



# Montana Facility Finance Authority

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## *2019 Strategic Planning Summary*

Presented by:

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## Introduction

The Montana Facility Finance Authority (MFFA/the Authority) Board met on June 18 and 19, 2019, in Helena to evaluate and update the agencies' strategic plan.

The Board discussed recent developments at the state and national levels; reviewed MFFA's mission, vision, and values (and determined they are still appropriate); updated the assessment of agency strengths, weaknesses, opportunities and concerns; evaluated progress on strategic goals and objectives; and established strategic objectives for the coming years.

The strategic planning meeting included the following participants:

- Larry Putnam, Board Chair
- Bill Kearns, Board Vice-Chair
- Jan Bastian, Board Member
- Paul Komlosi, Board Member
- Kim Rickard, Board Member
- John Rogers, Board Member
- Matt Thiel, Board Member
- Adam Gill, Executive Director
- Seth Lutter, Associate Director
- Colin Gunstream, Financial Specialist
- Chuck Samuels, Mintz Levin, PC, Legislative Counsel
- Jim Kerins, SHRM-SCP, Facilitator

This summary documents the MFFA's strategic planning process and the Board's work during the June 2019 session and will serve as the basis for future planning and implementation efforts.

## Background

The 2019 Strategic Planning session is a continuation of the planning process initiated by the Board in 2017. The process involves defining the mission, vision and values; establishing strategic goals; devising objectives and action steps to achieve these goals; establishing outcomes and metrics to assess performance; and monitoring and updating objectives. Following is a brief summary of MFFA strategic planning efforts:

July 2017: The Board of Directors met on July 31st, 2017, in Three Forks, Montana, to conduct a preliminary strategic planning session. The Board reviewed the Authority's statutory authorization, purpose, and history and evaluated the agency's operations and environment. The Board updated the mission statement, defined organizational values, and established the following preliminary goals and objectives for the Authority.



1. **Strategize:** Devise strategies to provide cost-effective capital financing programs and development services for eligible facilities to improve healthcare and community wellness capabilities across Montana.
2. **Outreach:** Educate clients, policy makers, and the public about the benefits and importance of programs and services offered by the authority. Support facility and community development by promoting good public policy, advocating for clients, and supporting planning and development efforts.
3. **Expansion and Adaptation:** Maintain and enhance operational effectiveness and organizational integrity by expanding and adapting organizational capacity, staff expertise, and administrative systems to meet the requirements of program strategies and outreach efforts.

**2017 – 2019:** MFFA Staff and Board implemented the initial strategic goals and monitored the achievement of strategic goals and objectives. The organization achieved several significant objectives furthering the mission, including, but not limited to conducting a statewide needs assessment with customers, utilizing reserves, expanding partnerships, participating in regional meetings, increasing utilization of planning grants and implementing a new planning grant program, implementing a new database to improve workflow and reporting, and forming the Executive Director Development Committee.

**June 18 and 19, 2019:** MFFA Staff, Board, and subject matter experts met to conduct the planning session summarized herein.

## Mission and Values

During the 2019 planning session, the Board evaluated the MFFA's mission statement and values and determined that they are still relevant. The statements reflect the Board's philosophy regarding the agency and its aspirations for the future.

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

*Values:*

- Relationships.
- Community.
- Accessibility.
- Effective.
- Accountable.
- Nimble.
- Self-sustaining.



## Operational and Environmental Assessment

During the 2019 planning session, the Board reviewed and updated the 2017 operational and environmental assessment and edited the assessment to be more concise and inclusive. The MFFA Board and Staff considered the assessment when developing the 2019 - 2021 Commitment Worksheet.

### Strengths

Qualities that enable the organization to address issues and opportunities in a determined and effective way.

- Excellent organizational partnerships (Governor, Legislature, Commerce, constituency) and a commitment to maintaining and expanding these partnerships.
- A constituency that supports the Authority and continuation of its operations and services.
- The Authority makes a positive impact in almost every community in the State and can highlight these contributions and make legislators aware of projects in their district.
- A history of successful projects and a sound financial management track record.
- Respect of the healthcare community and long-term relationships with healthcare facilities and officials (e.g., CEOs and CFOs).
- Clear statutory authority.
- Financial autonomy and self-sufficiency (e.g., the Authority is not tied to House Bill 2 funding, does not rely on external funding or organizations, pays for services provided by Commerce, etc.).
- The ability to assess and establish a competitive fee structure.
- Quality board and staff with institutional knowledge.
- Organizationally able to move on ideas quickly, i.e., flexible and nimble.
- A big impact with small footprint.
- Effective professional support (e.g., legal and bond counsel). Relationships with external firms result in additional resources of institutional knowledge and organizational history.
- The Authority fills a niche in cooperation with financing institutions resulting in a lack of direct competition with them.

### Weaknesses

Known vulnerabilities, limitations or qualities/features regarded as disadvantages (e.g., gaps in capabilities, legal or financial limitations, resource limitations, etc.).

- The unpredictable nature of our customers' financial needs and the cyclical nature of the market could result in a long-term lull in business.
- Small staff size can cause workload and stability issues during periods of transition or heavy financing.



### Weaknesses (continued)

- The Authority's long-term Bond Counsel/Underwriting relationships may limit exposure to contemporary and innovative trends in the industry and could represent missed opportunities for exposure or business development.
- The Authority's ability to effectively function and provide services is subject to legislative or other policy changes that could adversely impact operations or the ability to serve the state.
- A limited diversity across industries in the project portfolio.

### Opportunities

Situations or conditions favorable for goal attainment, good positions or prospects for advancement of the mission or organizational success (e.g., industry, regulatory, or financing trends; information and research; partnerships).

- Potential Infrastructure/Public Private Partnership (P3) legislation will authorize states to issue a variety of new bonds which may present opportunities for the Authority to better serve communities and/or expand services.
- The new State bonding bill may present opportunities for service expansion.
- Aging facilities and changes in market forces are driving changes in facility needs and uses, creating opportunities for renovation and expansion.
- The Authority could expand programs or leverage resources through partnership opportunities with:
  - New eligible 501(c)(3)s and other 501(c)(3)s.
  - Health and economic development related foundations and other private firms that may help the Authority expand into areas we haven't served in the past e.g., Native American communities.
  - USDA (e.g., Master Loan Program combined financing).
  - Community Health Centers (in addition to our current client base).
  - The Montana Department of Public Health and Human Services (helping small healthcare organizations).
- Creative assessment of which facilities or organizations relate to "Montana healthcare and community capabilities;" expansion of financing to additional eligible facilities (e.g., medical teaching facilities) and projects that are difficult to finance (e.g., transition funding); and a growing need for rural access.
- Financings provide additional opportunity for interaction with outside advisors (Bond Counsel, Underwriting, Financial Advisor).
- Commercial Property-Assessed Clean Energy (CPACE) lending may help the Authority move into broader economic development.
- Potential service changes or enhancements in program offerings e.g., Industrial Development Bonds (IDB).



### Opportunities (continued)

- Education/outreach opportunities at the policymaker and grassroots levels. Continue with and consider expanding MFFA's education effort.
- Continue to utilize reserves and loan proceeds to support our mission and customers and find additional ways to help the public that relate to the mission.
- Develop a long-term strategy to address statewide healthcare and community needs, designate reserves or revenues for that purpose, remain proactive in using financial resources, and engage stakeholders in discussions.
- Help frontier hospitals position themselves for growth in a changing environment and assist facilities and communities with new physician recruitment/retention.
- Continue to promote and utilize planning grant program, make funding more available/allocate more funding to it.
- Help hospitals that run into trouble by refinancing existing debt.

### Operational Concerns

Situations, conditions or events that can impede efforts to attain goals; risks to operations or customers (e.g., adverse legislative changes, legal threats, regulatory changes, obstacles, market changes, loan defaults, etc.).

- If the cost of compliance with securities and disclosure requirements becomes onerous it could affect the bond market.
- Larger bond issuances are a large part of our application and annual fee revenue and these institutions could look at taxable or national issuers if fees are not competitive.
- Turnover in leadership at partner organizations may result in partners who don't yet fully understand the needs of rural Montana, or who have a different approach to collaboration (e.g., a transactional approach rather than relationships built on history and past successes).
- Borrower default.
- Potentially adverse changes in federal financing, or federal or state legislation.
- The Authority doesn't want to harm relationships with banks over small programs/loans. Our clients use our loan programs as benchmarks (e.g., for interest rates and fees).
- Changes in federal financing, insurance, and the bond market could adversely affect our constituency.
- Expanding the Authority's role expands its liability, which is a consideration when exploring new areas.



## Goals and Objectives

### 2017 – 2019 Goals Assessment

The Board evaluated the 2017 – 2019 organizational goals on page 4 of this summary (Strategize, Outreach, Expansion and Adaptation) and made the following modifications:

**Strategize:** The MFFA accomplished its goal of devising strategies to provide cost-effective capital financing programs and development services for eligible facilities to improve healthcare and community wellness capabilities across Montana (strategize). The Board modified this goal to **Implementation** of identified opportunities, and continuing to seek new opportunities.

**Outreach:** The Board determined that **Outreach** continues to be a significant priority for the organization and that this goal is still relevant and important. The Board modified the wording of the goal to reflect current priorities.

**Expansion and Adaptation:** The Board determined that the MFFA has attained aspects of this goal related to attaining staff expertise and has made significant strides with regard to administrative systems. The Board modified the goal to focus on **Service Efficiency and Effectiveness** including making MFFA services more cost effective and beneficial to customers. The Board moved this to goal #2.

This summary includes the updated goals and associated objectives on pages 9 and 10.

### 2019 Contemporary Issues and Surveys

In addition to assessing progress in regard to the 2017 – 2019 Goals, the Board evaluated factors including:

- Contemporary issues in the healthcare, community/economic development, and tax-exempt bond arenas.
- A survey of MFFA customers conducted in conjunction with the Montana Hospital Association.
- A survey of MFFA Board Members conducted in advance of the planning session.



## 2019 - 2021 Organizational Goals and Objectives

Based on the assessment of organizational accomplishments, contemporary issues, and surveys, the Board established the following three major goals, each with supporting objectives, for 2019 and beyond:

**Goal 1. - Implementation:** Implement identified opportunities to expand or enhance services including adding or modifying programs to better serve constituents and fulfill our mission.

### *Objectives*

- Evaluate new or expanded program offerings (e.g., CPACE) and develop proposals for necessary Board or legislative action.
- Study existing programs (e.g., the Direct Loan Program) to identify modifications to make them of greater utility to constituents.
- Continue to promote and expand the Industrial Development Bond program to build on successes and better serve and support Montana communities.

**Goal 2. - Service Efficiency and Effectiveness:** Continue making our services more cost effective and beneficial for constituents. Maximize value for clients.

### *Objectives*

- Proactively respond to issues or initiatives potentially affecting the Authority in order to maintain our autonomy and independence.
- Continue and expand Board interaction with professional advisors and external firms (e.g., underwriting, legal, financial experts) to maintain and expand knowledge.
- Evaluate service delivery alternatives in conjunction with partners (e.g., bringing planning grants in-house).
- Assess our fee/interest structure in relation to other issuers.
- Develop proposals on how the MFFA can apply excess revenues to the best advantage of stakeholders and constituents.
- Revisit relationships with partners, e.g. better defining what we would like to get from our membership fees, evaluating the benefits of relationships, determining how partnerships can be mutually beneficial and leveraged to better serve common customers, etc.
- Look at financing processes with an eye toward continual process improvement.



Goal 3. - **Outreach:** Educate clients, policy makers, and the public about the benefits and importance of programs and services offered by the Authority. Support facility and community development by promoting good public policy, advocating for clients, and supporting planning and development efforts.

### *Objectives*

- Ensure Legislators are aware of projects in their districts – work with facility administrators on publicizing accomplishments (e.g., press releases, groundbreaking ceremonies, etc.).
- Utilize operational monitoring tools to determine and highlight program impacts and outcomes.
- Continue to improve outreach to the Authorities constituency through newsletters, presentations, and other communications.

### **Plan Implementation**

The Board concluded the 2019 strategic planning session by providing guidance to staff related to the implementation of the defined goals and objectives. Implementation steps include:

- Develop a written work plan to implement Board-Approved goals and objectives and document the plan in a Strategic Planning Commitment Worksheet (Attached).
- Establish specific action strategies to accomplish the objectives documented in the workplan and include these actions in staff performance objectives and board action plans as appropriate.
- Provide regular updates to the Board on progress toward goals and objectives.
- Continually evaluate the plan and commitment worksheet and update or modify the documents as appropriate.

The *2019 – 2021 Strategic Planning Commitment Worksheet* documenting preliminary objectives and action strategies is attached to this strategic planning summary.

This *2019 Strategic Planning Summary* represents a continuation of the Board’s planning efforts and an ongoing and evolving process. The Board encourages MFFA clients, stakeholders or other interested parties to provide any input or comments on this plan to MFFA Staff.



MFFA 2019 – 2021 Strategic Planning Commitment Worksheet

**\*PRIORITY:**

- 1 = year 1**
- 2 = year 2**
- 3 = year 3 or beyond**

**S.M.A.R.T. Checklist**

1. Is each strategic action written positively and in the present tense?
2. Is each strategic action “SMART”? (i.e., Specific? Measurable? Achievable? Relevant? Time-bound? If not, refine each strategic action to make them even smarter!)

Goal/Strategy	Outcome (measure)	Priority	Timeline	Responsible party/coordinator	Resources Required
<i>Implementation</i> Conduct an analysis of CPACE and bring the Board a proposal for the Authority’s position in the coming session (may require legislative change).	Recommendation on how to proceed.	1	Within a year.	Staff will lead research; Board will make a decision.	Staff and Board time.
<i>Implementation</i> Evaluate the Direct Loan Program to look at extending limits, terms, and other provisions to make the program of greater utility to constituents (will require policy change).	Recommendation on how to proceed.	2	Limited flexibility to modify program in year 1.	Staff will lead research; Board will make a decision.	Staff and Board time.
<i>Implementation</i> Continue outreach for additional Industrial Development Bond (IDB) - projects. Use our successful project to promote and market this service. MFFA is eager to receive projects and grow the program.	Outreach to stakeholders, proactively serve as first contact for potential partners.	1	Will immediately implement outreach efforts.	Staff.	Staff time, outreach resources.



Goal/Strategy	Outcome (measure)	Priority	Timeline	Responsible party/coordinator	Resources Required
<i>Service efficiency and effectiveness</i> Continue board exposure to additional underwriting, legal, and financial advisor expertise at little or no cost to the MFFA (e.g., at annual summer retreats).	Ongoing effort. Bring experts in 2 – 3 times a year.	1	Starting year 1.	Executive Director will continue to bring experts in. Board will offer ideas on who to bring in.	To be determinized (possible travel reimbursement).
<i>Service efficiency and effectiveness</i> Assess our fee/interest structure in relation to other issuers and their programs. Explore how the Board can apply its surplus revenues to the best advantage of stakeholders and constituents.	Recommendation on how to proceed.	2	Rec. in Spring 2020.	Staff will lead research; Board will make a decision.	Staff and Board time.
<i>Outreach</i> Ensure constituents are aware of subject matter experts coming to board meetings.	Implement with next appropriate meeting agenda.	1	Starting year 1.	Staff.	None.
<i>Outreach</i> Educate legislators about projects (e.g., IDB, CPACE) once they are complete and closed.	*Contingent on project completion.	*	*	Staff and Board.	Outreach time, travel, support.
<i>Outreach</i> Publish data and metrics to illustrate impact/results (focus on the outputs more than the inputs). Develop a short list of broad metrics (this is what we do and the impact).	Improved Board and constituent reporting & management data.	1	Starting year 1.	Staff and Board will collaborate to determine appropriate and available metrics.	Systems in place. Staff time and training.