

- 2020 -

Montana Facility Finance
AUTHORITY REVIEW

Providing flexible financing options for
non-profit health care and community
service providers.



LINCOLN
FLATHEAD
GLACIER
TETON
LAKE
SANDERS
MISSOULA
MINERAL
RAVALLI
GRANITE
POWELL
LEWIS AND CLARK
PONDERA
LIBERTY
TOOLE
HILL
CHOTEAU
GOLDEN VALLEY
PETROLEUM
BLAINE
PHILLIPS
VALLEY
DANIELS
MCCONE
ROOSEVELT
SHERIDAN
RICHLAND
CASCADIA
WHEATLAND
JUDITH BASIN
MEAGHER
BROADWATER
JEFFERSON
BEAVERHEAD
DEER LODGE
SILVER BOW
MADISON
GALLATIN
PARK
SWEET GRASS
CARBON
YELLOWSTONE
STILLWATER
BIG HORN
ROSEBUD
CUSTER
CARTER
POWDER RIVER
FERGUS
TREASURE
MUSSELSHELL
GARFIELD
PRAIRIE
WIBAUX
DAWSON
FALLON
MONTANA

Board: Appointed by the Governor



(Back Row, L-R): Kim Rickard, business manager, laborer's union; Larry Putnam, retired hospital admin; Matt Thiel, attorney; John Rogers, former director of the Governor's Office of Economic Development

(Front Row, L-R): Paul Komlosi, retired economic development consultant; Bill Kearns, retired bank chairman

(Not Pictured): Jan Bastian, retired CEO of the Montana Health Network

This year the MFFA saw the remarkable determination and innovation of Montana healthcare providers as they served on the front lines of a once-in-a-century pandemic. As lockdowns and contagion forced many hospitals to cancel elective procedures, a new problem of liquidity arose. The MFFA worked with the Governor's Office to release Bed Tax payments early and developed an emergency lending program to allow facilities impacted by Covid-19 to receive emergency funds to cover operating costs and defer existing debt held by the MFFA. The loans served as a bridge until Paycheck Protection Program and CARES Act funding could make its way to Montana.

Since Covid-19 landed in Montana this past spring, we have been impressed by the commitment and skill of Montana healthcare providers. We are humbled to support them by helping them meet their capital needs. This year our milestones include our financings as well as new programs designed to assist rural facilities through this crisis:

Milestones and achievements in 2020 included:

- Issuing \$66.2 million in tax-exempt bonds (two bonds/three series), over \$1.28 million in Direct Loans (four loans), over \$3.7 million in Trust Fund Loans (three loans), and \$2 million in Emergency Lending Program support (five loans) raising our total financings structured since 1983 to almost \$3.44 billion.

- We saved Powell Memorial Healthcare over \$1.52 million over 16 years by refinancing its outstanding Series 2010 bonds.
- We financed the construction of a new facility for Shodair Children's Hospital, replacing an aging facility while increasing service capacity.

The MFFA worked with the econometric research firm IHS Markit to determine the impact of the projects we've financed on Montana communities. Their review of our past decade showed that the projects financed by the MFFA have created or supported an average of 1,320 jobs per year and produced over \$64.1 million in labor income per year. Montana hospitals and healthcare facilities are a vital engine of Montana's economy and provide not only critical health services, but are a cornerstone of a healthy economy across the state. As we all look to 2021, and how to recover from the effects of Covid-19, the MFFA will continue to work with Montana hospitals to meet their capital financing needs.

I close my 2020 letter by saying thank you to our dedicated and forward-looking Board of Directors, our professional staff, financing partners, financial institutions, and associates. We thank you for your support and we look forward to continuing to serve Montana communities for years to come.

- Adam Gill

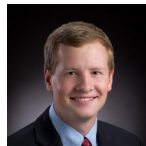
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The Authority was created in 1983 to assist healthcare and related facilities contain future healthcare costs by offering financing at low-cost, tax-exempt interest rates. These cost savings are shared with the consumer in the form of lower facility charges. The Montana Facility Finance Authority is funded entirely by proprietary funds with revenues collected from interest, fees, and charges from participating institutions. No public funds or tax monies are appropriated to the Authority. Authority programs include:

- **Stand-Alone Bond Financings**

These bonds are flexible and can be structured with fixed or variable interest rates and with or without credit enhancement and/or ratings. Public offering or private placement options are available, depending on the size of the deal.

- **Master Loan Program**

Through an agreement with Montana Board of Investments, this program provides low-interest, tax-exempt financing for smaller hospitals. Loans range from \$1.5 million to \$20 million.

- **Direct Loan Program**

This staff-approved program offers low-interest loans for eligible projects. The maximum loan size is \$300,000, unless combined with a Trust Fund Loan or is an eligible refinancing project.

- **Trust Fund Loan Program**

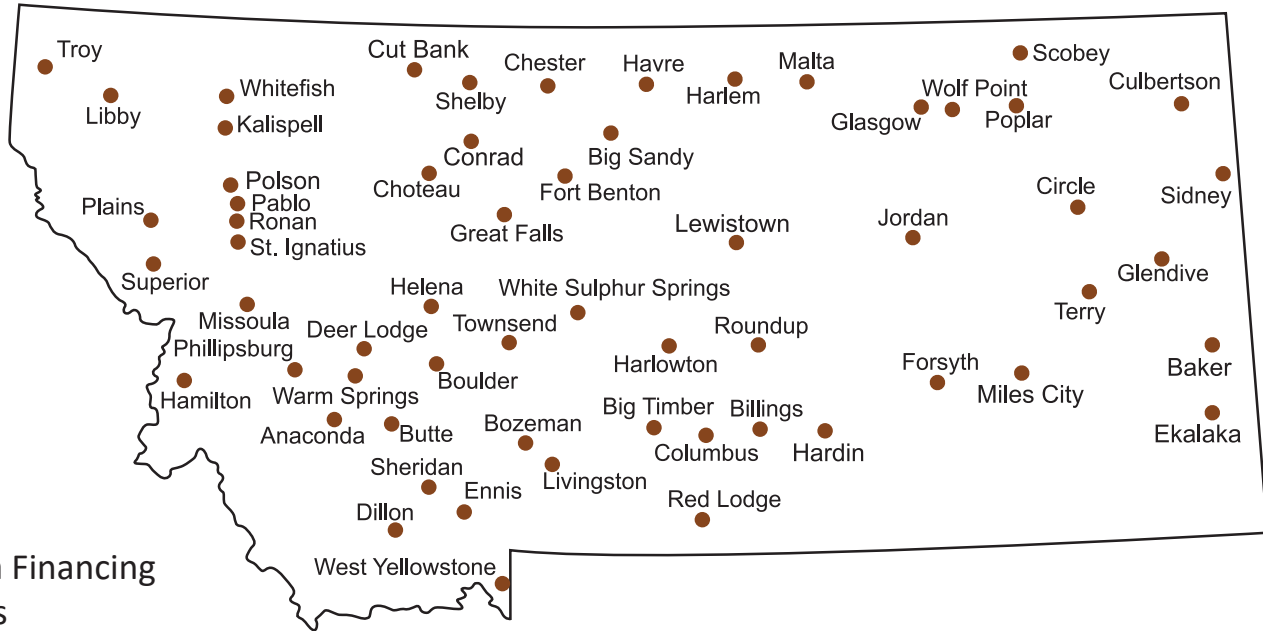
Subject to Board approval, these low-interest financing offer terms of up to 20 years and a maximum loan size of \$1.5 million. These loans can be combined with a Direct Loan for a total loan amount of \$2 million.

- **Montana Capital Assistance Program (MCAP)**

These grants are for small rural hospitals to finance capital planning. The maximum grant size is \$15,000 with a required 20% match.

- **Energy Efficiency Program (EEP)**

This grant program pays for an engineer to visit the facility and perform an energy audit. The audits are then used for guidance on energy conservation measures. The maximum grant size is \$15,000 with a required 10% match.



Montana Financing Locations

Lewis & Clark County

Shodair Children's Hospital

Type: Stand Alone & Master Loan Program

Purpose: To construct a new 131,676 square foot hospital and expand utilization to 82 total patient beds. In addition, a current building will be renovated to house the genetics lab and expand outpatient services.

Amount: \$32,735,000 (Stand Alone) | \$20,000,000 (Master Loan)

Interest Rate: 3.830% (Stand Alone) | 2.44% (Master Loan)

Term: 30 Years (Stand Alone) | 20 years (Master Loan)

Pricing Date: 10/16/2020

Closing Date: 10/29/2020

Benefit: *The new hospital will allow Shodair to expand services and meet increasing demand for mental health services.*



Powell County

Powell County Medical Center

Type: Master Loan Program

Purpose: To refinance its existing MFFA 2010A bond which financed the construction of a new hospital.

Amount: \$13,465,000

Interest Rate: 2.62%

Pricing Date: 7/24/2020

Term: 16 Years

Closing Date: 8/3/2020

Benefit: *The refunding of the 2010A Bonds resulted in net present value savings of \$1.52 million.*



MFFA Covid-19 Response

Covid-19 forced the United States to shut down large portions of the economy and issue stay-in-place orders across the country. Hospitals across Montana suspended non-essential services such as elective surgeries, physical therapy and wellness programs. This led to a serious shortfall in operating funds for many healthcare facilities.

Due to the growing need for operating funds in Montana healthcare facilities, the MFFA responded quickly and developed the MFFA Emergency Loan Program and Loan Deferment Program and requested the Governor allow its implementation. On March 31, Governor Bullock issued a directive to allow healthcare, medical, and related facilities to receive financing under the MFFA for operating expenses connected to COVID-19. On April 3, the MFFA Board approved both the Emergency Loan Program and Loan Deferment Program. The MFFA received its first emergency loan and loan deferment application on the same day.

The Emergency Loan Program allows the Authority to lend up to \$500,000 to eligible facilities to cover operating expense during the pandemic. The Loan Deferment Program allows the authority to defer current Direct and Trust Fund Loans for up to 3 months.

The MFFA has funded \$2,000,000 in Emergency Loans and deferred \$168,000 in Direct Loans. These programs helped healthcare facilities stay open during the pandemic. The MFFA is dedicated to assisting healthcare facilities during uncertain times.

Cascade County Alluvion Health

Type: Emergency Loan Program

Purpose: To cover operating expenses during the COVID-19 Pandemic.

Amount: \$500,000

Interest Rate: 2.00%; deferred for three months.

Term: 1 Year

Pricing Date: 04/02/2020

Closing Date: 04/14/2020



Dawson County Glendive Medical Center, Inc.

Type: Emergency Loan Program

Purpose: To cover operating expenses during the COVID-19 Pandemic.

Amount: \$500,000

Interest Rate: 2.00%; deferred for three months.

Term: 1 Year

Pricing Date: 04/02/2020 **Closing Date:** 04/15/2020



McCone County

McCone County Health Center, Inc.

Type: Emergency Loan Program

Purpose: To cover operating expenses during the COVID-19 Pandemic.

Amount: \$400,000

Interest Rate: 2.00%; deferred for three months.

Term: 1 Year

Pricing Date: 04/02/2020 **Closing Date:** 04/14/2020



Ravalli County

Ravalli County Council on Aging

Type: Emergency Loan Program

Purpose: To cover construction expenses during the COVID-19 Pandemic.

Amount: \$100,000

Interest Rate: 2.00%; deferred for three months.

Term: 1 Year

Pricing Date: 04/02/2020 **Closing Date:** 05/19/2020



Culbertson County
Roosevelt Medical Center



Type: Emergency Loan Program

Purpose: To cover operating expenses during the COVID-19 Pandemic.

Amount: \$500,000

Interest Rate: 2.00%; deferred for three months.

Term: 1 Year

Pricing Date: 04/02/2020 **Closing Date:** 05/07/2020

Type: Trust Fund Loan

Purpose: To finance HVAC and energy renovations as well as remodel the facility to meet COVID-19 safety procedures.

Amount: \$1,000,000

Interest Rate: 3.25%

Term: 20 Years

Pricing Date: 08/31/2020 **Closing Date:** 12/09/2020

Benefit: *The energy renovations' expected annual cost savings is \$25,000. The new HVAC system will allow the facility to properly exchange fresh air to ensure patient and staff safety during Covid-19.*

Fallon County Fallon Medical Complex



Type: Direct Loan

Purpose: To finance the purchase and upgrade to a digital radiography x-ray machine.

Amount: \$85,671

Interest Rate: 2.00%

Pricing Date: 03/06/2020

Term: 5 Years

Closing Date: 03/17/2020

Benefit: *The new x-ray machine replaced its current radiography machine allowing for better patient care and outcomes.*

Type: Direct Loan

Purpose: To purchase a full body Toshiba Aquillon 16 CT Scanner.

Amount: \$300,000

Interest Rate: 2.00%

Pricing Date: 06/14/2019

Term: 5 Years

Closing Date: 06/04/2020

Benefit: *The CT Scanner upgrade is critical to patient care and the Hospital's revenue stream.*

Fergus County

Central Montana Medical Center

Type: Trust Fund Loan

Purpose: To reimburse expenses related to an electronic health record upgrade.

Amount: \$1,200,000

Interest Rate: 2.75%

Pricing Date: 3/31/2020

Term: 10 Years

Closing Date: 04/16/2020

Benefit: *The upgrade will help improve efficiency and contain costs related to record retention.*



Musselshell County

Roundup Memorial Healthcare

Type: Direct Loan

Purpose: To refinance an existing Trust Fund into a Direct Loan. The refinancing reduced the interest rate from 4.34% to 2.25% and shortened the term by 22 months.

Amount: \$402,263

Interest Rate: 2.25%

Pricing Date: 02/28/2020

Term: 10 Years

Closing Date: 03/10/2020

Benefit: *The refinance saved the Hospital \$66,648 over the life of the loan.*



Yellowstone County

Missions United

Type: Direct Loan & Trust Fund Loan Combination

Purpose: Reimburse construction and renovation costs.

Amount: \$1,500,000 (Trust Fund) \$500,000 (Direct Loan)

Interest Rate: 2.49% (Trust Fund) 2.00% (Direct Loan)

Term: 5 Years

Pricing Date: 09/30/2019 (Trust Fund) 10/11/2019 (Direct Loan)

Closing Date: 01/27/2020

Benefit: *The capital upgrade reimbursement allowed the Facility to replenish its cash position while renovating the kitchen and entryway of its facility.*



Grants

Location: Lewis & Clark County

Borrower: Helena YWCA

Grant Type: Energy Efficiency Program

Location: Flathead County

Borrower: Immanuel Lutheran Communities

Grant Type: Energy Efficiency Program

Location: Phillips County

Borrower: Phillips County Hospital

Grant Type: Energy Efficiency Program

Impact of Projects Financed by the MFFA

The MFFA contracted with IHS Markit, an econometric analysis company, to provide an analysis of the impact of MFFA financed projects from 2010 to 2019. During this period, there were 100 financings totaling \$812 million in tax-exempt bonds to finance construction and capital investment projects in Montana. In that time, the MFFA funded a wide range of projects including: general acute care hospitals, critical access hospitals, children's hospitals, general medical and surgical facilities, single specialty hospitals, senior and assisted living and nursing homes, and behavioral healthcare centers. The analysis covered financing for projects for new construction, equipment and renovation.

IHS's analysis found that in the last 10 years, the MFFA has financed projects that had a substantial impact on Montana's economy and employment, supporting 1,320 jobs producing \$64.1 million in labor income, and \$87.9 million in gross state domestic product on average each year.

On the following page is an annual average breakdown of the economic impacts provided by the MFFA:

Economic Impacts, Annual Average, 2010-19

(# of Jobs, Current \$ in Thousands)

	Direct	Total
Employment	517	1,320
Labor income	28,258	64,101
Gross domestic product	31,139	87,942
Output	80,172	177,271
State/local taxes		6,967
Federal taxes		12,160

In addition to jobs created, the study found that the financing of these projects through the MFFA resulted in savings for the borrowers through the lower interest costs of tax-exempt bonds. IHS calculated the impact across the decade studied and found savings totaling over \$182 million.

Throughout its 36-year history, the MFFA has funded a total of \$3.43 billion in tax exempt healthcare and healthcare-related financing for the state of Montana. The MFFA is proud of its history and is dedicated to serving Montana for many years to come.

Montana Facility Finance Authority

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The Montana Facility Finance Authority offers unique financings for vital nonprofits, providing innovative fiscal solutions that:

- Help *People*
- Build *Communities*
- Advance *Technology*
- Modernize *Facilities*

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