

MONTANA FACILITY FINANCE AUTHORITY
Board Meeting

Montana Facility Finance Authority Office
2401 Colonial Drive, Helena

October 15, 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**

October 15, 2020

9:00

MEETING AGENDA

- 9:00 I. CALL TO ORDER**
A. Roll Call
B. Approval of Meeting Minutes (8/13/2020)
- II. PUBLIC COMMENT** on Board Related Items
- III. FINANCINGS**
- 9:10 A. Bighorn Valley Health Center**
1. Loan Summary
2. Resolution No. 20-04
Joining by phone:
Dr. David Mark, CEO – Bighorn Valley Health Center
Kent Doughty, VP of Development – Bighorn Valley Health Center
Lara Salazar, VP of Strategy and Innovation – Bighorn Valley Health Center
- 9:45 B. Roosevelt Medical Center**
1. Loan Summary
2. Resolution No. 20-05
Joining by phone:
Audrey Stromberg, CEO – Roosevelt Medical Center
- 10:20 C. Missouri River Medical Center**
1. Loan Summary
2. Resolution No. 20-06
Joining by phone:
Louis King, CEO – Missouri River Medical Center
- 10:50 BREAK**
- 11:00 IV. PRESENTATION**
Regional mobile imaging
Joining by phone:
Rob Brandt, CEO - Mountain View Medical Center
- 11:15 V. GENERAL ADMINISTRATIVE**
- A. Executive Director Development**
Joining by phone:
Jim Kerins, CMS Consulting
- B. Coronavirus Update**
1. Emergency Lending & Forbearance Program
2. Operations Update
- C. Legislative Update**
- D. Financials**
1. Budget -v- Actual
2. Revenue Graph
3. Reserve Balances
4. Staff Approved Loans

CALL-IN INSTRUCTIONS

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

E. Miscellaneous

1. Anticipated Financings

VI. CALENDAR

MONTANA FACILITY FINANCE AUTHORITY
Board Meeting (Conference Call)
August 13, 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)
Craig Aasved, CEO – Shodair Children’s Hospital (via phone)
Maria Valdenegro, CFO – Shodair Children’s Hospital (via phone)
Jan Blazewski, Managing Director – Raymond James (via phone)
Emily Carbone, Associate – Raymond James (via phone)
Athena Olsen, Analyst – Raymond James (via phone)
Keith Kleven, Underwriter – Piper Sandler & Co. (via phone)
Ben Johnson, Underwriter’s Counsel – Ballard Spahr (via phone)
Erin McCrady, Bond Counsel – Dorsey & Whitney (via phone)

BOARD MEETING

CALL TO ORDER

Chair Putnam called the August 13, 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 Komlosi motioned to approve the June 11, 2020 board meeting minutes. Member Thiel seconded the motion which passed unanimously.

PUBLIC COMMENT

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

FINANCINGS

Shodair Children's Hospital

Chair Putnam requested a motion to consider the financing. Member Rogers motioned for consideration of Resolution No. 20-03. Mr. Gill generally described the project and introduced Craig Aasved, CEO – Shodair Children's Hospital, who described the project Shodair is undertaking and the benefit this will provide to the community.

Jan Blazewski, Managing Director – Raymond James and Keith Kleven, Underwriter – Piper Sandler & Co, described the financing structure, which provides up to \$65,000,000 for eligible facility costs. The bonds will be issued as a Master Loan Program 2020A and Stand Alone 2020B. Mr. Kleven and Mr. Blazewski provided additional detail on collateral, covenants, and the current market environment.

Erin McCrady, Bond Counsel – Dorsey & Whitney described and explained Resolution No. 20-03, which provides up to \$65,000,000 for eligible facility costs. Member Thiel called for question of adoption of Resolution No. 20-03. 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.

IHS Market Study

Mr. Gill presented the IHS Market Study, which analyzed the MFFA's economic impact of new money projects from 2010-2019. The study estimates that from 2010-2019, the projects supported 1,320 jobs and provided \$87.9 million in gross state domestic product on average, each year.

Bond Deferrals

Mr. Gill explained that two bonds held privately through Glacier Bancorp received payment deferrals due to the COVID-19 Pandemic. Mr. Gill explained that there are extra considerations that need to be taken considering these deferrals are for tax-exempt bonds and not commercial loans. Mr. Gill explained that the MFFA is working with the borrowers, Glacier Bancorp, and MFFA counsel to ensure that proper compliance is being done.

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

Board Meetings	Conventions
October 15, 2020, Conference Call	October 28-29, 2020, NAHEFFA, Virtual
December 10, 2020, Helena, MT	October 5-9, 2020, MHA, Virtual
	October 29, 2020, HFMA Conference, Virtual

ADJOURN

Chair Putnam adjourned the meeting at 12:11 P.M.

APPROVE: _____
Larry Putnam, Chair

ATTEST: _____
Adam Gill, Executive Director

APPROVAL DATE: _____

**Bighorn Valley Health Center
Lewistown, Montana
Trust Fund Loan & Direct Loan Combination
Loan Summary**

ELIGIBLE HEALTH FACILITY

Bighorn Valley Health Center, Inc (“Facility” or “BVHC”) is a community-based, outpatient Federally Qualified Health Center (“FQHC”) located in Hardin, Montana. The Facility is a Montana non-profit organization, exempt from federal taxes under Section 501(c)3 of the Internal Revenue Code. BVHC serves the communities of Big Horn, Rosebud, and Custer counties.

BVHC was established in 2012 with a vision to provide holistic primary care services to individuals across rural Montana, beginning with its first clinical site in Hardin. Since its inception, it has merged with four additional health centers across the state and has clinical sites in Ashland, Miles City, Colstrip, Lewistown, Chinook, Harlem and Hardin.

PROJECT AND COST

The Authority received a loan request from the Facility on September 4, 2020. The request is for a Trust Fund Loan and a Direct Loan combination amount of \$2,000,000. BVHC purchased the historic Crowley Block building in downtown Lewistown in 2019 and intends to rehabilitate the basement, main floor and mezzanine into clinic space. This new space will allow the clinic to add staff and expand services from the space BVHC is currently leasing. BVHC does not anticipate needing funding until December 2021, but approval allows BVHC to lock in costs. Construction on the building is currently anticipated to begin in December 2020 and take 12-13 months.

The Crowley building is a three-story historic building located at 311 West Main St, Lewistown, MT. BVHC purchased the building in September 2019. BVHC is partnering with Homeword, a non-profit housing developer, who will be providing financing for rehabilitating the 2nd and 3rd floors into affordable housing units. BVHC has plans to put a condominium agreement in place with Homeword, as they are providing financing of the 2nd and 3rd floor renovations as a separate project from the clinic rehabilitation.

To finance the clinic/administrative office space, BVHC is using a combination of cash on hand, New Market Tax Credits (“NMTC”), Historic Tax Credits (“HTC”), and MFFA financing. BVHC has contracted with Wishneff and Associates as consultants on its NMTC/HTC deal. Wishneff is assisting with the tax structures required, legal work, identifying tax credit investors, and talking with Community Development Entities (“CDE”) to pitch the project. MoFi is the CDE that BVHC is working with to get NMTC allocation for this project. BVHC is also applying to several grant funders such as MJ Murdock Trust, the Montana Historic Preservation Grant, and City of Lewistown to obtain additional funding for this project which would lessen the amount of long-term debt BVHC would need to take on.

The total cost of the project is \$8.4 million, and the MFFA is providing \$2 million. Due to the TFL & DL funding only providing financing for the clinical space, there is no concern about eligible use. BVHC has applied for grants for this project and it is awaiting responses.

SOURCES AND USES

Sources:	
Trust Fund Loan	1,500,000
Direct Loan	500,000
TOTAL	\$ 2,000,000
Uses:	
Crowley Building Renovation	2,000,000
TOTAL	\$ 2,000,000

<u>PROGRAM</u>	Trust Fund Loan & Direct Loan Combination
<u>LOAN TERM</u>	20 Years on Trust Fund Loan; 10 Years on Direct Loan
<u>INTEREST RATE</u>	3.25% per annum on Trust Fund Loan; 2.25% per annum on Direct Loan
<u>PAYMENT</u>	\$13,166.56 combined monthly; \$157,998.67 combined annually
<u>CLOSING DATE</u>	Est. December 2021
<u>MATURITY DATE</u>	Est. January 2041 on Trust Fund Loan; Est. January 2031 on Direct Loan
<u>SECURITY</u>	Parity with Master Loan Program Collateral

CHCs & FQHCs

A Community Health Center (“CHC”) is a not-for-profit, consumer-directed health care organization that provides access to quality, affordable, and comprehensive primary and preventive medical, dental, and mental healthcare. Poverty, homelessness, poor living conditions, geographical isolation, lack of doctors and lack of health insurance pose problems for people at higher risk for serious and costly health conditions, including asthma, tuberculosis, diabetes and high-risk pregnancies. Health centers address these access problems through the delivery of primary and preventive services.

CHC’s have a mission of ensuring access for underserved, underinsured and uninsured people. Since 1965, Community Health Centers have delivered health and social support services to more than 22 million Americans. Today in Montana, 17 Community Health Centers across the state serve approximately 100,000 Montanans.

Migrant Health Centers and Health Care for the Homeless programs help the healthcare needs of Montanans. These community-based providers are sometimes referred to as Federally Qualified Health Centers because they must meet federal standards related to quality of care and services, as well as cost. The majority of health center operating funds come from Medicaid, Medicare, private insurance, patient fees, and other resources.

BVHC receives federal funds in the form of an annual grant from the Health Resources & Services Administration (“HRSA”). The intent of these funds is to support the primary care services delivered to both underserved areas and populations.

Certain restrictions are placed upon the grant funds BVHC receives including: 1) The funds must be used to support primary care services, 2) the grant is reimbursable, meaning BVHC must incur primary care expenditures before receiving grant funds.

COVID-19 PANDEMIC AND 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 relative to the rest of Country, hospitals were 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.

For BVHC, 51% of its employees are teleworking. At its clinical sites, it re-engineered workflows and implemented patient screening and care protocols to reduce exposure risk for patients and staff. The Facility has increased its testing capacity as supplies and personal protective equipment (PPE) have become available.

Simultaneously, the Facility began a rapid scale-up of its nascent program of telemedicine, working to launch a Direct-to-Patient (D2P) model of care—initially with its Behavioral Health group and subsequently spreading to all of its integrated clinical care teams. With BVHC’s encouragement to patients to adhere to state-and-reservation-declared stay-at-home directives, the Facility experienced a 20% reduction in the number of patient encounters from March-May. This resulted in reduced revenue for that period. Since then patient utilization has rebounded to levels slightly higher than pre-pandemic levels, likely reflective of delayed care/pent-up demand.

UTILIZATION STATISTICS

	2017	2018	2019
Unique Patients	4,010	9,802	10,048
Medical Visits	12,429	27,976	27,469
Mental/Behavioral Health	2,004	3,999	5,090
Substance Use	364	300	928
Dental	228	724	255

PAYOR MIX

	2017	2018	2019
Medicaid	40%	35%	34%
Medicare	12%	17%	17%
Commercial	33%	36%	37%
Private Pay	15%	12%	12%
Total	100%	100%	100%

HISTORICAL FINANCIALS

Audited Financials as of 4/30	2018	2019	Unaudited 2020
<u>Assets</u>			
Cash & Cash Equivalents	\$1,959,777	\$3,394,573	\$7,923,362
Investments	364,164	387,029	-
Patient Recvbls (net) & Due from 3rd-Party Payors	319,002	2,593,569	752,360
Other Receivables	474,022	607,292	5,534,880
Inventory	154,783	281,506	-
Current Assets Whose Use is Limited	25,617	103,848	-
All Other Current Assets	35,647	50,789	-
Total Current Assets	\$3,333,012	\$7,418,606	\$14,210,602
Fixed Assets	1,425,895	3,037,978	3,252,604
Accumulated Depreciation	237,721	1,113,926	-
Fixed Assets (net)	1,188,174	1,924,052	3,252,604
Other Assets	-	-	-
Total Assets	\$4,521,186	\$9,342,658	\$17,463,206
<u>Liabilities</u>			
Accounts Payable & Other Accrued Expenses	\$620,450	\$1,271,283	\$2,656,203
Current Portion of Long-Term Debt	-	-	-
Other Current Liabilities	142,316	97,928	1,600
Total Current Liabilities	\$762,766	\$1,369,211	\$2,657,803
Long-Term Debt (Less Current Portion)	-	-	3,884,000
Unrestricted Net Assets	3,582,758	6,685,053	10,921,403
Restricted Net Assets	175,662	1,288,394	-
Net Assets	3,758,420	7,973,447	10,921,403
Total Liabilities & Fund Balance	\$4,521,186	\$9,342,658	\$17,463,206
<u>Revenues and Expenses</u>			
Net Patient Service Revenue	\$3,127,117	\$6,157,802	\$10,978,442
Other Operating Revenue	6,570,857	12,514,771	11,524,390
Total Operating Revenue	9,697,974	18,672,573	22,502,832
Interest	2,053	1,231	-
Depreciation & Amortization	52,588	220,798	181,698
Other Operating Expenses	8,293,130	14,235,517	19,451,858
Total Operating Expenses	8,347,771	14,457,546	19,633,556
Operating Income	\$1,350,203	\$1,863,292	\$2,869,276
Nonoperating Revenue	-	1,531,281	53,000
Excess of Revenue Over Expenses	1,350,203	3,394,573	2,922,276

KEY RATIOS

Key Ratios	Unaudited		
	FY 2018	FY 2019	FY 2020
Days Cash on Hand	102.3	97.0	148.7
Days Accounts Receivable	37.2	153.7	25.0
Operating Margin	13.9%	10.0%	12.8%
Total Margin	13.9%	18.2%	13.0%
Debt to Capitalization	0.0%	0.0%	26.2%
Debt Service Coverage	684	2,938	10.9
Average Age of Plant (years)	4.52	5.05	1.00

FINANCIAL OBSERVATIONS

The Facility experienced substantial growth in the past three fiscal years. This growth is highlighted by both strong net income and robust balance sheet expansion. Total assets increased, liabilities saw minimal increase due to the acquisitions and overall changes, and the Facility saw a significant increase in its patient service revenue.

Assets

- Cash and cash equivalents grew substantially from \$3.3 million in FY 2019 to \$7.9 million in FY 2020. This is attributed to the regular year-over-year increases, the acquisitions of other facilities, and the Facility received \$1.2 million in a Medicaid settlement and received \$1.5 million from the Paycheck Protection Program (PPP) which is expected to be forgiven.
- Other receivables increased from \$607,292 in FY 2019 to \$5.5 million in FY 2020. This is due to \$4 million being booked to a loan receivable to account for the MFFA Master Loan Program bond.

Liabilities

- Accounts payable changed from \$1.2 million in FY 2019 to \$2.6 million in FY 2020. BVHC's PPP Funding was booked as a Loan Payable which will be eliminated once loan forgiveness is approved.
- The only long-term debt the Facility has is the Master Loan Program bond through MFFA.
- Unrestricted net assets rose from \$6.6 million in FY 2019 to \$10.9 million in FY 2020. This is because the prior year's net income is rolled into the unrestricted net assets for the following year.
- Payroll is BVHC's biggest line item listed in its other operating expense. In FY 2019 payroll was \$7.8 million while in FY 2020 its \$11.7 million. This increase is due to the Facility's recent acquisitions.

Revenues and Expenses

- Year after year the Facility's net patient service revenue has increased. Revenues increased from \$1.9 million in FY 2017 to \$3.1 million in FY 2018 to \$6.1 million in 2019 to \$10.9 million in FY 2020. This continuous increase is due to acquisitions of clinics and pharmacies. BVHC merged with OneHealth in Miles City in February 2018, Central

Montana CHC in Lewistown, and Sweet Medical Center in Chinook/Harlem in November 2018. In addition, BVHC opened a new pharmacy in Miles City in January 2019.

- Other operating revenue has changed dramatically over the past few years. This is due to a few changes. In FY 2019 the Facility received a \$3.7 million contribution from non-cash assets in a merger, in FY 2020 it had a \$2.5 million increase in federal grant funding and a \$1.2 million increase in contract income due mainly to 340B pharmacy revenue and state contracts.
- Other operating revenue includes all federal and state grant funding, income from 340B pharmacy, donations, interest and dividends.
- In the unaudited FY 2020 non-operating revenue consists of \$23,000 from gain on investments, \$20,000 from interest earned and \$10,000 from dividends earned.

PRO FORMA

	FY 2018	FY 2019	Unaudited FY 2020	Pro Forma FY 2019	Pro Forma FY 2020 Unaudited
Revenues Minus Expenditures	1,350,203	3,394,573	2,922,276	3,394,573	2,922,276
Add Depreciation/Amortization	52,588	220,798	181,698	220,798	181,698
Interest Expense	2,053	1,231	0	1,231	0
Available for Debt Service	1,404,844	3,616,602	3,103,974	3,616,602	3,103,974
Existing Maximum Debt Service	2,053	1,231	283,600	283,600	283,600
Maximum Debt Service on New Money	N/A	N/A	N/A	157,999	157,999
Total Debt Service	2,053	1,231	283,600	441,599	441,599
Debt Service Ratio Calculation	684.3	2937.9	10.9	8.2	7.0

*Assuming a total financing project cost of \$8.4 million at 4.5% APR for 20 years, the debt service coverage ratio would be 3.0.

*The pro forma includes the Facility’s audited financials for FY 2019 and unaudited FY 2020 with the addition of the annual combined debt service of \$283,600 from the Facility’s Master Loan Program and \$157,999 for this financing.

ANTICIPATED FINANCIAL CHANGES DUE TO PROJECT

BVHC anticipates hiring nine additional staff (in addition to the existing 22 staff members), including three new providers due to the clinic project. These additional staff are anticipated to generate an additional \$1.1 million in patient revenue annually.

The full Crowley Block rehabilitation project is anticipated to create 120 new jobs and retain 22 existing jobs totaling projected aggregate annual wages of \$4.7 million invested back into the local economy in year one. Preservation and rehabilitation of this historic property will also support redevelopment of the downtown area and help position Lewistown to become more economically competitive for healthcare workforce. BVHC will be adding dental services which are not currently being offered by BVHC in Lewistown.

STRENGTHS

- The Facility has shown solid growth in revenues and has managed its expense growth.
- The Facility's acquisitions and growth has shown long-term planning and execution which has drastically increased patient service revenue.
- The Facility's relationship with local hospital is strong.

WEAKNESSES

- Political and market uncertainty for FQHCs.
- The Facility's success is based significantly off non-operating income from federal and state grants.
- Project costs are based on current estimates; however, market conditions may increase process.

RECOMMENDATION

Approval is recommend based on:

- Excellent revenue growth and liquidity,
- Excellent debt to capitalization and debt coverage,
- The long-standing support from Big Horn Hospital.

For these reasons, the MFFA has a reasonable expectation of loan repayment by Bighorn Valley Health Center.

RESOLUTION NO. 20-04

RESOLUTION ON A PROPOSAL TO MAKE A LOAN TO BIGHORN VALLEY HEALTH CENTER. UNDER TITLE 90, CHAPTER 7, AND SECTION 17-6-308(4), 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 Section 17-6-308(4) 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. Bighorn Valley Health Center, a Montana non-profit corporation with its operations located in Hardin, Montana (the "Obligor") has presented a proposal to the Authority requesting the Authority assist the Obligor with the clinical renovation of the Crowley Building (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 refinanced buildings are clinics;

(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 clinical 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 15th day of October 2020.

MONTANA FACILITY FINANCE AUTHORITY

ATTEST:

By: Larry Putnam
Its: Chairman

By: Adam Gill
Its: Executive Director

**Roosevelt Medical Center
Culbertson, Montana
Trust Fund Loan Program
Loan Summary**

ELIGIBLE HEALTH FACILITY

Roosevelt Medical Center (“Roosevelt” or “Hospital”) is a 25-bed critical access hospital (CAH) located in Culbertson, Montana. The Medical Center provides general medical and surgical services for primary, secondary, and extended care patients. Roosevelt Medical is a nonprofit corporation and is recognized as a tax-exempt entity under section 501(c)(3) of the internal revenue code.

PROJECT AND COST

The MFFA received a Trust Fund Loan application from Roosevelt Medical Center on September 24, 2020. The loan amount is \$1,000,000 and the loan proceeds will be used for HVAC and energy renovations, as well as remodeling the facility to meet COVID-19 safety. The COVID renovation includes three renovations. First, the Hospital will retrofit the facility to give the Hospital the ability to keep long term care residents away from any possible COVID patients. Second, the Hospital is moving outpatient services to the east wing of the facility with its own entrance, ensuring that outpatient patients do not need to use the main entrance of the Hospital and limit exposure to possible COVID patients. Third, the hospital will be installing a new air handler to ensure that the Hospital can effectively change the air in the facility.

The Hospital will be installing a new HVAC system, as the current one is over 40 years old. The expected annual cost savings for utilities is approximately \$25,000 per year. The new HVAC system will allow the Hospital to properly exchange fresh air to ensure patient and staff safety.

<u>PROGRAM</u>	Trust Fund Loan Program
<u>INTEREST RATE</u>	3.25%
<u>CLOSING DATE</u>	est. October, 2020
<u>MATURITY DATE</u>	est. November, 2040
<u>SECURITY</u>	Mortgage on the Property located at 818 2 nd Ave E, Culbertson, MT

SOURCES AND USES

Sources:	
MFFA Loan Proceeds	\$ 1,000,000.00
Total	\$ 1,000,000.00
Uses:	
COVID Retrofit Project	\$ 500,000.00
HVAC and other Capital Upgrades	\$ 500,000.00
Total	\$ 1,000,000.00

MARKET/COMPETITION

Roosevelt County encompasses 2,370 square miles and includes the communities of Wolf Point, Poplar, and Culbertson, and lies within the Fort Peck Indian Reservation. The total population is approximately 11,125 people. The local economy relies primarily on oil production, as Roosevelt County lies within the Bakken formation. The closest hospital to Roosevelt Medical Center is Poplar Community Hospital, located in Poplar, MT, which is 34 miles away. Sheridan Memorial Hospital, located in Plentywood, MT, is 47 miles away and Trinity Hospital in Wolf Point, MT is located 52 miles away, respectively.

COUNTY SUPPORT

The Hospital receives a hospital district tax subsidy from Roosevelt County. The County collects this from property taxes and makes semi-annual payments in January and June to support the Hospital's operating expenses. The Hospital received \$287,270 in FY 2020 and \$289,255 in FY 2019, respectively.

COVID-19 PANDEMIC AND 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 shelter-in-place orders across the country. The immediate financial on hospitals has been significant. Although Montana had not seen a large number of COVID-19 patients relative to the rest of the country, hospitals have been forced to suspend non-essential services, such as elective surgeries, physical therapy, wellness programs, etc. This suspension led to immediate revenue generation problems for healthcare organizations.

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HISTORICAL FINANCIALS

FISCAL YEARS ENDED 6/30	4/30/2018	4/30/2019	Unaudited 4/30/2020
<u>ASSETS</u>			
Cash & Cash Equivalents	876,424	695,591	636,328
Investments	-	-	-
Patient Recvbls (net) & Due from 3rd-Party Payors	807,735	922,401	203,217
Other Receivables	241,499	332,972	174,675
Inventory	122,643	122,773	138,974
All Other Current Assets	63,153	71,296	68,325
Total Current Assets	\$ 2,111,454	\$ 2,145,033	\$ 1,221,519
Fixed Assets	5,364,422	5,515,878	6,110,670
Accumulated Depreciation	4,946,532	5,063,370	5,162,746
Fixed Assets (net)	417,890	452,508	947,923
Board Designated Funds	121,474	630,862	2,183,162
Assets Held in Trust	-	-	-
Other Assets	417,158	467,335	201,609
Total Assets	\$ 3,067,976	\$ 3,695,738	\$ 4,554,214
<u>LIABILITIES</u>			
Accounts Payable & Other Accrued Expenses	864,281	838,424	785,723
Current Portion of Long-Term Debt	46,574	40,953	-
Other Current Liabilities	-	-	1,380,782
Total Current Liabilities	\$ 910,855	\$ 879,377	\$ 2,166,505
Long-Term Debt (Less Current Portion)	85,602	44,434	878,889
Other Long-Term Liabilities	-	-	-
Unrestricted Fund Balance	1,889,394	2,101,779	1,508,821
Restricted Fund Balance	182,125	670,148	-
Fund Balance	2,071,519	2,771,927	1,508,821
Total Liabilities & Fund Balance	\$ 3,067,976	\$ 3,695,738	\$ 4,554,214
Gross Patient Service Revenue	5,130,574	5,654,915	5,182,910
Deductions from Patient Service Revenue	78,855	166,754	352,413
Net Patient Service Revenue	5,051,719	5,488,161	4,830,497
Other Operating Revenue	112,608	116,154	259,996
Total Operating Revenue	\$ 5,164,327	\$ 5,604,315	\$ 5,090,493
Interest	2,605	2,936	5,034
Depreciation & Amortization	177,018	116,988	101,686
Other Operating Expenses	5,402,443	5,822,878	6,087,455
Total Operating Expenses	\$ 5,582,066	\$ 5,942,802	\$ 6,194,174
Income from Operations	\$ (417,739)	\$ (338,487)	\$ (1,103,681)
Nonoperating Revenue	431,964	490,069	329,588
Excess of Rev Over Exp Excl Extraord Items	\$ 14,225	\$ 151,582	\$ (774,093)

WHAT HAPPENED IN 2020?

The Hospital had to navigate through two crises at the same during 2020. First, in March 2020, due to an international oil price war and a significant decline in oil demand led to the price of oil to fall 65%. Roosevelt County is located in the Bakken formation and much of the local economy is reliant on oil production. The oilfields in Roosevelt County and surrounding areas were forced to shut down and the Hospital saw a significant decrease in patients because of this.

The second crises the Hospital faced was the overall effects of the Coronavirus Pandemic. In March 2020, due to shelter-in-place orders, the Hospital was forced to shut down non-essential services. Further, the Hospital had to accrue additional expense to respond to the Pandemic, such as purchasing additional Personal Protective Equipment (PPE) and moving services to limit exposure to potential COVID-19 patients. These factors contributed to the Hospital recording a (\$774,093) loss in FY 2020.

RESPONSE AND RECOVERY

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

Roosevelt Medical Center was able to take full advantage of these programs and received \$2.82 million in CARES Act funds and \$653,900 in PPP funds. These funds greatly helped the Hospital restore its cash position and recover lost revenues sustained from the Pandemic. Because these funds were received after the Hospital's fiscal year close in April 2020, these revenues were recorded in FY 2021 and are not reflected in the FY 2020 financial statements. The Hospital also received a \$500,000 emergency loan from the MFFA and is current on its payments.

Further, since April 2020, Montana and the rest of the Country has begun a phased reopening plan. This plan allows Hospitals to reopen non-essential services and return to relatively normal operations. Further, oil markets have improved, and oil production has started back up in the Bakken formation. These events have allowed the Hospital to return to utilization and patient revenue volumes consistent with FY 2019, as evidenced by their FY 2021 interim financial statements. The Hospital also has sufficient cash available to pay back stimulus sources that are not forgivable, which totals approximately \$2.1 million.

FINANCIAL OBSERVATIONS

Interim Financials as of August 31, 2020

The Hospital has been able to return to relatively normal operations. The Hospital has been able to rebound financially and restore its cash position with the help of stimulus money and increased hospital utilization. Since the Pandemic started in March 2020, the Hospital received \$2.82 million in CARES Act funds, \$653,900 in Paycheck Protection Program (PPP) funds and \$2.19 million in advance Medicare Payments and other grant and loan sources.

Cash and cash equivalents increased from \$636,238 in FY 2020 to \$4.09 million for four months ending August 31, 2020. This is driven from the Hospital receiving \$5.56 million in stimulus sources. Accounts receivable increased from \$203,217 in FY 2020 to \$391,800, which is driven by the Hospital seeing more patients since Montana has entered into a phased reopening plan.

Current liabilities saw a slight decrease from \$2.16 million in FY 2020 to \$1.94 million. The Hospital has a \$1.38 million advanced Medicare payment, which will have to be repaid to the Centers for Medicare & Medicaid Services (CMS). Long term debt increased from \$878,889 in FY 2020 to \$1.35 million. This increase is attributed to the Hospital taking out a \$500,000 MFFA Emergency Loan in May 2020.

Net patient revenue is strong at \$1.83 million, which puts the hospital at revenue levels prior to the Pandemic. The Hospital installed a new CT scanner in April 2020, which is a new revenue stream. Further, the Hospital has recorded \$2.83 million in other operating revenue, which is primarily driven from recording the CARES act money as revenue. Operating expenses is \$2.10 million, which is favorable to budget of \$2.19 million. The Hospital has had to accrue additional expense in salaries and supply expense to respond to the COVID-19 Pandemic. Net income for FY 21 is strong at \$2.75 million.

Assets

- Current assets saw a decrease from \$2.14 million in FY 2019 to \$1.22 million in FY 2020. This was driven by a significant decrease in patient and other receivables. Due to the Pandemic and oilfield shutdown, the Hospital was seeing significantly less patient volumes and billing for services significantly declined during this period.
- Cash and cash equivalents remained consistent seeing a slight decrease from \$695,591 in FY 2019 to \$636,328 in FY 2020.
- Fixed net assets increased from \$452,508 in FY 2019 to \$947,923 in FY 2020. This is attributed to a \$438,000, as the Hospital installed a new CT machine, which is a new source of revenue for the Hospital moving forward.
- Board designated funds increased from \$630,862 in FY 2019 to \$2.18 million in FY 2020. This is attributed to the Hospital setting aside funds received from stimulus sources.

Liabilities

- Current liabilities increased from \$879,377 in FY 2019 to \$2.16 million in FY 2020. This is attributed to the Hospital recording a \$1.38 million advanced Medicare payment. The advanced payment was made to the Hospital during the Pandemic to help with short term liquidity issues; however, these funds will have to be paid back.
- Long term debt increased from \$44,434 in FY 2019 to \$878,889 in FY 2020 and \$1.35 million in FY 21, respectively. This increase is attributed to the \$653,900 Paycheck Protection Program (PPP) funds being recorded as long-term debt. The Hospital also received a \$131,604 loan from the US Department of Health and Human Services (HHS), and a \$500,000 Emergency Loan from the MFFA. The Hospital will apply for loan forgiveness for the PPP and HHS funds and if received, the liability will be eliminated.

Revenues and Expenses

- Net Patient Revenue experienced a significant decrease from \$5.48 million in FY 2019 to \$4.83 million in FY 2020. This is attributed to the Hospital facing two crises at the same time: the Coronavirus Pandemic and the 2020 oil crash. Since April, oil prices have improved, and production has started back up again.
- Operating expenses increased from \$5.94 million in FY 2019 to \$6.19 million in FY 2020. This is attributed to the Hospital having to accrue additional expense to respond to the COVID-19 Pandemic.
- Net income fell from a \$151,582 gain in FY 2019 to a (\$774,093) loss in FY 2020. This is attributed to the revenue generation problems the Hospital faced in response to the COVID-19 Pandemic and 2020 oil crash.

SUMMARY OF COVID-19 STIMULUS SUPPORT

Payor	Description	Forgivable?	Amount
US Department of Health and Human Services (HHS)	Stimulus money from the CARES Act.	Yes	2,762,171
Medicare Advanced Payment	Advanced payment to support operational expenses	No	1,368,629
Paycheck Protection Program (Small Business Administration)	Grant to support salaries and benefits	Yes	653,900
Montana Facility Finance Authority (MFFA)	Emergency Loan to support operating expenses	No	500,000
Economic Injury Disaster Loan (Small Business Administration)	To support COVID-19 Expenses	No	150,000
Medicaid Swing Bed Supplemental Payment	To support COVID-19 Expenses	Yes	73,200
Small Rural Hospital Improvement Grant (SHIP)	To support rural hospitals during the pandemic	Yes	61,322
Total Support			\$ 5,569,222.08

KEY RATIOS

According to the National Rural Health Resource Center (NRHRC), the performance and health of a Critical Access Hospital can be identified using eight important financial indicators. The table below displays each of these eight indicators with the 2018 CAH MT medians as listed in the *CAH Indicators Report: Summary of 2018 Medians by State*.

CAH Financial Indicator	FY 2019	FY 2020	2018 MT Median	Favorable Trend
Days in Accounts Receivable	61.35	15.36	58.29	Down
Days Cash on Hand	83.11	168.92	81.20	Up
Total Margin	2.70%	-14.02%	0.39%	Up
Operating Margin	-6.04%	-21.68%	-7.02%	Up
Debt Service Coverage	5.48	-14.51	2.87	Up
Salaries to Net Patient Revenue	65.19%	74.65%	51.35%	Down
Average Age of Plant (Years)	43.28	50.77	12.23	Down
Long Term Debt to Capitalization	2.07%	36.81%	25.83%	Down

UTILIZATION STATS

Utilization	FY 2018	FY 2019	FY 2020
Admissions	59	80	52
Total Patient Days	7,350	7,978	8,147
Average Length of Stay	60.57	64.19	56.23
Occupancy Rate	61%	66%	89%
Outpatient Visits	7,911	8,879	7,833
Emergency Department	427	466	385

PAYOR MIX

Payor Mix	FY 2018	FY 2019	FY 2020
Medicare	49%	43%	38%
Medicaid	28%	23%	21%
Commercial Insurance	17%	19%	18%
Private Pay	12%	14%	23%

The Hospital's private pay is high due to the number of patients that work in the oilfield. Many of these patients do not have insurance.

PRO FORMA

Pro Forma	FY 2018	FY 2019	FY 2020	Pro Forma
Revenues Minus Expenditures	14,225	151,582	(774,093)	151,582
Add Depreciation/Amortization	177,018	116,988	101,686	101,686
Interest Expense	2,605	2,936	5,034	5,034
Available for Debt Service	193,848	271,506	-667,374	258,302
Existing Debt Service	45,514	16,562	51,608	32,000
Debt Service on New Money	N/A	N/A	N/A	68,222
Total Debt Service	45,514	16,562	51,608	100,222
Debt Service Ratio Calculation	4.26	16.39	-12.93	2.58

As noted before, the Hospital did not have time to record CARES stimulus money in FY 2020, to account for lost revenues and the additional cost in treating COVID-19 patients. Because revenues and expenses are returning to more normal levels seen before the Pandemic and oil crises, as well as the Hospital receiving money to account for lost revenues, we used the FY 2019 net income as the basis for our Pro Forma. When analyzing other hospitals that ended their fiscal year in June 2020, their net income was much stronger, as they had time to account for stimulus sources to offset lost revenues sustained during the shutdown period of the Pandemic. Debt service coverage is sufficient at 2.58.

STRENGTHS

- Excellent cash position moving forward.
- Low debt, as the Hospital's only other debt pays off in April 2021.
- Revenues and utilization have returned to normal levels since the Pandemic and oil crash started in March.
- Experienced management team that has led the Hospital through previous recessions.

WEAKNESSES

- Local economy is heavily reliant on oil, which is a volatile commodity.
- Uncertainty moving forward regarding the COVID-19 Pandemic.
- Recent surge in COVID-19 cases in Montana creates an uncertain operating environment.

RECOMMENDATION

Approval is recommended based upon the Hospital improving its cash position and revenues and its success in navigating through the Pandemic.

RESOLUTION NO. 20-05

RESOLUTION ON A PROPOSAL TO MAKE A LOAN TO ROOSEVELT MEDICAL CENTER. UNDER TITLE 90, CHAPTER 7, AND SECTION 17-6-308(4), 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 Section 17-6-308(4) 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. Roosevelt Medical Center, a Montana non-profit corporation with its operations located in Culbertson, Montana (the “Obligor”) has presented a proposal to the Authority requesting the Authority assist the Obligor with the construction and renovation of a COVID retrofit project and HVAC upgrades (the “Project”) by making a loan to the Obligor in an amount not to exceed \$1,000,000 (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 refinanced buildings are clinics;

(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 clinical 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 15th day of October 2020.

MONTANA FACILITY FINANCE AUTHORITY

ATTEST:

By: Larry Putnam
Its: Chairman

By: Adam Gill
Its: Executive Director

**Missouri River Medical Center
Fort Benton, MT
Trust Fund Loan Program
Loan Summary**

ELIGIBLE HEALTH FACILITY

Chouteau County Hospital District dba Missouri River Medical Center (“Missouri River Medical Center” or “Hospital”) is a nonprofit Critical Access Hospital (“CAH”) and hospital district located in Fort Benton, MT. The Hospital services include intermediate care, emergency care, family practice, optometry care, physical therapy, laboratory, radiology, and long-term care. The Hospital is governed by a five-person, independent Board of Trustees.

PROJECT AND COST

The Authority received a loan request from the Hospital on August 31, 2020. The loan amount is for \$730,000 and the proceeds will be used to relocate and construct a new, 3100 square foot laundry facility. The new facility will help streamline operations and benefit both the patients and employees of the Hospital.

Sources:	
Trust Fund Loan	730,000
TOTAL	\$ 730,000
Uses:	
Laundry Relocation and Renovation	730,000
TOTAL	\$ 730,000

<u>PROGRAM</u>	Trust Fund Loan
<u>LOAN TERM</u>	20 years
<u>INTEREST RATE</u>	3.25%
<u>CLOSING DATE</u>	est. Spring 2021
<u>MATURITY DATE</u>	est. Spring 2041
<u>SECURITY</u>	UCC on Accounts Receivable

MARKET/COMPETITION

Choteau County encompasses 3,936 square miles and includes the communities of Fort Benton, Big Sandy, Loma, and Geraldine. The total population of Choteau County is approximately 5,738 people. The local economy is primarily agricultural and relies heavily on wheat production.

The closest hospital to Missouri River Medical Center is Big Sandy Medical Center, located in Big Sandy, MT, which is 39 miles away. Benefis Health System in Great Falls, MT is located 41 miles away, respectively.

MANAGEMENT AGREEMENT WITH BENEFIS HEALTH SYSTEM

The Hospital has a management agreement with Benefis Health System (“Benefis”), which provides a part-time CEO, CFO, and general accounting duties. Further, the Hospital has a separate contract with Benefis, which provides the Hospital with a full-time medical biller. Benefis provides no direct financial support and does not provide a guarantee on the Hospital’s debt obligations.

COVID-19 PANDEMIC AND 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 relative to the rest of Country, 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.

Fortunately, Missouri River Medical Center did not have to shut down major portions of its operations and were able to operate relatively normally through the pandemic. As of July 2020, the Hospital is back to full operations and has weathered through the pandemic well. The Hospital has had to incur additional expense to ensure patient and employee safety and has had to make some adjustments to its long-term care facility, such as closing visitation hours.

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HISTORICAL FINANCIALS

Audited Financials as of 6/30	2018	2019	Unaudited 2020
<u>Assets</u>			
Cash & Cash Equivalents	1,832,065	2,169,889	3,699,258
Investments	-	-	-
Receivables	844,634	1,050,445	1,055,355
Other Receivables	7,075	30,264	94,750
Inventory	126,017	120,402	118,312
Current Assets Limited to Use	54,917	38,264	73,371
Total Current Assets	\$2,864,708	3,409,264	5,041,046
Fixed Assets	5,545,722	7,607,335	8,577,245
Accumulated Depreciation	(4,068,072)	(4,270,073)	(4,579,691)
Fixed Assets (net of depreciation)	1,477,650	3,337,262	3,997,554
Board Designated Funds	457,957	465,078	-
Other Assets	73,000	58,155	55,000
Total Assets	\$4,873,315	\$ 7,269,759	\$ 9,093,600
<u>Liabilities</u>			
Accounts Payable & Accrued Expenses	478,775	447,889	555,917
Current Portion of Long-Term Debt	76,979	113,757	-
Other Current Liabilities	-	84,039	2,814,695
Total Current Liabilities	\$555,754	\$645,685	\$3,370,612
Long-Term Debt (less current portion)	343,408	1,314,230	1,199,534
Other Long-Term Liabilities	-	-	-
Unrestricted Fund Balance	3,928,153	5,283,689	4,523,454
Restricted Fund Balance	25,906	26,155	-
Total Liabilities & Fund Balance	\$4,853,221	\$7,269,759	\$9,093,600
<u>Revenue and Expense</u>			
Net Patient Service Revenue	5,285,976	5,308,823	5,192,236
Other Operating Revenue	44,986	37,245	19,292
Interest	12,438	50,253	49,051
Depreciation & Amortization	140,469	202,002	309,617
Other Operating Expenses	5,103,635	5,390,499	5,780,495
Operating Income	\$74,420	(\$296,686)	(\$927,635)
Other Non-Operating Revenue	648,080	1,652,471	839,515
Excess of Revenue Over Expenses	\$722,500	\$1,355,785	(\$88,120)

ACCOUNTS RECEIVABLE ANALYSIS

Accounts Receivable Aging	FY 20	HFMA Benchmark
A/R Over 90 Days	22%	15%-18% of Billed A/R
A/R Over One Year	0.10%	<1% of Billed A/R
Credit Balances	0.0%	<1% of Billed A/R
Charity and Bad Debt (combined)	4.7%	5%-8% of Billed A/R

FINANCIAL OBSERVATIONS

Interim Financials as of July 30, 2020

The Hospital has been able to return to normal operations and had its best operating month ever in the month of July, 2020. Net patient service revenue was \$552,473, favorable to budget of \$479,579. Net operating income was \$40,166, favorable to a budgeted loss of (\$51,406). Accounting for the first month of the Hospital's tax subsidy, the Hospital reported total net income of \$90,711.

Assets

- Cash and Cash equivalents grew substantially from \$2.16 million in FY 2019 to \$3.69 million in FY 2020. This is attributed to the Hospital receiving \$2.6 million in Stimulus funds from the Department of Health and Human Services (HHS). Further, the Hospital received \$519,000 from the Paycheck Protection Program (PPP).
- Patient Receivables grew from \$844,634 in FY 2018 to \$1.05 million in FY 2020. This is attributed to the Hospital seeing increased utilization in more profitable service lines, such as skilled swing bed days.
- Fixed net assets have grown from \$1.47 million in FY 2018 to \$3.99 million in FY 2020. This is attributed to the Hospital undertaking large projects in the past two fiscal years. In FY 2019, the Hospital underwent an energy performance upgrade at a total cost of \$1.8 million. Further, the Hospital underwent an Electronic Medical Record (EMR) upgrade in FY 2020 at a total cost of \$730,000.
- Total assets have increased from \$4.87 million in FY 2018 to \$9.09 million in FY 2020. This is attributed to the projects noted above and a stronger bottom line from FY 2016 to FY 2019.

Liabilities

- Accounts payable and accrued expenses increased from \$447,889 in FY 2019 to \$555,917 in FY 2020. This is attributed to increased expense related to COVID-19.
- Other current liabilities increased from \$84,039 in FY 2019 to \$2.81 million in FY 2020. This is attributed to management's decision to record the total \$3.19 million in Stimulus funds to deferred revenue. If the funds are later forgiven, the deferred revenue will be recorded as revenue and the liability will be eliminated.
- Long term debt, net of current position increased from \$343,408 in FY 2018 to \$1.19 million in FY 2020. This is attributed to the Hospital obtaining loans from the Montana Board of Investments Intercap Program and the Montana Community Development Corporation. These loans were used for its energy upgrade and equipment upgrades.

Revenues and Expenses

- Net patient revenue has remained relatively consistent from \$5.28 million in FY 2018 to \$5.19 million in FY 2020. The Hospital has experienced a decrease in patient days, however, this is offset by increases in outpatient days and emergency room visits.
- Non-operating revenue decreased from \$1.65 million in FY 2019 to \$839,515 in FY 2020. In FY 2019, the Hospital received a \$600,000 donation from the Strand Foundation. Further, the Hospital received an \$800,000 grant from the Montana Department of Commerce Community Development Block Grant (CDBG) program. The Hospital also receives approximately \$580,000 per year from Choteau County in the form of a tax subsidy.
- Operating expenses increased from \$5.39 million in FY 2019 to \$5.78 million in FY 2020. This is in part due to additional expense the Hospital has had to accrue due to the COVID-19 Pandemic.
- Net income fell from a \$1.35 million gain in FY 2019 to a (\$88,120) loss in FY 2020. Net income, however, is expected to improve as the Hospital is still in the process of finalizing its cost report. Historically, the Hospital receives a significant receivable from the Centers for Medicare and Medicaid Services (CMS) after the close of the fiscal year. This is because the Hospital keeps reimbursement rates low throughout the year to ensure that the Hospital does not owe additional money to CMS and will instead receive additional money to account for the low reimbursement rate. Management cannot anticipate the exact amount of the receivable, but management anticipates that the Hospital will report positive net income after the cost report is finalized.

COUNTY SUPPORT

The Hospital receives approximately \$580,000 per year in tax levies from Choteau County. The levy is voted on every five years and was most recently passed in July 2020 with 74 percent voter approval.

KEY RATIOS

According to the National Rural Health Resource Center (NRHRC), the performance and health of a Critical Access Hospital can be identified using eight important financial indicators. The table below displays each of these eight indicators with the 2018 CAH MT medians as listed in the *CAH Indicators Report: Summary of 2018 Medians by State*.

CAH Financial Indicator	FY 2019	FY 2020	2018 MT Median	Favorable Trend
Days in Accounts Receivable	72.22	74.19	58.29	Down
Days Cash on Hand	176.77	231.62	81.20	Up
Total Margin	25.36%	-1.69%	0.39%	Up
Operating Margin	-5.55%	-17.80%	-7.02%	Up
Debt Service Coverage	12.64	1.66	2.87	Up
Salaries to Net Patient Revenue	67.46%	66.26%	51.35%	Down
Average Age of Plant (Years)	21.14	14.79	12.23	Down
Long Term Debt to Capitalization	19.92%	20.96%	25.83%	Down

PAYOR MIX

Payor Mix	FY 2018	FY 2019	FY 2020
Medicare	46%	46%	50%
Medicaid	27%	27%	26%
Blue Cross	6%	6%	3%
Commercial	7%	9%	8%
Self Pay	13%	10%	11%
Other	1%	1%	2%
Total	100%	100%	100%

The decrease in self-pay is consistent with Medicaid Expansion that was passed in 2018. Other payor reimbursement is workman's compensation.

UTILIZATION

Utilization	FY 2018	FY 2019	FY 2020
Available Beds	25	25	25
Admissions	49	68	68
Total Patient Days	7,846	6,590	6,284
Average Length of Stay	2.64	2.57	2.70
Occupancy Rate	86%	72%	69%
Outpatient Visits	6,254	5,610	7,201
Emergency Department	489	510	508
Clinic Visits	4,605	4,469	3,951

PRO FORMA

Pro Forma	FY 2018	FY 2019	FY 2020	Pro Forma
Revenues Minus Expenditures	722,500	1,355,785	(88,120)	-
Add Depreciation/Amortization	140,469	202,002	309,617	309,617
Interest Expense	12,438	50,253	49,051	49,051
Available for Debt Service	875,407	1,608,040	270,548	358,668
Existing Debt Service	91,292	127,232	159,588	159,588
Debt Service on New Money	N/A	N/A	N/A	49,760
Total Debt Service	91,292	127,232	159,588	209,348
Debt Service Ratio Calculation	9.59	12.64	1.70	1.71

Considering the anticipated receivable from the Hospital's cost report, we took a conservative approach to adjust net income to zero. Further, the Hospital does not anticipate additional revenue or cost savings from the laundry facility project.

STRENGTHS

- Excellent cash position and financial performance from FY 2016-2020.
- Ability to maintain profitability and debt service coverage amidst significant projects.
- Tax subsidy support from Choteau County is guaranteed for the next five years.
- Hospital was able to operate normally through the COVID-19 Pandemic.

WEAKNESSES

- Reliant on non-operating revenue to maintain profitability.
- General uncertainty for Hospitals moving forward in regard to the COVID-19 Pandemic and stimulus funds.

RECOMMENDATION

Approval is recommended based upon the Hospital's financial performance and ability to meet debt service coverage amidst large expansions.

RESOLUTION NO. 20-06

RESOLUTION ON A PROPOSAL TO MAKE A LOAN TO MISSOURI RIVER MEDICAL CENTER. UNDER TITLE 90, CHAPTER 7, AND SECTION 17-6-308(4), 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 Section 17-6-308(4) 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. Missouri River Medical Center, a Montana non-profit corporation with its operations located in Fort Benton, Montana (the "Obligor") has presented a proposal to the Authority requesting the Authority assist the Obligor with the construction and renovation of a 3,100 square foot laundry facility (the "Project") by making a loan to the Obligor in an amount not to exceed \$730,000 (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 refinanced buildings are clinics;

(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 clinical 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 15th day of October 2020.

MONTANA FACILITY FINANCE AUTHORITY

ATTEST:

By: Larry Putnam
Its: Chairman

By: Adam Gill
Its: Executive Director

Montana Facility Finance Authority
Budget v. Actual Expenses
09/30/20
25% Expended

Legislative Budget	Year to Date			
	Category	Budget	Actual	\$ Variance % Variance
\$803,500	A) INCOME	\$136,875	158,209	21,334 16%
135,000	Application Fees	33,750	45,000	11,250 33%
538,500	Annual Fees	70,625	85,406	14,781 21%
130,000	Investment Income	32,500	27,803	(4,697) -14%
\$304,697	B) PERSONAL SERVICES EXPENSE	\$76,174	54,151	(22,023) -29%
297,697	Salaries & benefits	74,424	53,451	(20,973)
7,000	Board Per Diem	1,750	700	(1,050)
\$311,840	C) OPERATING EXPENSES**	\$60,460	28,248	(32,212) -53%
52,842	Contracted & Other Services	13,211	6,270	(6,941) -53%
	Misc. Other Services		3,718	
	Legal Services		1,801	
	Legislative Audit		548	
	ITSD		203	
12,044	Supplies/Materials/Equipment	3,011	852	(2,159) -72%
7,824	Communications	1,956	506	(1,450) -74%
29,378	Travel	7,345	0	(7,345) -100%
27,188	Rent	6,797	9,205	2,408 35%
	Building Rent		9,066	
	Other Rent		139	
156	Repairs & Maintenance	39	41	2 4%
70,408	Miscellaneous	17,602	11,242	(6,360) -36%
	Commerce Department Services		7,700	
	Administration (statewide) Indirect Costs		0	
	Education		498	
	Other Miscellaneous		3,043	
0	Equipment	0	134	
42,000	BOI Administrative Support**	10,500	0	(10,500) -100%
\$186,963	REVENUES IN EXCESS OF EXPENSES (A-B-C)	240	75,809	75,569 31432%
330,000	Grants-Obligated/Paid	37,500	0	
(\$143,037)	Current Year Increase in Net Assets		75,809	
	INCREASE (DECREASE) IN NET ASSETS		75,809	

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

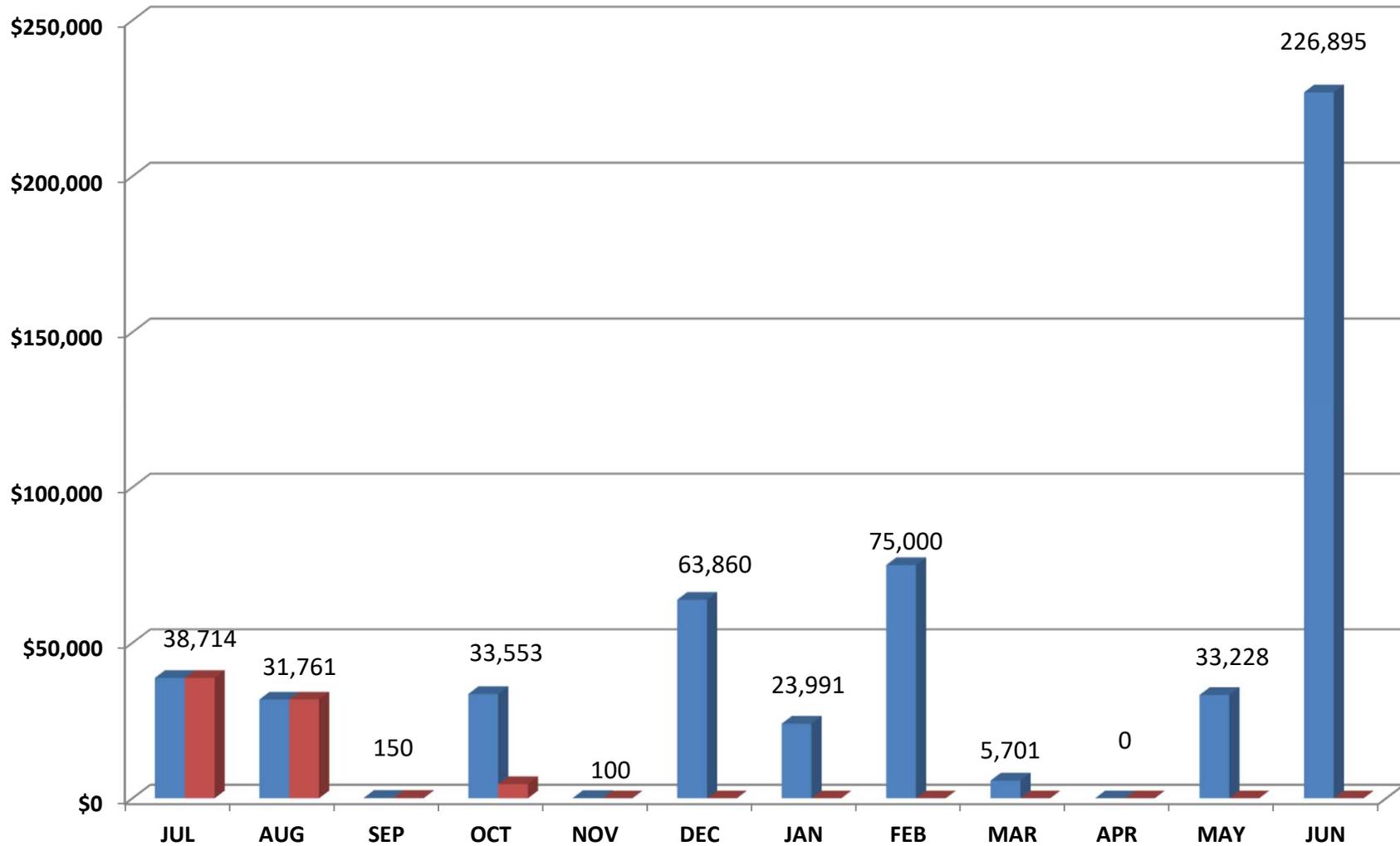
FY 2021 Annual Service Fees

As of October 8, 2020

Annual Projected: \$532,952

YTD Projected: \$104,178

YTD Collected: \$75,170



**Montana Facility Finance Authority
Reserve Balances
9/30/2020**

A/E 06015	Operating Account Summary	<u>Current Balance</u>	<u>Policy Guideline</u>
	Total Fund Balance Available Net Capital Reserve "B" Balance	2,035,548	
	Less: Working Capital Reserve Requirement	1,805,748	1,805,748 (a)
	Available for Restricted Capital Reserve "A"	229,800	9,643,137 (b)
	Fund Balance: Sub-Total	<u>2,035,548</u>	<u>11,448,884</u>
A/E 06015	Trust Fund Loan Pool		
	RC 710300, Accounts 521190	11,587	
	Plus: Prior Year End Capital Reserve "B" Fund Balance Sub Total	337,544	
	Capital Reserve "B" Fund Balance	<u>349,131</u>	<u>928,539 (d)</u>
A/E 06012	Direct Loan Program		
	Current Program Fund Balance	5,962,462	
	Less: Outstanding Loan Balance	4,823,004	
	Funds Available to Loan from Direct Loan Program	1,139,457	
	Fund Balance: Sub-Total	<u>5,962,462</u>	<u>5,962,304 (c)</u>
	Total Projected Fund Balance	<u>8,347,141</u>	<u>18,339,728</u>

Notes:

Policy Guidelines - Minimum Funding Requirements

(a) Twice the current Fiscal Year annual budget.	902,874
(b) 10% of the outstanding BOI enhanced bond balance as of 7/1/20	96,431,366
(c) \$5,936,307 as of 7/1/20 plus YTD loan payments, account investment earnings.	5,962,304
(d) 10% of the Trust Fund Loan Pool Balance as of 7/1/20	9,285,392

MONTANA FACILITY FINANCE AUTHORITY

Staff Approved Loans

8/01/20 - 9/30/20

Submitted Applications

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

Approved Applications

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

Funds Available Under

Direct Loan Program:

Loan Fund: (9/30/2020)	5,962,462
Total Outstanding Loans: (9/30/2020)	(4,823,004)
Approved Applications from above:	(500,000)
Total Available to Loan at 9/30/2020	<u>\$ 639,458</u>

Funded Applications from 7/1/20:

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

MONTANA FACILITY FINANCE AUTHORITY

Staff Approved Grants

8/1/20 - 9/30/20

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
Total Pending Grants:					<u><u>\$ 37,500</u></u>		

Grants Paid since 7/1/2020

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

2020

OCTOBER

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

2021

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
24/31	25	26	27	28	29	30

FEBRUARY

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

MARCH

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

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	23	24
25	26	27	28	29	30	

MAY

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

JUNE

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

JULY

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

AUGUST

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

SEPTEMBER

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

HOLIDAYS AND OBSERVANCES

1-Jan	New Year's Day Ob.	4-Jul	Independence Day	26-Nov	Thanksgiving Day
18-Jan	MLK Day	6-Sep	Labor Day	25-Dec	Christmas Day
15-Feb	Presidents' Day	12-Oct	Columbus Day		
31-May	Memorial Day	11-Nov	Veterans Day Ob.		

CONFERENCES

Mar 30-Apr 1, 2020	PaceNation, Columbus, OH	Oct 28-29, 2020	NAHEFFA, Virtual Conference
Apr 27-29, 2020	NAHEFFA, Charleston, SC	Oct 5-Oct 8, 2020	MHA, Virtual Conference
Oct 13-15, 2020	MEDA, Virtual Conference	Oct 22 & 29, 2020	HFMA, Virtual Conference