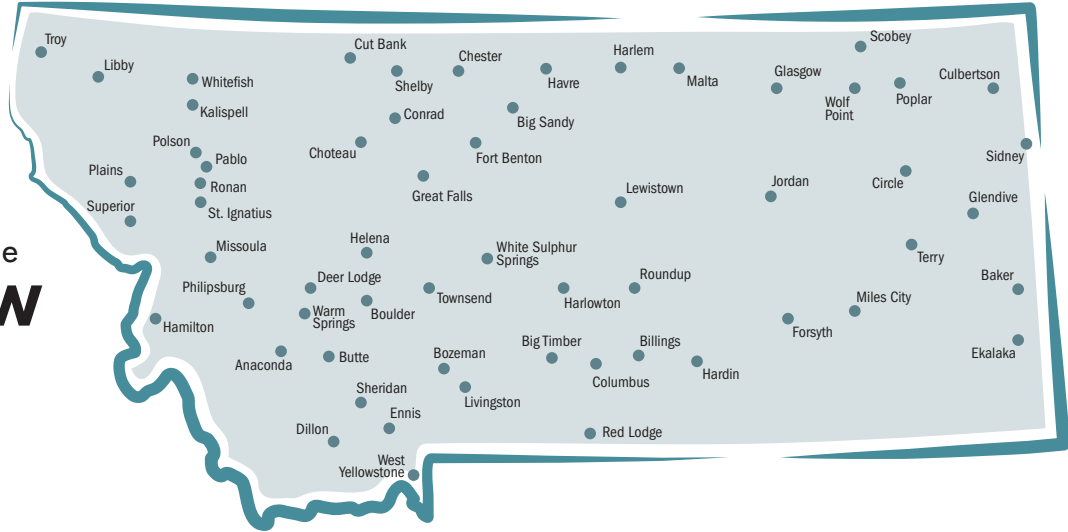


- 2019 -

Montana Facility Finance  
**AUTHORITY REVIEW**



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

## Board: Appointed by the Governor



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

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

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

I love writing the letter for the annual review. It gives me the opportunity to highlight the great accomplishments our staff, clients, and board members have worked on throughout the year. 2019 was an exciting year for The Montana Facility Finance Authority. It was the year that we expanded our lending programs and witnessed some fantastic success stories stemming from our Energy Efficiency Program Grants. We built a robust database and even had time to finance more Direct Loans than in any other year. Overall, it was another great year serving Montana communities.

### Milestones and achievements in 2019 included:

- Issuing \$129.4 million in tax-exempt bonds (two bonds/two series), over \$2.51 million in Direct Loans (eleven loans) and over \$3.92 million in Trust Fund Loans (four loans) raising our total financings structured since 1983 to almost \$3.44 billion.
- We helped save Sisters of Charity Health System, Inc. \$38.7 million by refunding its Series 2010 A & B bonds.
- We worked with six rural healthcare providers to save them over \$375,000 over the next 10 years by refinancing existing debt.
- We paid \$105,000 in Energy Efficiency Program Grants (ten grantees) to identify potential savings from energy efficiency projects. We also provided \$54,055 in Montana Capital Assistance Program Grants (four grantees) to pay for capital planning costs.

We have done a lot in 36 years of serving Montana, but there is still so much more for us to do. Many of our local hospitals are operating in old facilities or relying on aging capital-systems for heating and cooling. While older, inefficient capital systems can slowly drain funds from a facility, the cost of replacing these systems can be high and the process for determining the right replacement can be daunting. Due to this state-wide problem, we knew we had to try and find a solution. So, we partnered with the Montana-based National Center for Appropriate Technology to provide energy efficiency assessments that cover a range of energy systems including: lighting, heating, cooling, and building envelope. In 2019 we saw fantastic results of these grants in several facilities:

- At Providence St. Patrick's in Missoula, the recommendations on air handling were implemented resulting in over \$190,000 in annual savings.
- In Scobey, Daniels Memorial was able to identify options to replace its boiler. With the assistance of an MFFA Direct Loan, they were able to replace the boiler and save over \$20,000 per year after debt service.

We are looking forward to sharing more success stories from our grantees as we move into 2020.

I close my 2019 letter by saying thank you to our dedicated and forward-looking Board of Directors, our professional staff, financing partners, financial institutions, and associates. We thank you for your support and we look forward to continuing to serve Montana communities for years to come.

*Adam Gill*

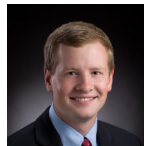
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### **Stand-Alone Bond Financings**

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

### **Master Loan Program**

Through an agreement with the Montana Board of Investments, this program provides low-interest, tax-exempt financing for smaller hospitals. Loans range from \$1.5 million to \$20 million, and can be marketed for more than one borrower at a time.

### **Direct Loan Program**

This staff-approved program offers low-interest loans for eligible projects including construction and renovation, facility acquisition, loan refinancing, and purchase of equipment and finance costs. The maximum loan size is \$300,000, unless combined with a Trust Fund Loan or is an eligible refinancing of existing debt.

### **Trust Fund Loan Program**

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

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

These grants are for small rural hospitals to finance Facility Master Plans, Capital Financing Plans and Scope of Services Reviews. The maximum grant size is \$15,000 with a required 20% match.

### **Energy Efficiency Program (EEP)**

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

## **Big Horn County**

### **Bighorn Valley Health Center**

We have always prided ourselves on working closely with healthcare facilities in Montana. Be it a critical access hospital, community health center, or mental health center, MFFA is available with financing options and grants. We haven't worked with many community health centers in the past which is why Bighorn Valley Health Center ("Center") is one of our spotlights.

We received a financing request in April 2019 that outlined their need for a new 8,640 sq. ft., single-story building on undeveloped land owned by the Center. The facility would house clinical space for primary medical care with integrated behavioral health and substance abuse treatment, and a community common room and meeting space.

Like many facilities in Montana, the Center needed more funds than our direct financing could provide, but was not big enough to be well received by bond investors. To answer this ongoing lending challenge, we developed the Master Loan Program over 20 years ago. The Master Loan Program allows a smaller facility the ability to enter the bond market utilizing the Montana Board of Investment's credit rating to receive a fantastic interest rate. In the end, Bighorn Valley Health Center went on the market with a \$4,000,000 request. They received a 3.07% interest rate for 20 years. The financing had a pricing date of 7/22/2019 and a closing date of 8/8/2019.

Bighorn Valley Health Center expects an additional 20% increase in patient encounters at the Hardin facility due to both the increased capacity and efficiency of workflows the new facility will provide. This project is also expected to increase its patient capacity by 50%.

*"We're grateful for the MFFA Master Loan Program, which is enabling us to construct a new, outpatient primary care facility in Hardin that will significantly enhance patient access to comprehensive, integrated care close to home."*

**David Mark, MD, CEO  
Bighorn Valley Health Center, Inc.**



## Custer, Silver Bow & Yellowstone Counties

### Sisters of Charity of Leavenworth Health Systems, Inc.

**Purpose:** To refinance its existing MFFA 2010A/2010B bonds which were used to refund its 1998 bonds and pay for the costs of acquiring, constructing, renovating and equipping projects at health facilities throughout Montana.

**Amount:** \$125,425,000

**Interest Rate:** 2.40%

**Pricing Date:** 8/20/2019

**Term:** 20 years

**Closing Date:** 10/3/2019

**Benefit:** *The financing is estimated a total net present value savings of \$38.7 million including average annual cashflow savings of \$2.6 million.*





## Carter County

### Dahl Memorial Healthcare Association

**Type:** Direct Loan

**Purpose:** Financing will be combined with several other sources to purchase a critical replacement of its current Electronic Health Record System.

**Amount:** \$175,000

**Interest Rate:** 2.03%

**Pricing Date:** 06/07/2019

**Term:** 7 Years

**Closing Date:** 12/17/2019

**Benefit:** Dahl Memorial was recently notified that its current EMR system would not support Centers of Medicare and Medicaid Stage 3 Meaningful Use. Dahl Memorial is replacing the current EMR system with a new Centriq system that will be capable of meeting all three stages of Meaningful Use.



## Fallon County

### Fallon Medical Complex

**Type:** Direct Loan

**Purpose:** To purchase a Horiba Pentra C400 Chemistry Analyzer and a Horiba Pentra 60C+ Hematology Analyzer.

**Amount:** \$75,750

**Interest Rate:** 2.70%

**Pricing Date:** 12/21/2018

**Term:** 5 years

**Closing Date:** 1/03/2019

**Benefit:** The equipment is essential to the Hospital's laboratory operations and critical to maintain the required standard of care and its current revenue stream.



**Fergus County****Eastern Montana Community Mental Health Center**

The budget cuts from the November 2017 Legislative Special Session hit mental health service providers particularly hard, pushing many providers into precarious financial positions. In October of 2019, the MFFA received a loan request from Eastern Montana Community Mental Health Center (“Health Center”) to finance the acquisition and remodeling of a group home in Glendive from another struggling provider.

Earlier this year, MFFA’s board approved a Direct Loan/Trust Fund Loan financing combination which allowed for refinancing of debt and an increase in Direct Loan lending amounts. While reviewing their finances for the acquisition loan, we discovered an opportunity to restructure several other of the Health Center’s loans into a simpler, lower-interest package. The Health Center took full advantage of this new program and applied not just for the original request of \$170,000 in capital upgrades, but also to refinance its four mortgages. By refinancing the existing mortgages through the MFFA, the Health Center saved \$162,000 over the life of the loans. The complete financing came to \$1,081,215. Interest rates for the combination financing were 2.25% for the \$500,000 Direct Loan and 2.89% for the \$581,215 Trust Fund Loan. Both financings have a term of 10 years. The pricing date for the Trust Fund Loan was 9/30/19 and 10/4/19 for the Direct Loan. The loans closed on 11/11/19.

The \$162,000 in savings from refinancing the existing debt covers almost the entire cost of acquiring and renovating the new group home. The MFFA was able to lower costs, restructure and simplify the Health Center's debt and help them keep a mental health service facility in a rural community open.

*"I had such a great experience working with MFFA on this financing / re-financing project. It has definitely been the easiest financing project that has been completed for EMCMHC. I certainly appreciated the thoroughness and the guidance that I received from the MFFA staff. It was just a smooth financing transaction from start to finish."*

**Linda Mehlhoff, CFO**  
**Eastern Montana Community Mental Health Center**



## Fergus County

## Central Montana Medical Center



**Type:** Trust Fund Loan

**Purpose:** The project will finance a remodel of its facility for new interventional radiology equipment.

**Amount:** \$337,000

**Interest Rate:** 3.75%

**Pricing Date:** 6/19/2018

**Term:** 10 years

**Closing Date:** 5/6/2019

**Benefit:** To remodel the Interventional Radiology room for new equipment. The new equipment will replace outdated equipment and enable the Hospital to offer new services.

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**Type:** Direct Loan

**Purpose:** To refinance an MFFA Trust Fund Loan that was used to remodel its Radiology/Fluoroscopy room to house new equipment.

**Amount:** \$335,870

**Interest Rate:** 2.26%

**Pricing Date:** 7/5/2019

**Term:** 10 years

**Closing Date:** 7/11/2019

**Benefit:** The refinance will save the Hospital in interest costs and lower its monthly payment by \$220. Over the life of the loan, the Hospital will save \$26,243.

## Glacier County

### Northern Rockies Medical Center

**Type:** Direct Loan

**Purpose:** To purchase a new Siemens Chemistry Analyzer.

**Amount:** \$101,000

**Interest Rate:** 2.03%

**Pricing Date:** 6/7/2019

**Term:** 7 years

**Closing Date:** 6/12/2019

**Benefit:** The Hospital estimates that it will save at least \$52,000 per year by purchasing the chemistry analyzer, freeing it from its previous equipment contract requirements.



## Liberty County

### Liberty Medical Center

**Type:** Direct Loan

**Purpose:** To refinance an MFFA Trust Fund Loan that was used to refund its Series 2000 revenue bonds originally received for construction of its assisted living facility.

**Amount:** \$299,300

**Interest Rate:** 2.52%

**Pricing Date:** 1/4/2019

**Term:** 7 years

**Closing Date:** 2/19/2019

**Benefit:** The refinance will save Liberty Medical Center \$80,607 over the life of the loan.



## McCone County

### McCone County Health Center

**Type:** Direct Loan

**Purpose:** Financing covered costs of planning and installing a new hot water system.

**Amount:** \$99,100

**Interest Rate:** 2.15%

**Pricing Date:** 6/14/2019

**Term:** 7 years

**Closing Date:** 10/9/2019

**Benefit:** The hot water system allows for extended boiler downtime, extending its useful life and making future replacements easier.



## Ravalli County

### Marcus Daly Memorial Hospital

**Type:** Trust Fund Loan

**Purpose:** To purchase a medical office building in Hamilton to be used for support services and a dermatology clinic.

**Amount:** \$1,500,000

**Interest Rate:** 3.31%

**Pricing Date:** 8/31/2019

**Term:** 20 years

**Closing Date:** 9/10/2019

**Benefit:** The project will allow the Hospital to further consolidate the locations of administrative and clerical offices. This will free up space at the main campus to be used for patient care.



## Roosevelt County

### Northeast Montana Health Services

**Type:** Direct Loan

**Purpose:** To refinance two of its existing MFFA Trust Fund Loans that financed a boiler replacement for its skilled nursing facility.

**Amount:** \$498,531

**Interest Rate:** 2.00%

**Pricing Date:** 7/5/2019

**Term:** 4 years

**Closing Date:** 8/1/2019

**Benefit:** The refinance will save the Hospital \$21,552 over the life of the loan.



## Yellowstone County

### Job Connections, Inc.

**Type:** Direct Loan

**Purpose:** To refinance its existing MFFA Trust Fund Loan that financed the acquisition of a 5-unit office building.

**Amount:** \$298,470

**Interest Rate:** 2.26%

**Pricing Date:** 7/5/2019

**Term:** 10 years

**Closing Date:** 7/18/2019

**Benefit:** The refinancing will shorten the loan term and save Job Connections, Inc. \$64,547 over the life of the loan.





## Yellowstone County Alternatives, Inc.



**Type:** Direct Loan

**Purpose:** To refinance an existing mortgage on the Honors apartment building. The apartments are awarded on a merit basis and open to residents who are performing exceptionally well. Criteria includes being treatment compliant, having minimal behavioral incidents, and maintaining compliance with the overall pre-release opportunity.

**Amount:** \$125,700

**Interest Rate:** 2.35%

**Pricing Date:** 3/29/2019

**Term:** 7 years

**Closing Date:** 4/23/2019

**Benefit:** The refinance will save Alternatives approximately \$24,000 over the life of the loan.

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**Type:** Trust Fund Loan

**Purpose:** To finance the purchase of a one-story, 15,981 sq. ft. office building to be used for administrative purposes.

**Amount:** \$1,500,000

**Interest Rate:** 3.31%

**Pricing Date:** 08/31/2019

**Term:** 20 years

**Closing Date:** 12/17/19

**Benefit:** Alternatives has outgrown its current administrative location, and the new location is located closer to the area that it serves. This will allow Alternatives to co-locate and to expand services to the public particularly concerning methamphetamine and opioid use.



## Missoula County

### Providence St. Patrick's Hospital & Providence Center

The Energy Efficiency Program ("EEP") was created to help eligible facilities save on energy costs. The grant pays for an engineer from the National Center for Appropriate Technologies ("NCAT") to perform a comprehensive energy audit. The audits are then used for guidance on energy conservation measures. To date, the MFFA has approved more than 17 EEP grants totaling more than \$225,000.

We were able to fund two EEP grants for Providence: one for the Providence Surgery Center and another for Providence St. Patrick's Hospital due to their separate 501(c)(3) status. Both audits came back showing potential for significant energy conservation savings. After implementing some suggestions from the audit, Providence has seen energy savings of over \$190,000 annually. But don't take our word for it...

*"We budgeted \$1.5 million for electricity for 2019 based on projected increase in operations and facility usage. We had NCAT do an energy audit in the fall of 2018. From that we implemented several suggestions with very little out of pocket cost. We are on track to spend \$1.3 million for 2019 from the substantial energy savings from those suggestion and we will implement some more suggestions in 2020."*

**Tim Chopp, Facilities Manager  
St. Patrick Hospital**



**Location:** Lewis & Clark County  
**Borrower:** Westmont  
**Grant Type:** Energy Efficiency Program

**Location:** Liberty County  
**Borrower:** Liberty Medical Center  
**Grant Type:** Energy Efficiency Program

**Location:** Lincoln County  
**Borrower:** Cabinet Peaks Medical Center  
**Grant Type:** Energy Efficiency Program

**Location:** Madison County  
**Borrower:** Madison Valley Medical Center  
**Grant Type:** MCAP

**Location:** McCone County  
**Borrower:** McCone County Health Center  
**Grant Type:** MCAP

**Location:** Missoula County  
**Borrower:** Missoula YWCA  
**Grant Type:** Energy Efficiency Program

**Location:** Musselshell County  
**Borrower:** Roundup Memorial Hospital  
**Grant Type:** MCAP

**Location:** Pondera County  
**Borrower:** Pondera Medical Center  
**Grant Type:** Energy Efficiency Program

**Location:** Prairie County  
**Borrower:** Prairie Community Hospital  
**Grant Type:** MCAP

**Location:** Ravalli County  
**Borrower:** Marcus Daly Memorial Hospital  
**Grant Type:** MCAP

**Location:** Roosevelt County  
**Borrower:** Roosevelt Medical Center  
**Grant Type:** Energy Efficiency Program

**Location:** Valley County  
**Borrower:** Valley View Home  
**Grant Type:** Energy Efficiency Program

**2019 Total Granting Awarded: \$166,890**

# Montana Facility Finance Authority

P.O. BOX 200506

Helena, MT 59620-0506

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

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

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