



Montana Board of Livestock MT VDL Stakeholder Meeting Minutes

December 3, 2019

MT Department of Livestock Board Room #319
301 N. Roberts, Helena, Montana

Board Members Present

John Scully, Vice-Chair (cattle producer)
Lila Taylor (cattle producer)

Nina Baucus (cattle producer)
Sue Brown (dairy and poultry)

(John Lehfeldt, Brett DeBruycker and Ed Waldner were not present)

Staff Present

Brian Simonson, Deputy EO
Evan Waters, Centralized Services

Dr. Gregory Juda, VDL

Public Present

Russ Katherman, A&E Division
Jay Bodner, MSGA

Marina Little, A&E Division
Waddie Taylor

MEETING CALLED TO ORDER

3:02 PM

- Vice-Chairman John Scully called the meeting to order at 3:02 PM
- All BOL members were present except for John Lehfeldt, Brett DeBruycker and Ed Waldner

ROLL CALL

3:02 PM

- Vice-Chairman John Scully called for a roll call of all who were present at the meeting
- DOL staff present were Brian Simonson, Dr. Gregory Juda and Evan Waters
 - Brian Simonson announced that he was filling in for Mike Honeycutt and Dr. Marty Zaluski, who were both in attendance at an IBMP Meeting
- Members of the public present were Waddie Taylor, Jay Bodner, Russ Katherman and Marina Little

DISCUSSION ON PROPOSED NEW MONTANA VETERINARY DIAGNOSTIC LAB (MT VDL)

3:04 PM

Vice-Chairman John Scully gave a brief background into the formation of the MT VDL Stakeholder Committee:

- The MT VDL Stakeholder Committee had been established before the 2019 Legislative Session, but and took a hiatus until after the session was completed
 - Senator Wellborn's bill that would allow financing of the proposed new Lab complex by a private individual of a private institution in the construction of the building, which could then be leased back to the DOL, was killed in the House
 - A bill brought forward by Senator Vance, dealing with architectural drawings of a proposed new Lab complex passed, was signed by the Governor and directed to the DOA to provide for a leased facility and would allow the DOL to enter into a lease
 - A bill passed that the BOL and the industry agreed upon, that would give the DOL authority to expend up to \$100,000 to enhance the Legislative Committee's architectural design request of the proposed Lab complex (40,817 square feet)
 - The \$100,000 for the enhanced architectural design utilizes all per capita monies
- In August of 2019, Brian Simonson requested that the MT VDL Stakeholder Committee come back together, and the meeting being held on December 3, 2019, was the first time both the BOL and industry stakeholders could come together

Vice-Chairman Scully talked about monies that would be useful for future operations of a new MT VDL leased facility, but probably not enough capital to buy a facility or building:

- Mr. Scully explained that some of the cash on hand in the DOL is a direct result of the industry supporting an increase in per capita from a couple years ago
- The creation of the DSA several years ago has brought general fund dollars into the MT VDL for Brucellosis work, \$1.60/brucellosis test and operational costs and assistance of the State Veterinarians to provide DSA resources within the DSA
 - As a result of a Legislative Audit suggestion, the BOL increased the size of the DSA
 - As the result of a Legislative Audit suggestion, the BOL reduced the percentage of general fund dollars in the daily operation of the MT VDL and substituted instead, per capita dollars
- Mr. Scully said that Brucellosis has increased in terms of total tests and it will be known before the 2021 Legislative Session how much that increase is relative to Brucellosis and the percentage of zoonotic diseases being dealt with in the MT VDL, which could mean an increased request for general fund
- Mr. Scully explained things that the MT VDL Stakeholder Committee needs to do going forward:

- A process should be established that will help in identifying what the DOL can build and afford to maintain
 - Once that is identified, it will direct where to look for funding and how that funding will play out in the end
- Educate the industry and Legislators along the way, providing information to them to back up the decisions made by the MT VDL Stakeholder Committee
- Identify whether any other entities will be part of the proposed Lab Complex or if the proposed Lab will be a stand-alone facility for the MT VDL
 - If other Labs want to be a part of a new facility, what financial method would work best for them, buying or leasing and how much does that reduce the share paid by the MT VDL for construction and maintenance

Mr. Scully reported on the MSU Board of Regents' response to a letter from the Legislative Interim Committee, led by Representative White, asking that they consider a new laboratory facility location on the MSU campus:

- The response was reported in the Bozeman Chronicle on November 26, 2019 that the MSU Board of Regents unanimously agreed to a resolution that the Board of Regents commits to providing a lease of MSU property for the purpose of construction of a State-owned or leased laboratory facility contingent upon the following
 - Land is to be leased and will be on the campus and will be appropriate to the scope of the project and will not include future expansion or other facilities
 - A lease agreement will be considered by the Board of Regents when a funding source and financing plan for the facility are identified by the DOA and provided to the DOA
 - The DOA must obtain the Board of Regents approval, prior to initial construction and must follow certain procedures they listed
 - Neither MSU nor the University system will be responsible for the cost of the design, the construction site improvements or the operation and maintenance costs of the facility during the term of the lease, and, at the end of the lease, the building will be decommissioned
 - Concerns were raised regarding the meaning of the term listed in the contingency as "building will be decommissioned"
 - The Board of Regents supports a no-cost lease of land, with the understanding that if no significant construction on a State laboratory facility has begun by the time the Board of Regents holds its regular meeting in September 2022, the resolution will be placed in a moratorium with the option of reconsideration at a future meeting
 - The commitment is also contingent on the Montana Department of Agriculture vacating McCall Hall and relocating to either the new laboratory building or to an off-campus location
 - Dr. Juda suggested checking into the current terms of the McCall Hall lease that the Department of Agriculture has with MSU to see if there are other options for them that would not include a new construction or leasing with the MT VDL

- If the Department of Agriculture does not wish to vacate McCall Hall, that would be a showstopper for the project being on MSU property
- It was pointed out by Russ Katherman that in current statute, a State leased facility can be no greater than 45,000 square feet and with a term no longer than 20 years

A 3-5 year plan, put together by Dr. Juda, Brian Simonson and Evan Waters, for the proposed new MT VDL was discussed

- The 3-5 year plan was based on the MT VDL providing the same services, addressing capacity for growth, increasing the number of employees, collateral space requirements, ventilation, electrical, utilities, maintenance, financial analysis by section
- The plan helps develop a process that helps answer the question of which available resources to utilize to sustain the proposed new MT VDL, such as cash, fees, per capita, general fund, enterprise fund or grants during that 3-5 year period of time
- The 3-5 year plan does not assume that all entities will be joining the MT VDL for a space requirement of 40,817 square feet, but only the amount of square footage needed for the MT VDL and FWP
- Current MT VDL space is 13,706 gross square feet
 - Brian Simonson explained that the gross maintenance and operations (O&M) annually right now is basically about \$140,000, but in a new facility, the architects expect that cost to go down to \$109,000 for a laboratory of the same size (13,706 square feet). O&M for a laboratory that is 40,817 square feet, is estimated to be \$326,520
- Brian Simonson explained that NAHLN financing has been utilized to mitigate the repair and replacement costs in the MT VDL for the past 3 years, along with BPPs
- Marina Little explained that hallways in the proposed new Laboratory are larger to comply with ADA standards and Federal regulations
- Dr. Juda said he would talk to the Milk Lab, who are currently housed in an old classroom at the MT VDL, to analyze whether there is a need for additional equipment in the proposed new MT VDL, which would account for the 12% increase in their lab space listed in the new architectural plan
- Dr. Juda explained that if any Department of Agriculture labs would want to be part of the proposed new lab facility, that their requirements for lab space would need to be considered and that could change the cost/square foot of the lab space, maybe even bringing it down somewhat
- Dr. Juda said, that there is not a fully-developed rationale for why a BSL3-capability facility would be needed in the next 5-15 years, but it could be put together, listing pros and cons
 - According to Dr. Juda, a BSL3-capable facility could likely increase Federal funding through the NAHLN network, but is not a significant revenue generator outside of the Federal funding and capabilities of the laboratory in the event of a disease outbreak

- Brian Simonson mentioned that according to the previous study done on the proposed new Lab, BSL3 square footage cost is \$800/square foot versus BSL2 laboratory space at \$400/square foot, and that even though the BSL3 square footage needed is only 4,611 square feet, it impacts what the DOL can afford
- Although Chronic Wasting Disease testing does not require a BSL3 laboratory space, African Swine Fever testing does require it
- Dr. Juda said some of the out-of-state lab directors he has spoken with told him that you aren't going to make money on a BSL3 laboratory, but, you're better off having it and he said that when you look at the new regional labs being constructed, they are constructing BSL3s
- Dr. Juda said that bringing in DNA sequencing into the Lab is on his radar and that if allowed, it would be NAHLN-funded

With a number of Legislators offering buildings in their community for a new Lab facility, it was discussed whether the cost to remodel one of those building would cost more or less than building a new facility

- With the need for the new Lab to have an incinerator, cost of constructing it plus attaining permits in certain areas would have to be considered
- Mr. Scully pointed out that the State cannot go out and lease an empty K-Mart building unless there was an option to purchase, according to the just-passed HB 586
 - HB 586 section MCA 18-3-101 states that, in paragraph 1, except as provided when authorized by a vote of 2/3 of the members of each House of the Legislature, the DOA may, as part of the long-range building plan enter into a lease contract that provides an option to purchase a building to be used by the State or any department of State government
 - HB 586 section MCA 18-3-101 paragraph 2 states that a vote of 2/3 of the members of each House of the Legislature and inclusion in the long-range building program is not required for a lease contract that provides an option to purchase if the building will be used for collocated laboratory space. The DOA shall develop a plan for a lease contract that provides an option to purchase for a collocated laboratory facility for animal testing for pathogens

Brian Simson explained his chart that showed the DOL's overall funding stream

- Per capita fee is 32% of the DOL funding stream
- State Special Revenue makes up 26% of the funding stream
- General Fund makes up 21% of the funding stream
- Lab fees make up 8% of the funding stream
- CSD is utilizing 37% of the per capita fees that come into the DOL, mostly because of Mike Honeycutt's salary
- 13% of the general fund dollars that come into the DOL go to the Livestock Loss Board; 25% of them go to the Lab and 31% go into the Meat & Poultry Bureau, who also receive Federal dollars
- To sustain the MT VDL, 40% of their revenue comes from lab fees, and 50% of their funding is divided up between per capita fees and general fund

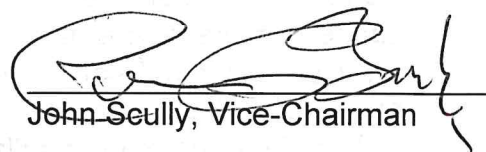
- Mr. Scully pointed out that MCA 15-24-921 states the correct utilization of per capita monies, which is for expenses in enforcing livestock laws, including salaries and all expenses connected with the enforcement of the livestock laws of the State and bounties on wild animals as provided. Mr. Scully said it should be checked into whether or not per capita fees can be used to pay capital costs for a new building
- Mr. Scully pointed out MCA 15-24-904, which talks about penalties assessed to persons who fail to report per capita. That penalty is for \$25, which is to be deposited into the State general fund

Timeline for the proposed new MT VDL were discussed:

- Brian Simonson said that the DOL is constrained to do anything because financially, they don't have the authority. The authority that the DOL does have is only for the current MT VDL
- Mr. Simonson also reminded the Committee that it takes considerable time to do any kind of design, whether it's lease or LDP
- John Scully reminded the Committee that it has been an active Brucellosis year and so the absolute actuals of the Brucellosis tests that have occurred this year and whether or not they met the projections will not be known for a while
- Decisions would need to be made after the BOL December 4, 2019 meeting, for next steps to take in the process of going forward with the proposed new MT VDL
- Marina Little said she had been contacted by the consultant of the architectural firm who did the original plans for the proposed combined lab complex, Steve L'Hereux, asking if there had been any word from the BOL. Marina said, that with all the information that was presented in today's meeting, the architects might be able to answer some of the questions being asked by the Committee today regarding whether to lease, build a new facility or even improve the existing MT VDL facility
- John Scully said there will need to be another meeting of the MT VDL Stakeholder Committee, with help from the architects, to find plans, somewhere in between the current MT VDL and the Legislative suggested plans to move forward with a new facility

MEETING ADJOURNED

5:30 PM



John Scully, Vice-Chairman