



Montana Board of Livestock Finance Committee Meeting Minutes

September 24, 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 Lehfeltdt, Brett DeBruycker and Ed Waldner were not present)

Staff Present

Mike Honeycutt, EO
Brian Simonson, Deputy EO
Evan Waters, Centralized Services

Dr. Marty Zaluski, State Veterinarian
Dr. Gregory Juda, VDL

Public Present

John Youngberg, Montana Farm Bureau Federation
Jay Bodner, Montana Stockgrowers Association

MEETING CALLED TO ORDER

3:00 PM

- Vice-Chairman John Scully called the meeting to order at 3:00 PM
- All BOL members were present except for John Lehfeltdt, 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 Mike Honeycutt, Brian Simonson, Dr. Marty Zaluski, Dr. Gregory Juda and Evan Waters
- Members of the public present were John Youngberg and Jay Bodner

COMMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS/COMMENTS FROM PRODUCER ORGANIZATIONS

3:03 PM

Vice-Chairman John Scully called for any comments from the public on non-agenda items, but no one had any at the time

3:03 pm – MONTANA DEPARTMENT OF LIVESTOCK FINANCES

John Scully announced that he would be changing the order of the agenda items and covering the financial items listed in the BOL 9/25/19 meeting agenda first

3:03 pm – Montana Beef Council Contract

Brian Simonson said that there were no language changes made in the annual contract, but the BOL did go through the language

- Mr. Scully suggested that the language saying that the Montana Beef Council is responsible for associated costs if the DOL is subject to audit or is required production of any document by the Montana Legislature, should be listed under the section titled Disputes, if the Montana Beef Council would be in agreement to that change
- Mr. Scully questioned the language regarding that the Montana Beef Council and the DOL meet from time to time to discuss development of more efficient and less costly procedures for collection of the Beef Checkoff funds, but it was decided to leave the language the way it was so that the DOL can refuse to give an inspection if the livestock owner is not compliant with the checkoff assessment
- Brian Simonson reported that a review of finances associated with implementing the Montana Beef Council contract showed that there were some changes compared to the current contract
 - General Services Division raised the rent charge for the Montana Beef Council office by \$59, a 2.4% increase
 - The accounting charges increased by \$1,185 per year, a 66% increase. It was not determined when a review of the accounting charges had last been done
 - Accounting charges include DOL collection of funds from the field, a portion of prepaid envelopes to mail the funds to the DOL, deposit of funds, cutting checks to the Montana Beef Council for their proceeds and sign-off on invoices
- Because of the 66% increase in the accounting charges, Mr. Simonson drafted three different options for the BOL to list those increased charges to the contract
 - Leave the charges the same as they had been in years past
 - Enact the entire \$1,185 increase on the new contract
 - Partially enact the increase as a phase-in over a three-year period of time, at a cost of \$415 extra per year
 - Because the contract is an annual one, it was questioned as to whether or not a phase-in over three years would be legal. It was requested that Mr. Simonson consult legal counsel before the next

day's BOL meeting to find out for sure if it would be legally possible to do that

3:25 pm – Per Capita Fee Rate Change Proposal

John Scully announced that there is no increase in the per capita fee rate. That information would be discussed during the 9/25/19 BOL meeting and a decision made by the BOL members as to whether or not they agreed with that rate remaining the same

3:26 pm – State Special Revenue Report

Brian Simonson said it was early in the year for State Special Revenue numbers, but he would have a couple comments on the subject to present at the 9/25/19 BOL meeting

3:27 pm – Expenditure Projections

Brian Simonson reported that more time is needed to determine 2020 budget and projections, but all was well with those numbers:

- Positive budget projections to end the year were reported in every category of the DOL with total budgeted funds listed at \$560,890

3:28 pm – Per Capita Collection Discussion

Brian Simonson reported that FY2020 ended with the per capita collection expectation in revenue from the Department of Revenue was as projected

- \$4.9 million was budgeted in per capita collections at end-of-year, but actual collections were \$4.708 million, which is \$26,000 more than the previous year. Mr. Simonson said the rest of that money has yet to come in
- Mr. Scully requested that Mr. Simonson discuss the enforceability and non-compliance penalty issues regarding per capita during the 9/25/19 BOL meeting

3:30 pm – Attached Boards Travel Discussion

Brian Simonson reported that the letter to the DOL's attached boards regarding the process and repayment of out-of-state travel expenses had been sent:

- Mike Honeycutt said that he and Brian Simonson had been able to discuss the DOL's out-of-state travel process for attached boards during the Livestock Loss Board's meeting on September 19, 2019 and planned to do the same the next time the Board of Milk Control meets

3:32 pm – VETERINARY DIAGNOSTIC LABORATORY FINANCES

John Scully said that the handouts the BOL would be reviewing and discussing today would cover testing numbers from each VDL section, a VDL organizational chart, a schematic showing the current footprint of the VDL and safety issues to address at the VDL:

- With the CWD disposition concerns at the VDL raised during the 2019 Legislative session by a Bozeman legislator, John Scully said that it was found by the Legislative Interim Committee that in information received, the disposal of prions at the VDL would be sufficient if the VDL moves forward in doing CWD testing

- John Scully reported that after the Legislative Audit Committee requested that more per capita than general fund be added to the funding of the VDL, that industry stepped up twice in their monies, once in testing price increases at the VDL and the other in per capita rate increases, for a total increase of approximately \$250,000
- There are fewer dairies than three years ago when the Milk Lab testing numbers were last reviewed, and so those numbers are expected to go down. However, those numbers are not part of the VADDS-LIMS system, and therefore are not listed on the handouts.
 - Mr. Scully said, that because those numbers are part of the general fund request, and work being done in the interim, they need to be added into the report and sent out to the BOL and industry
- The VDL is losing revenue for high cost tests, but gaining revenue in the lower cost tests, such as the brucellosis testing in Serology, which is 50% of the testing done in the Lab, as a whole
 - There were significant percentage declines in testing in the Clinical Pathology, Virology, Microbiology and Histology sections of the VDL
 - Molecular Diagnostics and Pathology sections of the VDL stayed status quo in testing numbers
 - Serology showed a slight increase in testing numbers
- Accession fees, those inherent costs of receiving samples, that began to be charged in 2018, brought in a \$30,000 increase in VDL funds from FY17 to FY19 helping to stabilize revenue
- Dr. Marty Zaluski reported that there has been a decreased utilization of the VDL over the last several years due to a variety of factors
- Dr. Zaluski believes the primary factor in the decline of VDL is competition
- Lack of investment in the VDL as far as equipment and personnel also added to the decline
 - Having a full-time Lab Director who can focus on customer service and business development, and filling other vacant scientist positions in the various sections of the VDL, Dr. Zaluski believes are driving factors in providing the best service possible and is an opportunity to build some of those sections up
 - Dr. Juda said that the VDL lacks equipment to give rapid identification of certain microorganisms that other labs have and that could be why a loss of some customer revenue
 - Dr. Juda reported that in January of 2019, a Virology customer was lost due to an industry acquisition. That loss cost the VDL 4% of their revenue
 - Clinical Pathology losses may be due to customers finding other laboratories they went to when there was a 3-month gap in service. Also, some small-animal veterinary services have purchased some of their own testing equipment and some use IDWX, which gives next-day results
 - Mike Honeycutt said that it is not cheaper to utilize out-of-state labs because the cost of the actual test may be cheaper than the VDL's fee, but in adding out-of-state surcharges and shipping fees, that is not so

- Dr. Juda said that FWP has offered hunters free CWD testing this year through Colorado State University, but, is capped at 7,000 tests, which could open up a possibility for the VDL Virology section to test any more than that
 - The equipment has been purchased for the ELISA and IHC tests but the ELISA equipment still needs to be qualified by the National Lab to assure it is suitable with the Federally-mandated SOP for testing CWD. Dr. Juda hopes to have the IHC available by the end of October 2019
- Mike Honeycutt reported that recruiting employees for the VDL has been a challenge for more than one reason
 - Comparing the VDL to other State labs, the VDL employees are being paid appropriately but when compared to the private sector, there could be a 20% difference in salary for the same type of work
 - The cost of living in Bozeman may be 30% higher than where some recruits currently live
- The VDL was restructured to stay within AAVLD regulations mandating that a Lab Director be a veterinarian. In addressing the situation during the accreditation response that Dr. Juda, as the Lab Director is not a veterinarian, the VDL addressed the situation by restructuring the VDL to include experts who manage the technical operations of the Lab sections are both veterinarians, managing four Lab sections
- Possible changes in VDL FTE requirements was discussed
 - Dr. Juda reported that within the next year it should be known whether or not additional FTEs will be needed to handle CWD testing
 - Another FTE may be needed in PCR to handle next-generation sequencing if the VDL can acquire NAHLN Federal funding for the equipment needed to do that type of testing
 - In case of an outbreak or increase in the DSA, increased brucellosis testing could require more personnel, especially since the VDL has already been operating for the last year or two in limited resources in regards to personnel
 - An embedded USDA-APHIS Federal employee, who has been with the VDL for 22 years, has been helping with the brucellosis testing and Serology, and it is not certain if the Feds will replace him when he retires

4:38 PM – RECESS

4:45 PM – RECONVENE

COMMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS/COMMENTS FROM PRODUCER ORGANIZATIONS

4:45 PM

John Scully again called for any comments from the public on non-agenda items or comments from producer organizations:

- Neither Jay Bodner nor John Youngberg had comments at this time. John Youngberg said he would be attending the next day's BOL meeting

4:48 PM – DISCUSSION OF NEW MVDL CONSTRUCTION

Brian Simonson explained the document that was derived from the VDL, showing square footage of each section in the current Laboratory and shared spaces:

- The current VDL occupies 13,706 gross square feet: direct lab space is 7,377 square feet and indirect lab space is 6,330 square feet
- Current square footage of the incinerator is 484 net square feet
 - Dr. Juda suggested that in planning the incinerator for the proposed new lab, that a reason to not choose to do an external incinerator is that in dealing with select agents the incinerator may be required to be housed inside for an enhanced BSL2 advanced necropsy area
- Although FWP is currently not going to be part of the proposed new Laboratory, Dr. Juda said the VDL would allow them space to perform necropsies, and because of that, some of the concepts designed in the new Laboratory are a full waste capture of neutralization capabilities within the necropsy lab
- Dr. Zaluski said, regarding a cross-contamination concern that was brought up, that priority of the VDL is to ensure public safety and to produce a reputable result
- John Scully directly asked Dr. Juda if there was anything, from a building standpoint, dealing with the current VDL, that gave him concern for the safety of the employees working there that needed to be remedied
 - Dr. Juda said that after having been with the VDL for 4-5 months, he, by no means, has a comprehensive snapshot of all the potential safety risks that exist in the current building
 - Dr. Juda said that deficiencies have been noted in the building and that MSU ranks the building as the lowest on campus in terms of the adequacies of the facilities, but said that no systemic threat exists that he knows of at this time
 - Dr. Juda does not believe, from a select agency exposure standpoint, that there are risks currently to the staff at the VDL
 - Dr. Juda pointed out that they deal with an inadequate HVAC and temperature control, and, cited on regulatory reports, there were temperature excursions that couldn't be controlled, the majority of which have been corrected with the purchase of new equipment. He did point out, however, that there have been instances, in his opinion, that could pose a risk of safety to the workers
 - Dr. Zaluski said that the DOL and Dr. Juda himself have done everything they could for staff to mitigate any known risks, and Dr. Juda added that when an area of risk is identified, it is addressed because an environment that puts the workers at risk can't be tolerated, period
- It was suggested that a more secure solution for when samples are dropped off by the general public after hours be looked into

The OEM cost analysis spread sheet was discussed:

- Mike Honeycutt reminded the group that currently, there is no rent charge to MSU for the VDL and that additional O&M costs need to be factored into the new facility, especially if the square footage of that facility is larger than the current VDL
- O&M annual expense is nearly \$140,000, with the current annual recharge for personal services to MSU being \$86,000, which is mostly janitorial and routine maintenance
 - Per square foot O&M cost figures to be \$10.17/square foot
- The BOL will need to decide whether or not a BSL3 Lab is required for the VDL, which would cost, according to the consultants, an additional 50 cents/square foot
 - Renovation of the current space would be \$420-\$550/square foot for a BSL3 Lab and \$320-\$400/square foot for a non-BSL3 Lab.
- Lease rates will be different than new construction rates, as a ballpark figure, according to Brian Simonson, a 20% O&M-Rent Lease rate being charged above construction
- A capital replacement plan would add to the square foot cost of the proposed new Lab; South Dakota's Lab factored in \$10-\$12/square foot extra for their plan
- Renovation of the current VDL space would be \$420-\$550/square foot for a BSL3 Lab and \$320-\$400/square foot for a non-BSL3 Lab.

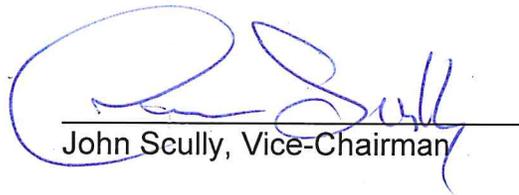
MOTION/VOTE

5:44 PM

Lila Taylor moved to adjourn the BOL Financial Committee meeting. Nina Baucus seconded. The motion passed.

MEETING ADJOURNED

5:44 PM



John Scully, Vice-Chairman