

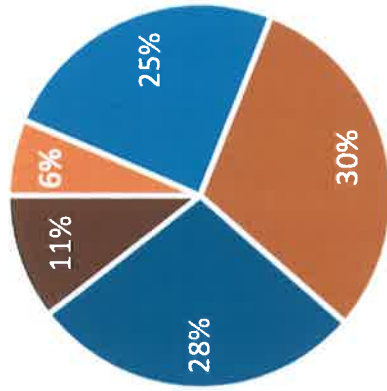
Honorable Members of City Council,

I hope you've been able to spend some time absorbing the information delivered in the final One Big Sky District Development Plan. I look forward to continued discussions on how we move our city forward and address the challenges ahead. We occasionally hear, and I assume you often hear, "we don't need this." I want to make sure there is a clear understanding of the challenges we face, and put to rest any notions One Big Sky District is a solution in search of a problem.

We know Billings has had slow, steady growth for a long time. Unfortunately, in an ever-changing, more globalized, connected world, slow and steady means we're falling behind. It's the reason our youths chose to seek opportunity elsewhere. And as jobs increasingly follow people rather than vice versa, business will only thrive if a community can attract people to fill jobs.

Before looking to the future, it's instructive to know where we are at presently. In BillingsWorks' 2018 State of the Workforce Report, a majority of Yellowstone County employers indicated they would grow their business, however are limited by an inability to find qualified employees. A majority (58%) of our businesses are already having difficulty due to a lack of workforce, indicated in the graph and table below.

My ability to find qualified employees currently limits the ability to grow my business.



■ Strongly Disagree ■ Disagree ■ Agree
■ Strongly Agree ■ No Opinion

Historical change - My ability to find qualified employees currently limits the ability to grow my business

	2016	2017	2018*	Difference
Strongly Agree	29%	27%	28%	1%
Agree	33%	39%	30%	(9%)
No Opinion	14%	11%	11%	--
Disagree	19%	18%	25%	7%
Strongly Disagree	5%	5%	6%	1%

*Note: This wording in this survey question was changed for 2018 to avoid bias in answers. In previous years, this statement read: "A lack of available workers negatively impacts my abilities to grow my business in Yellowstone County." Comparisons reflect the similar concepts but may vary due to the question change.

As the Baby Boomer generation leaves the workforce, we need to replace those open jobs. However, we are not, and our youth continue to leave Billings. In fact, we are near the bottom of pack (46th) in the nation for percentage of Millennials in our population. This is important because Millennials represent the largest generation in the workforce.

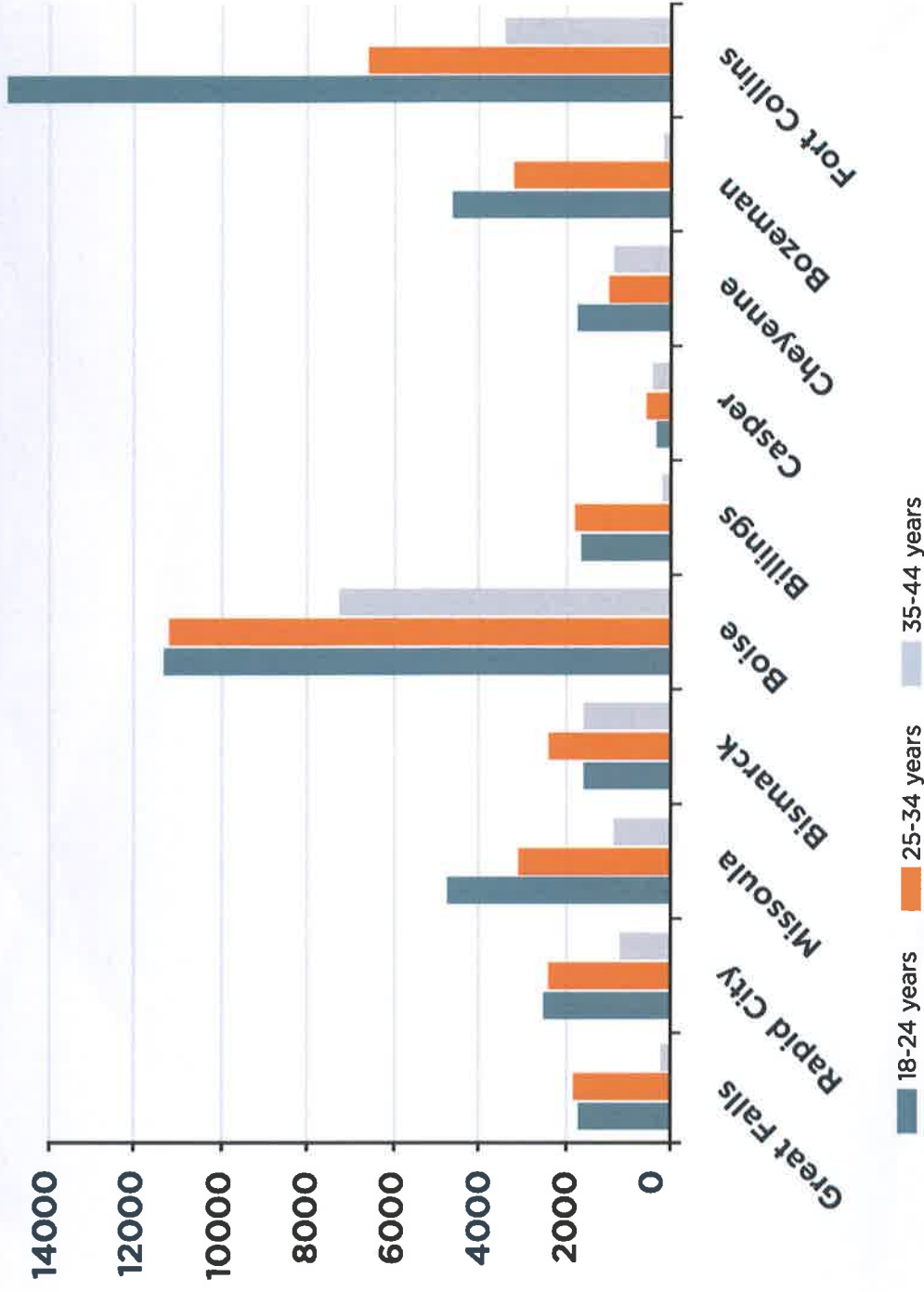
But we are having difficulties retaining that generation. Bryce Ward, an economist at UM noted in a 2016 Montana Business Quarterly that Montana is near the bottom (48th) in out-migration of young college-educated workers. Meaning, students get their degree, and they leave the state. So, our state spends lots of money educating our kids, providing them the necessary tools they need to graduate from college. And then they leave. Just as they enter the workforce and could contribute back to the state as Montana taxpayers, they decide to transplant themselves and provide economic lift to other states.

And, relative to our peer/competitive cities, we're not attracting others from outside of our community. The chart below from Big Sky Economic's 2018 Economic Pulse shows that we are barely competitive with Great Falls in terms of attracting 18-34 year olds.

In-Migration By Age, 2016

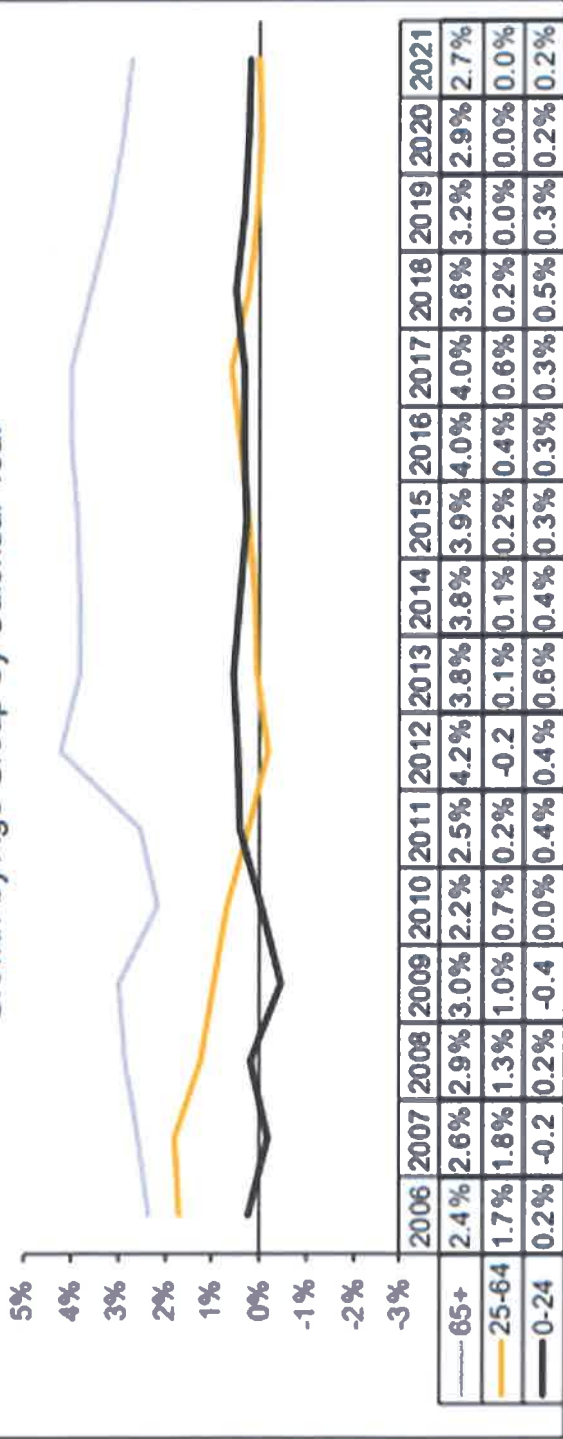
This data set reflects the number of people in the identified age groups who report having lived elsewhere in the previous year.

This chart does not reflect total population or net population growth in these age groups, it solely looks at new people to our community. This chart demonstrates the value of a larger higher education presence - with communities like Missoula, Boise, Bozeman, and Fort Collins experiencing the greatest level of in-migration in the 18 - 24 year old age group. This will be an important benchmark for our community moving forward as we work to attract talent to our community.



Without a plan for significant, meaningful growth our future projections aren't promising. The Legislative Fiscal Division's 2018 Revenue Estimate provided some population projections for the next three years showing 0% growth in our 25-64 ages. ZERO growth of our state's workforce population means increased difficulties on businesses. And it means increased difficulties with balancing the state budget, which is largely reliant on income tax revenues.

Growth by Age Group by Calendar Year



Speaking of budgeting difficulties, Yellowstone County faces an estimated decline of \$4.8 million to tax receipts by 2027, according to estimates by Baker Tilly and the Federal Reserve Bank of Kansas City. That likely means increasing the burden on Yellowstone County taxpayers by raising taxes.

DECLINE IN YELLOWSTONE COUNTY TAX RECEIPTS DUE TO RETIREMENTS (YEAR 2027)

ANNUAL TAX RECEIPTS FOR YEAR 2027
YELLOWSTONE COUNTY

	PRODUCTION & IMPORTS TAX	HOUSEHOLDS							TOTAL				
		LT15K	15-30K	30-40K	40-50K	50-70K	70-100K	100-150K		150-200K	GT200K		
TOPt: Property Tax	(\$4,457,790)												
TOPt: Motor Vehicle License	(101,947)												
TOPt: Special Assessments	(79,467)												
Personal Transfers		(60)	(18,662)	(711)	(17,579)	(2,338)	(2,808)	(1,670)	(6,849)	(5,564)			(101,947)
Personal Tax: Motor Vehicle License		(423)	(2,850)	(5,748)	(6,991)	(18,412)	(25,126)	(22,829)	(8,940)	(9,905)			(\$79,467)
Personal Tax: Property Tax		(140)	(1,073)	(1,922)	(1,481)	(5,630)	(6,856)	(7,955)	(2,765)	(2,995)			(56,241)
TAX DEFICIT	(\$4,639,204)	(\$623)	(\$22,585)	(\$8,381)	(\$26,051)	(\$34,790)	(\$32,454)	(\$18,554)	(\$18,464)	(\$4,827,486)			

Source: Baker Tilly

\$4.8 M DEFICIT FOR THE COUNTY DUE TO RETIREMENTS ALONE ... STATEWIDE RETIREMENTS = \$151.3 M DEFICIT FOR THE STATE

One of the goals of One Big Sky District is to attract and retain the workforce our businesses already need, and will increasingly need in the near future. Estimates of the OBSD projects show an increase of 31,866 FTE jobs in the district over 30 years. Those are the workers our business need to help them grow and prosper, bringing benefit to our community and the state as a whole.

ESTIMATED SPENDING & IMPACT

SUMMARY: ONE BIG SKY

	2022	2026	2031	2036	2041	2046	2051	TOTAL 30-YEAR
ECONOMIC IMPACT (\$ MILLION)								
Direct Spending	\$122	\$754	\$1,499	\$2,468	\$2,904	\$3,357	\$3,879	\$66,518
Indirect Spending	33	203	403	663	781	902	1,043	17,878
Induced Spending	28	174	345	568	669	773	893	15,315
TOTAL SPENDING	\$183	\$1,130	\$2,248	\$3,699	\$4,354	\$5,033	\$5,815	\$99,710
Increased Earnings	\$114	\$573	\$1,077	\$1,730	\$2,026	\$2,335	\$2,688	\$46,802
Employment (FTE Jobs)	1,866	10,290	18,575	27,068	28,747	30,201	31,886	31,866

	2022	2026	2031	2036	2041	2046	2051	TOTAL 30-YEAR
FISCAL IMPACT (\$ MILLION)								
Use Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Hotel/ Motel Tax	1.4	3.4	6.2	8.2	9.5	11.0	12.8	231
Auto Rental Tax	0.1	0.3	0.6	0.8	0.9	1.0	1.2	22
State Personal Income Tax	2.2	15.3	33.1	45.4	53.4	61.8	71.5	1,251
State Corporate Income Tax	0.1	2.0	4.2	7.0	8.3	9.7	11.2	188
Property Tax**	1.4	9.1	15.6	25.2	29.2	33.8	39.2	678
SUBTOTAL	\$5.2	\$30.2	\$59.7	\$86.6	\$101.3	\$117.3	\$135.8	\$2,370
One-Time Impact of Construction	3.8	1.0	1.1	0.7	0.0	0.0	0.0	\$20
SUBTOTAL	\$9.0	\$31.2	\$60.8	\$87.3	\$101.3	\$117.3	\$135.8	\$2,389
Ancillary Benefits***	1.0	6.0	11.9	17.3	20.3	23.5	27.2	\$474
State Reinvestment****	2.2	6.8	13.8	19.2	22.3	25.8	29.8	\$527
TOTAL TAX REVENUES	\$12.3	\$44.1	\$86.6	\$123.8	\$143.8	\$166.5	\$192.8	\$3,390

Notes:

** Reflecting an effective tax rate and referencing 2016 Baker Tilly report, Conventory Event Center and Education are tax exempt.

*** Assumes 20% additional fiscal impact

**** Assumes State reinvests 30% of tax revenues from CBSD into infrastructure

Source: Johnson Consulting

By supporting One Big Sky District, we help businesses, taxpayers, and hopefully keep our families together as the next generation sees the opportunity and amenities One Big Sky District development brings to Billings and Montana.

Thank you for your consideration and I look forward to our continued discussion on this great plan for Billings!