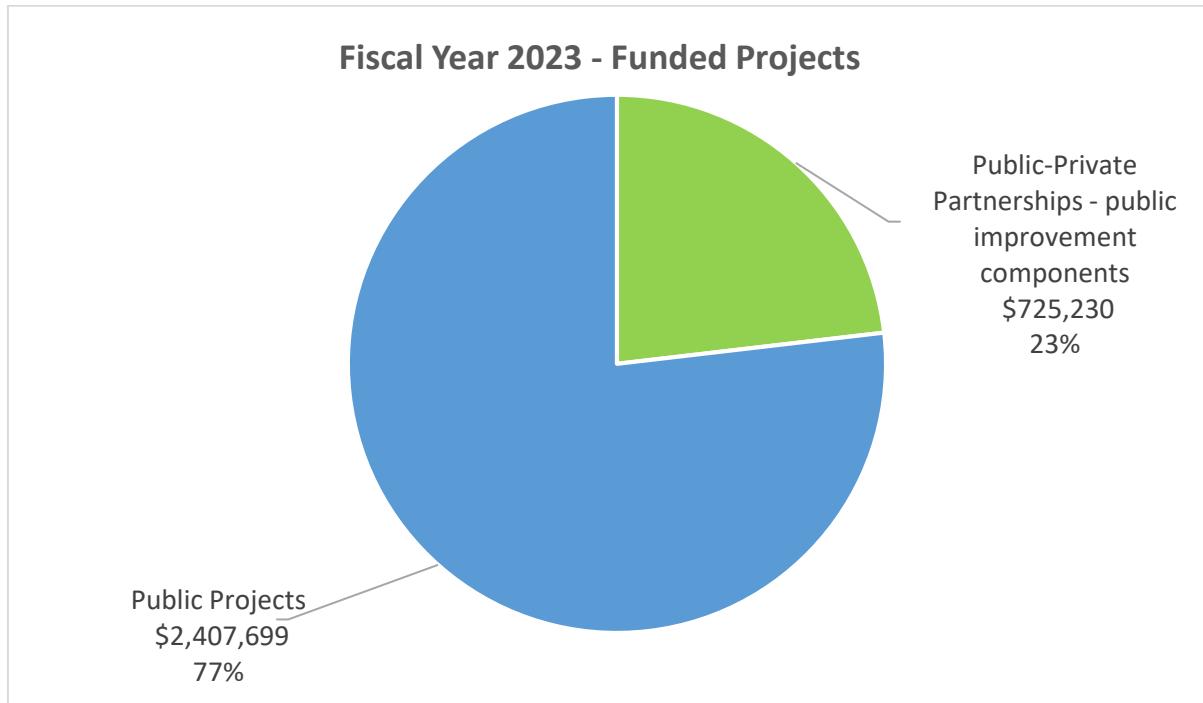
Public Projects		
Bitterroot Trail-MRL Bridge - Feasibility Study and Conceptual Design	\$	217,447
Bridge Apartments Acquisition Bond - Costs of Issuance		36,536
Brooks Corridor TOD/BRT RAISE Planning Grant		123,578
Burton Street Improvements		109,793
City Shops Air Exchange Unit - 1305 Scott Street		150,000
Downtown Recycling Receptacles		9,000
Emergency Winter Shelter - 1919 North Avenue - Life Safety Improvements		55,836
Front/Main Street Two-Way Conversion - Design & Engineering		196,645
Kent Avenue Greenway Project		36,515
Mary Avenue Street Trees		336
Mary Avenue West - Bond Closeout		41,874
MEP Professional Services for Redevelopment of City owned property		28,500
Missoula Public Library - New Building		75,000
MRL Property - Brownfields VCP-RP		12,980
MRL Property - Security Fence		1,800
North Avenue - Water Main Extension		26,584
Northside/Westside Neighborhood Survey		1,000
Ogren Park - Stage Feasibility Study		2,500
Police Facility Improvements - 109 N Catlin Street		215,770
Railroad Quiet Zone - Wayside Horns		7,523
Reserve Street Pedestrian Bridge - Electrical Upgrades		41,897
Riverfront Triangle - Comparative Market Analysis		750
Scott Street Property - Development Plan / Infrastructure Engineering		130,699
Sleepy Inn - 1427 West Broadway - Abatement, Deconstruction & Removal		219,552
URD III - Southern Sidewalk		233,689
URD II - Inez, 1st & 2nd Street Sidewalk - Design, Eng, Const. Admin		1,221
URD II - Montana/Idaho Water & Sidewalk		369,949
Wooden Images Building - 1359 West Broadway		60,722
Total	\$	2,407,699

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)



- The Agency also paid out \$4,083,788 in principal (\$1,770,000 was paid to the refunded bond escrow) and \$1,886,774 in interest for a total of \$5,970,562 in debt service payments.

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

The Balance Sheet and Income Statement (Statement of Revenues, Expenditures and Changes in Fund Balances) are considered fund financial statements, which are financial statements that report on one or more funds (governmental funds) of the governmental entity. These statements are on a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds are used to account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Governmental funds include general funds, special revenue funds, debt service funds, and capital project funds.

The fund financial statements tell how the Agency's redevelopment activities were financed in the short-term as well as what remains for future redevelopment. Also, these statements report the Agency's operations in more detail than the government-wide statements by providing information about the Agency's most significant funds.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

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, appeals by property owners and resulting adjusted taxable values in certain cases, 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 2023 and each has its own development fund. Approved by the 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 a portion of the property taxes normally collected by the County for each district; it is not its own "tax". The Agency does not levy a tax against the property in the urban renewal districts. After tax payments are collected by the County, the tax increment portion for each district is 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.

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	Tax Increment Base Value	Original Sunset Tax Year	Bonds and Debt Instruments	Amended Sunset Date
URD I	January 23, 1978	3737	December 18, 1978	Resolution #3866*	1978	973,988	1998	Central Park 1989; Refunding 1997	06/30/2005
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, Series 2006 Refunding 2022, Bridge Apartments Acquisition 2022	06/30/2031
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	06/30/2040
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, AC Hotel 2021	06/30/2046
Riverfront Triangle URD	May 7, 2007	7223	July 21, 2008	3380	2008	157,858	2023	Stockman Bank 2019	06/30/2043
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, Scott Street Property Acquisition 2020	06/30/2045
Hellgate URD	April 7, 2014	7865	August 25, 2014	3533	2014	1,025,448	2029	None	06/30/2030

* A resolution was used to adopt the first plan. Subsequent plans were adopted by ordinance.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

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.

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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

Bonds and Notes Payable Below is a summary list of the Agency's long-term debt as of June 30, 2023. Bonds or notes are occasionally issued to fund public improvement projects or public improvement components of public-private partnerships. Amounts below indicate total principal amount at issuance. Current debt service requirements to maturity can be found under note 5.

1	Series 2006 \$1,775,000 Brownfields Revolving Loan Fund Note
2	Series 2007 \$1,500,000 Safeway/St. Pats Project
3	Series 2013 \$1,753,500 Intermountain Project (Corso/The Source)
4	Series 2013 \$5,750,000 URD II Silver Park, Railroad Trestle, Wyoming St
5	Series 2014 \$2,864,000 2010 Front St Parking Refunding
6	Series 2015 \$1,364,400 NRSS Projects (Bretz, Consumer Direct, Scott St Village)
7	Series 2015 \$5,000,000 S. Reserve St Pedestrian Crossing
8	Series 2016 \$7,065,000 Mary Avenue East Improvements
9	Series 2017A \$1,162,500 2010 FIB Note Refunding (taxable)
10	Series 2017A \$1,600,000 URD III Mary Avenue West
11	Series 2017B \$277,500 2010 FIB Note Refunding (tax exempt)
12	Series 2017C \$3,260,500 East Front Street - Public Parking
13	Series 2018A \$1,239,404 MRL Property - Taxable
14	Series 2018B \$2,681,782 MRL Property - Tax-Exempt
15	Series 2019 \$1,529,318 Stockman Bank
16	Series 2019 \$3,647,844 The Mercantile
17	Series 2020A \$3,302,000 Scott Street Property - Tax Exempt
18	Series 2020B \$3,302,000 Scott Street Property - Taxable
19	Series 2021 \$1,886,105 AC Hotel
20	Series 2021 \$469,753 Partial Redemption & Refunding of Series 2017 NRSS
21	Series 2022A \$1,583,471 Refunding of Series 2006 Bonds
22	Series 2022B \$2,231,536 Bridge Apartments Acquisition Reimbursement

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. On October 18, 2022, this bond was refunded with Series 2022A, for \$1,583,470.

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.)

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

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, Montana, a division of Glacier Bank. Per Montana Urban Renewal law, the bond term is limited to a final maturity date no later than the existing Series 2006 bond maturity date of July 1, 2031. The interest rate on the bond is 3.150% per annum. Principal and interest payments are due to the City's paying agent, US Bank, on

January 1 and July 1, commencing January 1, 2014. When Series 2022AB Bonds were sold, the Debt Service Reserve requirement for this bond was waived by the bondholder, First Security Bank.

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. The original purchaser of the negotiated sale bonds was First Security Bank, Missoula, Montana, 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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

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, Montana. 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.

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, Montana. The final maturity date is July 1, 2035. The interest rate on the bond is 4.50% per annum. Capitalized interest payments were payable from the bond funds on July 1, 2016, January 1, 2017, and July 1, 2017. Thereafter, principal and interest payments are payable from tax increment generated by the NRSS district to the City's paying agent, US Bank, on January 1 and July 1, commencing January 1, 2018.

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, Montana. 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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

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, Montana. 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.

Series 2017B - \$277,500 – First Interstate Bank Note Refunding – Tax Exempt On December 19, 2016, the City of Missoula pursuant to Resolution 8126 approved the sale of \$277,500 in subordinate lien tax increment urban renewal revenue and refunding bonds in Front Street URD to refund the Series 2010 First Interstate Bank Note. This bond Series 2017B was issued on January 12, 2017, for the refunding of the tax-exempt portions of the Note and is subordinate to the Series 2014 Front Street Parking Structure Refunding Bonds. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula, Montana. 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.

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 for public lease and day use. 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, Montana. 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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

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, Montana. 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.

Series 2018AB - \$3,921,186 - MRL Property (Taxable \$1,239,404; Tax Exempt \$2,681,782) 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, Montana. 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.

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, Montana. 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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

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, Montana. 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.

Series 2020AB - \$6,604,000 – Scott Street Property (Tax Exempt \$3,302,000 & Taxable \$3,302,000) On August 3, 2020, the City of Missoula pursuant to Resolution 8443 approved the sale of \$6,604,000 principal amount of tax increment urban renewal revenue bonds, consisting of \$3,302,000 Tax Exempt Series 2020A and \$3,302,000 Taxable Series 2020B, to finance the acquisition of the Scott Street Property described as Lot 3, Scott Street Lots, a platted subdivision in the City of Missoula, located in the north one-half of Section 16, Township 13 North, Range 19 West, Principal Meridian, Montana, Missoula County, Montana, containing 19.15 acres. This bond Series 2020A and Series 2020B was issued on August 14, 2020 and was completely drawn down at closing. The bond was issued on parity with other senior-subordinate debt in the district. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula, Montana. The final maturity date is July 1, 2045. The interest rate on the Series 2020A Tax Exempt bond is 3.80% per annum. The interest rate on the Series 2020B taxable bond is 4.50% 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 North Reserve-Scott Street URD directly to the bondholder commencing January 1, 2021. Annual total debt service payments are equalized for both issues.

Series 2021 \$469,753 Partial Redemption and Refunding of Series 2017 On March 1, 2021, the City of Missoula partially redeemed and refunded the Series 2017 \$723,514 North Reserve Scott Street district bonds. \$259,047 of unspent bond funds were used to partially redeem the bonds including \$251,761.38 in principal and \$5,285.62 in accrued interest. The 2017 bonds were sold to provide funding for the Scott Street Village housing project – Phases II & III. The original Series 2017 were issued on December 11, 2017, pursuant to Resolution 8229, which 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, Montana. 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 was due on July 1, 2018, and thereafter principal and interest payments are payable from tax increment generated by the NRSS district to the City's paying agent, US Bank, on January 1 and July 1, commencing January 1, 2019. The final maturity date is July 1, 2042. The interest rate on the bond is 4.750% per annum. These terms remain the same for the Series 2021 C.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

Series 2021 - \$1,886,105 – AC Hotel On April 12, 2021, the City of Missoula pursuant to Resolution 8508 approved the sale of \$1,886,105 principal amount of tax increment urban renewal revenue bonds in the Front Street URD to fund certain costs related to the AC Hotel Project, including environmental remediation, deconstruction and demolition of the existing building, relocation of overhead power lines within the public right-of-way, and construction of new curb, gutter, sidewalks, lighting and landscaping within the public right-of-way. The bond was issued on parity with other subordinate debt in the district and closed on April 21, 2021. The bond was completely drawn down at closing. The original purchaser of the negotiated sale bonds was Stockman Bank of Montana, Missoula, Montana. The final maturity date is January 1, 2046. The interest rate on the bond is 2.00% per annum. Principal and interest payments are due January 1, and July 1, payable from tax increment generated by the Front Street URD directly to the bond holder commencing January 1, 2022.

Series 2022A - \$1,583,471 – Series 2006 Refunding Bond On October 18, 2022, the City of Missoula pursuant to Resolution 8627 approved the sale of a Tax Increment Urban Renewal Revenue Refunding Bond (Urban Renewal District II) in the aggregate principal amount of \$1,583,471 to refund Series 2006 Bonds and to pay costs of issuance. The bond was issued on parity with other bonds payable with the district's Pledged Tax Increment, as defined in the resolution. The original purchaser of the bond was First Security Bank, Missoula, Montana, a division of Glacier Bank. Per Montana Urban Renewal law, the bond term is limited to a final maturity date no later than the original Series 2006 bond maturity date of July 1, 2031. The interest rate on the bond is 3.50% per annum. The principal and interest payments are due on each January 1, and July 1, commencing January 1, 2023, and concluding July 1, 2031.

Series 2022B - \$2,231,536 – Bridge Apartments Acquisition Reimbursement On October 18, 2022, the City of Missoula pursuant to Resolution 8627 approved the sale of a Tax Increment Urban Renewal Revenue Bond (Urban Renewal District II), Taxable Series 2022B in the maximum principal amount of \$2,231,536 to reimburse the MRA for the purchase price of the Bridge Apartments and to pay costs of issuance. The bond was issued on parity with other bonds payable with the district's Pledged Tax Increment, as defined in the resolution. The original purchaser of the bond was First Security Bank, Missoula, Montana, a division of Glacier Bank. Per Montana Urban Renewal law, the bond term is limited to a final maturity date no later than the original Series 2006 bond maturity date of July 1, 2031. The interest rate on the bond is 4.50% per annum. The principal and interest payments are due on each January 1, and July 1, commencing January 1, 2023, and concluding July 1, 2031.

In August 2021, the City determined to purchase the Bridge Apartments, located at 1205 W. Broadway, from the Western Montana Mental Health Center in order to prevent the loss of 20 units of affordable housing which house low-income individuals with disabilities. In September 2021, the Agency board agreed to fund the \$2,195,000 purchase price of the Bridge Apartments from tax increment of the district, which it expected to do through the issuance of bonds. Following the transfer in June 2022 of \$2,195,000 in tax increment funds it had on hand to reimburse the City for the purchase price of the Bridge Apartments, the City approved Resolution 8627 to reimburse the Agency to enable it to carry out the adopted 9- Year Strategic Exit Plan for the district.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

In addition, as holder of URD II Series 2013 Bonds, First Security Bank consented to certain amendments advantageous to the City, including: (1) removal of the requirement that the Series 2013 and 2022AB bonds be secured by a debt service reserve account, and (2) reduction in the requirements related to the issuance of additional bonds.

Refer to note 5 for further information regarding the Agency's long-term debt including schedules of outstanding balances.

Revenues In fiscal year 2023, the Agency received general and other revenues and did not generate any program revenue. Of the Agency's \$15,297,878 total revenue reported in the Statement of Activities, 93% was tax increment funds received from property taxes. The next largest revenue source for the Agency is the State of Montana, accounting for 6%. 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, Legislative House Bill 303 and Public Employees Retirement System (PERS) contributions.

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 \$1,886,772 in interest expense paid on the Agency's outstanding bonds and notes.

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

The Agency contracts with the City of Missoula to provide administrative support as well as assistance from Engineering, Public Works, Finance, Parks and Recreation, and the Attorney's Office on various projects. The amount paid to the City also includes the Agency's pro rata share of the City's liability insurance coverage for errors and omissions and its pro rata share of General Fund transfers to the employee health benefits fund. The amount paid in fiscal year 2023 was \$321,747 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 2023, 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 was limited (due to commitments to debt service, lack of redevelopment or low tax increment receipts) in some of the districts, the outstanding amounts are tracked from year to year as those districts reimburse URD III. The running total of amounts owed to URD III for administrative expenses on June 30, 2023 was:

URD II	Front Street	Riverfront	NRSS	Hellgate
\$ -	\$ 758,475	\$ -	\$ 244,940	\$ -

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

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. There were no remittances in fiscal year 2023.

Notes 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 \$1,037 to the Agency by May 1 each year beginning in 2015. As of June 30, 2023, one payment remains 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, 2023, three payments remain on this note receivable.

\$100,000 – The Trail Head – River Sports In fiscal year 2020, the Agency granted an interest-free loan to MTF, LLC and Todd Frank for facade improvements to the building located at 2505 Garfield Street in URD III. The loan was executed on February 11, 2019, for \$100,000 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 MTF, LLC to remit \$10,000 to the Agency by August 1 each year beginning in 2020. As of June 30, 2023, seven payments remain on this note receivable.

Summary of Outstanding Facade Improvement Program Notes Receivable

Project Name	Outstanding Balance as of 6/30/23
Glidewell Investments & Insurance Group	\$ 18,600
Montana Mapping & GPS	1,037
The Trail Head River Sports	70,000
	\$ 89,637

Mountain Water Company – Assumed by City of Missoula 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 Company for making the infrastructure improvements.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

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 occurred over a 40-year period. From 2012 forward, when the Agency approved tax increment financing for eligible Mountain Water Company infrastructure improvements as part of a project, the developer was asked to assign any reimbursements they would receive to the Agency. The reimbursements the Agency received did not include an interest component; therefore were 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 to developers and the Agency.

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 6/30/23	Outstanding Balance as of 6/30/23	URD II	URD III	NRSS URD
Eaton Street (Bitterroot) Townhomes	\$ 40,000	\$ 12,000	\$ 28,000	\$ -	\$ 28,000	\$ -
URD II Fire Hydrant Installation (2)	18,592	5,068	13,524	13,524	-	-
URD III Fire Hydrant Installation (4)	35,397	9,779	25,618	-	25,618	-
Western Montana Mental Health Center	64,915	17,851	47,063	47,063	-	-
Russell Street (Corso) Apartments	130,179	32,545	97,634	97,634	-	-
Wyoming Street	259,178	64,795	194,384	194,384	-	-
South Crossing/Dore Lane	8,989	2,022	6,966	-	6,966	-
South 1st Street West Fire Hydrant	14,394	2,879	11,516	11,516	-	-
Bretz RV Fire Hydrant	9,919	1,984	7,935	-	-	7,935
Burlington & Regent Fire Hydrant	7,479	1,496	5,983	-	5,983	-
Consumer Direct	73,464	13,186	60,278	-	-	60,278
Total	\$ 662,506	\$ 163,605	\$ 498,901	\$ 364,120	\$ 66,568	\$ 68,213

Fund Balances and Transactions of Individual Governmental Funds

	URD II	URD III	Front Street	Debt Service
Beginning Balance 7/1/22	\$ 1,245,867	\$ 7,549,835	\$ 1,030,709	\$ 968,787
Ending Balance 6/30/23	5,372,713	11,605,859	1,084,739	291,661
\$ Change	\$ 4,126,846	\$ 4,056,024	\$ 54,030	\$ (677,126)
% Change	331%	54%	5%	-70%

	Riverfront Triangle	N. Reserve Scott Street	Hellgate
Beginning Balance 7/1/22	\$ 503,545	\$ 2,259,647	\$ 876,174
Ending Balance 6/30/23	625,765	3,086,863	1,167,719
\$ Change	\$ 122,220	\$ 827,216	\$ 291,545
% Change	24%	37%	33%

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

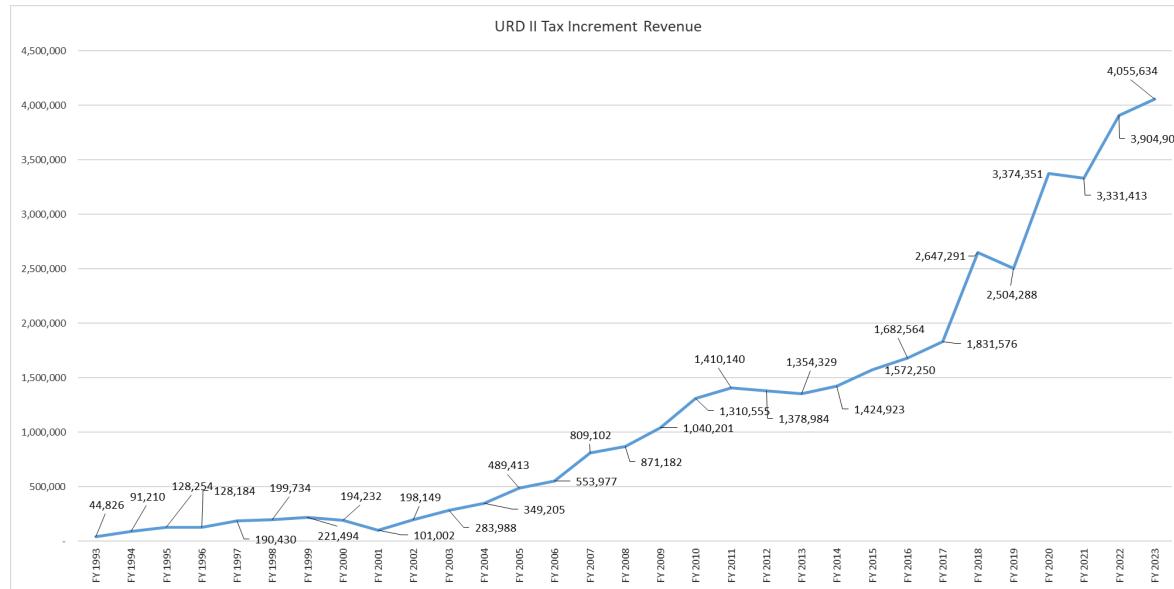
Fiscal Year Ended June 30, 2023

(Continued)

Changes in district fund balance are tracked from year to year. When revenues and transfers in exceed expenditures, remittances and transfers out, an increase in fund balance results. When expenditures, remittances and transfers out exceed revenues and transfers in, the opposite occurs and fund balance decreases. When a public project or a grant or loan to a public-private partnership is approved by the Board of Commissioners, the resulting expenditures may span several fiscal years (typical with public projects) or may not be paid out for several fiscal years (normal timing for a public-private partnership). Monies committed to public-private partnerships typically remain in the district fund until the project is complete and all requirements of the agreement have been met. This is to ensure the public components of a project are completed in accordance with a developer's application, board action and state law. Committed project funds that are not expended or reimbursed during the year are carried over to the next fiscal year.

URD II saw a 331% increase in fund balance in fiscal year 2023. This increase can be attributed to tax increment revenue bonds being sold to reimburse the district for the acquisition of the Bridge Apartments for \$2.2 million. Total revenues and transfers into the district, net of the required amount for debt service, were \$3,634,522. Total expenditures and transfers out were \$1,739,212 and included \$451,205 for administrative expenses and \$1,288,007 for project related expenses under the Agency's various redevelopment programs. The district expended funds on nine projects during the year; eight were public improvement projects and one was a public-private partnership.

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

Fiscal Year Ended June 30, 2023

(Continued)

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

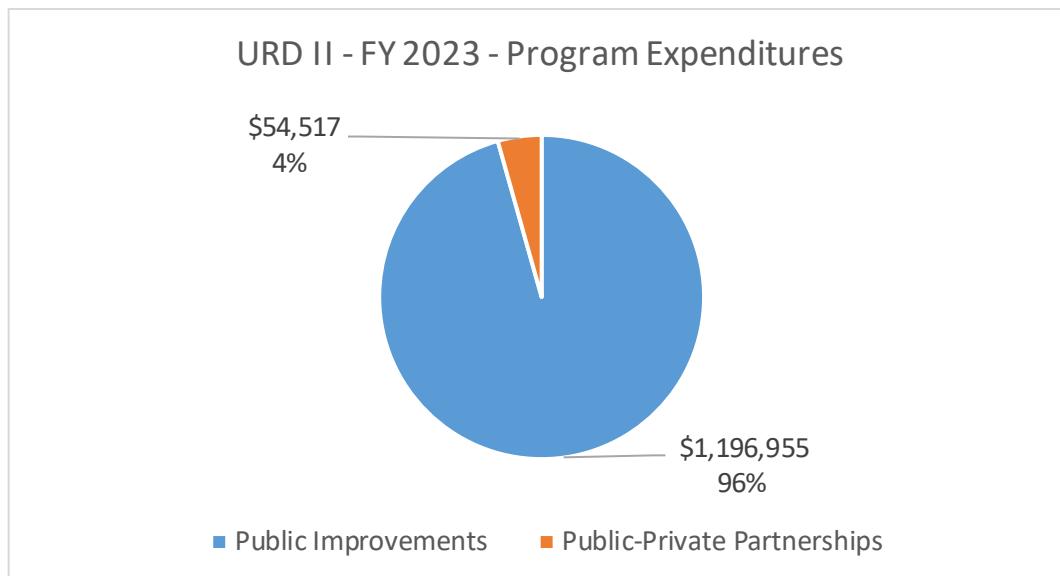
URD II - FY 2023 - Expenditures & Transfers Out	
Project Name	Amount
Admin - Transfers to URD III	\$ 451,205
Bitterroot Trail-MRL Bridge - Feasibility Study and Conceptual Design	217,447
Burton Street Apartments - 525 Burton Street	54,517
Burton Street Improvements	109,793
Ogren Park - Stage Feasibility Study	2,500
Police Facility Improvements - 109 N Catlin Street	215,770
Series 2022B Bond Cost of Issuance	36,536
Sleepy Inn - 1427 West Broadway - Abatement, Deconstruction & Removal	219,552
URD II - Inez, 1st & 2nd Street Sidewalk - Design, Eng, Const. Admin	1,221
URD II - Montana/Idaho Water & Sidewalk	369,949
Wooden Images Building - 1359 West Broadway - Deconstruction	60,722
Total	\$ 1,739,212

The public improvement projects included:

- 3 street, sidewalk, and water projects
- 4 public facilities
- 1 pedestrian feasibility study

The public-private partnership was:

Burton Street Apartments – 525 Burton Street – abatement, demolition, site prep, and public right-of-way improvements.



Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

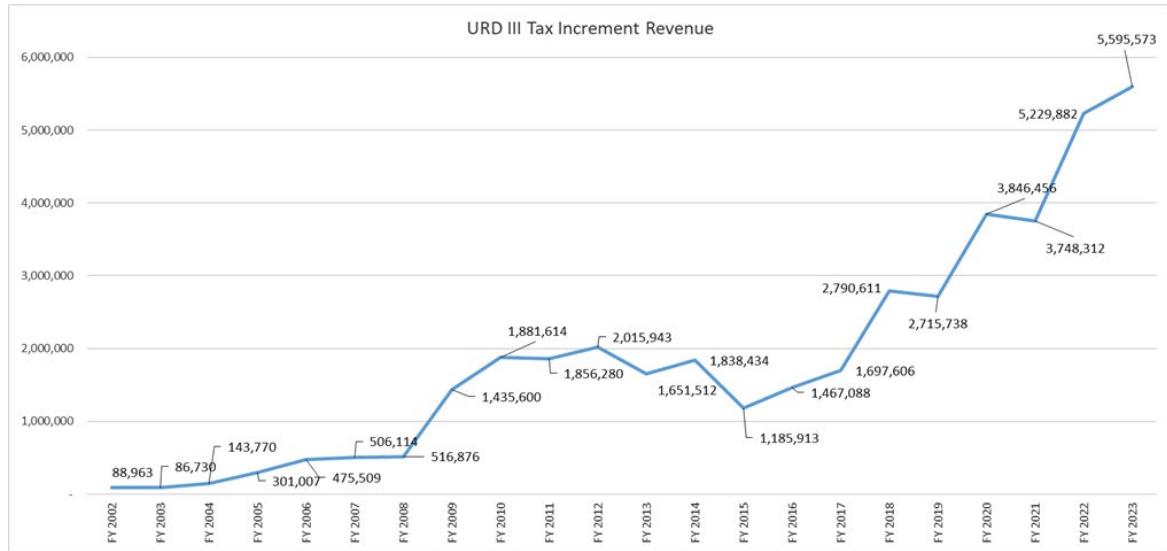
Fiscal Year Ended June 30, 2023

(Continued)

URD III saw a 54% increase in fund balance in fiscal year 2023. This increase is primarily attributable to revenues exceeding project commitments and to several projects being underway and carrying forward to the next fiscal year. Total revenues and transfers into the district, net of the required amount for debt service, were \$5,851,659.

Total expenditures and transfers out were \$1,795,635 and included \$1,220,543 for administrative expenses, \$533,216 for program project related expenses, and \$41,874 in bond related transfers out. The district expended funds on nine projects during the year; all were public improvement projects.

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

Fiscal Year Ended June 30, 2023

(Continued)

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

Project Name	Amount
Admin - Communication	\$ 4,153
Admin - Employer Contributions	215,457
Admin - Garbage	90
Admin - Gasoline	207
Admin - Office Supplies	4,883
Admin - Operating Supplies	244
Admin - Other Repair & Maintenance Supplies	2,652
Admin - Overtime	4,817
Admin - Printing, Duplication, Typing and Binding	2,426
Admin - Professional Services	342,636
Admin - Publicity, Subscriptions and Dues	5,135
Admin - Repair & Maintenance Services	5,896
Admin - Salaries & Wages	623,830
Admin - State Retirement Contributions	625
Admin - Telephone	604
Admin - Training	3,047
Admin - Travel	3,841
Brooks Corridor TOD/BRT RAISE Planning Study	123,578
Emergency Winter Shelter - 1919 North Avenue	55,836
Kent Avenue Greenway Project	36,515
Mary Avenue Street Trees	336
Mary Avenue West - Bond Closeout	41,874
MRL Property - Brownfields VCP-RP	12,980
MRL Property - Security Fence	1,800
North Avenue - Water Main Extension	26,584
Reserve Street Pedestrian Bridge - Electrical Upgrades	41,897
Southern Sidewalk	233,689
Total	\$ 1,795,635

The public improvement projects included:

- 1 planning study
- 1 street tree project
- 1 water main project
- 3 sidewalk/greenway/trail projects
- 3 public property/facility improvements

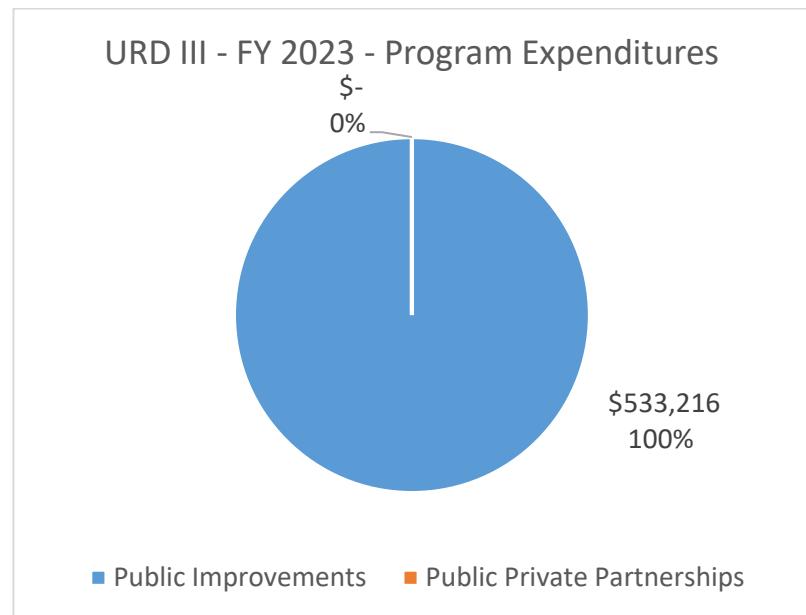
Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

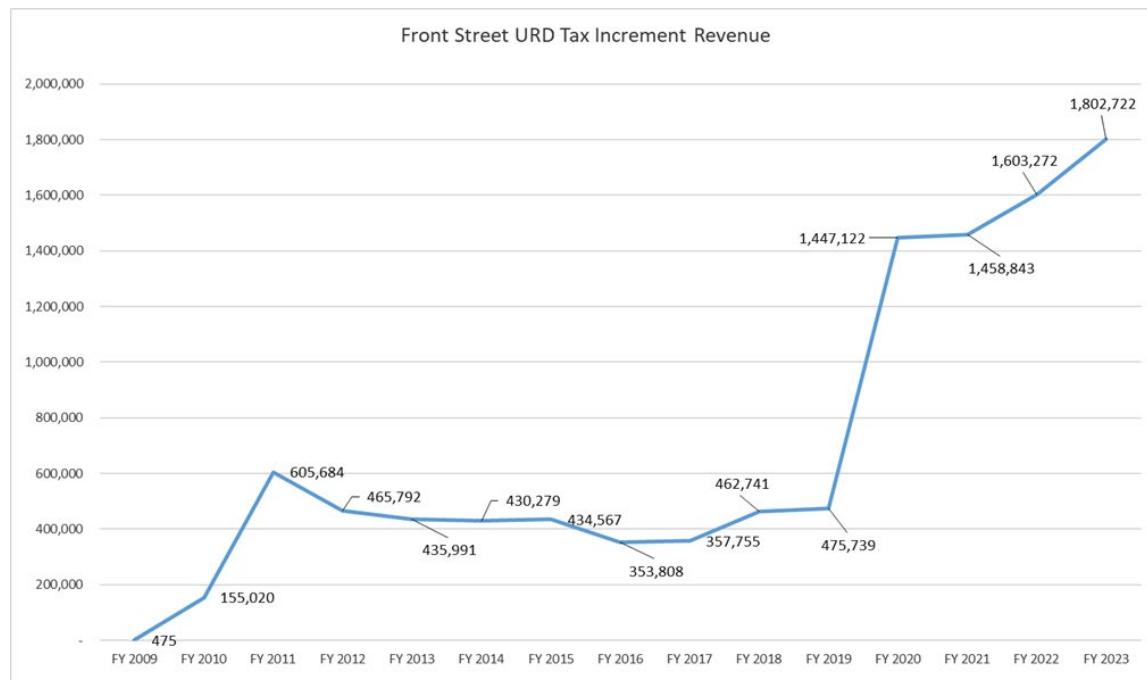
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There were no public-private partnership expenditures in URD III in fiscal year 2023.



Front Street URD saw a 5% increase in fund balance in fiscal year 2023. Total revenues and transfers into the district, net of the required amount for debt service, was \$996,775. Total expenditures and transfers out were \$942,745 and included \$200,000 for administrative expenses and \$742,745 for program related expenses. The district expended funds on six projects during the year; four were public improvement projects and two were public-private partnerships.

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

Fiscal Year Ended June 30, 2023

(Continued)

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

Project Name	Amount
Admin - Transfers to URD III	\$ 200,000
Downtown Recycling Receptacles	9,000
Front/Main Street Two-Way Conversion - Design & Engineering	50,000
MEP Professional Services for Redevelopment of City owned property	12,500
Missoula Public Library - New Building	75,000
Relic - 124 N Higgins	74,237
The Wren Hotel - 201 East Main Street	522,007
Total	\$ 942,745

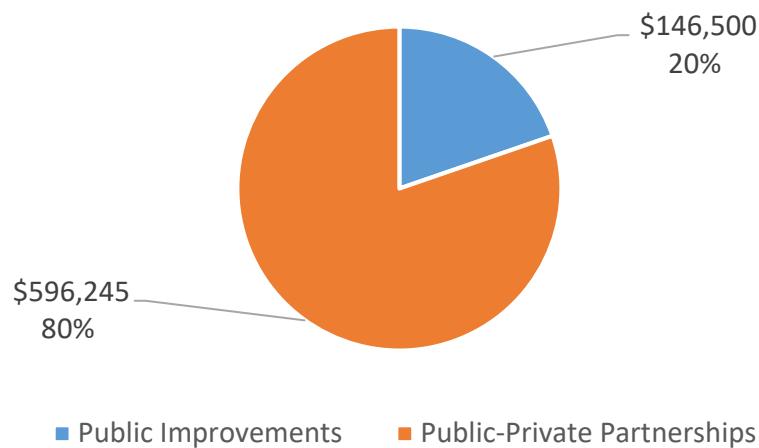
The public improvement projects included:

- 2 street improvement projects
- 1 professional services contract for city owned property
- 1 grant to new library (\$75,000 final grant payments - \$500,000 total disbursed)

The public private partnerships included:

- **Relic Gallery** – 124 N Higgins – deconstruction, curbs, gutters, sidewalks, bike rack in public right-of-way
- **The Wren Hotel** – 201 East Main Street – Union Block – curbs, gutters, sidewalks, street trees, lighting, utility main line relocation, alley reconstruction

Front Street URD - FY 2023 - Program Expenditures



Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

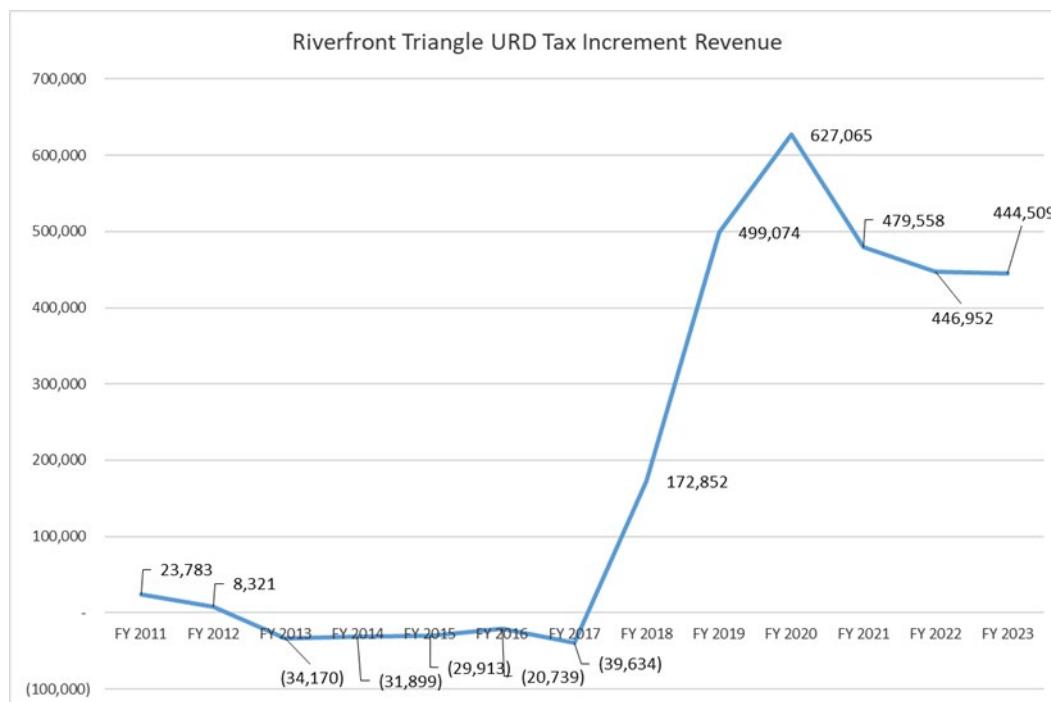
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

Riverfront Triangle URD saw a 24% increase in fund balance in fiscal year 2023. This increase is attributable to the district spending less than the revenue received. Total revenue and transfers into the district, net of the required amount for debt service, were \$367,120. Total expenditures and transfers out were \$244,900 and included \$135,105 for administrative expenses and \$109,795 for project related expenses. The district expended funds on two public projects during fiscal year 2023.

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.

Project Name	Amount
Admin - Transfers to URD III	\$ 135,105
Front/Main Street Two-Way Conversion - Design & Engineering	109,045
Riverfront Triangle - Comparative Market Analysis	750
Total	\$ 244,900

The public improvements projects included:

- 1 street improvement project
- 1 public property market analysis

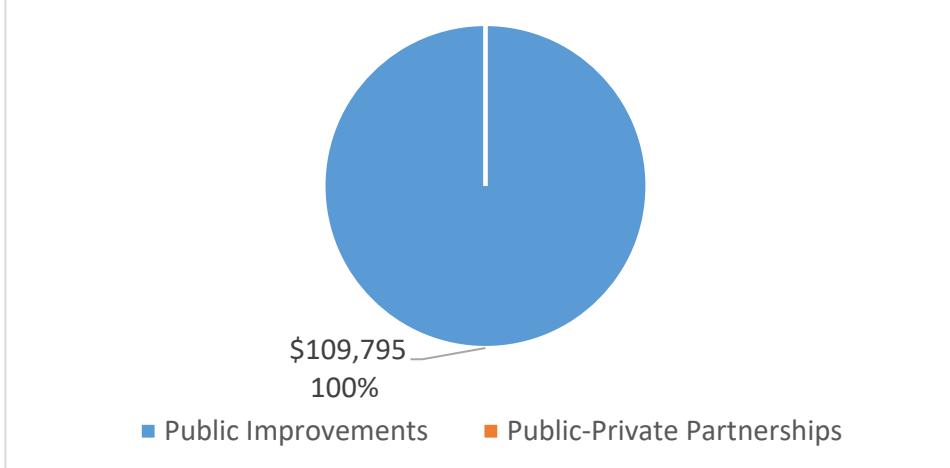
Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

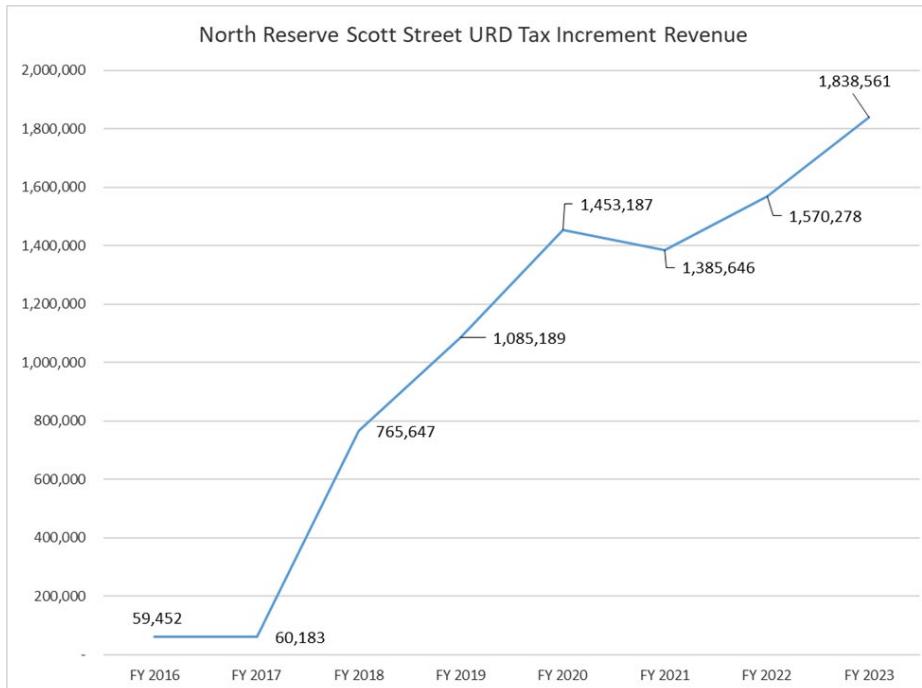
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Riverfront URD - FY 2023 - Program Expenditures



North Reserve – Scott Street (NRSS) URD saw a 37% increase in fund balance in fiscal year 2023. This increase is attributable to revenues exceeding annual expenditures. Total revenues and transfers into the district, net of the required amount for debt service, were \$1,341,384. Total expenditures and transfers out were \$514,168, and included \$150,000 for administrative expenses and \$364,168 for program project related expenses. The district expended funds on five projects during the year: four public projects and one public-private partnership.

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

Fiscal Year Ended June 30, 2023

(Continued)

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

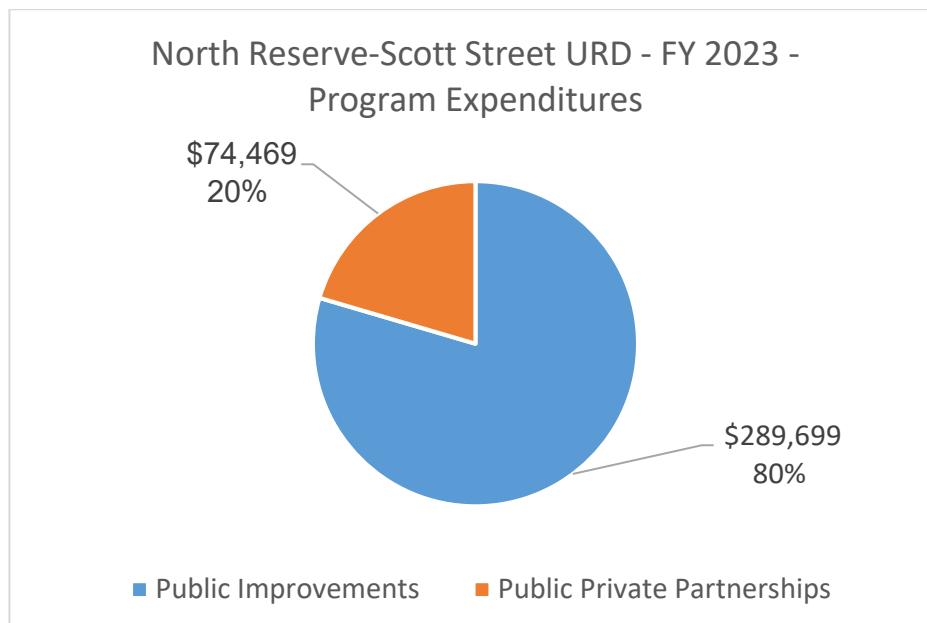
Project Name	Amount
Admin - Transfers to URD III	\$ 150,000
City Shops Air Exchange Unit - 1305 Scott Street	150,000
MEP Professional Services for City owned property	8,000
Northside/Westside Neighborhood Survey	1,000
Scott Street Property - Development Plan, Design & Engineering	130,699
Scott Street Village - Phase 3	74,469
Total	\$ 514,168

The public improvements projects included:

- 1 public facility life-safety improvement
- 1 professional services contract for city owned property
- 1 neighborhood livability survey
- 1 master plan and design services contract for city owned property

The public-private partnership included:

- ***Scott Street Village – Phase 3*** – sewer main, curbs, gutters and sidewalks



Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

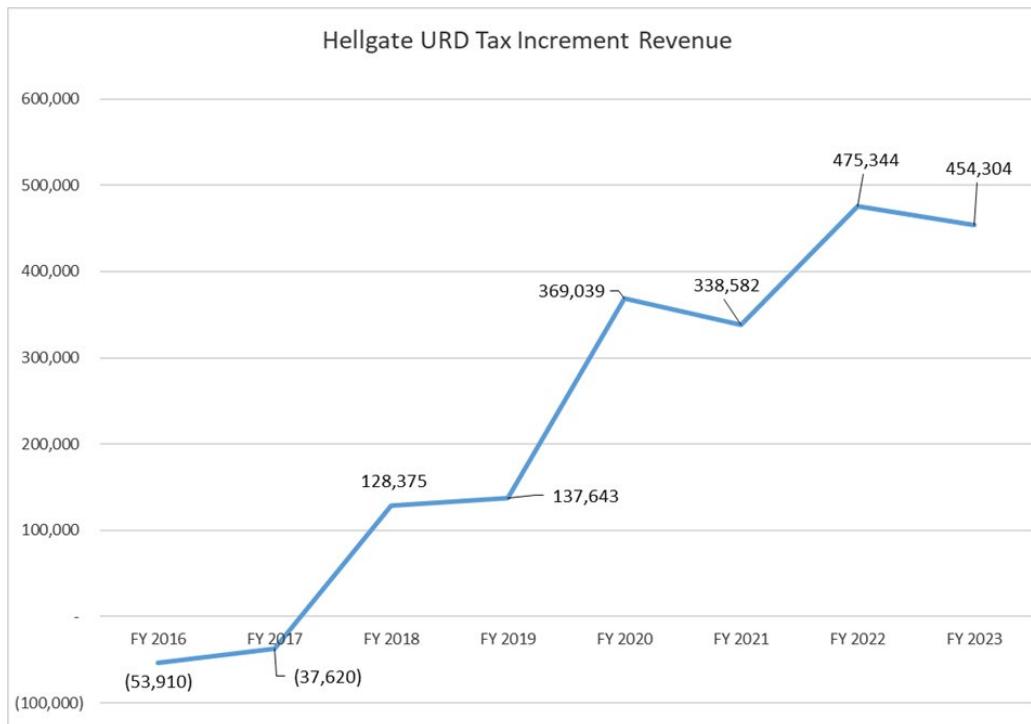
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

Hellgate URD saw a 33% increase in fund balance in fiscal year 2023. This increase is attributable to few expenditures during the year. Total revenues into the district were \$456,711. Total expenditures and transfers out were \$165,166 and included \$112,043 for administrative expenses and \$53,123 for program project related expenses. The district expended funds on three projects during the year, all were public improvement projects.

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.

Project Name	Amount
Admin - Transfers to URD III	\$ 112,043
Front/Main Street Two-Way Conversion	37,600
MEP Professional Services for City owned property	8,000
Railroad Quiet Zone - Wayside Horns	7,523
Total	\$ 165,166

The public improvement projects included:

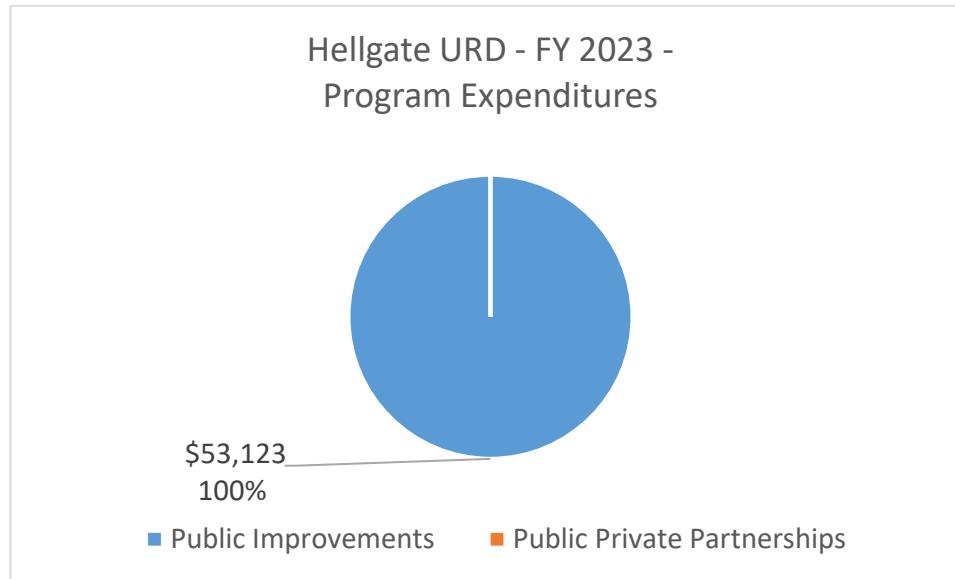
- 1 street improvement project
- 1 professional services contract for city owned property
- 1 railroad quiet zone project

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)



Overall Financial Position Changes in the Agency's overall financial position from 2022 to 2023, from the Government-wide perspective include an increase in total assets and deferred outflows of resources of \$8,574,928 and a decrease in total liabilities and deferred inflows of resources of (\$294,889) with a resulting overall net position of (\$21,100,396). The increase in assets can be attributed to revenues exceeding expenditures. The decrease in liabilities can mainly be attributed to a decrease in current liabilities.

Agency Projects 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 as uncommitted or contingency funds 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.

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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

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. Below is a list and graphic representation of all Agency projects that were active during fiscal year 2023. The list includes planned, pledged, and committed projects that were either completed or in progress during the year.

Completed Projects

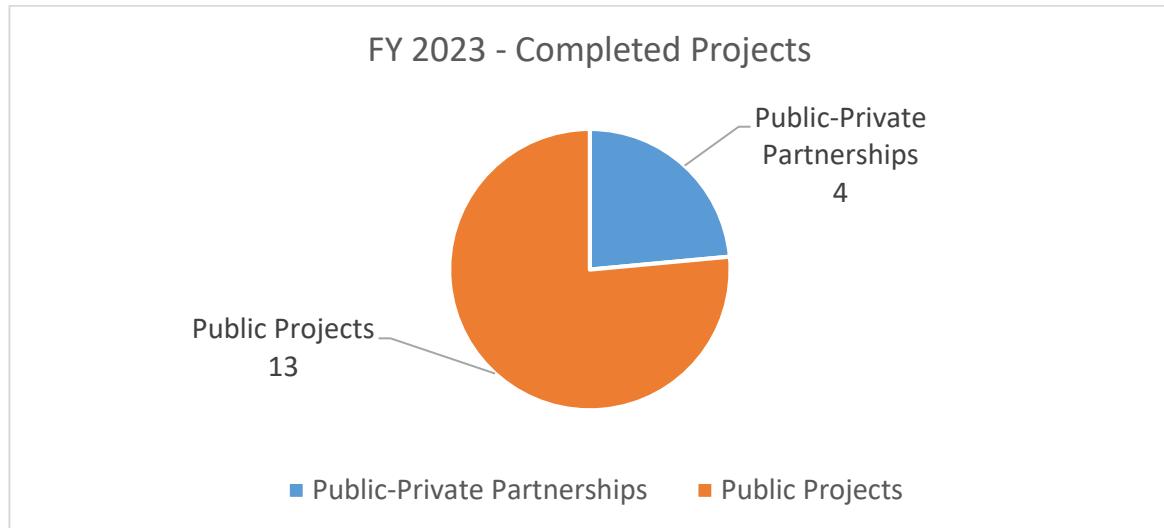
Public-Private Partnerships - public improvement components
Burton Street Apartments - 525 Burton Street - Housing
Relic - 124 N Higgins - Commercial/Small Business
Scott Street Village - Phase 3 - Housing
The Wren Hotel - 201 East Main Street - Commercial/Large Business
Public Projects
Bridge Apartments Acquisition Bond - Costs of Issuance
Burton Street Improvements
Mary Avenue West Improvements - Bond Closeout
Missoula Public Library - New Building (last pmt on TIF grant)
Northside/Westside Neighborhood Survey
Ogren Park - Stage Feasibility Study
Police Facility Improvements - 109 N Catlin Street
Reserve Street Pedestrian Bridge - Electrical Upgrades
Riverfront Triangle - Comparative Market Analysis
Sleepy Inn - 1427 West Broadway - Abatement, Deconstruction & Removal
URD II - Inez, 1st & 2nd Street Sidewalk
URD III - Southern Sidewalk
Wooden Images Building - 1359 West Broadway

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)



Projects In Progress

Public-Private Partnerships - public improvement components

1245 S 3rd St W - JDR Enterprises LLC - Commercial/Small Business
Batemen Duplex - 1417 1/2 South 2nd St West - Housing
Bissinger Place - 903 South 1st St West - Housing
Casa Loma - 900 Block of South Avenue - Housing
Diversified Plastics - 3721 Grant Creek Road - Commerical/Large Business
El Cazador - 2221 South Avenue West - Commercial/Small Business
First Security Bank - 1700 Garfield & 1704 Dearborn - Commercial/Large Business
Front Street Apartments - 333-401 East Front St - Housing
Lainsbury Duplex - 1417 South 2nd St West - Housing
Otis Street Apartments - 1600 Otis Street - Housing
Scott Street Property/Ravara - Housing
Trailfront Properties - 114 S Garfield St - Housing

Public Projects

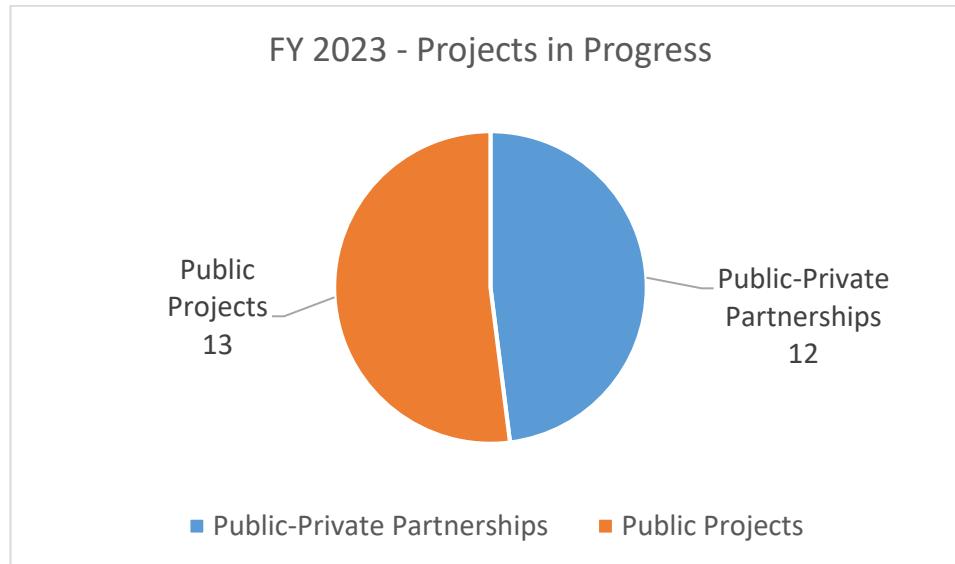
Bitterroot Trail-MRL Bridge - Feasibility Study and Conceptual Design
Brooks Corridor TOD/BRT RAISE Planning Grant
City Shops Air Exchange Unit - 1305 Scott Street - multi-year grant for safety upgrades
Downtown Recycling Receptacles - multi-year grant
Emergency Winter Shelter - 1919 North Avenue - Life Safety Improvements
Front/Main Street Two-Way Conversion
Kent Avenue Greenway Project
Mary Avenue Street Trees
MEP Professional Services for City owned property
MRL Property - Brownfields Voluntary Clean-up Plan - Remediation Plan
North Avenue - Water Main Extension
Railroad Quiet Zone - Wayside Horns
URD II - Montana/Idaho Water & Sidewalk

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

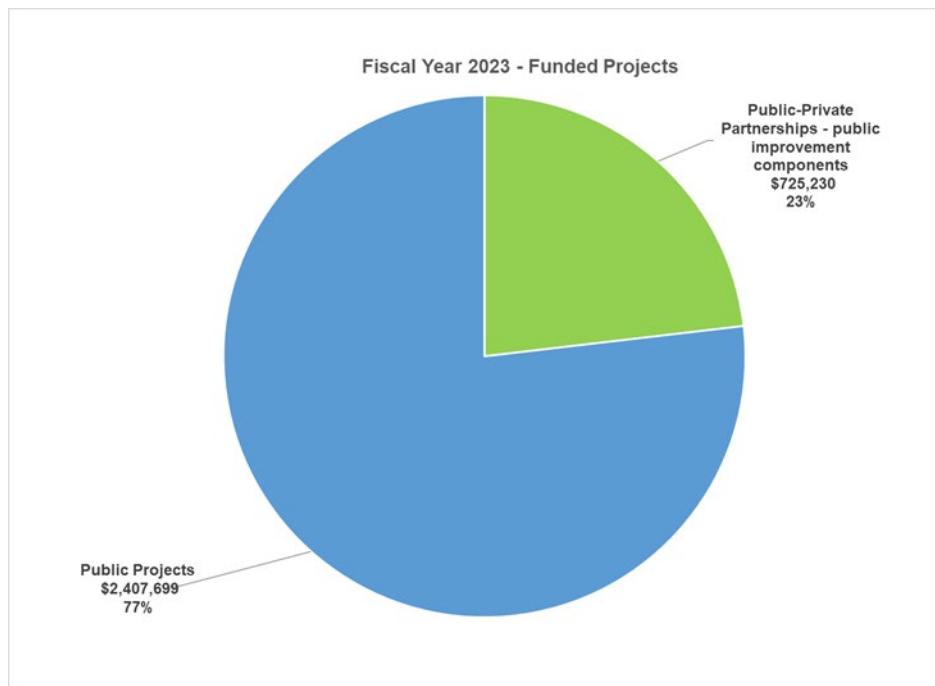
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)



The following are various graphic representations of the projects that funds were expended on during fiscal year 2023.

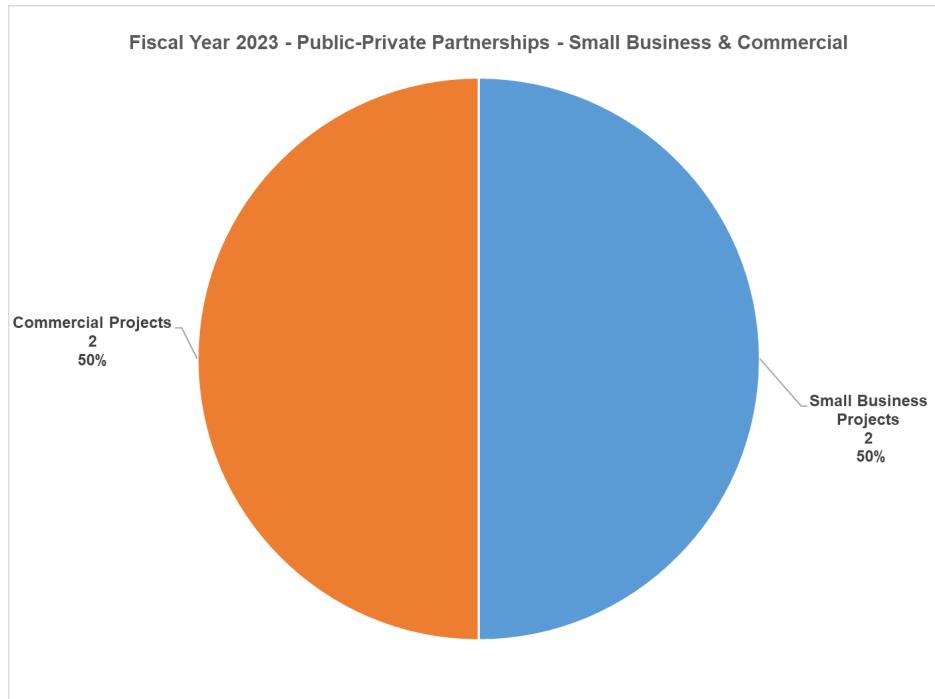


Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

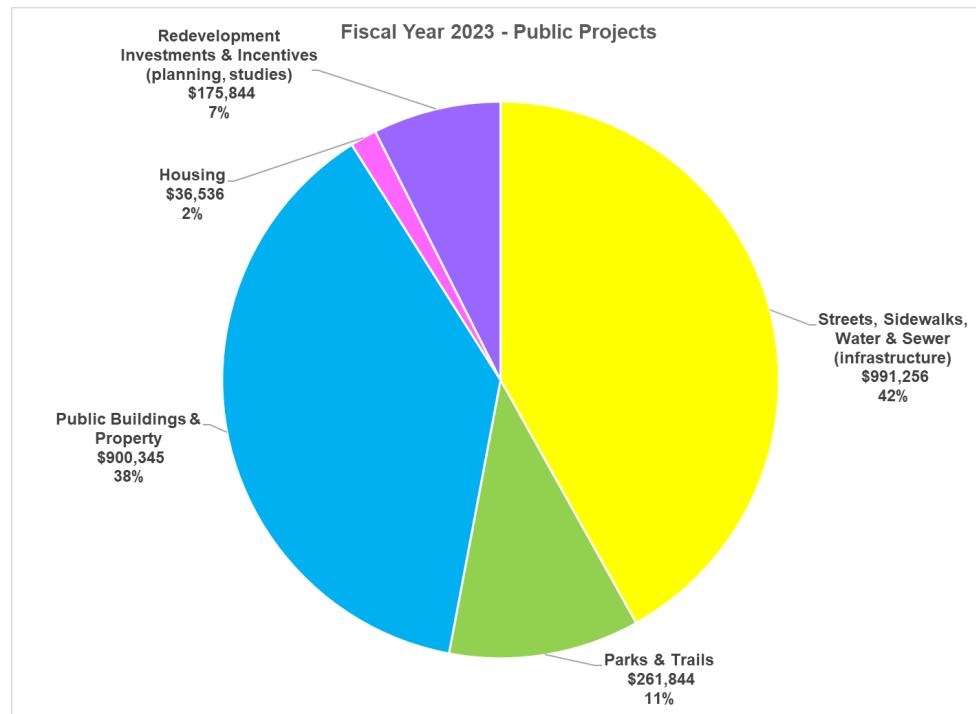
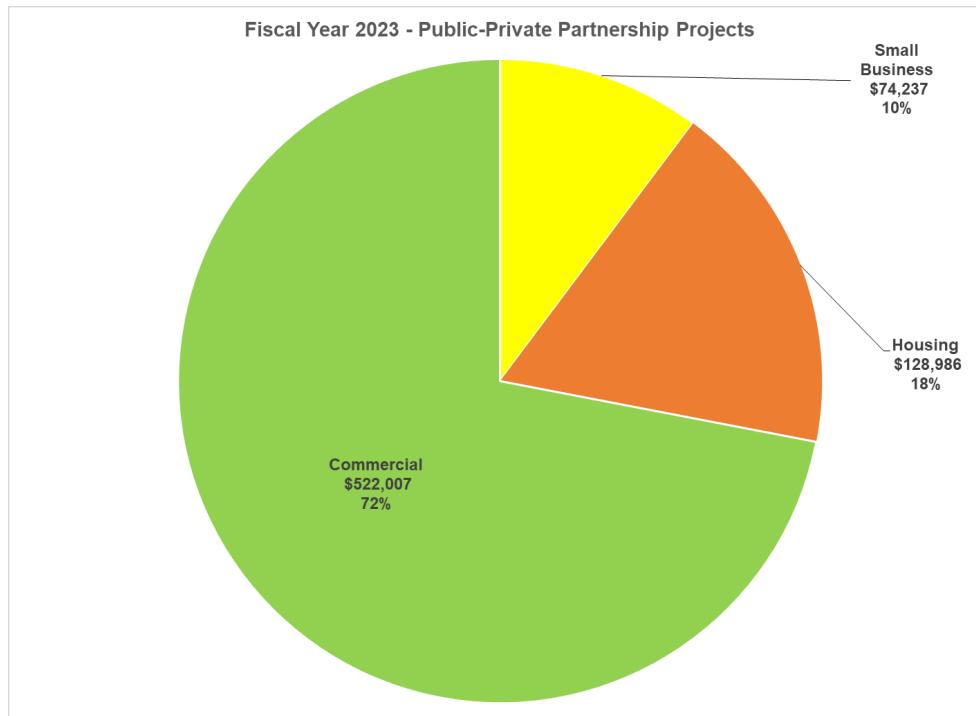


Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)



Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

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 2023, all the Agency's urban renewal districts receive state reimbursements through the Entitlement Share program. The reimbursements are tracked discretely.

State Reimbursements

FY23 State of Montana - Entitlement Share & Class 8 Personal Property Reimbursement Schedule for the Agency

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)	Annual Class 8 Personal Property Reimbursement (HB 303)	Total Annual Entitlement & PP Reimbursement Payment
Missoula	Urban Renewal District III (1-1D)	04-0583D	\$ -	\$ 121,116	\$ 156,734	\$ 71,570	\$ 349,420
Missoula	Urban Renewal District II (1-1C)	04-0583C	225,251	\$ 57,789	\$ 117,246	\$ 39,863	\$ 440,149
Missoula	Urban Renewal District II (4-1C)	04-0586C	30,009	\$ 4,239	\$ 8,058	\$ 3,693	\$ 45,998
Missoula	Front Street URD (1-1F)	04-0583F	-	\$ 22,983	\$ 30,992	\$ 9,417	\$ 63,392
Missoula	Riverfront URD (1-1R)	04-0583R	-	\$ 4,494	\$ 4,822	\$ 7,062	\$ 16,378
Missoula	North Reserve Scott Street (1-1N)	04-0583N	-	-	-	\$ 22,806	\$ 22,806
Missoula	Hellgate (1-1H)	04-0583H	-	-	-	\$ 12,371	\$ 12,371
			\$ 255,260	\$ 210,620	\$ 317,851	\$ 166,783	\$ 950,515

2021 Legislative Session

House Bill 303: Introduced during the 2021 legislative session by Joshua Kassmier (R), this bill proposed increasing the Class Eight business tax exemption; providing a reimbursement to local governments and tax increment districts under the Entitlement Share program, to school districts through Guaranteed Tax Base aid, and to the Montana University System for the loss of revenue; providing a statutory appropriation; amending sections 15-1-121, 15-1-123, 15-6-138 and 20-9-366, MCA; and providing effective dates, applicability dates, and termination dates. **This bill was signed into law on May 11, 2021.** <https://leg.mt.gov/bills/2021/sesslaws/ch0506.pdf>

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

Agency Note: House Bill 303 increases the tax exemption of the class eight property of a person or a business entity from the first \$100,000 in market value to the first \$300,000 in market value.

House Bill 616: Introduced during the 2021 legislative session by Mike Hopkins (R), this bill proposed amending tax increment financing laws to require a governing body to approve a tax increment provision; amending sections 7-15-4206, 7-15-4233 and 7-15-4282, MCA; and providing an applicability date. **This bill was signed into law on April 30, 2021.** https://leg.mt.gov/bills/2021/HB0699/HB0616_X.pdf

Senate Bill 388: Introduced during the 2021 legislative session by Greg Hertz (R), this bill proposed generally revising property tax laws; revising targeted economic development district laws; providing for infrastructure through tax increment financing; providing the tax increment may not include certain state equalization mills for elementary and high school education; limiting the duration of a future tax increment provision; amending sections 7-15-4279, 7-15-4283, 7-15-4286, 7-15-4288, and 7-15-4292, MCA; and proving an immediate effective date. **This bill was signed into law on May 20, 2021.** <https://leg.mt.gov/bills/2021/sesslaws/ch0575.pdf>

2023 Legislative Session

House Bill 212: Introduced during the 2023 legislative session by Joshua Kassmier (R), this bill proposed increasing the class eight business equipment tax exemption; providing a reimbursement to local governments and tax increment financing districts under the entitlement share program, to school districts through the guaranteed tax base aid, and to the Montana University system for the loss of revenue; amending sections 15-1-123, 15-6-138, 15-10-420, and 20-9-366, MCA; amending sections 12 AND 13, chapter 506, laws of 2021; repealing sections 2, 6, 7, 8, and 14, chapter 506, laws of 2021; and providing an applicability date. **This bill was signed into law on March 13, 2023.** <https://leg.mt.gov/bills/2023/billpdf/HB0212.pdf>

Agency Note: House Bill 212 increases the tax exemption of the class eight property of a person or business entity from the first \$300,000 in market value to the first \$1,000,000 in market value.

Senate Bill 54: Introduced during the 2023 legislative session by Greg Hertz (R), this bill proposed revising the reappraisal cycle for certain centrally assessed property; providing for a 2-year reappraisal cycle for certain centrally assessed property; amending sections 15-1-210, 15-1-402, 15-7-102, 15-7-111, 15-8-112, 15-15-102, 15-23-101, 15-23-103 and 15-23-212, MCA; and providing an applicability date. **This bill was signed into law on May 4, 2023.** <https://leg.mt.gov/bills/2023/billpdf/SB0054.pdf>

Senate Bill 505: Introduced during the 2023 legislative session by Greg Hertz (R), this bill proposed revising laws related to the calculation of tax increment for districts that use tax increment financing; clarifying the applicability of exclusions from tax increment financing; amending sections 7-15-4286 and 71-3-1506 MCA; and providing an immediate effective date. **This bill was signed into law on May 19, 2023.** <https://leg.mt.gov/bills/2023/billpdf/SB0505.pdf>

Agency Note: Senate Bill 505 provided language clarifying the circumstances in which voted mill levies are excluded from the calculation of tax increment.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

House Bill 819: Introduced during the 2023 legislative session by Paul Green (R), this bill proposed providing for the Montana Community Reinvestment Plan; providing for attainable workforce housing; providing for distribution of funds to community reinvestment organizations; providing for community reinvestment organization requirements; providing for state workforce housing incentive revolving accounts; creating the Montana housing infrastructure revolving account in the state special revenue fund type; providing for duties for the board of investments and the Governor's office of economic development; providing eligibility requirements for the use of funds; providing for deed restrictions; providing for planning grants from the department of commerce; authorizing additional funding for low-income and moderate-income housing loans from the permanent coal tax fund; amending terms of loans; providing additional funding for state workforce housing; providing definitions; providing for transfers of funds; providing appropriations; amending sections 17-6-308 and 90-6-137, MCA; and providing an immediate effective date. **This bill was signed into law on June 13, 2023.** <https://leg.mt.gov/bills/2023/billpdf/HB0819.pdf>

Agency Note: "Workforce housing" was added to the list of infrastructure types eligible for tax increment financing funding by Senate Bill 388 in the 2021 legislative session but was not defined. HB 819 provides definitions of "attainable workforce housing" and "eligible household" that, when read together, indicate that workforce housing means housing at a cost not exceeding 30% of gross monthly income for households earning between 60% and 140% of median household income. These law changes prompted the creation of the Agency's new Workforce Housing Program, adopted in September 2023. HB 819 also allows Montana Board of Investments to purchase bonds, including tax increment bonds, at a subsidized interest rate to help fund infrastructure for projects that include a workforce housing component

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 takes several years to complete, 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 Agency administers six urban renewal districts (URDs) within the city that generate tax increment revenue. URD II and URD III were created in 1991 and 2000, respectively, and have well established revenue streams. The City created the Front Street and Riverfront Triangle URDs in 2007 and 2008. Both are part of what was the original downtown district, URD I, which expired in 2005. They are areas that did not experience the level of redevelopment investment enjoyed by other parts of the original URD I or downtown district. The City has issued bonds in both districts, which extends the life of the district beyond the initial 15 years. They are currently due to expire in 2044, unless additional debt is issued in Riverfront Triangle during 2023, in which case it will expire in 2048. In 2014, the City created two new districts, the Hellgate Urban Renewal District and the North Reserve-Scott Street (NRSS) Urban Renewal District. Hellgate URD will expire in 2029, unless debt is issued prior to that. Several bonds have been issued in the NRSS URD and it will expire in 2045, unless additional debt is issued prior to 2029.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

With the expiration of the URD II looming, the Agency developed an 9-Year Strategic Exit Plan during fiscal year 2022 which was adopted by the Agency Board. A number of important public projects were identified that will likely not be feasible without the use of TIF funding.

The top priority project in that Exit Plan is the conversion of the Bitterroot Railroad Trestle over the Clark Fork River to a shared facility that can still function as a railroad while also becoming part of the Bitterroot Trail system from downtown Missoula to Hamilton, Montana. Staff began work with Montana Rail Link on that project in fiscal year 2022. In fiscal year 2023, the Agency entered into a professional services contract with HDR Engineering to produce a study working with Montana Rail Link, the Department of Transportation and appropriate City departments to determine the feasibility of this shared use. The exit plan also prioritized completion of the sidewalk network and installation of water mains throughout the district. That work continued in fiscal year 2023 through the Montana Street / Idaho Street sidewalk and water main project in conjunction with Missoula Water.

To address another priority in the exit plan, the Agency entered into a multi-agency partnership to design and secure funding for the West Broadway River Corridor project. This partnership includes City Departments (MRA, Parks and Recreation, Public Works and Mobility), Montana Fish, Wildlife, and Parks and Trout Unlimited. The West Broadway River Corridor Project is designed to improve ecological, recreational and safety conditions along the Clark Fork River between McCormick Park and the California Street Bridge. The Agency Board approved a grant of up to \$300,000 from URD II to fund the initial planning required to seek capital funds for the required improvements. This project addresses important missing trail connections, maximizing the use of the West Broadway Island, multiple riverbank improvements, improved functionality of river access in Silver Park and the feasibility of recreational facility where the Flynn Lowney ditch diversion is located.

The severe need for housing in Missoula was prioritized by identifying \$4,000,000 in tax increment funds for opportunistic property purchases. All of these projects have been identified as priorities based on the belief that they bring increased equity to our community through the provision of housing, providing affordable mobility options and livable neighborhoods. These and other projects identified in the exit plan will be subject of future audit reports as we work our way through the list.

The first phase of the reconstruction of Russell Street is complete and has become a catalyst for redevelopment with new buildings either being constructed or planned with the assistance of tax increment funds needed for deconstruction of obsolete structures and public improvements. In addition to commercial redevelopment along Russell Street, two new office buildings and two new mixed-use residential buildings have been completed in the Old Sawmill District and construction of a new townhome development continues. While there are no tax increment funds being used for these new buildings, the large tax increment investment in the environmental remediation of the land and the construction of a new Montana Rail Link trestle, Wyoming Street and Silver Park have been the catalyst for this new development which is now generating the tax increment revenue that is funding projects in other parts of the district.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

The purchase, using tax increment funds, of the Sleepy Inn Motel property on West Broadway and Russell Streets for use as a temporary non-congregate shelter in response to COVID-19, provided shelter for members of our houseless population who needed to isolate or quarantine and significantly reduced the spread of COVID-19 in our community. In fiscal year 2023, the Agency funded the removal of the old motel buildings, and the property is currently for sale. Upon sale of the property, the proceeds will be transferred to the City's Affordable Housing Trust Fund to be invested in providing income-qualified housing.

URD III is seeing increased activity and investment. This area, known as Midtown, was developed during the period when all design and planning centered around the automobile, which is not a welcoming environment for walking, biking, or transit. There are large expanses of parking lots and many single-story commercial buildings, which turn their back to adjacent residential neighborhoods. Brooks Street is the spine of Midtown and creates a major barrier between neighborhoods, schools, access to trails and parks, and commercial developments. The Agency has wrestled for decades with how to transform Brooks Street and the area around it into a place where people want to live, work, and play. In fiscal year 2022, a dedicated group of people led by the Missoula Midtown Association (MMA) and the Agency, committed to two ambitious plans. One was to create a vision for Midtown through the development of a Midtown Master Plan. Under the leadership of the MMA and with most of the funding coming from the Agency, a consulting team was selected, a robust public process was carried out and the Midtown Missoula Master Plan was adopted in June 2023.

The other plan is the Brooks TOD/BRT Corridor Project to transform Brooks Street into a Transit Oriented Development (TOD) corridor with center-running Bus Rapid Transit (BRT), bike lanes, wide sidewalks, and street trees. The Agency and Mountain Line applied for and received an \$847,000 Federal RAISE planning grant to carry this design forward to position the City to apply for federal capital improvement grant funds in fiscal years 2024 and 2025. The commitment in fiscal year 2023 of matching funds from the Agency and Mountain Line were likely significant factors in the success of the grant application. The Agency continued to honor its commitment to provide missing sidewalks and water mains in the district through the funding of the North Avenue water main project. The sidewalk buildout in the district is basically complete other than those sections of sidewalk that will be a part of the Brooks Corridor Project.

Downtown Missoula has undertaken two master planning processes. Both plans prioritized the conversion of Front and Main Streets from a one-way couplet to two-way streets with dedicated bike facilities. That conversion has been the top priority for downtown and the City for years. Much of fiscal years 2022 and 2023 were spent fully redesigning the streets to the point where permits can be issued, and Federal funding sought. This project has been funded with tax increment funds from the Front Street, Riverfront Triangle and Hellgate Urban Renewal Districts. Another recommendation of the current Downtown Master Plan is to modify Higgins Avenue from Broadway to Brooks Street. The reconfigured street is recommended to become an improved two-lane street with one lane of traffic in each direction, center left turn lanes, separated bicycle lanes and on-street parking. These two projects intersect where Front and Main Streets cross Higgins Avenue. The Agency and other City staff understand that these projects are not feasible without Federal funding; consequently, both projects were combined along with other multi-modal connections resulting in an application for a Federal RAISE Grant in mid-fiscal year 2023. In June 2023, the City received the announcement that a \$25,000,000 grant had been approved for the project now known as Downtown SAM (Safety, Access & Mobility).

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

The Agency Board approved a commitment of \$1,000,000 of tax increment funds as a match, making the application much more competitive.

The Agency and the City have been working for decades to facilitate the redevelopment of the Riverfront Triangle property, part of which is owned by the City with the balance in single ownership by a private entity. The City has watched potential redevelopment efforts fail due to downturns in the economy, softening markets and, most recently, the COVID-19 pandemic. Staff has seen renewed interest from several large investors and developers at levels that we have not seen in the past. During fiscal year 2023, MRA worked primarily with two groups interested in housing and a commercial component in an economic climate that is increasingly challenging.

In fiscal year 2023, the Agency expanded its relationship with the Missoula Economic Partnership (MEP) by entering a formal agreement with MEP to identify and vet potential private sector partners to facilitate larger redevelopment projects in multiple urban renewal districts. The Agency and MEP have been pursuing opportunities primarily in URD III, the Front Street URD, and the North Reserve Scott Street URD. A major focus of that partnership has centered around the redevelopment of the old library block donated to the City by the Payne family several years ago. MEP identified six potential development partners and in fiscal year 2023, the City selected the team of DeChase Miksis and Edlen & Co. to lead the effort to determine how best to develop an entire city block in the heart of downtown.

A similar partnership resulted in the relationship between the City and Ravara Development, LLC for the development of a 9-acre portion of the 19-acre tract purchased by the City in the NRSS URD using tax increment funds in fiscal year 2020. That project will result in 45 permanently income-qualified owner-occupied workforce housing units, several hundred market rate housing units and a commercial component, which will serve both the Scott Street developments and the Northside neighborhood. Fiscal year 2023 also saw ongoing construction of 200 units of permanently affordable housing with the Villagio project, which was subsidized through a \$1,300,000 tax increment grant. Fiscal year 2024 will see Villagio completed and occupied and the beginning of infrastructure installation for the Ravara housing project.

Another significant project that was initiated in fiscal year 2023, is the First Security Bank's new corporate headquarters in URD III. The Bank's decision to maintain their headquarters in this district is indicative of the growing interest in investing in Midtown. Not only is this a major financial investment in the core of the city, but it is also a cutting-edge building utilizing Cross Laminated Timber construction, a first in the City of Missoula. The Agency Board approved just over \$700,000 in tax increment funding for the project for the removal of existing buildings and improvements in the public right of way. First Security was very clear that their decision to build in that location was predicated on their ability to access tax increment funding. The alternative would have been to locate further out of the urban core, which is contrary to the goals of the community to grow inward.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2023

(Continued)

Summary The City of Missoula and the Missoula Redevelopment Agency are committed to the need to assure that our investments increase equity for our residents and visitors. To that end, the Agency will continue to work with its partner organizations and private developers to implement the Downtown Master Plan and redevelopment of the Riverfront Triangle. A major focus of the Agency will continue to be implementation of the 9-Year Strategic Exit Plan for URD II. The Agency's commitment to redevelopment in Midtown that adheres to accepted urban design principals will be reflected through continued involvement in implementation of the Midtown Master Plan and the Brooks Street TOD/BRT Corridor Plan with an emphasis on providing the housing needed to retain Missoula residents in an escalating housing market. The Agency's efforts continue to be targeted on the creation of connectivity, more pedestrian friendly and sustainable development patterns, support for housing for all income levels and economic development projects



Ellen Buchanan, Director
Missoula Redevelopment Agency

FINANCIAL SECTION

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)**STATEMENT OF NET POSITION**

June 30, 2023

**Governmental
Activities****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES****Current Assets**

Cash and investments	\$ 22,042,252
Taxes/assessments receivable - net	460,166
Current portion of notes receivable - unrelated	17,237
Current portion of notes receivable - primary government	16,622
Other current assets	101,911
Due from other governments	721,381

Total Current Assets 23,359,569**Noncurrent Assets**

Notes receivable - unrelated	89,637
Notes receivable - primary government	465,042

Total Noncurrent Assets 554,679**Deferred Outflows of Resources**

Unamortized loss on debt refunding	13,167
Pension and OPEB adjustments	111,467

Total Deferred Outflows of Resources 124,634

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 24,038,882

The accompanying notes are an integral part of these financial statements.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)**STATEMENT OF NET POSITION**

(Continued)

	Governmental Activities
June 30, 2023	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Current Liabilities	
Accounts payable	\$ 306,056
Accrued wages	27,251
Accrued interest	700
Current portion of compensated absences	71,038
Current portion of notes payable	268,589
Current portion of tax increment revenue bonds payable	616,951
Total Current Liabilities	1,290,585
Noncurrent Liabilities	
Post employment benefits	70,285
Compensated absences - less current portion	171,272
Net pension liability	627,294
Notes payable - less current portion	4,240,283
Tax increment revenue bonds payable - less current portion	38,659,994
Total Noncurrent Liabilities	43,769,128
Total Liabilities	45,059,713
Deferred Inflows of Resources	
Pension and OPEB adjustments	79,565
Net Position	
Unrestricted	(21,100,396)
Total Net Position	(21,100,396)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 24,038,882

The accompanying notes are an integral part of these financial statements.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2023	Governmental Expenses	Governmental Activities
FUNCTIONS/PROGRAMS		
Governmental Activities		
Housing and community development	\$ 4,541,289	\$ (4,541,289)
Interest expense	1,886,772	(1,886,772)
Total Governmental Activities	6,428,061	(6,428,061)
Total Primary Government	\$ 6,428,061	(6,428,061)
General Revenues		
Property taxes for general purposes		14,204,260
State contribution - PERS		19,462
State entitlement funds - HB124		255,260
Personal property reimbursement - SB372, SB96, and HB303		695,284
Grant revenue		116,912
Miscellaneous		6,700
Total General Revenues	15,297,878	
Change in Net Position		8,869,817
Net Position		
Beginning of Year		(29,970,213)
End of Year	\$ (21,100,396)	

The accompanying notes are an integral part of these financial statements.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2023	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	\$ 4,942,834	\$ 11,292,623	\$ 1,030,712	\$ 617,592	\$ 2,829,811	\$ 1,128,760	\$ 199,920	\$ 22,042,252
Taxes/assessments receivable - net	-	-	-	-	-	13,646	446,520	460,166
Current portion of notes receivable - unrelated	-	17,237	-	-	-	-	-	17,237
Current portion of notes receivable - primary government	12,194	2,296	-	-	2,132	-	-	16,622
Other current assets	-	9,471	-	-	-	-	92,440	101,911
Due from other governments	-	116,912	-	-	-	28,986	575,483	721,381
Interfund receivable	208,513	220,232	54,027	8,173	188,839	-	-	679,784
Total Current Assets	5,163,541	11,658,771	1,084,739	625,765	3,020,782	1,171,392	1,314,363	24,039,353
Noncurrent Assets								
Notes receivable - unrelated	-	89,637	-	-	-	-	-	89,637
Notes receivable - primary government	351,716	47,245	-	-	66,081	-	-	465,042
Total Noncurrent Assets	351,716	136,882	-	-	66,081	-	-	554,679
TOTAL ASSETS	\$ 5,515,257	\$ 11,795,653	\$ 1,084,739	\$ 625,765	\$ 3,086,863	\$ 1,171,392	\$ 1,314,363	\$ 24,594,032
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Current Liabilities								
Accounts payable	\$ 142,544	\$ 162,543	\$ -	\$ -	\$ -	\$ 969	\$ -	\$ 306,056
Accrued wages	-	27,251	-	-	-	-	-	27,251
Interfund payable	-	-	-	-	-	-	679,784	679,784
Accrued interest	-	-	-	-	-	-	700	700
Total Current Liabilities	142,544	189,794	-	-	-	969	680,484	1,013,791
Deferred Inflow of Resources								
Uncollected tax revenue	-	-	-	-	-	2,704	342,218	344,922
Fund Balances								
Nonspendable	-	8,600	-	-	-	-	700	9,300
Restricted	5,372,713	11,597,259	1,084,739	625,765	3,086,863	1,167,719	290,961	23,226,019
Total Fund Balances	5,372,713	11,605,859	1,084,739	625,765	3,086,863	1,167,719	291,661	23,235,319
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 5,515,257	\$ 11,795,653	\$ 1,084,739	\$ 625,765	\$ 3,086,863	\$ 1,171,392	\$ 1,314,363	\$ 24,594,032

The accompanying notes are an integral part of these financial statements.

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, 2023

Total fund balances - governmental funds	\$ 23,235,319
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	344,922
Deferred outflows of resources related to unamortized loss on debt refunding are applicable to future periods and, therefore, are not reported in the funds	13,167
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	111,467
Deferred inflows of resources related to pensions and post employment benefits	(79,565)
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	(44,725,706)
Total Net Position - Governmental Activities	\$ (21,100,396)

The accompanying notes are an integral part of these financial statements.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

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

Year Ended June 30, 2023	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	\$ -	\$ -	\$ -	\$ -	\$ 444,340	\$ 13,772,583	\$ 14,216,923	
State contribution - PERS	-	625	-	-	-	-	-	625
Grant revenue	-	116,912	-	-	-	-	-	116,912
State entitlement funds - HB124	-	-	-	-	-	-	255,260	255,260
Personal property reimbursement - SB372 and SB96	-	-	-	-	12,371	682,883	695,254	
Miscellaneous	-	-	-	-	-	6,700	6,700	
Total Revenues	-	117,537	-	-	456,711	14,717,426	15,291,674	
Expenditures								
Housing and community development	663,969	1,475,997	742,745	109,795	364,168	53,123	-	3,409,797
Capital outlay	623,602	277,764	-	-	-	-	-	901,366
Miscellaneous	-	-	-	-	-	-	29,291	29,291
Debt service expense - interest	-	-	-	-	-	-	1,886,772	1,886,772
Debt service expense - principal	-	-	-	-	-	-	2,313,788	2,313,788
Total Expenditures	1,287,571	1,753,761	742,745	109,795	364,168	53,123	4,229,851	8,541,014
Excess (Deficiency) of Revenues Over Expenditures								
	(1,287,571)	(1,636,224)	(742,745)	(109,795)	(364,168)	403,588	10,487,575	6,750,660
Other Financing Sources (Uses)								
Transfers in	3,634,522	5,734,122	996,775	367,120	1,341,384	-	4,402,111	16,476,034
Transfers out	(451,641)	(41,874)	(200,000)	(135,105)	(150,000)	(112,043)	(15,385,371)	(16,476,034)
Payment to refunded bond escrow	-	-	-	-	-	-	(1,770,000)	(1,770,000)
Issuance of long-term debt	2,231,536	-	-	-	-	-	1,588,559	3,820,095
Total Other Financing Sources (Uses)	5,414,417	5,692,248	796,775	232,015	1,191,384	(112,043)	(11,164,701)	2,050,095
Net Change in Fund Balances	4,126,846	4,056,024	54,030	122,220	827,216	291,545	(677,126)	8,800,755
Fund Balances								
Beginning of Year	1,245,867	7,549,835	1,030,709	503,545	2,259,647	876,174	968,787	14,434,564
End of Year	\$ 5,372,713	\$ 11,605,859	\$ 1,084,739	\$ 625,765	\$ 3,086,863	\$ 1,167,719	\$ 291,661	\$ 23,235,319

The accompanying notes are an integral part of these financial statements.

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

Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$ 8,800,755
Proceeds from long-term debt agreements are revenues in the governmental funds, but increase long-term liabilities in the statement of net position	(3,820,095)
Current financial resources are not reported as revenues in the fund financial statements	(12,632)
The change in compensated absences payable is reported in the statement of activities as an expense	(51,372)
The change in the other postemployment benefits is reported in the statement of activities as an expense	18,073
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	(167,375)
On-behalf State contributions to pensions are revenues in the statement of activities, but do not provide current financial resources to the governmental fund	19,462
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	(787)
Repayment of long-term debt principal with proceeds from the modification of a long-term debt agreement is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	1,770,000
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	2,313,788
Change in Net Position - Statement of Activities	\$ 8,869,817

The accompanying notes are an integral part of these financial statements.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

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 six urban renewal districts (URDs): 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. 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 2046 through the issuance of a revenue bond on April 12, 2021. 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 2045 through the issuance of a tax increment bond on August 3, 2020.

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.

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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 60 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.

Real and personal property taxes and interest earnings are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Agency and are recognized as revenue at that time. The Agency recorded real and personal property taxes for the current year as revenue.

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

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

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 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.

New Accounting Pronouncements The Agency has adopted provisions of the following GASB pronouncements for fiscal year 2023.

In March 2020, the GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements," effective for the Agency's fiscal year beginning July 1, 2022. The statement addresses issues related to public-private and public-public partnership (PPP) arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. The adoption of this statement did not have a material effect on the Agency's financial statements.

In June 2020, the GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements," effective for the Agency's fiscal year beginning July 1, 2022. The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The adoption of this statement did not have a material effect on the Agency's financial statements.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(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.

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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

- 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.

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 Investments 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 THE FINANCIAL STATEMENTS

(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 of Missoula has the authority and may exercise the lien on behalf of the City. 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-unattached taxes are not billed with real property taxes. Personal Property-Unattached values as of Jan 1 are self-reported to the Department of Revenue by March 1. Bills are generated usually by Jun 1 using the prior November's mill levies and are due thirty days after billing, typically by Jun 30th. The timing of Personal Property – Unattached valuations, reporting, billing and collection all within the fiscal year, can cause variances in what is estimated during the budget process the prior fall and what is collected. 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 the November 2022, property tax billing are as follows:

	<u>Taxable Value</u>	<u>Increment Value</u>
Urban Renewal District II	\$ 6,400,354	\$ 4,540,531
Urban Renewal District III	\$ 14,422,088	\$ 6,249,244
Front Street Urban Renewal District	\$ 3,426,350	\$ 2,013,315
Riverfront Triangle Urban Renewal District	\$ 654,294	\$ 496,436
Hellgate Urban Renewal District	\$ 1,532,824	\$ 507,376
North Reserve Scott Street Urban Renewal District	\$ 3,575,407	\$ 2,084,202

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 Post-Employment 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 THE FINANCIAL STATEMENTS

(Continued)

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:

June 30, 2023

Demand deposits	\$ 21,937,534
Cash on hand	7,250
Certificates of deposit	97,468
Total	\$ 22,042,252

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 annual comprehensive financial report (ACFR). 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.

3. OTHER CURRENT ASSETS

Other current assets consist of the following:

June 30, 2023

Prepaid expenses	\$ 9,300
Other receivables	92,611
Total	\$ 101,911

4. NOTES RECEIVABLE

May 2014, December 2015, and February 2019, the Agency executed note receivables under its Façade Improvement Program in the amount of \$10,368, \$62,000, and \$100,000, respectively. The notes bear interest at 0% and call for annual payments of \$1,037, \$6,200, and \$10,000 respectively, over ten years. At June 30, 2023, the notes had an outstanding balance of \$1,037, \$18,600, and \$70,000, respectively.

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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

In June 2017, the City of Missoula assumed all of the Mountain Water notes. At June 30, 2023, the outstanding balances of all the City of Missoula notes were \$364,120, \$66,568, and \$68,213 in URD II, URD III, and the NRSS, respectively.

Collections to maturity, are as follows:

Years Ending June 30	Principal
2024	\$ 33,859
2025	32,798
2026	32,810
2027	26,610
2028	26,610
Thereafter	435,851
Total	\$ 588,538

5. LONG-TERM DEBT

Changes in long-term debt, were as follows:

Year Ended June 30, 2023	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 190,938	\$ 125,904	\$ (74,532)	\$ 242,310	\$ 71,038
MAEDC note - direct borrowing	1,359,026	-	(140,957)	1,218,069	146,589
MPC note	2,126,000	-	(118,000)	2,008,000	122,000
Stockman Bank note - direct borrowing	1,324,225	-	(41,422)	1,282,803	-
Bonds payable - direct placement	36,653,232	3,820,095	(2,031,382)	38,441,945	536,951
Bonds payable	2,587,027	-	(1,752,027)	835,000	80,000
Totals	\$ 44,240,448	\$ 3,945,999	\$ (4,158,320)	\$ 44,028,127	\$ 956,578

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 4.500% 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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

On October 18, 2022, the Agency issued two Tax Increment Urban Renewal revenue bonds, Series 2022A and Series 2022B, which is a current refunding of the above bond. Additional details related to the refunding are included under the Series 2022A and Series 2022B Urban Renewal Bonds. Due to the refunding, the bond was paid in full as of June 30, 2023.

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.

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, are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 166,000	\$ 47,045	\$ 213,045
2025	339,000	86,216	425,216
2026	349,000	75,458	424,458
2027	361,000	64,370	425,370
2028	373,000	52,904	425,904
2029-2032	1,399,000	89,508	1,488,508
Totals	\$ 2,987,000	\$ 415,501	\$ 3,402,501

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 THE FINANCIAL STATEMENTS

(Continued)

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 52,500	\$ 20,836	\$ 73,336
2025	107,000	38,314	145,314
2026	112,000	33,713	145,713
2027	117,000	28,900	145,900
2028	122,000	23,885	145,885
2029-2032	470,000	40,789	510,789
Totals	\$ 980,500	\$ 186,437	\$ 1,166,937

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, 2023, has been estimated at \$139,599. 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, 2023.

Debt service requirements to maturity on the tax increment bonds, are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 80,000	\$ 56,642	\$ 136,642
2025	90,000	50,909	140,909
2026	90,000	44,654	134,654
2027	100,000	38,225	138,225
2028	105,000	31,275	136,275
2029-2031	370,000	46,565	416,565
Totals	\$ 835,000	\$ 268,270	\$ 1,103,270

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 87,326	\$ 87,326
2025	165,000	171,064	336,064
2026	170,000	163,778	333,778
2027	180,000	156,165	336,165
2028	185,000	148,226	333,226
2029-2033	1,065,000	608,891	1,673,891
2034-2038	1,315,000	351,371	1,666,371
2039-2041	935,000	62,097	997,097
Totals	\$ 4,015,000	\$ 1,748,918	\$ 5,763,918

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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 33,159	\$ 23,403	\$ 56,562
2025	68,574	44,550	113,124
2026	71,694	41,430	113,124
2027	74,957	38,167	113,124
2028	78,368	34,756	113,124
2029-2033	448,691	116,930	565,621
2034-2036	269,795	18,132	287,927
Totals	\$ 1,045,238	\$ 317,368	\$ 1,362,606

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.

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

Years Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 28,707	\$ 28,707
2025	33,000	56,465	89,465
2026	35,000	54,510	89,510
2027	37,000	52,440	89,440
2028	39,000	50,255	89,255
2029-2033	232,500	213,684	446,184
2034-2038	306,500	136,749	443,249
2039-2042	315,500	37,534	353,034
Totals	\$ 998,500	\$ 630,344	\$ 1,628,844

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, 2023, the City reports deferred outflows of resources in the amount of \$13,898 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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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

Years Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 5,243	\$ 5,243
2025	8,500	10,294	18,794
2026	9,000	9,900	18,900
2027	9,500	9,484	18,984
2028	10,000	9,045	19,045
2029-2033	57,000	37,913	94,913
2034-2038	70,500	23,614	94,114
2039-2042	68,500	6,355	74,855
Totals	\$ 233,000	\$ 111,848	\$ 344,848

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 THE FINANCIAL STATEMENTS

(Continued)

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

Years Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 62,818	\$ 62,818
2025	103,963	123,298	227,261
2026	108,641	118,514	227,155
2027	113,530	113,515	227,045
2028	118,639	118,639	237,278
2029-2033	678,246	454,493	1,132,739
2034-2038	845,217	283,764	1,128,981
2039-2042	823,695	76,171	899,866
Totals	\$ 2,791,931	\$ 1,351,212	\$ 4,143,143

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.

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

Years Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 30,923	\$ 30,923
2025	55,000	60,566	115,566
2026	55,000	58,009	113,009
2027	60,000	55,335	115,335
2028	60,000	52,545	112,545
2029-2033	350,000	216,458	566,458
2034-2038	435,000	125,434	560,434
2039-2041	315,000	22,435	337,435
Totals	\$ 1,330,000	\$ 621,705	\$ 1,951,705

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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

Years Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 126,672	\$ 126,672
2025	238,000	248,168	486,168
2026	249,000	237,575	486,575
2027	260,000	226,505	486,505
2028	271,000	214,955	485,955
2029-2033	1,542,000	883,268	2,425,268
2034-2038	1,908,000	509,472	2,417,472
2039-2041	1,356,000	90,131	1,446,131
Totals	\$ 5,824,000	\$ 2,536,746	\$ 8,360,746

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.

On March 1, 2021 the bond was partially redeemed for the amount of \$259,047. The amount attributed to principal and interest was \$253,761 and \$5,286, respectively. The debt service requirements to maturity schedule has been re-amortized to include the partial redemption.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Years Ending June 30	Principal	Interest	Total
2024	\$ 6,290	\$ 9,057	\$ 15,347
2025	13,033	17,663	30,696
2026	13,659	17,037	30,696
2027	14,315	16,380	30,695
2028	15,004	15,692	30,696
2029-2033	86,553	66,925	153,478
2034-2038	109,452	44,027	153,479
2039-2042	123,060	15,071	138,131
Totals	\$ 381,366	\$ 201,852	\$ 583,218

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.

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

Years Ending June 30	Principal	Interest	Total
2024	\$ 19,617	\$ 27,724	\$ 47,341
2025	40,791	53,889	94,680
2026	42,961	51,719	94,680
2027	45,246	49,434	94,680
2028	47,653	47,028	94,681
2029-2033	279,090	194,313	473,403
2034-2038	361,638	111,764	473,402
2039-2041	219,145	17,556	236,701
Totals	\$ 1,056,141	\$ 553,427	\$ 1,609,568

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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

Years Ending June 30	Principal	Interest	Total
2024	\$ 45,382	\$ 49,331	\$ 94,713
2025	93,765	95,662	189,427
2026	97,912	91,515	189,427
2027	102,242	87,185	189,427
2028	106,765	82,663	189,428
2029-2033	608,971	338,165	947,136
2034-2038	756,090	191,044	947,134
2039-2041	444,009	29,559	473,568
Totals	\$ 2,255,136	\$ 965,124	\$ 3,220,260

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 Subordinate Lien Revenue Bonds in the Front Street District. The bonds were issued on parity with other subordinate debt in the district 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 subordinate 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 THE FINANCIAL STATEMENTS

(Continued)

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

Years Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 65,384	\$ 65,384
2025	109,786	128,573	238,359
2026	114,177	124,093	238,270
2027	118,744	119,436	238,180
2028	123,494	114,590	238,084
2029-2033	695,639	493,219	1,188,858
2034-2038	846,351	339,493	1,185,844
2039-2043	1,029,716	152,461	1,182,177
Thereafter	231,303	4,625	235,928
Totals	\$ 3,269,210	\$ 1,541,874	\$ 4,811,084

Scott Street Series 2020A and 2020B – Direct Placement On August 3, 2020 the City of Missoula pursuant to Resolution 8443 approved the sale of \$6,604,000 principal amount of tax increment urban renewal revenue bonds, consisting of \$3,302,000 Tax Exempt Series 2020A and \$3,302,000 Taxable Series 2020B, to finance the acquisition of the Scott Street Property described as Lot 3, Scott Street Lots, a platted subdivision in the City of Missoula, located in the north one-half of Section 16, Township 13 North, Range 19 West, Principal Meridian, Montana, Missoula County, Montana, containing 19.15 acres. This bond Series 2020A and Series 2020B was issued on August 14, 2020 and was completely drawn down at closing. The bond was issued on parity with other senior-subordinate debt in the district. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula Montana. The final maturity date is July 1, 2045. The interest rate on the Series 2020A Tax Exempt bond is 3.80% per annum.

The interest rate on the Series 2020B taxable bond is 4.50% 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 North Reserve-Scott Street URD directly to the bondholder commencing January 1, 2021. 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 THE FINANCIAL STATEMENTS

(Continued)

Debt service requirements to maturity on the August 2020 tax increment bonds, are as follows:

Scott Street Series 2020A:

Years Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 57,664	\$ 57,664
2025	90,691	113,604	204,295
2026	94,137	110,092	204,229
2027	97,714	106,447	204,161
2028	101,427	102,664	204,091
2029-2033	567,965	451,334	1,019,299
2034-2038	684,398	332,690	1,017,088
2039-2043	824,699	189,723	1,014,422
2044-2046	573,896	33,254	607,150
Totals	\$ 3,034,927	\$ 1,497,472	\$ 4,532,399

Scott Street Series 2020B:

Years Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 68,710	\$ 68,710
2025	84,118	135,527	219,645
2026	87,904	131,657	219,561
2027	91,859	127,612	219,471
2028	95,993	123,386	219,379
2029-2033	548,781	546,563	1,095,344
2034-2038	683,881	408,423	1,092,304
2039-2043	852,240	236,276	1,088,516
2044-2046	609,002	41,911	650,913
Totals	\$ 3,053,778	\$ 1,820,065	\$ 4,873,843

AC Hotel Series 2021 – Direct Borrowing In April 2021, the City of Missoula approved the sale and issuance of \$1,886,105 Subordinate Lien Tax Increment Urban Renewal Revenue Bonds in the Front Street District to reimburse certain costs related to the AC Hotel project. The bond was issued at par, bears interest of 2.00%, and is secured by a subordinate lien upon and pledge of tax increment revenues derived from the Front Street District. The bond resolution requires, among other things, that the 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 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 THE FINANCIAL STATEMENTS

(Continued)

Debt service requirements to maturity on the April 2021 tax increment bonds, are as follows:

Years Ending June 30	Principal	Interest	Total
2024	\$ 31,356	\$ 17,710	\$ 49,066
2025	63,656	34,477	98,133
2026	64,935	33,197	98,132
2027	66,240	31,892	98,132
2028	67,572	30,560	98,132
2029-2033	358,786	131,875	490,661
2034-2038	396,323	94,338	490,661
2039-2043	437,787	52,874	490,661
2044-2046	284,362	10,035	294,397
Totals	\$ 1,771,017	\$ 436,958	\$ 2,207,975

Urban Development Renewal Series 2022A and 2022B – Direct Placement On October 18, 2022, the City of Missoula approved the sale of \$3,815,007 principal amount of tax increment urban renewal revenue bonds, consisting of \$1,583,471 Series Tax Exempt 2022A and \$2,231,536 Taxable Series 2022B, to refund the Refunded 2006 Bonds, to reimburse the Agency for the purchase price of the Bridge Apartments, and to pay costs of issuance. This bond Series 2022A and Series 2022B was issued on October 18, 2022, and was completely drawn down at closing. The bond was issued on parity with other senior-subordinate debt in the district. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula Montana. The final maturity date is July 1, 2031. The interest rate on the Series 2022A Tax Exempt bond is 3.50% per annum.

The Agency decreased its aggregate debt service payments by \$382,784 (net fair value cash flow savings) by refunding the prior debt and there was an economic gain on the refunding of \$66,799 (net present value benefit). No deferred charge on refunding resulted from the transaction as the carrying value of refunded debt was equal to the reacquisition price.

The interest rate on the Series 2022B taxable bond is 4.50% per annum. The principal and interest payments are due January 1 and July 1 payable from tax increment generated by the Urban Renewal District II directly to the bondholder commencing January 1, 2023. The bond resolution requires, among other things, that URD II'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 URD II 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 THE FINANCIAL STATEMENTS

(Continued)

Debt service requirements to maturity on July 2031 tax increment bonds are as follows:

Urban Renewal Revenue Refunding Bond Series 2022A:

Years Ending June 30	Principal	Interest	Total
2024	\$ 77,472	\$ 24,785	\$ 102,257
2025	159,034	45,480	204,514
2026	164,649	39,865	204,514
2027	170,462	34,052	204,514
2028	176,481	28,034	204,515
2029-2032	668,214	47,586	715,800
Totals	\$ 1,416,312	\$ 219,802	\$ 1,636,114

Urban Renewal Revenue Bond Taxable Series 2022B:

Years Ending June 30	Principal	Interest	Total
2024	\$ 105,175	\$ 44,975	\$ 150,150
2025	217,502	82,797	300,299
2026	227,400	72,900	300,300
2027	237,748	62,552	300,300
2028	248,567	51,733	300,300
2029-2032	962,497	88,551	1,051,048
Totals	\$ 1,998,889	\$ 403,508	\$ 2,402,397

Notes Payable

Riverfront Triangle Series 2019 – Direct Borrowing In March 2019, the City of Missoula approved the sale of \$1,529,318 of Subordinate 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 is secured by a subordinate 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 THE FINANCIAL STATEMENTS

(Continued)

Debt service requirements to maturity on the Riverfront note payable, are as follows:

Years Ending June 30	Principal	Interest	Total
2024	\$ -	\$ 25,656	\$ 25,656
2025	43,079	50,451	93,530
2026	44,802	48,693	93,495
2027	46,594	46,865	93,459
2028	48,458	44,964	93,422
2029-2033	272,962	193,534	466,496
2034-2038	332,098	133,213	465,311
2039-2043	404,050	59,824	463,874
Thereafter	90,760	1,815	92,575
Totals	\$ 1,282,803	\$ 605,015	\$ 1,887,818

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, are as follows:

Years Ending June 30	Principal	Interest	Total
2024	\$ 122,000	\$ 83,370	\$ 205,370
2025	128,000	78,490	206,490
2026	130,000	73,370	203,370
2027	136,000	68,170	204,170
2028	142,000	62,730	204,730
2029-2033	794,000	221,946	1,015,946
2034-2036	556,000	48,981	604,981
Totals	\$ 2,008,000	\$ 637,057	\$ 2,645,057

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.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, are as follows:

Years Ending June 30	Principal	Interest	Total
2024	\$ 146,589	\$ 17,590	\$ 164,179
2025	148,742	15,437	164,179
2026	150,959	13,220	164,179
2027	153,225	10,954	164,179
2028	155,480	8,699	164,179
2029-2032	463,074	22,639	485,713
Totals	\$ 1,218,069	\$ 88,539	\$ 1,306,608

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

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

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

6. COMMITMENTS

The Agency has entered into contracts for various projects and activities as approved by the Board of Commissioners. As of June 30, 2023, the Agency had commitments totaling \$12,565,459 that will be financed from operating funds and bond proceeds.

Board Designated Net Assets:

Urban Renewal District II

Public:

Bitterroot Trail	\$ 747,655
County Elections Complex	205,300
Flynn Lowney Ditch	357,576
Legal Services	10,000
Montana/Idaho Water and Sidewalks	480,401
Street Trees	71,760
Trinity Apartments	53,256

Private:

Bateman Duplex Housing	10,680
Bissinger Place Housing	269,000
Trailfront Properties	257,233
Lainsbury Duplex Housing	13,585

Program:

JDR Enterprises LLC	50,000
Bissinger Place Housing	50,000

Total	\$ 2,576,446
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Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Urban Renewal District III:

Public:

Legal Services	\$ 10,000
Bitterroot Trail Lighting	1,848,000
Reserve Pedestrian Bridge	5,714
MRL Property	54,020
Kent Avenue Greenway Improvements	268,412
Street Trees	75,663
Water Network Program	330,215

Private:

First Security Bank	711,083
Casa Loma	2,212,046

Program:

El Cazador	50,000
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Federal Grant Projects:

Brooks Street Corridor	803,422
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Total	\$ 6,368,575
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Front Street Urban Renewal District:

Public:

Caras Park - Clark Fork ADA River Access & Riverbank Restoration	\$ 100,000
Downtown Recycling Receptacles	5,670
South Pattee Streetlight Replacement	47,300

Private:

Front Street Apartments - 333-401 East Front St.	257,924
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Federal Grant Projects:

Downtown Safety & Multimodal Connectivity RAISE Grant Match	200,000
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Total	\$ 610,894
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Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

North Reserve/Scott Street Urban Renewal District:

Public:

Villagio Housing Project	\$ 1,339,178
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Private:

Scott Street Property Redevelopment	305,000
Otis Street Apartments	315,100
Diversified Plastics	46,253

Total	\$ 2,005,531
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Hellgate District:

Public:

Front/Main Two-Way Conversion	\$ 20,963
Railroad Quiet Zone	183,050

Federal Grant Projects:

Downtown Safety & Multimodal Connectivity RAISE Grant Match	700,000
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Total	\$ 904,013
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Riverfront Triangle URD:

Federal Grant Projects:

Downtown Safety & Multimodal Connectivity RAISE Grant Match	\$ 100,000
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Total	\$ 100,000
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7. PENSION PLAN

Summary of Significant Accounting Policies

Montana Public Employee Retirement Administration (MPERA) prepares financial statements using the accrual basis of accounting. The same accrual basis is used by MPERA for the purposes of determining the net pension liability; 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 in which they are 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).

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Public Employees' Retirement System (PERS)

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 provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System and school districts. Benefits are established by state law and can only be amended by Legislature.

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 by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit 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 based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

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; 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

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.

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

- 1) Retired 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 or member's contributions plus return interest (currently 2.02% effective July 1, 2018);
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

- Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retired 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 recalculation benefit in January after receiving the new benefit for 12 months.

3) Retired 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.

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.

Monthly Benefit Formula

1) 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.

2) 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.

- 3.0% for members hired prior to July 1, 2007

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Contributions

The state legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

Special Funding

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

Not Special Funding

Per Montana law, state agencies and universities pay 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.

Overview of Contributions

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		State and				School Districts	
	Hired <07/01/11	Hired >07/01/11	Universities Employer	Local Government Employer State		Employer	State	
2023	7.900%	7.900%	9.070%	8.970%	0.100%	8.700%	0.370%	
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%	
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%	
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%	
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%	

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and member contribution 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 Plan Choice Rate (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.
3. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.10% 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 \$34,633,570.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB 68 allows a measurement date of up to 12 months before the employer's fiscal year-end. The basis for the TPL as of June 30, 2022, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2022.

The TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2022 and 2021, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The employer recorded a liability of \$627,294 and the employer's proportionate share was 0.0191%.

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021*	Change in Percent of Collective NPL
Agency's proportionate share	\$ 627,294	\$ 346,371	0.01910%	0.02245%	-0.00334%
State of Montana proportionate share associated with the Agency	187,770	102,200	0.00707%	0.00564%	0.00144%
Totals	\$ 815,064	\$ 448,571	0.02618%	0.02808%	-0.00191%

* To be consistent with this year's calculation of the State of Montana Proportionate Share Associated with Employer Percent of Collective NPL, the June 30, 2021, percentage has been recalculated using the actual State percentage presented on the allocation instead of the 100% displayed last year. This does not change the dollar amount of the NPL as of June 30, 2021, just the percentage.

Changes in Actuarial Assumptions and Methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL:

1. The discount rate was increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. Updated all mortality tables to the PUB2010 tables for general employees.
4. Updated the rates of withdrawal, retirement, and disability.
5. Lowered the payroll growth assumption from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

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 to the Plan between the measurement date of the collective NPL and the employer's reporting date that are expected to have significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Pension Expense

At June 30, 2022, the Agency recognized \$46,312 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$19,462 for the state of Montana proportionate share of the pension expense associated with the Agency.

	Pension Expense as of 6/30/2022	Pension Expense as of 6/30/2021
Agency's proportionate share of PERS	\$ 46,312	\$ 18,566
State of Montana proportionate share associated with the Agency	19,462	31,826
Totals	\$ 65,774	\$ 50,392

Recognition of Deferred Inflows and Outflows

At June 30, 2022, the Agency reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected versus actual experience	\$ 7,997	\$ -
Projected investment earnings versus actual investment earnings	18,436	-
Changes in assumptions	23,377	45,924
Changes in proportion and differences between employer contributions and proportionate share of contributions	44,783	-
Employer contributions subsequent to the measurement date	54,369	-
Totals	\$ 148,962	\$ 45,924

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date in the amount of \$54,369 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30, 2022	Recognition of Deferred Outflows and Deferred Inflows in Future Years as an Increase or (Decrease) to Pension Expense
2023	\$ 33,356
2024	\$ (6,778)
2025	\$ (19,884)
2026	\$ 41,975
Thereafter	\$ -

Actuarial Assumptions

The TPL in the June 30, 2022, actuarial valuation was determined on the results of an actuarial valuation date of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increases:
 1. Guaranteed Annual Benefit Adjustment (GABA) each January
 - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage 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:
 - (a) 1.5% for each year PERS is funded at or above 90%;
 - (b) The 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%;

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(c) 0% whenever the amortization period for PERS is 40 years or more.

Mortality

- Mortality assumptions among active participants were based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021, for males and females. Projected generationally using MP-2021.
- Mortality assumptions among disabled members were based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among contingent survivors were based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021, with ages set forward one year for males and females. Projected generationally using MP-2021.
- Mortality assumptions for healthy retirees were based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

The actuarial assumptions and methods utilized in the June 30, 2022, valuation were developed in the five-year experience study for the period ending 2021.

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which established the contractually required rates under Montana Code Annotated. The state contributed 0.10% of salaries paid by local governments and 0.37% paid by school districts.

In addition, the state contributed a statutory appropriation from the general fund. 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 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Target Allocation

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2022, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be long-term assumption (30 to 50 years) and is not expected to change absent a significant change in asset allocation, a change in underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return	
		Arithmetic basis	
Cash	3.0%		-0.33%
Domestic equity	30.0%		5.90%
International equity	17.0%		7.14%
Private investments	15.0%		9.13%
Real assets	5.0%		4.03%
Real estate	9.0%		5.41%
Core fixed income	15.0%		1.14%
Non-core fixed income	6.0%		3.02%
Total	100.00%		

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the employer's sensitivity of the NPL to the discount rate 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 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	1.00% Decrease (6.30%)	Current Discount Rate (7.30%)	1.00% Increase (8.30%)
City of Missoula's net pension liability	\$ 44,816,038	\$ 31,088,857	\$ 19,571,918
Missoula Redevelopment Agency's net pension liability	\$ 904,276	\$ 627,294	\$ 394,912

PERS Disclosure for 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 in 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.

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 measurement period ended June 30, 2022, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 344 employers that have participants in the PERS-DCRP totaled \$1,681,603.

Pension Plan Fiduciary Net Position

The standalone financial statements of the Montana Public Employees Retirement Board (PERB) ACFR 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 the MPERA website at <http://mpera.mt.gov/about/annualreports1/annualreports>.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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:

June 30, 2023	Transfers In	Transfers Out
Urban Renewal District II	\$ 3,634,522	\$ 451,641
Urban Renewal District III	5,734,122	41,874
Front Street URD	996,775	200,000
Riverfront URD	367,120	135,105
NRSS URD	1,341,384	150,000
Hellgate URD	-	112,043
Debt Service	4,402,111	15,385,371
Totals	\$ 16,476,034	\$ 16,476,034

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 ACFR.

10. POSTEMPLOYMENT BENEFITS

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 to periods of employee service. Information on the City's health benefits plan for retirees is included below.

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. The plan provides medical insurance for retirees with the retiree paying a premium for this benefit. Contribution rates are established by the City Council based on the recommendations received from both the Employee Benefits Committee and the City Administration. The plan's financial information, excluding retirees, is the City's self-insurance internal service fund. The plan does not issue separate audited financial statements.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 eight employees participating in the plan, one retiree, and no C.O.B.R.A. participants.

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 January 1, 2023, which was used for the June 30, 2023 valuation. Dental benefits were added January 1, 2023, for retirees.

Medical Deductible (Individual/Family)	\$750/\$2,250
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 life insurance coverage, and the City contributes the remaining 15% to the plan. The plan is financed on a pay-as-you-go basis with City and Agency contributions ensuring that adequate reserves are maintained in the plan. Reserves maintained by the City are not considered assets of the post-employment benefits plan since they are not contributed to a trust that meets the criteria in GASB 75, paragraph 4.

The retiree and Agency contribution rates for the plan beginning January 1, 2023, were used for the June 30, 2023, valuation and are as follows.

Coverage	Retiree Contribution	MRA Contribution	Total Premium
Retiree	\$ 1,044.24	\$ 184.28	\$ 1,228.52
Retiree, spouse	\$ 1,211.54	\$ 184.28	\$ 1,395.82
Retiree, spouse, child	\$ 1,280.44	\$ 184.28	\$ 1,464.72
Retiree, child	\$ 1,113.14	\$ 184.28	\$ 1,297.42
Each additional child	\$ 68.90	\$ -	\$ 68.90

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The following table reports the changes to the OPEB liability for fiscal year 2023, as well as deferred inflows and outflows of resources and OPEB expense recognized.

Changes in OPEB Liability

OPEB liability - beginning balance	\$	69,775
Service cost		3,242
Interest		2,882
Difference between expected and actual experience		3,008
Changes in assumptions		(485)
Employer contributions		(8,137)

OPEB Liability - Ending Balance

Deferred Inflows of Resources

Deferred inflows of resources - beginning balance	\$	(54,919)
Change in assumptions		(485)
Current year amortization of assumption changes		4,103
Current year amortization of experience differences		17,660

Ending Balance

Deferred Outflow of Resources		
Deferred outflow of resources - beginning balance	\$	(34,800)
Difference between expected and actual experience		3,008
Current year amortization of experience differences		(415)
Current year amortization of assumption changes		(5,288)
Ending Balance	\$	(37,495)
OPEB Expense	\$	(9,937)

The Agency's total OPEB liability is \$70,285 as of June 30, 2023, and was determined by an 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.

Payroll Growth	3.00% Source: The City
Medical Trend	5.83%
General Inflation	3.00% per year
Participation Rate	40.00% 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, from PERS Actuarial Valuation 6/30/2021.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 and their impact on the liability.

Assumption	Description of Change	Impact on Liability
Discount Rate	Increased from 4.09% to 4.13%	\$ (78,187)

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:

	1.00% Decrease (3.13%)	Discount Rate (4.13%)	1.00% Increase (5.13%)
Total OPEB Liability	\$ 83,973	\$ 70,285	\$ 59,546

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

	1.00% Decrease (4.83%)	Trend Rate (5.83%)	1.00% Increase (6.83%)
Total OPEB Liability	\$ 58,183	\$ 70,285	\$ 86,212

Changes in the total OPEB liability due to: (1) changes in actuarial assumptions or (2) 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, 2023, was 7.24 years.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows.

June 30	Actual to Expected Experience (Inflow)	Changes in Assumptions (Outflow)	Combined
2023	\$ 415	\$ (67)	\$ 348
2024	415	(67)	348
2025	415	(67)	348
2026	415	(67)	348
2027	415	(67)	348
2028	415	(67)	348
2029	415	(67)	348
2030	103	(16)	87
Totals	\$ 3,008	\$ (485)	\$ 2,523

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, 2023.

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.

11. RELATED-PARTY TRANSACTIONS

The Agency paid the City of Missoula \$321,747 for Administrative Services for fiscal year 2023, including \$310,140 for administrative assistance, \$6,690 for the Agency's pro-rata contribution to the City's employee health benefits fund, \$4,917 for the City's worker's compensation fund.

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

For fiscal year 2023, the Agency granted the City of Missoula and related component units \$535,367 in grants for various projects and expenditures approved by the Agency's Board of Commissioners.

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 THE FINANCIAL STATEMENTS

(Continued)

12. GOVERNMENTAL FUND BALANCE REPORTING AND SPENDING PRIORITIES

The Agency previously 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, 2023, the Agency had a total fund balance in Governmental funds of \$23,235,319. In accordance with GASB Statement No. 54 this fund balance has been classified as follows:

June 30, 2023

Special Revenue Funds

Nonspendable	\$	9,300
Restricted		22,935,058

Debt Service

Restricted		290,961
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Total

\$ 23,235,319

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 31, 2024, the date which the financial statements were available to be issued.

In January 2024, the MRA Board approved TIF funding for the Ravara Housing Project in the North Reserve-Scott Street district. The estimated \$10M in TIF funding will come from the issuance of tax Increment revenue bonds upon City Council approval.

The TIF grant will fund construction of public infrastructure needed for a new mixed-use, mixed income development, including street extensions, sidewalks, landscaping and street trees, decorative street lighting, and safety improvements.

This infrastructure will support creation of 89 new for sale units located on a Community Land Trust (51% of units will be income restricted) as well as 220-225 market rate apartments, and an estimated 35,000 square feet of new neighborhood commercial space.

TIF funding approved under the Agency's new Workforce Housing Program will support creation of 45 income restricted home ownership units. This project is a partnership between the City of Missoula, Ravara Development LLC, and the Agency. Additional funding sources include private investment, public investment and the Agency has applied for State assistance through the Board of Investment's workforce housing loan program

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

14. DEFICIT NET POSITION

As of June 30, 2023, the Agency had a deficit net position of \$21,100,396. 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 SECTION**

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS

	Urban Renewal District II					Urban Renewal District III				
	Budgeted Amounts		Variance with			Budgeted Amounts		Variance with		
	Original	Final	Actual	Final	Budget	Original	Final	Actual	Final	Budget
Budgetary Fund Balance - July 1, 2022	\$ 1,245,867	\$ 1,245,867	\$ 1,245,867	\$	-	\$ 7,549,835	\$ 7,549,835	\$ 7,549,835	\$	-
Resources (Inflows):										
Tax increment property tax	-	-	-	-	-	-	-	-	-	-
State contribution PERS	-	-	-	-	-	585	585	625	-	40
State personal property tax reimbursement	-	-	-	-	-	-	-	-	-	-
Grant	-	-	-	-	-	-	116,912	116,912	-	-
Long-term debt proceeds	-	-	2,231,536	2,231,536	-	-	-	-	-	-
Transfers in	3,326,310	5,866,059	3,634,522	(2,231,537)	5,542,224	5,734,124	5,734,122	-	(2)	38
Amounts Available for Appropriation	\$ 4,572,177	\$ 7,111,926	7,111,925	\$ (1)	\$ 13,092,644	\$ 13,401,456	13,401,494	\$	38	
Charges to Appropriations (Outflows):										
Housing and community development	\$ 1,265,222	\$ 1,324,486	663,969	\$ (660,517)	\$ 3,992,572	\$ 4,203,015	1,475,997	\$ (2,727,018)		
Capital outlay	2,713,945	5,336,235	623,602	(4,712,633)	8,229,565	9,156,565	277,764	(8,878,801)		
Transfers to other governments	-	-	-	-	-	-	-	-	-	-
Transfers out	400,000	451,205	451,641	436	-	41,874	41,874	-	-	-
Total Charges to Appropriations	\$ 4,379,167	\$ 7,111,926	1,739,212	\$ (5,372,714)	\$ 12,222,137	\$ 13,401,454	1,795,635	\$ (11,605,819)		
Budgetary Fund Balance - June 30, 2023			\$ 5,372,713					\$ 11,605,859		

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)

	Front Street District				Riverfront Triangle District			
	Budgeted Amounts		Variance with		Budgeted Amounts		Variance with	
	Original	Final	Actual	Final Budget	Original	Final	Actual	Final Budget
Budgetary Fund Balance - July 1, 2022	\$ 1,030,709	\$ 1,030,709	\$ 1,030,709	\$ -	\$ 503,545	\$ 503,545	\$ 503,545	\$ -
Resources (Inflows):								
Tax increment property tax	-	-	-	-	-	-	-	-
State contribution PERS	-	-	-	-	-	-	-	-
State personal property tax reimbursement	-	-	-	-	-	-	-	-
Grant	-	-	-	-	-	-	-	-
Long-term debt proceeds	-	-	-	-	-	-	-	-
Transfers in	938,618	996,775	996,775	-	355,768	367,120	367,120	-
Amounts Available for Appropriation	\$ 1,969,327	\$ 2,027,484	2,027,484	\$ -	\$ 859,313	\$ 870,665	870,665	\$ -
Charges to Appropriations (Outflows):								
Housing and community development	\$ 781,803	\$ 781,823	742,745	\$ (39,078)	\$ -	\$ -	109,795	\$ 109,795
Capital outlay	688,134	1,045,660	-	(1,045,660)	625,785	735,560	-	(735,560)
Transfers to other governments	200,000	200,000	200,000	-	-	-	-	-
Transfers out	-	-	-	-	100,000	135,105	135,105	-
Total Charges to Appropriations	\$ 1,669,937	\$ 2,027,483	942,745	\$ (1,084,738)	\$ 725,785	\$ 870,665	244,900	\$ (625,765)
Budgetary Fund Balance - June 30, 2023	\$ 1,084,739				\$ 625,765			

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)

	North Reserve Scott Street District					Hellgate District				
	Budgeted Amounts		Variance with			Budgeted Amounts		Variance with		
	Original	Final	Actual	Final	Budget	Original	Final	Actual	Final	Budget
Budgetary Fund Balance - July 1, 2022	\$ 2,259,647	\$ 2,259,647	\$ 2,259,647	\$ -		\$ 876,174	\$ 876,174	\$ 876,174	\$ -	
Resources (Inflows)										
Tax increment property tax	-	-	-	-	-	443,340	454,304	444,340	(9,964)	
State contribution PERS	-	-	-	-	-	-	-	-	-	
State personal property tax reimbursement	-	-	-	-	-	12,371	12,371	12,371	-	
Grant	-	-	-	-	-	-	-	-	-	
Long-term debt proceeds	-	-	-	-	-	-	-	-	-	
Transfers in	1,237,811	1,341,384	1,341,384	-	-	-	-	-	-	
Amounts Available for Appropriation	\$ 3,497,458	\$ 3,601,031	3,601,031	\$ -		\$ 1,331,885	\$ 1,342,849	1,332,885	(9,964)	
Charges to Appropriations (Outflows)										-
Housing and community development	\$ 1,970,539	\$ 1,970,539	364,168	\$ (1,606,371)	\$ 200,000	\$ 957,135	53,123	\$ (904,012)		
Capital outlay	1,070,284	1,480,492	-	(1,480,492)	1,011,996	273,670	-	(273,670)		
Transfers to other governments	-	-	-	-	-	-	-	-	-	
Transfers out	100,000	150,000	150,000	-	75,000	112,043	112,043	-	-	
Total Charges to Appropriations	\$ 3,140,823	\$ 3,601,031	514,168	\$ (3,086,863)	\$ 1,286,996	\$ 1,342,848	165,166	\$ (1,177,682)		
Budgetary Fund Balance - June 30, 2023			\$ 3,086,863					\$ 1,167,719		

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, 2023	Urban	Urban	Front	Riverfront	N. Reserve	
	Renewal District II	Renewal District III	Street District	Triangle District	Scott Street District	Hellgate District
Sources/Inflows of Resources						
Actual available for appropriation from the budgetary comparison schedule	\$ 7,111,925	\$13,401,494	\$ 2,027,484	\$ 870,665	\$ 3,601,031	\$ 1,332,885
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,245,867)	(7,549,835)	(1,030,709)	(503,545)	(2,259,647)	(876,174)
Transfers from other funds are inflows of budgetary resource but are not revenues for financial reporting purposes	(3,634,522)	(5,734,122)	(996,775)	(367,120)	(1,341,384)	-
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 2,231,536	\$ 117,537	\$ -	\$ -	\$ -	\$ 456,711
Uses/Outflows of Resources						
Actual total charges to appropriations from the budgetary comparison schedule	\$ 1,739,212	\$ 1,795,635	\$ 942,745	\$ 244,900	\$ 514,168	\$ 165,166
Transfers to other governments are outflows of budgetary resources but are not expenditures for financial reporting purposes	-	-	(200,000)	-	-	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(451,641)	(41,874)	-	(135,105)	(150,000)	(112,043)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 1,287,571	\$ 1,753,761	\$ 742,745	\$ 109,795	\$ 364,168	\$ 53,123

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	2023	2022	2021	2020	2019	2018
OPEB Liability - Beginning Balance	\$ 69,775	\$ 153,529	\$ 154,239	\$ 160,783	\$ 154,831	\$ 37,224
Restatement - change in accounting principle	-	-	-	-	-	110,299
Restated - Beginning Balance	69,775	153,529	154,239	160,783	154,831	147,523
Service cost	3,242	3,354	8,581	8,571	8,955	9,097
Interest	2,882	6,279	3,362	3,878	5,202	5,090
Deferred inflows - difference between expected and actual experience	3,008	(28,416)	(21,640)	(33,250)	(7,572)	(3,823)
Deferred outflow - changes in assumptions	(485)	(57,272)	14,170	19,780	2,668	82
Employer contributions	(8,137)	(7,699)	(5,183)	(5,523)	(3,301)	(3,138)
Net Change	510	(83,754)	(710)	(6,544)	5,952	7,308
Ending Balance	\$ 70,285	\$ 69,775	\$ 153,529	\$ 154,239	\$ 160,783	\$ 154,831
Covered Payroll	539,386	523,676	503,411	489,342	406,381	395,024
Total Other Post-Employment Benefits Liability as a percentage of Covered Payroll	13.0%	13.3%	30.5%	31.5%	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	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability as a percentage	0.02638%	0.01910%	0.02245%	0.02268%	0.02231%	0.02584%	0.02805%	0.02372%	0.02343%
Employer's net pension liability as an amount	\$ 627,294	\$ 346,371	\$ 592,149	\$ 474,115	\$ 465,741	\$ 503,250	\$ 477,765	\$ 331,558	\$ 291,968
State of Montana's net pension liability associated with the Agency	187,770	102,200	186,683	154,456	156,105	6,819	5,838	4,073	3,565
Totals	\$ 815,064	\$ 448,571	\$ 778,832	\$ 628,571	\$ 621,846	\$ 510,069	\$ 483,603	\$ 335,631	\$ 295,533
Employer's covered payroll**	\$ 463,571	\$ 336,916	\$ 376,591	\$ 374,241	\$ 366,991	\$ 320,532	\$ 335,973	\$ 279,336	\$ 265,198
Employer's proportionate share as a percentage of covered payroll	135.32%	102.81%	157.24%	126.69%	126.91%	157.00%	142.20%	118.70%	110.09%
Plan fiduciary net position as a percentage of the total pension liability	76.96%	77.22%	76.03%	75.43%	74.90%	98.66%	98.79%	98.79%	98.79%

*The amounts presented for each fiscal year were determined as of June 30, the measurement date.

**All employer adjustments made in the current fiscal year 2020 but are adjusting a payroll with a pay date in a prior fiscal year, are considered prior year adjustments and are removed from the covered payroll report before the actuary calculates the employers proportionate share.

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	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 41,231	\$ 29,902	\$ 32,994	\$ 32,187	\$ 31,083	\$ 26,829	\$ 30,804	\$ 24,657	\$ 22,861
Contributions in relation to the contractually required contributions	41,231	29,902	32,994	32,187	31,083	26,829	30,804	24,657	22,861
Contribution Deficiency (Excess)	\$ -								
Employer's covered-employee payroll**	\$ 463,571	\$ 336,916	\$ 376,591	\$ 374,241	\$ 320,532	\$ 335,973	\$ 279,336	\$ 265,198	\$ 265,198
Contributions of covered-employee payroll	8.89%	8.88%	8.76%	8.60%	9.70%	7.99%	11.03%	9.30%	8.62%

*The amounts presented for each fiscal year were determined as of June 30, the most recent fiscal year end.

**All employer adjustments made in the current fiscal year 2020 but are adjusting a payroll with a pay date in a prior fiscal year, are considered prior year adjustments and are removed from the covered payroll report before the actuary calculates the employers proportionate share.

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 THE REQUIRED SUPPLEMENTARY INFORMATION

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 THE REQUIRED SUPPLEMENTARY INFORMATION

(Continued)

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2022, which were based on the results of the June 30, 2021, actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 8.47%
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)	For males and females: RP 2000 Combined Mortality Table, with no projections
Admin expenses as % of payroll	0.29%

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.

The actuarial assumptions and methods utilized in the June 30, 2021, valuation, were developed in the six-year experience study for the period ending 2016.

SUPPLEMENTARY INFORMATION SECTION

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

BALANCE SHEET – COMBINING DEBT SERVICE

June 30, 2023	Safeway								N. Reserve	Total	
	URD II Bonds	St. Patrick Hospital Bonds	Front Street Notes & Bonds	Inter- Mountain Bonds	URD III Bonds	Scott Street Bonds	Riverfront Bonds				
ASSETS											
Current Assets											
Cash and investments	\$ 436	\$ 66,059	\$ 133,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 199,920	
Taxes/assessments receivable - net	291,467	-	50,851	-	84,754	13,618	5,830	-	-	446,520	
Other current assets	-	-	91,740	700	-	-	-	-	-	92,440	
Due from other governments	138,607	-	37,142	-	209,324	183,084	7,326	-	-	575,483	
Total Current Assets	430,510	66,059	313,158	700	294,078	196,702	13,156	-	-	1,314,363	
Noncurrent Assets											
Restricted cash	-	-	-	-	-	-	-	-	-	-	
TOTAL ASSETS	\$ 430,510	\$ 66,059	\$ 313,158	\$ 700	\$ 294,078	\$ 196,702	\$ 13,156	\$ 1,314,363			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES											
Current Liabilities											
Interfund payable	\$ 208,513	\$ -	\$ 54,027	\$ -	\$ 220,232	\$ 188,839	\$ 8,173	\$ -	\$ -	\$ 679,784	
Accrued interest payable	-	-	-	700	-	-	-	-	-	700	
Total Current Liabilities	208,513	-	54,027	700	220,232	188,839	8,173	-	-	680,484	
Deferred Inflow of Resources											
Uncollected tax revenue	221,561	-	33,965	-	73,845	7,864	4,983	-	-	342,218	
Fund Balances											
Restricted	436	66,059	225,166	-	1	(1)	-	-	-	291,661	
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 430,510	\$ 66,059	\$ 313,158	\$ 700	\$ 294,078	\$ 196,702	\$ 13,156	\$ 1,314,363			

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

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

Year Ended June 30, 2023	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
	Bonds	Bonds	RLF Note														
Revenues																	
Tax increment property tax	\$ 4,091,023	\$ -	\$ -	\$ 1,813,346	\$ -	\$ 5,529,926	\$ 1,893,855	\$ 444,433	\$ 13,772,583								
State entitlement	255,260	-	-	-	-	-	-	-	-								255,260
State personal property tax																	
Reimbursement	230,887	-	-	63,392	-	349,420	22,806	16,378	682,883								
Miscellaneous	-	-	6,700	-	-	-	-	-	-								6,700
Total Revenues	4,577,170	-	6,700	1,876,738	-	5,879,346	1,916,661	460,811	14,717,426								
Expenditures																	
Interest expense	243,036	21,044	63,879	457,285	45,601	671,838	331,120	52,969	1,886,772								
Principal expense	722,805	140,957	75,000	424,833	101,000	563,612	244,159	41,422	2,313,788								
Miscellaneous	29,291	-	-	-	-	-	-	-	-								29,291
Total Expenditures	995,132	162,001	138,879	882,118	146,601	1,235,450	575,279	94,391	4,229,851								
Excess (Deficiency) of Revenues Over Expenditures																	
	3,582,038	(162,001)	(132,179)	994,620	(146,601)	4,643,896	1,341,382	366,420	10,487,575								
Other Financing Sources (Uses)																	
Transfers in	1,177,009	162,001	132,119	879,962	146,601	1,235,452	575,276	93,691	4,402,111								
Transfers out	(5,251,816)	-	-	(1,876,737)	-	(5,879,347)	(1,916,660)	(460,811)	(15,385,371)								
Payment to refunded bond escrow	(1,770,000)	-	-	-	-	-	-	-	(1,770,000)								
Issuance of long-term debt	1,588,559	-	-	-	-	-	-	-	1,588,559								
Total Other Financing Sources (Uses)	(4,256,248)	162,001	132,119	(996,775)	146,601	(4,643,895)	(1,341,384)	(367,120)	(11,164,701)								
Net Change in Fund Balances	(674,210)	-	(60)	(2,155)	-	1	(2)	(700)	(677,126)								
Fund Balances																	
Beginning of Year	674,646	-	66,119	227,321	-	-	-	1	700								968,787
End of Year	\$ 436	\$ -	\$ 66,059	\$ 225,166	\$ -	\$ 1	\$ (1)	\$ -	\$ 291,661								

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE

						Major Debt Service	
	Budgeted Amounts					Variance with	
	Original	Final	Actual		Final Budget		
Budgetary Fund Balance - July 1, 2022	\$ 968,787	\$ 968,787	\$ 968,787		\$		-
Resources (Inflows)							
Miscellaneous	-	6,700	6,700		\$		-
Long-term debt proceeds	-	1,588,560	1,588,559				(1)
Tax increment property tax	13,485,565	13,838,306	13,772,583				(65,723)
State personal property tax reimbursement	682,883	682,883	682,883				-
State entitlement	255,260	255,260	255,260				-
Transfers in	3,897,975	4,406,836	4,402,111				(4,725)
Amounts Available for Appropriation	\$ 19,290,470	\$ 21,747,332	\$ 21,676,883		\$		(70,449)
Charges to Appropriations (Outflows)							
Debt service expenditures	\$ 3,903,645	\$ 5,466,117	\$ 4,200,560		\$		(1,265,557)
Payment to refunded bond escrow	-	-	1,770,000				1,770,000
Miscellaneous	-	-	29,291				29,291
Transfers out	14,423,707	14,777,149	15,385,371				608,222
Total Charges to Appropriations	\$ 18,327,352	\$ 20,243,266	\$ 21,385,222		\$		1,141,956
Budgetary Fund Balance - June 30, 2023			\$ 291,661				

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – BUDGET-TO-GAAP RECONCILIATION – DEBT SERVICE

June 30, 2023

Sources/Inflows of Resources

Actual available for appropriation from the budgetary comparison schedule	\$ 21,676,883
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(968,787)
Issuance of long-term debt is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,588,559)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(4,402,111)

Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

\$ 14,717,426

Uses/Outflows of Resources

Actual total charges to appropriations from the budgetary comparison schedule	\$ 21,385,222
Payments to refunded bond escrow are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,770,000)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(15,385,371)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 4,229,851

INTERNAL CONTROL AND COMPLIANCE SECTION



**INDEPENDENT AUDITORS' 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***

To the 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* (GAS) 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, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 31, 2024.

Report on 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item #2023-001 that we consider to be a significant deficiency.

**INDEPENDENT AUDITORS' 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***

(Continued)

Report on 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 GAS.

The Agency's Response to the Finding

GAS requires the auditor to perform limited procedures on the Agency's response to the finding identified in our audit and described in the accompany Schedule of Findings and Responses. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 GAS in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KCoe Isom, LLP

January 31, 2024
Missoula, Montana

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2023

FINANCIAL STATEMENT FINDINGS

#2023-001 Tax Increment Revenue

Criteria: The tax increment revenue is billed and collected by Missoula County. The process of budgeting tax increment revenue for the Agency is set according to State law 7-15-4286 (incremental value x levied mills) and is estimated during the City's budget process and amended, typically at year-end, to reflect final mills adopted by the taxing jurisdictions after the City's budget process is concluded.

Condition: A review of Missoula County's tax increment revenue billing calculations was not performed on a timely basis or compared to the Agency's tax increment revenue budget calculations for the year ended June 30, 2023.

Effect: The tax increment revenue and deferred revenue were understated by approximately \$149,000 in total.

Cause: The Agency did not have controls in place to detect this error as of June 30, 2023.

Context: As a result of our audit procedures, we identified five districts in which the Agency's revenue and/or deferred revenue required adjustment.

Recommendation: We recommend that the Agency staff, in conjunction with the City of Missoula, perform a review of Missoula County's tax increment revenue billing calculation. Additionally, we suggest that this calculation be compared with the Agency's tax increment revenue budget calculation.

Response: The Agency agrees that Missoula County erred in its implementation of HB 303 (increase to Personal Property value exemption), which resulted in the incorrect amount allocated for the tax increment financing (TIF) districts when tax collections were disbursed to the taxing jurisdictions. The TIF districts' revenue and deferred revenue were understated in Missoula County's collections due to this error. The process of budgeting tax increment revenue for the Agency is set according to State law 7-15-4286 (incremental value x levied mills) and is estimated during the City's budget process and amended, typically at year-end, to reflect final mills adopted by the taxing jurisdictions after the City's budget process is concluded. Revenue collections at MRA are tracked to that amended budget to determine percent of collections. Total tax increment revenue for the Agency across all districts for fiscal year 2023 was 100% of amended. The variance between the Agency's amended budget and the tax bills generated by Missoula County specifying the tax increment allocation was approximately (\$149K) which is 1% of the Agency's budgeted tax increment revenue. This amount was immaterial to the operations of the Agency and had no impact on management and Board decisions for the organization.

Missoula Redevelopment Agency (A Component Unit of the City of Missoula)

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2023

(Continued)

The Agency has communicated this Finding to Missoula County Financial Services staff. They have proposed the following solution:

- 1) The County staff determines the amount of taxes collected within the tax increment district for the year in question and then determines the amount that should have been received by MRA.
- 2) The County then adjusts the future tax stream to repay MRA for lost tax increment revenue within the next tax year.

The Agency has no control over Missoula County, and they do not request that the Agency review their calculations before generating tax bills. Missoula County has implemented prior Personal Property exemption increases in 2011 and 2013 without issue. The Agency will request Missoula County allow the Agency an opportunity to calculate tax increment revenue for the districts per State law after they receive the mill levy spreadsheet and to compare those values to those arrived at by Missoula County, prior to Missoula County finalizing the tax bills. The Agency will attempt to provide as much relevant information as possible to Missoula County during its preparation of the mill levy spreadsheet and tax bills as it relates to the TIF districts.