

MONTANA FACILITY FINANCE AUTHORITY
Board Meeting

Montana Facility Finance Authority Office
1712 9th Ave, Helena

April 23, 2024

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



MONTANA FACILITY FINANCE AUTHORITY

Department of Commerce

1712 9th Ave.
PO Box 200506
Helena, MT 59620-0506
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MEMORANDUM

To: MFFA Board Members
From: Adam Gill, Seth Lutter, Monica Birlut, and Carolyn Jones
Date: April 16, 2024
Subject: MFFA Board Meeting Tuesday, April 23, 2024

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

We have several programmatic updates, a request to hold a TEFRA hearing, an inducement resolution, strategic planning, and our standard reports.

A Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) Hearing is required to be held in any jurisdiction where bond funds are to be expended. For bonds we issue, we hold the hearings as a normal part of our process. It is possible for an issuer to be from outside of Montana and issue a bond if there is another party in the jurisdiction who will hold a TEFRA hearing. Intermountain Health is planning on seeking up to \$869 million in bonds to construct a new facility for St. Vincent's in Billings and improvements to Holy Rosary in Miles City. They currently plan on pursuing this via up to three bond issuances spread out over multiple years. The first tranche of the Intermountain project is up to \$50 million, the second tranche expected in 2026 will cover most, if not all the remaining balance with a possible third tranche in 2028.

The first \$50 million is being issued through the Colorado Health Facilities Authority and they have asked us to provide the TEFRA hearing for that issuance. This is not a common event. However, due to the nature of how the first tranche fits in a larger financing being done for Intermountain in Colorado, it makes operational and financial sense to hold the TEFRA for this small piece now and then be the issuer for the remaining tranche(s).

We have an inducement resolution for Holt Sales Services in Kalispell.

In addition, we are asking the board to approve the MFFA pursuing a loan application with the Rural Development Intermediary Relending Program. A memo outlining the program is attached. If approved, we plan to submit an application by June 30th.

Finally, this meeting will be the continuation of the strategic planning process.

As always, please call or write if you have any questions.

MICROSOFT TEAMS INSTRUCTIONS

[Conference Link](#)

Meeting ID: 274 503 047 662

Password: 6oqRBm

OR

Dial by Telephone: +1 406-318-5487

Meeting ID: 526-950-714#

MONTANA FACILITY FINANCE AUTHORITY

Board Meeting

April 23, 2024

1712 9th Ave

Helena, MT

MEETING AGENDA

9:00

I. CALL TO ORDER

- A. Roll Call
- B. Approval of Meeting Minutes (2/7)
- C. Disclosure an Conflict of Interest

II. PUBLIC COMMENT on Board Related Items

III. FINANCINGS

TEFRA Authorization- Intermountain Health System

- 1. Resolution No. 24-02
Joining in Person:
Nathan Bilyeu, MFFA Counsel – Jackson, Murdo & Grant

Holt Sales Services, LLC

- 1. Resolution No. 24-03
Joining in Person:
Nathan Bilyeu, Bond Counsel – Jackson, Murdo & Grant

IV. GENERAL ADMINISTRATIVE

9:45

A. Financials

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

B. Miscellaneous

- 1. Intermediary Relending Program
- 2. C-PACE Rate Update
- 3. Outreach & Marketing Report
- 4. Anticipated Financings

11:30

C. Strategic Planning

Joining Virtually:
Sarah Bartow, Agency Performance Advisor – MT Dept of Admin
Adam Carpenter, Chief Data Officer – MT Dept of Admin

12:30

DISMISS

**MICROSOFT TEAMS
INSTRUCTIONS**

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MONTANA FACILITY FINANCE AUTHORITY

**Board Meeting
February 7, 2024
9:00 A.M.**

MINUTES

BOARD MEMBERS

PRESENT:

Craig Anderson (via phone)
JoAn Cuffe
John Iverson
William Northey
Vu Pham (via phone)
Mel Reinhardt (via phone)

BOARD MEMBERS

ABSENT:

Jade Goroski

STAFF PRESENT:

Adam Gill, Executive Director
Seth Lutter, Associate Director
Monica Birlut, Accountant
Carolyn Jones, C-PACE Program Manager

GUESTS:

Nathan Bilyeu, Authority Counsel – Jackson, Murdo & Grant
Landon Dybdal, CEO – Ruby Valley Medical Center
Sarah Bartow, Agency Performance Advisor – MT Dept of Admin
Therese Simpson, Business Analyst – MT Dept of Admin
Adam Carpenter, Chief Data Officer – MT Dept of Admin

BOARD MEETING

CALL TO ORDER

Board Chair Vu Pham called the February 7, 2024, board meeting of the Montana Facility Finance Authority (the “Authority”) to order at 9:00 A.M. The meeting convened with all but one member of the Board present.

Minutes

Board Member William Northey moved for approval of the December 12, 2023, board meeting minutes. Board Member JoAn Cuffe seconded the motion which passed unanimously.

PUBLIC COMMENT

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

FINANCINGS

Mr. Gill provided information on the following financing for board deliberation:

Ruby Valley Medical Center

Board Member Northey and Board Chair Pham mentioned their potential conflict of interest with Ruby Valley Medical Center. Nathan Bilyeu made note he didn't believe there was a conflict.

Mr. Gill introduced Landon Dybdal, CEO – Ruby Valley Medical Center. Mr. Dybdal described the project, Ruby Valley Medical Center's market, the scope of the Twin Bridges project, its need in the community, and its financial viability with its potential growth in market share and revenues. Mr. Dybdal described Ruby Valley Medical Center's challenges with its days in accounts receivable and expected population changes in the coming years. Mr. Gill described the financing structure of the project and highlighted a couple of positive financial aspects of the project.

Nathan Bilyeu described Resolution 24-01. At the conclusion of discussion, an amendment to Resolution 24-01 was proposed as the resolution listed the Ruby Valley Hospital District instead of Ruby Valley Medical Center. Board Chair Pham requested a motion for approval of the amendment to the financing resolution. Board Member Northey motioned for approval of the amendment to the financing resolution. Board Member John Iverson seconded the motion.

Board Chair Pham requested a motion for approval of the financing resolution. Board Member Iverson motioned for approval of the financing Resolution 24-01. Board Member Cuffe seconded the motioned which passed unanimously.

GENERAL ADMINISTRATIVE

Financials

Mr. Gill presented the Budget-v-Actual results and the Reserve Balances. Mr. Lutter discussed Staff Approved Loans and Grants and presented the Revenue Graph.

Anticipated Financings

Mrs. Jones and Mr. Gill presented the anticipated financings including C-PACE financings and updates and potential C-PACE county districts.

SPECIAL PURPOSE TOPICS

Strategic Planning

Mr. Gill introduced Sarah Bartow, Agency Performance Advisor – MT Dept of Admin, Therese Simpson, Business Analyst – MT Dept of Admin, and Adam Carpenter, Chief Data Officer – MT Dept of Admin who discussed the upcoming process for MFFA's strategic planning development. The board and staff then discussed and added to a MFFA specific SWOT analysis and provided discussion points for future strategic planning meetings.

BOARD MEETING CALENDAR

BOARD MEETINGS
April 23, 2024, TBD
June 18, 2024, Red Lodge
August 21, 2024, TBD
October 23, 2024, TBD
December 10, 2024, TBD

ADJOURN

Board Chair Pham adjourned the meeting at 11:55 A.M.

APPROVE: _____
Vu Pham, Board Chair

ATTEST: _____
Adam Gill, Executive Director

APPROVAL DATE: _____

RESOLUTION NO. 24-02

A RESOLUTION AUTHORIZING A PUBLIC HEARING UNDER SECTION 147(f) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, ON BEHALF OF SISTERS OF CHARITY OF LEVENWORTH HEALTH SYSTEM, INC.

WHEREAS, the Montana Facility Finance Authority (the “Authority”) is authorized by § 90-7-202(21), Montana Code Annotated, to perform “acts necessary and convenient to carry out the purpose of this chapter,” with such purposes including facilitating access to affordable financing for nonprofit healthcare facilities located in Montana;

WHEREAS, Sisters of Charity of Leavenworth Health System, Inc., a Kansas not-for-profit corporation, (“SCL”) has proposed that the Authority hold a public benefit hearing in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended, and regulations applicable thereto (a “TEFRA Hearing”) in regards to tax-exempt bond issuances for the purpose of funding, in part, the following two projects:

1. *St. Vincent Regional Hospital, a new 256-bed general acute-care hospital and the related land, parking garages, office buildings, wellness centers, hospice facilities, medical education facilities, clinics, warehouses and other buildings, all located on the St. Vincent Regional Hospital campus, with a primary mailing address of 1233 North 30th Street, Billings, Montana— \$843,000,000; and*
2. *Holy Rosary Hospital, a 109-bed general acute-care hospital and the related land, parking garages, office buildings, wellness centers, hospice facilities, medical education facilities, clinics, warehouses, and other buildings, all located on the Holy Rosary Hospital campus, with a primary mailing address of 2600 Wilson Street in Miles City, Montana — \$26,000,000.*

NOW, THEREFORE, BE IT RESOLVED BY THE MONTANA FACILITY FINANCE AUTHORITY, AS FOLLOWS:

1. The Authority determines that holding a TEFRA Hearing regarding the above-described healthcare facility projects would further the purpose of facilitating access to affordable financing for nonprofit healthcare facilities in Montana.
2. Executive Director Adam Gill, or his successor or other appointed employee of the Authority as he shall designate, is hereby authorized to hold a TEFRA Hearing and do all things reasonably necessary, in consultation with counsel to the Authority and counsel to SCL, to ensure that the TEFRA Hearing is properly noticed and administered and that the subsequent TEFRA approval by the Governor’s office, if any, is properly and duly documented and attested.

Passed and approved by the Authority this 23rd day of April, 2024.

MONTANA FACILITY FINANCE AUTHORITY

By: Vu Pham
Its: Chairman

ATTEST:

By: Adam Gill
Its: Executive Director

RESOLUTION NO. 24-03

RESOLUTION DECLARING THE OFFICIAL INTENT OF THE MONTANA FACILITY FINANCE AUTHORITY TO REIMBURSE CERTAIN ORIGINAL EXPENDITURES RELATED TO THE CONSTRUCTION OF A MANUFACTURING FACILITY BY HOLT SALES AND SERVICES LLC FROM THE PROCEEDS OF TAX-EXEMPT BONDS TO BE ISSUED BY THE AUTHORITY AFTER THE PAYMENT OF SUCH ORIGINAL EXPENDITURES

WHEREAS, U.S. Treasury Regulations, Section 1.150-2 (the “Reimbursement Regulations”), promulgated pursuant to Section 150 of the Internal Revenue Code of 1986, as amended (the “Code”), provides that the allocation of the proceeds of tax-exempt bonds to expenditures for governmental purposes originally paid from a source other than such tax-exempt bonds will be treated as expenditures of such tax-exempt bonds only if certain requirements of the Reimbursement Regulations are satisfied by the issuer of such tax-exempt bonds; and

WHEREAS, the Montana Facility Finance Authority (the “Authority”) expects that Holt Sales and Services LLC (the “Borrower”) will pay certain original expenditures for the construction and/or renovation of a manufacturing facility for the Borrower’s aftermarket semi-truck accessory manufacturing operations (the “Project”) and which original expenditures are expected to be reimbursed from the proceeds of one or more series of tax-exempt bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE MONTANA FACILITY FINANCE AUTHORITY, AS FOLLOWS:

1. The Authority has a reasonable expectation (within the meaning of Treasury Regulations, Section 1.148-1(b)) that it will make expenditures for the Project in calendar year 2024 or 2025. The Authority has a reasonable expectation that it will issue one or more series of tax-exempt bonds (the “Bonds”) in the estimated maximum principal amount not to exceed \$10,000,000 to finance the Project and that the Borrower will make reimbursement allocations with respect to such original expenditures for the Project from the proceeds of such Bonds.

2. This Resolution shall be maintained as part of the books and records of the Authority at the main administrative office of the Authority, and shall be continuously available during normal business hours of the Authority on every business day of the period beginning not more than thirty (30) days after adoption of this Resolution and ending on the last date of issue of any Bonds.

3. This Resolution has been adopted not later than sixty (60) days after payment of any original expenditure for the Project to be subject to a reimbursement allocation with respect to the proceeds of the Bonds.

4. All reimbursement allocations with respect to the Bonds will be made not later than eighteen (18) months after the later of: (i) the date the original expenditure is paid; or (ii) the date the Project is placed in service or abandoned, but in no event more than three (3) years after an original expenditure is paid for the Project. If the Bonds are eligible for the small issuer exception from arbitrage rebate, the “18-month” limitation above is extended to “three years” and the “three-year” maximum reimbursement period is disregarded.

5. All original expenditures to which reimbursement allocations are to be made constitute: (i) capital expenditures; (ii) costs of issuance of the Bonds; (iii) expenditures for extraordinary, nonrecurring items that are not customarily payable from current revenues, such as casualty losses or extraordinary legal judgments in amounts in excess of reasonable insurance coverage, and for which no reserve is maintained; or (iv) a grant (as defined in Treasury Regulations, Section 1.148-6(d)(4), as a

transfer for a governmental purpose of money or property to a transferee that is not a related party to or an agent of the transferor with respect to which no obligation or condition is imposed to directly or indirectly repay any amount to the transferor).

6. The limitations set forth in paragraphs 3 and 4 of this Resolution do not apply to: (i) the costs of issuance of the Bonds; (ii) an amount not in excess of the lesser of \$100,000 or five percent (5%) of the proceeds of the Bonds; or (iii) preliminary expenditures up to an amount not in excess of twenty percent (20%) of the aggregate issue price of the Bonds that finance or are reasonably expected by the Authority to finance the Project for which the preliminary expenditures were incurred. The term “preliminary expenditures” includes architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of the Project, other than land acquisition, site preparation, and similar costs incident to commencement of construction.

7. This Resolution is an expression of the reasonable expectations of the Authority based on the facts and circumstances known to the Authority as of the date hereof. The anticipated original expenditures for the Project are consistent with the Authority’s budgetary and financial circumstances. No sources other than proceeds of Bonds to be issued by the Authority are, or are reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside pursuant to the Authority’s budget or financial policies to pay such expenditures for the Project.

8. This Resolution is intended to constitute a declaration of official intent for purposes of the Reimbursement Regulations.

9. No reimbursement allocation of the proceeds of the Bonds to expenditures for the Project will employ an abusive arbitrage device (within the meaning of Treasury Regulations, Section 1.148-10) to avoid the arbitrage restrictions or to avoid the restrictions of Sections 141 through 150 of the Code.

Passed and approved by the Authority this 23rd day of April, 2024.

MONTANA FACILITY FINANCE AUTHORITY

By: Vu Pham
Its: Chairman

ATTEST:

By: Adam Gill
Its: Executive Director

**Montana Facility Finance Authority
Budget v. Actual Expenses**

03/31/24

75.00 % Expended

Legislative Budget	Year to Date			
	Category	Budget	Actual	\$ Variance % Variance
\$ 848,645	A) INCOME	\$ 511,025	662,777	151,751 30%
135,000	Application Fees	101,250	25,536	(75,714) -75%
588,645	Annual Fees	316,025	337,524	21,499 7%
125,000	Investment Income	93,750	299,241	205,491 219%
	Misc (Quad State conf)		475	
\$ 368,296	B) PERSONAL SERVICES EXPENSE	\$ 276,222	339,703	63,481 23%
361,296	Salaries & benefits	270,972	333,303	62,331
7,000	Board Per Diem	5,250	6,400	1,150
\$ 364,774	C) OPERATING EXPENSES**	\$ 192,752	\$ 151,029	\$ (67,107) -35%
101,538	Contracted & Other Services	76,154	27,723	(48,430) -64%
	Misc. Other Services		12,397	
	Legal Services		11,435	
	Legislative Audit		300	
	ITSD		3,592	
34,336	Supplies/Materials/Equipment	25,752	7,800	(17,952) -70%
8,200	Communications	6,150	4,599	(1,551) -25%
28,861	Travel	21,646	20,735	(911) -4%
0	Equipment Lease	0	1,573	1,573 0%
	Building Lease Amortization	25,384	19,867	(5,517) -22%
0	Repairs & Maintenance	0	0	0 0%
84,068	Miscellaneous	63,051	68,732	5,681 9%
	Commerce Department Services		45,758	
	Administration (statewide) Indirect Costs		2,758	
	Education		8,251	
	Other Miscellaneous		11,965	
\$ 115,575	REVENUES IN EXCESS OF EXPENSES (A-B-C)	42,051	172,045	129,994 309%
150,000	Grants-Obligated/Paid	25,000	50,000	
\$ (34,425)	Current Year Increase in Net Assets		122,045	
	INCREASE (DECREASE) IN NET ASSETS		122,045	

* Income presented on CASH basis. GAAP accrual accounting would reflect approximately \$10,512 less income annually, or < 1.82%

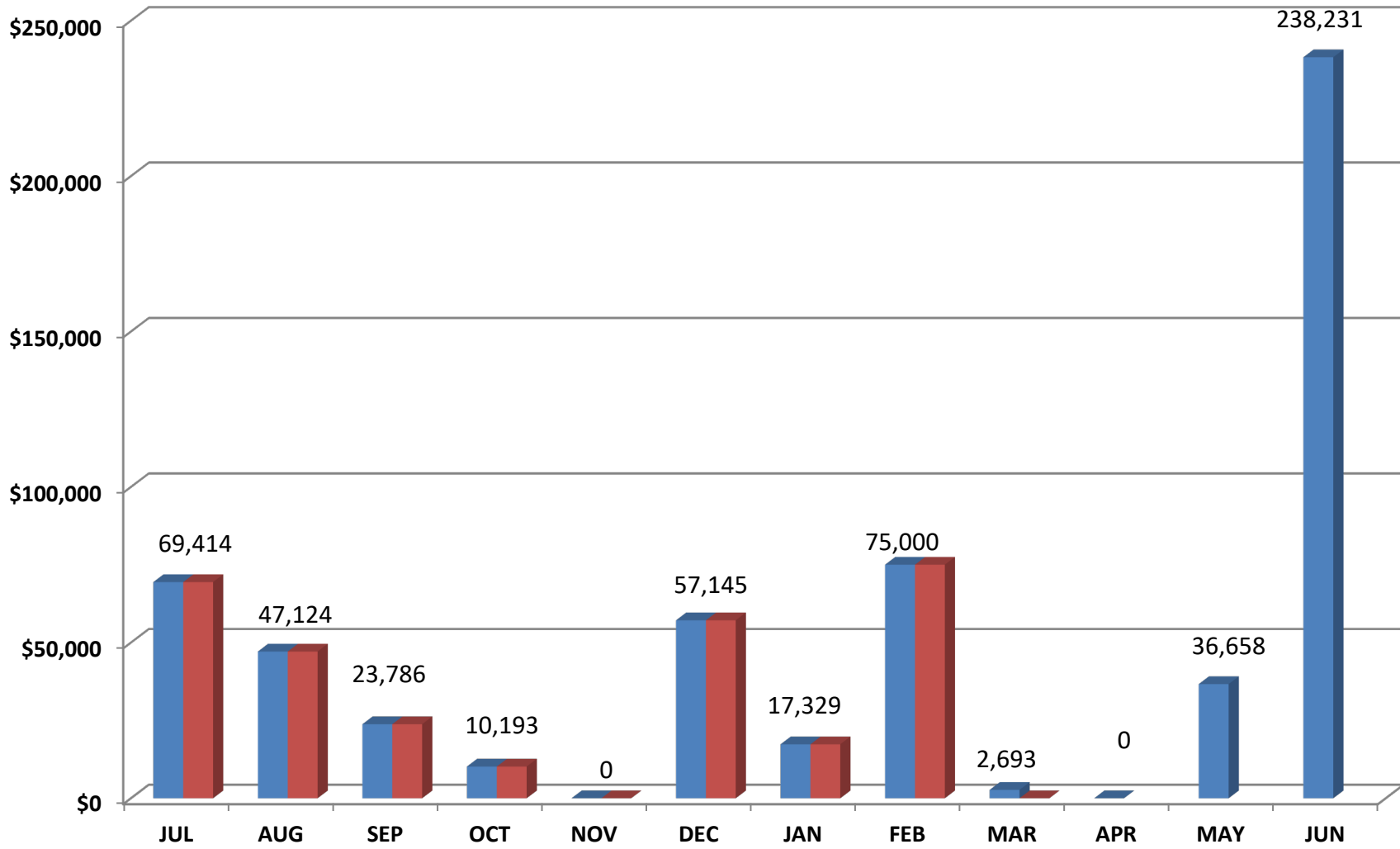
FY 2024 Annual Service Fees

As of March 31, 2024

Annual Projected: \$577,572

YTD Projected: \$302,683

YTD Collected: \$299,990



MFFA Reserve Balances

AS OF 4/01/2024

A/E 06015	Operating Account Summary	<u>Current Balance</u>	<u>Policy Guideline</u>
	Total Fund Balance Available Net Capital Reserve "B" Balance	3,321,837	
	Less: Working Capital Reserve Requirement	1,626,140	1,626,140 (a)
	Available for Restricted Capital Reserve "A"	1,695,697	10,913,340 (b)
	Fund Balance: Sub-Total	<u>3,321,837</u>	<u>12,539,480</u>
A/E 06015	Trust Fund Loan Pool		
	RC 710300, Accounts 521190	37,493	
	Plus: Prior Year End Capital Reserve "B" Fund Balance Sub Total	1,280,266	
	Capital Reserve "B" Fund Balance	<u>1,317,759</u>	<u>1,280,266 (d)</u>
A/E 06012	Direct Loan Program		
	Current Program Fund Balance	5,172,720	
	Less: Outstanding Loan Balance	4,420,313	
	Funds Available to Loan from Direct Loan Program	752,406	
	Fund Balance: Sub-Total	<u>5,172,720</u>	<u>5,041,856 (c)</u>
	Total Projected Fund Balance	<u>9,812,315</u>	<u>18,861,602</u>

Notes:

Policy Guidelines - Minimum Funding Requirements

(a) Twice the current Fiscal Year annual budget.	813,070
(b) 10% of the outstanding BOI enhanced bond balance as of 7/1/23	109,133,401
(c) \$5,041,856 as of 7/1/23 plus YTD loan payments, account investment earnings.	5,041,856
(d) 10% of the Trust Fund Loan Pool Balance as of 7/1/23	12,802,660

MONTANA FACILITY FINANCE AUTHORITY

Staff Approved Loans

12/1/2023-3/31/2024

Submitted Applications

Borrower

<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

Borrower

<u>Location</u>	<u>Date Approved</u>	<u>Term</u>	<u>Interest</u>	<u>Amount</u>	<u>Project</u>
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Ruby Valley Medical Center (2025)
Alternatives, Inc.

Sheridan	02/07/24	10	4.72%
Billings	03/01/24	7	4.48%

\$ 500,000	Hot Water Heaters
\$ 300,000	Remodel and New Hot Water System

Total Approved Direct Loans:

\$ 800,000

Funds Available Under

Direct Loan Program:

Loan Fund: (3/31/2024)

5,172,720

Total Outstanding Loans: (3/31/2024)

4,420,313

Approved Applications from above:

(800,000)

Total Available to Loan at 3/31/2024

\$ (47,594)

Funded Applications from 7/1/23:

Borrower

<u>Location</u>	<u>Date Funded</u>	<u>Term</u>	<u>Interest</u>	<u>Amount</u>	<u>Project</u>
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Mineral Community Hospital
Glendive Medical Center
Bitterroot Health
Community Hospital of Anaconda
Rimrock Foundation
Clark Fork Valley Hospital

Superior	10/23/23	7	4.83%
Glendive	10/23/23	5	4.77%
Hamilton	12/15/23	5	4.64%
Anaconda	02/08/24	10	3.71%
Billings	03/07/24	3	4.43%
Plains	03/21/24	5	3.99%

\$ 150,000	Hot Water Heaters
\$ 255,600	Radiology Equipment
\$ 500,000	Radiology Equipment
\$ 500,000	Hospital Expansion
\$ 400,077	Refinance of TFL & DL
\$ 261,750	Endoscopy Equipment and OR Table

Total Loans Funded since 7/1/23

\$ 2,067,427

MONTANA FACILITY FINANCE AUTHORITY

Staff Approved Grants

2/1/2024-3/31/2024

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>
Daniels Memorial Healthcare	Scobey	01/23/23	03/06/23		\$ 25,000	Hospital Expansion	MCAP
Alternatives, Inc.	Billings	05/31/23	06/01/23		\$ 25,000	Pre-release Expansion	MCAP
Total Pending Grants:					<u>\$ 50,000</u>		

Grants Paid since 7/1/2023

<u>Grantee</u>	<u>Location</u>	<u>Date</u>	<u>Approved</u>	<u>Paid</u>	<u>Amount</u>	<u>Project</u>	<u>Program</u>
Ruby Valley Medical Center	Sheridan	09/11/23	9/26/2023	<u>11/17/2023</u>	\$ 25,000	Clinic Expansion	MCAP
Total Grants:					<u>\$ 25,000</u>		

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Department of Commerce

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MEMORANDUM

To: MFFA Board Members
From: Adam Gill, Seth Lutter, Monica Birlut, and Carolyn Jones
Date: April 16, 2024
Subject: Intermediary Relending Program

The MFFA has been operating two revolving loan programs for over 20 years. These programs provide low-cost capital to clients whose situations can be difficult for traditional lenders to finance.

The **Trust Fund Loan Program (TFL)** uses access to the Permanent Coal Tax Trust Fund (Trust Fund) to make loans up to \$1.5 million. The TFL allows for \$15 million in total capacity. Interest rates are currently based on the monthly average of the Federal Home Loan Bank of Des Moines Advance Rate. Of the interest charged, 50 basis points is allocated to the MFFA, the rest is program income for the Trust Fund. Of the \$15 million in capacity, \$11.4 million is outstanding and up to \$4.5 million in loan requests are projected over the next year.

The **Direct Loan Program (DLP)** uses the MFFA's reserves to make loans of up to \$300,000 on a stand-alone basis or up to \$500,000 when paired with a TFL. The interest rate is based on the respective US Treasury PAR Yield plus a margin. The full amount of interest paid is program income for the DLP. Of the \$5.2 million in capacity, \$4.6 million is outstanding and over \$1.8 million in approved loan requests are projected over the next year.

Both loan programs are reaching their current capacity. While the DLP can be expanded at the discretion of the Board, the TFL is bound by statute. The management of the MFFA loan programs' capacity has allowed moving TFL loans that were under \$500,000 into the DLP program and for the MFFA to become a U.S. Department of Agriculture, Rural Development (RD) Guaranteed Lender. These are great tools, but they are limited in utility and require specific circumstances to be successful. **The MFFA needs a way to build its lending capacity that is flexible to current demands and allows for its programs to grow without raising the cost of borrowing for clients.**

The Rural Development Intermediary Relending Program

The RD Intermediary Relending Program (IRP) is a loan program that supports the growth of revolving loan funds for eligible entities, such as the MFFA. The IRP provides loans with a 30-year term and a fixed one percent (1.00%) interest rate with principal payment deferred for the first 36 months. The IRP funds would be loaned out by the MFFA, reducing the amount of funds needed from its current loan pools to support a project. As loan funds are repaid to the MFFA, the pool of IRP funds grows and lending capacity of the MFFA is increased.

Every calendar quarter RD opens up the application process for IRP funds. Applicants may request up to \$1 million per application cycle. If awarded, the IRP funds are held by RD until the recipient, MFFA requests a draw to fund an approved project. When funds are requested, RD reviews the loan write up and documentation and releases funds within five working days. Upon receipt, the MFFA would release the funds as well as any matching funds provided by the MFFA. The equity match can be as little as 5%, but larger match commitments improve the chances a loan being approved by RD. Once IRP funds are received, the MFFA would have 36 months of interest-only payments to be made to RD, while lending the borrowed funds and using the income from the loans to create a debt service reserve equal to the IRP maximum annual debt service.

The IRP carries a set of requirements for the MFFA and our borrowers who access the funds. The MFFA needs to adhere to biannual reporting and an annual audit of lending records and program compliance. All IRP funds, including the reserve and payments from borrowers must be held in an account separate from other MFFA funds. If after the 36-month grace period, MFFA's balance of unobligated RD funds is greater than \$250,000, then RD reserves the right to claw back any amount in excess of \$250,000. The IRP loan would then be re-amortized to reflect the returned funds.

Each qualified project can apply for up to \$400,000 in IRP funds with no more than 50% of loan funds coming from IRP and no more than 75% of overall project funding coming from IRP RD sources. When IRP-supported loans are repaid to the MFFA, the principal and interest flow back to the IRP loan fund to be relent to other projects.

MFFA's borrowers utilizing RD funds will need to comply with Federal labor, employment, and environmental requirements. Land, equipment purchases, and small renovation projects are exempt from most of these requirements, which means IRP is best suited for those types of projects. IRP funds can be used in refinancing, but only in very limited circumstances.

How the IRP builds capacity

IRP is expected to significantly increase lending capacity. IRP loans would allow us to offset the program loans by 50% up to \$400,000. For example, a \$1.5 million TFL under IRP would be \$1.1 million TFL and \$400,000 IRP. This would allow TFL funds to stretch across more projects. Attachment A shows the prior five years of MFFA lending through the DLP and TFL. Projects that were eligible for IRP funds are highlighted. Of the 42 loans, 20 were IRP-eligible with up to \$4 million in funds that could have been funded by the IRP.

The interest income from IRP loans would provide a significant increase in the lending capacity over time. Currently a TFL only provides 50 basis points (0.50%) in interest income to the MFFA. However, under the IRP program, a loan with the same top-line interest rate as the TFL would net the MFFA a significantly larger amount of income which would flow back to the IRP fund. As demonstrated in Attachment B, a 20-year, \$1.5 million loan supplemented by \$400,000 in IRP funds can produce \$334,144 in interest revenue over 20 years. This is a substantial improvement over the \$89,184 that would have been received from using only TFL funds. This revenue projection does not include the potential additional revenue from funds sitting in STIP or being loaned into a new project.

In addition, the IRP interest can be tapped annually to cover administrative costs related to the IRP Program. The funds would allow the MFFA to increase lending capacity and gain some administrative cost coverage.

Risks of IRP Lending

There are potential risks with the IRP program. The primary risk is borrower default. In such an event, the MFFA would still have to pay back the IRP loan in its scheduled time. Additionally, compliance is more intensive than current programs and will take staff time for biannual reporting. If compliance requirements are not met, it can limit MFFA's access to future funds. In talking with other IRP users, the staff time is not expected to be onerous and the MFFA is already managing the payments and tracking of two existing loan funds. Finally, funds are available now, but there is no guarantee that funds will be there in any given application cycle. Applications for funds are rolled forward cycle to cycle until funded, but that could mean IRP funds are approved after they would be needed for a current funding pipeline.

How much do we need

The most that can be borrowed in an application cycle is \$1 million. Referring to Attachment A, in the prior five years, the MFFA could have used approximately \$3.1 million in IRP funds. Within any given 36-month window, this represents \$1.7 - \$2.3 million in financial support to eligible projects. As noted above, the TFL and DL have a combined demand of \$6.3 million expected over the next year which could be supported by IRP funds. Given the prior five years of demand as well as current documented need, MFFA staff is confident it could make use of \$1 million.

Recommendation:

MFFA Staff is recommended the Board approve the pursuit of IRP funding. IRP Program loans are reviewed quarterly. Each application to the IRP program requires Board approval. If the Board approves access to the IRP program, the MFFA could prepare an application by June 30th. A new loan program would require updates to the Revenue and Reserve Policy, the Internal Controls Policy, and a new policy for lending of IRP funds. If approved to go forward, MFFA staff will prepare the necessary policy updates and application for approval at the June 18th meeting.

MFFA staff has been managing the runway for both lending programs for years and program capacity is reaching its limit. The IRP provides an opportunity to increase the lending capacity of the MFFA while generating additional revenue in excess of lending costs. MFFA staff is recommending the board adopt the resolution approving pursuit of IRP funding.

Attachment A: Financial Impact of IRP Lending

5 Year Loan			
	Status Quo	With IRP Funds	
	Trust Fund Loan	IRP	TFL
Amount	1,500,000	400,000	1,100,000
Rate	4.16%	5.08%	5.08%
% Allocated to MFFA	0.50%	5.08%	0.50%
Term	5 Year	5 Year	5 Year
Total Interest Paid	\$ 164,238.72	\$ 43,796.94	\$ 120,441.83
Interest allocated to MFFA	\$ 19,740.25	\$ 43,796.94	\$ 14,476.21
IRP interest expense	\$ -	\$ (19,762.26)	\$ -
Net IRP Fund Income		24,034.68	

10 Year Loan			
	Status Quo	With IRP Funds	
	Trust Fund Loan	IRP	TFL
Amount	1,500,000	400,000	1,100,000
Rate	5.08%	5.08%	5.08%
% Allocated to MFFA	0.50%	5.08%	0.50%
Term	10 Year	10 Year	10 Year
Total Interest Paid	\$ 375,334.53	\$ 110,998.58	\$ 275,239.63
Interest allocated to MFFA	\$ 40,975.38	\$ 110,998.58	\$ 30,048.00
IRP interest expense	\$ -	\$ (36,823.66)	\$ -
Net IRP Fund Income		74,174.92	

20 Year Loan			
	Status Quo	With IRP Funds	
	Trust Fund Loan	IRP	TFL
Amount	1,500,000	400,000	1,100,000
Rate	5.65%	5.65%	5.65%
% Allocated to MFFA	0.50%	5.65%	0.50%
Term	20 Year	20 Year	20 Year
Total Interest Paid	\$ 1,007,782.64	\$ 268,742.06	\$ 739,040.43
Interest allocated to MFFA	\$ 89,184.27	\$ 268,742.06	\$ 65,401.80
IRP interest expense	\$ -	\$ (60,390.91)	\$ -
Net IRP Fund Income		208,351.15	

Attachment B: IRP Eligibility of Prior MFFA Loans

Opportunity Name	Loan Type	Close Date	Term Years	Interest Rate	Principal	Project	City	IRP Eligible?	IRP Amount
Alternatives, Inc	Direct	4/23/2019	7	2.35	125,700	Refinance	Billings	No - Location	N/A
Central Montana Medical Center	Trust Fund	5/6/2019	10	3.75	337,000	Remodel	Lewistown	Yes	168,500
Northern Rockies Medical Center	Direct	6/12/2019	7	2.03	101,000	Equipment	Cut Bank	Yes	50,500
Central MT Medical Center	Direct	7/11/2019	10	2.26	335,870	Refinance	Lewistown	No - Refinance	N/A
Job Connection	Direct	7/18/2019	10	2.26	298,470	Refinance	Billings	No - Location	N/A
NE Montana Health Services	Direct	8/1/2019	4	2	498,531	Refinance	Wolf Point	No - Refinance	N/A
McCone County Health	Direct	9/3/2019	7	2.15	30,040	Equipment	Circle	Yes	15,020
Marcus Daly Memorial	Trust Fund	9/10/2019	20	3.31	1,500,000	Building Purchase	Hamilton	Yes	400,000
McCone County Health	Direct	10/9/2019	7	2.15	69,060	Equipment	Circle	Yes	34,530
Eastern MT Mental Health	Trust Fund	11/11/2019	10	2.89	581,215	Refinance	Miles City	No - Refinance	N/A
Eastern MT Mental Health	Direct	11/12/2019	10	2.25	500,000	Refinance	Miles City	No - Refinance	N/A
Alternatives, Inc	Trust Fund	12/17/2019	20	3.31	1,500,000	Building Purchase	Billings	No - Location	N/A
Dahl Memorial Healthcare	Direct	12/17/2019	7	2.03	175,000	Equipment	Elkalaka	Yes	87,500
Missions United	Direct	1/27/2020	5	2	500,000	Remodel	Billings	No - Location	N/A
Missions United	Trust Fund	1/27/2020	5	2.49	1,500,000	Remodel	Billings	No - Location	N/A
Roundup Memorial Healthcare	Direct	3/10/2020	10	2.25	402,263	Refinance	Roundup	No - Refinance	N/A
Fallon Medical Complex	Direct	3/17/2020	5	2	85,671	Equipment	Baker	Yes	42,836
Central MT Medical Center	Trust Fund	4/16/2020	10	2.75	1,200,000	Equipment	Lewistown	Yes	400,000
Fallon Medical Complex	Direct	6/4/2020	5	2	300,000	Equipment	Baker	Yes	150,000
Roosevelt Medical Center	Trust Fund	12/9/2020	20	3.25	1,000,000	Remodel	Culbertson	Yes	400,000
Fallon Medical Complex	Trust Fund	4/1/2021	5	2.25	259,214	Equipment	Baker	Yes	129,607
Valley View Home	Trust Fund	6/29/2021	10	2.75	900,000	Refinance	Glasgow	No - Refinance	N/A
Glendive Medical Center	Trust Fund	6/29/2021	5	2.5	1,500,000	Equipment	Glendive	Yes	400,000
Rimrock Foundation	Trust Fund	9/1/2021	3	2.25	1,500,000	Land Purchase	Billings	No - Location	N/A
Rimrock Foundation	Direct	9/1/2021	3	2	500,000	Land Purchase	Billings	No - Location	N/A
Fallon Medical Complex	Direct	9/16/2021	5	2	238,938	Refinance	Baker	No - Refinance	N/A
Missouri River Medical Center	Trust Fund	6/15/2022	20	3.25	1,000,000	New Construction	Fort Benton	No - New Const	N/A
Central MT Medical Center	Direct	7/15/2022	8	2.15	375,001	Refinance	Lewistown	No - Refinance	N/A
Central MT Medical Center	Trust Fund	7/15/2022	8	2.51	821,868	Refinance	Lewistown	No - Refinance	N/A
Big Sandy Medical Center	Direct	10/14/2022	5	3.35	85,000	Building Purchase	Big Sandy	Yes	42,500
Central MT Medical Center	Direct	11/29/2022	5	2	375,000	Equipment	Lewistown	No - Paired with TFL	N/A
Central Montana Medical Center	Trust Fund	11/29/2022	5	2.32	625,000	Equipment	Lewistown	Yes	400,000
Clark Fork Valley	Direct	12/9/2022	7	4.48	285,000	Equipment	Plains	Yes	142,500
All Nations Health Center	Direct	6/8/2023	7	4.16	300,000	Land Purchase	Missoula	No - Location	N/A
Glendive Medical Center	Direct	11/7/2023	5	4.77	255,600	Equipment	Glendive	Yes	127,800
Mineral Community Hospital	Direct	11/8/2023	7	4.83	119,645	Equipment	Superior	Yes	59,823
Marcus Daly Memorial	Direct	12/15/2023	5	4.64	500,000	Equipment	Hamilton	No - Paired with TFL	N/A
Marcus Daly Memorial	Trust Fund	12/15/2023	5	5.45	427,000	Equipment	Hamilton	Yes	400,000
Community Hosp of Anaconda	Direct	2/8/2024	10	3.84	500,000	Remodel	Anaconda	No - Paired with TFL	N/A
Community Hosp of Anaconda	Trust Fund	2/8/2024	20	5.65	1,500,000	Remodel	Anaconda	Yes	400,000
Rimrock Foundation	Direct	3/7/2024	3	4.43	400,077	Refinance	Billings	No - Refinance	N/A
Clark Fork Valley	Direct	3/21/2024	5	3.99	300,000	Equipment	Plains	Yes	150,000

IRP-Eligible Projects	20 Loans
Possible IRP loans:	\$ 4,001,115
Trust Fund Loan	\$ 3,098,107
Direct Loan	\$ 903,008

Total Financings 2019-2024	42 Loans
Funds Loaned 2019-2024	\$ 23,807,162