

**MONTANA FACILITY FINANCE AUTHORITY**  
Board Meeting

**Montana Facility Finance Authority Office**  
**2401 Colonial Drive, Helena**

**August 13, 2020**

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



**MONTANA FACILITY FINANCE AUTHORITY  
CONFERENCE CALL BOARD MEETING**

**August 13, 2020  
10:00**

**MEETING AGENDA**

- 10:00 I. CALL TO ORDER**  
A. Roll Call  
B. Approval of Meeting Minutes (6/11/2020)
- II. PUBLIC COMMENT** on Board Related Items
- III. FINANCINGS**  
**A. Shodair Children’s Hospital**  
1. Loan Summary  
2. Resolution No. 20-03  
Joining by phone:  
Craig Aasved, CEO – Shodair  
Maria Valdenegro, CFO – Shodair  
Erin McCrady, Bond Counsel – Dorsey & Whitney  
Vasanta Pundarika, Financial Advisor – Raymond James  
Amanda Verner Thompson, Financial Advisor – Raymond James  
Keith Kleven, Underwriter – Piper Sandler & Co.
- IV. GENERAL ADMINISTRATIVE**  
**A. Coronavirus Update**  
1. Emergency Lending & Forbearance Program  
2. Operations Update  
**B. Financials**  
1. Budget -v- Actual  
2. Revenue Graph  
3. Reserve Balances  
4. Staff Approved Loans  
**C. Miscellaneous**  
1. Bond Deferrals  
2. Anticipated Financings  
3. Impact Study
- V. CALENDAR**

**CALL-IN INSTRUCTIONS**

Call: 1-877-273-4202  
Conference Room: 994 0970 #

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

**MONTANA FACILITY FINANCE AUTHORITY**  
**Board Meeting (Conference Call)**  
**June 11, 2020**  
**10:00 A.M.**

**MINUTES**

**BOARD MEMBERS**

**PRESENT:**

Larry Putnam, Chair (via phone)  
Bill Kearns, Vice Chair (via phone)  
Jan Bastian (via phone)  
Paul Komlosi (via phone)  
Kim Rickard (via phone)  
Matt Thiel (via phone)  
John Rogers (via phone)

**BOARD MEMBERS**

**ABSENT:**

**STAFF PRESENT:**

Adam Gill, Executive Director (via phone)  
Seth Lutter, Associate Director (via phone)  
Colin Gunstream, Financial Specialist (via phone)

**GUESTS:**

Nathan Bilyeu, Authority Counsel – Jackson, Murdo & Grant (via phone)  
Bob Murdo, Authority Counsel – Jackson, Murdo & Grant (via phone)  
Ben Johnson, Bond Counsel – Ballard Spahr (via phone)

**BOARD MEETING**

**CALL TO ORDER**

Chair Putnam called the June 11, 2020 board meeting of the Montana Facility Finance Authority (the “Authority”) to order at 10:00 A.M. The meeting convened with all members of the board present.

Minutes

Member Thiel motioned to approve both the April 9, 2020 board meeting minutes. Member Bastian seconded the motion which passed unanimously.

**PUBLIC COMMENT**

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

## **FINANCINGS**

### Stoltze Timber, LLC

Mr. Gill requested a motion to consider the financing. Vice Chair Kearns motioned for consideration of Resolution No. 20-02 and Member Thiel seconded. Mr. Gill generally described the project and introduced Ben Johnson, Bond Counsel – Ballard Spahr. Mr. Johnson described the financing, which is an Industrial Development Bond with the proceeds being used for eligible equipment and facility costs to manufacture and process mass timber at a local Montana site for distribution.

Mr. Johnson described and explained Resolution No. 20-02, which provides up to \$8,000,000 for eligible facility costs. The Resolution is not a commitment to lend, but rather is an “Inducement Resolution” to evidence the Authority’s official intent to issue private activity bonds.

Vice Chair Kearns called for question of adoption of Resolution No. 20-02. The Resolution passed unanimously.

## **GENERAL ADMINISTRATIVE**

### Financials

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

## **DISCUSSION TOPICS**

### Emergency Loan and Forbearance Programs

Mr. Gill provided an update on the progress of the emergency loan and forbearance programs that was developed in response to the Coronavirus (COVID-19) Pandemic.

## **MISCELLANEOUS**

### Anticipate Financings and Related Matters

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

## **BOARD MEETING CALENDAR**

<b>Board Meetings</b>	<b>Conventions</b>
August 13, 2020, Helena, MT	Fall 2020, NAHEFFA, Virtual
October 15, 2020, TBD	October 5 – October 9, 2020, MHA, Virtual
December 10, 2020, Helena, MT	Fall, 2020, HFMA Conference, Virtual

## **ADJOURN**

Vice Chair Kearns adjourned the meeting at 10:55 A.M.

APPROVE: \_\_\_\_\_  
Larry Putnam, Chair

ATTEST: \_\_\_\_\_  
Adam Gill, Executive Director

APPROVAL DATE: \_\_\_\_\_

**Shodair Children’s Hospital  
Helena, Montana  
Master Loan Program/Stand Alone Program  
Loan Summary**

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**ELIGIBLE HEALTH FACILITY**

Montana Children’s Home and Hospital, Inc., doing business as Shodair Children’s Hospital (the “Hospital”), is a Montana nonprofit corporation which operates a specialty hospital providing services in child and adolescent psychiatry and outpatient child and adult medical genetics. The Hospital, located in Helena, Montana, is licensed to operate 20 acute psychiatric care beds and 68 residential treatment beds. The Hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations.

The Hospital is supported by the Montana Children’s Foundation (the “Foundation”), which was incorporated in 1976 as a non-profit organization. The Foundation’s sole purpose is to promote and further operations of Montana Children’s Home and Hospital, Inc. Because of the existence of common board members and other factors, the Hospital and the Foundation are related parties.

**PROJECT AND COST**

The tax exempt bond issue will be structured as a \$20 million Master Loan Program issuance and \$25-\$35 million Stand Alone Program issuance. The Stand Alone Program sizing is dependent on results of an ongoing capital campaign which has received donation and pledges of approximately \$10 million to date. The proceeds will be used to construct a 131,676 square foot hospital and will expand utilization to 82 total patient beds.

The public and therapeutic administrative areas will provide a new public entry and will be supported by a public café space with additional public and family meeting areas. The educational classrooms will provide upgraded Century Learning Environments for residential care patients. Additional space will provide flexibility for staff, patients, and families. The physical recreation components will include a gymnasium and pool and allow for additional recreation opportunities for patients. The patient care units will provide nine care units including: two residential Psychiatric Residential Treatment Facility (PRTF) high school units, two residential PRTF middle school units, two acute adolescent units, and one acute children’s unit.

In addition to the new hospital, the current Grasslands building will be renovated and a new medical office building will be constructed to house the genetics lab and expand outpatient services. When construction is completed, the existing hospital will be demolished. Construction is planning to commence in August 2020 and is scheduled to be complete by July 2022.

<b><u>PROGRAM</u></b>	Master Loan Program and Stand Alone Program Issuance
<b><u>LOAN TERM</u></b>	TBD, but expected to be no more than 30 years
<b><u>INTEREST RATE</u></b>	TBD
<b><u>CLOSING DATE</u></b>	Late October

**MATURITY DATE**      TBD

**SECURITY**

Both series bonds will be secured by respective trust indentures and mortgages on parity.

**RATING**

The Master Loan Program (the “Program”) is secured by a pledge by the Montana Board of Investments to replenish the reserve fund if it is drawn upon. The Board of Investments received a rating of Aa2 from Moody’s in February 2017 and AA from Fitch in February 2017. The Stand Alone bond rating is TBD

**SOURCES AND USES**

<b>Sources:</b>	<b><u>Series 2020A</u></b>	<b><u>Series 2020B</u></b>	<b><u>Total</u></b>
Par Amount	19,980,000	34,660,000	54,640,000
Premium	<u>4,580,609</u>	<u>6,071,755</u>	<u>10,652,364</u>
<b>Total Sources</b>	<b>24,560,609</b>	<b>40,731,755</b>	<b>65,292,364</b>
<b>Uses:</b>			
Project Fund	20,000,000	35,000,000	55,000,000
Less: Investment Earnings	<u>37,522</u>	<u>65,663</u>	<u>103,185</u>
<b>Project Fund Deposit</b>	<b>19,962,478</b>	<b>34,934,337</b>	<b>54,896,815</b>
Capitalized Interest Fund	2,542,413	5,101,997	7,644,410
Reserve Fund	1,654,800	-	1,654,800
Cost of Issuance	<u>400,918</u>	<u>695,420</u>	<u>1,096,338</u>
<b>Total Uses</b>	<b>24,560,609</b>	<b>40,731,755</b>	<b>65,292,364</b>

\*Estimated by financial advisor Raymond James 8/4/20.

**MARKET/COMPETITION**

The Montana Children’s Home & Hospital is the only hospital in Montana to provide both acute and residential treatment services for children and adolescents. Shodair has added two outpatient clinics in Missoula and Butte and expects additional expansion in the future. Management projects that children’s mental health will be underserved and other organizations will not enter this specific market.

**MANAGEMENT**

**Craig Aasved, Chief Executive Officer** – Mr. Aasved has served as Chief Executive Officer for Shodair Children’s Hospital since December, 2015. Mr. Aasved has focused on future growth, by mentoring the leadership team to reduce employee turnover, create a collaborative environment, while keeping patient’s needs the top priority. Prior to Shodair, Mr. Aasved served as COO & Regional Chief Management Services Officer for Providence St. Patrick Hospital in Missoula, Montana. Mr. Aasved has also served as CEO for North Valley Hospital, a 25 bed Critical Access

Hospital located in Whitefish, Montana. Mr. Aasved has a Bachelor of Business & Healthcare Administration from Concordia College and an MBA from the University of Colorado

**Maria Valdenegro, Chief Financial Officer** – Ms. Valdenegro has served as the Chief Financial Officer for Shodair since 2018 and is responsible for financial stewardship, analysis, and collaboration from all levels of the organization. A key focus of her work is to serve all families that need assistance, regardless of their ability to pay or other circumstances. Ms. Valdenegro has a BS in Finance and MBA from the University of Maryland.

**Ron Weins, Director of Business Development** – Mr. Weins joined Shodair Children’s Hospital in 2006 as the Chief Financial Officer. In 2018, Mr. Weins transitioned from CFO to the Director of Business Development at Shodair. Prior to Shodair, Mr. Weins served as CFO of St. John’s Lutheran Hospital in Libby, Montana. Mr. Weins has a Bachelor of Business Administration with a major in Accounting from Western Michigan University and Masters in Health Administration from Montana State University-Billings.

## **GOVERNANCE**

Shodair Children’s Hospital is governed by a 13 member board of trustees. Each trustee elected holds a term for three years, and until the successor is elected and qualified. Terms of trustees are staggered with one-third of the terms expiring annually. Trustees may be elected for successive terms. The CEO serves as an ex officio of the Board.

## **COVID-19 RESPONSE**

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

Because Shodair is a children’s hospital and does not treat COVID-19 patients, the Hospital has been able to weather the effects of the COVID-19 Pandemic. Shodair did have to shut down several service areas through April due to the pandemic but now its census has increased. The core of the operations were not impacted by the pandemic as greatly as other healthcare institutions. The Hospital received \$642,000 in COVID-19 revenue from the Department of Health and Human Services (HHS). The Hospital also incurred additional expense in supplies and salary costs for screening individuals entering the building. Further, the construction of the new Hospital is not expected to be delayed due to the COVID-19 Pandemic.

## HISTORICAL FINANCIALS

<b>Audited Financials as of 5/31</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b><u>Assets</u></b>			
Cash & Cash Equivalents	1,856,834	6,438,872	13,134,285
Investments	6,948,239	17,537,218	15,306,244
Accounts Receivable, Net	1,986,275	3,045,641	2,653,480
Other Receivables	18,057,725	9,700,047	9,657,535
Inventory	151,546	136,919	163,614
Current Assets Whose Use is Limited	-	-	-
Other Current Assets	304,294	355,022	321,196
<b>Total Current Assets</b>	<b>\$ 29,304,913</b>	<b>\$ 37,213,719</b>	<b>\$ 41,236,354</b>
Fixed Assets (net of depreciation)	9,784,143	9,716,299	11,256,120
Board Designated Funds	1,751,662	1,894,146	1,972,110
Assets Held in Trust	2,259,590	2,301,350	2,306,538
Other Assets	657,307	641,094	662,468
<b>Total Assets</b>	<b>\$ 43,757,615</b>	<b>\$ 51,766,608</b>	<b>\$ 57,433,590</b>
<b><u>Liabilities</u></b>			
Accounts Payable & Accrued Expenses	2,596,561	3,064,976	2,909,940
Current Portion of Long-Term Debt	625,685	642,255	-
Other Current Liabilities	7,932	12,867	18,534
<b>Total Current Liabilities</b>	<b>\$ 3,230,178</b>	<b>\$ 3,720,098</b>	<b>\$ 2,928,474</b>
Long-Term Debt	2,640,786	2,004,214	-
Other Long-Term Liabilities	-	-	-
Unrestricted Fund Balance	33,810,725	41,834,768	50,189,917
Restricted Fund Balance	4,075,926	4,207,528	4,315,199
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$ 43,757,615</b>	<b>\$ 51,766,608</b>	<b>\$ 57,433,590</b>
<b><u>Revenue and Expense</u></b>			
Net Patient Service Revenue	32,117,605	29,203,976	33,617,406
<b>Net Patient Service Revenue</b>	<b>\$ 32,117,605</b>	<b>\$ 29,203,976</b>	<b>\$ 33,617,406</b>
Other Operating Revenue	1,361,622	1,419,230	1,527,076
Interest	111,774	88,518	53,474
Depreciation & Amortization	1,057,356	1,019,954	1,288,207
Other Operating Expenses	23,286,066	23,864,650	28,978,268
<b>Operating Income</b>	<b>\$ 9,024,031</b>	<b>\$ 5,650,084</b>	<b>\$ 4,824,533</b>
Other Non-Operating Revenue	2,931,095	2,373,959	3,530,616
<b>Excess of Revenue Over Expenses</b>	<b>\$ 11,955,126</b>	<b>\$ 8,024,043</b>	<b>\$ 8,355,149</b>

## KEY RATIOS

Key Ratios	2017	2018	2019	Moody's Baa FY 2018
				Median Ratios
Days Cash on Hand	164.68	394.21	382.36	158.0
Days in Accounts Receivable	22.57	38.07	28.81	38.1
Current Ratio (x)	9.07	10.00	14.08	2.1
Operating Margin	26.95%	18.45%	13.73%	0.7%
Excess Margin	32.83%	24.32%	21.60%	2.6%
Debt to Capitalization	7.24	4.57	0.00	0.0
Debt Service Coverage (x)	18.16	12.79	13.94	3.2
Average Age of Plant	10.75	11.70	10.26	12.1

\*Comparisons for Shodair are difficult given unique nature of the Hospital. An analysis by Raymond James shows Shodair compares favorably to similar facilities in terms of days cash on hand, operating margin, and excess margin.

## FINANCIAL OBSERVATIONS

### Interim Financials as of May 31, 2020

The Hospital is having a strong FY 2020, despite the difficult operating environment caused by the COVID-19 Pandemic. The Hospital reports \$37.56 million in net patient service revenue and \$26.28 million in total expenses. Net income for FY 2020 is \$9.95 million, up from \$8.35 million in the year prior. These numbers are unaudited and may see adjustments after an audit.

### Assets

- Cash and cash equivalents have increased from \$1.85 million in FY 2017 to \$13.13 million in FY 2019. The increase is attributed to Shodair working to improve its cash position to prepare for future expansions and growth.
- Investments have increased from \$6.98 million in FY 2017 to \$15.30 million in FY 19. The increase is attributed to Shodair transferring its net income to investments and favorable market conditions from FY 2017-FY 2019.
- Other receivables decreased from \$18.05 million in FY 2017 to \$9.65 million in FY 2019. This decrease is attributed to Shodair realizing revenue from the Continuity of Care Program and Montana Medicaid Expansion Program. The Continuity of Care Program receivables are uncollateralized obligations due from the State of Montana through a state assistance program for hospitals that provide inpatient and residential services to Medicaid residents. The Organization accrues an estimated receivable at year-end for the expected assistance payments to be received related to the fiscal year. The Medicaid Expansion program receivables are uncollateralized obligations due from the State of Montana as a result of an expansion program under the Affordable Care Act (ACA). The receivable recorded at the end of the fiscal year relates to funding amounts estimated for that fiscal year.
- Fixed net assets have increased from \$9.78 million in FY 2017 to \$11.25 million in FY 2019. This increase is attributed to expanding services in the Helena market, as well as entering new markets in Missoula and Butte.

### Liabilities

- Accounts payable has remained consistent, slightly decreasing from \$3.06 million in FY 2018 to \$2.90 million in FY 2019.
- Long term debt has decreased from \$2.00 million in FY 2018 to \$0 in FY 2019. This is attributed to the Hospital paying off its Series 2015 bond in May 2019. The Hospital has not added any new debt since the payoff and is debt free.

### Revenues and Expenses

- Net patient revenues increased from \$29.20 million in FY 2018 to \$33.61 million in FY 2019. The increase is attributed to the Hospital expanding services and entering new markets in Missoula and Butte.
- Operating expenses increased from \$24.97 million in FY 2018 to \$30.31 million in FY 2019. The Hospital has had to accrue additional expense in program services and administrative costs due to the recent expansions.
- Non-operating revenues grew from \$2.37 million in FY 2018 to \$3.53 million in FY 2019. This increase is attributed to an increase in bequest income, donations, memorials, and grants, and investment income. The Hospital has great support from the communities they serve and are able to consistently recognize income from donations and other sources.
- The Hospital consistently recognizes solid net income, realizing \$11.95 million in FY 2017, \$8.02 million in FY 2018, and \$8.35 million in FY 2019.

### UTILIZATION

<b>Utilization</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Total Patient Days	20,159	21,890	20,852
Total Admissions	1,072	1,186	1,193
Average Lengthy of Stay - Acute	13.50	12.70	14.50
Average Length of Stay - Residential	56.20	54.50	51.10
Occupancy Rate	83.70%	84.30%	83.20%

The cause for the slight decrease in average length of stay and patient days was due to a slower April, 2020 during the shutdown from the COVID-19 Pandemic.

### PAYOR MIX

<b>Payor</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Medicaid	67%	76%	75%
Blue Cross	19%	12%	13%
Self Pay	5%	9%	9%
Other Third party Payors	9%	3%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The increase in Medicaid is a result of Medicaid Expansion that was renewed by the Montana Legislature in 2019.

## ANTICIPATED CHANGES DUE TO PROJECT

Due to the strong demand for children's health in Montana, Shodair has outgrown their current space and needs to undergo this renovation to meet future demand. In addition to improving current services, Shodair will be able to service a larger population. Management projects that revenues will improve by \$3.89 million and expenses will increase by \$1.44 million annually. Net income is projected to improve by \$2.44 million annually.

## PRO FORMA

	FY 2017	FY 2018	FY 2019	Pro Forma FY 2018	Pro Forma FY 2019
Revenues Minus Expenditures	11,955,126	8,024,043	8,355,149	8,024,043	10,825,149
Add Depreciation/Amortization	1,057,356	1,019,954	1,288,207	1,019,954	1,288,207
Interest Expense	111,774	88,518	53,474	88,518	53,474
Available for Debt Service	13,124,256	9,132,515	9,696,830	9,132,515	12,166,830
Existing Debt Service	611,002	625,685	642,255	0	0
Debt Service on New Money	N/A	N/A	N/A	3,640,000	3,640,000
Total Debt Service	722,776	714,203	695,729	3,640,000	3,640,000
Debt Service Ratio Calculation	18.2	12.8	13.9	2.5	3.3

\*Debt Service on New Money is estimated annual debt service after construction. During construction period the annual debt service is estimated at \$2,596,000.

\*All outstanding long term debt was paid off May 2020.

## FINANCE TEAM MEMBERS

Finance Team Member	Firm	Primary
Corporate Counsel	Christensen & Prezeau PLLP	Amy D. Christensen
Bond Counsel	Dorsey & Whitney LLP	Erin McCrady
Financial Advisor	Raymond James	Vasanta Pundarika Amanda Verner Thompson
Underwriter	Piper Sandler & Co.	John Henningsgard
Underwriter Counsel	Ballard Spahr LLP	Benjamin Johnson

## STRENGTHS

- Hospital is backed by the Foundation which has the sole purpose of supporting the Hospital.
- Excellent financial performance amidst expansions from FY 2017- FY 2019.
- Excellent ratios and days cash on hand.

## WEAKNESSES

- Difficult and unknown operating environment moving forward due to COVID-19.
- Significant debt issuance will be required to fully construct the new Hospital.

## **RECOMMENDATION**

Approval is recommended based upon the following considerations:

- Ability to maintain profitability amidst expansion.
- Shodair is the only hospital in Montana to provide both acute and residential treatment services for children and adolescents.



**SHODAIR CHILDREN'S HOSPITAL - NEW CONSTRUCTION** - *Preliminary Imagery*

# ARCHITECTURAL SITE PLAN



<b>LEVEL 1</b> 24 BEDS	1W. RESIDENTIAL HIGH SCHOOL	10 BEDS + 2 FLEX BEDS
	1M. RESIDENTIAL MIDDLE SCHOOL	10 BEDS + 2 FLEX BEDS
<b>LEVEL 2</b> 24 BEDS	2W. RESIDENTIAL HIGH SCHOOL	10 BEDS + 2 FLEX BEDS
	2M. RESIDENTIAL MIDDLE SCHOOL	10 BEDS + 2 FLEX BEDS
<b>LEVEL 3</b> 34 BEDS	3W. ACUTE ADOLESCENT	10 BEDS
	3M. ACUTE ADOLESCENT	10 BEDS
	3N. ACUTE CHILDREN'S	10 BEDS
	3. ICU/YOUTH CRISIS	4 BEDS

**TOTAL: 82 Single Patient Bedrooms**



LEVEL 1



LEVEL 2



LEVEL 3

# SHODAIR NEW HOSPITAL | BIRDSEYE FROM NW



# SHODAIR NEW HOSPITAL | WEST VIEW



# SHODAIR NEW HOSPITAL | NORTHEAST VIEW



SHODAIR NEW HOSPITAL | LOBBY AND CAFE



# SHODAIR NEW HOSPITAL | LOBBY AND CAFE



LOBBY / RECEPTION / CAFE Birdseye view

SHODAIR NEW HOSPITAL | VISITOR RECEPTION



# SHODAIR NEW HOSPITAL | PATIENT HOPE SPACE



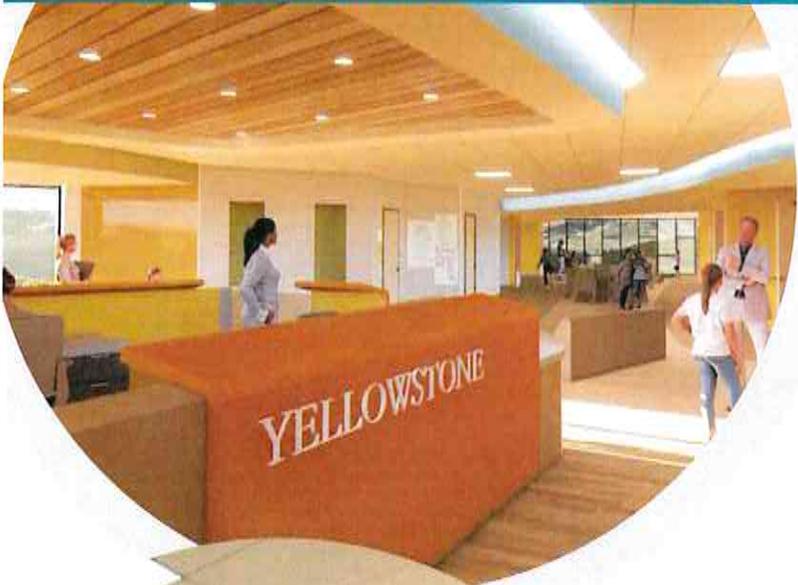
# SHODAIR NEW HOSPITAL | PATIENT HOPE SPACE - WITH ART



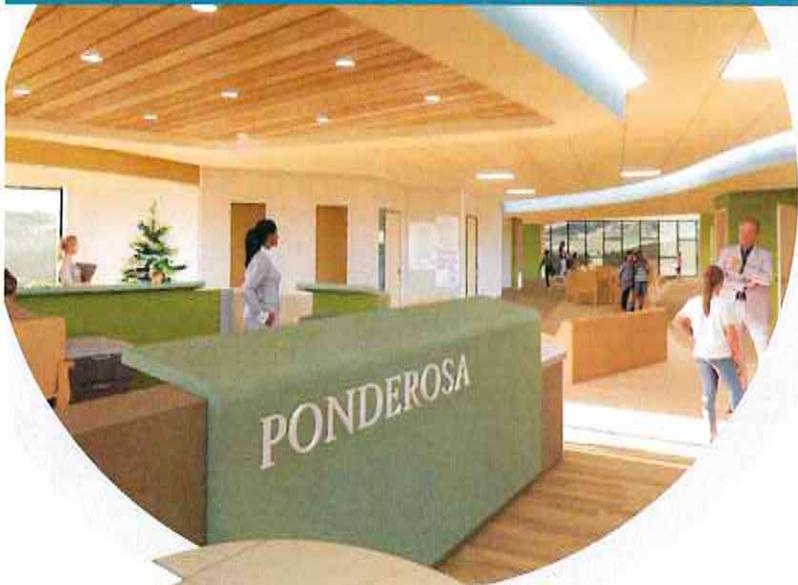
# SHODAIR NEW HOSPITAL | PATIENT HOPE SPACE - WITH MOVIES



# SHODAIR NEW HOSPITAL | PATIENT UNIT CONCEPTS



# SHODAIR NEW HOSPITAL | PATIENT UNIT CONCEPTS





**SHODAIR CHILDREN'S HOSPITAL - NEW CONSTRUCTION** - *Preliminary Imagery*

EXTERIOR LIGHTING OPTION



EXTERIOR LIGHTING OPTION



# SHODAIR NEW HOSPITAL | LOBBY AND CAFE



# SHODAIR NEW HOSPITAL | PRIVATE ADMISSIONS



CERTIFICATE AS TO RESOLUTION

I, the undersigned, being the duly qualified and acting recording officer of the Montana Facility Finance Authority (the "Authority"), hereby certify that the attached resolution is a true copy of Resolution No. 20-03, entitled: "RESOLUTION RELATING TO A PROJECT ON BEHALF OF MONTANA CHILDREN'S HOME AND HOSPITAL; GRANTING APPROVAL FOR THE SALE AND ISSUANCE OF REVENUE BONDS AND MASTER LOAN PROGRAM BONDS THEREFOR AND AUTHORIZING EXECUTION OF DOCUMENTS WITH RESPECT THERETO" (the "Resolution"), on file in the original records of the Authority in my legal custody; that the Resolution was duly adopted by the Authority at a meeting on August 13, 2020, and that the meeting was duly held by the Authority and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

WITNESS my hand officially as such recording officer this 13th day of August, 2020.

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Adam Gill  
Executive Director

RESOLUTION NO. 20-03

RESOLUTION RELATING TO A PROJECT ON BEHALF OF  
MONTANA CHILDREN'S HOME AND HOSPITAL;  
GRANTING APPROVAL FOR THE SALE AND ISSUANCE OF  
REVENUE BONDS AND MASTER LOAN PROGRAM BONDS  
THEREFOR AND AUTHORIZING EXECUTION OF  
DOCUMENTS WITH RESPECT THERETO

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

Section 1. Recitals.

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

1.02. The Authority has developed its Master Loan Program (the "Program") pursuant to which the Authority is authorized to issue and sell its revenue bonds and loan proceeds thereof to participating institutions to finance, refinance or provide reimbursement for eligible costs of constructing, acquiring and equipping eligible health facilities. Sections 90-7-317 through 90-7-320 of the Act establish a capital reserve account in an enterprise fund credited to the Authority (the "Capital Reserve Account"), which the Authority may pledge, in whole or in part, as security for the payment of bonds issued under the Program and authorize the Board of Investments of the State of Montana (the "Board of Investments") to loan money to the Authority for deposit in the Capital Reserve Account. Bonds heretofore issued under the Program are secured by the Capital Reserve Account.

1.03. The Authority has received from Montana Children's Home and Hospital, a Montana nonprofit corporation doing business as Shodair Children's Hospital (the "Borrower"), which owns and operates a specialty hospital facility providing child and adolescent psychiatry services and medical genetic services, located at 2755 Colonial Drive in the City of Helena, Montana (the "Hospital"), a request that the Authority issue its revenue bonds, in one or more series and which may be taxable and/or tax-exempt (the "Series 2020 Bonds"), in a maximum aggregate principal amount not to exceed \$65,000,000, and loan the proceeds thereof to the Borrower to be used, with other available funds of the Borrower, for the following purposes: (i) to finance or to reimburse the Borrower for all or a portion of the costs of the design,

construction, equipping and furnishing of a new hospital facility and the remodeling, renovation and relocation of the existing hospital buildings (collectively, the “Project”); (ii) to make deposits to debt service reserve funds for the Series 2020 Bonds; (iii) to pay capitalized interest on the Series 2020 Bonds; and (iv) to pay a portion of the expenses incurred in connection with the issuance of the Series 2020 Bonds. Costs of the Project in excess of the proceeds of the Series 2020 Bonds shall be paid by the Borrower with cash on hand and contributions from a capital campaign of the Shodair Foundation.

The Borrower has requested that up to \$20,000,000 aggregate principal amount of the Series 2020 Bonds be issued under and pursuant to the Program (the “Program Bonds”). The Authority hereby requests that the Board of Investments make a loan to the Authority, the proceeds of which will be deposited in a subaccount in the Capital Reserve Account and used to secure the Program Bonds upon the terms and conditions contained in the Board of Investments Agreement (as hereinafter defined).

## Section 2. Determinations and Approvals.

2.01. The Authority hereby determines that the issuance of its Series 2020 Bonds is in the best interests of the State of Montana (the “State”) and authorizes its staff, together with Dorsey & Whitney LLP, as bond counsel to the Authority (“Bond Counsel”), to prepare documents necessary to issue the Series 2020 Bonds and loan the proceeds thereof to the Borrower. The Authority approves the issuance of the Series 2020 Bonds in a maximum aggregate principal amount not to exceed \$65,000,000 for the purposes set forth in Section 1.03 hereof. Up to \$20,000,000 aggregate principal amount of the Series 2020 Bonds may be issued under and pursuant to the Program. The Series 2020 Bonds shall be special, limited obligations of the Authority payable solely from and secured by the payments required to be made by the Borrower or others (except to the extent payable from the proceeds of the Series 2020 Bonds and, with respect to the Program Bonds, from the Capital Reserve Account) and will not constitute or give rise to a pecuniary liability of the Authority or a charge against the general credit or taxing powers of the State.

The Series 2020 Bonds may be sold to one or more underwriters in public offerings and/or one or more financial institutions in private placement transactions (each, a “Purchaser”), each such Purchaser to be selected by the Authority and the Borrower, upon consultation with financial advisor to the Borrower. The Series 2020 Bonds will be sold pursuant to a Bond Purchase Agreement among the Authority, the Borrower and the applicable Purchaser (each, a “Bond Purchase Agreement”).

2.02. The Authority hereby authorizes and directs any one or more of the Executive Director, the Chair or the other members of the Authority to negotiate the sale of the Series 2020 Bonds to the applicable Purchasers. The Series 2020 Bonds shall be in the principal amounts, mature on such dates, bear interest at such rates per annum, be subject to redemption, bear such dates, and be sold at such purchase prices as are set forth in the applicable Bond Purchase Agreement; provided that:

(a) the aggregate principal amount of the Series 2020 Bonds shall not exceed \$65,000,000 (exclusive of any original issue premium or discount thereon), and up to

\$20,000,000 aggregate principal amount of the Series 2020 Bonds may be issued under and pursuant to the Program;

(b) the final maturity of each series of Series 2020 Bonds shall not exceed 31 years from the date of issuance thereof; and

(c) the true interest cost for each series of the Series 2020 Bonds shall not exceed 6% per annum; provided, however, that the true interest cost for Program Bonds shall not exceed 4% per annum.

### Section 3. General.

3.01. If Series 2020 Bonds (other than Program Bonds) are issued and sold, the Authority will enter into various agreements, including but not limited to a bond indenture of trust (the “Bond Indenture”) or similar agreement with a trustee (the “Bond Trustee”) providing for the issuance of the applicable Series 2020 Bonds, and a loan agreement or similar agreement with the Borrower satisfying the requirements of the Act (the “Loan Agreement”).

3.02. If Program Bonds are issued and sold, the following documents will be prepared and entered into (collectively, the “Program Documents”):

(a) Amendment to Capital Reserve Account Agreement, amending and supplementing the Capital Reserve Account Agreement, dated as of October 1, 1994 as heretofore amended and supplemented (as so amended and supplemented, the “Board of Investments Agreement”) to be entered into by the Authority and the Board of Investments;

(b) Loan Agreement (the “Program Loan Agreement”) to be entered into by the Authority and the Borrower;

(c) Supplemental Indenture of Trust, amending and supplementing the Master Indenture of Trust, dated as of October 1, 1994 as heretofore amended and supplemented (as so amended and supplemented, the “Program Indenture”), to be entered into by the Authority and U.S. Bank National Association, as trustee (the “Program Trustee”);

(d) Combination Mortgage, Security Agreement and Fixture Financing Statement to be executed by Borrower in favor of the Program Trustee;

(e) Parity Agreement, by and among the Authority, the Borrower, the Bond Trustee and the Program Trustee, if required; and

(f) Promissory note to be executed and delivered by the Authority to the Board of Investments pursuant to the Board of Investments Agreement.

3.03. The loan repayments or other amounts payable by the Borrower to the Authority under a Loan Agreement, the Program Loan Agreement and other agreements to be entered into in connection with the issuance of Series 2020 Bonds shall be sufficient, if paid timely and in full, to pay the principal of, premium, if any, and interest on the such Series 2020 Bonds as and

when the same shall become due and payable. The Borrower shall make all such payments either directly or through the Authority of any and all costs incurred by the Authority in connection with the Series 2020 Bonds, whether or not they are issued.

3.04. In connection with any public offering of Series 2020 Bonds, the Authority staff is hereby authorized and directed to cooperate with the Borrower, the applicable Purchasers and each of their counsel in the preparation of a Preliminary Official Statement and a Final Official Statement to be distributed to prospective purchasers of such Series 2020 Bonds; provided, however, that the Authority takes no responsibility for, and makes no representations or warranties as to, the accuracy, completeness or sufficiency of the information in any Preliminary Official Statement or any Final Official Statement, except as to matters relating to the Authority. The Executive Director is authorized on behalf of the Authority to deem any Preliminary Official Statement near final as of its date, in accordance with Rule 15c2-12(b)(1) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Section 4. Commitment Conditional. The Authority retains the right in its sole and absolute discretion to withdraw from participation and accordingly not issue any or all of the Series 2020 Bonds (including Program Bonds) should the Authority at any time prior to the execution and delivery of the applicable Bond Purchase Agreement by the Authority determine that it is in the best interests of the Authority not to issue such Series 2020 Bonds (including Program Bonds) or should the parties to the transaction be unable to reach agreement as to the terms and conditions of any of the documents required for the financing. In addition, the approval by the Authority of the issuance of the Program Bonds is subject to the approval by the Board of Investments of the loan to the Authority with respect to the Program Bonds, as described in Section 1.03 hereof.

Section 5. Public Hearing. Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), requires that, prior to the issuance of the Series 2020 Bonds, the Authority shall hold a public hearing on the Project and the issuance of the Series 2020 Bonds in connection with the financing thereof, following notice thereof. The Executive Director is authorized and directed to publish notice of the public hearing, to conduct that hearing at the time and place specified in the published notice and to provide minutes of that public hearing to the Borrower and to Bond Counsel.

Section 6. Approval of Governor. The Executive Director is authorized and directed to forward to the Governor a certified copy of this Resolution and the minutes of the public hearing referred to in Section 5 and to request on behalf of the Authority that he approve the issuance of the Series 2020 Bonds for the purposes contemplated by this Resolution as required by Section 147(f) of the Code.

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

- (a) the Borrower is an “institution” and the Project comprises an “eligible facility” and an “eligible health facility” within the meaning of the Act;

(b) the Project is authorized to be financed by the issuance of the Series 2020 Bonds (including the Program Bonds) pursuant to the Act;

(c) based solely on information provided and representations made by the Borrower, the loan of the proceeds of the Series 2020 Bonds to the Borrower will not exceed the total eligible costs of the Project, as determined by the Borrower;

(d) the loan repayments or other amounts payable by the Borrower to the Authority under a Loan Agreement, the Program Loan Agreement and other agreements to be entered into in connection with the issuance of Series 2020 Bonds shall be sufficient, if paid timely and in full, to pay the principal of, premium, if any, and interest on such Series 2020 Bonds as and when the same shall become due and payable, to maintain sufficient debt service reserve funds therefor, to meet all other obligations in connection with such agreement and to provide for costs of servicing and securing such Series 2020 Bonds and loan of the proceeds of such Series 2020 Bonds;

(e) the Hospital, as improved by the Project, will be operated by the Borrower for the purpose of fulfilling its obligation to provide health care facilities;

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

(g) based solely upon information provided and representations made by the Borrower, the Project is financially feasible and the Borrower will have sufficient revenues to provide for the payment of the principal of and interest with respect to the Series 2020 Bonds as due;

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

(i) pursuant to the Supplemental Program Indenture, the payments to be made under the Program Loan Agreement and amounts payable under the Board of Investments Agreement are pledged to the payment of the Program Bonds;

(j) based solely on information provided and representations made by the Borrower, to the extent legally required, the construction of the Project has been reviewed and approved by the appropriate regional and State health planning boards and has received all approvals required by Montana Code Annotated, Title 50, Chapter 3, Part 3, as amended; and

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

Section 8. Execution of Documents and Series 2020 Bonds.

8.01. The Executive Director or any one or more of the other officers of the Authority are hereby authorized and directed to execute Bond Purchase Agreements, Loan Agreements, Bond Indentures, the Program Documents and such other agreements and documents to be executed by the Authority in connection with the issuance of the Series 2020 Bonds, in the name and on behalf of the Authority, and in such form as is approved by the officer or officers executing the same, which approval shall be conclusively presumed by the execution thereof.

8.02. The Chair and the Executive Director, or any one or more of the other members of the Authority, are hereby authorized to prepare and execute (i) Series 2020 Bonds (other than Program Bonds) as prescribed in the applicable Bond Indenture and deliver such Series 2020 Bonds to the Bond Trustee, together with a certified copy of this resolution and the other documents required by such Bond Indenture and the applicable Bond Purchase Agreement for authentication of such Series 2020 Bonds by the Bond Trustee and delivery by the Bond Trustee of such Series 2020 Bonds to the applicable Purchaser; and (ii) Program Bonds as prescribed in the Supplemental Program Indenture and deliver such Program Bonds to the Program Trustee, together with a certified copy of this resolution and the other documents required by the Supplemental Program Indenture and the applicable Bond Purchase Agreement for authentication of such Program Bonds by the Program Trustee and delivery by the Program Trustee of such Program Bonds to the applicable Purchaser.

8.03. The Executive Director or any one or more of the other officers of the Authority, are authorized and directed to prepare and furnish to the applicable Purchasers and Bond Counsel, when Series 2020 Bonds are issued, certified copies of all applicable proceedings and records of the Authority relating to such Series 2020 Bonds, and such other affidavits, certificates and documents as may be required to show the facts relating to the legality and marketability of such Series 2020 Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them, or as may be necessary or desirable to accomplish the issuance and sale of such Series 2020 Bonds, and all such certified copies, certificates, affidavits and documents, including any heretofore furnished, shall constitute representations of the Authority as to the truth of all statements of fact contained therein.

Section 9. Limited Liability of Authority and State. The Series 2020 Bonds and the Authority's obligations under the Bond Purchase Agreements, the Bond Indenture, the Supplemental Indenture, the Loan Agreements, the Amendment to Agreement, the Note and the Parity Agreement and all other financing and security documents and agreements executed in connection with the issuance of the Series 2020 Bonds shall be special, limited obligations of the Authority payable solely from and secured by the payments required to be made by the Borrower or others (except to the extent payable from the proceeds of the Series 2020 Bonds and, with respect to Program Bonds, from the Capital Reserve Account) and will not constitute or give rise to a pecuniary liability of the Authority or a charge against the general credit or taxing powers of the State of Montana.

Section 10. Authority Fees. As authorized by Section 90-7-211 of the Act, the Authority may assess the Borrower for certain initial planning service fees and annual planning service fees. The initial planning service fee and annual planning service fee to be assessed

against the Borrower with respect to the Series 2020 Bonds shall be in accordance with the Authority's fee schedules, which may amended from time to time. Assuming \$45,000,000 aggregate principal amount of Series 2020 Bonds (other than Program Bonds) are issued, the estimated initial planning service fee for such Series 2020 Bonds is \$48,000, and the estimated annual planning service fee for such Series 2020 Bonds is 5 basis points (0.05%), unless and until changed by the Authority. Assuming \$20,000,000 aggregate principal amount of Program Bonds are issued, the estimated initial planning service fee for such Program Bonds is \$30,000, and the estimated annual planning service fee for such Program Bonds is 10 basis points (0.10%), unless and until changed by the Authority. No holder of the Series 2020 Bonds or any other bonds of the Authority outstanding from time to time shall have any interest in such funds or any right, by contract or otherwise, to direct the application of such funds to the payment or security of such bonds.

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

PASSED AND APPROVED BY THE MONTANA FACILITY FINANCE  
AUTHORITY this 13th day of August, 2020.

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Larry Putnam  
Chair

**Montana Facility Finance Authority**  
**Budget v. Actual Expenses**  
**06/30/20**  
**100% Expended**

Legislative Budget	Year to Date			
	Category	Budget	Actual	\$ Variance % Variance
<b>\$812,000</b>	<b>A) INCOME</b>	<b>\$796,598</b>	<b>899,873</b>	103,274 13%
135,000	Application Fees	135,000	148,905	13,905 10%
547,000	Annual Fees	531,598	595,029	63,431 12%
130,000	Investment Income	130,000	155,938	25,938 20%
<b>\$310,350</b>	<b>B) PERSONAL SERVICES EXPENSE</b>	<b>\$310,350</b>	<b>270,409</b>	(39,941) -13%
303,350	Salaries & benefits	303,350	264,659	(38,691)
7,000	Board Per Diem	7,000	5,750	(1,250)
<b>\$326,543</b>	<b>C) OPERATING EXPENSES**</b>	<b>\$256,543</b>	<b>201,179</b>	(55,364) -22%
69,650	Contracted & Other Services	69,650	47,460	(22,190) -32%
	Misc. Other Services		19,050	
	Legal Services		23,549	
	Legislative Audit		2,403	
	ITSD		2,458	
12,044	Supplies/Materials/Equipment	12,044	16,854	4,810 40%
7,824	Communications	7,824	6,487	(1,337) -17%
29,365	Travel	29,365	14,285	(15,080) -51%
27,188	Rent	27,188	28,068	880 3%
	Building Rent		27,018	
	Other Rent		1,050	
156	Repairs & Maintenance	156	140	(16) -10%
70,316	Miscellaneous	70,316	59,001	(11,315) -16%
	Commerce Department Services		39,306	
	Administration (statewide) Indirect Costs		2,070	
	Education		8,225	
	Other Miscellaneous		9,400	
0	Equipment	0	0	
40,000	BOI Administrative Support**	40,000	28,885	(11,115) -28%
<b>\$175,107</b>	<b>REVENUES IN EXCESS OF EXPENSES (A-B-C)</b>	<b>229,705</b>	<b>428,284</b>	198,579 86%
330,000	Grants-Obligated/Paid	206,139	136,139	
(\$154,893)	Current Year Increase in Net Assets		292,145	
	<b>INCREASE (DECREASE) IN NET ASSETS</b>		<b>292,145</b>	

\* Income presented on CASH basis. GAAP accrual accounting would reflect approximately \$3,200.53 less income annually, or < 0.6%

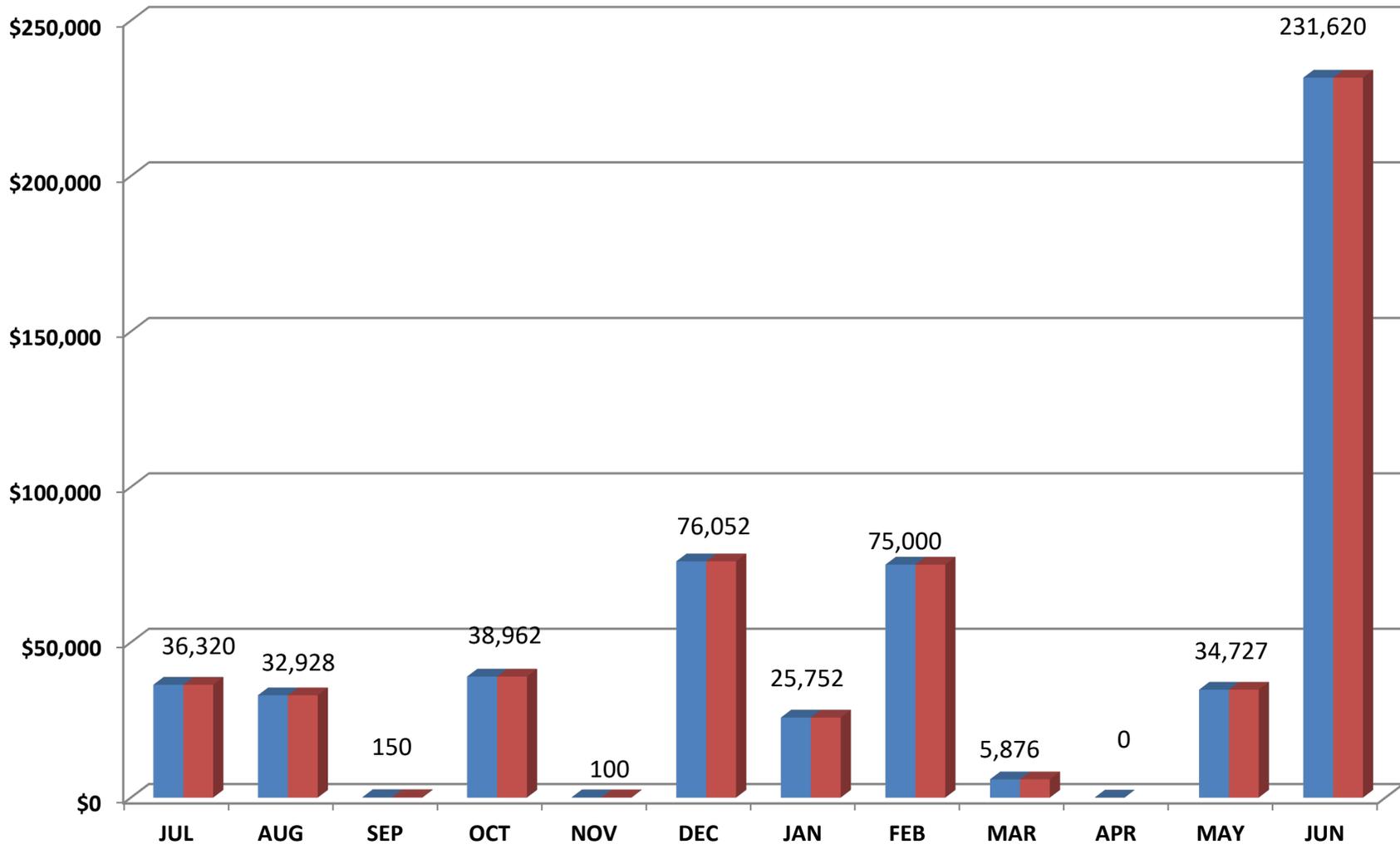
# FY 2020 Annual Service Fees

As of July 31, 2020

Annual Projected: \$557,488

YTD Projected: \$557,488

YTD Collected: \$557,488



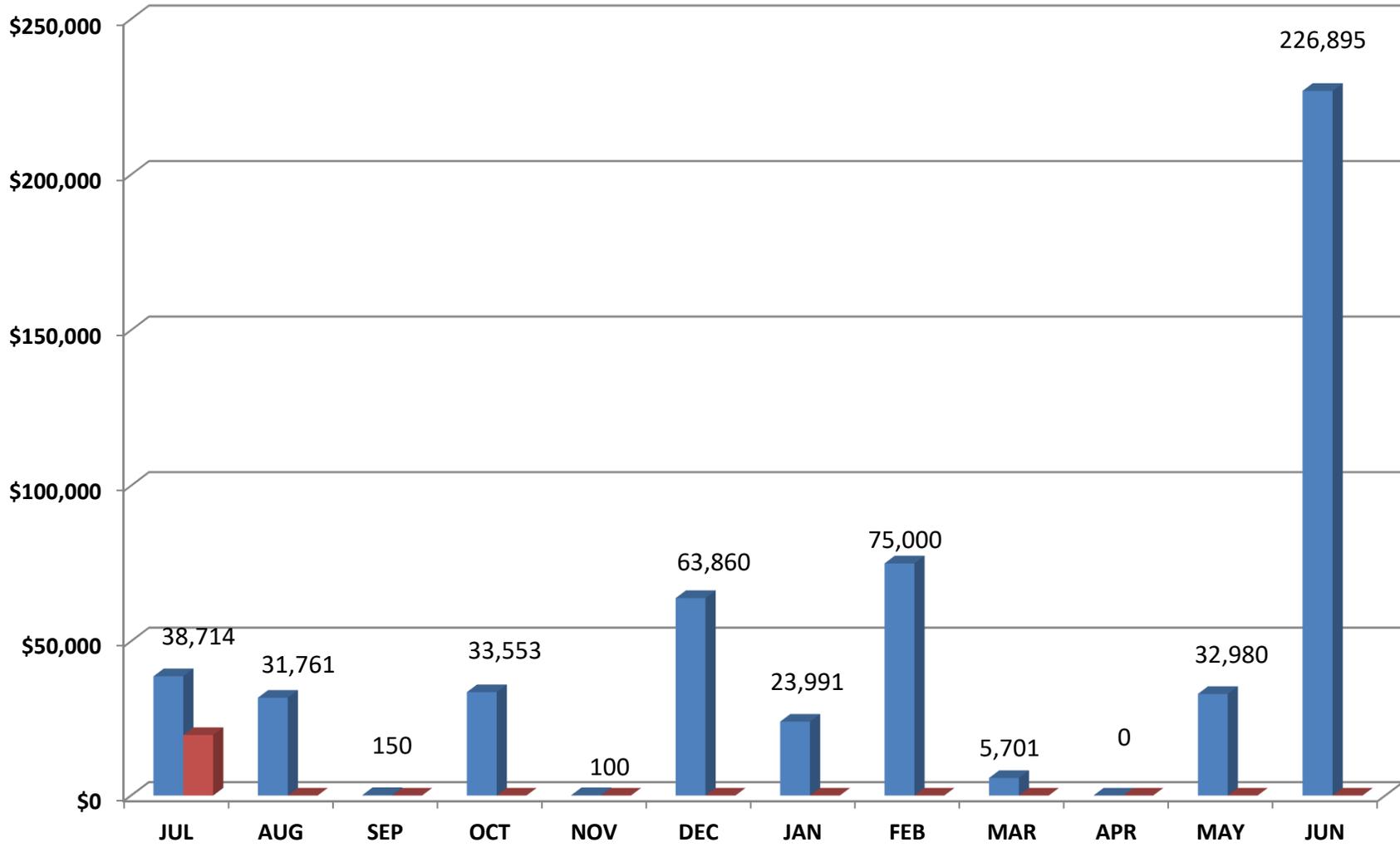
# FY 2021 Annual Service Fees

As of August 6, 2020

Annual Projected: \$532,704

YTD Projected: \$70,475

YTD Collected: \$19,650



**Montana Facility Finance Authority  
Reserve Balances  
6/30/2020**

		<u>Current Balance</u>	<u>Policy Guideline</u>
<b>A/E 06015</b>	<b>Operating Account Summary</b>		
	Total Fund Balance Available Net Capital Reserve "B" Balance	2,113,698	
	Less: Working Capital Reserve Requirement	1,613,786	1,613,786 (a)
	Available for Restricted Capital Reserve "A"	499,912	10,295,227 (b)
	Fund Balance: Sub-Total	<u>2,113,698</u>	<u>11,909,013</u>
<b>A/E 06015</b>	<b>Trust Fund Loan Pool</b>		
	RC 710300, Accounts 521190	34,082	
	Plus: Prior Year End Capital Reserve "B" Fund Balance Sub Total	368,549	
	Capital Reserve "B" Fund Balance	<u>402,631</u>	534,666 (d)
<b>A/E 06012</b>	<b>Direct Loan Program</b>		
	Current Program Fund Balance	5,936,307	
	Less: Outstanding Loan Balance	5,408,833	
	Funds Available to Loan from Direct Loan Program	527,475	
	Fund Balance: Sub-Total	<u>5,936,307</u>	4,542,709 (c)
	Total Projected Fund Balance	<u>8,452,636</u>	<u>16,986,389</u>

Notes:

Policy Guidelines - Minimum Funding Requirements

(a) Twice the current Fiscal Year annual budget.	806,893
(b) 10% of the outstanding BOI enhanced bond balance as of 7/1/19	102,952,272
(c) \$3,542,709 as of 7/1/19 plus YTD loan payments, account investment earnings.	4,542,709
(d) 10% of the Trust Fund Loan Pool Balance as of 7/1/19	5,346,663

**MONTANA FACILITY FINANCE AUTHORITY**

**Staff Approved Loans**

**7/1/19 - 6/30/20**

**Submitted Applications**

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

**Approved Applications**

<u>Borrower</u>	<u>Location</u>	<u>Date Approved</u>	<u>Term</u>	<u>Interest</u>	<u>Amount</u>	<u>Project</u>
<b>Total Approved Direct Loans:</b>					<b>\$ -</b>	

**Funds Available Under**

**Direct Loan Program:**

Loan Fund: (6/30/2020)	5,936,307
Total Outstanding Loans: (6/30/2020)	(5,408,833)
Approved Applications from above:	-
<b>Total Available to Loan at 6/30/2020</b>	<b>\$ 527,474</b>

**Funded Applications from 7/1/19:**

<u>Borrower</u>	<u>Location</u>	<u>Date Funded</u>	<u>Term</u>	<u>Interest</u>	<u>Amount</u>	<u>Project</u>
Central Montana Medical Center	Lewistown	07/11/19	10	2.26%	\$ 335,870	Refinancing Trust Fund Loan
Job Connections	Billings	07/18/19	10	2.26%	\$ 298,470	Refinancing Trust Fund Loan
Northeast Montana Health Services	Wolf Point	07/31/19	4	2.00%	\$ 498,531	Refinancing Trust Fund Loan
McCone County Health	Circle	09/03/19	7	2.15%	\$ 99,100	Boiler Upgrades
Eastern Montana Community Mental Health	Miles City	11/12/19	10	2.25%	\$ 500,000	Facility Upgrade & Refinance
Dahl Memorial Healthcare	Ekalaka	12/17/19	7	2.00%	\$ 175,000	EHR Upgrade
Missions United	Billings	01/27/20	5	2.00%	\$ 500,000	Reimbursement of Capital Upgrades
Roundup Memorial Healthcare	Roundup	03/10/20	10	2.25%	\$ 402,263	Refinancing Trust Fund Loan
Fallon Medical Complex	Baker	03/17/20	5	2.00%	\$ 85,671	Digital Radiology Upgrade
Alluvion Health	Great Falls	04/14/20	1	2.00%	\$ 500,000	Emergency Loan Program
McCone County Health	Circle	04/14/20	1	2.00%	\$ 400,000	Emergency Loan Program
Glendive Medical Center	Glendive	04/15/20	1	2.00%	\$ 500,000	Emergency Loan Program
Roosevelt Medical Center	Culbertson	05/07/20	1	2.00%	\$ 500,000	Emergency Loan Program
Ravalli County Council on Aging	Hamilton	05/19/20	1	2.00%	\$ 100,000	Emergency Loan Program
Fallon Medical Complex	Baker	06/04/20	5	2.00%	\$ 300,000	Purchase CT Scanner
<b>Total Loans Funded since 7/1/19</b>					<b>\$ 5,194,905</b>	

**MONTANA FACILITY FINANCE AUTHORITY**

**Staff Approved Grants**

**7/1/19 - 6/30/20**

**Commitments Pending**

<u>Facility</u>	<u>Location</u>	<u>Date Submitted</u>	<u>Date Approved</u>	<u>Date Paid</u>	<u>Amount</u>	<u>Project</u>	<u>Program</u>
Missoula YWCA (final)	Missoula, MT	11/12/2018	11/12/2018		\$ 7,500	Energy Efficiency Grant	EEP
St. Luke's Community Healthcare	Ronan, MT	9/5/2019	9/5/2019		\$ 15,000	Capital Improvement Plan	MCAP
Liberty Medical Center	Chester, MT	2/6/2020	2/6/2020		\$ 15,000	Capital Improvement Plan	MCAP
<b>Total Pending Grants:</b>					<b>\$ 37,500</b>		

**Grants Paid since 7/1/2019**

<u>Grantee</u>	<u>Location</u>	<u>Date</u>	<u>Approved</u>	<u>Paid</u>	<u>Amount</u>	<u>Project</u>	<u>Program</u>
Roundup Memorial Hospital	Roundup, MT	5/1/2019	5/1/2019	7/22/2019	\$ 10,144	Capital Improvement Plan	MCAP
Madison Valley Medical	Ennis, MT	8/21/2018	8/21/2018	7/24/2019	\$ 15,000	Facility Master Planning	MCAP
Prairie County Hospital District	Terry, MT	10/19/2019	10/19/2019	8/8/2019	\$ 13,912	Facility Master Planning	MCAP
Marcus Daly Memorial Hospital	Hamilton, MT	9/25/2019	9/25/2019	10/6/2019	\$ 15,000	Capital Improvement Plan	MCAP
Roosevelt Medical Center	Culbertson, MT	6/11/2019	6/11/2019	12/4/2019	\$ 10,000	Energy Efficiency Grant	EEP
Cabinet Peaks Medical Center	Libby, MT	8/13/2019	8/13/2019	12/4/2019	\$ 15,000	Energy Efficiency Grant	EEP
Roosevelt Medical Center	Culbertson, MT	11/30/2018	11/30/2018	12/30/2019	\$ 14,583	Capital Improvement Plan	MCAP
Liberty Medical Center	Chester, MT	7/29/2019	7/29/2019	1/7/2020	\$ 15,000	Energy Efficiency Grant	EEP
Immanuel Lutheran Communities	Kalispell, MT	11/23/2018	11/23/2018	2/26/2020	\$ 15,000	Energy Efficiency Grant	EEP
Phillips County Hospital	Malta, MT	10/10/2019	10/10/2019	2/26/2020	\$ 12,500	Energy Efficiency Grant	EEP
Helena YWCA	Helena MT	2/3/2020	2/3/2020	6/23/2020	\$ 5,000	Energy Efficiency Grant	EEP
<b>Total Grants:</b>					<b>\$ 136,139</b>		



# **IHS Markit Study on the Montana Facility Finance Authority**

*Submitted By:*

**IHS Global Inc.**

James Diffley  
IHS Markit Economics  
3100 Market St  
Philadelphia, PA 19103  
215-789-7422

June 25, 2020

Low cost financing options facilitated through the Montana Facility Finance Authority (MFFA) provides a critical source of capital investment funding for nonprofits statewide. According to data from MFFA, from 2010 to 2019 there were \$812 million in tax-exempt bond projects devoted to construction and capital investment. These were concentrated in the health care industry, featuring new construction/renovations and equipment spending for hospitals, elderly care facilities, and other healthcare institutions.

A wide range of projects have been funded by MFFA: general acute care hospitals, critical access hospitals, children's hospitals, general medical and surgical facilities, single specialty hospitals, senior and assisted living and nursing homes, and behavioral health care centers.

At children's, single specialty, and general acute care hospitals benefits of the projects include the detection, prevention, control, and cure, of disease. They employ workers at every skill level among the thousands employed in the healthcare services industry in Montana. Healthcare services employment provides stability and growth in economic downturns. The industry is historically immune to business cycle fluctuations as demographic changes and technological advances drives investment demand in the sector. There are also many positive socio-economic externalities. At the same time, new hospitals lure other businesses and provide for healthier communities.

The capital expenditures supported through tax-exempt financing have wide ranging economic effects. For the scope of this study, the impacts on the Montana economy have been analyzed. These are modeled using IMPLAN's economic impact software, which uses national and regional inter-industry purchasing relationships to study changes on regional economic activity resulting from direct expenditures on goods and services. When a direct change in regional spending occurs, indirect and induced impacts are generated through the supply chain linkages and consumer spending that result from fulfillment and completion of the activity.

Only funds directed toward Montana businesses are reflected in the analysis. Funds spent on equipment or materials manufactured outside of the state or in the hiring of nonlocal labor are considered leakages, as are nonlocal purchases coming from the indirect and induced components. The impacts reported from this study are solely derived from the economic activity

generated in Montana from the capital projects themselves. The long-term economic value added by the new/renovated hospitals, and all other projects financed through tax-exempt bonds provide great social benefit but are outside of the scope of this study.

**Economic Impacts, Annual Average, 2010-19**  
 (# of Jobs, Current \$ in Thousands)

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

The projects funded by 501c3 bonds over the last 10 years have had substantial economic benefits, supporting 1,320 jobs, \$64.1 million in labor income, and \$87.9 million in gross state product on average each year from 2010-2019. Since the amount of project funding analyzed vary each year, it is useful to look at the annual averages. Over the last ten years projects financed through the MFFA have consistently provided a sizable economic boost to the state economy. Without the use of this low cost financing, the magnitude and frequency of these capital projects would surely have been be lessened.

In addition to the broad economic impacts described above, we can analyze the distribution of those annual impacts across the various sectors of the economy.

**Montana Employment Impacts By Industry**  
**(Average Annual Jobs, 2010-2019 )**

<b>INDUSTRY</b>	<b>Total</b>
TOTAL	1,320
Construction	524
Trade, Transportation, & Utilities	351
Professional & Business Services	146
Education & Health Services	76
Leisure & Hospitality Services	69
Financial Services	64
Other Services	45
Manufacturing	22
Information Services	13
Government	6
Agriculture, Forestry, Fishing	3
Natural Resources & Mining	1

The construction sector is the top beneficiary of capital dollars and thus jobs, but many other sectors benefit as the spending flows through the economy as a whole. Through the multiplier effect, most sectors of the economy are affected as the spending put towards capital projects has positive ripple effects on other industries. The construction sector is the top sector directly impacted, while the trade, transportation, and utility sector benefits the most indirectly. Jobs that are induced as a result of higher incomes stemming from direct/indirect employment gains are far-reaching, however the greatest number are in the education and health services sector.

The 501c3 capital spending supports 122 indirect jobs per year in the professional and business services sector. These services, such as architectural and engineering, accounting and tax preparation, and legal services, are used for the planning and implementation of capital projects and are all indirectly tied to capital spending.

The direct and indirect jobs supported by 501c3 bond spending provides further stimulus through the increase in wages flowing through the economy. These induced impacts affected the trade, transportation and utilities, and education and health services sector the most and is associated with over 76 jobs annually in the education and health services sector. Many of these induced jobs are in private hospitals and the offices of physicians, dentists and health practitioners as employees seek out general healthcare services. Private colleges, universities, and trade schools also are affected as new economic growth stimulates a demand for educational services. The trade, transportation, and utilities sector meanwhile saw 75 induced jobs per year. Retail stores and wholesale trade businesses are greatly impacted by the changes in disposable income that result from increased employment in other areas of the economy.

**Montana Employment Impacts By Industry**  
**(Average Annual Jobs, 2010-2019 )**

<b>Industry</b>	<b>Total</b>	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>
Construction	524	517	4	3
Trade, Transportation, & Utilities	351	-	276	75
Professional & Business Services	146	-	122	24
Education & Health Services	76	-	0	76
Leisure & Hospitality Services	69	-	17	52
Financial Services	64	-	32	32
Manufacturing	45	-	15	30
Other Services	22	-	20	2
Information Services	13	-	9	5
Government	6	-	3	3
Agriculture, Forestry, Fishing	3	-	1	1
Natural Resources & Mining	1	-	1	0

This report has demonstrated that MFFA facilitated projects over 2010-2019 had wide ranging economic impacts on Montana, creating 1,320 jobs, \$64.1 million in labor income, and \$87.9 million in gross domestic product annually on average from 2010-2019.

The financing of these projects is greatly benefitted by the tax-exempt status of municipal bond interest income. Its value, generally at Montana's top

income tax rate of 6.9%, prompts bond buyers to pay higher prices, accepting lower yields on the bonds.

For each of the 100 new money offerings, totaling \$812 million over the decade, we have calculated the implicit tax savings at the price / interest rate at issuance.<sup>1</sup> These total \$18.2 million, 2.2% of the total, in tax savings per year (for the first year of returns).

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<sup>1</sup> The tax savings are calculated for each issue as the decrease in the effective borrowing interest rate (the increase in the effective yield) at that time that is provided by the tax exemption for bond-buyers subject to the highest state tax bracket.

## 2020

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

## 2021

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

### HOLIDAYS AND OBSERVANCES

<b>1-Jan</b> <b>New Year's Day Ob.</b>	<b>4-Jul</b> <b>Independence Day</b>	<b>26-Nov</b> <b>Thanksgiving Day</b>
<b>18-Jan</b> <b>MLK Day</b>	<b>7-Sep</b> <b>Labor Day</b>	<b>25-Dec</b> <b>Christmas Day</b>
<b>15-Feb</b> <b>Presidents' Day</b>	<b>12-Oct</b> <b>Columbus Day</b>	
<b>31-May</b> <b>Memorial Day</b>	<b>11-Nov</b> <b>Veterans Day Ob.</b>	

### CONFERENCES

<b>Mar 30-Apr 1, 2020</b> <b>PaceNation, Columbus, OH</b>	<b>Fall, 2020</b>	<b>NAHEFFA, Virtual Conference</b>
<b>Apr 27-29, 2020</b> <b>NAHEFFA, Charleston, SC</b>	<b>Oct 5-Oct 9, 2020</b>	<b>MHA, Virtual Conference</b>
<b>May 28-29, 2020</b> <b>MEDA, Helena MT</b>	<b>Fall, 2020</b>	<b>HFMA, Virtual Conference</b>