



****Revised****
****Revision on page 7****

Item: Public Hearing - Resolution 10161, A Resolution Approving the Application for the New or Expanding Industry Tax Benefit For Calumet Montana Refining LLC., 1900 10th St NE, For the Expansion of a Petroleum Refinery Primarily Located on CR 1412 005-2911-02-01 IN GOV'T LOTS 2-3 MK 8, located IN S1/2 Sec. 01, T20N, R3E, Cascade County, Montana.

From: Craig Raymond, Director, Planning & Community Development Department

Initiated By: Calumet Montana Refining LLC, Great Falls, Montana

Presented By: Craig Raymond, Director, Planning and Community Development Department

Action Requested: City Commission conduct public hearing, adopt/deny Resolution 10161 approving a New or Expanding Industry Tax Benefit for Calumet Montana Refining LLC., Great Falls, MT.

Public Hearing:

1. Mayor conducts public hearing, calling three times each for proponents and opponents.
2. Mayor closes public hearing and asks the will of the Commission.

Suggested Motions:

1. Commissioner moves:

“I move that the City Commission (adopt/deny) Resolution 10161.”
 2. Mayor requests a second to the motion, Commission discussion, and the calls for the vote.
-

Staff Recommendation: Based on the analysis provided below and pursuant to Section 15-24-1401 Montana Code Annotated, Staff recommends denial of Resolution 10161 granting a tax benefit for Calumet Montana Refining LLC., Great Falls, Montana.

Historically, Staff has supported abatement requests and generally, is supportive of utilizing this economic development tool. However, prior recommendations have been very different, for example, in that 1) previous New or Expanding Industry requests have had far less tax impact on the General Fund (Exhibit 6); 2) prior developments eligible for abatement were not identified in the City's Emergency Response Plan as a “high hazard”; 3) prior requests are typically from smaller businesses/industry with less overall impact to Public safety; 4) some prior requests may have been associated with new business/industry as part of an economic incentive package to attract them to Great Falls; and 5) Calumet's expansion was not contingent on approval of a tax abatement.

Consideration of these factors along with the specific guiding questions from Resolution 10119 regarding tax abatements require a higher level of discussion about whether or not the benefit to Calumet outweighs the potential adverse effects to the community.

Background: Calumet Montana Refining received permits to begin expansion of certain facilities related to a refinery expansion. City permits are focused solely on certain types of buildings and infrastructure under the jurisdiction of the adopted building codes. The majority of the expansion project from a value standpoint was performed under the authority and jurisdiction of state and federal agencies. Montana code stipulates that construction of refinery and mining or similar type facilities is exempt from city building permits or inspections.

According to the Calumet website,

"Calumet Montana Refining is located in Great Falls, Montana, with crude oil throughput capacity of approximately 9,800 barrels per day. The refinery produces gasoline, middle distillates and asphalt which Calumet Montana Refining markets primarily into local markets in Washington, Montana, Idaho and Alberta, Canada".

The applicant is requesting approval of a New or Expanding Industry Tax Benefit based on the value of the expanded industrial complex which has been completed in Great Falls.

During the processing of this application, the Montana Department of Revenue was consulted in order to provide the best possible analysis of the fiscal impact and regulatory procedures related to tax abatements. The amount of ad valorem taxes due is calculated by multiplying the taxable value by the applicable mills. Note that any tax benefit is limited to the increase in taxable value created by the improvements.

Section 15-24-1402, MCA, provides local government the option of giving Tax Benefits for New or Expanding Industry. Resolution 10161 has been prepared to comply with the requirements of Sections 15-24-1401 and 15-24-1402 MCA. Section 15-24-1402 MCA reads:

15-24-1402. New or expanding industry -- assessment -- notification. (1) In the first 5 years after a construction permit is issued, qualifying improvements or modernized processes that represent new industry or expansion of an existing industry, as designated in the approving resolution, must be taxed at 50% of their taxable value. Subject to 15-10-420, each year thereafter, the percentage must be increased by equal percentages until the full taxable value is attained in the 10th year. In subsequent years, the property must be taxed at 100% of its taxable value.

Approval of the application will allow the applicant the benefit of being taxed at **50% of the taxable value each year for the first five years after acquisition, and thereafter the percentage must be increased by equal percentages each year** as outlined in the following schedule:

<i>Estimates Provided by Calumet. Department of Revenue could change.</i>			
Tax Year	Year	% of Taxable Value	City's Tax Reduction incentive
2017	1st year following acquisition	50%	\$1,014,109
2018	2nd year following acquisition	50%	\$995,822
2019	3rd year following acquisition	50%	\$965,281
2020	4th year following acquisition	50%	\$921,040
2021	5th year following acquisition	50%	\$874,464
2022	6th year following acquisition	60%	\$669,003
2023	7th year following acquisition	70%	\$447,371
2024	8th year following acquisition	80%	\$291,522

2025	9th year following acquisition	90%	\$136,573
2026	10th year following acquisition	100%	\$0
Subsequent years		100%	\$0
<i>Total</i>			<u>\$6,315,185</u>

Note: this schedule only reflects city tax revenue impacts and does not account for school district, county or state impacts.

The law governing this incentive was amended in 1985, requiring that each local governing body (City and County) may approve the Tax Benefit on a project by project basis. If one local government body approves the tax benefit and the other does not, the benefit will apply only to the mills levied by the approving governing body. In addition, tax benefits do not include any relief from state-wide levies, and local government approval of the application must be made by resolution.

In December 2015, the City Commission adopted Resolution 10119 establishing certain criteria for the evaluation of tax benefit requests. The following is the criteria by which each application is to be evaluated for approval, modification or denial, along with a brief staff comment for Commission consideration of the merits of the project as it pertains to each criteria:

a. Whether the City’s financial condition at the time of the application or consideration of the application warrants granting the application;

Staff Comment: The City's current financial condition could be characterized as “in recovery” or in “catch-up” mode. Strides have been made in stabilizing fund balances; however, various operational needs and capital projects have been deferred. These deferred items remain unfunded and there is no other identifiable revenue source other than general fund tax dollars to fill these voids.

As outlined in the city manager’s FY2017 Administrative Capital Improvement Plan, the 2016 Park and Recreation Master Plan, and the 2014 Civic Center Façade Report, City facilities suffer from decades of deferred maintenance problems. Operationally, significant public safety needs exist as outlined in prior budget transmittal letters to the Commission.

This particular abatement request has a measured impact on public safety. Calumet’s increased plant productivity alone increases the need for Great Falls Fire Rescue (GFFR) and other emergency service providers to plan, prepare, and train with company personnel to respond to incidents at the facility. All of these elements generate additional cost for GFFR.

Increased production capacity also means increased use of rail. With rail traffic increased from approximately 7 rail cars per day to 60 rail cars per day the transport of product through the community will increase the potential exposure, risk, and incident – all of which will need to be addressed through planning and response practice.

Suffice to say, Staff believes approval of this tax abatement application will have a negative impact to the General Fund over a ten year period of time potentially requiring the City Commission to explore alternative revenue sources more aggressively to address identified needs and meet new service requirements for the facility.

Attachment: City Manager FY2017 Budget Transmittal letter

b. Whether the application meets all pertinent statutory criteria for the particular project;

Staff Comment: The application meets all statutory eligibility criteria. Calumet Montana Refining has submitted all required documentation and the application is deemed to comply.

c. Whether the property taxes or other taxes and/or assessments on the property are current;

Staff Comment: All property taxes and assessments on the property are current. First half 2016 taxes will be due on December 30, 2016.

d. Whether the project may unreasonably affect the tax base of the City;

Staff Comment: The project and expanding industry has had significant positive effects on the overall tax base of the City. If the tax benefit is approved, the direct benefit of the increased tax base to the City will be decreased for a total of ten years in an amount in excess of \$6,000,000, potentially deferring needed revenue for General Fund operations, projects, and capital needs.

e. Whether the project would impact employment opportunities within the City;

Staff Comment: The expansion of the refinery has had a very positive impact on employment opportunities within the City. According to data provided by Calumet, the total cumulative effect of adding 40 full-time refinery jobs is anticipated to produce 276 jobs in the industry. It is not known how many of the 276 jobs will be located within the City of Great Falls or Cascade County.

f. Whether the project is located within a Tax Increment Financing (TIF) or Targeted Economic Development (TED) District;

Staff Comment: The project is not located within any of the established TIF districts and therefore is not likely to have any negative effects to future TIF projects.

g. Whether the project has already received additional financial assistance from the City or other authorities having jurisdiction;

Staff Comment: Calumet Montana Refining has received \$142,500 from the Big Sky Economic Development Trust Fund Program administrated by the Montana Department of Commerce. The City of Great Falls applied for the grant on behalf of Calumet Montana Refining. Although land use actions are not financial in nature, the City did support the project in a significant way by approving a highly controversial land use application where rezoning of property was necessary for the expansion.

h. As to applications filed pursuant to Mont. Code Ann. §15-24-1601 *et seq.*, whether the Montana State Historic Preservation Office has provided design review assistance and certification for qualifying properties;

Staff Comment: This consideration is not applicable under this specific request.

i. Whether the project will create affordable housing opportunities;

Staff Comment: The project is not anticipated to provide or create affordable housing opportunities directly.

j. Whether the project will encourage additional, unsubsidized development in the area of the project, either directly or indirectly, through “spin-off” development;

Staff Comment: The industrial expansion by Calumet is highly likely to result in additional “spin-off” development. It is not possible to quantify the exact impact of post construction benefit, but it is reasonable to assume that other support industries will benefit from additional work required to maintain the new expansion.

k. Whether the project will facilitate the development process and achieve development on sites which would not be developed without assistance, or would not be developed at a level of acceptable quality;

Staff Comment: Calumet did not apply for the tax credit prior to commencement of construction and only recently submitted an application to the City as the project neared completion. Based on that timeframe, it is doubtful that the tax benefit was necessary to complete the expansion. As such, there is no indication as to any extent Calumet considered the approval of this specific benefit in making its decision to expand in Great Falls.

l. Whether the project would encourage redevelopment of commercial and industrial areas in the City of Great Falls, resulting in a higher level and quality of re-investment;

Staff Comment: Additional industrial development is highly likely as a result of the Calumet expansion. To date, Calumet has yet to develop the commercial frontage along 3rd ST NW, which was noted by the City Commission as a key element of consideration during the rezoning of the "Westgate Mall" property, which was necessary for the refinery expansion.

m. Whether the project would encourage removal of blight, or the rehabilitation of a high profile or priority site;

Staff Comment: This project is not likely to have any effect on the removal of blight in the immediate area. As mentioned in criteria “l.” above, development of the commercial buffer between 3rd ST NW and the Calumet site has not occurred, nor has Calumet initiated any planning discussions with City staff.

n. Whether the application is sought in whole or in part because of increased costs of redevelopment, such as clean-up of a contaminated site, demolition expenses, and the like, over and above costs normally incurred in development;

Staff Comment: The subject property was not subject to any unusual costs over and above those customarily incurred in the development of industrial property.

o. Whether the project could be developed without the benefit of a tax abatement; i.e., but for the allowance of a tax abatement, the project would not be developed or pursued;

Staff Comment: It is believed that the project was not dependant on the abatement request in order to be successful. Additional incentives previously mentioned also played a role in making the project successful.

p. Whether conferring the tax benefit will create an adverse impact on existing state, county or municipal services;

Staff Comment: Granting the tax benefit will have a substantial adverse impact on funding of municipal services for a period of ten years. The total cost to the City is approximately \$6,345,185. Estimated impacts to the school, county, and state are also detailed in the chart below:

Tax Year	Taxes w/out Incentive	Taxes w/ Incentive	Reduction in Taxes due to Incentive	City	School district	County	State	Total
Mills				190.29	186.60	121.87	147.86	646.62
2017	\$8,190,344	\$4,744,325	(\$3,446,019)	(\$1,014,109)	(\$994,444)	(\$649,479)	(\$787,987)	(\$3,446,019)
2018	\$8,042,654	\$4,658,774	(\$3,383,880)	(\$995,822)	(\$976,512)	(\$637,768)	(\$773,778)	(\$3,383,880)
2019	\$7,795,992	\$4,515,893	(\$3,280,099)	(\$965,281)	(\$946,563)	(\$618,208)	(\$750,047)	(\$3,280,099)
2020	\$7,438,687	\$4,308,921	(\$3,129,766)	(\$921,040)	(\$903,180)	(\$589,874)	(\$715,671)	(\$3,129,766)
2021	\$7,062,520	\$4,091,023	(\$2,971,497)	(\$874,464)	(\$857,507)	(\$560,045)	(\$679,480)	(\$2,971,497)
2022	\$6,753,915	\$4,480,592	(\$2,273,323)	(\$669,003)	(\$656,030)	(\$428,459)	(\$519,832)	(\$2,273,323)
2023	\$6,425,726	\$4,803,583	(\$1,622,142)	(\$477,371)	(\$468,114)	(\$305,729)	(\$370,929)	(\$1,622,142)
2024	\$5,886,118	\$4,895,504	(\$990,614)	(\$291,522)	(\$285,869)	(\$186,703)	(\$226,520)	(\$990,614)
2025	\$5,515,080	\$5,050,995	(\$464,085)	(\$136,573)	(\$133,924)	(\$87,467)	(\$106,120)	(\$464,085)
2026	\$5,017,899	\$5,017,899						
10 Yr Total	\$68,128,934	\$46,567,509	(\$21,561,425)	(\$6,345,185)	(\$6,222,143)	(\$4,063,733)	(\$4,930,365)	(\$21,561,425)

The adverse impact on services is discussed in criteria “a.” Staff notes that even with the infusion of new tax dollars from Calumet, there still needs to be significant community conversation on priorities and unmet funding needs for operations and capital improvements. However, Calumet’s expansion has an impact on public safety, planning, training, and response that cannot be specifically quantified, but cannot be ignored.

There will also be operational impact to the City’s Waste Water Treatment Plant and discharge regulation in terms of compliance monitoring, permitting and treatment as Calumet’s processing capacity increases as a result of the expansion.

q. Whether the project contributes to the implementation of other policies adopted by the City, including, but not limited to, the City’s Growth Policy;

Staff Comment: Industrial growth significantly contributes to the goals of the Growth Policy. In fact, the Growth Policy specifically notes that Calumet Refinery represents one of the community’s key industrial employers. While the Growth Policy recognizes tax abatements as a tool in the City’s economic development strategy, it also notes that it is an incentive that should be used wisely. In other words, abatement decisions should be individually considered and weighed in terms of both user benefits and fiscal impacts.

r. Whether the project would meet other criteria as would be considered reasonable for the best interests of the City;

Staff Comment: Supporting the development of the subject property specifically and expanding industry generally is in the best interest of the City.

As required by Section 7-1-4127 MCA, due notice of the intent to consider Resolution 10161 was provided through notices of public hearing being published in the *Great Falls Tribune* on November 27, 2016, and December 4, 2016.

Concurrences: The Planning and Community Development Department has coordinated with all City departments as well as the Department of Revenue throughout the processing of this application.

Fiscal Impact: Approval of the application will allow the new beneficial use taxes generated from the project to gradually be added to the applicant's existing property taxes over a ten year period. Initially being taxed at 50% of the taxable value in years 1-5, then paying an increasing amount for the remaining five years until being taxed at 100% after year ten. The Department of Revenue will apply the tax benefit to the 2017 tax year.

~~Denial~~**Approval** of the application means that at the current tax rate and current post-construction appraisal values, the estimated City tax revenue loss would be significant. According to the Montana Department of Revenue the total cost of approving this application would be:

Estimated 10 Year Tax Loss	
City	\$6,345,185
School district	\$6,222,143
Cascade County (if approved)	\$4,063,733
State of Montana	\$4,930,365
<i>Total</i>	\$21,561,425

Alternatives: The City Commission may adopt Resolution 10161 and approve the tax abatement.

Attachments/Exhibits:

- 1) Tax Benefit Application
- 2) Resolution 10161, Approving a Tax Benefit for Calumet Montana Refining LLC.
- 3) Enabling Resolution 10119
- 4) Tax Abatement Summary
- 5) Historic and Current Tax Abatements
- 6) City Manager FY2017 Budget Transmittal Letter

cc: Jennifer Cohen, Industrial Valuation Services
Brenda Ivers, Department of Revenue, bivers@mt.gov
Melissa Kinzler, Director of Fiscal Services



New or Expanding Industry Classification Application
15-24-1401 & 15-24-1402, MCA and ARM 42.19.1235

The applicant completes this page.

County Cascade

Name of Applicant Calumet Montana Refining, LLC

Mailing Address c/o Industrial Valuation Services, PO Box 92108, Austin TX 78709-2108

Legal Description of Affected Property See attached list

1. Date construction permit issued July 1, 2014
(If no permit is required, specify the date when certificate was issued in lieu of building permit.)

2. This application covers the (expansion/new) construction of the Great Falls Refinery plant.

3. List the qualifying property below.
#2 Crude Distillation Unit; Flare Gas Scrubber; Hydrogen Plant; Mild Hydrocracker; Sodium Hydrosulfide (NaHS)
Fuel Gas Treating Unit; Sour Water Scrubber; Trackmobile Railcar Mover; Tanks, Piping, Piperacks, and Other
Misc. Supporting Equipment Outside the Battery Limits

Attach site plat, plot plan, construction prints and detailed equipment list identifying the above property, along with complete installed costs for each qualifying component.

4. Complete this section only if the application is for a firm that:
- engages in transportation, warehousing or distribution of commercial products, if 50% or more of the gross receipts are earned from outside the state; **or**
 - earns 50% or more of its annual gross income from out-of-state sales.

Type of business _____
Total gross sales or receipts \$ _____
Total gross income \$ _____
Sales and receipts from outside of Montana \$ _____
Income earned from sales outside of Montana \$ _____
(attach income statements)

SEE ATTACHED

Signature of Applicant SEE ATTACHED

Print Name _____ Date _____



New or Expanding Industry Classification Application

This page is completed by applicant.

Assessment Office Cascade County

County Cascade

Name of Applicant Calumet Montana Refining, LLC

Mailing Address c/o Industrial Valuation Services, PO Box 92108, Austin TX 78709-2108

Legal Description of Affected Property Prop. No. 02-3015-01-2-05-01-0000; Assmt. Code 0001876725

1. Date construction permit issued July 1, 2014
(If no permit is required, please specify the date when certificate was issued in lieu of building permit.)

2. This application covers the (expansion/new) construction of the Great Falls Refinery plant.

3. Please list the qualifying property below.
Crude Distillation Unit; Flare Gas Scrubber; NaHS Fuel Gas Treating System; Sour Water Stripper; Mild Hydrocracker Unit; Alon Hydrocracker Unit; Hydrogen Plant; TrackMobile; Outside Battery Limits (support equipment installed for this project); Engineering for Refinery Expansion

Please attach site plat, construction prints and detailed equipment list identifying the above property, along with complete installed costs for each qualifying component.

4. Complete this section only if the application is for a firm that:

- engages in transportation, warehousing or distribution of commercial products, if 50% or more of the gross receipts are earned from outside the state; **or**
- earns 50% or more of its annual gross income from out-of-state sales.

Type of business _____

Total gross sales or receipts \$ _____

Total gross income \$ _____

Sales and receipts from outside of Montana \$ _____

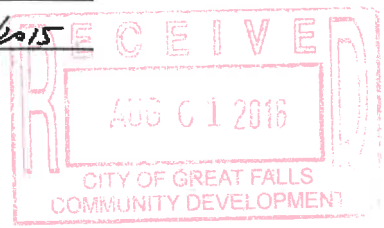
Income earned from sales outside of Montana \$ _____

(attach income statements)

SEE ATTACHED

Signature of Applicant *[Signature]*

Print Name PHILIP MURPHY, TAX DIRECTOR Date 10/28/2015



New or Expanding Industry Classification Application

LEGAL DESCRIPTION OF AFFECTED PROPERTY

Geocode	Assessment	Legal
02-3015-01-1-11-02-0000	0001876700	S01, T20 N, R03 E, IN GOVLT LOTS 1-2, MK8 PARKING EAST OF 10 ST
02-3015-01-1-11-05-0000	0002394300	S01, T20 N, R03 E, IN GOVLT LOT 1, MK 81
02-3015-01-2-02-02-0000	0002394420	S01, T20 N, R03 E, IN CONT LTS 1-2 MK 9 SOUTH BERM
02-3015-01-2-02-03-0000	0001876750	S01, T20 N, R03 E, IN GOVLT LTS 1-2 MK 8 NORTH PART OF SOUTH BERM
02-3015-01-2-04-06-0000	0001482000	RIVERVIEW TRACTS NO 4, S01, T20 N, R03 E, BLOCK 002, Lot 001
02-3015-01-2-05-01-0000	0001876725	S01, T20 N, R03 E, CR1412 005-2911-02-01 IN GOVLT LTS 2-3 MK 8
02-3015-01-2-05-02-0000	0001078000	MCM ADDITION, S01, T20 N, R03 E, BLOCK 001, Lot 002, PLAT 897
02-3015-01-2-06-01-0000	0001480900	RIVERVIEW TRACTS, S01, T20 N, R03 E, Lot 01A, AM PL 38-2012, PL 28-2013
02-3015-01-2-06-03-0000	0001481900	RIVERVIEW TRACTS, S01, T20 N, R03 E, Lot 02A
02-3015-01-2-07-08-0000	0001477000	RIVERVIEW TRACTS, S01, T20 N, R03 E, Lot 03A, PL 36-2011, PL 28-2013
02-3015-01-2-07-13-0000	0001480300	RIVERVIEW TRACTS, S01, T20 N, R03 E, Lot 05A, AM-PLAT 38-2012, PL-28-2013
02-3015-01-2-07-17-0000	0001476605	RIVERVIEW TRACTS, S01, T20 N, R03 E, Lot 04A, AM PL 38-2012, PL-28-2013
02-3015-01-2-07-22-0000	0001477910	RIVERVIEW TRACTS, S01, T20 N, R03 E, Lot 11A
02-3015-01-2-07-24-0000	0001477900	RIVERVIEW TRACTS, S01, T20 N, R03 E, Lot 10A

**New or Expanding Industry Classification Application
Equipment List**

Description	Est. Total Cost
OSBL	134,380,000
TrackMobile	400,000
FGS	7,830,000
SWS	7,270,000
NaHS	16,010,000
H2 Plant	31,710,000
MHC	173,580,000
#2 CDU	83,080,000
Total	454,260,000

**Anticipated Economic Impact of
Calumet Montana Refining Expansion
May 20, 2015**

Economic Modeling Data from EMSI, www.economicmodeling.com

The numbers we are looking at specifically highlight four types of economic impact:

Initial – the actual jobs, multiplier 1

This is each of the refinery jobs

Direct Effect – jobs multiplier 1.47

This is the first round of impacts. Inter-industry effects. A new pipe welder at Loenbro because of the extra work created.

Induced Effect – jobs multiplier 4.2

This change is due to the impact of the new earnings, investment, and government created by the initial, direct, and indirect changes. Induced effects enter the economy as employees spend their paychecks in the region. Businesses invest to grow their operations and government spends more to support the changes.

Indirect – jobs multiplier 0.23

This is the supply chain of the supply chain. Because Loenbro is doing more welding Genco is selling more gas and eventually needs more people.

EMSI data based primarily on the Quarterly Census of Employment and Wages (QCEW) from the Bureau of Labor Statistics (BLS) and the Bureau of Economic Analysis (BEA).

What does adding 40 jobs in petroleum refining in Great Falls, MT do for our economy?

Initial – the actual jobs, multiplier 1, so 40 jobs. Earnings multiplier is different than the jobs multiplier because of different pay scales/structures. Initial wage impact \$5,240,793.

Direct Effect – jobs multiplier 1.45, so 58 jobs. Earnings multiplier 0.49, \$2,551,535.

Induced Effect – jobs multiplier 4.2, so 168 jobs. Earnings multiplier 1.11, \$5,815,546.

Indirect – jobs multiplier 0.25, so 10 jobs. Earnings multiplier 0.07, \$354,754.

TOTAL ANTICIPATED JOB IMPACT: 276

TOTAL ANTICIPATED EARNINGS IMPACT: \$13,962,628

What happens when the refinery makes more money?

More taxes, insurance, energy, fixed costs, fleet vehicles

DOUBLING THE REFINERIES EARNINGS:

Initial –Doubling the refineries earnings from doubling the production. Our economic modeling software puts the 2013 earnings at around \$17.3m.

Direct Effect – 0.49 multiplier on adding additional \$17m refinery earnings, \$8.5m.

Induced Effect – 1.11 multiplier, \$19.3m.

Indirect - 0.07 multiplier, \$1.2m.

TOTAL ANTICIPATED REFINERIES EARNINGS IMPACT: \$46.3M

Where does the money go?

Housing 39%	Entertainment 6%
Transportation 16%	Apparel 4%
Food 14%	Personal Care/Education 1%
Insurance and Pensions 12%	Misc. 2%
Healthcare 6%	

Headcount	<u>At Y/E 2013</u>	<u>At Y/E 2014</u>	<u>At Y/E 2015</u>	<u>As of May 2016</u>
Hourly	64	89	104	111
Salary	38	50	58	67
Total	102	139	161	178

Wages/Salaries/Fringes (millions) \$ 11,176 \$ 12,870 \$ 16,027 \$ 8,476

Temp Support (millions)	<u>Y/E 2013</u>	<u>Y/E 2014</u>	<u>Y/E 2015</u>	<u>As of May 2016</u>	<u>Total</u>
Resources Global Professional	\$ -	\$ 48	\$ 87	\$ 202	\$ 337
Temp Track LLC	\$ 60	\$ 1,046	\$ 1,615	\$ 604	\$ 3,325
Total	\$ 60	\$ 1,095	\$ 1,702	\$ 806	\$ 3,662

Property Tax (millions)	<u>2013</u>	<u>2014</u>	<u>2015</u>
Cascade County	1,714	1,944	3,965

**Calumet Montana Refining
Low Sulfur Fuels Expansion Project
Expanding Industry Equipment Listing
Definition of Key Terms**

Crude Distillation Unit: A unit used to distill vapor from liquid crudes, usually by heating and condensing the vapor slightly above atmospheric pressure and turning it back into liquid in order to purify, fractionate, or form the desired products.

Flare Gas Scrubber: A device at the flare used in the removal of exhaust gases produced by burning high sulfur fuels; also allows for the venting of harmless compounds into the atmosphere.

Hydrocracker: A unit used to produce gasoline components from light or heavy gas oils; it can also produce light distillates like jet fuel and diesel fuel from heavy gas oils. Hydrocrackers remain one of the best options in minimizing the production of bottom-of-the-barrel leftovers such as coke, pitch or resin from the manufacturing process. These units can simultaneously improve the quality of both the gasoline blending and the distillate fuel blending pools. Passing cracked gas oils through a hydrocracker results in gasoline components with relatively high octane numbers or naphthas that make excellent catalytic reformer feedstock.

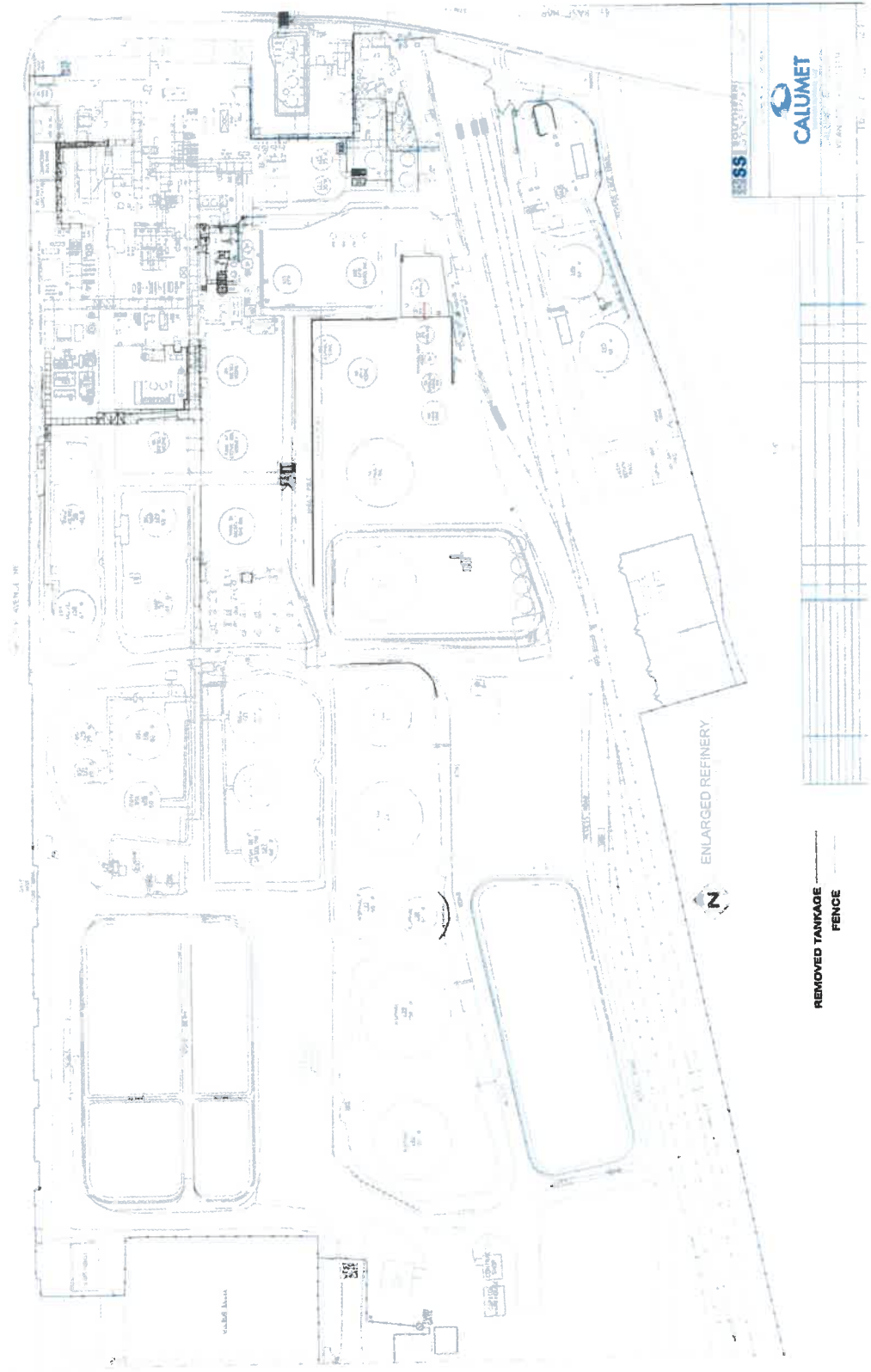
Hydrogen Plant: A refinery unit that converts natural gas and steam to high purity hydrogen, which is then used in the hydrodesulfurization, hydrocracking, and isomerization processes.

NaHS Fuel Gas Treating System: A unit used to remove sodium hydrosulfide (NaHS), a corrosive and toxic liquid, from fuel gas.

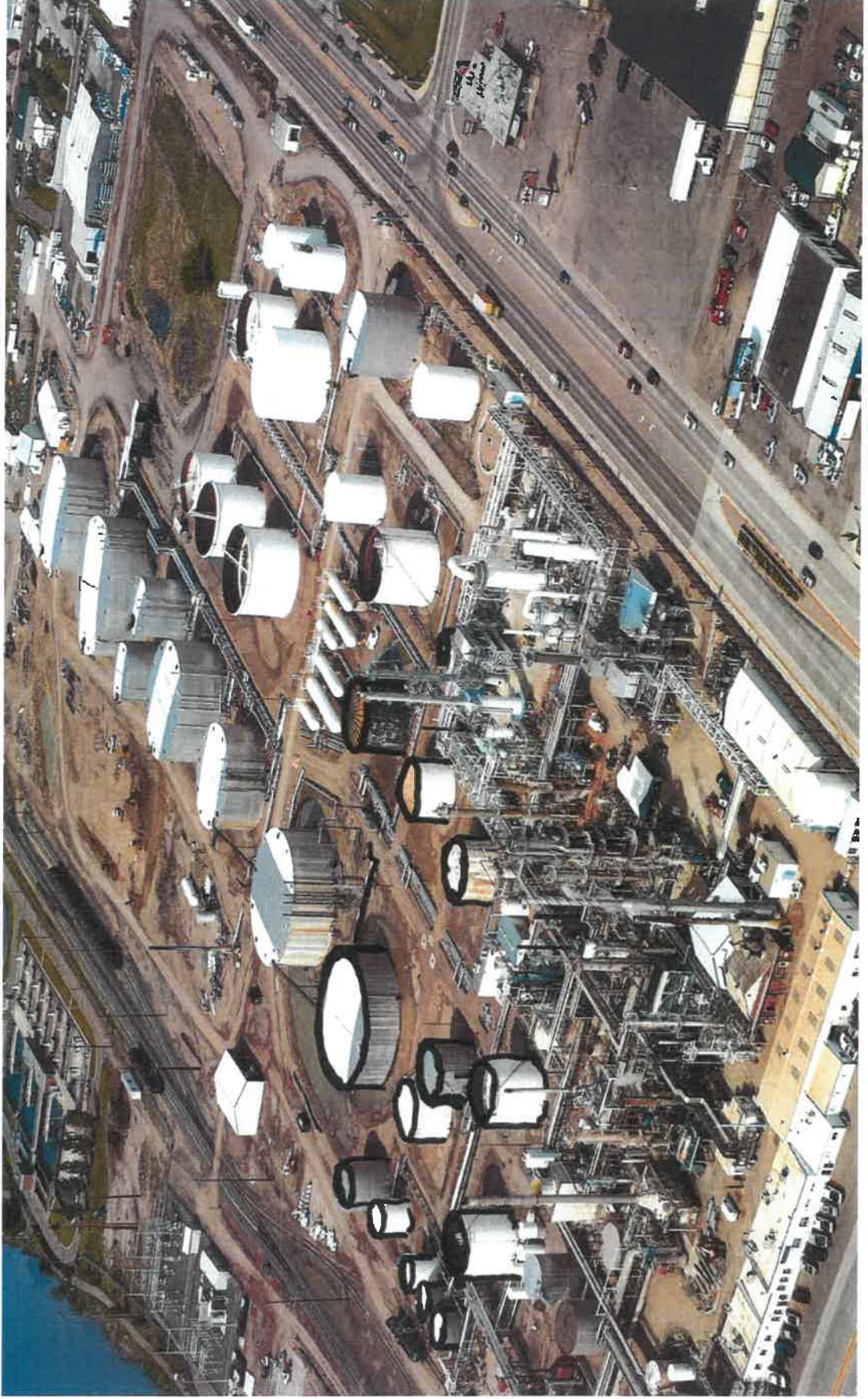
Sour Water Stripper: A unit designed to remove hydrogen sulfide (H₂S) and ammonia (NH₃) that accumulates in wastewater during the petrochemical refining process.

Outside Battery Limits (OSBL): Consists of sitework, concrete, structures, warehouse building, process equipment, piping, insulation, electrical, instrumentation, and miscellaneous costs which are related to the project but are not assigned to a specific unit listed above.

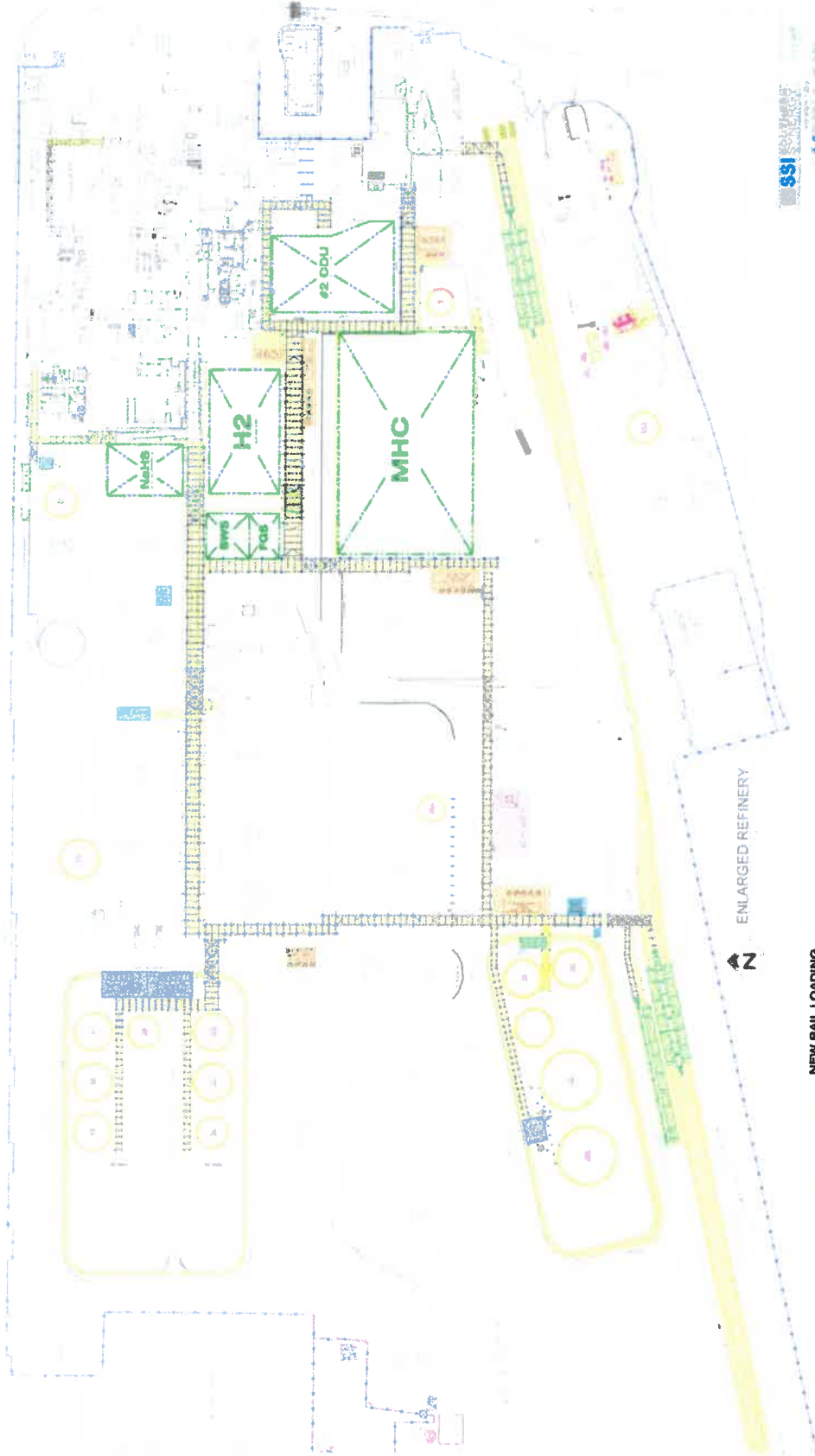
PRE-EXPANSION PLOT PLAN (DEMOLISHED TANKS IN RED)



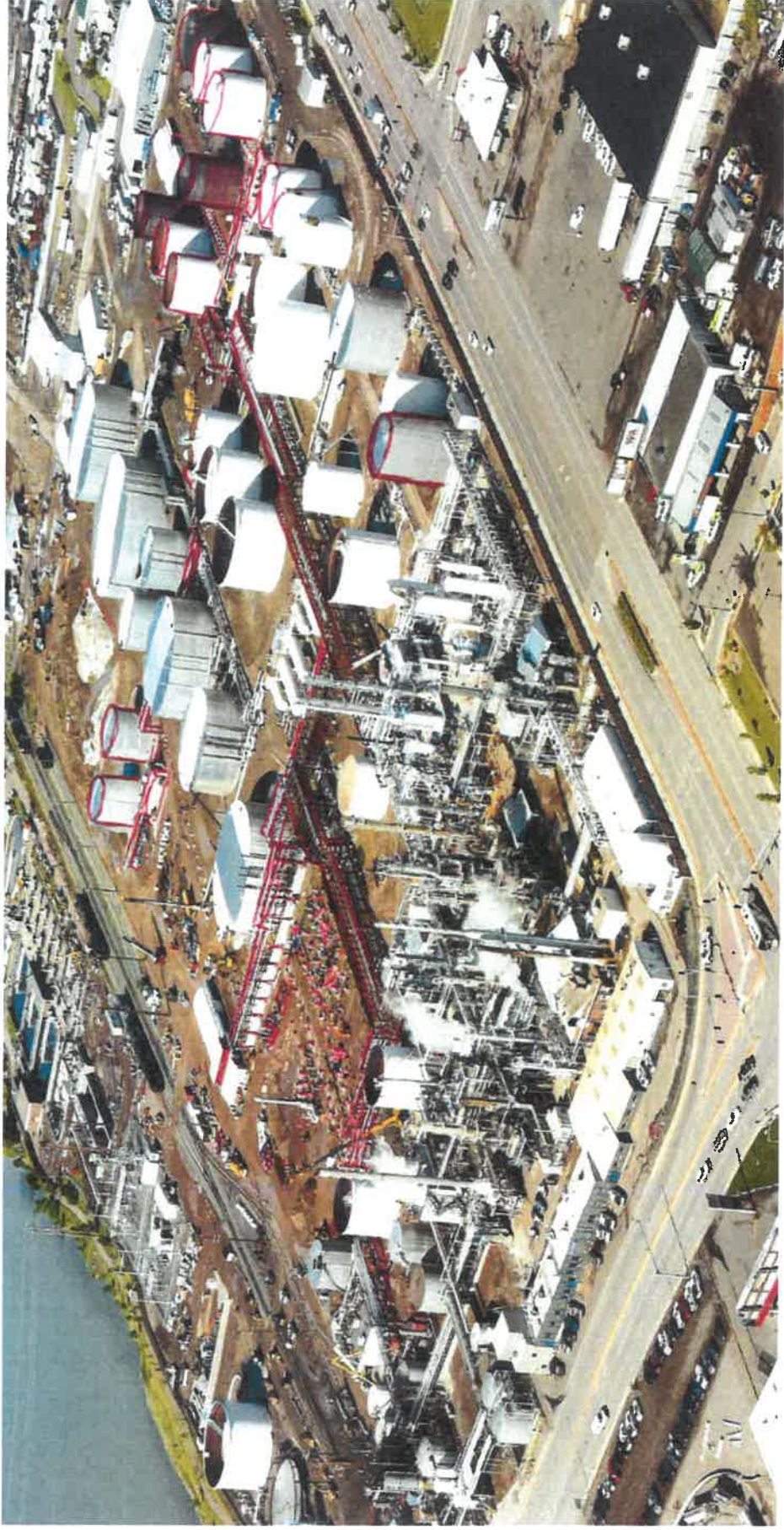
PRE-EXPANSION AERIAL (ITEMS OUTLINED IN BLACK WERE DEMOLISHED)



POST-EXPANSION PLOT PLAN



POST-EXPANSION AERIAL (ITEMS OUTLINED IN RED ARE NEW)



CRUDE DISTILLATION UNIT



MILD HYDROCRACKER



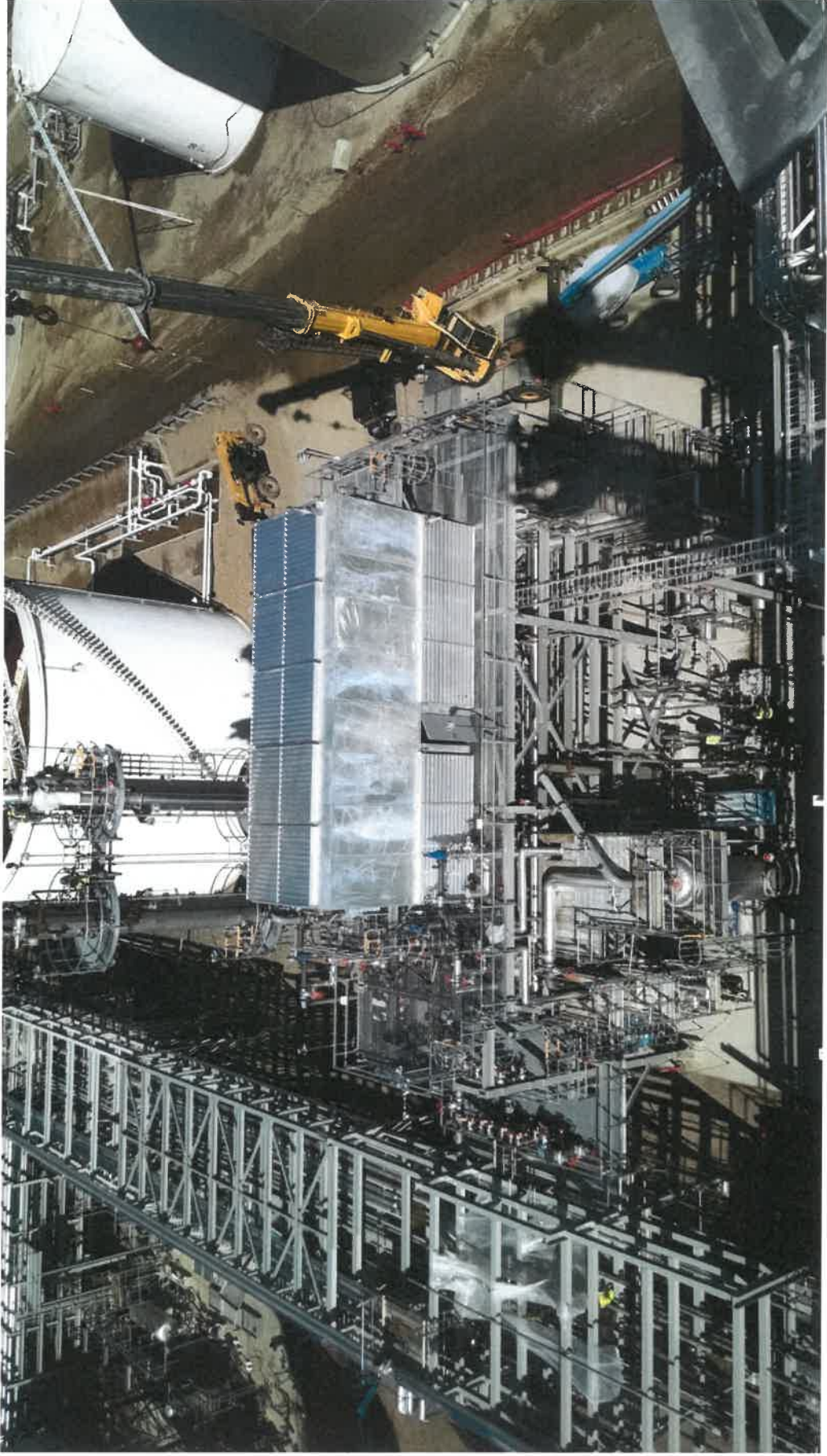
MILD HYDROCRACKER EXCHANGERS



HYDROGEN PLANT



NaHS FUEL GAS TREATING SYSTEM



Calumet Montana Refing LLC
10 Year Estimate of Taxes
Summary of Taxes

Example Based on 646.62 mills FY 2015-2016

Tax Year	Taxes Without Incentive	Taxes With Incentive	Reduction in Taxes due to Incentive	City Portion	School district	County	State	Total
				190.29	186.6	121.87	147.86	646.62
2017	\$ 8,190,344	\$ 4,744,325	\$ (3,446,019)	\$ (1,014,109)	\$ (994,444)	\$ (649,479)	\$ (787,987)	\$ (3,446,019)
2018	\$ 8,042,654	\$ 4,658,774	\$ (3,383,880)	\$ (995,822)	\$ (976,512)	\$ (637,768)	\$ (773,778)	\$ (3,383,880)
2019	\$ 7,795,992	\$ 4,515,893	\$ (3,280,099)	\$ (965,281)	\$ (946,563)	\$ (618,208)	\$ (750,047)	\$ (3,280,099)
2020	\$ 7,438,687	\$ 4,308,921	\$ (3,129,766)	\$ (921,040)	\$ (903,180)	\$ (589,874)	\$ (715,671)	\$ (3,129,766)
2021	\$ 7,062,520	\$ 4,091,023	\$ (2,971,497)	\$ (874,464)	\$ (857,507)	\$ (560,045)	\$ (679,480)	\$ (2,971,497)
2022	\$ 6,753,915	\$ 4,480,592	\$ (2,273,323)	\$ (669,003)	\$ (656,030)	\$ (428,459)	\$ (519,832)	\$ (2,273,323)
2023	\$ 6,425,726	\$ 4,803,583	\$ (1,622,142)	\$ (477,371)	\$ (468,114)	\$ (305,729)	\$ (370,929)	\$ (1,622,142)
2024	\$ 5,886,118	\$ 4,895,504	\$ (990,614)	\$ (291,522)	\$ (285,869)	\$ (186,703)	\$ (226,520)	\$ (990,614)
2025	\$ 5,515,080	\$ 5,050,995	\$ (464,085)	\$ (136,573)	\$ (133,924)	\$ (87,467)	\$ (106,120)	\$ (464,085)
2026	\$ 5,017,899	\$ 5,017,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10 Yr Total	\$ 68,128,934	\$ 46,567,509	\$ (21,561,425)	\$ (6,345,185)	\$ (6,222,143)	\$ (4,063,733)	\$ (4,930,365)	\$ (21,561,425)

Calumet Montana Refining LLC
10 Year Estimate of Taxes
Summary of Taxes

Tax Year	Taxes Without Incentive	Taxes With Incentive	Reduction in Taxes due to Incentive
2017	\$ 8,190,344	\$ 4,744,325	\$ (3,446,019)
2018	\$ 8,042,654	\$ 4,658,774	\$ (3,383,880)
2019	\$ 7,795,992	\$ 4,515,893	\$ (3,280,099)
2020	\$ 7,438,687	\$ 4,308,921	\$ (3,129,766)
2021	\$ 7,062,520	\$ 4,091,023	\$ (2,971,497)
2022	\$ 6,753,915	\$ 4,480,592	\$ (2,273,323)
2023	\$ 6,425,726	\$ 4,803,583	\$ (1,622,142)
2024	\$ 5,886,118	\$ 4,895,504	\$ (990,614)
2025	\$ 5,515,080	\$ 5,050,995	\$ (464,085)
2026	\$ 5,017,899	\$ 5,017,899	\$ -
10 Yr Total	\$ 68,128,934	\$ 46,567,509	\$ (21,561,425)

Calumet Montana Refining LLC

10 Year Estimate of Taxes

Tax Estimate Calculation Without New or Expanding Industry Approval

Tax Year	Class	Cost	Trend	% Good	Exemption	Market Value	Tax Rate	Taxable Value	Total Mills	Taxes
A	B	C	D	E	F	G	H	I	J	K
		<i>Data Entry Worksheet</i>	<i>Trend Factors Worksheet</i>	<i>Dep Tables Worksheet</i>	<i>MCA 15-6-138</i>	<i>C*D*E-F</i>	<i>Tax Rates Worksheet</i>	<i>G*H</i>	<i>Data Entry Worksheet</i>	<i>I*/J/1000</i>
2017	Class 4 Property	22,713,000	1.000	0.98	-	22,258,740	1.890%	420,690	646.62	272,027
2017	Class 8 Property Under Threshold	3,682,795	1.000	0.95	60,374	3,438,281	1.500%	51,574	646.62	33,349
2017	Class 8 Property Over Threshold	427,864,205	1.000	0.95	-	406,470,995	3.000%	12,194,130	646.62	7,884,968
						432,168,016		12,666,394		8,190,344
2018	Class 4 Property	22,713,000	1.024	0.97	-	22,560,369	1.890%	426,391	646.62	275,713
2018	Class 8 Property Under Threshold	3,682,795	1.024	0.91	60,374	3,371,402	1.500%	50,571	646.62	32,700
2018	Class 8 Property Over Threshold	427,864,205	1.024	0.91	-	398,700,981	3.000%	11,961,029	646.62	7,734,241
						424,632,751		12,437,991		8,042,654
2019	Class 4 Property	22,713,000	1.049	0.95	-	22,634,640	1.890%	427,795	646.62	276,621
2019	Class 8 Property Under Threshold	3,682,795	1.049	0.86	60,374	3,262,023	1.500%	48,930	646.62	31,639
2019	Class 8 Property Over Threshold	427,864,205	1.049	0.86	-	385,993,414	3.000%	11,579,802	646.62	7,487,732
						411,890,077		12,056,527		7,795,992
2020	Class 4 Property	22,713,000	1.074	0.93	-	22,686,199	1.890%	428,769	646.62	277,251
2020	Class 8 Property Under Threshold	3,682,795	1.074	0.80	60,374	3,103,884	1.500%	46,558	646.62	30,105
2020	Class 8 Property Over Threshold	427,864,205	1.074	0.80	-	367,620,925	3.000%	11,028,628	646.62	7,131,331
						393,411,007		11,503,955		7,438,687
2021	Class 4 Property	22,713,000	1.100	0.91	-	22,735,713	1.890%	429,705	646.62	277,856
2021	Class 8 Property Under Threshold	3,682,795	1.100	0.74	60,374	2,937,421	1.500%	44,061	646.62	28,491
2021	Class 8 Property Over Threshold	427,864,205	1.100	0.74	-	348,281,463	3.000%	10,448,444	646.62	6,756,173
						373,954,597		10,922,210		7,062,520

Calumet Montana Refining LLC

10 Year Estimate of Taxes

Tax Estimate Calculation Without New or Expanding Industry Approval

Tax Year	Class	Cost	Trend	% Good	Exemption	Market Value	Tax Rate	Taxable Value	Total Mills	Taxes
A	B	C	D	E	F	G	H	I	J	K
		<i>Data Entry Worksheet</i>	<i>Trend Factors Worksheet</i>	<i>Dep Tables Worksheet</i>	<i>MCA 15-6-138</i>	<i>C*D*E-F</i>	<i>Tax Rates Worksheet</i>	<i>G*H</i>	<i>Data Entry Worksheet</i>	<i>I*/J/1000</i>
2022	Class 4 Property	22,713,000	1.126	0.89	-	22,761,606	1.890%	430,194	646.62	278,172
2022	Class 8 Property Under Threshold	3,682,795	1.126	0.69	60,374	2,800,937	1.500%	42,014	646.62	27,167
2022	Class 8 Property Over Threshold	427,864,205	1.126	0.69	-	332,424,816	3.000%	9,972,744	646.62	6,448,576
						357,987,358		10,444,953		6,753,915

Calumet Montana Refining LLC

10 Year Estimate of Taxes

Tax Estimate Calculation Without New or Expanding Industry Approval

Tax Year	Class	Cost	Trend	% Good	Exemption	Market Value	Tax Rate	Taxable Value	Total Mills	Taxes
A	B	C	D	E	F	G	H	I	J	K
		<i>Data Entry Worksheet</i>	<i>Trend Factors Worksheet</i>	<i>Dep Tables Worksheet</i>	<i>MCA 15-6-138</i>	<i>C*D*E-F</i>	<i>Tax Rates Worksheet</i>	<i>G*H</i>	<i>Data Entry Worksheet</i>	<i>I*/J/1000</i>
2023	Class 4 Property	22,713,000	1.153	0.86	-	22,521,757	1.890%	425,661	646.62	275,241
2023	Class 8 Property Under Threshold	3,682,795	1.153	0.64	60,374	2,657,234	1.500%	39,859	646.62	25,773
2023	Class 8 Property Over Threshold	427,864,205	1.153	0.64	-	315,729,554	3.000%	9,471,887	646.62	6,124,711
						340,908,545		9,937,406		6,425,726
2024	Class 4 Property	22,713,000	1.181	0.84	-	22,532,205	1.890%	425,859	646.62	275,369
2024	Class 8 Property Under Threshold	3,682,795	1.181	0.57	60,374	2,418,773	1.500%	36,282	646.62	23,460
2024	Class 8 Property Over Threshold	427,864,205	1.181	0.57	-	288,025,347	3.000%	8,640,760	646.62	5,587,288
						312,976,325		9,102,901		5,886,118
2025	Class 4 Property	22,713,000	1.209	0.82	-	22,517,214	1.890%	425,575	646.62	275,186
2025	Class 8 Property Under Threshold	3,682,795	1.209	0.52	60,374	2,254,926	1.500%	33,824	646.62	21,871
2025	Class 8 Property Over Threshold	427,864,205	1.209	0.52	-	268,989,668	3.000%	8,069,690	646.62	5,218,023
						293,761,808		8,529,089		5,515,080
2026	Class 4 Property	22,713,000	1.238	0.79	-	22,213,768	1.890%	419,840	646.62	271,477
2026	Class 8 Property Under Threshold	3,682,795	1.238	0.46	60,374	2,036,904	1.500%	30,554	646.62	19,757
2026	Class 8 Property Over Threshold	427,864,205	1.238	0.46	-	243,660,108	3.000%	7,309,803	646.62	4,726,665
						267,910,780		7,760,197		5,017,899
Total Taxes Over 10 Years Without New or Expanding Industry Approval										68,128,934

10 Year Estimate of Taxes
Tax Estimate Calculation With New or Expanding Industry Approval

Tax Year	Class	Cost	Trend	% Good	Exemption	Market Value	Tax Rate	NEI Tax Rate	State Mills	Local Mills	State Taxable Value	Local Taxable Value	Total Taxable Value	Total Mills	Taxes
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
		Data Entry Worksheet	Trend Factor Worksheet	Dep Tables Worksheet	MCA 15-6-138	C*D*E-F	Tax Rates Worksheet	H/2	Data Entry Worksheet	Data Entry Worksheet	G*H*J/(J+K)	G*I*K/(J+K)	L+M	Data Entry Worksheet	N*O/1000
						340,908,545							7,428,758		4,803,583

10 Year Estimate of Taxes
Tax Estimate Calculation With New or Expanding Industry Approval

Tax Year	Class	Cost C Data Entry Worksheet	Trend D Trend Factor Worksheet	% Good E Dep Tables Worksheet	Exemption F MCA 15-6-138	Market Value G C*D*E-F	Tax Rate H Tax Rates Worksheet	NEI Tax Rate I H/2	State Mills J Data Entry Worksheet	Local Mills K Data Entry Worksheet	State Taxable Value L G*H*I/(J+K)	Local Taxable Value M G*H*K/(J+K)	Total Taxable Value N L+M	Total Mills O Data Entry Worksheet	Taxes P N*O/1000
2024	Class 4 Property	22,713,000	1.181	0.84	-	22,532,205	1.890%	1.512%	102.500	544.120	67,506	286,682	354,188	646.62	229,025
2024	Class 8 Property Under Threshold	3,682,795	1.181	0.57	60,374	2,418,773	1.500%	1.200%	102.500	544.120	5,751	24,424	30,176	646.62	19,512
2024	Class 8 Property Over Threshold	427,864,205	1.181	0.57	-	288,025,347	3.000%	2.400%	102.500	544.120	1,369,704	5,816,845	7,186,549	646.62	4,646,966
						312,976,325							7,570,913		4,895,504
2025	Class 4 Property	22,713,000	1.209	0.82	-	22,517,214	1.890%	1.701%	102.500	544.120	67,461	322,303	389,764	646.62	252,029
2025	Class 8 Property Under Threshold	3,682,795	1.209	0.52	60,374	2,254,926	1.500%	1.350%	102.500	544.120	5,362	25,616	30,978	646.62	20,031
2025	Class 8 Property Over Threshold	427,864,205	1.209	0.52	-	268,989,668	3.000%	2.700%	102.500	544.120	1,279,180	6,111,459	7,390,639	646.62	4,778,935
						293,761,808							7,811,381		5,050,995
2026	Class 4 Property	22,713,000	1.238	0.79	-	22,213,768	1.890%	1.890%	102.500	544.120	66,552	353,289	419,840	646.62	271,477
2026	Class 8 Property Under Threshold	3,682,795	1.238	0.46	60,374	2,036,904	1.500%	1.500%	102.500	544.120	4,843	25,710	30,554	646.62	19,757
2026	Class 8 Property Over Threshold	427,864,205	1.238	0.46	-	243,660,108	3.000%	3.000%	102.500	544.120	1,158,725	6,151,078	7,309,803	646.62	4,726,665
						267,910,780							7,760,197		5,017,899
Total Taxes Over 10 Years With New or Expanding Industry Approval															46,567,509

Calumet Montana Refing LLC
10 Year Estimate of Taxes
Data Entry Worksheet

Project Details

Company/Project Name	Calumet Montana Refing LLC
Estimate Prepared By	Seth Carlson
Project Description	Upgrades and expansion of refinery units 1900 10th St NE, Great Falls, MT 59401 Refinery Expansion
First Tax Year	2017
County	Cascade
County District Code	1C1
Levy District Code	1098
Total Mills	646.620
State Mills	102.500
Local Mills	544.120

Project Cost Information

Total Investment	\$ 454,260,000	<i>Taxpayer provided estimate</i>
Class 4 Property	\$ 22,713,000	<i>5% of total investment estimated to be class 4</i>
Class 8 Property	\$ 431,547,000	<i>95% of total investment estimated to be class 8</i>
Class 8 Under Threshold	\$ 3,682,795	
Class 8 Over Threshold	\$ 427,864,205	
Inflation Selected	2.40%	<i>See Trend Factors Worksheet</i>
Class 4 Life	30	<i>See Depreciation Tables Worksheet</i>
Class 8 Life	16	<i>See Depreciation Tables Worksheet</i>
Class 8 Exemption Amount	\$ 100,000	<i>See MCA 15-6-138</i>
Class 8 Threshold Amount	\$ 6,000,000	<i>See MCA 15-6-138</i>

TRAT Calculation

2016 Machinery Value	\$ 283,246,186	39.63%
NEI Request	\$ 431,547,000	60.37%
Total	\$ 714,793,186	

Allocated Exemption Amou	\$ 60,374
Allocated Threshold Amount	\$ 3,622,421

Assumptions

- 1) 2.40 % inflation used to forecast trend table
- 2) No change in the mill levy over the 10 year period
- 3) No property is added or removed over the 10 year period
- 4) Investment estimate is equal to the facilities final cost
- 5) Investment percentage of Exemption and Threshold Amounts remain constant
- 6) The property has completed construction by 1/1/17
- 7) A ratio of 95% Class 8 and 5% Class 4 property was used as an estimate
- 8) No aggregation has occurred for other properties that have been proposed
- 9) The 2017 depreciation table and trend factors will be equal to the current deprecation table and trend factors
- 10) The newly added property has not received any additional abatements or exemptions such as pollution control

Calumet Montana Refing LLC
10 Year Estimate of Taxes
Tax Rates Worksheet

Years	Class 4		Class 8 Under Threshold		Class 8 Over Threshold	
	Standard	NEI	Standard	NEI	Standard	NEI
2017	1.890%	0.945%	1.500%	0.750%	3.000%	1.500%
2018	1.890%	0.945%	1.500%	0.750%	3.000%	1.500%
2019	1.890%	0.945%	1.500%	0.750%	3.000%	1.500%
2020	1.890%	0.945%	1.500%	0.750%	3.000%	1.500%
2021	1.890%	0.945%	1.500%	0.750%	3.000%	1.500%
2022	1.890%	1.134%	1.500%	0.900%	3.000%	1.800%
2023	1.890%	1.323%	1.500%	1.050%	3.000%	2.100%
2024	1.890%	1.512%	1.500%	1.200%	3.000%	2.400%
2025	1.890%	1.701%	1.500%	1.350%	3.000%	2.700%
2026	1.890%	1.890%	1.500%	1.500%	3.000%	3.000%

Source:

MCA 15-6-134 establishes the class 4 tax rate
MCA 15-6-138 establishes the class 8 tax rate

Calumet Montana Refing LLC
10 Year Estimate of Taxes
Depreciation Tables Worksheet

<i>20 Year Life - Machinery and Equipment</i>		<i>30 Year Life - Building Depreciation</i>	
Year	% Good	Year	% Good
2017	0.95	2017	0.98
2018	0.91	2018	0.97
2019	0.86	2019	0.95
2020	0.80	2020	0.93
2021	0.74	2021	0.91
2022	0.69	2022	0.89
2023	0.64	2023	0.86
2024	0.57	2024	0.84
2025	0.52	2025	0.82
2026	0.46	2026	0.79
2027	0.40	2027	0.76
2028	0.34	2028	0.74
2029	0.29	2029	0.71
2030	0.26	2030	0.68
2031	0.23	2031	0.65
2032	0.20	2032	0.61
2033	0.20	2033	0.58
2034	0.20	2034	0.54
2035	0.20	2035	0.51
2036	0.20	2036	0.47

Source:

ARM 42.22.1312 and Marshal and Swift

<http://www.mtrules.org/gateway/ruleno.asp?RN=42.22.1312>

Calumet Montana Refining LLC
10 Year Estimate of Taxes
Trend Factors Worksheet

<i>Current Trend Table</i>		<i>Projected Forward Trend</i>	
Year	Trend Table 11	Year	Trend Table 11
2015	1.000	2017	1.000
2014	1.009	2018	1.024
2013	1.020	2019	1.049
2012	1.027	2020	1.074
2011	1.057	2021	1.100
2010	1.084	2022	1.126
2009	1.067	2023	1.153
2008	1.111	2024	1.181
2007	1.166	2025	1.209
2006	1.240	2026	1.238
2005	1.313	2027	1.268
2004	1.426	2028	1.298
2003	1.477	2029	1.329
2002	1.506	2030	1.361
2001	1.521	2031	1.394
2000	1.540	2032	1.427
1999	1.562	2033	1.462
1998	1.570	2034	1.497
1997	1.591	2035	1.532
1996	1.618	2036	1.569

2.76% 10Yr Historical inflation based on current trend table

2.56% 19Yr Historical inflation based on current trend table

2.25% Inflation based on June 8, 2016 - Livingston Survey - Long-Term Inflation Estimate Over the Next 10 Years

<https://www.philadelphiafed.org/research-and-data/real-time-center/livingston-survey>

Source:

42.22.1311 - Industrial M&E Trend Factors

<http://www.mtrules.org/gateway/ruleno.asp?RN=42.22.1311>

RESOLUTION 10161

A RESOLUTION APPROVING THE APPLICATION FOR THE
NEW OR EXPANDING INDUSTRY TAX BENEFIT FOR
CALUMET MONTANA REFINING LLC., 1900 10TH ST NE, FOR
THE EXPANSION OF PERTOLEUM REFINERY PRIMARILY
LOCATED ON CR 1412 005-2911-02-01 IN GOV'T LOTS 2-3 MK
8, LOCATED IN S1/2 SEC. 01, T20N, R3E, CASCADE COUNTY,
MONTANA, PURSUANT TO SECTIONS 15-24-1401 AND 15-24-
1402 MONTANA CODE ANNOTATED

* * * * *

WHEREAS, the State of Montana has provided enabling legislation to encourage new industry or expansion of existing industry, and;

WHEREAS, said encouragement allows for new or expanding industries to be taxed at 50% of their taxable value for the first five years, and;

WHEREAS, in years six through ten, the taxes will increase by equal percentages until the full taxable value is attained in the tenth year, and;

WHEREAS, Sections 15-24-1401 and 15-24-1402, MCA, as amended provides the opportunity for local governing bodies to give Tax Benefits for New or Expanding Industry, and;

WHEREAS, the City Commission passed Resolution 10119 on December 1, 2015, providing criteria for the evaluation of projects requesting tax benefits pursuant to Sections 15-24-1401 and 15-24-1402 MCA, and;

WHEREAS, in order for a taxpayer to receive the tax benefits, the City Commission, having jurisdiction, must approve by separate resolution for each project, following due notice as defined in Section 17-1-4127 MCA and a public hearing, and;

WHEREAS, Calumet Montana Refining, LLC located at 1900 10th ST NE, Great Falls, Montana, has expanded a petroleum refinery, and;

WHEREAS, Calumet Montana Refinery LLC, has submitted an application for a New or Expanding Industry Tax Benefit pursuant to Sections 15-24-1401 and 15-24-1402 MCA.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF GREAT FALLS, MONTANA, AS FOLLOWS:

That the City Commission of the City of Great Falls does hereby approve said application for New or Expanding Industry Tax Benefit pursuant to Sections 15-24-1401 and 15-24-1402 MCA amended.

PASSED AND ADOPTED by the City Commission of the City of Great Falls, Montana, on this 6th Day of December, 2016.

Bob Kelly, Mayor

ATTEST:

Lisa Kunz, City Clerk

(SEAL OF CITY)

APPROVED FOR LEGAL CONTENT:

Sara Sexe, City Attorney

RESOLUTION NO. 10119

A RESOLUTION ESTABLISHING CRITERIA FOR EVALUATING TAX ABATEMENT OR BENEFIT REQUESTS

WHEREAS, the State of Montana has provided enabling legislation to guide the administration of a property tax abatement program for new or expanding industry under Mont. Code Ann. §15-24-1401 *et seq.*; and

WHEREAS, the State of Montana has further provided enabling legislation to guide the administration of a property tax abatement or benefit program for remodeling, reconstruction or expansion of buildings or structures under Mont. Code Ann. §15-24-1501 *et seq.*; and

WHEREAS, the State of Montana has further provided enabling legislation to guide the administration of a property tax abatement program for the restoration, rehabilitation, expansion and new construction of certified residential and commercial property located within the national register of historic districts and properties listed in the National Register of Historic Places under Mont. Code Ann. §15-24-1601 *et seq.*; and

WHEREAS, it is deemed to be in the public interest to encourage and promote within the City of Great Falls:

the remodeling, reconstruction of buildings or structures,

the development of new industry or expanding industry, and

the restoration, rehabilitation, expansion and new construction of certified residential and commercial property located within the national register of historic districts and properties listed in the National Register of Historic Places; and

WHEREAS, Montana law provides the City Commission the authority to use its discretion in determining which properties will be afforded property tax abatements; and

WHEREAS, the following policies will guide the City Commission in evaluating whether or not to confer upon qualifying applicants an abatement of property taxes.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF GREAT FALLS, MONTANA:

1. The purpose of this Resolution is to establish a guide for the City of Great Falls for processing and reviewing applications for property tax abatement under the provisions of the aforementioned statutes. The fundamental purpose of property tax abatements is to encourage desirable development, redevelopment or improvements which clearly demonstrate a need for assistance and a public benefit. Applications for property tax abatement will be evaluated on a case-by-case basis, taking into consideration established policies, project criteria, and demand on City services in relation to the potential benefits from the project. Meeting policy criteria will not guarantee the granting of property tax abatements on applications. Approval or denial of one project is not intended to establish precedent for approval or denial of another project.

2. The City of Great Falls will, in its discretion, evaluate and then approve, modify, or deny requests for tax benefits based upon one or more of the following factors, as applicable:
 - a. Whether the City's financial condition at the time of the application or consideration of the application warrants granting the application;
 - b. Whether the application meets all pertinent statutory criteria for the particular project;
 - c. Whether the property taxes or other taxes and/or assessments on the property are current;
 - d. Whether the project may unreasonably affect the tax base of the City;
 - e. Whether the project would impact employment opportunities within the City;
 - f. Whether the project is located within a Tax Increment Financing (TIF) or Targeted Economic Development (TED) District;
 - g. Whether the project has already received additional financial assistance from the City or other authorities having jurisdiction;
 - h. As to applications filed pursuant to Mont. Code Ann. §15-24-1601 *et seq.*, whether the Montana state historic preservation office has provided design review assistance and certification for qualifying properties;
 - i. Whether the project will create affordable housing opportunities;
 - j. Whether the project will encourage additional, unsubsidized development in the area of the project, either directly or indirectly, through "spin-off" development;
 - k. Whether the project will facilitate the development process and achieve development on sites which would not be developed without assistance, or would not be developed at a level of acceptable quality;
 - l. Whether the project would encourage redevelopment of commercial and industrial areas in the City of Great Falls, resulting in a higher level and quality of re-investment;
 - m. Whether the project would encourage removal of blight, or the rehabilitation of a high profile or priority site;
 - n. Whether the application is sought in whole or in part because of increased costs of redevelopment, such as clean-up of a contaminated site, demolition expenses, and the like, over and above costs normally incurred in development;
 - o. Whether the project could be developed without the benefit of a tax abatement; i.e., but for the allowance of a tax abatement, the project would not be developed or pursued;

p. Whether conferring the tax benefit will create an adverse impact on existing state, county or municipal services;

q. Whether the project contributes to the implementation of other policies adopted by the City, including, but not limited to, the City's Growth Policy; and/or

r. Whether the project would meet other criteria as would be considered reasonable for the best interests of the City.

This Resolution shall become effective upon adoption and shall supersede Resolution Nos. 8728, 8967 and 9004.

PASSED and ADOPTED by the City Commission of the City of Great Falls, Montana, this _____ day of _____, 2015.

Michael J. Winters, Mayor

ATTEST:

Lisa Kunz, City Clerk

(SEAL OF CITY)

APPROVED FOR LEGAL CONTENT:

Sara R. Sexe, City Attorney

Tax Abatement Summary

15-24-1501. Remodeling, reconstruction, or expansion of buildings or structures -- assessment provisions -- levy limitations. (1) Subject to 15-10-420 and the authority contained in subsection (5) of this section, remodeling, reconstruction, or expansion of existing buildings or structures, which increases their taxable value by at least 2 1/2% as determined by the department, may receive tax benefits during the construction period and for the following 5 years in accordance with subsections (2), (4), and (5) and the following schedule. The percentages must be applied as provided in subsections (4) and (5) and are limited to the increase in taxable value caused by remodeling, reconstruction, or expansion:

Construction period	0%
First year following construction	20%
Second year following construction	40%
Third year following construction	60%
Fourth year following construction	80%
Fifth year following construction	100%
Following years	100%

15-24-1402. New or expanding industry -- assessment -- notification. (1) In the first 5 years after a construction permit is issued, qualifying improvements or modernized processes that represent new industry or expansion of an existing industry, as designated in the approving resolution, must be taxed at 50% of their taxable value. Subject to 15-10-420, each year thereafter, the percentage must be increased by equal percentages until the full taxable value is attained in the 10th year. In subsequent years, the property must be taxed at 100% of its taxable value.

15-24-1603. Historic property tax abatement -- levy limitations. (1) Subject to 15-10-420, a historic property undergoing rehabilitation, restoration, expansion, or new construction that meets criteria established by the review process described in 15-24-1605 or 15-24-1606 may receive a tax abatement during the construction period, not to exceed 12 months, and for up to 5 years following completion of the construction in accordance with subsections (2) and (4). The tax abatement is limited to 100% of the increase in taxable value caused by the rehabilitation, restoration, expansion, or new construction.

City of Great Falls
Historic and Current Tax Abatements

	Abatement Type	FY 2017*	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	Total
		Tax Yr 2016	Tax Yr 2015	Tax Yr 2014	Tax Yr 2013	Tax Yr 2012	Tax Yr 2011	Tax Yr 2010	Tax Yr 2009	
Wendt, Inc	Remodeling benefit - Commercial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 635.51	\$ 1,297.76	\$ 1,933.27
McDonald's	Remodeling benefit - Commercial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 917.80	\$ 1,844.44	\$ 3,372.24	\$ 6,134.48
Russell Country Properties	Remodeling benefit - Commercial	\$ -	\$ -	\$ -	\$ -	\$ 680.59	\$ 1,282.90	\$ 1,815.95	\$ 2,367.78	\$ 6,147.22
Ogar Enterprises, LLC	Remodeling benefit - Commercial	\$ -	\$ -	\$ -	\$ -	\$ 509.75	\$ 980.62	\$ 1,419.15	\$ 1,895.63	\$ 4,805.15
Prospector Land Co, LLC	Remodeling benefit - Commercial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,889.38	\$ 4,923.24	\$ -	\$ 8,812.62
DMW, Inc	Remodeling benefit - Commercial	\$ -	\$ -	\$ -	\$ 686.26	\$ 1,332.76	\$ 1,896.30	\$ 2,400.36	\$ -	\$ 6,315.68
Double Bogey, LLC	Remodeling benefit - Commercial	\$ -	\$ 758.12	\$ 4,226.46	\$ 7,293.15	\$ 10,214.87	\$ 8,308.97	\$ -	\$ -	\$ 30,801.57
Steele, Etc Holding Co	New or expanding industry	\$ 4,418.83	\$ 5,316.79	\$ 6,576.44	\$ 5,847.05	\$ 5,172.71	\$ 4,964.41	\$ 4,646.15	\$ -	\$ 36,942.38
Montana Eggs, LLC	New or expanding industry	\$ 5,053.22	\$ 5,066.36	\$ 4,788.68	\$ 5,634.23	\$ 5,821.63	\$ -	\$ -	\$ -	\$ 26,364.12
Lawyers, Guns, and Money	Historic property	\$ 4,152.13	\$ 3,985.62	\$ 4,176.91	\$ 4,046.40	\$ -	\$ -	\$ -	\$ -	\$ 16,361.06
Hackett Garry L & Cheryl D ETAL	Remodeling benefit - Residential	\$ 382.17	\$ 1,025.45	\$ 1,187.94	\$ 1,232.50	\$ 1,354.20	\$ -	\$ -	\$ -	\$ 5,182.26
Arvon Blodk Development Venture, LLC	Historic property	\$ 14,400.21	\$ 9,045.91	\$ 6,803.31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,249.43
Rocky Mountain Building Development Venture, LLC	Historic property	\$ 346.98	\$ 333.07	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 680.05
ADF/ City of Great Falls	New or expanding industry	\$ 22,120.77	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,120.77
ADF International, Inc	New or expanding industry	\$ 11,609.91	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,609.91
Total		\$ 62,484.22	\$ 25,531.32	\$ 27,759.74	\$ 24,739.59	\$ 25,086.51	\$ 22,240.38	\$ 17,684.80	\$ 8,933.41	\$ 214,459.97

* The Robert and Richard Zadick (Super 1) abatement approved June 21,2016 will not start until tax year 2017. The total amount the City will not receive in tax revenue is estimated to be \$37,750 over 5 years.



City of Great Falls City Commission Goals

1. Support Public Safety
 - a. Adopt revised 911 Center Interlocal Agreement
 - b. Monitor and if necessary, address equipment, training, and personnel needs
2. Park and Recreation
 - a. Review and consider Park Master Plan recommendations (including aquatics)
 - b. Explore adoption of a Park Maintenance District
3. Civic Center
 - a. Consider office space need options
 - b. Determine funding process for façade
4. Library
 - a. Work with library Board to develop sustainable business
 - b. Evaluate future financing options
5. Support the City Manager and Department Heads
 - a. Prioritize key community issues
 - b. Provide clear policy guidance

City Manager's Budget Objectives

1. Tackle deferred operational/capital needs.
2. Service/Cost Effectiveness.
3. Citywide Fund Stabilization and Performance.
4. Focus on programs, services, and policies that are sustainable.
5. Protect the City's investment in personnel.
6. Foster interdepartmental collaboration and long range planning in order to avoid significant increases in operating costs.



City of Great Falls
Office of the City Manager

P.O. Box 5021
Great Falls, Montana 59403
Office (406) 455-8450
Fax (406) 727-0005

City Manager's Budget Message

Honorable Mayor and City Commission:

It is my pleasure to present the Fiscal Year 2017 (FY 2016/2017) City of Great Falls Annual Budget.

The City's financial position is stronger and more stable than in prior years due to a focused City Commission and collaborative department leadership team. While there are always certain funds that do not perform as desired, a majority of the City's departments are in healthy shape. The stronger financial positional allows city leadership to begin tackling deferred needs in operations and capital.

The City Commission drives the budget process by defining broad goals. The Commission's goals for FY2017 include:

1. Public Safety
 - a. Adopt revised 911 Center Interlocal Agreement
 - b. Monitor and if necessary, address equipment, training, and personnel needs
2. Park and Recreation
 - a. Review and consider Park Master Plan recommendations (including aquatics)
 - b. Explore adoption of a Park Maintenance District
3. Civic Center
 - a. Consider office space need options
 - b. Determine funding process for façade
4. Library
 - a. Work with library Board to develop sustainable business
 - b. Evaluate future financing options
5. Support the City Manager and Department Heads
 - a. Prioritize key community issues
 - b. Provide clear policy guidance

Using these goals, the City Manager, along with department leadership team developed a budget, identifying objectives to meet these broader goals. The City Manager also has specific priorities. For FY 2016/2017, these objectives include: 1) Tackling deferred operational/capital needs 2) Service/Cost Effectiveness 3) Citywide Fund Stabilization and Performance 4) Focus on programs, services, and policies that are sustainable 5) Protect the City's investment in personnel 6) Foster interdepartmental collaboration and long range planning in order to avoid significant increases in operating costs.

The adopted budget continues to address long standing operational and capital needs. Specifically, the adopted budget exceeds the minimum 17% undesignated fund balance. The projected fund balance for FY17 is 21%. A strong fund balance is critical for two reasons: First, the city needs to meet its financial policy minimum for cash flow needs. Secondly, fund balance is necessary to retain the City’s quality, low risk credit rating. Maintaining strong credit rating is critical, as the city will need to bond long-term debt for major capital projects such as the Civic Center façade, roof and large capital equipment purchases like fire trucks.

The overall budget challenge for Fiscal Year 2016/2017 balances operational needs with deferred capital maintenance. In FY17 budget, the Administrative Draft Capital Improvement Plan identified over \$12,146,149 in needs for FY 2016/2017, which already included many deferred projects. Of the \$12,145,149 identified in the CIP, the City was only able to allocate \$399,000 in FY17 budget.

Two years ago, the City Commission identified critical needs in public safety – which includes law enforcement, fire, dispatch, and the City Attorney’s office. The prioritization of these areas is commonly referred to as the “pivot to public safety”. To address these needs, the focus has been on people, equipment, and facilities. The City Commission and city management have attempted to address these needs without asking for a Public Safety Levy.

Prior year budget efforts to improve Public Safety needs have made a positive impact. The City’s Fire/Rescue ISO insurance rating received an upgrade in 2016. The upgrade has direct financial impact on residential/commercial fire insurance rates in the city. Additional firefighters and dispatchers provide better flexibility for staffing coverage. The additional police officers in the FY17 budget places more officers on patrol and an additional detective to reduce the overwhelming case load in the Special Victims Unit.

Enhancing Public Safety means that there is impact on other areas of the city’s budget. Where possible, management asked departments to explore additional revenue opportunities to offset reductions in appropriations. Some departments have revenue options available to them that are not available to General Fund dependent departments.

The adopted budget includes adjustments in property taxes as detailed below:

Adopted Property Tax Detail

<i>Property Tax</i>	<i>% Increase</i>	<i>Impact on Property Value of \$100,000</i>
Permissive Medical Levy	2.48%	\$5.58
Inflation Factor	.50%	\$1.09

FY 2016/2017 Budget Highlights

Operations

- Public Safety Support – Additional Equipment, Facilities, People
- Capital Improvements – Building Reserves, Facility Maintenance and Equipment

- Development Process Improvements – Additional Staffing
- Environmental Compliance – Storm Drain Compliance Technicians
- River’s Edge Trail Maintenance Support
- Fund Health
- Golf – Debt Service Recovery Plan

Most operational changes in the adopted General Fund budget include staff increases to address needs and supplement a stretched workforce. The adopted budget includes three new police officers (two patrol, one special victims unit), a new fire department quick response vehicle, additional plan review personnel in Planning and Community Development, and River’s Edge Trail support.

Other significant operating appropriations include funding for emergency generators at the Fire Station #3, training for various departments, and a new server for Municipal Court records.

Capital Maintenance, Equipment Replacement and Facilities

The adopted budget includes funding for current and future capital needs. Certain capital items receive funding with a direct allocation; some require funding over time (capital reserve fund). Certain capital items due to their cost require funding through a loan or bond.

FY 2016/2017 adopted budget included the following capital items:

- Ambulance/Squad Response – (\$180,000)
- Fire Facility Improvements – (\$50,000)
- Natural Resource (\$45,000)
- Civic Center Parking (\$40,000 crack sealing)
- Civic Center Facility
 - IT Server Room A/C (\$25,000)
 - P&CD A/C (\$45,000)
 - Back-Up Server (\$30,000)
- P&R Irrigation (\$50,000 CRF)

Water, Sewer, Storm Water Utilities

The adopted FY 2016/2017 budget recommends an increase in the water rates (10%), sewer (3%) and storm water (10%). Rates are established by determining the cost for operating the utility, addressing ongoing system maintenance needs and capital projects. Despite the regular rate utility rate increases, the City of Great Falls has the *lowest* combined utility rates of any Class 1 city in Montana.

The regulatory environment has an incredible effect on all utility rates. When rate setting occurs for utilities in March/April of each year, there is much discussion regarding the maintenance of these systems in order to meet the operational requirements of the Environmental Protection Agency/Montana Department of Environmental Quality.

The City’s overall budget increased by 5.43% from FY 2016 Amended budget. One major reason for the increase is an extensive Water Treatment Plant upgrade of \$28.6 million dollars. The upgrade by itself constitutes 22.36% of total budget.

Proposed Utility Rate Summary

<i>Utility</i>	<i>% Increase</i>	<i>Average Residential Impact</i>
Water	10%	\$3.54
Sewer	3%	\$.73
Storm Water	10%	\$.52

Street, Lighting, and Boulevard Special Assessments

The adopted budget does not include increased assessment for Boulevard District or Streets. The City’s lighting districts will see a reduction of 17.8%.

Debt Service

The City of Great Falls has a high debt capacity, but very low debt. In FY16, the City will retire its Swimming Pool General Obligation (Mitchell Pool and neighborhood pool repairs) debt service. The FY17 budget also includes a debt repayment plan for the City’s two golf courses, which owe \$816,512 to the General Fund. Over the next eight years, the Golf Fund will repay the General Fund \$102,064 annually.

Utilizing its non-voted general obligation debt, the City Commission authorized debt to replace GFFR’s Quick Response Unit/ambulance (\$180,000 plus \$40,000 for equipment). Management also recommended the Commission prepare for a bond levy for repairs of the Civic Center. Three years ago, the Commission received an engineering report, which estimated over \$4 million worth of repairs to the building’s separating and cracking façade. Recently, the Civic Center roof has developed significant leaks. Management anticipates that the City Commission will consider requesting approval for a General Obligation Bond from the voters in 2017 after additional engineering studies are completed.

Future Challenges and Opportunities

Management outlined for the City Commission several challenges on the horizon for Great Falls’ local government. These areas include:

- Information Technology – Architecture, Retention, Security
- Needed Office Space in Civic Center
- Diminishing budget flexibility with Public Safety Pivot
- Civic Center Façade Restoration
- Implementation of the Park and Recreation Master Plan
- Staffing - Prosecution and Special Victims Caseload

During the FY17 budget, the Commission contemplated several alternative operational and revenue enhancement options. The Commission agreed to explore some of these options to address recurring operational capital, and budget deficiencies.

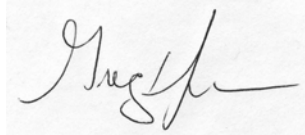
- Civic Center Convention Closure (\$72,000 loss with ISC redirect)
- Library Revenue (mill revenue increase to support operations, must be voter approved)
- Natatorium Closure (\$144,663 savings)
- Park Maintenance District (directed to explore in conjunction with Park Management Plan)
- Golf Course Closure – (\$70,000 minimal maintenance required)
- Street Arterial Assessment

In Closing

The City Manager's budget presentation to the City Commission is available for viewing on the City's web site www.greatfallsmt.net as well as numerous supplemental budget documents. Budget presentations are available for viewing on the City's web site www.greatfallsmt.net/fiscalservices/2017-proposed-budget

Despite some of the challenges described, the City of Great Falls financial position is sound thanks to a dedicated City Commission and department head team. I want to thank the department heads for their focus and diligence in preparing the budget. I especially want to thank former Deputy City Manager Jennifer Reichelt, Fiscal Services Director Melissa Kinzler, and Budget Technician Korri Shupe for their assistance.

Respectfully submitted,



Gregory T. Doyon
City Manager

