

MONTANA FACILITY FINANCE AUTHORITY
Board Meeting

Montana Facility Finance Authority Office
1712 9th Ave, Helena

February 7, 2023

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



MONTANA FACILITY FINANCE AUTHORITY

**Board Meeting
February 7, 2024**

**1712 9th Ave
Helena, MT**

MEETING AGENDA

- 9:00** **I. CALL TO ORDER**
A. Roll Call
B. Approval of Meeting Minutes (12/12)
C. Disclosure an Conflict of Interest
- II. PUBLIC COMMENT** on Board Related Items
- 9:15** **III. FINANCINGS**
Ruby Valley Medical Center
1. Loan Summary
2. Resolution No. 24-01
 Joining in person:
 Landon Dybdal, CEO – Ruby Valley Medical Center
- 10:00** **IV. GENERAL ADMINISTRATIVE**
A. Financials
1. Budget -v- Actual
2. Revenue Graph
3. Reserve Balances
4. Staff Approved Loans & Grants
- B. Miscellaneous**
1. Outreach & Marketing Report
2. Anticipated Financings
- 10:30** **C. Strategic Planning**
 Joining Virtually:
 Sarah Bartow, Agency Performance Advisor – MT Dept of Admin
 Adam Carpenter, Chief Data Officer – MT Dept of Admin
- 11:30** **DISMISS**

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

Department of Commerce

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PO Box 200506
Helena, MT 59620-0506
406.444.5435
www.mtfacilityfinance.com



MEMORANDUM

To: MFFA Board Members
From: Adam Gill, Seth Lutter, Monica Birlut, and Carolyn Jones
Date: January 31, 2024
Subject: MFFA Board Meeting Wednesday, February 7, 2024

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

We have one financing as well as our standard reports for this meeting. Ruby Valley Medical Center of Sheridan, MT will be before the board to request approval of a Trust Fund Loan paired with a Direct Loan. The loans will finance construction of a new clinic.

In addition, this meeting will be the beginning of the strategic planning process. Please see the attached memo that is place-setting for next week. Also look for an email from Sarah Bartow with the Montana Department of Administration with pre-work to help shape the process and move it along.

Finally, we are transitioning to Microsoft Teams for future remote participation. The updated link to the conference is below.

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

MICROSOFT TEAMS INSTRUCTIONS

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OR

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MONTANA FACILITY FINANCE AUTHORITY

**Board Meeting
December 12, 2023
9:00 A.M.**

MINUTES

BOARD MEMBERS

PRESENT:

John Iverson
Craig Anderson
JoAn Cuffe
William Northey
Jade Goroski (via phone)
Mel Reinhardt (via phone)

BOARD MEMBERS

ABSENT:

Vu Pham

STAFF PRESENT:

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

GUESTS:

Nathan Bilyeu, Authority Counsel – Jackson, Murdo & Grant
Sarah Green, HR Manager – Montana Dept of Com. (via phone)
John Bishop, CEO – Marcus Daly Memorial Hospital (via phone)
Kailyn Rowe, CFO – Marcus Daly Memorial Hospital (via phone)

BOARD MEETING

CALL TO ORDER

Acting Board Chair John Iverson called the December 12, 2023, 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 October 31, 2023, board meeting minutes. Board Member Craig Anderson seconded the motion which passed unanimously.

Board Member JoAn Cuffe moved for approval of the November 17, 2023, board meeting minutes. Board Member Anderson 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:

St. Regis Solar

Mr. Gill introduced Inducement Resolution 23-08 pertaining to St. Regis Solar and its intent on pursuing an Industrial Development Bond (IDB). Mr. Gill described St. Regis Solar project which will allow St. Regis Solar to utilize solar generation to power hydrogen manufacturing in St. Regis, Montana. This funding is part of the new Hydrogen hubs funding available from the Bipartisan Infrastructure Act. The long-term goal is to build up to 5MW of solar to generate hydrogen for transportation and commercial facility use.

Acting Board Chair Iverson requested a motion for approval of the financing resolution. Board Member Cuffe motioned for approval of the financing Resolution 23-08. Board Member Northey seconded the motion.

Nathan Bilyeu, Authority Counsel – Jackson, Murdo & Grant described Resolution 23-08 and what an Inducement Resolution means for the Authority Board. At the conclusion of discussion, Acting Board Chair Iverson called for the vote on the motion, which passed unanimously.

Marcus Daly Memorial Hospital

Mr. Gill introduced John Bishop, CEO – Marcus Daly Memorial Hospital (via phone) and Kailyn Rowe, CFO – Marcus Daly Memorial Hospital (via phone).

Acting Board Chair Iverson requested a motion for approval of the financing resolution. Board Member Northey motioned for approval of the financing Resolution 23-07. Board Member Anderson seconded the motioned. Mr. Gill described the project which is a Trust Fund Loan and Direct Loan combination of \$947,000 for the purchase of a range of imaging equipment for its new clinics.

Mr. Bishop described the project, Marcus Daly’s market, the scope of the Hospital, its need in the community, and its financial viability with its growth in market share and revenues. Mr. Gill described the financing structure of the project and highlighted a couple of positive financial aspects of the Hospital. Nathan Bilyeu described Resolution 23-07. At the conclusion of discussion, Acting Board Chair Iverson called for the vote on the motion, which passed unanimously.

GENERAL ADMINISTRATIVE

C-PACE Program Guidelines

Mr. Gill described changes made to the C-PACE Program Guidelines, specifically indicating on the changes to the “cost effective” description in the Guidelines. Carolyn Jones, C-PACE Program Manager (via phone) provided historical context for the changes made and the reasoning for them.

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.

PERSONNEL

Executive Director Annual Review Process

Sarah Green, HR Manager – Montana Dept of Com. (via phone) joined the Board and conducted the annual review for the Executive Director.

BOARD MEETING CALENDAR

2024 Calendar

The 2024 calendar was discussed and board meetings were set for 2024. All board meetings in 2024 will start at 9:00 A.M except for August 21 which will start at 10:00 A.M.

BOARD MEETING CALENDAR

BOARD MEETINGS
February 7, 2024, TBD
April 23, 2024, TBD
June 18, 2024, Red Lodge
August 21, 2024, TBD
October 23, 2024, TBD
December 10, 2024, TBD

ADJOURN

Acting Board Chair Iverson adjourned the meeting at 11:40 A.M.

APPROVE: _____
Vu Pham, Board Chair

ATTEST: _____
Adam Gill, Executive Director

APPROVAL DATE: _____

**Ruby Valley Hospital District
Sheridan, Montana
Trust Fund Loan & Direct Loan Combination
Loan Summary**

ELIGIBLE HEALTH FACILITY

Ruby Valley Hospital District (the “Hospital” or “Ruby Valley”), located in Sheridan, Montana, is a 5-bed critical access hospital (“CAH”). Ruby Valley also operates two outpatient medical clinics, one in Sheridan and the other in Twin Bridges. The Hospital provides healthcare services to patients in western Madison County and southern Jefferson County.

PROJECT AND COST

The Authority received a loan request from Ruby Valley on November 13, 2023. The request is for a Trust Fund Loan and a Direct Loan combined amount of \$2,000,000 for the creation of a new primary care clinic in Twin Bridges. The current outpatient facility was built in the early 1970s and no longer meets the quality, technology, and patient safety requirements of a modern facility. A new outpatient clinic facility will lead to increased efficiency in delivery of services, increased patient satisfaction, improved provider recruitment, and potentially increased market share.

SOURCES AND USES

Sources:	
Trust Fund Loan	1,500,000
Direct Loan	500,000
Total Sources	2,000,000
Uses:	
Land Purchase	90,000
Architect Design	150,000
Site Improvements	150,000
Building	1,460,000
Xray Equipment	150,000
Total Uses	2,000,000

PROGRAM Trust Fund Loan and Direct Loan Combination

LOAN TERM 10 years for TFL; 10 years for DL

INTEREST RATE 5.08% for TFL; 4.18% for DL

CLOSING DATE TBD – at completion of clinic construction

MATURITY DATE Est. 2034

MARKET/COMPETITION

The Hospital's primary service area includes the communities of Virginia City, Alder, Sheridan, Laurin, Twin Bridges, Silver Star, and Waterloo, with most of the communities located along US 287. Madison County has a low population density and is considered "Frontier" (six or less people per square mile). Within 100 miles of the Hospital, there are five competing hospitals and hospital systems offering a variety of inpatient, outpatient, and primary care services. The closest of these is Madison Valley Hospital and Clinic in Ennis which is 33 miles away, Barrett Hospital in Dillon which is 38 miles away, and St. James Healthcare in Butte which is 56 miles away.

MANAGEMENT

Landon Dybal, Chief Executive Officer - Landon is a critical access hospital executive with six years of experience as a Chief Executive Officer. Landon has a bachelor's degree in Health Services Administration from Minnesota State University Moorhead and a Master's in Health Administration from St. Louis University. After graduating with his MHA in 2015, Landon started his career as a clinic manager at Cuyuna Regional Medical Center in Crosby, MN. After two years in that role, he then took his first CEO position at Garfield County Health Center (GCHC) in Jordan, MT. After another two years at GCHC, Landon then took his current position at Ruby Valley Medical Center.

Chief Financial Officer, Vacant – Ruby Valley's CFO position is recently vacant. The Hospital is utilizing the interim company JFS Consulting to take over CFO duties until it finds a new CFO. JFS provides strategic financial guidance, accounting and bookkeeping support including financial statement preparation, payroll support, tax planning and preparation as part of its CFO package.

Dr. Louis Bartoletti, Chief Medical Officer - Louie was raised in Sheridan, Montana and, after graduating high school, set about pursuing his dream of becoming a family medicine doctor. He attended his undergraduate years at Carroll College and earned a bachelor's degree in biology and Spanish, graduating magna cum laude in 2010. Subsequently, he received his M.D. through the University of Washington in 2016 and finished his training in Boise, ID at the Family Medicine Residency of Idaho in 2019. In 2022, Dr. Bartoletti moved to New Zealand for a year where he worked as a general practitioner in the small town of Whangamata. In 2023 Louie and his family moved back to his hometown of Sheridan Montana where he works as a rural family medicine doctor and has taken on the leadership duties of Chief Medical Officer.

Ted Woirhaye, Chief Nursing Officer - Ted has held the position as Director of Nursing at the Tobacco Root Mountain Care Center from 1999-2002, at Ruby Valley Hospital from 2011-2017, and now at the Ruby Valley Medical Center from 2021-present. Ted was an Intermediate EMT in rural Wyoming for 15 years before going into Nursing School at the University of Nebraska College of Nursing. Ted began his career at Ruby Valley Hospital in 1995 after graduating from Nursing School. He is experienced in Emergency Medical care and transport. Ted has currently been with Ruby Valley Hospital and Medical Center for the last 15 years. He has worked as the Assistant Director of Nursing, Charge nurse on day shift, and Director of Nursing.

GOVERNANCE

Ruby Valley is governed by a five-member Board of Directors. The Board of Trustees has geographical representation of the service area and includes a collection of professionals operating in a diverse array of industries.

HISTORICAL FINANCIALS

Audited Financials as of 10/31	2021	Unaudited 2022	Unaudited 2023
<u>Assets</u>			
Cash & Cash Equivalents	\$3,082,214	\$288,136	\$2,370,942
Patient Recvbls (net) & Due from 3rd-Party Payors	2,446,885	2,218,456	707,137
Other Receivables	186,682		
Inventory	114,537	146,411	324,613
All Other Current Assets	159,780	406,774	458,409
Total Current Assets	\$5,990,098	\$3,059,777	\$3,861,101
Fixed Assets	17,682,431	18,073,063	19,503,756
Accumulated Depreciation	4,557,726	5,587,879	6,458,369
Fixed Assets (net)	13,124,705	12,485,184	13,045,387
Board Designated Funds	740,273	2,810,694	981,735
Assets Limited to Use	629,990		
Other Assets	75,551		
Total Assets	\$20,560,617	\$18,355,655	\$17,888,223
<u>Liabilities</u>			
Accounts Payable & Other Accrued Expenses	\$1,364,458	\$698,966	\$987,850
Current Portion of Long-Term Debt	273,384		
Other Current Liabilities	322,715	200,000	200,000
Total Current Liabilities	\$1,960,557	\$898,966	\$1,187,850
Long-Term Debt (Less Current Portion)	10,141,829	10,553,711	10,189,623
Other Long-Term Liabilities	\$335,149	\$0	\$0
Unrestricted Fund Balance	5,848,964	6,902,978	6,510,750
Restricted Fund Balance	2,274,118	-	-
Fund Balance	8,123,082	6,902,978	6,510,750
Total Liabilities & Fund Balance	\$20,560,617	\$18,355,655	\$17,888,223
<u>Revenues and Expenses</u>			
Net Patient Service Revenue	\$9,066,343	\$9,121,712	\$12,887,940
Other Operating Revenue	3,832,396	19,737	
Total Operating Revenue	12,898,739	9,141,449	12,887,940
Interest	259,180	244,468	238,548
Depreciation & Amortization	1,162,789	1,039,058	875,760
Other Operating Expenses	8,592,296	8,265,594	11,699,389
Total Operating Expenses	10,014,265	9,549,120	12,813,697
Operating Income	\$2,884,474	(\$407,671)	\$74,243
Nonoperating Revenue	863,369	477,411	643,530
Excess of Revenue Over Expenses	3,747,843	69,740	717,773

KEY RATIOS

According to the National Rural Health Resource Center, the performance and health of a Critical Access Hospital can be identified using six important financial indicators. The table below displays each of these indicators and if the Hospital's ratios are moving in a favorable direction over time. For comparison the 2021 CAH MT medians are listed which can be found in the *CAH Indicators Report: Summary of 2021 Medians by State*.

CAH Financial Indicator	2021	2022	2023	Is this a Favorable Trend?	2021 MT Median
Days in Accounts Receivable	98.51	88.05	20.03	Yes	62.50
Days Cash on Hand	157.62	132.58	124.13	No	238.48
Operating Margin	22.36%	-0.45%	0.58%	No	15.42%
Debt Service Coverage	9.76	2.61	7.68	Yes	13.73
Average Age of Plant (Years)	3.92	5.38	7.37	No	12.37
Long Term Debt to Capitalization	63.42%	60.40%	61.01%	No	22.02%

FINANCIAL OBSERVATIONS

Assets and Liabilities

- Cash and cash equivalents dropped from \$3.08 million in FY 2021 to \$288,136 in FY 2022 and then increased back up to \$2.37 million in FY 2023. Overall cash was down from FY 2021 to FY 2022 due to: 1) the Hospital using some Cares Act funds for the purchase of and improvements to a home for use as employee housing (\$700,000); 2) to recoup for operational losses (\$1,000,000); and 3) to complete some preliminary work for the Hospital's expansion (\$150,000 to SMA Architects and Neenan Corp.). Ruby Valley implemented a new EMR in early January 2022 and with the challenges with the new system, its accounts receivable skyrocketed by year end, putting pressure on the Hospital's cash. By the end of 2023, its AR was down quite a bit and the Hospital received a sizeable cost report settlement from Medicare (\$1 million).
- Patient receivables decreased from \$2.21 million in FY 2022 to \$707,137 in FY 2023. Total patient receivables increased dramatically from FY 2021 to FY 2022 due to the challenges in implementing the Electronic Medicare Record (EMR) and the issues behind getting claims submitted. By the end of FY 2023 accounts receivable had dropped to \$3.4 million for the hospital (and \$172,000 for the newly acquired Mac's Pharmacy) as staff began working the system more effectively.
- Days in accounts receivable decreased from 88.05 in FY 2022 to 20.03 in FY 2023. The change was due largely to the issues Ruby Valley faced implementing a new Electronic Medicare Record (EMR) system which increased days in accounts receivable for FY 2021 and FY 2022. The past increase was also due to changes in the healthcare industry where more costs are being pushed on to patients, patients are experiencing higher deductibles, and insurance companies are denying more claims.
- Board designated funds decreased from \$2.81 million in FY 2022 to \$981,735 in FY 2023. This change is mostly due to capital purchases. Ruby Valley used cash reserves to purchase Mac's Pharmacy and its inventory (January 2022 - \$600,000) and a home for employee housing on 301 Jefferson St. (June 2022 - \$400,000).
- Restricted fund balance was \$2.27 million in FY 2021. The FY 2021 number is misstated as Ruby Valley was instructed to put COVID reserves under Construction in Progress (CIP) in FY 2021.

Those funds were moved to a restricted cash in FY 2022 and removed from CIP since that did not comply with GAAP.

- For 2024, days cash on hand decreased to 77 days This is due to the Hospital utilizing its reserves to pay for some large purchases. In 2023 the Hospital purchased a retail pharmacy at close to a million dollars, and paid cash for a \$400,000 house for employee housing. On top of that, salary expenses and supplies drastically increased in 2023 and revenue did not keep up with those increases to offset them

Revenues and Expenses

- Patient service revenue increased from \$9.12 million in FY 2022 to \$12.88 million in FY 2023. This increase is due to swing-bed (skilled nursing services) census increasing from 1,021 bed days in FY 2022 to 1,236 bed days in FY 2023, Radiology and Therapy volumes also increased dramatically, Ruby Valley increased prices by 5%, and FY 2023 saw increased utilization from new service lines of cardiology and pain management.
- Under other operating revenue, COVID relief funds in FY 2021 were \$3.02 million. The Hospital has utilized almost all of its COVID funds. After the Hospital attested to CARES Act funds and passed its single audit, almost all funds became unrestricted as to use. Ruby Valley still has \$200,000 on the books from CARES Act funding that it has received, but has not used.
- For operating expenses, like most facilities, wages and benefits are the highest increased line items and the Hospital expects wages and benefits will likely increase by 5-7% per year over the next few years. Salaries have increased partly due to higher wages and partly due to more employees. In FY 2023, Ruby Valley also had signing bonuses for new providers (two physicians and one nurse practitioner) that pushed overall salaries higher.

UTILIZATION

Hospital	2021	2022	2023
Inpatient Admissions	63	64	57
Swing Beds	91	66	100
ER	838	1,084	1,031
Physical Therapy	4,474	4,897	7,951
Radiology	1,637	1,891	2,269
Laboratory Tests	12,458	12,249	11,974

Clinics	2021	2022	2023
Sheridan Clinic Visits	6,482	4,878	4,506
Twin Clinic Visits	1,790	1,687	1,953
Other Clinic Visits	-	-	191
Pain Clinic Procedures	224	217	216
Chiropractor Visits	-	1,735	1,851
Psych NP Visits	175	262	337

Physical therapy has jumped quite substantially in the past year. This is due to increases in swing-beds which has a big impact on therapy services since those patients almost all require PT/OT/ST services. Additionally, Ruby Valley hired two additional therapy staff members in FY 2023.

PAYOR MIX

Payor Mix	2021	2022	2023
Medicare	54%	45%	47%
Medicaid	10%	11%	9%
Commercial	23%	29%	25%
Blue Cross	10%	9%	12%
Private	3%	6%	7%
Total	100%	100%	100%

Medicare percentage has changed over the years. This is due to swing-beds dropping from FY 2021 to FY 2022 and then increasing for FY 2023. Swing-bed is almost 100% Medicare which impacts the overall payer mix. The Hospital also saw a drop in Medicaid since the State of Montana allowed patients to stay on Medicaid through COVID. However, patients had to reenroll for Medicaid in FY 2023 which also increased self-pay. These are the two biggest contributors to shifts in payer mixes.

ANTICIPATED CHANGES DUE TO PROJECT

The current clinic is in a location that hinders community visibility, doesn't provide adequate space for treating patients or for providers to practice. Most organizations experience a year-over-year increase in volumes of 25% for the first 3-5 years after a new building has been constructed. The Hospital is projecting a 20% increase in revenues from the clinic once built. With the improved location, better visibility, improved parking, and new structure, the project will not only be a new building but a permanent billboard/advertisement for Ruby Valley Medical Center. Additionally, the increased costs associated with interest and depreciation will result in increased payments from Medicare and Medicaid, since this is a Rural Health Clinic and part of a Critical Access Hospital, and its services are based on the reasonable cost associated with providing the care.

PRO FORMA

	2021	2022	2023	Pro Forma 2022	Pro Forma 2023
Revenues Minus Expenditures	3,747,843	69,740	717,773	69,740	717,773
Add Depreciation/Amortization	1,162,789	1,039,058	875,760	1,039,058	875,760
Interest Expense	259,180	244,468	238,548	244,468	238,548
Available for Debt Service	5,169,812	1,353,266	1,832,081	1,353,266	1,832,081
Existing Debt Service	529,555	517,852	238,548	517,852	238,548
Maximum Debt Service on New Money	N/A	N/A	N/A	262,543	262,543
Total Debt Service	529,555	517,852	238,548	780,395	501,091
Debt Service Ratio Calculation	9.76	2.61	7.68	1.73	3.66

STRENGTHS

- The Hospital has seen historical excess of revenues over expenses.
- Management is expanding services to increase revenues and marketing.
- Expected revenue increase more than covers the increase in cost.

WEAKNESSES

- Difficult and unknown operating environment moving forward due to potential cost overruns on the clinic.
- Political and market uncertainty for hospitals, especially Critical Access Hospitals.
- The Hospital has added a significant amount of debt in the past few fiscal years.

RECOMMENDATION

Approval is recommended based upon the following considerations:

- Expansion of clinical services to increase revenue-generating services.
- Ability to maintain profitability amidst expansion.
- Strong financial position and experienced management.

RESOLUTION NO. 24-01

RESOLUTION ON A PROPOSAL TO MAKE A LOAN TO RUBY VALLEY HOSPITAL DISTRICT 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. Ruby Valley Hospital District, a Montana non-profit corporation with its operations located in Sheridan, Montana (the “Obligor”) has presented a proposal to the Authority requesting the Authority assist the Obligor with the construction of a Twin Bridges healthcare clinic (the “Project”) by making a loan to the Obligor in an amount not to exceed \$1,500,000 (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 hospital 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 7th day of February, 2024.

MONTANA FACILITY FINANCE AUTHORITY

ATTEST:

By: Vu Pham
Its: Chairman

By: Adam Gill
Its: Executive Director

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

12/31/23

50.00% Expended

Legislative Budget	Year to Date			
	Category	Budget	Actual	\$ Variance % Variance
\$848,645	A) INCOME	\$348,734	434,231	85,497 25%
135,000	Application Fees	67,500	13,036	(54,464) -81%
588,645	Annual Fees	218,734	232,460	13,726 6%
125,000	Investment Income	62,500	188,734	126,234 202%
\$368,296	B) PERSONAL SERVICES EXPENSE	\$184,148	227,341	43,193 23%
361,296	Salaries & benefits	180,648	222,241	41,593
7,000	Board Per Diem	3,500	5,100	1,600
\$364,774	C) OPERATING EXPENSES**	\$128,502	\$113,232	(\$40,621) -152%
101,538	Contracted & Other Services	50,769	13,538	(37,231) -73%
	Misc. Other Services		3,520	
	Legal Services		7,393	
	Legislative Audit		281	
	ITSD		2,344	
34,336	Supplies/Materials/Equipment	17,168	7,158	(10,010) -58%
8,200	Communications	4,100	2,391	(1,709) -42%
28,861	Travel	14,431	18,150	3,719 26%
0	Equipment Lease	0	1,016	1,016 0%
	Building Lease Amortization	16,923	13,245	(3,678) -22%
	Building Lease/Rent Liability		8,429	
0	Repairs & Maintenance	0	0	0 0%
84,068	Miscellaneous	42,034	49,305	7,271 17%
	Commerce Department Services		30,623	
	Administration (statewide) Indirect Costs		2,758	
	Education		5,941	
	Other Miscellaneous		9,983	
\$115,575	REVENUES IN EXCESS OF EXPENSES (A-B-C)	36,084	93,657	57,572 160%
150,000	Grants-Obligated/Paid	25,000	25,000	
(\$34,425)	Current Year Increase in Net Assets		68,657	
	INCREASE (DECREASE) IN NET ASSETS		68,657	

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

MFFA Reserve Balances

AS OF 1/02/2024

A/E 06015	Operating Account Summary	<u>Current Balance</u>	<u>Policy Guideline</u>
	Total Fund Balance Available Net Capital Reserve "B" Balance	3,339,396	
	Less: Working Capital Reserve Requirement	1,626,140	1,626,140 (a)
	Available for Restricted Capital Reserve "A"	1,713,256	10,913,340 (b)
	Fund Balance: Sub-Total	<u>3,339,396</u>	<u>12,539,480</u>
A/E 06015	Trust Fund Loan Pool		
	RC 710300, Accounts 521190	24,792	
	Plus: Prior Year End Capital Reserve "B" Fund Balance Sub Total	1,280,266	
	Capital Reserve "B" Fund Balance	<u>1,305,058</u>	<u>1,280,266 (d)</u>
A/E 06012	Direct Loan Program		
	Current Program Fund Balance	5,125,701	
	Less: Outstanding Loan Balance	3,582,368	
	Funds Available to Loan from Direct Loan Program	1,543,333	
	Fund Balance: Sub-Total	<u>5,125,701</u>	<u>5,041,856 (c)</u>
	Total Projected Fund Balance	<u>9,770,154</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 Grants

12/1/2023-1/31/2024

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>		

MONTANA FACILITY FINANCE AUTHORITY

Staff Approved Loans

12/1/2023-1/31/2024

Submitted Applications

Borrower

<u>Location</u>	<u>Date Submitted</u>	<u>Term</u>	<u>Interest</u>	<u>Amount</u>	<u>Project</u>
------------------------	------------------------------	--------------------	------------------------	----------------------	-----------------------

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>
------------------------	-----------------------------	--------------------	------------------------	----------------------	-----------------------

Community Hospital of Anaconda

Anaconda 08/15/23 10

3.71%

\$ 500,000

Hospital Expansion

Ruby Valley Medical Center

Sheridan 10

\$ 500,000

Hot Water Heaters

Clark Fork Valley Hospital

Plains 01/12/24 5

3.99%

\$ 261,750

Endoscopy Equipment and OR Table

Total Approved Direct Loans:

\$ 1,261,750

Funds Available Under

Direct Loan Program:

Loan Fund: (1/31/2024)

5,125,701

Total Outstanding Loans: (1/31/2024)

3,582,368

Approved Applications from above:

(1,261,750)

Total Available to Loan at 1/31/2024

\$ 281,583

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>
------------------------	---------------------------	--------------------	------------------------	----------------------	-----------------------

Mineral Community Hospital

Superior 10/23/23 7

4.83%

\$ 150,000

Hot Water Heaters

Glendive Medical Center

Glendive 10/23/23 5

4.77%

\$ 255,600

Radiology Equipment

Bitterroot Health

Hamilton 12/15/23 5

4.64%

\$ 500,000

Radiology Equipment

Total Loans Funded since 7/1/23

\$ 905,600

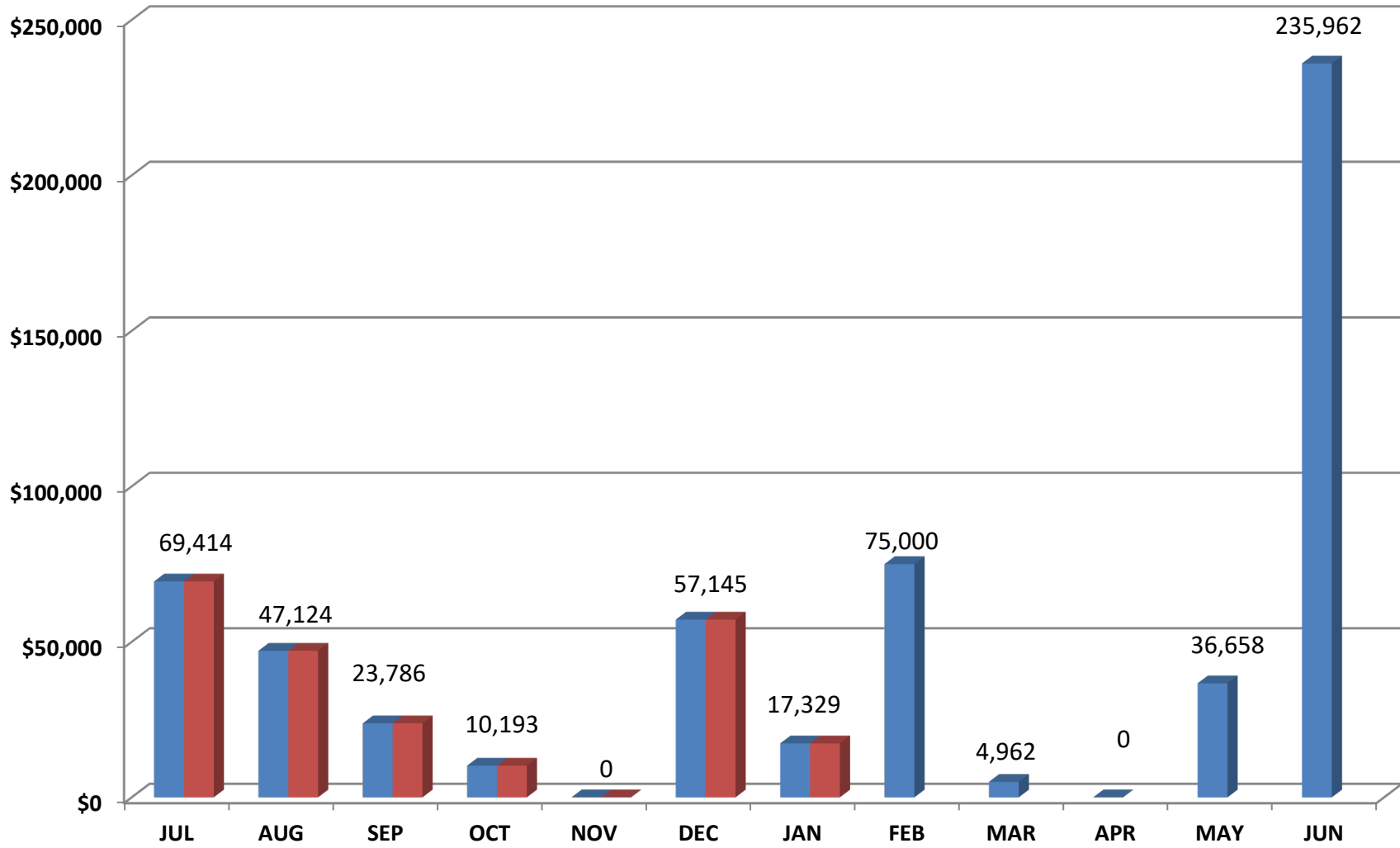
FY 2024 Annual Service Fees

As of January 31, 2024

Annual Projected: \$577,572

YTD Projected: \$224,990

YTD Collected: \$224,990



MONTANA FACILITY FINANCE AUTHORITY

Department of Commerce

1712 9th Ave.
PO Box 200506
Helena, MT 59620-0506
406.444.5435
www.mtfacilityfinance.com



MEMORANDUM

To: MFFA Board Members
From: Adam Gill
Date: January 31, 2024
Subject: MFFA Strategic Planning

As we approach the next Legislative Session, the MFFA staff and Board should take a few hours to consider the strategic direction of the MFFA and what goals and milestones should be set for the coming years. The following memo is a place setting for the strategic planning expected to happen over the next few board meetings. This memo will outline:

- Current Mission, Values and Goals,
- Accomplishments since the prior Strategic Planning Session
- Current economic, political, and operational environment of the MFFA, and
- Description of the planning process including the pre-work we hope Board and staff will accomplish before next week's meeting.

MFFA Mission, Values & Goals

Mission:

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

Values:

Accessibility	Community	Relationships
Nimble	Self-Sustaining	Effectiveness
Accountability		

2021 Strategic Plan Goals

- Implementation of opportunities to expand and enhance services.
- Improve service efficiency and effectiveness to maximize value for clients.
- Increase outreach to clients, policy makers, and the public.

Accomplishments since the 2021 Planning Session

The drive of the MFFA has always been to improve our existing programs and grow mission-consistent opportunities to serve our market. Since the last planning session in August of 2021, the MFFA has swung between its busiest and quietest years for issuances as the national economy and bond market fluctuated wildly with inflation, construction cost increases, and rate hikes. Since the end of FY 2021, the MFFA was the lender or conduit on 25 deals totaling \$327 million including \$314 million in bonds, \$5.5 million in C-PACE, \$4.4 million in Trust Fund Loans and \$3 million in Direct Loans. Both the Direct Loan and Trust Fund Loan Program are nearing capacity. In addition, the MFFA has provided \$80,542 in grants to 5 facilities to help with their planning process.

Since the last planning session, the MFFA successfully launched the C-PACE Program and closed its first project in May of 2022. Thirteen local governments (12 counties and 1 city) have created districts now covering over two thirds of the commercial real estate in Montana. While 2023 was a difficult lending year for many C-PACE programs, there has been progress with Carolyn Jones coming on board to help usher new projects towards closing. In addition, C-PACE has been used as an attractor in bringing several outside businesses projects to Montana including the VACOM project in Lewistown and the Dvele project in Butte.

The MFFA has also been building relationships with stakeholders and partners around Montana to advance its programs. The MFFA has become a U.S. Department of Agriculture - Rural Development (USDA-RD) Guaranteed Lender, built working relationships with local chapters of the Northern Plains Resource Council to help advance C-PACE initiatives, and worked with USDA-RD's REAP Program to get grants to businesses that want energy efficient upgrades to their buildings. We are building collaborative relationships with several groups including Allectrify to streamline smaller C-PACE projects, the Coalition for Green Capital and the Council of Development Finance Agencies to access the \$27 billion in funds through the Greenhouse Gas Reduction Fund, and DEQ to get grants for energy audits to Montana businesses.

Market Trends & Legislation

Market Trends

From July 2021 to present, interest rates oscillated due to the Federal Reserve's response to inflation. The Bond Buyer Revenue Bond Index rate was 2.50% in July of 2021, it dropped to 2.03% in January 2022, rose to 4.47% in October of 2023 and is now at 3.71%. Client financing decisions are driven by interest rates and the expectation of what direction rates will do. While the Federal Reserve is expected to start reducing rates sometime in 2024, most forecasts do not expect a dramatic reduction to pre-inflationary rates. It is expected that rates will be lower than today but still much higher than two years ago.

Even with stabilizing rates, the tax-exempt bond market still faces some significant headwinds. The last five months have been very difficult in the municipal bond market with significant outflows of funds and tightening of lending. There is growing demand for higher quality tax-exempt debt, but lower rated and unrated debt is not seeing the same demand. In Montana this means it will be difficult for small rural hospitals to access the bond market and possibly even guaranteed lending options like USDA-RD. In addition, the recent Billings Clinic & Logan Health merger as well as the use of bonds to fund projects for most of the larger hospitals in Montana in 2021 and 2022 means there will be lower demand for large scale issuances for the next few years. The extremely difficult market for senior living means we're unlikely to see many projects from this sector for the next year or more.

For Industrial Development Bonds (IDB), the current rates present a once-in-decades opportunity to make use of this long-stagnant financing tool for manufacturing projects. The current spreads of 250-350 basis points below taxable debt make the extra expense and work of an IDB worthwhile to borrowers. If the higher rate environment persists, these should remain feasible. However, if rates fall off more than 150 basis points from current, the program starts to lose its attractiveness.

Acceptance of C-PACE as a lending option has been growing. The current rate spreads have made it very appealing as construction financing for large projects or as alternative to mezzanine or second position debt for small projects. The MFFA is building confidence with lenders and local governments for C-PACE.

However, getting projects to close has been difficult. Three projects have been lost to senior lenders scooping loans rather than providing permission. This is largely an issue for smaller projects. There are several large projects on the horizon that are promising, but their completion date is unknown.

Legislation

On the Federal level, there are possible bills to expand IDBs, restore advance refunding, and improve the SALT deduction cap, all of which would be useful. However, the current political gridlock in Washington D.C. means we are unlikely to see anything move through Congress. For the state level, the MFFA has the option of continuing its pursuit of market access expansion. Access expansion has the support of the Montana Dept. of Commerce and is not currently opposed by the Montana Board of Investments. The MFFA is also currently pursuing a housekeeping bill to clean up the C-PACE statute to correct some minor issues related to definitions and process timing. No other bills directly impacting the MFFA are known at this time, but it is early in the legislative process.

Possible Initiatives

In pursuit of ensuring access to capital, the MFFA has been investigating other options to provide funding to clients. The MFFA is preparing to request Board approval to receive a loan from the USDA-RD's Intermediary Relending Program (IRP). IRP provides 30-year loans at 1% interest to grow revolving loan fund programs. This program has long been popular with local economic development agencies and recent changes in program rules have opened this option up to the MFFA. Applying for IRP funds will require several policy changes and Board approval in advance of application, so this question is being held until we are further along with our strategic planning.

The MFFA has also been working with various stakeholders to create opportunities to access the \$27 billion in funds from the Greenhouse Gas Reduction Fund. The MFFA has been working with the Coalition for Green Capital and the Council of Development Finance Agencies to support their applications for funds. If awarded, they would provide grants to support lending programs that expand energy efficiency and clean energy projects. Award decisions are expected in a few months and subawards may then take up to a year to move. These funds could mean millions to support the projects of Montana businesses and the MFFA is well-placed to help provide access to these funds. In addition, DEQ is including in their grant request to the Environmental Protection Agency for a possible subaward from the Climate Pollution Reduction Grant a request for up to \$2 million in grants to support energy assessments and their party reviews for small business and rural C-PACE projects.

Planning Process

The Governor's office has made annual strategic planning a priority for Executive Branch agencies. The goal of the planning process is to build a vision of where the MFFA should be in five years as well as set milestones for that path and goals for the coming year.

The MFFA is working with Sarah Bartow and Adam Carpenter of the Montana Department of Administration to facilitate this planning. An hour has been set aside in the next few Board meetings to carry out planning. A big part of how this planning will take such little time across meetings is the pre-work. The same day you get the Board packet, you will receive an email from Sarah Bartow asking you to use Microsoft Teams to fill out a SWOT analysis. If you are having trouble with access or prefer to email us your SWOT analysis in advance, we can work with that too. Please complete the SWOT analysis prior to the February 7th meeting.

2024

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	24	25	26	27
28	29	30	31			

FEBRUARY

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

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
24/31	25	26	27	28	29	30

APRIL

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	Board Mtg	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	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

JUNE

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

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	17
18	19	20	Board Mtg	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	21	22	Board Mtg	24	25	26
27	28	29	30	31		

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	7
8	9	Board Mtg	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

HOLIDAYS AND OBSERVANCES

1-Jan	New Year's Day	4-Jul	Independence Day	28-Nov	Thanksgiving Day
15-Jan	MLK Day	2-Sep	Labor Day	25-Dec	Christmas Day
19-Feb	Presidents' Day	14-Oct	Columbus Day		
27-May	Memorial Day	11-Nov	Veterans Day Ob.		

CONFERENCES

Apr 7-10	NAHEFFA, New Orleans, LA	Oct 6-9	NAHEFFA, Fall Conference
Apr 17-18	Funding Factory Forum (F3), Missoula	Oct 23-25	HFMA, Billings
Apr 23-26	MEDA Spring Conf., Red Lodge	Nov 13-15	CDFA, Baltimore, MD
Jun 16-18	Quad State, Red Lodge	TBD	PACENation - TBD
Sep 17-20	MHA, Billings	TBD	MEDA Fall Conference, TBD
Sep 17-19	C-PACE Alliance, Chicago, IL	TBD	Montana Downtown Conference, T