

MONTANA FACILITY FINANCE AUTHORITY
Board Meeting

Montana Facility Finance Authority Office
2401 Colonial Drive, Helena

June 9, 2021

“Enhance Montana healthcare and community capabilities through access to cost-effective capital financing and development services.”



MEMORANDUM

Montana Facility Finance Authority

Department of Commerce
2401 Colonial Drive, 3rd Floor
P.O. Box 200506, Helena MT 59620
(406) 444-0259

To: MFFA Board Members
From: Adam Gill, Seth Lutter & Monica Birlut
Date: June 2, 2021
Subject: MFFA Board Meeting Wednesday, June 9 2021

Enclosed, please find board meeting materials for our upcoming MFFA Board Meeting:

10:00AM on Wednesday, June 9
MFFA Offices in the Large Conference Room

We have four financings to discuss at this board meeting as well as a review of reports.

Benefis Health System will be before the board to request approval of a bond financing the construction of their new Women's' and Children's Center, the construction of an Ambulatory Center in Helena, the construction of a new Osteopathic Medical School and replacement imaging equipment. The total financing is expected to be for up to \$100 million.

Bozeman Deaconess Health System will be before the board to request approval of a financing that will include a refunding of Series 2011, 2015A and 2015B Bonds, purchase an EHR system, and fund capital projects to support urgent and primary care sites in the Hospital's service area. The total financing is expected to be for up to \$90.86 million.

Logan Health (formerly Kalispell Regional Health System) will be before the board to request approval of a refunding of their Series 2011 bonds as well as a refunding of a taxable note incurred to purchase the HealthCenter, a local for-profit hospital which was associated with Logan Health. The total financing is expected to be for up to \$70.65 million.

Valley View Nursing Home will be before the board to request approval of a trust fund loan financing of their new boiler system and refinance an existing loan used to replace their roof. The total financing is expected to be for up to \$900,000.

The meeting will also include a discussion of the results of our biennial audit which will be emailed separate from this packet. We will also review our standard reports and staff will provide an update on CPACE, the August retreat and anticipated financings.

ZOOM INSTRUCTIONS

<https://mt-gov.zoom.us/j/7481919127?pwd=ZEIvVG9rT2hoN1RnWmNaTHBvTTBjUT09>

Meeting ID: 748 191 9127

Password: 096820

OR

Dial by Telephone: +1 (406) 444-9999

Meeting ID: 748 191 9127

Password: 096820

MONTANA FACILITY FINANCE AUTHORITY

Board Meeting

**MFFA Offices
2401 Colonial Ave 3rd Floor
June 9, 2021**

MEETING AGENDA

- 10:00 I. CALL TO ORDER**
A. Roll Call
B. Approval of Meeting Minutes (5/18)
- II. PUBLIC COMMENT** on Board Related Items
- III. FINANCINGS**
A. Benefis Health System
1. Loan Summary
2. Resolution No. 21-06
Joining by Phone:
Forrest Ehlinger, CFO – Benefis Health System
Bruce Houlihan, VP of Finance – Benefis Health System
Robyn Helmlinger, Bond Counsel – Orrick Herrington & Sutcliffe
Robert Turner, Financial Advisor – Kaufman Hall & Associates
Nancy Minardi, Financial Advisor – Kaufman Hall & Associates
Peter Reilly, Underwriter – J.P. Morgan
- 10:30 B. Bozeman Deaconess Health System**
1. Loan Summary
2. Resolution No. 21-07
Joining by Phone:
Roshan Parikh, Treasury Director, Bozeman Deaconess
Carrie Morasko, Director of Finance – Bozeman Deaconess
Michael Tym, Financial Advisor – Ponder & Company
Jeffrey Ellis, Underwriter – Goldman Sachs
Erin McCrady, Bond Counsel – Dorsey & Whitney
- 11:00 C. Logan Health**
1. Loan Summary
2. Resolution No. 21-08
Joining by Phone:
Craig Boyer, CFO – Logan Health
William Gibson, Counsel – Logan Health
Erin McCrady, Bond Counsel – Dorsey & Whitney
John Henningsgard, Placement Agent – Piper Sandler
- 11:30 D. Valley View Nursing Home**
1. Loan Summary
2. Resolution No. 21-09
Joining by Phone:
Wes Thompson, Administrator – Valley View Nursing Home

BREAK & WORKING LUNCH

12:15 IV. GENERAL ADMINISTRATIVE

A. Financials

1. Budget -v- Actual
2. Reserve Balances
3. Staff Approved Loans & Grants
4. Revenue Chart

B. Miscellaneous

1. Anticipated Financings
2. Legislative Audit
3. CPACE Implementation Update

V. CALENDAR

2:00 DISMISS

ZOOM INSTRUCTIONS

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Meeting ID: 748 191 9127

Password: 096820

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Meeting ID: 748 191 9127

Password: 096820

MONTANA FACILITY FINANCE AUTHORITY
Board Meeting (Conference Call)
May 18, 2021
10:00 A.M.

MINUTES

BOARD MEMBERS

PRESENT:

Vu Pham, Chair (via phone)
Mel Reinhardt (via phone)
Paul Komlosi (via phone)
Kim Rickard (via phone)
Jade Goroski
John Iverson

BOARD MEMBERS

ABSENT:

Matt Thiel

STAFF PRESENT:

Adam Gill, Executive Director
Seth Lutter, Associate Director
Monica Birlut, Accountant

GUESTS:

Bob Murdo, Authority Counsel – Jackson, Murdo & Grant
Nathan Bilyeu, Authority Counsel – Jackson Murdo & Grant
Erin McCrady, Partner – Dorsey & Whitney (via phone)
Kreg Jones, Senior Vice President – D.A. Davidson (via phone)
John Bishop, CEO – Marcus Daly Memorial (via phone)
Trevor Lewis, CFO – Marcus Daly Memorial (via phone)
Nathan Coburn, CFO – St. Peter’s Health (via phone)
JoEllen Villa, CEO – Community Hospital of Anaconda (via phone)
Meg Hickey-Boynton, CFO – Community Hospital of Anaconda (via phone)
John Bartos, Consultant for Community Hospital of Anaconda (via phone)
John Henningsgard, Placement Agent – Piper Sandler (via phone)

BOARD MEETING

CALL TO ORDER

Board Chair Vu Pham called the May 18, 2021 board meeting of the Montana Facility Finance Authority (the “Authority”) to order at 10:00 A.M. The meeting convened with six members of the Board present.

Minutes

Board Member Paul Komlosi motioned to approve the April 8, 2021 board meeting minutes. Board Member Mel Reinhardt seconded the motion which passed unanimously.

PUBLIC COMMENT

The meeting was opened for public comment. *No comments were received.*

FINANCINGS

Marcus Daly Memorial Hospital

Adam Gill, Executive Director of the MFFA, introduced John Bishop, CEO and Trevor Lewis, CFO of Marcus Daly Memorial. Mr. Gill described the project which is a Bond for up to \$37 million for a renovation and expansion project with \$10 million from the Master Loan Program for the renovation and expansion portion and up to \$27 million in stand-alone bonds for the refunding. Mr. Bishop described the market share of the facility and the purpose of the project. Kreg Jones, Senior Vice President at D.A. Davidson described the financing's position in the market. Board Member Komlosi had questions about the refunding portion of the bond. Erin McCrady, Partner at Dorsey & Whitney described Resolution 21-03. Mr. Gill requested a motion to consider the financing. Board Member Jade Goroski motioned for consideration of Resolution No. 21-03. Ms. McCrady requested an amendment to Resolution 21-03. Chair Pham moved for adoption of the amendment to Resolution 21-03. Board Member John Iverson seconded the motion, which passed unanimously.

St. Peter's Health

Mr. Gill introduced Nathan Coburn, CFO of St. Peter's Health. Mr. Gill described the project which is a Bond for up to \$23 million for the purchase and integration of an electronic health records system. Mr. Coburn described the benefits of the new health record system and its suspected savings and time management modules. Bob Murdo, Bond Counsel from Jackson, Murdo & Grant described Resolution 21-04. Mr. Gill requested a motion to consider the financing. Board Member Jade Goroski motioned for consideration of Resolution No. 21-04. Board Member Mel Reinhardt seconded the motion, which passed unanimously.

Community Hospital of Anaconda

John Bartos, consultant for Community Hospital of Anaconda described the facility, its market share, new projects, and the financial impacts of the project to the facility. Mr. Gill provided additional descriptions to the project which is a Bond for up to \$30 million for a renovation and expansion project as well as refunding existing taxable debt. The total financing is expected to be for up to \$30 million with up to \$8 million from the Master Loan Program for the renovation and expansion portion and up to \$22 million in stand-alone bonds for the refunding. John Henningsgard, Placement Agent for Piper Sandler described the current market for tax-exempt bonds and how Community Hospital of Anaconda fit into that market. Mr. Gill requested a motion to consider the financing. Board Chair Pham motioned for consideration of Resolution No. 21-03. Board Member Reinhardt seconded the motion, which passed unanimously.

GENERAL ADMINISTRATIVE

Financials

Mr. Gill presented the Budget-v-Actual results and the Reserve Balances.

Legislative Update

Mr. Gill provided an update on legislative matters and the potential impact on the MFFA.

MISCELLANEOUS

Anticipate Financings and Related Matters

Mr. Gill discussed potential financings for the upcoming year and the anticipated dates of those financings.

ADJOURN

Chair Pham adjourned the meeting at 11:44 A.M.

APPROVE: _____
Vu Pham, Chair

ATTEST: _____
Adam Gill, Executive Director

APPROVAL DATE: _____

Benefis Health System (Obligated Group)
Great Falls, Montana
Stand Alone Public Offering
Loan Summary

ELIGIBLE HEALTH FACILITY

Benefis Health System is a 569-licensed bed private, nonprofit, community health care system located in Great Falls and comprises Benefis Health System, Inc. (the “System Corporation”), Benefis Hospitals, Inc. (“Benefis Hospitals” or the “Hospital”), Benefis Medical Group, Inc. (“BMG”), Benefis Health System Foundation (the “Foundation”) and certain other subsidiaries (as described below). Only System Corporation, Benefis Hospitals, and BMG are Members of the Obligated Group. None of the other subsidiaries of Benefis Health System will receive any proceeds from the Series 2021 Bonds, and none of the other subsidiaries will be obligated to repay the loan or the Series 2021 Bonds.

Benefis Hospitals, Inc. is a tax-exempt Montana nonprofit corporation established in 1996 as the successor, by merger, to Columbus Hospital and Montana Deaconess Medical Center. Benefis Hospitals is the third largest hospital (by number of admissions) in the State of Montana, serving a geographically extensive, fourteen- county area of North Central Montana.

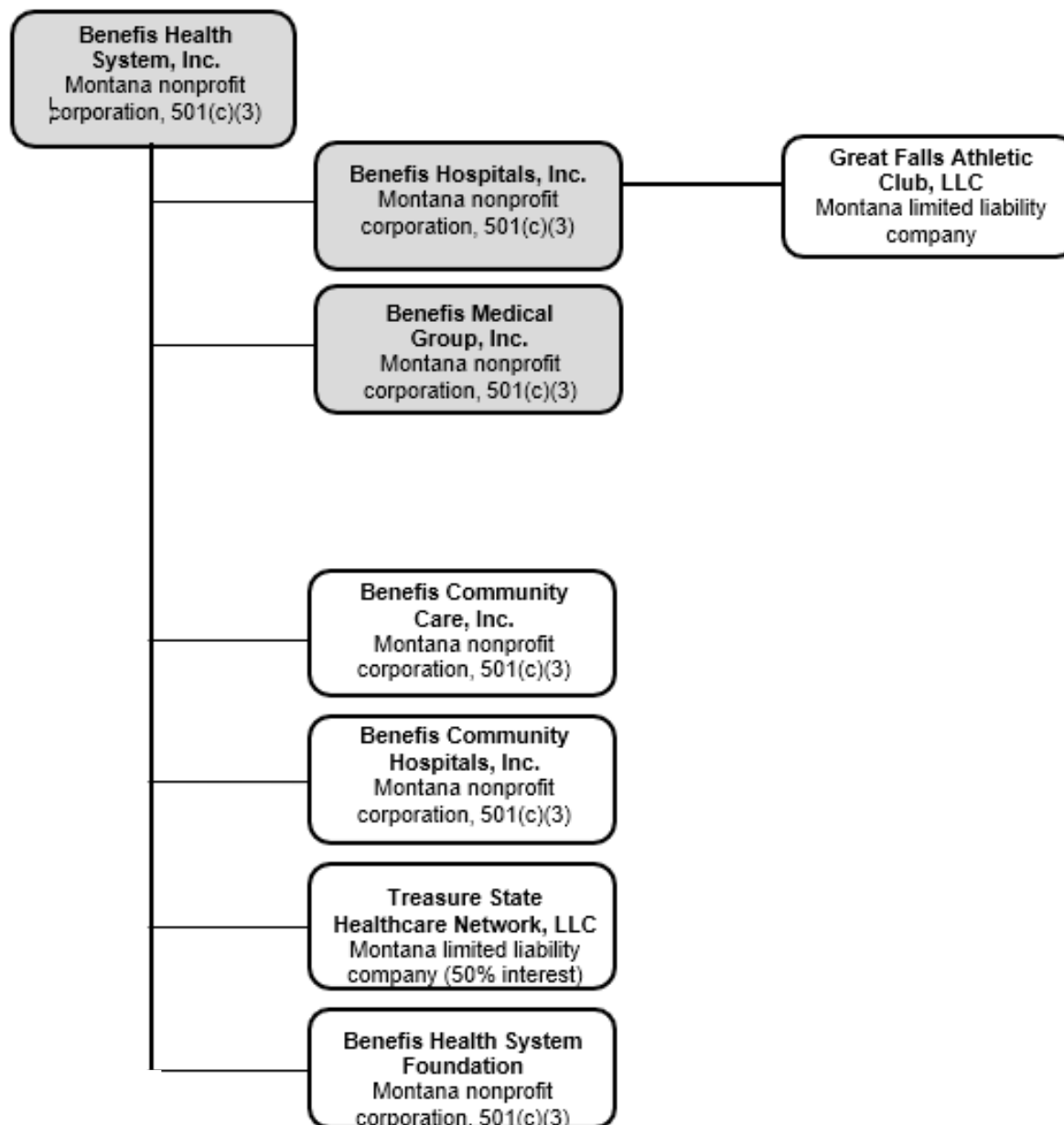
Benefis Health System, Inc. was incorporated in 2008 and is a tax-exempt Montana nonprofit corporation that is designated as a public charity under the Internal Revenue Code. It is the sole member of Benefis Hospitals, Inc., a Montana nonprofit corporation, and Benefis Medical Group, Inc., a Montana nonprofit corporation.

Benefis Medical Group employs physicians and mid-level practitioners practicing in primary care and specialty and other subspecialty areas. As of December 31, 2020, BMG employed approximately 301 practitioners.

As of December 31, 2020, the Hospital contains 332 licensed beds, of which 276 are operational, as shown in the table below.

<u>Specialty</u>	<u>Operational</u>	<u>Specialty</u>	<u>Operational</u>
Medical	32	Neonatal Intensive Care	24
Surgical	21	Pediatrics	16
Medical/Surgical Overflow	21	Ortho/Neuro Wellness	14
Oncology	19	Cardiovascular	11
Intensive Care	21	Rehabilitation	20
Progressive Cardiovascular Care	33	Behavioral Health	<u>20</u>
	24	Total	276

The Hospital Corporation also operates licensed skilled nursing facilities and an inpatient rehabilitation unit.



*Shaded areas indicate members of the Obligated Group.

PROJECT AND COST

Sources:	Tax-Exempt	Taxable	Total
Par Amount	60,575,000	30,000,000	90,575,000
Premium	9,421,138	-	9,421,138
TOTAL	69,996,138	30,000,000	99,996,138
Uses:			
Project Fund	69,087,513	29,550,000	98,637,513
Cost of Issuance	908,625	450,000	1,358,625
TOTAL	69,996,138	30,000,000	99,996,138

The proceeds of the Series 2021 Bonds will be used to fund or reimburse costs of a new Women's and Children's Center, a new Helena Ambulatory Center, a new osteopathic medical school facility

anticipated to be leased to Touro College & University System, and the replacement of certain imaging and capital equipment.

The state-of-the-art Women's and Children's Center will be a dedicated facility where women and children will be able to receive diagnostic, therapeutic, preventative, and routine well-care services under one roof rather than in multiple locations. The Center will include approximately 50,000 square feet and will be located adjacent to the East Campus.

Benefis plans to construct a new Helena Ambulatory Center, to be located at 1600 11th Avenue, Helena, Montana. The facility will be approximately 60,000 square feet in total size, and contain an ambulatory surgery center, permanent clinic space for key specialties, and outreach space for other specialties that are currently underserved in the community. Additional space for imaging and lab will also be included.

Benefis is collaborating with Touro College & University System, a nonprofit organization operating various higher education institutions in the U.S. and internationally, in the establishment of a new medical school in Great Falls. It is anticipated that Benefis will construct a building of approximately 100,000 square feet to meet Touro's requirements on Benefis property adjacent to its main campus and Touro will sign a long-term lease for the use of the building and related real estate. The effort to place a medical school in Great Falls enjoys broad support from individuals in the community, local and state political leaders, and other hospitals that will participate in its success by providing clinical rotation opportunities for 3rd and 4th year students. Once operational, the school is predicted to accommodate 125 students per class and to support approximately 360 jobs and \$74 million in economic impacts. Benefis leaders believe that the presence of the medical school in Great Falls will help alleviate Montana's primary care shortage, and will support ongoing efforts to get treatment to the underserved, including the surrounding Native American population, and will promote educational opportunities for those underrepresented in healthcare. Touro submitted an application for approval of the school to COCA (the Commission on Osteopathic College Accreditation) on April 26, 2021. A decision is expected by October 2021.

As part of the System's long-term capital equipment replacement plan, certain imaging and capital equipment for Radiology and Invasive Cardiology services on the Hospital Corporation's East Campus have been identified as approaching the end of their technological life and will be replaced. The anticipated replacements include, among others, MRI, CT, Interventional Radiology and Cardiac Cath Labs. MRI systems will offer newly released Artificial Intelligence technology, producing quicker, yet improved exams in addition to large bore capabilities for patient comfort and satisfaction. The CAT Scan system will offer the same wide-bore concept, along with improvements in speed and image quality, opening avenues for new exams and procedures (e.g., cardiac imaging). New technologies reduce radiation exposure for patients and staff by 20-40%, while concurrently enhancing image quality and improving staff efficiency and output by reducing procedure time.

<u>PROGRAM</u>	Stand Alone Public Offering
<u>CLOSING DATE</u>	July 2021
<u>INTEREST RATE</u>	TBD
<u>MATURITY DATE</u>	TBD
<u>SECURITY</u>	Master Trust Indenture

RATING

Benefis Health System carries a Fitch rating of A+ with a Stable Outlook as of April 2021

UTILIZATION

<u>Hospital</u>	FY 2018	FY 2019	FY 2020
Admissions	10,220	10,886	10,472
Patient Days	49,983	56,111	57,441
Average Length of Stay	4.9	5.2	5.5
Telehealth Visits	396	621	9,629
Inpatient Surgical	2,602	2,791	2,610
Outpatient Surgical	4,710	4,782	4,426
Ambulatory Surgery Center	2,383	2,304	2,156
Emergency Room Visits	23,974	24,017	22,791

<u>Senior Services</u>	FY 2018	FY 2019	FY 2020
Assisted Living Patient Days	24,589	24,222	22,057
Assisted Living Average Daily Census	67	66	60
Long Term Care Patient Days (Excl. AL)	50,601	49,957	44,760
Long Term Care Average Daily Census (Excl. AL)	139	137	122

PAYOR MIX

	2018	2019	2020
Medicare	46.7%	46.8%	44.0%
Medicaid	21.0%	20.3%	21.0%
Other Governmental	8.2%	9.8%	10.5%
Commercial	20.7%	19.9%	20.9%
Self-Pay	3.4%	3.2%	3.6%

COVID-19 IMPACT

In 2020, the United States was faced with the Coronavirus (COVID-19) pandemic. The pandemic forced the United States to shut down large portions of the economy and issue stay-in-place orders across the country. The immediate financial impact on hospitals has been significant. Although Montana has not had a large number of COVID-19 patients at this time, hospitals have been forced to suspend non-essential services, such as elective surgeries, physical therapy, wellness programs, etc. This suspension has led to immediate revenue generation problems for healthcare organizations.

The global crisis resulting from the spread of COVID-19 had a substantial impact on healthcare operations throughout the country during the past year. The relatively late presence of COVID-19 in Cascade County, combined with the temporary suspension of elective procedures, allowed Benefis to prepare for the demands of the pandemic, including acquiring adequate supplies and reallocating staffing in anticipation of any potential surge in patients. While Benefis' inpatient volumes and outpatient visits were below budget in April 2020 by 27% and 29%, respectively, as a result of suspending elective cases, by the end of the year, inpatient volumes finished only 2% off budget while outpatient visits ended the year only 4% off budget. Benefis saw the most significant impact of

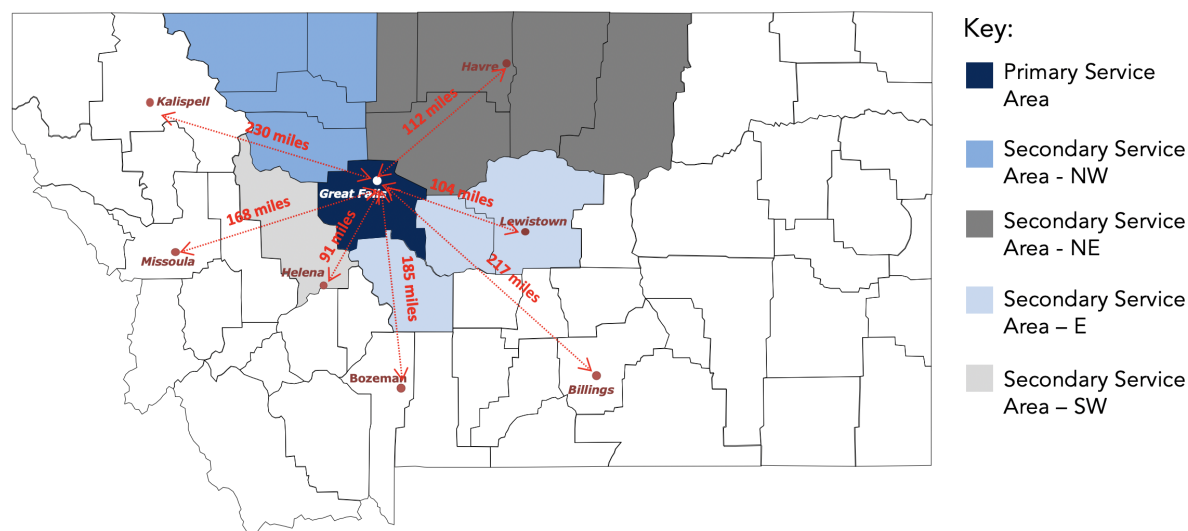
COVID-19 patients in the third quarter of 2020 with a peak COVID-19 inpatient census of 64 patients and a resulting adult patient capacity of 125% of its normal available beds. Due to the additional time to prepare and the reallocation of resources, Benefis was able to make it through 2020 maintaining its no-layoff policy, provide scheduled raises to staff, and distribute a surprise bonus to all employees while still achieving a 10.9% operating margin.

The System received funds under the Provider Relief Fund, administered by the U.S. Department of Health & Human Services (HHS), under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in the amount of \$14,800,000. As an offset to incremental COVID-19 related expenses, the System recognized \$7,800,000 of the payments as other operating revenue in fiscal year 2020. An additional \$1,903,000 of funds was recognized as operating revenue in the first quarter of 2021. The remaining portion of the funds is accounted for in other accrued liabilities on the consolidated balance sheets.

MARKET/COMPETITION

The System defines its primary service area as Cascade County, which includes the City of Great Falls. According to the U.S. Census Bureau, in 2019, Cascade County had approximately 81,300 residents, approximately 58,500 of whom live in Great Falls. The System defines its secondary service area as the 13 surrounding North Central Montana counties: Blaine, Chouteau, Fergus, Glacier, Hill, Judith Basin, Lewis and Clark, Liberty, Meagher, Phillips, Pondera, Teton, and Toole. According to the U.S. Census Bureau, in 2019, the Secondary Service Area had a population of approximately 150,000. During 2020, approximately 66.01% of the Hospital's admissions originated from the Primary Service Area, and approximately 30.75% originated from the Secondary Service Area.

With the planned expansion into Helena (which is located in Lewis and Clark County), the Southwestern Service Area has become a particular area of focus. The population of Lewis and Clark County is approximately 71,000 people and has been growing by approximately 1.1% annually over the last several years. The total inpatient admissions from that service area in 2020 were 6,149, of which Benefis saw 384, for a total current inpatient market share in that region of 6.2%. This was an increase over 2019, when the Benefis market share percentage was only 5.3%. The establishment of the new Helena urgent care center in 2021 and the Helena Ambulatory Center targeted for late 2023 are anticipated to substantially increase Benefis' market share in Lewis and Clark County.



The System has community-based outreach services in 53 of Montana's 56 counties, providing case management and home care services to patients throughout the vast region. The System also provides physician outreach services in many communities including Helena, Cut Bank, Shelby, Conrad, Choteau, Havre, Chester, Fort Benton, Lewistown, and White Sulphur Springs. The following table shows comparative shares of 2020 inpatient discharges in the Primary Service Area and the Secondary Service Area

	Benefis 2020	
	2020 Discharges	Market Share
Primary Service Area	7,633	89.5%
Secondary Service (NW)	1,785	66.9%
Secondary Service (NE)	1,118	35.4%
Secondary Service (E)	259	20.2%
Secondary Service (SW)	384	6.2%

Within the 14 counties comprising the System's Service Area, there are 15 non-federal hospitals, ten of which are critical access hospitals, and none of which are comparable in size or scope of services to the Hospital. Aside from the Great Falls Clinic Hospital, a for-profit 19-bed specialty hospital located in Great Falls, the hospital closest geographically to the Hospital is the 25- bed Missouri River Medical Center in Fort Benton, approximately 40 miles away. The second-largest hospital within the Service Area is the 123-bed St. Peter's Hospital in Helena, Montana, 92 miles south of Great Falls. The System maintains contractual services agreements with most of the critical access hospitals in the region for the purpose of promoting access to care and providing needed administrative support and assistance.

GOVERNANCE

The System Corporation is governed by a self-perpetuating board of directors (the "System Board") consisting of 13 voting members, including the Chief Executive Officer of the System Corporation as an *ex officio* voting member. Directors are elected by the System Board for three-year terms. There is no limit as to the number of successive terms that may be served by any director. The Bylaws of the System Corporation require the System Board to hold at least six and not more than nine regular meetings each year, and the System Board ordinarily meets monthly other than in the months of April, August and December. There are currently two vacancies on the System Board; these vacancies will be filled in connection with the next annual election cycle, unless the Board determines to reduce its number.

EXECUTIVE MANAGEMENT TEAM

John Goodnow, Chief Executive Officer of the System Corporation, has been a hospital administrator for 45 years, at a wide range of facilities. Mr. Goodnow earned a Bachelor's degree in Biological Science and Administrative Health Sciences from the University of California – Davis in 1974, and a Master of Health Services Administration from the University of Michigan in 1976. He became a Fellow of the American College of Health Executives in 1987. He became CEO of Benefis Health System in 2002. Mr. Goodnow's experience ranges from community hospitals to teaching hospitals and, although primarily in the not- for-profit arena, does also include some for-profit experience.

Forrest Ehlinger, Executive Vice President and Chief Resources Officer of the System Corporation, leads the System's financial policies, practices, and supporting activities to achieve the System's financial strategies. Mr. Ehlinger has more than 30 years of health care experience. Prior to joining the System in June 2014, he spent three years serving as the Senior Vice President and Chief Financial Officer of Harrison Medical Center in Bremerton, Washington. Prior to that time, Mr. Ehlinger worked

for MultiCare Health System, a multi-hospital system in Tacoma, Washington. Prior to his service at MultiCare, he worked for Regence BlueShield and First Choice Health Network. Mr. Ehlinger received a Bachelor of Arts in Accounting from Gonzaga University and a Master of Business Administration from the University of Washington, Tacoma, and is a Certified Public Accountant.

Greg Tierney, M.D., Executive Vice President and Chief Medical Officer of the System Corporation, has nearly 30 years of health care experience in a clinical role and the last 15 years have also included various leadership roles. Dr. Tierney joined Benefis in 1994 as a clinician and remains a practicing orthopedic surgeon along with his administrative role at Benefis. Prior to his current appointment, Dr. Tierney served in various other leadership capacities at the System, including acting as Chief of the Hospital's Medical Staff. He completed medical school at the University of Washington and holds a Master of Business Administration degree from the University of Tennessee.

Rayn Ginnaty, Chief Nursing Officer of the System Corporation and Chief Operating Officer of the Hospital Corporation, has been in health care leadership for more than 20 years. She has a Bachelor of Science degree in nursing from Montana State University and a Master of Business Administration from Benedictine University. Mrs. Ginnaty provides administrative oversight for the Hospital and nursing operations, including ensuring quality outcomes, patient safety, strong financial performance, and professional nursing practice.

Kathy Hill, Chief Operating Officer of the Provider Practices division of the Hospital Corporation, joined Benefis Health System in 2001 as the Executive Director of the organization's orthopedic, neurology/neurosurgery, and rehabilitation division. Prior to joining Benefis, Mrs. Hill worked in management at St. James Hospital in Butte, Montana. She has a Master of Organizational Management degree, in addition to being a licensed physical therapist. In total, she has 38 years of health care experience in both the clinical and managerial realms.

Casey Buckingham, Senior Vice President of Human Resources for the System Corporation, has a Bachelor of Science degree specializing in human resources management along with tourism and hospitality management from Black Hills State University. She also holds a Master of Business Administration degree from the University of Mary. Prior to joining Benefis in 2007, Ms. Buckingham worked in the hospitality industry. She oversees both human resources and organizational development/education for the System, along with grants management and volunteer coordination.

Bruce Houlihan, Vice President of Finance for the System Corporation, has more than 30 years of health care experience, including experience in the physician clinic setting, large urban hospitals, community hospitals, and continuing care retirement communities. Prior to joining Benefis, he was the System Finance Administrator/Controller at MultiCare in Tacoma, Washington. He holds a Master of Business Administration from California State University – Stanislaus and is a Certified Management Accountant.

Kaci Husted, Vice President of Business Development and Communications for the System Corporation, joined Benefis in 2014, and currently oversees business development, facilities, marketing, corporate communications, and legislative affairs for the System. She holds undergraduate degrees specializing in marketing, finance, English, and computer science from the University of Nebraska – Lincoln, along with a Master of Business Administration degree from Baylor University.

Louie King, President of Benefis Community Hospitals, Inc., has more than 35 years of health care management experience, including experience in both prospective payment system hospitals and critical access hospitals. He has a Bachelor of Science in Business Administration degree from Presbyterian College, a Master of Arts in Theological Studies from Columbia Theological Seminary, and a Master of Business Administration from Winthrop College.

HISTORICAL FINANCIALS FOR BENEFIS HEALTH SYSTEM, INC. AND AFFILIATES

Audited Financials as of 12/31	2018	2019	2020
<u>Assets</u>			
Cash & Cash Equivalents	27,135,606	31,822,473	61,115,373
Patient Receivables	58,873,490	67,366,389	65,009,085
Other Receivables	4,985,008	9,798,467	10,453,508
Inventory	11,876,836	11,907,058	12,846,890
Current Assets Whose Use is Limited	14,778,016	11,346,643	7,210,905
Other Current Assets	6,557,882	7,575,666	7,222,794
Total Current Assets	\$124,206,838	\$139,816,696	\$163,858,555
Fixed Assets (net of depreciation)	283,794,587	280,044,610	287,307,903
Board Designated Funds	269,693,786	343,194,846	393,303,251
Held by Trustees	55,932	-	-
Restricted	36,682,831	40,001,084	41,824,184
Other Assets	20,999,518	31,474,258	31,750,679
Total Assets	\$735,433,492	\$834,531,494	\$918,044,572
<u>Liabilities</u>			
Accounts Payable & Accrued Expenses	45,976,355	46,810,488	36,267,370
Current Portion of Long-Term Debt	7,636,063	8,488,511	8,462,419
Other Current Liabilities	\$9,192,620	\$13,542,374	\$19,030,112
Total Current Liabilities	\$62,805,038	\$68,841,373	\$63,759,901
Long-Term Debt (less current portion)	192,281,824	183,238,595	174,554,634
Other Long-Term Liabilities	27,413,791	37,356,290	42,211,185
Unrestricted Fund Balance	425,286,323	513,160,072	602,455,709
Restricted Fund Balance	27,646,516	31,935,164	35,063,143
Total Liabilities & Fund Balance	\$735,433,492	\$834,531,494	\$918,044,572
<u>Revenue and Expense</u>			
Gross Patient Service Revenue	1,040,863,420	1,160,743,406	1,178,746,979
Deductions from Patient Service Revenue	611,920,993	685,545,082	695,720,850
Net Patient Service Revenue	428,942,427	475,198,324	483,026,129
Other Operating Revenue	26,252,822	27,407,147	38,724,228
Interest	7,946,874	7,897,683	7,158,159
Depreciation & Amortization	22,686,981	23,681,970	24,056,239
Other Operating Expenses	396,931,921	423,026,350	433,851,475
Operating Income	\$27,629,473	\$47,999,468	\$56,684,484
Other Non-Operating Revenue	6,470,839	7,452,484	2,919,829
Change in Unrealized Gains and Losses	-	31,523,521	29,664,031
Excess of Revenue Over Expenses	\$34,100,312	\$86,975,473	\$89,268,344

Key Ratios	2018	2019	2020	S&P A+ FY 2019
				Median Ratios
Cushion Ratio	17.95	22.68	27.49	34.70
Days Cash on Hand	267.59	317.65	377.13	311.00
Days Accounts Receivable	50.1	51.74	49.26	47.90
Operating Margin	6.07%	9.55%	10.86%	4.1%
Excess Margin	7.49%	11.03%	11.42%	6.4%
Debt to Capitalization	31.1%	26.4%	22.5%	19.9%
Debt Service Coverage	4.15	6.13	7.16	5.70
Average Age of Plant (years)	14.38	14.39	15.14	9.9

INTERIM FINANCIALS

Interim financials for the Obligated Group as of March 31, 2021 (3 months) show an operating income of \$11.9 million which compares to the same period 2020 operating income of \$7.9 million. Period to period revenue has grown by \$9.6 million while expenses were held to \$5 million in growth. The total net income of \$19.2 million also is a marked improvement of the similar period in FY 20 which showed a net loss of \$25.8 million due to unrealized investment losses at the peak of COVID-19 market disruption. Overall days cash on hand has grown from 278.4 days in March 2020 to 374.9 days in March 2021.

FINANCIAL OBSERVATIONS

Assets & Liabilities

- Cash and equivalents has nearly doubled in FY 2020 due to growth in operating income as well as changes in unrealized gains. Days cash on hand has grown from 317.7 days in FY 2019 to 377.1 days in FY 2020.
- Days accounts receivable decreased to 49 days in FY 2020, compared to 51 days for FY 2019.
- Current assets whose use is limited has steadily declined since FY 2018 as Series 2016 Bond funds set aside for construction were drawn down for qualified capital expenditures.
- Board designated funds has grown by over \$120 million since FY 2018. This is attributed to solid annual income as well as investment returns.
- Accounts Payable has dropped due to staffing and process improvements made in FY 2019 and FY 2020. Together, the changes increased the overall process efficiency and resulted in lower balances.
- Other Current Liabilities has grown due to changes in other accrued. In FY 2019, Benefis began accruing for the new outpatient utilization fee which resulted in a new liability at year-end of \$1.7 million. Also in 2019, a new Accounting standard (ASC 842) required Benefis to record a lease liability of \$2.9 million. In 2020, Benefis received approximately \$14.7 million of Provider Relief Funds (PRF). Benefis recognized \$7.9 million of revenue in FY 2020, and the remainder of approximately \$6.8 million remained on the balance sheet as a liability (deferred revenue) at year-end.
- Growth in other long term liabilities is due to growth in the estimated liability for unpaid profession liability claims and in increases in deferred compensation plan liability

Revenue & Expenses

- Net patient service revenue has risen by \$55 million since FY 2018. This can partially be attributed to growth in outpatient services as new providers have been brought in and service lines expanded.
- As a result of focused efforts on cost reduction, between 2009 and the end of 2020, the System has achieved over \$77 million in incremental savings, \$55 million of which has been achieved since 2013. This focus on cost containment has allowed the Hospital to achieve Medicare breakeven for eight consecutive years. For fiscal year 2019, the Hospital received Medicare reimbursement of \$107.3 million compared with an allowable cost of \$97.7 million.
- Other expenses grew from FY 2019 forward due to changes in the Inpatient and Outpatient Bed Tax utilization fees. The outpatient component of the program was new for FY 2020. Together, fees increased by \$3.5 million between FY 2019 and FY 2020.
- Other operating revenue grew from FY 2019 to FY 2020 due to a \$6.7 million increase in Benefis' 340b drug program revenue and the recognition of \$7.9 million in Provider Relief Funds.
- Unrealized gains and losses recorded for FY 2019 & FY 2020 is growth of invested funds.

PRO FORMA

Pro Forma	FY 2018	FY 2019	FY 2020	Pro Forma FY 2020
Revenues Minus Expenditures	34,100,312	86,975,473	89,268,344	89,268,344
Add Depreciation/Amortization	22,686,981	23,681,970	24,056,239	24,056,239
Interest Expense	7,946,874	7,897,683	7,158,159	7,158,159
Available for Debt Service	64,734,167	118,555,126	120,482,742	120,482,742
Historic Maximum Annual Debt Service	16,533,153	16,533,153	16,533,153	16,533,153
Debt Service on New Money	N/A	N/A	N/A	3,333,333
Total Debt Service	16,533,153	16,533,153	16,533,153	19,866,486
Debt Service Ratio Calculation	3.92	7.17	7.29	6.06

FINANCE TEAM MEMBERS

Finance Team Member	Firm	Primary
Bond Counsel	Orrick Herrington & Sutcliffe	Robyn Helmlinger
Underwriter	J.P. Morgan	Peter Reilly
Financial Advisor	Kaufman, Hall & Associates	Robert Turner
Trustee	Wells Fargo	Erika Forshtay
Auditor	Moss Adams	Mary Wright

OUTSTANDING/PAST MFFA LOANS

Series	Original Issue	Outstanding 6/1/2021	Maturity	Project
Facilities Revenue Bond Series 2017	\$ 28,300,000	\$ 20,700,000	6/1/2030	Refund Series 2011B Bonds and taxable note which originally funded the construction of the Grandview Assisted Living Facility and renovated a nursing facility.
Facilities Revenue Bond, Series 2016	\$ 141,250,000	\$ 121,260,000	2/15/2041	Expansion of the emergency department, refund the Series 2007 Bonds which financed a new patient tower and refund the Series 2011A Note which financed a medical office building
Totals	\$ 169,550,000	\$ 141,960,000		

STRENGTHS

- Dominant market share
- Strong and stable management team
- Excellent cash position and a solid history of positive income growth

CONCERNS

- Competition entering market as larger facilities expand their secondary service areas via affiliations, mergers and acquisitions

RECOMMENDATION

Approval is recommended based, in part, on:

- Expanded and improved patient service lines
- A+ rating from Fitch
- Dominant local market share

RESOLUTION NO. 21-06

RESOLUTION RELATING TO REVENUE BONDS (BENEFIS HEALTH SYSTEM OBLIGATED GROUP), SERIES 2021; MAKING FINDINGS WITH RESPECT TO THE SERIES 2021 BONDS, AND THE PROJECTS; AUTHORIZING AND APPROVING THE SALE AND ISSUANCE OF THE SERIES 2021 BONDS IN ONE OR MORE SERIES AND THEIR PAYMENT FROM AMOUNTS TO BE RECEIVED UNDER LOAN AGREEMENTS AND FROM CERTAIN FUNDS HELD UNDER BOND INDENTURES; AUTHORIZING THE ASSIGNMENT TO THE BOND TRUSTEE UNDER THE BOND INDENTURES OF THE LOAN PAYMENTS, SUCH FUNDS AND CERTAIN OTHER INTERESTS; AND AUTHORIZING THE SIGNING AND DELIVERY OF DOCUMENTS (the “Resolution”)

BE IT RESOLVED by the Montana Facility Finance Authority (the “Authority”), as follows:

Section 1. Recitals.

1.01. The Authority is authorized by Montana Code Annotated, Title 90, Chapter 7, Parts 1, 2 and 3, as amended (the “Act”), to issue and sell its revenue bonds and to lend the proceeds of the bonds to one or more institutions to finance, refinance or provide reimbursement for allowable costs of the acquisition, construction, reconstruction, repair, alteration, enlargement, improvement and equipping of eligible facilities, all as defined in the Act (“Facilities”), or to refund indebtedness incurred for such purpose. Bonds so issued are payable solely from the revenues and assets derived from the participating institutions and shall not constitute a debt, liability or obligation of the state of Montana (the “State”) or a pledge of the full faith and credit of the State. The Authority is required to secure the bonds by pledging the revenues received from the participating institutions, and the bonds may be secured by mortgages, assignments and other security devices deemed advantageous by the Authority. The Authority may also secure the bonds under a trust agreement between the Authority and a corporate trustee. Pursuant to the Act, the Authority may issue up to \$500 million in revenue bonds and notes per biennium, exclusive of revenue bonds or notes issued to refund outstanding revenue bonds or notes, for financing of eligible facilities. As of the date hereof, the Authority has issued \$75,735,000 subject to the Act for the biennium ending June 30, 2021.

1.02. Benefis Health System, Inc., a Montana nonprofit corporation (the “Borrower”), an “institution” and a “participating institution” within the meaning of the Act, together with its affiliate Benefis Hospitals, Inc., an “institution” within the meaning of the Act (Benefis Health System, Inc. and Benefis Hospitals, Inc, together referred to as the “Benefis Corporations”), have requested that the Authority issue revenue bonds under the Act in an aggregate principal amount of up to \$100,000,000 as part of a plan of finance in one or more series (the “Series 2021 Bonds”) and loan the proceeds of the Series 2021 Bonds to the Borrower, for one or more of the

following purposes: (i) to finance, refinance or to reimburse the Borrower for (a) costs incurred in the acquisition, construction, reconstruction, repair, alteration, enlargement, improvement and equipping of certain capital improvements to its hospital, other health care and related facilities and medical school facilities owned by one or more of the Benefis Corporations (the “Projects”), (ii) if required, to market the Series 2021 Bonds, to make a deposit to any debt service reserve funds established for the Series 2021 Bonds, and (iii) to pay certain costs and expenses incidental to the issuance of the Series 2021 Bonds.

1.03. The Authority has received an application from the Borrower to finance the Projects and the Authority determines that the application is complete and, subject to the results of the public hearing and Governor’s approval described in Sections 6 and 7 below, the Projects are eligible for financing under the Act.

1.04. The following documents relating to the Series 2021 Bonds have been placed on file in the office of the Authority:

(a) a Bond Purchase Agreement for the Series 2021 Bonds (a “Bond Purchase Agreement”) to be entered into by J.P. Morgan Securities LLC or any other purchaser as set forth in a Bond Purchase Agreement as finally executed, as initial purchasers (the “Purchaser”), the Authority and the Borrower;

(b) a Loan Agreement for each series of the Series 2021 Bonds (each a “Loan Agreement,” and, collectively, the “Loan Agreements”) to be entered into by the Authority and the Borrower; and

(c) a Bond Indenture for each series of the Series 2021 Bonds (each a “Bond Indenture,” and collectively, the “Bond Indentures”) to be entered into by the Authority and Wells Fargo Bank, National Association, as bond trustee (in such capacity, the “Bond Trustee”).

Section 2. Findings. The Authority finds, determines and declares as follows:

(a) the Borrower is an “institution” and a “participating institution,” Benefis Hospitals, Inc. and any other operator of the Projects (the “Other Project Operator”), each is or will be an “institution,” and each of the Projects comprise an “eligible facility,” each within the meaning of the Act;

(b) the loan of the proceeds of the Series 2021 Bonds to the Borrower under the Loan Agreements will not exceed the total allowable costs of the Projects, less other available funds, as determined by the Borrower;

(c) the payments to be made by the Borrower under each Loan Agreement are to be sufficient to pay the principal of, premium, if any, and interest on the applicable Series 2021 Bonds when due and upon any prior redemption, to maintain reserves, if any, for the payment of principal and interest, to meet all other obligations in connection with such Loan Agreement, and to provide for costs of servicing and securing the applicable Series 2021 Bonds and loan;

(d) each of the Projects is, and will be, operated by one or more of the Benefis Corporations and/or any Other Project Operator, for the purpose of fulfilling their obligation to provide health care facilities or medical teaching facilities;

(e) based solely upon information and representations provided by the Borrower, the Benefis Corporations and each Other Project Operator have sufficient experience and expertise to operate each of the Projects and their other health care facilities;

(f) based solely upon information provided and representations made by the Borrower, the Projects are financially feasible and the Borrower will generate sufficient revenues to pay the principal of, premium, if any, and interest on the Series 2021 Bonds when due;

(g) each Bond Indenture provides for the pledge to the payment of the applicable Series 2021 Bonds of amounts payable by the Borrower under the applicable Loan Agreement, amounts in certain funds held by the Bond Trustee under the applicable Bond Indenture, and any amounts derived under the applicable master indenture obligation issued by the Borrower under the Master Indenture (as defined in the Bond Indentures);

(h) based solely on information provided and representations made by the Borrower, to the extent legally required, the Projects have been reviewed and approved by the appropriate regional and state health planning boards and have received any approval required by Montana Code Annotated, Title 50, Chapter 5, Part 3, as amended;

(i) based solely on information provided and representations made by the Borrower, including the reports or surveys on file with the Borrower by the Department of Public Health and Human Services and the Occupational Safety and Health Agency, the financing and refinancing of the Projects does not significantly affect the quality of the human environment, within the meaning of Montana Code Annotated, Section 75-1-201(1)(b)(iii).

The foregoing findings and determinations are made pursuant to the Act and are not made for the benefit of, and may not be relied upon by, the Purchaser or other owners from time to time of the Series 2021 Bonds.

Section 3. Approval and Authorizations.

3.01. The financing and refinancing of the Project is approved, and the Authority is authorized and shall proceed to issue the Series 2021 Bonds in one or more series for such purpose in the aggregate principal amount up to, but not to exceed, \$100,000,000. The Series 2021 Bonds shall be entitled "Montana Facility Finance Authority Revenue Bonds (Benefis Health System Obligated Group), Series 2021," with such other name or names of the Series 2021 Bonds or series thereof as designated in each Bond Indenture pursuant to which the Series 2021 Bonds will be issued.

3.02. The Authority authorizes and directs any one or more of the Executive Director, the Chair or any other member of the Authority to negotiate the sale of the Series 2021 Bonds to the Purchaser to accomplish the financing and/or refinancing of the Projects. The Series 2021 Bonds shall be sold under the terms and conditions of one or more Bond Purchase Agreements approved pursuant to Section 3.03 hereof; provided that any sale date of the Series 2021 Bonds shall be no later than the 120th calendar day following the date of adoption of this Resolution. The Series 2021 Bonds shall be in the aggregate principal amount, mature on such dates, bear interest at such fixed rates of interest, be issued, with respect to a particular series of the Series 2021 Bonds, as tax-exempt or taxable bonds, be subject to redemption and/or purchase in lieu of redemption, and be sold at such purchase price as set forth in the Bond Purchase Agreement or Bond Purchase Agreements and each Bond Indenture, as finally executed; provided that:

(a) The total aggregate principal amount of the Series 2021 Bonds shall not exceed \$100,000,000 (exclusive of any portion representing original issue discount);

(b) The true interest cost for any series of the Series 2021 Bonds bearing interest at a fixed rate shall not exceed 4.50% per annum; and

(c) The final maturity of the Series 2021 Bonds shall not exceed 40 years from the date of their issuance.

3.03. Any one of the Executive Director, the Chair, or any other member of the Authority is authorized to approve in the name and on behalf of the Authority the final forms of each Bond Purchase Agreement, each Loan Agreement and each Bond Indenture. Any one of the Executive Director, the Chair or any other member of the Authority is authorized to sign and deliver each Bond Purchase Agreement, each Loan Agreement, each Bond Indenture, and such other agreements, certificates and documents to be signed and delivered by the Authority in connection with the issuance of the Series 2021 Bonds, including but not limited to one or more agreements concerning federal tax matters setting forth the reasonable expectations of the Authority and the Borrower regarding the amount and use of the proceeds of the applicable Series 2021 Bonds and other facts and circumstances relevant to the treatment of the interest on the applicable Series 2021 Bonds under federal tax laws. Any one of the Executive Director, the Chair, or any other member of the Authority is also authorized to approve in the name and on behalf of the Authority, and is authorized to sign and deliver, any subsequent amendments, waivers or consents entered into or given in accordance with such documents. The approval of the final forms of each Bond Purchase Agreement, each Loan Agreement, each Bond Indenture, and those other documents shall be conclusively evidenced by the signing and delivery of those documents by the Executive Director or the Chair or any other member of the Authority.

3.04. The Chair or any one or more other members of the Authority and the Executive Director are authorized to prepare and sign the Series 2021 Bonds as prescribed in the applicable Bond Indenture and deliver them to the Bond Trustee, together with a certified copy of this resolution and the other documents required by the applicable Bond Indenture and the applicable Bond Purchase Agreement for authentication of the Series 2021 Bonds by the Bond Trustee and delivery by the Bond Trustee of the Series 2021 Bonds to the Purchaser.

3.05. The Executive Director, the Chair, or any other member of the Authority, is authorized and directed to prepare and furnish to the Purchaser and to bond counsel, when the Series 2021 Bonds are issued, certified copies of all proceedings and records of the Authority relating to the Series 2021 Bonds, and such other affidavits, certificates and documents as may be required to show the facts relating to the legality and marketability of the Series 2021 Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them, or as may be necessary or desirable to accomplish the issuance and sale of the Series 2021 Bonds, and all such certified copies, certificates, affidavits and documents, shall constitute representations of the Authority as to the truth of all statements of fact contained therein.

3.06 The Authority staff is hereby authorized and directed to cooperate with the Borrower, the Purchaser and each of their counsel in the preparation of a preliminary official statement for any series of the Series 2021 Bonds (the "Preliminary Official Statement") and a final official statement for any series of the Series 2021 Bonds (the "Official Statement") to be distributed to prospective purchasers of the Series 2021 Bonds, and the Authority authorizes and approves the use and distribution by the Purchaser of such Preliminary Official Statement and Official Statement in connection with the offering and sale of the Series 2021 Bonds; provided, however, that the Authority takes no responsibility for, and makes no representations or warranties as to, the accuracy, completeness or sufficiency of the information in the Preliminary Official Statement or the Official Statement, except as to matters relating to the Authority. The Executive Director is authorized on behalf of the Authority to deem the Preliminary Official Statement final as of its date, in accordance with Rule 15c2-12(b)(1) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Section 4. Limited Liability of Authority and State. The Series 2021 Bonds and the Authority's obligations under each Loan Agreement, each Bond Indenture and each Bond Purchase Agreement shall be special, limited obligations of the Authority payable solely from and secured by the payments required to be made by the Borrower (except to the extent payable from the proceeds of the Series 2021 Bonds) and will not constitute or give rise to a pecuniary liability of the Authority or a charge against the general credit or taxing powers of the State.

Section 5. Commitment Conditional. The Authority retains the right in its sole and absolute discretion to withdraw from participation and accordingly not issue the Series 2021 Bonds should the Authority at any time prior to the signing and delivery of each Bond Purchase Agreement by the Authority determine that it is in the best interests of the Authority not to issue the Series 2021 Bonds or should the parties to the transaction be unable to reach agreement as to the terms and conditions of any of the documents required for the financing.

Section 6. Public Hearing. As required by Section 147(f) of the Internal Revenue Code of 1986, as amended, (the "Code"), the Authority will conduct a public hearing concerning the Projects and the issuance of such Series 2021 Bonds which are to be federally tax-exempt. The Executive Director has set the time and location of such public hearing for Helena, Montana on June 10, 2021 at 10:00 a.m. and published notice thereof has been provided for on the Authority's website. The Executive Director is authorized and directed to conduct that hearing at the time and place specified in the published notice and to provide minutes of that public hearing to the Borrower and to bond counsel.

Section 7. Approval of Governor. The Executive Director is authorized and directed to forward to the Governor of the State a certified copy of this resolution and the minutes of the public hearing described in Section 6 and to request on behalf of the Authority that the Governor approve the issuance of such Series 2021 Bonds which are to be federally tax-exempt for the purposes contemplated by this resolution as required by Section 147(f) of the Code.

Section 8. Authority Fees. As authorized by Section 90-7-211 of the Act, the Authority may assess certain initial planning service fees and annual planning service fees. The Authority determines that the initial planning service fee for the Series 2021 Bonds shall be determined in accordance with current policy and is the greater of 7.5 basis points (0.075%) times the original aggregate principal amount of the Series 2021 Bonds and \$62,500, and the annual planning service fee for the Series 2021 Bonds shall be 5 basis points (0.05%) times the then outstanding principal amount of the Series 2021 Bonds, unless and until changed by the Authority. No holder of the Series 2021 Bonds or any other bonds of the Authority outstanding from time to time shall have any interest in such funds or any right, by contract or otherwise, to direct the application of such funds to the payment or security of such bonds.

PASSED AND APPROVED BY THE MONTANA FACILITY FINANCE AUTHORITY this 9th day of June, 2021.

Vu Pham, Chair

**Bozeman Health Services
Bozeman, Montana
Stand Alone Bond Issue
Loan Summary**

ELIGIBLE HEALTH FACILITY

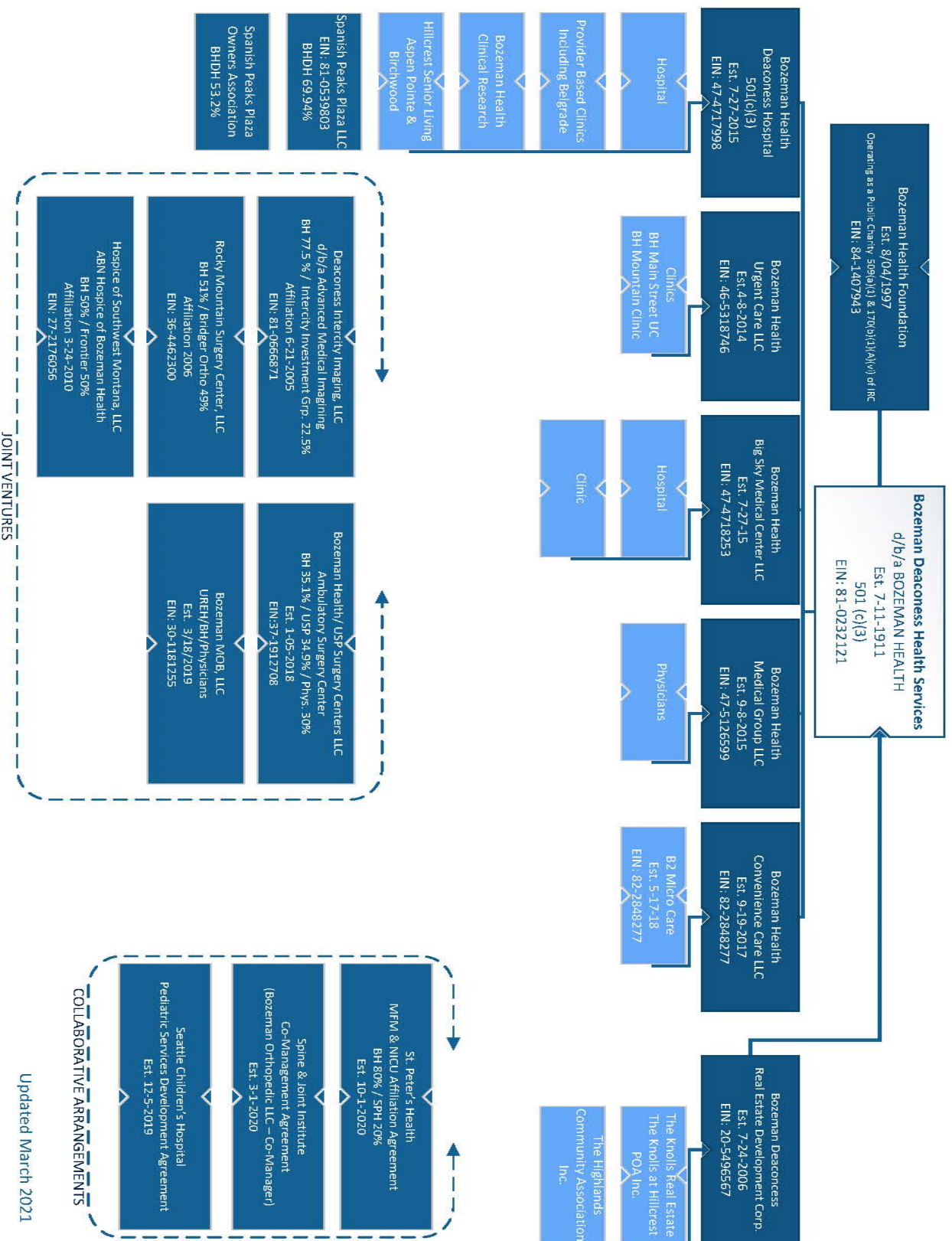
Bozeman Deaconess Health Services (the “Corporation”) and Affiliates (collectively known as the “Organization”) is a non-profit organization located in Bozeman, Montana. Bozeman Health Deaconess Hospital, a wholly-owned affiliate, provides health care, housing, and other related services by operating a 125-bed hospital facility, physician clinics, 113 independent living apartments, and 43 assisted living units.

The Corporation also has several affiliated entities including:

- Bozeman Health Medical Group, LLC, a wholly-owned affiliate, employs physicians that provide services to the Corporation and its affiliates.
- Bozeman Health Big Sky Medical Center, LLC, a wholly-owned affiliate, began operating in December 2015 as a 4-bed hospital and clinic in Big Sky, Montana.
- Bozeman Health Urgent Cares, LLC, Bozeman Health Convenience Care, LLC and One Simmental Way Holdings, LLC are also wholly-owned affiliates.
- Bozeman Deaconess Foundation dba Bozeman Health Foundation performs fund-raising activities for the Organization and supports health care activities throughout the community.
- Bozeman Deaconess Real Estate Development Corp., a 100% owned affiliate that owns land and constructs homes for resale.
- A controlling interest in Deaconess Intercity Imaging Center, LLC (77.5%), a radiology clinic
- Rocky Mountain Surgical Center, LLC (51.01%), an ambulatory surgery clinic
- Bozeman Health USP Surgery Centers, LLC (50.1%), a surgery center.

An organizational chart is on the following page:

BOZEMAN DEACONESS HEALTH SERVICES AND RELATED ENTITIES



PROJECT AND COST

The Corporation will use bond proceeds to refinance its Series 2011, 2015 A and B Bonds, create new tax-exempt debt for buildings and equipment, and create new taxable debt to purchase the EPIC electronic health records information system. The present value savings on the refundings is projected to be \$5.42 million over the life of the bonds. By refunding, the maturities on the bonds extends by five years which also assists in cash flow.

The buildings in the capital plan are part of Bozeman Health's Community Care Network, to place urgent care, primary care and other services throughout the area based on projected community needs assessment and discernment of Bozeman Health's Board of Directors. Equity, access, quality and convenience of health care services are primary drivers for this capital investment plan.

The investment in the EHR EPIC implementation supports autonomy and agility necessary to leverage the full range of EHR capabilities in support of strategic, quality, safety, and population-based initiatives. The system also allows Bozeman Health to fully leverage functionality and module enhancements / developments on a timeline that meets the Corporation's needs. EPIC elevates provider and staff engagement and user experience and allows Bozeman Health the ability to leverage the full suite of patient engagement tools to elevate consumer and provider experience. EPIC also presents an opportunity to reduce the scope of other applications in the Corporation's portfolio that Bozeman Health has invested in to address deficiencies in its currently hosted model.

SOURCES AND USES

Sources:	Series 2021	Series 2021	Total
	<u>Tax Exempt</u>	<u>Taxable</u>	
Par Amount	55,130,000	35,730,000	90,860,000
Premium	9,428,318		9,428,318
Total Sources	64,558,318	35,730,000	100,288,318
Uses:			
Project Fund	32,000,000	28,000,000	60,000,000
Cash Deposit	32,006,483	7,371,360	39,377,843
Cost of Issuance	551,300	357,300	908,600
Contingency	535	1,340	1,875
Total Uses	64,558,318	35,730,000	100,288,318

PROGRAM

Stand Alone Public Bond Issue

LOAN TERM

30 Years

INTEREST RATE

TBD

CLOSING DATE

Summer 2021

MATURITY DATE

June 2051

SECURITY

Master Note

RATING

Standard & Poor's rating of A/Stable was affirmed in June 2020.

UTILIZATION

	2018	2019	2020
Licensed Beds	90	90	129
Regularly Staffed Beds	84	84	117
Admissions	5,662	6,007	5,454
Patient Days	19,383	20,364	19,806
Average Length of Stay	3.42	3.39	3.63
Occupancy Rate	59.00%	61.99%	41.95%
Outpatient Hospital Visits	200,521	217,576	208,360
Outpatient Clinic Visits	260,855	250,081	249,334
Emergency Room Visits	35,059	36,614	32,360
Inpatient Surgeries	1,872	1,966	1,595
Outpatient Surgeries	7,231	7,086	6,763

The licensed beds/regularly staffed beds growth was planned and related to the expansion constructed in part with the 2018 Series bond proceeds. The reason for decline in other utilization stats for FY 2020 was due strictly to COVID-19.

PAYOR MIX

Payor	2018	2019	2020
Medicare	43%	44%	43%
Medicaid	11%	12%	11%
Blue Cross	22%	22%	22%
Commercial	19%	18%	19%
Private Pay	5%	4%	4%
Other	1%	1%	1%
Total	100%	100%	100%

MARKET/COMPETITION

Bozeman Health's primary service area consist of three counties – Gallatin, Park and, Madison. Gallatin, home to Bozeman Health, is the most populated county among the three. While there are three critical access hospitals located within the Corporation's service area, namely Livingston Healthcare in Park County, Madison Valley Medical Center in Madison County and Ruby Valley Medical Center in Madison County, Bozeman Health is the only traditional PPS acute care hospital.

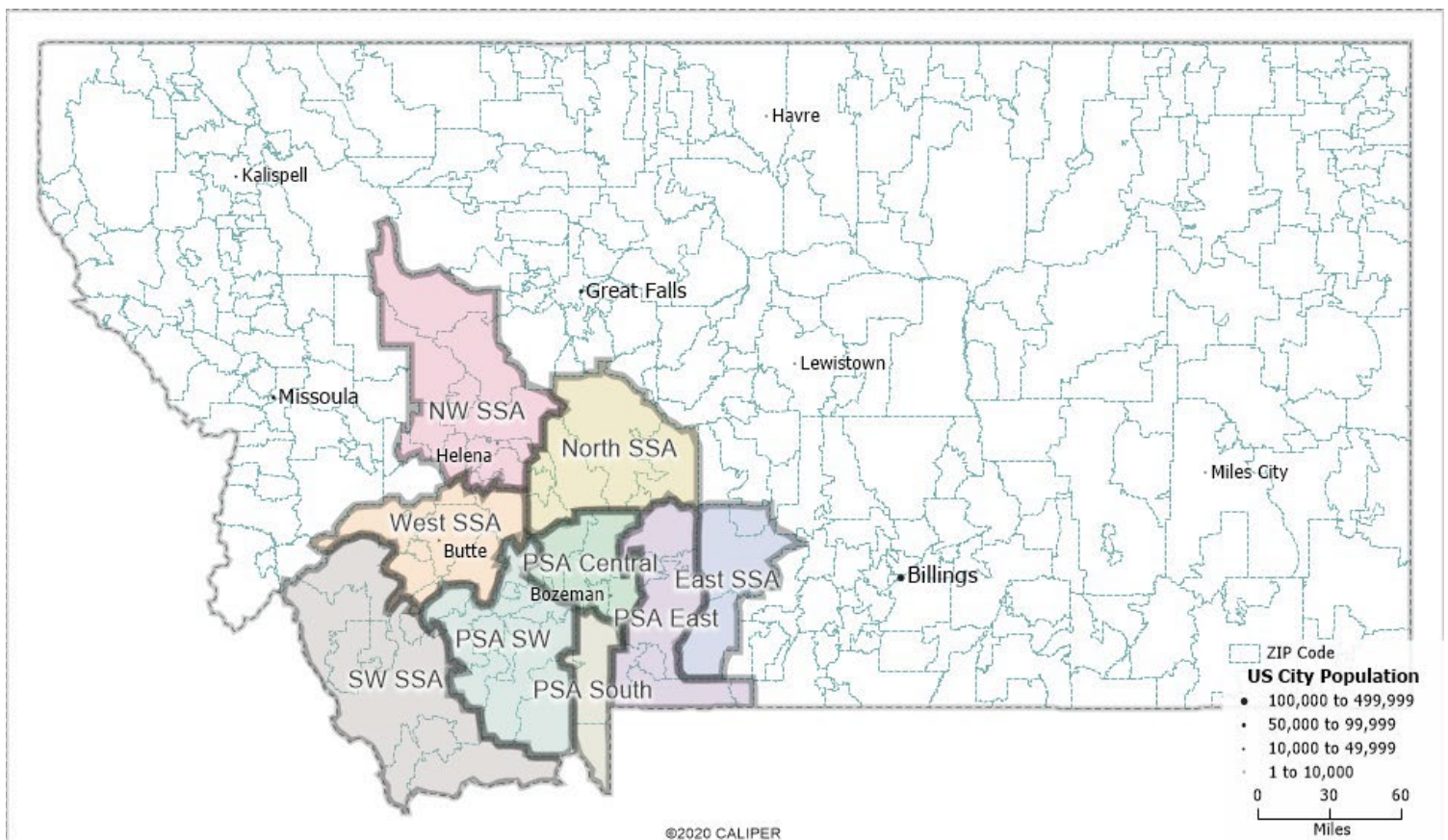
Billings Clinic will open a new destination ambulatory center just seven miles northwest of Bozeman Health's main campus in Spring of 2022. In the first phase of developing its 58-acre campus, Billings Clinic will house an ambulatory care center and an ambulatory surgery center.

The center will also house outreach services from Billings Clinic's 80-plus specialties and access to Mayo Clinic specialists through Billings Clinic's Mayo Clinic Care Network affiliation and other partnerships. It is still unknown at this point whether Phase 2 of their development will include building a hospital.

The 2021 spring opening of Bozeman Health's newest ambulatory care center, which houses primary and specialty care clinics and an ambulatory surgery center west of campus is anticipated to mitigate/address impact from Billings Clinic's new facility.

There are two other ambulatory surgery centers in Bozeman's service area: Rocky Mountain Surgery Center and Alpine Orthopedics and Sports Medicine. Rocky Mountain, located across the street from Bozeman's main campus, is a joint-venture between Bozeman Health and Bridger Orthopedics, one of the two independent orthopedics specialty groups in town. The other orthopedics group independently owns Alpine Orthopedics located 6 miles west of Bozeman Health.

Bozeman Health's secondary service area consist of eight counties – Beaverhead, Broadwater, Deer Lodge, Jefferson, Lewis & Clark, Meagher, Sweet Grass, and Silver Bow. There are two traditional PPS acute care hospitals within this area: St. James Healthcare in Silver Bow County and St. Peter's Health in Lewis and Clark County, and five Critical Access Hospitals: Barrett Hospital & HealthCare, Broadwater Health Center, Community Hospital of Anaconda, Mountainview Medical Center, and Pioneer Medical Center.



GOVERNANCE

The Board of Trustees currently consists of 13 members. One member of the Board of Trustees is a United Methodist minister who serves by reason of designation by the District Superintendent of the Yellowstone Conference, without term limitation. The remainder are elected to serve three-year terms by the Yellowstone Conference at its annual conference upon recommendation of the members of the Board of Trustees then in office.

MANAGEMENT

John G. Hill, President and CEO – John has more than 20 years of experience in executive health care leadership in the for-profit, faith-based nonprofit, and physician health care sectors. John currently serves as President and Chief Executive Officer for Bozeman Health, an integrated care delivery system caring for Southwest Montana. He joined the Bozeman Health team in August 2016. From 2007 to 2012, John served as CEO of The Medical Center of Aurora and Centennial Medical Plaza near Denver, Colorado. John was also the Chief Operating Officer at Medical City Dallas hospital. John holds a Master of Business Administration degree from Northern Arizona University. He is a fellow with the American College of Health Care Executives.

Brad Ludford, CFO – Before joining Bozeman Health, Brad spent three years with HSS, as the CFO of a security company that serves many industries, including healthcare and aviation. Prior to that, Brad worked three years at Catholic Health Services where he managed their operational finance function; fourteen years with Exempla Health serving as the CFO for Exempla Saint Joseph Hospital and Lutheran Medical Center; and seven years with Centura Health, departing as the Assistant Vice President of Finance. Brad received his Masters of Business Administration from the University of Denver Daniels College of Business and Bachelor of Business Administration degree with an emphasis in accounting and management from Stephen F. Austin State University in Texas.

Diane Patterson, Chief Nursing Officer – Diane has served in multiple roles for 29 years, most recently as Senior Vice President, Chief Operating Officer and Chief Nursing Officer. Diane began her career as a nurse at the University of Washington Medical Center in the Neonatal Intensive Care Unit. While there, she obtained a Master's degree in nursing and a Master's degree in public health at the University of Washington. She also holds a Bachelor's degree in nursing from Pacific Lutheran University.

Dr. Mark Williams, Chief Physician Officer – From 2017 to 2019 Mark served as the Chief Clinical and Academic Officer for Palmetto Health in Columbia, South Carolina. He was formerly the Chief Physician Executive for Tenet's Brookwood Baptist System in Birmingham, Alabama. From 2008 to 2014 he served as the Chief Medical Officer of the North Mississippi Health System in Mississippi. Mark served as chief of staff of Carraway Methodist Medical Center from 2004 to 2006. From 2006 to 2008 he was the Chief Medical Officer for the St. Vincent's system in Alabama. Dr. Williams is a 2001 graduate of the Alabama School of Law and a member of the Alabama State Bar. He completed the MBA program at Samford University in 1995 and is a former medical director for Alabama Power Company.

COVID-19 RESPONSE

In 2020, the United States was faced with the Coronavirus (COVID-19) pandemic. The pandemic forced the United States to shut down large portions of the economy and issue stay-in-place orders across the country. The immediate financial impact on hospitals has been significant. Although Montana has not had a large number of COVID-19 patients at this time, hospitals have been forced to suspend non-essential services, such as elective surgeries, physical therapy, wellness programs, etc. This suspension has led to immediate revenue generation problems for healthcare organizations.

Non-essential services were temporarily suspended at Bozeman Health on March 19, 2020. A phased re-opening approach in full alignment with the Gallatin City-County Health Department and Governor's Office recommendations was developed. Bozeman Health moved to full operational capacity to meet the health needs of its community while continuing to be ready for widespread or clustered COVID-19 surges as stay-at-home orders and business closures are lifted.

Throughout the Corporation's COVID-19 response and in its preparations for a re-opening, Bozeman Health followed these imperatives which guided its planning efforts:

- Protecting the safety and health of its workforce
- Preparing for a surge of local COVID-19 positive patients
- Supporting the efforts of state and local elected officials, its health department and community leaders to flatten the curve of COVID-19 cases

Bozeman Health had a phased approach to re-opening:

- From April 24, 2020 to May 3, 2020 the health system continued in a "preparation" phase, operating at a targeted 25% capacity which allows for 75% availability of hospital beds
- Phase 1: May 4 - May 17, open to 50% capacity
- Phase 2: May 18 – May 31, open to 75% capacity
- Phase 3: June 1 and onward, full operational capacity

Throughout its re-opening sequences, the Corporation used indicators that guided decisions towards the progression to the next phase. These included:

- Monitoring for a continuous reduction or no significant increase in confirmed new COVID-19 cases in Gallatin County
- Ensuring the availability of COVID-19 testing for approximately 100 tests per day for 30 days
- Achieving and maintaining a 30-day PPE supply
- Maintaining staffing levels to provide high quality and safe patient care delivery
- Sustaining hospitalization capacity meaning available beds, ventilators, and essential equip

The full amount of COVID-19 related stimulus funding received by the Corporation is: \$22,078,942.

HISTORICAL FINANCIALS

Audited Financials as of 12/31	2018	2019	2020
<u>Assets</u>			
Cash & Cash Equivalents	55,825,705	59,585,652	107,720,136
Investments	44,627,961	49,353,439	99,093,762
Receivables	45,944,576	58,632,217	66,137,882
Other Receivables	12,487,711	17,522,756	19,855,491
Inventory	8,652,820	10,110,062	10,753,313
Current Assets Whose Use is Limited	7,490,453	12,067,305	8,821,266
Other Current Assets	4,805,281	4,920,980	9,421,780
Total Current Assets	\$179,834,507	\$212,192,411	\$321,803,630
Fixed Assets	384,448,244	434,651,970	482,398,345
Accumulated Depreciation	194,793,473	206,931,587	223,693,121
Fixed Assets (net)	189,654,771	227,720,383	258,705,224
Board Designated Funds	58,152,322	68,337,366	9,006,177
Assets Held in Trust	66,921,667	36,917,148	5,817,445
Other Assets	58,419,366	66,739,158	94,714,555
Total Assets	\$552,982,633	\$611,906,466	\$690,047,031
<u>Liabilities</u>			
Accounts Payable & Accrued Expenses	40,561,204	46,510,373	50,162,078
Current Portion of Long-Term Debt	5,239,201	5,731,862	6,377,911
Other Current Liabilities	10,628,227	9,372,626	18,905,617
Total Current Liabilities	\$56,428,632	\$61,614,861	\$75,445,606
Long-Term Debt (less current portion)	157,227,802	155,659,028	150,098,657
Other Long-Term Liabilities	707,177	5,482,709	26,457,189
Unrestricted Fund Balance	324,071,792	374,689,653	416,305,032
Restricted Fund Balance	14,547,230	14,460,215	21,740,547
Total Liabilities & Fund Balance	\$552,982,633	\$611,906,466	\$690,047,031
<u>Revenue and Expense</u>			
Net Patient Service Revenue	334,936,238	363,229,085	359,782,646
Other Operating Revenue	16,157,434	23,107,705	50,985,032
Interest	3,739,388	3,665,699	4,354,101
Depreciation & Amortization	19,178,793	21,277,536	22,069,133
Other Operating Expenses	329,708,451	335,677,127	362,925,376
Operating Income	(\$1,532,960)	\$25,716,428	\$21,419,068
Other Non-Operating Revenue	10,805,036	23,937,951	18,020,659
Excess of Revenue Over Expenses	\$9,272,076	\$49,654,379	\$39,439,727

KEY RATIOS

Key Ratios	2018	2019	2020	Moody's A 2019 Median Ratios
Cushion Ratio*	17.83	20.19	26.18	27.20
Days Cash on Hand*	223.76	249.62	298.98	252.60
Days Accounts Receivable	50.07	58.92	67.10	44.50
Operating Margin	-0.44	6.66	5.21	1.1%
Excess Margin	2.56	12.10	9.20	4.5%
Debt to Capitalization	32.67	29.35	26.50	32.2%
Debt Service Coverage	3.81	8.38	6.53	4.30

* Indicates ratios provided by Bozeman Health

FINANCIAL OBSERVATIONS:

Interim Financials as of March 31, 2021

The Corporation is in a strong financial position overall and has consistently posted solid net revenues over expenses which has allowed it to build assets while expanding services. In its interim financials as of March 31, 2021 the Corporation is seeing an increase of \$50 million in total current assets as compared to this time last year and comparatively a total liabilities and net asset increase of \$80 million. Total operating expenses are \$8 million above 2020 interims with revenues in excess of expenses totaling \$9.32 million compared to (\$8.96 million) for 2020.

Assets & Liabilities

- Cash and cash equivalents went from \$59.58 million in FY 2019 to \$107.72 million in FY 2020. This increase is due to the Corporation receiving \$22 million in provider relief funds as well as \$33 million of a CMS advance payments.
- Change in investments affected a few line items in the Corporation's assets. The investments increased from \$49.35 million in FY 2019 to \$99.09 million in FY 2020. This increase is due to the Corporation shifting investment funds out of previously designated 'limited for capital' into operational investments. There was not any formal restriction on those investments. Assets limited as to use change was also due to the shifting of investments as was board designated funds, and under other assets the Corporation's long term investment change.
- Fixed Assets went from \$434.65 million in FY 2019 to \$482.39 million in FY 2020. Most of this change is Building and Improvements including the master facility project, new critical care tower, and a core hospital remodel. Assets held in trust went from \$36.91 million in FY 2019 to \$5.81 million in FY 2020 due to the same change.
- Under unrestricted fund balance, the largest line item is undesignated assets which went from \$358.46 million in FY 2019 to \$396.45 million in FY 2020. \$39.4 million of the change related to net income and the effect of non-controlling interest. The difference was due to transfers between restricted/unrestricted donations.

Revenue & Expenses

- Under current liabilities and long term liabilities the biggest line item for the Corporation is CMS advance payments. The Corporation received \$33 million CMS advanced payments in 2020. Recoupment period started in April 2021 and ends September 2022 under current guidance.
- Accrued expenses went from \$28.25 million in FY 2019 to \$34.64 million in FY 2020. This increase was due to \$3 million increase in salaries and benefits due to two additional days of accrual plus expansion of incentive compensation plan, \$2 million in additional PTO, and \$1.5 million in additional professional liability reserves.
- Net assets with donor restrictions went from \$14.46 million in FY 2019 to \$21.74 million in FY 2020. Of this difference \$7.28 million was related to contributions, releases from donor restricted assets, net investment income, and change in value of split interest charitable remainder trusts.
- Other revenue went from \$21.95 million in FY 2019 to \$49.75 million in FY 2020. This increase was primarily provider relief funds due to COVID-19.
- Under operating expenses, professional care of patients and residents went from \$227.49 million in FY 2019 to \$245.83 million in FY 2020. This increase was due to clinical/patient care, COVID-19 impacts in laboratories, inpatient units, and the opening of the Corporation's NICU.
- Under operating expenses, supporting services went from \$85.06 million in FY 2019 to \$94.46 million in FY 2020. A significant portion of this increase was due to altered operations from the COVID pandemic with entrance screening, call centers, PPE support, setup of space, testing sites, etc.

- Operating income for FY 2018 was (\$1,532,960). This loss in operating income was due to Bozeman settling a whistle blower lawsuit related to a joint venture it was part owners in. The estimate of the lawsuit was just under \$12 million. Another notable issue that affected the Corporation's FY 2018 operating income when the Corporation moved away from the Lawson hosted software arrangement/asset with Sanford Health. That write-off was \$1.6 million.

ANTICIPATED CHANGES DUE TO PROJECT

The refunding project will assist the Corporation with cash flow and projected present value savings of \$5.42 million. The capital improvement project will help to provide equity, access, quality, and convenience of health care services in its service area. The EHR implementation will provide better functionality and efficiency throughout the whole of the hospital's systems.

PRO FORMA

Pro Forma	2018	2019	2020	Pro Forma FY 2019	Pro Forma FY 2020
Revenues Minus Expenditures	9,272,076	49,654,379	39,439,727	49,654,379	39,439,727
Add Depreciation/Amortization	19,178,793	21,277,536	22,069,133	21,277,536	22,069,133
Interest Expense	3,739,388	3,665,699	4,354,101	3,665,699	4,354,101
Available for Debt Service	32,190,257	74,597,614	65,862,961	74,597,614	65,862,961
Existing Debt Service	8,450,385	8,904,900	10,085,963	5,964,248	7,145,311
Debt Service on New Money	N/A	N/A	N/A	11,723,278	11,723,278
Total Debt Service	8,450,385	8,904,900	10,085,963	17,687,526	18,868,589
Debt Service Ratio Calculation	3.81	8.38	6.53	4.22	3.49

OUTSTANDING/PAST MFFA LOANS

Series	Original Issue	Outstanding 12/31/2020	Maturity
Facilities Revenue Bond, Series 2011*	\$ 20,700,000	\$ 13,047,881	6/1/2031
Facilities Revenue Bond, Series 2014	\$ 10,000,000	\$ 4,160,130	11/25/2024
Facilities Revenue Bond, Series 2014A	\$ 21,770,000	\$ 20,884,085	6/1/2044
Facilities Revenue Bond, Series 2015A*	\$ 22,000,000	\$ 19,981,393	1/1/2046
Facilities Revenue Bond, Series 2015B*	\$ 8,000,000	\$ 7,524,699	1/1/2046
Facilities Revenue Bond, Series 2015C	\$ 18,020,000	\$ 14,613,779	6/1/2035
Facilities Revenue Bond, Series 2018	\$ 68,715,000	\$ 66,410,000	6/1/2048
Totals	\$ 169,205,000	\$ 146,621,967	

*Indicates being refunded through Series 2021 Bonds

FINANCE TEAM MEMBERS

Finance Team Member	Firm	Primary
Bond Counsel	Dorsey & Whitney	Erin McCrady
Investment Bank	Goldman Sachs & Co.	Jeffrey Ellis
Financial Advisor	Ponder & Co.	Michael Tym
Disclosure Counsel	Chapman & Cutler	Chris Walrath
Borrower's Counsel	Crowley Fleck	Mike Dockery
Trustee	Wells Fargo	Erika Forshtay

STRENGTHS

- A/Stable rating from S&P
- Strong management team
- Dominant market position in a growing community
- Strong revenue growth

- Project allows for the update and expansion of several services

CONCERNS

- Competition entering market due, in part, to limited competition in area, and growth of affiliations, mergers and acquisitions
- Difficult and unknown operating environment moving forward due to COVID-19.

RECOMMENDATION

Approval is recommended based on:

- Project allowing Corporation to grow to meet community needs
- Overall strong financial performance and ability to make payment
- Solid debt rating from S&P given size of the Corporation

CERTIFICATE AS TO RESOLUTION

I, the undersigned, being the duly qualified and acting recording officer of the Montana Facility Finance Authority (the “Authority”), hereby certify that the attached resolution is a true copy of Resolution No. 21-07 entitled: “RESOLUTION RELATING TO A PROJECT AND REFUNDING ON BEHALF OF BOZEMAN DEACONESS HEALTH SERVICES; GRANTING APPROVAL FOR THE SALE AND ISSUANCE OF REVENUE AND REFUNDING BONDS THEREFOR; AND AUTHORIZING EXECUTION OF DOCUMENTS WITH RESPECT THERETO” (the “Resolution”), on file in the original records of the Authority in my legal custody; that the Resolution was duly adopted by the Authority at a meeting on June 9, 2021, and that the meeting was duly held by the Authority and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

WITNESS my hand officially as such recording officer this 9th day of June, 2021.

Adam Gill
Executive Director

RESOLUTION NO. 21-07

RESOLUTION RELATING TO A PROJECT AND REFUNDING
ON BEHALF OF BOZEMAN DEACONESS HEALTH
SERVICES; GRANTING APPROVAL FOR THE SALE AND
ISSUANCE OF REVENUE AND REFUNDING BONDS
THEREFOR; AND AUTHORIZING EXECUTION OF
DOCUMENTS WITH RESPECT THERETO

BE IT RESOLVED by the Montana Facility Finance Authority (the “Authority”), as follows:

Section 1. Recitals.

1.01. The Authority is authorized by the Montana Health Facility Authority Act, Montana Code Annotated, Title 90, Chapter 7, Parts 1, 2 and 3, as amended (the “Act”), to issue and sell its revenue bonds and loan the proceeds thereof to one or more participating institutions (as defined in the Act) to finance, refinance or provide reimbursement for eligible costs of constructing, acquiring and equipping eligible facilities (as defined in the Act) and to enter into agreements regarding the eligible facilities being financed or refinanced by the revenue bonds for, among other things, considerations sufficient, in the judgment of the Authority, to pay the principal of and interest on the revenue bonds when due. The Authority is required to secure the bonds by pledging the revenues received from the participating institutions and the bonds may be secured by mortgages, assignments and other security devices deemed advantageous by the Authority. The Authority may also secure the bonds pursuant to an indenture of trust between the Authority and a corporate trustee.

1.02. Bozeman Deaconess Health Services, a Montana nonprofit corporation doing business as Bozeman Health (the “Borrower”), owns and operates certain hospital and health care facilities (collectively, the “Facilities”), including (i) through its wholly owned subsidiary Bozeman Health Deaconess Hospital, a Montana nonprofit corporation, an acute care hospital and related health care facilities located at 915 Highland Boulevard in Bozeman, Montana (the “Hospital Campus”) and (ii) through its wholly owned subsidiary Bozeman Health Big Sky Medical Center, LLC, a Montana limited liability company, an acute care hospital facility located at 33 Lone Peak Drive in Big Sky, Montana.

1.03 The Borrower has requested that the Authority issue its revenue and refunding bonds, in one or more series and which may be taxable and/or tax-exempt (the “Series 2021 Bonds”), in a maximum aggregate principal amount not to exceed \$105,000,000, and loan the proceeds thereof to the Borrower to be used for the following purposes:

(a) to finance or reimburse the Borrower for all or a portion of the costs of (i) acquisition and installation of an electronic health records system, including hardware, software and related equipment, (ii) construction and equipping of the fourth floor of an existing medical office building located on the Hospital Campus, (iii) construction and equipping of an urgent care and primary care facility and related improvements, including a public road to access the facility, in Bozeman, Montana, (iv) construction and

equipping of an urgent care and primary care facility and related improvements in Belgrade, Montana, and (v) remodeling of and improvements to existing facilities on the Hospital Campus and the acquisition of various capital equipment (collectively, the “Project”);

(b) to refund the Authority’s Health Facilities Revenue Bonds (Bozeman Deaconess Health Services Obligated Group), Series 2011, Health Facilities Revenue Note (Bozeman Deaconess Health Services Obligated Group), Series 2015A, and Health Facilities Revenue Note (Bozeman Deaconess Health Services Obligated Group), Taxable Series 2015B (the “Refunding”); and

(c) to pay expenses incurred in connection with the issuance of the Series 2021 Bonds and the Refunding.

The purpose of the Refunding to achieve debt service savings and provide for level debt service on such indebtedness.

Costs of the Project and the Refunding in excess of the proceeds of the Series 2021 Bonds shall be paid by the Borrower with cash on hand.

Section 2. Determinations and Approvals.

2.01. The Authority hereby determines that the issuance of its Series 2021 Bonds is in the best interests of the State of Montana (the “State”) and authorizes its staff, together with Dorsey & Whitney LLP, as bond counsel to the Authority (“Bond Counsel”), to prepare documents necessary to issue the Series 2021 Bonds and loan the proceeds thereof to the Borrower. The Authority hereby approves the issuance of the Series 2021 Bonds in a maximum aggregate principal amount not to exceed \$105,000,000 for the purposes set forth in Section 1.03 hereof. The Series 2021 Bonds would be sold to Goldman Sachs & Co. LLC, as underwriter (the “Underwriter”), pursuant to a Bond Purchase Agreement by and among the Authority, Borrower and the Underwriter (the “Bond Purchase Agreement”). The Underwriter expects to offer the Series 2021 Bonds for sale in a public offering.

2.02. The Authority hereby authorizes and directs any one or more of the Executive Director, the Chair or the other members of the Authority to negotiate the sale of the Series 2021 Bonds to the Underwriter. The Series 2021 Bonds shall be in the principal amounts, mature on such dates, bear interest at such rates, be subject to redemption, bear such dates, and be sold at such purchase prices as are set forth in the Bond Purchase Agreement; provided that:

(a) the aggregate principal amount of the Series 2021 Bonds shall not exceed \$105,000,000 (exclusive of any original issue premium or discount thereon);

(b) the final maturity of each series of Series 2021 Bonds shall not exceed 35 years from the date of issuance thereof; and

(c) the true interest cost for each series of the Series 2021 Bonds shall not exceed 5.00% per annum.

Section 3. General.

3.01. If Series 2021 Bonds are issued and sold, the Authority will enter into various agreements, including but not limited to one or more bond indentures of trust (collectively, the “Bond Indenture”) or similar agreements with Wells Fargo Bank, National Association, as trustee (the “Bond Trustee”) providing for the issuance of the Series 2021 Bonds, and one or more loan agreements or similar agreements satisfying the requirements of the Act (collectively, the “Loan Agreement”) with the Borrower.

3.03. The loan repayments or other amounts payable by the Borrower to the Authority under the Loan Agreement and other agreements to be entered into in connection with the issuance of Series 2021 Bonds shall be sufficient, if paid timely and in full, to pay the principal of, premium, if any, and interest on the Series 2021 Bonds as and when the same shall become due and payable. The Borrower shall make all payments either directly or through the Authority of any and all costs incurred by the Authority in connection with the Series 2021 Bonds, whether or not they are issued.

3.04. The Authority staff is hereby authorized and directed to cooperate with the Borrower, the Underwriter and each of their counsel in the preparation of a Preliminary Official Statement and a Final Official Statement to be distributed to prospective purchasers of the Series 2021 Bonds; provided, however, that the Authority takes no responsibility for, and makes no representations or warranties as to, the accuracy, completeness or sufficiency of the information in any Preliminary Official Statement or any Final Official Statement, except as to matters relating to the Authority. The Executive Director is authorized on behalf of the Authority to deem any Preliminary Official Statement near final as of its date, in accordance with Rule 15c2-12(b)(1) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Section 4. Commitment Conditional. The Authority retains the right in its sole and absolute discretion to withdraw from participation and accordingly not issue any or all of the Series 2021 Bonds should the Authority at any time prior to the execution and delivery of the Bond Purchase Agreement by the Authority determine that it is in the best interests of the Authority not to issue the Series 2021 Bonds or should the parties to the transaction be unable to reach agreement as to the terms and conditions of any of the documents required for the financing.

Section 5. Public Hearing. Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), requires that, prior to the issuance of the Series 2021 Bonds, the Authority shall hold a public hearing on the Project, the Refunding and the issuance of the Series 2021 Bonds in connection therewith, following notice thereof. The Executive Director is authorized and directed to publish notice of the public hearing, to conduct that hearing at the time and place specified in the published notice and to provide minutes of that public hearing to the Borrower and to Bond Counsel.

Section 6. Approval of Governor. The Executive Director is authorized and directed to forward to the Governor a certified copy of this Resolution and the minutes of the public hearing referred to in Section 5 and to request on behalf of the Authority that he approve the issuance of

the Series 2021 Bonds for the purposes contemplated by this Resolution as required by Section 147(f) of the Code.

Section 7. Findings. Based on such facts and circumstances as the Authority deems relevant, the Authority hereby finds, determines and declares as follows:

- (a) the Borrower is an “institution” and the improvements to the Facilities financed or refinanced by the issuance of the Series 2021 Bonds comprise “eligible facilities” within the meaning of the Act;
- (b) the improvements to the Facilities financed or refinanced by the issuance of the Series 2021 Bonds are authorized to be financed or refinanced thereby pursuant to the Act;
- (c) based solely on information provided and representations made by the Borrower, the loan of the proceeds of the Series 2021 Bonds to the Borrower will not exceed the total eligible costs of the improvements to the Facilities financed or refinanced by the issuance of the Series 2021 Bonds, as determined by the Borrower;
- (d) the loan repayments or other amounts payable by the Borrower to the Authority under the Loan Agreement and other agreements to be entered into in connection with the issuance of the Series 2021 Bonds shall be sufficient, if paid timely and in full, to pay the principal of, premium, if any, and interest on the Series 2021 Bonds as and when the same shall become due and payable, to meet all other obligations in connection with such agreements and to provide for costs of servicing and securing the Series 2021 Bonds and the loan of the proceeds of the Series 2021 Bonds;
- (e) the Facilities, as improved by the Project, will be operated by the Borrower for the purpose of fulfilling its obligation to provide health care facilities;
- (f) based solely upon information provided and representations made by the Borrower, the Borrower has sufficient experience and expertise to operate the Facilities, as improved by the Project;
- (g) based solely upon information provided and representations made by the Borrower, the Project is financially feasible and the Borrower will have sufficient revenues to provide for the payment of the principal of and interest with respect to the Series 2021 Bonds as due;
- (h) pursuant to the Bond Indenture, the loan repayments and certain other amounts payable under the Loan Agreement will be pledged to the repayment of the Series 2021 Bonds;
- (i) based solely on information provided and representations made by the Borrower, to the extent legally required, the Facilities financed and refinanced by the proceeds of the Bonds have been reviewed and approved by the appropriate regional and State health planning boards and has received all approvals required by Montana Code Annotated, Title 50, Chapter 3, Part 3, as amended; and

(j) based solely on information provided and representations made by the Borrower, including the reports or surveys on file with the Borrower by the Department of Public Health and Human Services and the Occupational Safety and Health Agency, the Facilities financed and refinanced by the proceeds of the Bonds do not significantly affect the quality of the human environment, within the meaning of Montana Code Annotated, Section 75-1-201(1)(b)(iii).

The foregoing findings and determinations are made pursuant to the Act and are not made for the benefit of, and may not be relied upon by, the Underwriter or the owners from time to time of the Series 2021 Bonds.

Section 8. Execution of Documents and Series 2021 Bonds.

8.01. The Executive Director or any one or more of the other officers of the Authority are hereby authorized and directed to execute the Bond Purchase Agreement, the Bond Indenture, the Loan Agreement and such other agreements and documents to be executed by the Authority in connection with the issuance of the Series 2021 Bonds, in the name and on behalf of the Authority, and in such form as is approved by the officer or officers executing the same, which approval shall be conclusively presumed by the execution thereof.

8.02. The Chair and the Executive Director, or any one or more of the other members of the Authority, are hereby authorized to prepare and execute the Series 2021 Bonds as prescribed in the Bond Indenture and deliver the Series 2021 Bonds to the Bond Trustee, together with a certified copy of this resolution and the other documents required by the Bond Indenture and the Bond Purchase Agreement for authentication of the Series 2021 Bonds by the Bond Trustee and delivery by the Bond Trustee of the Series 2021 Bonds to the Underwriter.

8.03. The Executive Director or any one or more of the other officers of the Authority, are authorized and directed to prepare and furnish to the Underwriter and Bond Counsel, when Series 2021 Bonds are issued, certified copies of all applicable proceedings and records of the Authority relating to the Series 2021 Bonds, and such other affidavits, certificates and documents as may be required to show the facts relating to the legality and marketability of the Series 2021 Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them, or as may be necessary or desirable to accomplish the issuance and sale of the Series 2021 Bonds, and all such certified copies, certificates, affidavits and documents, including any heretofore furnished, shall constitute representations of the Authority as to the truth of all statements of fact contained therein.

Section 9. Limited Liability of Authority and State. The Series 2021 Bonds and the Authority's obligations under the Bond Purchase Agreement, the Bond Indenture and the Loan Agreement and all other financing and security documents and agreements executed in connection with the issuance of the Series 2021 Bonds shall be special, limited obligations of the Authority payable solely from and secured by the payments required to be made by the Borrower (except to the extent payable from the proceeds of the Series 2021 Bonds) and will not constitute or give rise to a pecuniary liability of the Authority or a charge against the general credit or taxing powers of the State.

Section 10. Authority Fees. As authorized by Section 90-7-211 of the Act, the Authority may assess the Borrower for certain initial planning service fees and annual planning service fees. The initial planning service fee and annual planning service fee to be assessed against the Borrower with respect to the Series 2021 Bonds shall be in accordance with the Authority's fee schedules, which may amended from time to time. Assuming \$105,000,000 aggregate principal amount of Series 2021 Bonds are issued, the estimated initial planning service fee for the Series 2021 Bonds is \$68,145. The estimated annual planning service fee for the Series 2021 Bonds is 5 basis points (0.05%), unless and until changed by the Authority. No holder of the Series 2021 Bonds or any other bonds of the Authority outstanding from time to time shall have any interest in such funds or any right, by contract or otherwise, to direct the application of such funds to the payment or security of such bonds.

Section 11. Repealer. All other resolutions of the Board, or parts thereof, inconsistent herewith are hereby repealed only to the extent of such inconsistency. This repealer shall not be construed as reviving any resolution or part thereof.

PASSED AND APPROVED BY THE MONTANA FACILITY FINANCE
AUTHORITY this 9th day of June, 2021.

Vu Pham
Chair

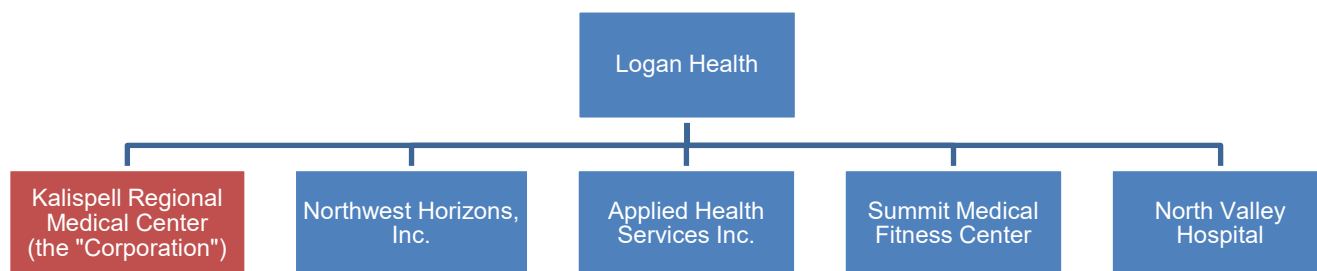
**Kalispell Regional Medical Center
Kalispell, Montana
Stand Alone Bond Issue
Loan Summary**

ELIGIBLE HEALTH FACILITY

Kalispell Regional Medical Center, Inc. doing business as Logan Health Medical Center (the “Hospital”) is a Montana nonprofit corporation that owns and operates (i) a private, general acute care community hospital located in Kalispell, Montana (ii) the Montana Children’s Medical Center located in Kalispell, Montana, (iii) the Pathways Treatment Center located in Kalispell, Montana, and (iv) 23 hospital-based physician’s clinics. The Hospital is currently licensed to operate 220 beds, including 109 medical/surgical, 13 obstetrical beds, 18 intensive care/critical care beds, 12 neonatal intensive care beds, 6 pediatric intensive care beds, 12 pediatric beds, 10 inpatient rehabilitation beds, and 40 licensed adult and adolescent psychiatric/chemical dependency beds.

The Hospital provides acute care medical and surgical services, including emergency care, obstetrics, intensive care, coronary care, psychiatric care, and home health care. Supporting these services are a range of diagnostic and therapeutic departments, including radiology, laboratory, pharmacy, respiratory therapy, physical therapy and medical and radiation oncology. The Hospital also operates an air ambulance helicopter service.

The Hospital is an affiliate of Logan Health (LH) formerly known as Kalispell Regional Healthcare System. LH is a Montana nonprofit corporation that was organized in 1982 to act for the benefit of, and on behalf of, the Hospital and other related affiliates. In addition to being the sole member of the Hospital, LH is the parent of several other corporations including Northwest Horizons, Inc., doing business as Brendan House; Applied Health Services, Inc.; The Summit Medical Fitness Center; and North Valley Hospital. **The Hospital is the only member of the Obligated Group.**



PROJECT AND COST

The purpose of the financing will be to refund on a current basis the entirety of the Hospital’s outstanding Health Care Facilities Revenue Refunding Bonds, Series 2010, to refund a note previously issued by LH to finance the buyout of a physician’s group that jointly operated an acute care facility adjacent to the Hospital’s main campus (collectively, the “Refunded Debt”) and pay costs associated with the issuance of the Bonds.

Sources:	
Bond Proceeds	
Par Amount	70,650,000
TOTAL	\$ 70,650,000
Uses:	
Project Fund Deposits	
Refunding of Series 2010	40,265,000
Refunding of Taxable Note	29,322,949
Cost of Issuance	1,062,051
TOTAL	\$ 70,650,000

PROGRAM Stand Alone Private Placement

CLOSING DATE June 28, 2021

INTEREST RATE 2.55%

MATURITY DATE 2042

LOAN TERM 20 years

SECURITY The Bonds will be issued pursuant to the existing Master Trust Indenture and enjoy the same rights under the MTI, which is a general pledge of all revenues and receivables.

RATING Kalispell Regional Medical Center received a rating of BBB with a Stable Outlook on March 18, 2021.

UTILIZATION

	FY 2017	FY 2018	FY 2019	FY 2020
Admissions	8,242	8,603	8,352	8,109
Patient Days	36,016	38,376	39,950	37,754
Average Length of Stay	4.4	4.5	4.8	4.7
Occupancy Rate	55%	62%	61%	58%
Surgical Procedures	8,516	8,697	8,116	7,318
Emergency Room Visits	24,540	24,544	24,136	24,417
Outpatient Visits	209,449	195,870	234,525	240,216
Medicare Case Index	1.86	1.99	1.82	1.83

PAYOR MIX

Payor	FY 2017	FY 2018	FY 2019	FY 2020
Medicare	48%	52%	51%	52%
Medicaid	17%	17%	18%	18%
Commercial	26%	22%	22%	20%
Private Pay	3%	4%	4%	2%
Other	6%	5%	5%	8%
Total	100%	100%	100%	100%

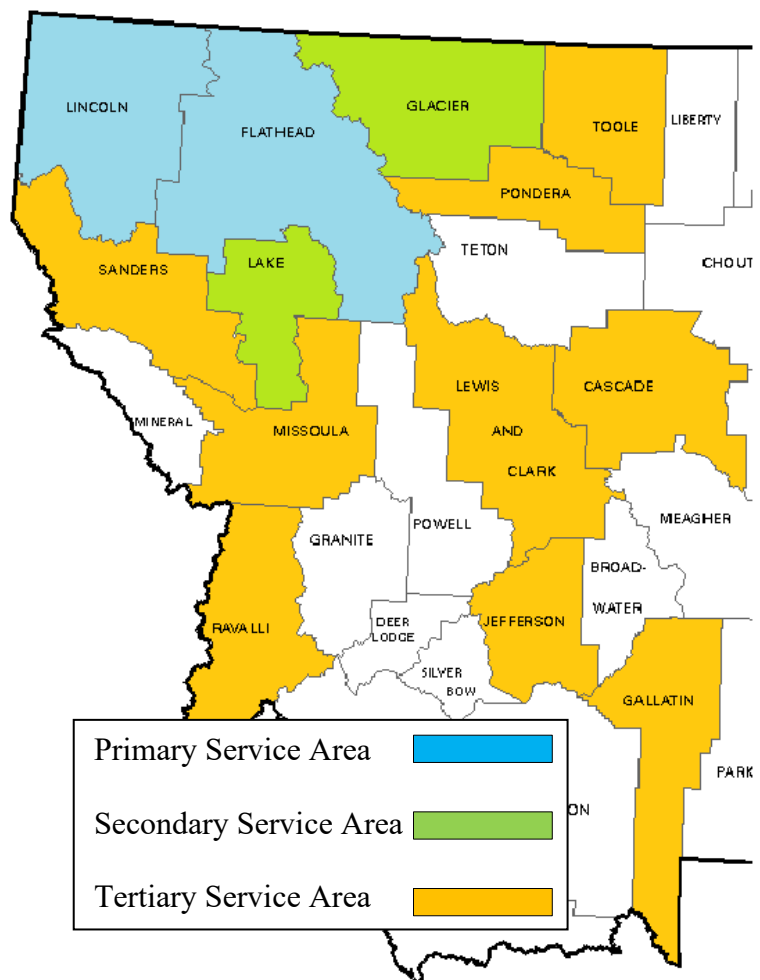
The increase in Other Payors in FY 2020 is attributed to an increase in Veterans Administration patients.

MARKET/COMPETITION

The Hospital's primary service area is Flathead County and Lincoln County. Its secondary service area is comprised of Glacier County and Lake County, and its tertiary service is comprised of the counties shown below. The map to the right shows the primary, secondary, and tertiary service areas of the Hospital.

The closest hospitals with services similar to those provided by the Hospital (other than the North Valley Hospital and other affiliates) are located in Missoula, Montana, 125 miles away.

Hospitals located in the secondary service area of the Hospital are primary care hospitals with few specialty services. 77% of the Hospital's inpatient admissions for the fiscal year ended March 31, 2020 were derived from the Hospital's primary service area, with 12% coming from the Hospital's secondary service area. The following table shows the Hospital's market share within its primary and secondary service areas for the fiscal years shown



GOVERNANCE

LH is governed by a Board of Trustees (the "LH Board"). The LH Board consists of 17 persons consisting of ten community representatives, five active physicians, the president of the medical staff, and the president of the Hospital. Community members serve staggered three-year terms and cannot serve for more than three consecutive terms. Physician members may serve an initial term of three years with a second three-year optional term.

EXECUTIVE MANAGEMENT TEAM

Craig Lambrecht MD, President and CEO, has brought a wealth of experience with background as a senior healthcare executive combining financial fluency, operations acumen and a broad knowledge of business of healthcare to power growth of \$650M integrated health system. His clinical career as Emergency Physician informs “forward positioning” ability to assess and resolve business challenges in fluid, high-pressure environment and his Military service and war-time deployment underscore mission focus, decisive leadership style and strategic decision-making.

Craig Boyer, Chief Financial Officer, oversees the financial, revenue cycle and information technology operations of the system. Craig has been in healthcare for over 23 years both in independent hospitals and a large system structure. He has a Master’s in Healthcare Administration from the University of Minnesota along with a Minnesota Certified Public Accounting license.

Cindy Morrison, Chief Transformation Officer, is a 39-year health care executive who has led national efforts in Washington, DC on health policy and she has overseen market insights in multiple states and regions. Cindy joined the Kalispell Regional Health team two years ago at the request of the new CEO to lead a transformation effort to position the Hospital for success into the future. Along with her strategic skills, Cindy is an expert in healthcare branding, health policy, market insights and transformative change. Cindy was a corporate officer at a 43-hospital health system with over 1500 sponsored physicians.

Deborah M. Wilson, Chief Human Resource Officer, has been with the organization since 1991. Prior positions include Chief Operation Officer, Administrator for Brendan House, Director of Nursing, and Assistant Director of Nursing at the Brendan House. Prior to her administrative duties she held various nursing and management positions. As Chief Human Resource Officer, Deb oversees multiple departments that include: Kid Kare, Physician Network, Education, Human Resources and the Hospital Volunteers. Deb graduated from Montana State University with a Bachelor’s of Science in Nursing. She also holds Master’s degrees in Nursing and Business Administration.

Douglas Nelson MD, Chief Medical Officer, joined the Kalispell Regional Healthcare team in 1992 and has been an active clinician and leader during his time. After completing his undergraduate degree at Stanford University, he earned his medical degree and completed his residency and chief residency in Internal Medicine and Pediatrics at the University of North Carolina. Dr. Nelson continues to practice at Family Health Care as a primary care provider. Dr. Nelson’s tenure as a medical staff member, his past roles as LH chair of Medicine, LH Chair of Pediatrics and member of the LH Board of Trustees (six years total; two years as chair) bring a great deal of institutional knowledge to the executive team.

William Gibson, General Counsel, joined Kalispell Regional Healthcare in March of 2017 as Deputy General Counsel and in March of 2018 took the position of General Counsel. Prior to coming to Kalispell, William was with the international law firm Norton Rose Fulbright in its Dallas, Texas office. There, William had a multi-disciplinary practice as Sr. Counsel that included corporate law, tax, health law, and executive compensation representing health systems, physicians, and large employers. William attended law school at the University of Texas School of Law in Austin, Texas, and clerked for the U.S. District Judge for the Northern District of Texas in Amarillo.

Ryan Pitts, Chief Nursing Officer, brings with him 24 years of experience in patient care and life saving services. Ryan has supported his local community in a variety of ways ranging from an EMT, a flight medic for A.L.E.R.T, emergency medicine charge nurse, the Fire Chief for Evergreen Fire Department and Director of the paramedic program at Flathead Valley Community College. Ryan has been with the organization since 2013 and oversees nursing operations for over 850 nurses in our 220 bed hospital. Ryan holds an associate's degree in Para medicine and emergency management as well as a Master's Degree of Science and Nursing and is a Certified Emergency Medicine Nurse and Certified Flight Nurse.

COVID-19 RESPONSE

In 2020, the United States was faced with the Coronavirus (COVID-19) pandemic. The pandemic forced the United States to shut down large portions of the economy and issue stay-in-place orders across the country. The immediate financial impact on hospitals has been significant. Although Montana has not had a large number of COVID-19 patients at this time, hospitals have been forced to suspend non-essential services, such as elective surgeries, physical therapy, wellness programs, etc. This suspension has led to immediate revenue generation problems for healthcare organizations.

Like all healthcare providers, the Hospital has been impacted by COVID-19 during this period. LH created an incident command center comprised of key management and care delivery leaders for the purpose of responding to the COVID-19 health threat. This effort included responses designed to address a comprehensive list of issues including care delivery, staffing, supply chain management, telehealth and virtual care, as well as protocols for testing, treating and isolating patients directly affected by COVID-19. LH has tracked key volume indicators to monitor the impact of COVID-19 on operations.

In April 2020, key volume indicators were significantly below 2019 levels. Volumes began to recover in May 2020 but remained below prior year levels. The volumes continued to recover and by August, 2020 surgical cases, emergency department, outpatient, and clinic visits had returned to similar volumes experienced in 2019. The one volume indicator that has continued to lag is admissions driven primarily by lower inpatient surgical cases. LH believes that patients have been deferring inpatient surgical cases to minimize their risk of exposure to COVID-19 within the hospital setting. LH expects this volume will return as the vaccines are rolled out to the general public in the coming months.

HISTORICAL FINANCIALS FOR HOSPITAL AND FOUNDATION

Audited Financials as of 3/31	2019	2020	Unaudited 2021
<u>Assets</u>			
Cash & Cash Equivalents	40,168,074	58,861,436	173,797,781
Receivables	49,474,153	63,034,937	82,427,613
Inventory	10,647,370	11,861,383	15,020,620
Prepaid Expenses	6,211,783	4,950,892	6,585,800
Current Assets whose use is limited	4,100,649	3,874,665	4,746,176
Total Current Assets	\$110,602,029	\$142,583,313	\$282,577,990
Fixed Assets (net of depreciation)	179,181,783	174,405,778	180,147,050
Board Designated Funds	67,723,290	63,859,687	79,266,041
Assets Held in Trust	24,407,063	9,033,074	6,929,825
Other Assets	21,736,792	52,832,751	78,475,584
Total Assets	\$403,650,957	\$442,714,603	\$627,396,490
<u>Liabilities</u>			
Accounts Payable & Accrued Expenses	60,539,809	62,018,734	138,807,838
Payable to Affiliates	663,970	5,561,837	1,000,283
Other Current Liabilities	-	4,739,403	6,434,661
Current Portion of Long-Term Debt	4,528,616	4,098,413	5,016,588
Total Current Liabilities	\$65,732,395	\$76,418,387	\$ 151,259,370
Long-Term Debt (less current portion)	153,705,737	146,670,167	160,466,986
Other Long-Term Liabilities	18,148,248	38,099,561	50,640,797
Unrestricted Fund Balance	157,290,393	169,522,109	250,362,322
Restricted Fund Balance	8,774,184	12,004,379	14,668,015
Total Liabilities & Fund Balance	\$403,650,957	\$442,714,603	\$627,397,490
<u>Revenue and Expense</u>			
Net Patient Service Revenue	397,814,529	405,791,049	426,215,538
Other Operating Revenue	25,227,192	26,244,280	48,292,143
Interest	3,734,528	6,850,383	7,887,630
Depreciation & Amortization	20,255,228	22,904,315	24,137,342
Other Operating Expenses	388,372,184	396,167,015	437,973,503
Operating Income	\$10,679,781	\$6,113,616	\$4,509,206
Other Non-Operating Revenue	8,279,176	3,537,862	20,567,021
Excess of Revenue Over Expenses	\$18,958,957	\$9,651,478	\$25,076,227

FINANCIAL ANALYSIS

Assets & Liabilities

- In FY 2021 the HealthCenter, a for-profit hospital associated with LH, was purchased by KRMC and is not operated as a department of KRMC. This led to the increase in assets such as cash, accounts receivable, inventory, fixed assets and other assets as well as liabilities such as accounts payable, accrued expenses, long-term debt, and other long-term liabilities. KRMC assumed a 40-year lease of the building which is owned by Flathead Hospital Development Corporation of which LH owns 51% and so considered an affiliate. With the current lease accounting rules this lease is recorded as a capital lease and the lease is shown as a loan payable
- Cash and equivalents grew from FY 2019 to FY 2020 as funds used to construct its children's facility were reimbursed by the Series 2018 Bonds. Cash grew between FY 2020 and FY 2021 as the Hospital received \$51 million in Medicare Advance Payments. The Hospital will start repayment this June and finish by the end of calendar 2022. Cash also grew in the last fiscal year due to the HealthCenter transaction discussed above.
- Accounts receivable grew from FY 2019 to FY 2021 due to the HealthCenter transaction and some changes in the Hospital's processes late in the fiscal year which temporarily slowed down collection activity. The Hospital expects in the long run these process improvements will improve the cash collections.
- Accounts payables growth in FY 2021 is from the outstanding balance of the Medicare Advance Payment and the HealthCenter transaction.
- Unrestricted fund balance growth from FY 2020 to FY 2021 is due to investment gains and the acquisition of the HealthCenter.

Revenue & Expense

- Net patient service revenue has grown as the Hospital added new service lines with the opening of Montana Children's Medical Center in FY 2019 as well as success in recruiting several new providers to the community. Overall, the impact of new service lines can be seen in the growth in outpatient visit from FY 2019 forward. In the final quarter of FY2021, the HealthCenter operations were included in the Hospital as well.
- Other operating revenue growth in FY 2021 is due to the Provider Relief Funds that were issued by the Federal government.
- The increase in other operating expenses in FY 2021 is primarily attributed to costs related to COVID-19 along with the HealthCenter operations from the 4th quarter of FY2021. The COVID-19 expenses were reimbursed through the Provider Relief Funds.
- Non-operating revenue growth is primarily investment income. At the end for FY 2020, the stock market had declined significantly and the Hospital's investments were impacted. The stock market recovered during the past 12 months significantly thereby generating the investment income.

Debt Coverage

- The Series 2018 Bonds included a refunding of the debt outside the existing Master Indenture bringing everything under one document and common set of covenants.
- The Hospital has shown strong debt service coverage for the prior three years and is well positioned to take on additional debt.

PAYMENT CAPABILITIES / PRO FORMA

Pro Forma	FY 2019	FY 2020	Unaudited FY 2021	Pro Forma FY 2020	Pro Forma FY 2021
Revenues Minus Expenditures	18,958,957	9,651,478	25,076,227	9,651,478	25,076,227
Depreciation & Amortization	20,255,228	22,904,315	24,137,342	22,904,315	24,137,342
Interest	<u>3,734,528</u>	<u>6,850,383</u>	<u>7,887,630</u>	<u>6,850,383</u>	<u>7,887,630</u>
Available for Debt Service	42,948,713	39,406,176	57,101,199	39,406,176	57,101,199
Existing Debt Service	4,528,616	4,098,413	5,016,588	6,516,766	6,516,766
Debt Service on New Money	N/A	N/A	N/A	4,549,636	4,549,636
Total Debt Service	4,528,616	4,098,413	5,016,588	11,066,402	11,066,402
Debt Service Coverage	9.48	9.61	11.38	3.56	5.16

The above pro forma years are based on the maximum annual debt service of the Obligated Group's portfolio. The refunding of the debt is expected to save the Hospital \$12 million over 20 years.

OUTSTANDING/PAST MFFA LOANS

Series	Original Issue	Outstanding 5/31/2021	Maturity	Project
Facilities Revenue Bond, Series 2010	\$ 57,115,000	\$ 43,620,000	2040	Construction of new surgical tower
Facilities Revenue Note, Series 2018	\$ 100,000,000	\$ 100,000,000	2048	Construction of Montana Children's Hospital on campus and refunding Series 2014 and 2016 bonds
Totals	\$ 157,115,000	\$ 143,620,000		

FINANCE TEAM MEMBERS

Finance Team Member	Firm	Primary
Bond Counsel	Dorsey & Whitney LLP	Erin McCrady
Placement Agent	Piper Sandler	John Henningsgard
Purchaser	Glacier Bancorp	Dennis Beams

STRENGTHS

- KRMC holds a dominant market share with limited competition. In addition, it is expanding its regional footprint and has developed service lines unique to Montana
- With the growth in service area and service line, the Hospital is well-positioned for future growth

CONCERNS

- Changes in the market due changes on the state and federal level including the risk of sunset of the Montana Medicaid Expansion
- Difficult and unknown operating environment moving forward due to COVID-19.

RECOMMENDATION

Approval is recommended based, in part, on:

- Significant savings from refunding current debt
- Dominant market share with an expanding market footprint
- Stable BBB rating from S&P
- Expected growth in patient service revenue from new service lines and affiliations

CERTIFICATE AS TO RESOLUTION

I, the undersigned, being the duly qualified and acting recording officer of the Montana Facility Finance Authority (the “Authority”), hereby certify that the attached resolution is a true copy of Resolution No. 21-08 entitled: “RESOLUTION RELATING TO A REFUNDING AND REFINANCING ON BEHALF OF KALISPELL REGIONAL MEDICAL CENTER, INC.; GRANTING APPROVAL FOR THE SALE AND ISSUANCE OF REVENUE AND REFUNDING BONDS THEREFOR; AND AUTHORIZING EXECUTION OF DOCUMENTS WITH RESPECT THERETO” (the “Resolution”), on file in the original records of the Authority in my legal custody; that the Resolution was duly adopted by the Authority at a meeting on June 9, 2021, and that the meeting was duly held by the Authority and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

WITNESS my hand officially as such recording officer this 9th day of June, 2021.

Adam Gill
Executive Director

RESOLUTION NO. 21-08

RESOLUTION RELATING TO A REFUNDING AND
REFINANCING ON BEHALF OF KALISPELL REGIONAL
MEDICAL CENTER, INC.; GRANTING APPROVAL FOR THE
SALE AND ISSUANCE OF REVENUE AND REFUNDING
BONDS THEREFOR; AND AUTHORIZING EXECUTION OF
DOCUMENTS WITH RESPECT THERETO

BE IT RESOLVED by the Montana Facility Finance Authority (the “Authority”), as follows:

Section 1. Recitals.

1.01. The Authority is authorized by the Montana Health Facility Authority Act, Montana Code Annotated, Title 90, Chapter 7, Parts 1, 2 and 3, as amended (the “Act”), to issue and sell its revenue bonds and loan the proceeds thereof to one or more participating institutions (as defined in the Act) to finance, refinance or provide reimbursement for eligible costs of constructing, acquiring and equipping eligible facilities (as defined in the Act) and to enter into agreements regarding the eligible facilities being financed or refinanced by the revenue bonds for, among other things, considerations sufficient, in the judgment of the Authority, to pay the principal of and interest on the revenue bonds when due. The Authority is required to secure the bonds by pledging the revenues received from the participating institutions and the bonds may be secured by mortgages, assignments and other security devices deemed advantageous by the Authority. The Authority may also secure the bonds pursuant to an indenture of trust between the Authority and a corporate trustee.

1.02. Kalispell Regional Medical Center, Inc., a Montana nonprofit corporation doing business as Logan Health (the “Borrower”), owns and operates certain hospital and health care facilities on an 18-acre campus located at 310 Sunnyview Lane in the City of Kalispell, Montana (the “Facilities”).

1.03 The Borrower has requested that the Authority issue its revenue and refunding bonds (the “Series 2021 Bonds”), in a maximum aggregate principal amount not to exceed \$75,000,000, and loan the proceeds thereof to the Borrower to be used for the following purposes:

(a) to refund the Authority’s Health Care Facilities Revenue Bonds (Kalispell Regional Medical Center Obligated Group), Series 2010 (the “Refunding”);

(b) to refinance a loan of Northwest Horizons, Inc., a Montana non-profit corporation and an affiliate of the Borrower (“Northwest Horizons”), which loan originally financed the acquisition by Northwest Horizons of equity ownership in HealthCenter Northwest, LLC, an acute care hospital (the “Refinancing”) that is now owned and operated by the Borrower;

(c) to make deposits to debt service reserve funds for the Series 2021 Bonds, if required; and

(d) to pay expenses incurred in connection with the issuance of the Series 2021 Bonds and the Refunding and the Refinancing.

The purposes of the Refunding and the Refinancing are to achieve debt service savings and provide for level debt service on such indebtedness.

Costs the Refunding and the Refinancing in excess of the proceeds of the Series 2021 Bonds shall be paid by the Borrower with cash on hand.

Section 2. Determinations and Approvals.

2.01. The Authority hereby determines that the issuance of its Series 2021 Bonds is in the best interests of the State of Montana (the "State") and authorizes its staff, together with Dorsey & Whitney LLP, as bond counsel to the Authority ("Bond Counsel"), to prepare documents necessary to issue the Series 2021 Bonds and loan the proceeds thereof to the Borrower. The Authority hereby approves the issuance of the Series 2021 Bonds in a maximum aggregate principal amount not to exceed \$75,000,000 for the purposes set forth in Section 1.03 hereof. The Series 2021 Bonds would be sold to Glacier Bank (the "Purchaser"), pursuant to a Bond Purchase Agreement by and among the Authority, Borrower and the Purchaser (the "Bond Purchase Agreement"). Piper Sandler & Co. will act as placement agent with respect to the Bonds.

2.02. The Authority hereby authorizes and directs any one or more of the Executive Director, the Chair or the other members of the Authority to negotiate the sale of the Series 2021 Bonds to the Purchaser. The Series 2021 Bonds shall be in the principal amounts, mature on such dates, bear interest at such rates, be subject to redemption, bear such dates, and be sold at such purchase prices as are set forth in the Bond Purchase Agreement; provided that:

(a) the aggregate principal amount of the Series 2021 Bonds shall not exceed \$75,000,000 (exclusive of any original issue premium or discount thereon);

(b) the final maturity of each series of Series 2021 Bonds shall not exceed 31 years from the date of issuance thereof; and

(c) the true interest cost for each series of the Series 2021 Bonds shall not exceed 3.00% per annum.

Section 3. General.

3.01. If Series 2021 Bonds are issued and sold, the Authority will enter into various agreements, including but not limited to a bond indenture of trust (the "Bond Indenture") or similar agreement with U.S. Bank, National Association, as trustee (the "Bond Trustee") providing for the issuance of the Series 2021 Bonds, and a loan agreement or similar agreement satisfying the requirements of the Act (the "Loan Agreement") with the Borrower.

3.03. The loan repayments or other amounts payable by the Borrower to the Authority under the Loan Agreement and other agreements to be entered into in connection with the issuance of Series 2021 Bonds shall be sufficient, if paid timely and in full, to pay the principal

of, premium, if any, and interest on the Series 2021 Bonds as and when the same shall become due and payable. The Borrower shall make all payments either directly or through the Authority of any and all costs incurred by the Authority in connection with the Series 2021 Bonds, whether or not they are issued.

Section 4. Commitment Conditional. The Authority retains the right in its sole and absolute discretion to withdraw from participation and accordingly not issue any or all of the Series 2021 Bonds should the Authority at any time prior to the execution and delivery of the Bond Purchase Agreement by the Authority determine that it is in the best interests of the Authority not to issue the Series 2021 Bonds or should the parties to the transaction be unable to reach agreement as to the terms and conditions of any of the documents required for the financing.

Section 5. Public Hearing. Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), requires that, prior to the issuance of the Series 2021 Bonds, the Authority shall hold a public hearing on the Refunding, the Refinancing and the issuance of the Series 2021 Bonds in connection therewith, following notice thereof. The Executive Director is authorized and directed to publish notice of the public hearing, to conduct that hearing at the time and place specified in the published notice and to provide minutes of that public hearing to the Borrower and to Bond Counsel.

Section 6. Approval of Governor. The Executive Director is authorized and directed to forward to the Governor a certified copy of this Resolution and the minutes of the public hearing referred to in Section 5 and to request on behalf of the Authority that he approve the issuance of the Series 2021 Bonds for the purposes contemplated by this Resolution as required by Section 147(f) of the Code.

Section 7. Findings. Based on such facts and circumstances as the Authority deems relevant, the Authority hereby finds, determines and declares as follows:

(a) the Borrower is an “institution” and the improvements to the Facilities refinanced by the issuance of the Series 2021 Bonds comprise “eligible facilities” within the meaning of the Act;

(b) the improvements to the Facilities refinanced by the issuance of the Series 2021 Bonds are authorized to be refinanced thereby pursuant to the Act;

(c) based solely on information provided and representations made by the Borrower, the loan of the proceeds of the Series 2021 Bonds to the Borrower will not exceed the total eligible costs of the improvements to the Facilities refinanced by the issuance of the Series 2021 Bonds, as determined by the Borrower;

(d) the loan repayments or other amounts payable by the Borrower to the Authority under the Loan Agreement and other agreements to be entered into in connection with the issuance of the Series 2021 Bonds shall be sufficient, if paid timely and in full, to pay the principal of, premium, if any, and interest on the Series 2021 Bonds as and when the same shall become due and payable, to meet all other obligations in

connection with such agreements and to provide for costs of servicing and securing the Series 2021 Bonds and the loan of the proceeds of the Series 2021 Bonds;

(e) the Facilities will be operated by the Borrower for the purpose of fulfilling its obligation to provide health care facilities;

(f) based solely upon information provided and representations made by the Borrower, the Borrower has sufficient experience and expertise to operate the Facilities;

(g) based solely upon information provided and representations made by the Borrower, the Borrower will have sufficient revenues to provide for the payment of the principal of and interest with respect to the Series 2021 Bonds as due;

(h) pursuant to the Bond Indenture, the loan repayments and certain other amounts payable under the Loan Agreement will be pledged to the repayment of the Series 2021 Bonds;

(i) based solely on information provided and representations made by the Borrower, to the extent legally required, the Facilities refinanced by the issuance of the Series 2021 Bonds have been reviewed and approved by the appropriate regional and State health planning boards and has received all approvals required by Montana Code Annotated, Title 50, Chapter 3, Part 3, as amended; and

(j) based solely on information provided and representations made by the Borrower, including the reports or surveys on file with the Borrower by the Department of Public Health and Human Services and the Occupational Safety and Health Agency, the Facilities refinanced with the proceeds of the Series 2021 Bonds do not significantly affect the quality of the human environment, within the meaning of Montana Code Annotated, Section 75-1-201(1)(b)(iii).

The foregoing findings and determinations are made pursuant to the Act and are not made for the benefit of, and may not be relied upon by, the Purchaser or the owners from time to time of the Series 2021 Bonds.

Section 8. Execution of Documents and Series 2021 Bonds.

8.01. The Executive Director or any one or more of the other officers of the Authority are hereby authorized and directed to execute the Bond Purchase Agreement, the Bond Indenture, the Loan Agreement and such other agreements and documents to be executed by the Authority in connection with the issuance of the Series 2021 Bonds, in the name and on behalf of the Authority, and in such form as is approved by the officer or officers executing the same, which approval shall be conclusively presumed by the execution thereof.

8.02. The Chair and the Executive Director, or any one or more of the other members of the Authority, are hereby authorized to prepare and execute the Series 2021 Bonds as prescribed in the Bond Indenture and deliver the Series 2021 Bonds to the Bond Trustee, together with a certified copy of this resolution and the other documents required by the Bond Indenture and the

Bond Purchase Agreement for authentication of the Series 2021 Bonds by the Bond Trustee and delivery by the Bond Trustee of the Series 2021 Bonds to the Purchaser.

8.03. The Executive Director or any one or more of the other officers of the Authority, are authorized and directed to prepare and furnish to the Purchaser and Bond Counsel, when Series 2021 Bonds are issued, certified copies of all applicable proceedings and records of the Authority relating to the Series 2021 Bonds, and such other affidavits, certificates and documents as may be required to show the facts relating to the legality and marketability of the Series 2021 Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them, or as may be necessary or desirable to accomplish the issuance and sale of the Series 2021 Bonds, and all such certified copies, certificates, affidavits and documents, including any heretofore furnished, shall constitute representations of the Authority as to the truth of all statements of fact contained therein.

Section 9. Limited Liability of Authority and State. The Series 2021 Bonds and the Authority's obligations under the Bond Purchase Agreement, the Bond Indenture and the Loan Agreement and all other financing and security documents and agreements executed in connection with the issuance of the Series 2021 Bonds shall be special, limited obligations of the Authority payable solely from and secured by the payments required to be made by the Borrower (except to the extent payable from the proceeds of the Series 2021 Bonds) and will not constitute or give rise to a pecuniary liability of the Authority or a charge against the general credit or taxing powers of the State.

Section 10. Authority Fees. As authorized by Section 90-7-211 of the Act, the Authority may assess the Borrower for certain initial planning service fees and annual planning service fees. The initial planning service fee and annual planning service fee to be assessed against the Borrower with respect to the Series 2021 Bonds shall be in accordance with the Authority's fee schedules, which may amended from time to time. Assuming \$75,000,000 aggregate principal amount of Series 2021 Bonds are issued, the estimated initial planning service fee for the Series 2021 Bonds is \$62,500. The estimated annual planning service fee for the Series 2021 Bonds is 5 basis points (0.05%), unless and until changed by the Authority. No holder of the Series 2021 Bonds or any other bonds of the Authority outstanding from time to time shall have any interest in such funds or any right, by contract or otherwise, to direct the application of such funds to the payment or security of such bonds.

Section 11. Repealer. All other resolutions of the Board, or parts thereof, inconsistent herewith are hereby repealed only to the extent of such inconsistency. This repealer shall not be construed as reviving any resolution or part thereof.

PASSED AND APPROVED BY THE MONTANA FACILITY FINANCE
AUTHORITY this 9th day of June, 2021.

Vu Pham
Chair

**Valley View Nursing Home
Glasgow, Montana
Trust Fund Loan Program
Loan Summary**

ELIGIBLE HEALTH FACILITY

Valley View Nursing Home (“Valley View” or “Nursing Home”) is a 96-bed licensed, not-for-profit nursing home located in Glasgow, Montana. The Nursing Home provides nursing home care, specialized Alzheimer/Dementia care, rehab therapy, and adult day care services to the residents of Glasgow.

PROJECT AND COST

The Authority received a loan request from Valley View Nursing Home on April 1, 2021. The loan amount is \$900,000 and the proceeds will be used to refinance a loan held by Frances Mahon Deaconess Hospital for its roof replacement and the purchase of a new boiler system. The new boiler system is a required upgrade to continue operation of the Nursing Home.

<u>PROGRAM</u>	Trust Fund Loan
<u>LOAN TERM</u>	10 years
<u>INTEREST RATE</u>	2.75% per annum
<u>PAYMENT</u>	Monthly payment of \$8,587.83; \$103,053.98 annually
<u>CLOSING DATE</u>	est. Summer 2021
<u>MATURITY DATE</u>	est. Summer 2031
<u>SECURITY</u>	Mortgage on the property.

SOURCES AND USES

Sources:	
MFFA Trust Fund Loan	\$ 900,000.00
Valley View Home Cash Portion	\$ 93,722.80
Total	\$ 993,722.80
Uses:	
Refinance Roof Loan	\$ 676,747.80
Boilers	\$ 316,975.00
Total	\$ 993,722.80

MARKET/COMPETITION

The total population of Valley County, including Glasgow, is approximately 7,369 people. The economy relies primarily on farming and ranching. The closest nursing home to Valley View Home is in Malta, which is located approximately 69 miles away.

MANAGEMENT

Wes Thompson, Administrator – has served as Valley View Home’s Administrator since 2018. He received his undergraduate degree in Healthcare Management and will complete his Masters in Healthcare Administration through Trident University in 2022. Wes managed a clinic in California and Hawaii and also taught business administration while in California. He previously served as Navy Medical Officer and Clinic Manager before moving to Montana.

GOVERNANCE

Valley View contains a Board of Directors representing different parts of the Glasgow community from agriculture to local government. There are no consultant services involved with management and other administrative duties.

COVID-19 PANDEMIC RESPONSE AND RECOVERY

In 2020, the United States was faced with the Coronavirus (COVID-19) Pandemic. The Pandemic forced the United States to shut down large portions of the economy and issue shelter-in-place orders across the country. The immediate financial impact on hospitals was significant. Hospitals were forced to suspend non-essential services, such as elective surgeries, physical therapy, wellness, programs, etc. This suspension led to immediate revenue generation problems for healthcare organizations.

To respond to the Pandemic, Congress passed the CARES Act and the bill was signed into law on March 27, 2020. The CARES Act was a \$2.2 trillion stimulus bill aimed to help business and individuals recover from the economic effects of the Pandemic. The CARES Act provided \$175 billion to hospitals nationwide to cover the costs of treating COVID-19 patients, as well as recovering lost revenues from non-essential procedures. The CARES Act also provided \$669 billion for the Paycheck Protection Program (PPP), which provides a loan to small businesses and nonprofits to cover payroll costs. The PPP loan is fully forgivable, as long as the funds are used for eligible expenses.

In short, the pandemic has changed the way long-term-care facilities are run. Valley View Home stayed ahead of other Nursing Homes throughout the state by receiving zero deficiencies during two Special Focus Surveys in 2020. The surveyors recommended other nursing homes reach out to Valley View for its strategies on infection prevention and innovation.

Nationwide, nursing homes saw a census decrease of 25% whereas 53% of nationwide nursing homes are operating at a loss including Valley View. Although its census decreased, Valley View opted not to cut back on employee hours for retainment. It also provided temporary increase in wages facility-wide due to dealing with a crisis of COVID in the facility as well as provided a special Christmas bonus to employees.

The price gouging increase in all departments continue to appear unstable and alternating from one month to the next. Montana provided increased reimbursement levels on a month-to-month basis and continues to say that the two different programs will be re-evaluated. The Quarantine / Isolation relief funding expired in March and will be evaluated to see if it will be extended to allow the Nursing Home to backdate March and April.

Montana will have more people turning 65-years-old than teens turning 18 in 2023. Montana is about to join the elite top five states with the oldest population.

UTILIZATION

Utilization Stats	FY 2018	FY 2019	FY 2020
Licensed Beds	96	96	96
Admissions	45	42	27
Patient Days	21,496	24,662	21,649
Length of Stay	571	519	575
Average Census	58	68	59

PAYOR MIX

Payor Mix	FY 2018	FY 2019	FY 2020
Medicare	0%	0%	0%
Medicaid	65%	65%	65%
Private Insurance	10%	10%	10%
Private Pay	25%	25%	25%
Total	100%	100%	100%

HISTORICAL FINANCIALS

FISCAL YEARS ENDED 12/31	FY 2018	FY 2019	FY 2020
<u>ASSETS</u>			
Cash & Cash Equivalents	177,813	345,552	1,379,145
Investments	-	-	-
Accounts Receivable (Net)	263,646	594,686	548,204
Other Receivables	164,494	-	-
Inventory	40,852	41,052	41,432
All Other Current Assets	-	37,673	57,494
Total Current Assets	\$ 646,805	\$ 1,018,963	\$ 2,026,276
Fixed Assets	7,373,800	7,383,449	7,384,620
Accumulated Depreciation	5,351,771	5,586,421	5,819,221
Fixed Assets (net)	2,022,029	1,797,028	1,565,398
Board Designated Funds	1,349,602	1,547,387	1,690,606
Other Assets	-	-	25,829
Total Assets	\$ 4,018,435	\$ 4,363,378	\$ 5,308,110
<u>LIABILITIES</u>			
Accounts Payable & Other Accrued Expenses	504,924	585,488	366,018
Current Portion of Long-Term Debt	-	-	-
Other Current Liabilities	-	-	-
Total Current Liabilities	\$ 504,924	\$ 585,488	\$ 366,018
Long-Term Debt (Less Current Portion)	753,159	654,162	598,847
Other Long-Term Liabilities	-	-	-
Unrestricted Fund Balance	2,760,354	3,123,729	4,343,245
Restricted Fund Balance	-	-	-
Fund Balance	2,760,354	3,123,729	4,343,245
Total Liabilities & Fund Balance	\$ 4,018,436	\$ 4,363,379	\$ 5,308,110
Net Service Revenue	4,279,866	5,351,653	4,681,194
Other Operating Revenue	-	-	-
Total Operating Revenue	\$ 4,279,866	\$ 5,351,653	\$ 4,681,194
Interest	19,225	686	2,121
Depreciation & Amortization	199,290	234,650	235,931
Other Operating Expenses	4,981,644	5,594,282	6,488,562
Total Operating Expenses	\$ 5,200,159	\$ 5,829,618	\$ 6,726,614
Income from Operations	\$ (920,293)	\$ (477,965)	\$ (2,045,420)
Nonoperating Revenue	515,615	841,341	3,264,935
Excess of Rev Over Exp Excl Extraord Items	\$ (404,678)	\$ 363,376	\$ 1,219,515

KEY RATIOS

Key Ratios	FY 2018	FY 2019	FY 2020
Days in Accounts Receivable	22.48	40.56	42.74
Days Cash on Hand	12.98	22.54	77.56
Current Ratio	1.28	1.74	5.54
Operating Margin (%)	-21.50%	-8.93%	-43.69%
Debt to Capitalization	21.44%	17.32%	12.12%
Debt Service Coverage (x)	-9.68	872.76	687.21
Average Age of Plant (Years)	26.85	23.81	24.66

FINANCIAL OBSERVATIONS

The Nursing Home has struggled financially, posting substantial losses for a decade. This was driven primarily by two factors. First, the decrease in Medicaid reimbursement impacted the Nursing Home and other rural facilities throughout Montana. Medicaid reimbursement uses a methodology that assumes that the average nursing home has a 45% “private pay” payor mix, which is used to offset the reimbursement amounts of Medicaid recipients. However, most nonprofit nursing homes have private pay of 30% or less.

Second, Valley View has struggled to maintain nursing staff and administrative staff. This forced the Nursing Home to rely on locums for staffing and to rely on rotating management positions. This was not only more expensive, but it caused a distrust in building a career within the Nursing Home and the Nursing Home suffered from a lack of consistency.

HOW THE NURSING HOME IS RECOVERING

Valley View has taken action to address the above key issues. Beginning in 2018, after a long vetting of management, new administration personnel, and nursing; leaders were put into place. Valley View has built a dedicated team of full-time employees and only requires minimal contract nursing, which is very rare in long-term-care facilities especially with the COVID-19 pandemic.

Further, with the rebuilding of trust in the community, prominent leaders in Valley County formed the “Vote Yes to Valley View” tax levy. The tax levy passed unanimously and is in place until 2023. The Nursing Home receives \$300,000 annually from its tax levy. The County subsidy helps the Nursing Home recover Medicaid expenses and make needed renovations.

By implementing these key changes, Valley View has been able to return to profitability in 2019 and lay the framework for future successes.

Assets and Liabilities

- Cash and cash equivalents increased from \$345,552 in FY 2019 to \$1.38 million in FY 2020. This is attributed to the Nursing Home’s Paycheck Protection Program loan of \$889,000 which was already forgiven.

- Accounts payable decreased from \$585,488 in FY 2019 to \$366,018 in FY 2020. This decrease is directly tied to COVID.

Revenues and Expenses

- Net service revenue decreased from \$5.35 million in FY 2019 to \$4.68 million in FY 2020. This is due to COVID-related decreases in resident census. The average census in 2019 was 67.9 residents per day whereas in 2020 the average dropped to 59. Less census means less revenue.
- Non-operating revenues increased from \$841,341 in FY 2019 to \$3.26 million in FY 2020. 90% of the non-operating income was from COVID stimulus funds while the other 10% was a bonus to Valley View Home for increasing its staffing and quality measures.
- Operating expenses increased from \$5.82 million in FY 2019 to \$6.48 million in FY 2020. The pandemic caused the CDC and CMS to provide more guidelines for nursing homes to abide by which increases equipment/supply and staffing. Included in the increase is significant price hiking of virtually all supply utilized for all departments. Example: a case of gloves that cost around \$55 in 2019 are now on "sale" for \$365.
- Net income increased from \$363,376 in FY 2019 to \$1.21 million in FY 2020. This consists of the PPP loan being forgiven, CARES Act phase I and II, stimulus payment for nationwide nursing homes in the amount of \$2,600 for each licensed bed. This equated to a total of \$249,000 for Valley View.

PRO FORMA

	FY 2018	FY 2019	FY 2020	Pro Forma
Revenues Minus Expenditures	(404,678)	363,376	1,219,515	1,242,331
Add Depreciation/Amortization	199,290	234,650	235,931	235,931
Interest Expense	19,225	686	2,121	2,121
Available for Debt Service	-186,163	598,712	1,457,567	1,480,383
Existing Debt Service	19,225	686	2,121	2,121
Debt Service on New Money	N/A	N/A	N/A	103,054
Total Debt Service	19,225	686	2,121	105,175
Debt Service Ratio Calculation	(9.68)	872.76	687.21	14.08

* The Pro Forma adds in \$13,000 of annual projected savings from the boiler upgrade and LED lighting. These savings were highlighted by the National Center for Appropriate Technology (NCAT) in the Nursing Home's EEP report.

* An additional \$9,816 was added to revenue and expenditures to show the annual interest savings of refinancing the roof loan.

ANTICIPATED FINANCIAL CHANGES DUE TO PROJECT

The Nursing Home took out a loan with Frances Mahon Deaconess Hospital to repair its roof in FY 2017. The loan carries a substantial balloon payment in FY 2022 and needs to be refinanced. This MFFA Trust Fund Loan will allow the Nursing Home to avoid a balloon payment and lock in a low interest loan, saving the Nursing Home \$9,816 annually. Further, the capital upgrades included in the Trust Fund Loan allows the Nursing Home to purchase a new boiler and make needed energy upgrades. In 2019, the Nursing Home underwent an MFFA energy efficiency grant which identified needed energy upgrades. In addition to the boiler system, the Nursing Home will

implement other energy capital upgrades, such as LED lighting. The annual savings for these upgrades is estimated at a \$13,000.

STRENGTHS

- Strong financial performance in FY 2019, returning to profitability for the first time since FY 2010.
- Management and staff has stabilized and the Nursing Home no longer relies on locums.
- Annual tax subsidy helps the Nursing Home offset losses and build reserves.

WEAKNESSES

- Low private pay percentage makes it difficult for the Nursing Home to record a positive operating margin.
- The Nursing Home has realized substantial losses since FY 2011. COVID impacts on financials are unforeseen in the Nursing Home realm.
- Uncertainty regarding rural healthcare and Medicaid expansion moving forward.

RECOMMENDATION

Approval is recommended based on the Nursing Home successfully implementing a plan to return to profitability and subsequent success in FY 2019, its tax levy, and strong proven management.

RESOLUTION NO. 21-09

RESOLUTION ON A PROPOSAL TO MAKE A LOAN TO VALLEY VIEW NURSING HOME PURSUANT TO TITLE 90, CHAPTER 7, AND TITLE 17, CHAPTER 6, PART 3, MONTANA CODE ANNOTATED, AS AMENDED; APPROVING THE RELATED LOAN APPLICATION; APPROVING THE PROJECT AND THE TERMS AND CONDITIONS OF THE LOAN AND THE EXECUTION OF DOCUMENTS RELATED THERETO.

BE IT RESOLVED by the Montana Facility Finance Authority (the "Authority"), as follows:

Section 1. Recitals.

1.01. The Authority is authorized pursuant to Title 90, Chapter 7, and Title 17, Chapter 6, Part 3, Montana Code Annotated, as amended (hereinafter referred to as the "Act"), to make a loan from the Permanent Coal Tax Trust Fund for a capital project as defined in the Act. Valley View Nursing Home, a Montana non-profit corporation with its operations located in Glasgow, Montana (the "Obligor") has presented a proposal to the Authority requesting the Authority assist the Obligor with the refinance of a loan held by Frances Mahon Deaconess Hospital for its roof replacement and the purchase of a new boiler system (the "Project") by making a loan to the Obligor in an amount not to exceed \$900,000 (the "Loan").

1.02. The Authority determines that the Loan is for a capital project as described in the Act and does not exceed 10% of the \$15,000,000 amount of the Permanent Coal Tax Trust Fund to be administered under the Act by the Authority.

1.03 The Authority has received the Obligor's Loan application and deems the application complete and determines that the Project is eligible for financing under the Act.

1.04 The Authority and the Board of Investments of the State of Montana have calculated the interest rate for the Loan in accordance with a commitment letter specifying the date through which the commitment is valid, the interest rate and term of the Loan.

1.05 The following documents relating to the Project and the Loan will be prepared and shall be placed on file in the office of the Authority:

(a) A Loan Agreement (with exhibits and attachments), the "Loan Agreement," with the Authority as Lender and Obligor as borrower,

(b) A Mortgage and Security Agreement, the "Mortgage", if applicable and

(c) A Note in the principal amount of the Loan from the Obligor to the Authority (the "Note").

Section 2. Findings.

2.01. Based on the application, the Authority hereby finds, determines and declares as follows:

(a) the Obligor is an "institution" and the Project consists of the financing or refinancing of "eligible facilities" within the meaning of the Act, in that the improved facility is a critical access hospital;

(b) the amount of the Loan to the Obligor pursuant to the Loan Agreement based solely on information provided and representations made by the Obligor will not exceed the total eligible costs of the Project;

(c) pursuant to the Loan Agreement, the Loan repayments will be sufficient to pay the principal of, and interest on the Note as due, to meet all other obligations in connection with the Loan Agreement and to provide for costs of servicing and securing the Note;

(d) the Project is to be operated by the Obligor for the purpose of providing skilled nursing services;

(e) based solely upon information and representations provided by the Obligor, the Obligor will have sufficient revenues to provide for the payment of the principal of and interest on the Loan as due;

(f) pursuant to Section 17-6-308(4). MCA, the Loan Agreement will provide that principal and interest payments on the Loan will be deposited in the Coal Severance Tax Permanent Fund until all principal and interest has been paid;

(g) the Project is not subject to certificate of need approval under Montana Code Annotated, Title 50, Chapter 5, Part 3, as amended; and

(h) the Loan complies with the terms of the Authority's Trust Fund Loan Pool Policy.

Section 3. Approval and Authorizations.

3.01. The Project and the Loan are hereby approved by the Authority.

3.02. The forms of (a) the Loan Agreement and the attachments thereto and (b) the Note, filed with the Authority are approved. The Chairman, Executive Director, or any one or more of such officers of the Authority are hereby authorized and directed: (i) to execute the Loan Agreement and its Exhibits and Attachments in the name and on behalf of the Authority, upon

execution thereof by the other parties thereto; and (ii) to file or record any security instruments in the name of, and on behalf of, the Authority. The above-referenced documents shall be executed in substantially the form previously approved, subject to such additions thereto or deletions therefrom as are approved by the officers executing the same, which approval shall be conclusively presumed by the execution thereof, and such other documents as required by the Authority's counsel shall also be executed at the closing.

Section 4. Application and Planning Fees.

4.01 As authorized by Section 90-7-211 of the Act, the Authority may assess certain initial planning service fees and annual planning service fees to be paid by participating institutions (as defined in the Act) in connection with any application to the Authority for financial assistance. The initial planning service fee will be one percent (1%) of the final loan amount. The annual planning service fee for the Obligor will be 50 basis points (.50%) of the outstanding amount of the Loan, assessed each month and included in the amortization schedule provided to the Obligor, unless and until changed by the Authority.

Passed and approved by the Authority this 9th day of June 2021.

MONTANA FACILITY FINANCE AUTHORITY

ATTEST:

By: Vu Pham
Its: Chairman

By: Adam Gill
Its: Executive Director

Montana Facility Finance Authority
Budget v. Actual Expenses
05/31/21
92% Expended

Legislative Budget	Year to Date			
	Category	Budget	Actual	\$ Variance % Variance
\$803,500	A) INCOME	\$548,974	613,970	64,996 12%
135,000	Application Fees	123,750	173,479	49,729 40%
538,500	Annual Fees	306,057	350,561	44,504 15%
130,000	Investment Income	119,167	89,930	(29,237) -25%
\$304,697	B) PERSONAL SERVICES EXPENSE	\$279,306	256,141	(23,165) -8%
297,697	Salaries & benefits	272,889	252,141	(20,748)
7,000	Board Per Diem	6,417	4,000	(2,417)
\$311,840	C) OPERATING EXPENSES**	\$221,687	156,888	(64,799) -29%
52,842	Contracted & Other Services	48,439	42,119	(6,319) -13%
	Misc. Other Services		11,357	
	Legal Services		13,489	
	Legislative Audit		15,202	
	ITSD		2,071	
12,044	Supplies/Materials/Equipment	11,040	11,198	157 1%
7,824	Communications	7,172	3,870	(3,302) -46%
29,378	Travel	26,930	2,008	(24,922) -93%
27,188	Rent	24,922	28,104	3,182 13%
	Building Rent		27,557	
	Other Rent		547	
156	Repairs & Maintenance	143	170	27 19%
70,408	Miscellaneous	64,541	46,969	(17,571) -27%
	Commerce Department Services		36,423	
	Administration (statewide) Indirect Costs		1,466	
	Education		2,810	
	Other Miscellaneous		6,270	
0	Equipment	0	510	
42,000	BOI Administrative Support**	38,500	21,941	(16,560) -43%
\$186,963	REVENUES IN EXCESS OF EXPENSES (A-B-C)	47,981	200,941	152,960 319%
330,000	Grants-Obligated/Paid	37,500	0	
(\$143,037)	Current Year Increase in Net Assets		200,941	
	INCREASE (DECREASE) IN NET ASSETS		200,941	

* Income presented on CASH basis. GAAP accrual accounting would reflect approximately \$1,693.74 less income annually, or < 0.4%

A/E 06015	Operating Account Summary	Current Balance	Policy Guideline
	Total Fund Balance Available Net Capital Reserve "B" Balance	3,303,923	
	Less: Working Capital Reserve Requirement	1,805,748	1,805,748 (a)
	Available for Restricted Capital Reserve "A"	1,498,175	9,643,137 (b)
	Fund Balance: Sub-Total	3,303,923	11,448,884
A/E 06015	Trust Fund Loan Pool		
	RC 710300, Accounts 521190	42,973	
	Plus: Prior Year End Capital Reserve "B" Fund Balance Sub Total	337,544	
	Capital Reserve "B" Fund Balance	380,517	928,539 (d)
A/E 06012	Direct Loan Program		
	Current Program Fund Balance	4,820,716	
	Less: Outstanding Loan Balance	3,231,135	
	Funds Available to Loan from Direct Loan Program	1,589,581	
	Fund Balance: Sub-Total	4,820,716	6,018,640 (c)
	Total Projected Fund Balance	8,505,157	18,396,064

Notes:

Policy Guidelines - Minimum Funding Requirements

(a) Twice the current Fiscal Year annual budget.	902,874
(b) 10% of the outstanding BOI enhanced bond balance as of 7/1/20	96,431,366
(c) \$5,936,307 as of 7/1/20 plus YTD loan payments, account investment	6,018,640
(d) 10% of the Trust Fund Loan Pool Balance as of 7/1/20	9,285,392

MONTANA FACILITY FINANCE AUTHORITY

Staff Approved Loans

5/01/21 - 5/31/21

Submitted Applications

<u>Borrower</u>	<u>Location</u>	<u>Date Submitted</u>	<u>Term</u>	<u>Interest</u>	<u>Amount</u>	<u>Project</u>
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Total Pending Direct Loans:

\$ -

Approved Applications

<u>Borrower</u>	<u>Location</u>	<u>Date Approved</u>	<u>Term</u>	<u>Interest</u>	<u>Amount</u>	<u>Project</u>
Bighorn Valley Health Center	Hardin	09/04/20	10	2.25%	\$ 500,000	Clinic Renovation Project

Total Approved Direct Loans:

\$ 500,000

Funds Available Under

Direct Loan Program:

Loan Fund: (5/31/2021)

4,820,716

Total Outstanding Loans: (5/31/2021)

(3,231,135)

Approved Applications from above:

(500,000)

Total Available to Loan at 5/31/2021

\$ 1,089,581

Funded Applications from 7/1/20:

<u>Borrower</u>	<u>Location</u>	<u>Date Funded</u>	<u>Term</u>	<u>Interest</u>	<u>Amount</u>	<u>Project</u>
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Total Loans Funded since 7/1/20

\$ -

MONTANA FACILITY FINANCE AUTHORITY

Staff Approved Grants

5/1/21 - 5/31/21

Commitments Pending

<u>Facility</u>	<u>Location</u>	<u>Date Submitted</u>	<u>Date Approved</u>	<u>Date Paid</u>	<u>Amount</u>	<u>Project</u>	<u>Program</u>
Missoula YWCA (final)	Missoula, MT	11/12/2018	11/12/2018		\$ 7,500	Energy Efficiency Grant	EEP
Liberty Medical Center	Chester, MT	2/6/2020	2/6/2020		\$ 15,000	Capital Improvement Plan	MCAP
Wheatland Memorial Healthcare	Harlowtown, MT	2/26/2021	2/26/2021		\$ 15,000	Capital Improvement Plan	MCAP
Total Pending Grants:					<u><u>\$ 37,500</u></u>		

Grants Paid since 7/1/2020

<u>Grantee</u>	<u>Location</u>	<u>Date</u>	<u>Approved</u>	<u>Paid</u>	<u>Amount</u>	<u>Project</u>	<u>Program</u>
Total Grants:					<u><u>\$ -</u></u>		

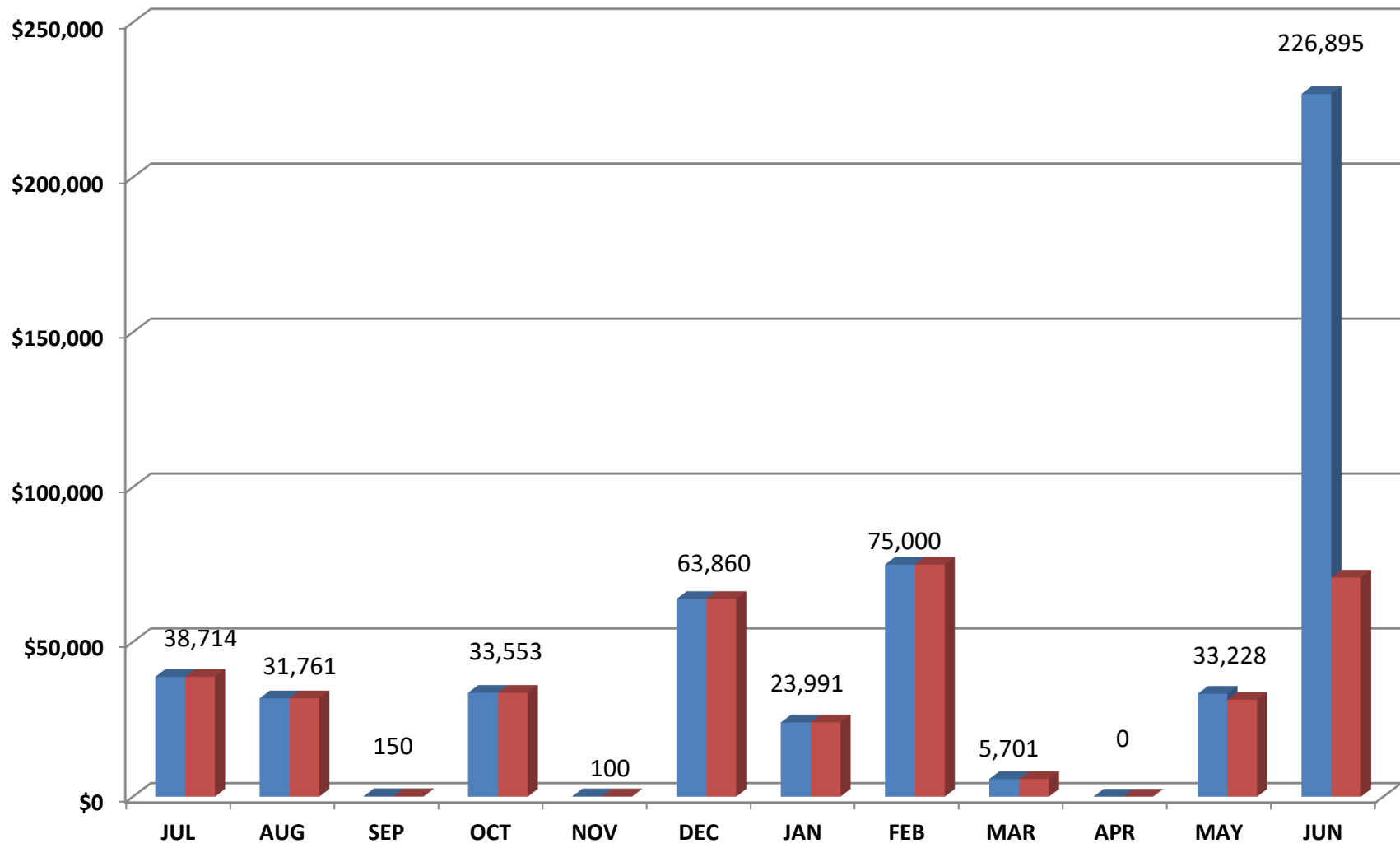
FY 2021 Annual Service Fees

As of June 1, 2021

Annual Projected: \$532,952

YTD Projected: \$532,952

YTD Collected: \$374,890



2021

APRIL

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	Brd Mtg	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

MAY

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	Brd Mtg	19	20	21	22
23/30	24/31	25	26	27	28	29

JUNE

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	Brd Mtg	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

JULY

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

AUGUST

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	Brd Mtg	Brd Mtg	19	20	21
22	23	24	25	26	27	28
29	30	31				

SEPTEMBER

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

OCTOBER

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	Brd Mtg	22	23
24/31	25	26	27	28	29	30

NOVEMBER

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

DECEMBER

S	M	T	W	T	F	S
			1	2	3	4
5	6	Brd Mtg	Brd Mtg	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

2022

JANUARY

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23/30	24/31	25	26	27	28	29

FEBRUARY

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

MARCH

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
28	29	29	30	31		

HOLIDAYS AND OBSERVANCES

1-Jan New Year's Day
17-Jan MLK Day
21-Feb Presidents' Day
31-May Memorial Day

4-Jul Independence Day
6-Sep Labor Day
11-Oct Columbus Day
11-Nov Veterans Day Ob.

25-Nov Thanksgiving Day
25-Dec Christmas Day

CONFERENCES

June 21-23, 2021 PACENation, Virtual
June 29-30, 2021 MEDA, Helena
Aug 4-6 2021 Quad State, Coeur d'Alene, ID
Sep 8-10, 2021 NAHEFFA, Milwaukee, WI

Sep 13-17, 2021 MT Treasury Assoc., TBD
Sep 20-24, 2021 MHA, Billings
Sep 26-30, 2021 MACO, Kalispell
Oct 27-29, 2021 HFMA, Billings