Missoula Urban Transportation District

Board of Directors Special Meeting Minutes

March 14, 2025

APPROVED

MEMBERS PRESENT
Don MacArthur
Eva Rocke
Sam Oliver
Jason Wiener
Amy Cilimburg
Lisa Sheppard

MEMBERS ABSENT
Sebastian Strauss

STAFF PRESENT
Jordan Hess
Colin Woodrow
Allison Segal
Heather Halter
Jen Sweten
Darlene Craven

GUESTS
Flint Olsen, Quality Construction
Eric Reiber, Quality Construction
Ronald Reekes, Wendel Companies
Jeana Stright, Wendel Companies
Lindsay Brownschidle, Wendel Companies
Christopher Osterhoudt, Wendel Companies

1.0 Call to Order and Roll Call
9:05 a.m. – Cilimburg called the meeting to order and asked for a roll call. She then requested clarification on the goal of the meeting. Hess responded that the staff is looking for a board recommendation on the general design direction for the energy system at the new facility and future funding options for the new facility. He emphasized that the funding path would continue to evolve.

2.0 Public Comment on Items Not on the Agenda
None.

3.1 MOAB 30% Design Review (HVAC Options) & Direction to Proceed to 60% Design – Osterhoudt presented an analysis of options for powering the new facility that depicted five alternatives for powering the building incorporating ground sources, air sources, and electric resistance and gas fired boilers. Stright pointed out that it was necessary to supplement the air source heat pump with a gas-fired boiler that works well in subzero temperatures. Osterhoudt outlined details about how the systems work, suggested backup systems, locations and cost comparisons. The ground source heat pump system is the only option that provides a 30% tax rebate and has an approximate 15-year working expectancy.

Wiener asked how effective a ground source heat pump system is based on the existing aquifer from which it would draw. Osterhoudt said the geothermal feasibility study showed that the aquifer was sustainable for the long term.

MacArthur asked about the contingency for losing the ground source heat pump system. Osterhoudt responded the backup system is diesel powered but the facility's needs should be covered by one geothermal system.

MacArthur asked for confirmation that the price for the recommended system would be $1.5 million. Osterhoudt confirmed, adding that the cost would be partially refunded after the project was complete. The board members agreed that the ground source system appeared to be the best option.

3.2 MOAB Debt/Proforma Review – Woodrow explained that the goal is to present a realistic to conservative estimate and approach to prevent future financing issues. Agreement on shifting the unrestricted reserve funds to the new facility project to minimize debt obligations is the other focus for the discussion. The overall purpose is to authorize proceeding with the 60% design for the new facility.

Segal explained that the agency can take on a loan debt based on the Montana code annotated. There are two projects associated with the new facility – the building site and the shared infrastructure site improvement project. In addition to the $39 million award, the agency anticipates using $10 million in facility reserve funds and taking out a $15 million Transportation Infrastructure Finance and Innovation Act loan. Any deviation from that plan requires a scope change request and the TIFIA loan cannot be applied to the shared infrastructure portion. To obtain a TIFIA loan, the agency must first submit a letter of interest for approval followed by a letter of application. The third step requires hiring a firm to establish a preliminary credit rating and retaining counsel to facilitate the bond and ensure that the debt is appropriate. The interest rate is about 2.7% and repayment would not start until five years after substantial completion of the new facility. The advisor fees range from $800 thousand to $1 million and there is an annual servicing fee to maintain the credit rating. Incurring these upfront costs would entail using reserve funds.

There are also viable short-term funding options through the State of Montana. A commercial construction loan is also an option, though the interest rate would be higher. Local capital revenues include selling the existing property and selling the additional sites adjacent to the new facility. MacArthur asked if a special improvement district could be set up to pay for the off-site improvements. Segal replied that the staff had not investigated an SID as a option. MacArthur suggested the SID might be worth researching.

MacArthur asked what the rates for a general obligation bond were. Segal responded that a meeting with prospective bond counsel was scheduled for March 24 to discuss the credit rating, a bond and costs. The only way the agency can take on debt is to issue a general obligation bond. Overall, the agency is committed $1 million annually to service the TIFIA loan debt.

Segal reviewed how the agency could use the unrestricted funds to reduce near-term debt attributable to the shared infrastructure improvement project. She presented four options for funding the various energy alternatives including solar and geothermal systems.

MacArthur pointed out a potential financial cliff in 2031. Segal responded that operational costs at the new facility would increase. Halter pointed out that the mill levy was not reflected nor was the $10 million for the buses. Segal stated the property tax revenues were conservatively forecasted at 3% and federal operating assistance increases were only guaranteed to 2026. Scaling costs to existing revenues would be necessary once operations transfer to the new facility. Hess observed that the agency has always figured out a way to work around potential financial cliffs even in a constrained property tax environment. There is more benefit to undertaking the strain than staying at the existing facility. MacArthur said the new facility project decreases the cushion but the reserves are there to use.

Segal stated option one obligates the agency to using an additional $4 million in land reserve funds but maintains the operations and fleet reserves with a $510,000 debt repayment starting in FY2027, escalating to about $1 million in FY2031. Cilimburg asked if a scope change would disrupt the process. Segal said the FTA will have to approve a scope change as the 60% design proceeds.

Wiener said it appeared the agency can afford to proceed to the 60% design though he is somewhat uncomfortable with the financing element. He did add that the project still works though every change increases the cost. Segal said the figures will change as more information about the bonding and TIFIA loan processes is known.

Wiener moved to authorize the staff to proceed with the 60% facility design incorporating the ground source heat pump option. MacArthur said any delays to proceeding could delay the project and end up costing more. Wiener said it makes sense to move forward with the 60% design despite his uncertainty about escalating costs.

MacArthur stated this project cannot be completed without completing the off-site project first and that project has a cost that will incur a certain amount of debt that is unavoidable. If the board agrees to the debt, then the design process should continue. Wiener said he was uncomfortable with the variable rate higher interest loan.

MacArthur asked what the contingency amount in the construction budget was. Segal replied that it was $3 million or around 7%. He then asked what was being done with the financing between the 30% and the 60% design phases. Segal said the bond counsel advised that the TIFIA loan's low interest rate was the best option and that submitting a request letter to initiate the process made the most sense.

Hess confirmed that the staff will initiate the following:

1. Investigate the feasibility of an SID
2. Research additional short-term funding options including private placement of general organization bonds to finance the shared infrastructure project
3. Determine whether reducing the TIFIA loan through a scope change is a viable option
4. Meet with financial advisors and a bond attorney to establish a knowledge base for proceeding with the bond and applying for the TIFIA loan

MacArthur amended the motion to authorize the staff to proceed with the 60% design implementing the ground source heat pump option and continue exploring financing options. Wiener seconded the motion, and it passed unanimously.

The Wendel team will continue to refine the solar panel option in collaboration with the engineering firm. MacArthur requested a design showing solar panels covering the new facility's roof.

4.0 Adjournment – Cilimburg adjourned the meeting at 10:59 a.m.