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

**April 3, 2020**

**MEETING AGENDA**

**11:30 I. CALL TO ORDER**
A. Roll Call

**II. PUBLIC COMMENT** on Board Related Items

**III. ADMINISTRATIVE**
**A. Emergency Lending Program**
a. Emergency Loan Policy
b. Direct Loan Policy
c. Revenue & Reserve Policy

**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.*

# *MEMORANDUM* Montana Facility Finance Authority

**Department of Commerce**
**2401 Colonial Drive, 3rd Floor**
**P.O. Box 200506, Helena MT 59620**
**(406) 444-0259**

**To:** Tara Rice, Director - Montana Dept. of Commerce
Emilie Saunders, Communications Director - Montana Dept. of Commerce
**From:** Adam Gill
**Date:** March 30, 2020
**Subject:** Emergency Lending for Hospitals

The MFFA has been working with the Montana Hospital Association to get a clear picture on the scope of Covid19 impacts on Montana hospitals. Through conversations and a broad client survey, it has become clear that Montana hospitals will need direct financial support for operating costs through this crisis.

Hospitals have delayed non-critical procedures and pushed back appointments for revenue-generating services such as outpatient surgery or physical therapy. In addition, the scramble for adequate supplies has led to mounting expenses. Montana's rural hospitals have always managed to provide quality healthcare in a difficult market. However, rural hospitals tend to run on narrow margins and often have little in reserves. They are uniquely vulnerable to a shock like the one delivered by the Covid19 outbreak. Even those with a better cash position are looking at a difficult situation. Montana's larger hospitals are where most surgeries are done and specialists are based so larger facilities are estimating a revenue drop of up to 75% for the months of March and April. Some examples include:

- Marias Medical Center in Shelby is reporting that it has 0 days cash on hand and is borrowing from the Toole County General Fund.
- McCone County Health Center in Circle is reporting that it has 5 days cash on hand and almost no remaining balance in its line of credit.
- Rosebud Memorial in Forsyth is already deferring payment to some vendors and has 28 days cash on hand.

**If either the state or federal government fails to provide adequate capital, hospitals will be unable to purchase supplies, fail to pay staff or even close their doors in the midst of a health crisis.**

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") signed into law on March 27th, provides drastically expanded lending support for operating costs. In addition, the CARES Act provides the Secretary of Health and Human Services up to $100 billion to distribute in the way they see fit. While these programs will be of great benefit, it will take time for funds from those programs to make it to Montana facilities. It is a minimum of 4 weeks for current SBA loan applications to process and the CARES Act has dramatically expanded the eligible entities, and likely the processing time for applications with it. **Many Montana hospitals will need operating capital in the next 30-90 days, they cannot wait for a stimulus program to arrive in June**. **Our outreach and research has identified at least 20 facilities who could use operational financing in the next 90 days.**

The Montana Facility Finance Authority has been providing access to low-cost capital for Montana healthcare providers for the last 36 years. In this crisis we are expanding our lending programs and providing forbearance for current borrowers. **We are willing to commit the full of our reserves, and BOI has authorized the full access to our remaining portion of the Coal Tax Trust Fund, this brings $9.3 million to bear on this issue, hopefully enough to help facilities manage this difficult time. However, we are currently not allowed to lend for operating costs, critical need at this time.**

**We recommend the Governor provide the MFFA with the ability to provide loans to support operating costs of qualified health facilities**. Loans could be paid back once federal stimulus dollars arrive. There is no downside to preparation, and there is no cost to being ready, even if the program isn't used.

**It makes more financials sense to make deferred-payment loans at low or no interest than it does to cover the cost of a rural hospital closing in the middle of an outbreak.**

**MONTANA FACILITY FINANCE AUTHORITY**

**DIRECT LOAN PROGRAM POLICY**
~~June 19, 2019~~April 3, 2020

POLICY FOR THE DIRECT LOAN PROGRAM originally dated as of September 9, 1993 (as hereinafter defined, the "Policy"), relating to the administration of loans by the MONTANA FACILITY FINANCE AUTHORITY (as hereinafter defined, the "Authority") pursuant to Section 17-6-308(4) MCA.

POLICY: Direct Loan Program

PURPOSE: To enable Authority clients to receive short term loans at competitive interest rates and to provide the Authority with a return on its investments.

PARAMETERS: The Direct Loan Program is limited to $4,750,000, plus aggregate loan interest payments and investment earnings.

1. Eligible borrowers and projects include:
   a. Any eligible facility identified in the Act with less than an investment grade rating.

   b. Loans will be given on a first come, first served basis.

   c. Eligible projects shall include construction and renovation, facility acquisition, refinancing of qualified outstanding debt, the purchase of equipment, and financing costs.

2. Loan terms include:
   a. Maximum loan amount of:
      a. $300,000 for conventional Direct Loan financings.
      b. $500,000 for the purpose of refinancing qualified debt or when combined with a Trust Fund Loan.

      A borrower's aggregate loan balance is limited to $500,000~~.~~ This limit is not in effect when the Emergency Loan Program is activated.

   b. Maximum loan term of:
      a. Seven (7) years for conventional Direct Loan financings.
      b. Ten (10) years for the purpose of refinancing qualified debt or when combined with a Trust Fund Loan.

      In certain circumstances the Board of the Authority may approve loan amortization beyond seven years; however a balloon payment will be required on an agreed upon loan anniversary date which shall not be more than seven years from the date of agreement.

   c. Interest rates will be:
      a. Five (5) year term – the greater of the 5-Year US Treasury Note plus 15 basis points or 2.00%
      b. Seven (7) year term - the greater of the 7-Year US Treasury Note plus 20 basis points or 2.15%
      c. Ten (10) year term - the greater of the 10-Year US Treasury Note plus 30 basis points or 2.25%

d. Security may include a pledge of the equipment or real property being financed with the loan proceeds. If the prudent loan-to-value ratio cannot be met, other properties may be considered for collateral. Pledges of receivables may also be considered acceptable collateral.

3. Loan Approval:

   a. Loans may be approved if staff determines that there is reasonable expectation of loan repayment by the Borrower.

4. Program Fees and Expenses:

   a. The Borrower is responsible for all associated loan expenses.

   b. The Authority will impose a one-percent (1%) origination fee.

   c. If the borrower is financing work identified through the Energy Efficiency Program, the amount of the fee waived will be the lesser of the full amount of the 1% application fee or the amount of the match provided for the above grant.

   d. If the borrower is refinancing previous MFFA issued debt, the amount of the origination fee will be waived.

5. Authority Responsibilities:

   a. The Authority may retain legal services to draft the necessary documents to effect the transaction.

   b. The Authority may bill, collect, and deposit monthly payments, as well as monitor the borrower's compliance with the loan covenants.

6. Authorized Personnel:

   Staff listed below are authorized to approve loans under this program:

   Adam Gill ________________________

IN WITNESS WHEREOF, the parties have caused this policy to be revised and reviewed as of the 3~~17th~~rd day of ~~June~~ April ~~2019~~2020.

**MONTANA FACILITY FINANCE AUTHORITY**

By: ____________________________
Larry Putnam, Chairman

By: ______________________________
Adam Gill, Executive Director

**MONTANA FACILITY FINANCE AUTHORITY**

**EMERGENCY LOAN PROGRAM POLICY**
April 3, 2020

POLICY FOR THE EMERGENCY LOAN PROGRAM originally dated as of April 9, 2020, relating to the administration of emergency loans by the MONTANA FACILITY FINANCE AUTHORITY (as hereinafter defined, the "Authority") pursuant to Section Title 90, Chapter 7 MCA and 17-6-308(4) MCA.

POLICY: Emergency Loan Program

PURPOSE: To enable the Authority to make short-term loans to eligible institutions at competitive interest rates during periods of declared emergency and to provide policies concerning loan forbearance and payment deferral during declared emergencies.

EMERGENCY LOAN PARAMETERS: The Emergency Loan Program is limited to the available reserves of the Authority. The program can only be activated when the State or Federal government declares an emergency for all or part of the State of Montana. The availability of new emergency loans under the Program will close upon end of the emergency declaration unless extended by Authority Board action.

1. Eligible borrowers and projects include:
   a. Any eligible facility identified in the Act that has no line of credit or has exhausted its line of credit and has less than 50 days cash on hand.

   b. Loans will be given on a first approved, first served basis for those who qualify for assistance under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").

   c. Eligible projects shall include construction and renovation, facility acquisition, the purchase of equipment, financing costs, and for purposes described in the CARES Act including operating costs if specifically permitted by the Governor.

2. Loan terms include:
   a. Maximum loan amount of $500,000 (outside of any aggregate loan balance limits for the borrower).

   b. Maximum loan term of:
      a. Initial term of 12 months with the first 6 months deferred,
      b. After 12 months the remaining loan balance can be converted into a Direct Loan at the prevailing rate and a term of 5 years

   c. Interest rates will be:
      a. For the first 3 months of the loan – 0%
      b. After the first 3 months - the greater of the 5-Year US Treasury Note plus 15 basis points or 2.00% whichever is greater.

d. Security may include a pledge of the equipment or real property being financed or reimbursed with the loan proceeds. If the prudent loan-to-value ratio cannot be met, other properties may be considered for collateral. Pledges of receivables may also be considered acceptable collateral, including pledges of funds the borrower expects to receive under the CARES Act.

3. Loan Approval:
   a. Loans may be approved if the borrower has demonstrated that the declared emergency has significantly impacted the Borrower and staff determines that there is reasonable expectation of loan repayment by the Borrower.
   b. The borrower demonstrated that it meets the criteria for grants or loans under the CARES Act.

4. Program Fees and Expenses:
   a. The Borrower is responsible for all associated loan expenses.

   b. The Authority will not impose an origination fee.

5. MFFA Reserve Accounts or Program Funds Available for Lending

   a. Operating Reserve less $300,000
   b. Capital Reserve A less $200,000
   c. Capital Reserve B
   d. Direct Loan Program
   e. Available funds in the Trust Fund Loan Pool as established by MCA 17-6-308

5. Authority Responsibilities:

   a. The Authority may retain legal services to draft the necessary documents to effect the transaction.

   b. The Authority may bill, collect, and deposit monthly payments, as well as monitor the borrower's compliance with the loan covenants.

6. Authorized Personnel:

   Staff listed below are authorized to approve loans under this program:

   Adam Gill ____________________________

FORBEARANCE PARAMETERS: The Emergency Forbearance Program is limited to current Direct and Trust Fund Loan clients of the Authority. The program can only be activated when the State or Federal government declares an emergency for all or part of the State of Montana. The Program will close upon end of the emergency declaration unless extended by Authority Board action.

1. Eligible Clients:

a. Current Direct Loan and Trust Fund Loan clients.

2. Forbearance Structure:

   a. Interest and principal payments are deferred for 3 months with unpaid principal and interest accruing to the final loan payment.
   b. Deferral can be extended in 3 month blocks with approvals available until the emergency declaration is lifted.

3. Forbearance Approval:

   a. Authority staff may approve Direct Loan forbearance.
   b. Approval from authorized staff of the Board of Investments is needed for Trust Fund Loan forbearance.

4. Program Fees and Expenses:

   a. The Borrower is responsible for all associated forbearance expenses.
   b. The Authority will not impose a fee for forbearance.

5. Authority Responsibilities:

   a. The Authority may retain legal services to draft the necessary documents to effect the transaction.
   b. The Authority may bill, collect, and deposit monthly payments, as well as monitor the borrower's compliance with the loan covenants.

6. Authorized Personnel:

   Staff listed below are authorized to approve forbearance under this program:

   Adam Gill ________________________

POLICY ACTIVATION & TERMINATION DATES

| Activation | Termination |
|---|---|
| ____________________________ | ____________________________ |
| ____________________________ | ____________________________ |

IN WITNESS WHEREOF, the parties have caused this policy to be revised and reviewed as of the 3rd day of April 2020.

**MONTANA FACILITY FINANCE AUTHORITY**

| | |
|---|---|
| By: ___________________________ | By: ______________________________ |
| Larry Putnam, Chairman | Adam Gill, Executive Director |

# MONTANA FACILITY FINANCE AUTHORITY

## REVENUE AND RESERVE POLICY

~~June 19, 2019~~April 3, 2020

POLICY FOR THE REVENUE AND RESERVE originally dated as of January 19, 2000 (as hereinafter defined, the "Policy"), relating to the administration of loans by the MONTANA FACILITY FINANCE AUTHORITY (as hereinafter defined, the "Authority") pursuant to Section 17-6-308(4) MCA.

POLICY: Administration of funds received/Allocation of Revenues

PURPOSE: Prudent management of the Authority's finances requires an accumulation and management of funds that are in addition to its respective fiscal year operational requirements. (Reference 90-7-211 MCA) Such additional funds are necessary to:

1. Establish and maintain an operating capital reserve
2. Support operations during periods of unusual or unexpected revenue fluctuations
3. Meet unusual, unexpected or unbudgeted operating expenses and/or capital expenditures
4. Fund extraordinary expenditures associated with bond/note issues of the Authority, for example, fees and expenses of consultants, attorneys, and financial advisors, for activities related to project development and management
5. Provide resources to fund appropriate action as necessary to assist in preserving the credit-worthiness of the Authority's clients
6. Provide reserves for loan losses
7. Provide loans to finance the project costs of eligible facilities.
~~7.~~8. Provide loans for capital expenses for eligible facilities during periods of declared Federal or State Emergency in areas covered by those declarations.

A. PARAMETERS: This policy identifies revenue and program accounts as well as the allocation of revenues to the Operating Capital Account, Capital Reserve Accounts, Direct Loan Program Account and Trust Fund Loan Pool Account. Operating Capital Account – All revenues from #1 below shall be deposited to this account and all funds from #2 below may be deposited to this account.

   1. All application fees, annual planning service fees and other charges related to all loan transactions.
   2. Fund transfers from the "A" Capital Reserve Accounts and the Direct Loan Program Account.

   The maximum account balance shall be equal to two times the current annual budget of the Authority.

B. Capital Reserve Accounts – There shall be separate accounts for loans enhanced by the Board of Investments (A) and for the Trust Fund Loan Pool (B). All revenues from #1 and #2 below shall be deposited to these accounts and funds from #3 below may be deposited to these accounts.

   1. All application and annual planning service fees, excluding initial and annual operating expenses, which are incurred on loans enhanced by

the Board of Investments or loans made from the Trust Fund Loan Pool, respectively
2. Loans from the Board of Investments
3. Fund transfers from the Operating Capital Account and the Direct Loan Program account.

The maximum account balance shall be 10% of the aggregate outstanding loan balance in each account as calculated on June 30 of each year.

C. Direct Loan Program Account - Revenues from #1 and #2 below shall be deposited to this account, and funds from #3 below may be deposited to this account:

1. All application fees paid by the participants in this program
2. All loan repayments
3. Fund Transfers from the Operating Capital Account and the "A" Capital Reserve Account.

The maximum account balance is $4,750,000 plus aggregate loan interest payments and account investment earnings thereafter. The history of account balance is below:

| | |
|---|---|
| 1993 | 1.5 times current annual budget |
| 1996 | funded at $500,000 |
| 2000 | additional $150,000 |
| 2005 | additional $200,000 |
| 2008 | additional $500,000 |
| 2010 | additional $400,000 at the Executive Director's discretion |
| 2017 | additional $1,000,000 |
| 2019 | additional $1,000,000 |
| 2019 | additional $1,000,000 at the Executive Director's discretion |

D. Trust Fund Loan Pool Account - Revenues from #1 and #2 below shall be deposited to this account, funds from #3 below may be deposited to this account.

1. All application fees, paid by the participants in this program
2. All loan repayments
3. Fund transfers from the "A" Capital Reserve Account, Direct Loan Program Account or Operating Capital Account.

The maximum account balance is $15,000,000, pursuant to 17-6-308 of MCA.

E. Emergency Lending Program –When the Emergency Lending Program is activated by the Authority Board, the Emergency Lending Program Policy will list what reserves are available to be used for the lending program. Upon repayment of the loans, repaid funds will be deposited back into the reserve accounts or program funds they were pulled from.

*INVESTMENT EARNINGS ON FUNDS HELD IN ALL OF THE ABOVE ACCOUNTS WILL ACCRUE TO THEIR RESPECTIVE ACCOUNTS.

**Fee and Expense Assessments**

Appendix A describes the process for assessing application and annual planning service fees for the Authority loan programs. (90-7-211 MCA)

This policy supersedes all prior revenue and reserve policies. The Authority may revise this policy at any time without notice to or the consent of the holders of any bonds or the Board of Investments.

IN WITNESS WHEREOF, the parties have caused this policy to be revised and reviewed as of the ~~19th day of June, 2019~~3rd day of April, 2020.

**MONTANA FACILITY FINANCE AUTHORITY**

By: ______________________________ Larry Putnam, Chairman

By: _________________________________ Adam Gill, Executive Director

**Appendix "A"**

MONTANA FACILITY FINANCE AUTHORITY

Revenue and Reserve Policy
December 12, 2012
Fee Assessments

## BONDS/NOTES

**Application Fee (Initial Planning Service Fee)**
The application fee for each series of bonds will be calculated subject to the following schedule:

| Loan Amount | Fee |
|---|---|
| Up to $ 5,000,000 | 30 basis points (bp) (.0030) |
| Up to $ 10,000,000 | the > of 25 bp or $ 15,000 |
| Up to $ 25,000,000 | the > of 15 bp or $ 25,000 |
| Up to $ 50,000,000 | the > of 12.5 bp or $ 37,500 |
| Up to $100,000,000 | the > of 7.5 bp or $ 62,500 |
| Over $100,000,000 | the > of 6.5 bp or $ 75,000 |

Minimum fee of $1,000.

**Annual Fee (Annual Planning Service Fee)**
The Annual Fee for each series of bonds shall be due annually and assessed according to the following schedule

| | |
|---|---|
| Stand Alone Bond Issues | 5 bp X the outstanding principal amount |
| Private Placement bond issues | 5 bp X the outstanding principal amount |
| Master Loan Program | 10 bp X the outstanding principal amount |

The maximum annual loan fee shall be $75,000 and the minimum loan fee shall be $100, whether for a single facility borrower, multi-facility borrower or a pool of borrowers.

The Authority may subsequently waive or reduce the annual planning service fee.

## TRUST FUND LOAN PROGRAM

**Commitment Fee (Trust Fund Loan Program)**
A one percent (1%) Commitment Fee shall be assessed to all loans under this program. One-half will be due at the time the commitment is issued and the remainder will be due at the time of closing the loan.

**Loan Servicing Fee**
A Loan Servicing Fee of 50 basis points (.0050) shall be added to the Borrower Loan Rate.

## EXPENSE REIMBURSEMENT

The Authority may bill each borrower for reimbursement of certain travel expenses, if any, for the preparation, evaluation and closing of a loan application. The Authority may also charge a borrower for actual, extraordinary expenses associated with the management and monitoring of a loan.