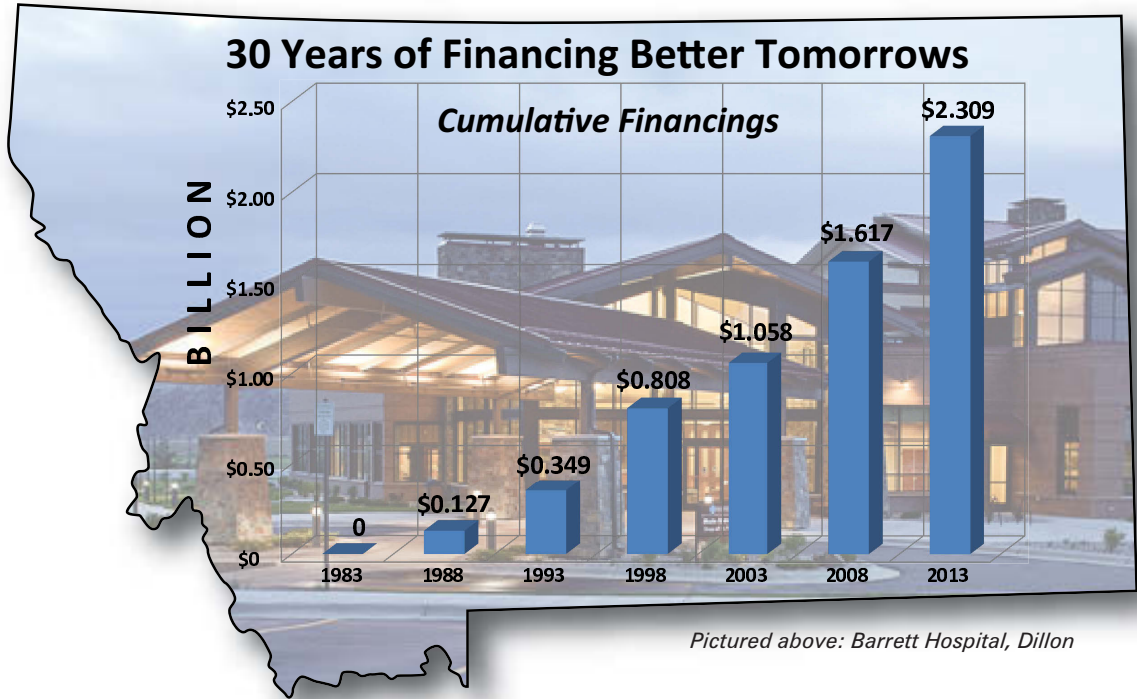




The AUTHORITY REVIEW 2013

December 2013

*Providing flexible financing options for nonprofit health care
and community service providers*





The AUTHORITY REVIEW 2013

BOARD A seven-member board appointed by the Governor.



Back row, L-R: Matt Thiel, attorney; Joe Quilici, retired business owner and former state representative; Larry Putnam, healthcare consultant; Jon Marchi, chairman, venture capital/ranching. Front row, L-R: Kim Rickard, business manager, laborer's union; James (Bill) Kearns, bank chairman; and Richard King, economic development consultant.

MFFA Continues Its Vital Role In Advancing Montana's Crucial Health Care Industry

Despite volatility in both the national economy and the health care sector in 2013, the MFFA continued to show its fundamental strength in making sure that Montanans have improved access to the state's burgeoning non-profit health care industry – a main driver of new job creation.

During 2013, our 30th year of non-profit financing leadership, the MFFA issued a total of \$29,935,000 in tax-exempt bonds as well as \$54,875 in direct loans for vital equipment upgrades, building stronger balance sheets, and upgrading patient services. Our innovative Montana Capital Assistance Program which provides grants to enable Montana's small rural hospitals prepare for the future by developing technical assistance and capital improvement plans topped out at its grant limit of \$60,000 annually.

All this was accomplished despite a variety of market conditions during the year. Early in 2013, for example, the interest cost levels between tax-exempt and taxable bonds narrowed significantly. The result was a borrowers market that provided increased community financing. Non-profits, on the other hand, were provided with alternative financing opportunities as they sought to control spending, upgrade equipment, and continue their commitment to improve patient services.

A trademark of the Authority is that it constantly evaluates financing options to help the industry meet the opportunities and challenges ahead and without using a single tax dollar. Looking at 2014 with the same ongoing commitment, among the issues we seek to address include:

- Growing pressure on the industry to balance sound financial investment with cost efficiencies;
- New marketing efforts, by us, to identify new financing opportunities as well as reacquaint our existing clients with our products and personnel;

- Re-introduce, in concert with the Montana Board of Investments, our popular Master Loan Program which enables smaller hospitals to access the tax-exempt capital market at investment grade interest rates with loans up to \$10 million, saving borrowers millions of dollars over the life of the bond issue; and
- Pursue the completion of our first Industrial Development Bond issue, a new offering by MFFA for small manufacturing facilities.

We move into 2014 continuing to monitor the debate over tax reform including proposals to eliminate or limit tax deductions for tax-exempt bonds. We strongly believe that tax-exempt bonds are a proven beneficial financing strategy that should be preserved. To that end the MFFA Board will continue its work with our national association, other state authorities and congressional representatives for the preservation of tax-exempt bonds.

We also will monitor the impact of the anticipated influx of newly insured people and their effect on health care providers as well as the projected growth of Montana's senior population.

We thank our dedicated Board and our skilled and knowledgeable professional staff who, in concert with our borrowers, financial institutions and associates, are facing a promising future. Here's to a fulfilling and healthy year ahead for all Montanans.

Jon Marchi
Chairman of the Board

Michelle Barstad
Executive Director

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MARKING 30 YEARS AS A PIONEERING FINANCE PARTNER

October 1, 2013 marked the 30th anniversary of MFFA's financing partnership with Montana's nonprofit health care community. This alliance quickly leveled the playing field for the state's vital nonprofit health care system and community service providers by offering access to low cost capital.

Pictures here represent non-profit private and public institutions that have effectively accessed Authority programs over the last 30 years to help communities across the state meet their growing needs.

Among MFFA's achievements in the 30 years since our founding are:

- Invested more than \$2.3 billion in health care and other community services impacting virtually every Montanan by improving quality of and access to services;



HELPING PEOPLE IMPROVING PLACES UPGRADING THINGS

- Helped more than 106 nonprofit health care and community service providers in 58 communities gain access to low-cost and affordable capital;
- Financed over 358 projects in 46 counties for expansions and improvements, as well as equipment and service upgrades;
- Provided 44 MCAP grant disbursements to small rural hospitals

- providing needed technical assistance and financing capital improvement plans; and
- Reduced borrowers' interest costs over the life of the bonds by an estimated one-half billion dollars, savings which became available for extending services, reducing patient costs, new programs benefiting their communities and improved balance sheets.



2013 MFFA Financing Recipients

CONRAD, Pondera County

Pondera Medical Center

\$54,875 in funds from the Direct Loan Program to replace a hematology analyzer.

Interest Rate 3.00% Term: 5 years Pricing: November 29, 2012

Benefit: Faster equipment reduces labor costs and improves patient treatment while increased reimbursements will strengthen the Center's balance sheet.



HELENA, Lewis and Clark County

St. Peter's Hospital

\$21.435 million in funds, utilizing the Stand Alone Program, were privately placed and used to refinance bonds issued in 2004.

Interest Rate: 2.344% Term: 11 years Pricing: February 27, 2013

Benefit: Lowering the hospital's borrowing costs strengthens its financial position.



MISSOULA, Missoula County

Community Medical Center

\$8.5 million in funds, using the Stand Alone Program, were privately placed and used for the construction of additional space for installation of new radiation therapy equipment including a linear accelerator and related radiation oncology equipment.

Interest Rate: 1.918% Term: 7 years Pricing: July 29, 2013

Benefit: Improves patient care by providing radiation therapy to the approximately 40% of oncology patients requiring radiation therapy.



MONTANA CAPITAL ASSISTANCE PROGRAM Funds Disbursed

CIRCLE, McCone County, McCone County Health Center

\$6,488 for Scope of Service/Capital Finance Plan

GLENDIVE, Dawson County, Glendive Medical Center

\$15,000 for Facility Master Plan

CULBERTSON, Roosevelt County, Roosevelt Medical Center

\$15,000 for Facility Master Plan

WEST YELLOWSTONE, Gallatin County, West Yellowstone

Medical Center

\$15,000 for Capital Finance Plan

SNAPSHOT OF MFFA FINANCIAL PROGRAMS

DIRECT LOAN PROGRAM: Loans up to \$200,000 are made for up to five years from Authority funds for qualifying projects.

MASTER LOAN PROGRAM: Bonds, enhanced through the Montana Board of Investments, provide access to the tax-exempt capital market for smaller hospitals for up to \$10 million in bonds.

STAND-ALONE BOND FINANCING: Bond issue is structured for an individual borrower.

TRUST FUND LOAN PROGRAM: Makes short-and-long-term fixed rate loans from the Permanent Coal Trust Fund.

MONTANA CAPITAL ASSISTANCE PROGRAM: Makes grants up to \$15,000 to small rural hospitals.



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**MONTANA FACILITY
FINANCE AUTHORITY,**

by putting into practice
cutting-edge financing
solutions, continues
to help Montana's vital
nonprofits provide
valuable services that

- Help ***people***
- Improve ***places*** and
- Upgrade ***things***.