CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Overview of Resolution No. F-308
February 24, 2005

PURPOSE OF THE FINANCING: Tabs 5A through 5G are requests from various CHFFA borrowers to refinance existing debt. The proposed refinancing will provide an average net present value savings of 12.17% and correct an existing shortage for certain borrowers in the Debt Service Reserve Fund ("DSRF") for the Authority's Insured Health Facility Revenue Bonds (Small Facilities Pooled Loan Program), Series B issued in 1994 (the STARTS B Bonds). See Tabs 5A through 5G for staff summaries of each borrower listed below:

Tab No.	Borrower	Requested Amount
5A	Community Medical Centers, Inc.	$3,440,000
5B	Southern California Alcohol & Drug Programs	2,015,000
5C	The California Autism Foundation, Inc.	4,245,000
5D	Clinicas Del Camino Real, Inc.	10,075,000
5E	Social Model Recovery Systems, Inc.	1,020,000
5F	Verdugo Mental Health	1,100,000
5G	Asian Community Center of Sacramento Valley, Inc.	2,185,000
	Total	$24,080,000

REFINANCING PLAN: This proposed financing request would provide a small pool loan program for the borrowers listed above insured by Cal Mortgage that includes refinancing of the STARTS B Bonds and other outstanding debt. Additionally, the shortage in the STARTS B Bonds DSRF would be corrected which is a result of lower than expected interest earnings and withdrawals by the Trustee to pay debt service.

There will be six remaining borrowers in the STARTS B program that have elected not to participate in this refinancing.

STAFF RECOMMENDATION: Staff recommends the Authority approve Resolution Numbered F-308 for various borrowers in an amount not to exceed $24,080,000 as further described in individual staff summaries (Tabs 5A through 5G), subject to each borrower's Cal Mortgage Insurance Commitment.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
EXECUTIVE SUMMARY

Applicant:	Community Medical Centers, Inc. (“CMC”) 701 E. Channel Street Stockton, CA 95202 San Joaquin County	**Amount Requested:**	$3,440,000
		Loan Term:	17 years
		Date Requested:	February 24, 2005
		Resolution Number:	F-308

Project Site: Same as above
Facility Types: Community Clinic

Uses of Bond Proceeds: CMC intends to refinance its proportionate share of the STARTS 1994 Series B bonds, resulting in approximately $41,000 in annual savings or $699,000 over the remaining life of the bonds.

Type of Issue: Negotiated public offering, fixed interest rates
Credit Enhancement: Cal-Mortgage Insurance
Expected Credit Rating: A (S&P), based on Cal-Mortgage Insurance
(CMC does not have an underlying credit rating)
Senior Underwriter: Altura, Nelson &Co., Incorporated
Bond Counsel: Quint & Thimmig LLP

Financial Overview: CMC is generally a profitable organization with steady revenues and strong demand for its services. The balance sheet remains strong with good liquidity and a stable net asset balance.

Sources of Revenue: Unrestricted (6/30/04)	**Amount**	**Percent**
Grant revenue	$5,690,621	31%
Program revenue	12,535,055	68%
Other revenue	41,217	0%
Net assets released from restriction	245,158	1%
Total	$18,512,051	100%

Sources of Funds:		**Uses of Funds**:	
Par amount of CHFFA bonds	$3,440,000	Refinance original bonds	$2,921,450*
Trustee held project fund	157,100	Project fund	157,100
Trustee held other funds	215,350	Original reserve account shortage	68,560
Original issue discounts	(165,000)	Debt service reserve – new bonds	275,570
		Refinancing costs	224,770
Total Sources	$3,647,450	Total Uses	$3,647,450

*Includes accrued interest and miscellaneous costs.

Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation: Staff recommends the Authority approve a resolution to provide a loan to Community Medical Centers, Inc., in an amount not to exceed $3,440,000, subject to a final Cal-Mortgage Insurance commitment.

(LJ)

COMMUNITY MEDICAL CENTERS, INC. ("CMC")

STAFF SUMMARY AND RECOMMENDATION

February 24, 2005
Resolution Number: F-308

I. PURPOSE OF FINANCING:

CMC proposes to refinance its STARTS 1994 Series B bonds with an outstanding balance of nearly $2.7 million. The refunding bonds will be issued with the same final maturity date as the existing bonds.

Refinancing the Authority's 1994 Series B Bonds ***$2,921,450***

The 1994 Series B Bonds were issued to defease a bridge loan that was used to purchase and renovate a building located at 701 East Channel Street in Stockton, California. Bonds proceeds were also used to renovate CMC's existing facility, San Joaquin Valley Dental Group, located at 230 North California Street in Stockton. The interest rates on the 1994 bonds range from 6.7% to 7.5%. Replacing these bonds with the proposed new bond issue will result in a projected cumulative net savings of approximately $699,000.

Project Fund.. ***$157,100***

Approximately $157,100 remains from the 1994 Bonds project, which is being held by the trustee as a project fund. CMC has began construction on its project at their leased Woodbridge Medical Group facility located at 2401 W. Turner Road, Lodi. The project will add 4 more examining rooms, increase medical records space from the present 240 square feet to almost 500 square feet, and increase waiting room space from the present 384 square feet to over 800 square feet. The expansion will provide capacity for two additional physician full-time equivalents, and capacity to serve an additional 3,000 patients each year at a volume of 9,000 additional billable visits.

<u>FINANCING STRUCTURE</u>:

- Negotiated public offering with serial and term bond maturities.
- Fixed interest rates.
- 17-year loan with final maturity date of 2022.
- Credit enhancement – Cal-Mortgage Insurance.
- Expected Credit Rating: A (S&P), based on Cal-Mortgage Insurance.
- Debt Service Reserve Fund.
- General obligation and gross revenue pledge.
- Financial covenants acceptable to the Authority.

II. FINANCIAL STATEMENTS AND ANALYSIS:

Community Medical Centers, Inc.
Statement of Activities
(Unrestricted Income Fund)

	For five months ended November 30	For the year ended June 30		
	2004	**2004**	**2003**	**2002**
	(Unaudited)			
REVENUE				
Grant revenue	$ 2,196,605	$ 5,690,621	$ 5,541,406	$ 5,852,778
Program revenue	5,481,073	12,535,055	9,059,870	9,043,764
Other income	8,812	41,217	60,330	44,022
Net assets released from restrictions	-	245,158	313,511	164,448
Total revenues	7,686,490	18,512,051	14,975,117	15,105,012
EXPENSES				
Salaries and benefits	5,591,882	12,811,407	11,003,265	8,961,060
Clinic services	468,887	916,606	487,787	509,656
Clinic supplies	199,874	572,551	528,311	401,370
Professional services	56,969	216,544	208,696	76,973
Telephone, postages, office services-supplies	332,760	723,877	762,623	669,696
Occupancy, maintenance and utilities	485,609	1,068,380	1,141,670	1,288,725
Travel, meetings and training	99,618	332,786	323,222	250,763
Insurance	42,711	96,976	86,772	96,608
Bad debts	-	294,797	295,797	343,379
Other operating expenses	287,718	114,826	113,261	92,422
Interest	93,769	223,793	209,239	213,428
Depreciation-amortization	94,428	243,329	267,171	244,303
Total expenses	7,754,225	17,615,872	15,427,814	13,148,383
Change in unrestricted net assets (income fund)	**(67,735)**	**896,179**	**(452,697)**	**1,956,629**
Unrestricted net assets (income fund) at beginning of year	5,175,434	4,279,255	4,731,952	2,775,323
Unrestricted net assets (income fund) end of year	$ 5,107,699	$ 5,175,434	$ 4,279,255	$ 4,731,952

Community Medical Centers, Inc.
Statement of Financial Position

	As of November 30	As of June 30		
	2004	2004	2003	2002
Assets	(Unaudited)			
Cash	$ 3,509,760	$ 4,432,262	$ 4,537,707	$ 3,836,997
Accounts receivable	3,025,332	2,575,385	1,430,155	1,869,262
Prepaid expense	125,132	226,839	198,748	137,111
Funds held by trustee	46,667	122,479	121,492	121,002
Total Current Assets	6,706,891	7,356,965	6,288,102	5,964,372
Property and equipment, net	2,586,228	2,729,710	2,653,269	2,621,175
Other assets	320,748	257,897	289,268	289,136
Total Assets	$ 9,613,867	$10,344,572	$ 9,230,639	$ 8,874,683
Liabilities				
Accounts payable	$ 30,676	$ 309,503	$ 166,047	$ 46,321
Accrued expenses	858,092	1,127,132	938,428	790,100
Other current liabilities	357,868	357,868	413,540	21,746
Current portion-bond payable	31,250	75,000	70,000	65,000
Total Current Liabilities	1,277,886	1,869,503	1,588,015	923,167
Bonds payable, less current portion	2,594,584	2,580,000	2,655,000	2,725,000
Total Liabilities	3,872,470	4,449,503	4,243,015	3,648,167
Net Assets				
Unrestricted net assets				
Income fund	5,107,699	5,175,434	4,279,255	4,731,952
Principal fund	89,897	89,897	89,897	89,897
Grant fixed assets	417,585	433,508	275,059	69,052
Federal fixed assets	9	9	2,037	14,207
Temporarily restricted net assets	126,207	196,221	341,376	321,408
Total Net Assets	5,741,397	5,895,069	4,987,624	5,226,516
Total Liablities & Net Assets	$ 9,613,867	$10,344,572	$ 9,230,639	$ 8,874,683

Financial Ratios:	**Proforma (a) 6/30/2004**			
Debt Service Coverage (x)	**4.74**	**4.64**	**0.09**	**8.66**
Debt/Unrestricted Net Assets (x)	**0.54**	**0.45**	**0.57**	**0.55**
Margin (%)		**4.84**	**(3.02)**	**12.95**
Current Ratio (x)		**3.94**	**3.96**	**6.46**

(a) Recalculates June 2004 audited results to include the impact of this proposed financing.

Financial Discussion:

CMC is generally a profitable organization with steady revenues, and a strong demand for its services.

CMC, as a community clinic provides primary and preventive healthcare to low to moderate-income population. CMC receives over 68% of its revenues from program revenue, mostly from Medi-Cal programs, with patient fees and insurance providing some program revenues. Additional revenue of 31% are grants from Federal, State, County and private sources.

Total revenues had a significant increase of 22% over our review period from fiscal 2002 to fiscal 2004. While the grant revenue dropped by 3%, the program revenue had a substantial increase of 38%. The increases were significant in fiscal 2004 due to increases in patient visits for Medi-Cal program.

The operating expenses even had a larger increase of 33% over our review period. The increases were significant in fiscal 2003 as salaries and benefit expenses increased by 22%, and again by 16% in fiscal 2004. The costs rose due to the increases in salaries and benefits for program expansion to meet additional demand from patient visits. Although not significant in amount, clinic services had an increase of 88% in fiscal 2004 due to the increase in patient visits.

CMC has generally been a profitable organization with profit margins averaging just over 4% for fiscals 2002 and 2004. The exception was fiscal 2003, which had negative profit margin due to significant increases in expenses against a slight drop in revenue. However, for the review period, the unrestricted net assets increased 86%. The current interim period indicates a loss of approximately $67,700 in unrestricted net assets. The negative trend is the result of increases in expenses anticipated in salaries and benefits, clinic services, telephone, occupancy, bad debts and other operating expenses. To improve its profitability, CMC anticipates additional revenue from Medi-Cal program before the end of fiscal 2005 and maintaining a profit margin of approximately 1%. In addition, this refinancing will improve CMC's financial position by reducing total debt service cost by approximately $499,000 in net present value savings.

The balance sheet remains strong with good liquidity and a stable net asset balance.

CMC has maintained positive cash flows with adequate liquidity as demonstrated by a current ratio of approximately 4.00x. It intends to improve its cash position further by reducing its accounts receivable, which increased during the interim period due to late payments from Medi-Cal and insurance companies. CMC is low leveraged, with a proforma debt-to-unrestricted net assets ratio of .54x. With this proposed loan, management anticipates meeting all of its debt obligations, as evidenced by a proforma debt service coverage ratio of 4.74x.

III. BACKGROUND

CMC, formerly known as Agricultural Worker's Health Centers, provides health care and related services to low-income, rural and urban residents and a large number of migrant and seasonal farm workers in Central California. Initially established in 1967 as migrant oriented health clinics operating out of mobile vans, CMC has grown to ten permanent sites, including one dental clinic, and now offers comprehensive family-oriented primary health care with a culturally diverse staff to all segments of the low to moderate income populations of the communities it serves. CMC's patient encounter base has grown from approximately 2,000 in 1967 to more than 44,000 in 2003.

The CMC's ten clinic sites are located in the following cities: Esparto in Yolo County, Dixon and Vacaville in Solano County, San Andreas in Calaveras County, Stockton, Tracy, and Lodi in San Joaquin County. The proceeds of the current bond were used for the City of Stockton site known as the San Joaquin Valley Health Center, which later became the Channel Medical Center.

The Channel Medical Center and all the other CMC's sites are certified as Federal Qualified Health Centers ("FQHC"). The certification entitles the clinics to prospective payment reimbursement for costs related to services covered by Medi-Cal, including overhead and debt service costs allocated to those services up to the cap. This is an important advantage over the prior standard fixed-rate, fee-for-service Medi-Cal reimbursement. Furthermore, FQHC designation allows continued prospective payment rate reimbursement under managed care systems, which otherwise precludes cost-based reimbursement. CMC have received funding from Section 330/329 Community Health Center program since 1978 and the Migrant Health Center program since 1967.

IV. SECTION 15438.5 OF THE ACT (Savings Pass Through).

It is the intent of the Legislature in enacting this part to provide financing only to health facilities that can demonstrate the financial feasibility of their projects. It is further the intent of the Legislature that all or part of any savings experienced by a participating health institution, as a result of that tax-exempt revenue bond funding, be passed on to the consuming public through lower charges or containment of the rate of increase in hospital rates.

CMC has provided a description of its savings pass through in Exhibit A.

V. SECTION 15459.1 (b) OF THE ACT (Community Service Requirement).

As a condition of the issuance of revenue bonds, whether by the Authority or any local agency, each borrower shall give reasonable assurance to the Authority that the services of the health facility will be made available to all persons residing or employed in the area served by the facility. As part of this assurance, borrowers shall agree to a number of actions, including (a) To advise each person seeking services at the borrower's facility as to the person's potential eligibility for Medi-Cal and Medicare benefits or benefits from other governmental third-party payers, (b) To make available to the authority and to any interested person a list of physicians with staff privileges at the borrower's facility, and (c) To post notices in appropriate areas within the facility regarding services being available to all in the service area. This agreement is a standard "Certification and Agreement Regarding Community Service Obligation".

CMC has executed this certification and submitted its current list of physicians, specialties, languages spoken, telephone numbers and whether Medi-Cal and Medicare patients are accepted.

A copy of this certification is provided in Exhibit B.

VI. OUTSTANDING DEBT:

Description	Original Amount	Amount Outstanding As of 6/30/04 (a)	Estimated Amount Outstanding After Proposed Financing
Existing:			
CHFFA 1994 Series B Bond	$3,050,000	$2,655,000	$-0-
Proposed:			
CHFFA 2005 Series A Bond	3,440,000	-0-	3,440,000
TOTAL DEBT		**$2,655,000**	**$3,440,000**

(a) Includes current portion.

VII. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

IX. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution to provide a loan to Community Medical Centers, Inc., in an amount not to exceed $3,440,000, subject to a final Cal-Mortgage Insurance commitment.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Executive Summary

Applicant: Southern California Alcohol and Drug Programs, Inc. (SCADP)
11500 Paramount Boulevard
Downey, California
Los Angeles County

Amount Requested: $2,015,000
Loan Term: 17 years
Date Requested: February 24, 2005
Resolution Number: F-308

Project Sites: Heritage House 2212 Placentia Avenue
and 2218 Placentia Avenue, A, B, C, D, Costa Mesa, California (Orange County)
Baby Step Inn 1755 Freeman Avenue Long Beach, California (Los Angeles County)
Awakenings, 12322 Clearglenn Avenue, Whittier, California (Los Angeles County)

Facility Type: Adult and Minor Children Residential Alcoholism/
Drug Abuse Residential Treatment Facility

Uses of Loan Proceeds: Loan proceeds will be used to refund the Authority's 1992 Series A bonds and the 1994 Series B STARTS bonds. The proposed refunding will result in an annual debt service combined savings of approximately $17,000 or nearly $289,000 over the remaining life of the bonds.

Type of Issue: Negotiated public offering with fixed interest rates
Credit Enhancement: Cal-Mortgage Insurance
Credit Rating: "A" Standard and Poor's Rating (Based on Cal-Mortgage's credit rating)
Senior Underwriter: Altura Nelson & Co., Inc.
Bond Counsel: Quint and Thimmig LLP

Financial Overview: SCADP's income statement exhibits solid operational performance over the past three fiscal years. SCADP's balance sheet is solid with good liquidity, a strong current ratio, and significant net assets. SCADP is highly leveraged, however proforma debt service coverage is adequate.

Sources of Revenues:		**Amount**	**Percent**
(6/30/04)	Government contracts	$10,297,503	77.8%
	Client fees	1,522,832	11.5%
	Third party payments	889,047	6.7%
	Other Income	523,472	4.0%
		$13,232,854	100%

Estimated Sources of Funds:		**Estimated Uses of Funds**:	
Bond Proceeds	$2,015,000	Refund CHFFA 1992 A bonds	$1,093,760*
1992 Reserve acc't.	102,000	Refund STARTS 1994 B bonds	671,795*
Trustee held funds	72,500	Financing Costs	160,990
Original Issuance Discount	(95,000)	Debt Service Reserve Account	167,955
Total Sources	$2,094,500	Total Uses	$2,094,500

*Includes accrued interest and miscellaneous costs.

Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation: Staff recommends the Authority approve a resolution for Southern California Alcohol and Drug Program, Inc. in an amount not to exceed $2,015,000 subject to a final insurance commitment from Cal-Mortgage.

(MM)

STAFF SUMMARY AND RECOMMENDATION

Southern California Alcohol and Drug Programs, Inc. (SCADP)

February 24, 2005

Resolution Number: F-308

I. PURPOSE OF FINANCING: Loan proceeds will be used to refinance the Authority's 1992 Series A bonds and the 1994 Series B STARTS bonds, which will result in an overall savings of nearly $289,000 over the remaining life of the bonds. The new bonds will be issued with the same final maturity dates as the existing loans.

***Refinance CHFFA 1992 Series A Bonds*..**	***$1,093,760***

The 1992 CHFFA Series A Bonds financed the purchase of two parcels of land in Costa Mesa, California. The two parcels with four dwelling on each are known as Heritage House. The fixed interest rate on the bonds is 6.50%. Replacing these bonds with the proposed new bond issue will result in a projected savings of approximately $215,000 over the life of the bonds.

***Refinance 1994 Series B STARTS Bonds*...**	***671,795***

The 1994 CHFFA Series B STARTS Bonds financed the purchase, renovation, furnishing and rehabilitation of two fourplexes in Long Beach and Whittier, California. The Long Beach facility is known as Baby Step II and the facility in Whittler is called Awakenings Programs. The interest rates on the bonds range from 6.70% to 7.50%. Replacing these bonds with the proposed new bond issue will result in a projected savings of approximately $74,000 over the life of the bonds.

Debt Service Reserve Fund		***160,990***
Financing Costs		***167,955***
Insurance Premium	*121,110*	
Costs of Issuance	*29,760*	
Reserve Fund Shortfall	*17,085*	
Total Uses of Funds		***$2,094,500***

Structure of Financing:

- Negotiated public offering with serial and term bond maturities.
- Fixed interest rates.
- Final maturity date of December 1, 2022.
- Credit enhancement – Cal-Mortgage Insurance.
- Expected Credit Rating: A (S&P), based on Cal-Mortgage Insurance.
- Debt Service Reserve Fund.
- General obligation and gross revenue pledge.
- Financial covenants acceptable to the Authority.

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II. FINANCIAL STATEMENTS AND ANALYSIS

Southern California Alcohol and Drug Programs, Inc.
Statement of Activities
(Unrestricted)

	Six-Month Period Ended Dec. 31, 2004 (Unaudited)	For the Fiscal Year Ended June 30, 2004	2003	2002
Support:				
Client fees	$ 868,628	$1,522,832	$1,765,017	$1,864,255
Federal government contracts	4,768,483	10,297,503	10,136,136	8,762,112
Other non federal contracts	105,319	232,036	262,590	172,562
Donations	148,858	286,549	237,415	202,600
Third party payments	469,912	889,047	741,306	757,719
Other	2,923	4,887	6,500	1,768
Total support	6,364,123	13,232,854	13,148,964	11,761,016
Expenses:				
Salaries, wages and benefits	3,596,096	7,520,887	7,586,721	6,470,257
Payroll taxes	267,045	599,344	514,103	484,408
Auto and equipment leases	83,206	171,347	235,672	204,746
Bond amortization	12,000	25,669	26,214	19,248
Conferences, workshops and meeting	17,986	51,978	47,954	46,387
Depreciation	139,000	273,171	314,864	184,643
Films and literature	7,084	23,411	26,571	20,266
Food purchases	257,777	524,743	493,590	430,612
Furniture and equipment, low value	49,564	56,875	86,938	135,736
Government fees	20,791	31,997	47,702	4,150
Housekeeping	78,543	175,789	181,414	248,393
Insurance	74,874	153,758	139,969	118,445
Interest expense	244,571	445,613	355,243	441,656
Office supplies	60,552	139,178	157,277	183,571
Other	152,696	301,897	250,918	221,580
Postage and printing	20,562	23,591	30,516	31,443
Professional fees	306,532	490,750	343,232	220,366
Rent	372,466	856,662	761,620	699,860
Repairs and maintenance	188,927	419,130	693,355	607,284
Travel costs	29,080	116,885	110,884	112,276
Utilities and telephone	257,566	448,744	446,164	411,049
Total expenses	6,236,918	12,851,419	12,850,921	11,296,376
Increase in net assets before other income and expenses	127,205	381,435	298,043	464,640
Other income and expenses				
Interest income	9,000	18,326	8,570	22,500
Increase/(decrease) in market value of investments	15,000	(122,548)	39,942	97,742
Other income	7,500	14,961	-	-
Total other income and expenses	31,500	(89,261)	48,512	120,242
Change in unrestricted net assets	**158,705**	**292,174**	**346,555**	**584,882**
Net Assets, beginning of year	4,617,190	4,325,016	3,978,461	3,393,579
Net Assets, end of year	$ 4,775,895	$ 4,617,190	$ 4,325,016	$ 3,978,461

Southern California Alcohol and Drug Programs, Inc.
Balance Sheet

	As of December 30, 2004 (Unaudited)	As of June 30, 2004	2003	2002
Assets:				
Current assets:				
Cash and cash equivalent	$ 1,163,687	$ 2,258,085	$ 2,308,277	$ 2,102,463
Contract receivable	1,455,870	1,245,097	1,388,334	1,225,114
Account receivable	133,726	214,622	223,572	144,964
Total current assets	2,753,283	3,717,804	3,920,183	3,472,541
Property and equipment, net	9,627,824	9,067,453	8,099,293	8,432,794
Unamortized bond costs	571,170	583,171	608,840	634,505
Other assets	443,956	349,198	335,104	342,016
Total assets	$ 13,396,233	$ 13,717,626	$ 12,963,420	$ 12,881,856
Liabilities and net assets:				
Current liabilities:				
Accounts payable and accrued expenses	$ (36,261)	$ 120,878	$ 229,254	$ 109,968
Accrued compensation and vacation pay	189,062	378,024	439,679	404,759
Accrued payroll taxes	94,567	99,747	84,237	83,515
Total current liabilities	247,368	598,649	753,170	598,242
Notes payable	8,372,970	8,501,787	7,885,235	8,305,153
Total liabilities	8,620,338	9,100,436	8,638,405	8,903,395
Net assets:				
Unrestricted net assets	4,775,895	4,617,190	4,325,016	3,978,461
Total liabilities and net assets	$ 13,396,233	$ 13,717,626	$ 12,963,421	$ 12,881,856

Financial Ratios:

	Proforma (1) FYE 2004			
Debt Service Coverage (x)	1.41	1.32	1.62	1.75
Debt/Unrestricted Net Assets (x)	1.80	1.84	1.82	1.89
Margin (%)		2.88	2.27	3.95
Current Ratio (x)		6.21	3.61	5.80

Financial Discussion:

SCADP's income statement exhibits solid operational performance over the past three fiscal years.

SCADP operations have shown significant growth over the past three fiscal years, with consistent net income ranging from $584,000 in fiscal year 2002 to $292,000 in fiscal year 2004. Operational margins are modest, ranging from 2% to 4%. During fiscal year 2004, net income declined slightly due to investment losses experienced, mostly due to market conditions. Management plans to invest conservatively next year in treasury notes and certificate of deposits.

SCADP's primary revenue source (approximately 79%) is government contracts. Government contract revenues give SCADP a dependable consistent funding source from year to year. Historically, these contracts have been with Los Angeles and Orange Counties, the Federal Center for Substance Abuse Treatment and Federal Housing and Urban Development. While the residential programs are primarily funded through government contracts, the outpatient programs are also supported from client fees. Management anticipates the outlook favorable in government funding, especially in the area of criminal justice funding.

SCADP is considered one of the largest providers of substance abuse and related services in its primary area. SCADP has experienced increasing demand for its substance abuse services, with referrals derived from various public agencies. SCADP has served an average of approximately 5,300 total clients per year since 2002.

SCADP's balance sheet is solid with good liquidity, a strong current ratio, and significant net assets. SCADP is highly leveraged, however, proforma debt service is adequate.

SCADP current balance sheet is strong with good liquidity of over $2.2 million in cash and cash equivalents, a strong current ratio of 6.21x, and net assets of over $4.6 million. SCADP's is highly leveraged with a debt to unrestricted net assets ratio 1.84x, however its proforma debt service coverage is a solid 1.41x, indicating SCADP's ability to repay the proposed loan.

III. BACKGROUND:

Southern California and Alcohol Programs Inc. is a 501(c)(3) non-profit organization, which provides residential and outpatient substance abuse treatment programs to residents of Los Angeles and Orange Counties. SCADP was founded in 1972 and has since grown to one of the largest substance abuse programs in Southern California. SCADP currently serves approximately 2,000 residential clients and over 3,000 outpatient clients per year. Residential services are provided at numerous facilities. SCADP also provides day treatment, DUI, homeless services and other services at its administrative offices in Downey and other locations in southeast Los Angeles County. SCADP employs a total of 210 full-time equivalent employees.

<u>Residential:</u>

Angel Step Inn is a 30-bed, 45-day emergency shelter for survivors of domestic violence and addiction. Angel Step Inn Annex is a 12-bed emergency shelter for survivors of domestic violence and addition. Angel Step II is a transitional living shelter to independent living for graduates from Angel Step Inn and other SCADP programs.

Awakenings are one of the only addiction treatment programs for the deaf in the United States. The program offers 25 residential treatment beds, with 20 permanent housing slots (Awakenings Village Apartments) and an outpatient program.

Baby Step Inn provides 24-beds for perinatal substance abuse recovery for pregnant and parenting women and their children. Baby Step II/III provides 12 transitional housing beds for Baby Step Inn graduates. These programs serve over 100 women and children each year.

Casa Libre offers 24 transitional shelter beds for Latino homeless families. Located in East Los Angeles, the program offers vocational and educational assistance, in addition to life skills prevention counseling.

CIDER House Programs was the first residential recovery program offered by SCADP and has been in continuous operation since 1975. CIDER House provides three progressive components: detoxification, primary addiction treatment, and a transitional shelter program. The three-step program requires approximately 6-8 months. CIDER House serves about 1,300 men per year.

Foley House was opened in 1985 and was one of the first recovery programs for women and their children. Foley House is located in the City of Whittier in a residential complex purchased in 1990 through the Cal-Mortgage program. Foley House has a capacity of 36 women and children and serves about 120 clients each year.

Heritage House serves about 50 pregnant and parenting women each year and their children in a 36- bed (17 beds for adults) facility located in Costa Mesa.

Heritage House Village and Cottages in Anaheim is a one-year program for graduates of primary Heritage House programs. There were 90 clients served last year.

Heritage House North in Anaheim is a large residential program for substance abusing women and their children. This six-month program serves 83 clients last fiscal year.

La Casita is a state funded demonstration project providing residential treatment for Latinas and their children. Las Casita has a capacity of 30 beds and serves approximately 60 women and children each year.

Positive Steps provides two transitional housing sites, a large hospital-zoned facility and supportive services for men and women with problems of substance addiction and HIV/AIDS and their children. A total of 100 beds are provided, serving approximately 120 participants each year plus an outpatient component.

<u>Outpatient Programs:</u>
Awakenings Outpatient provides addiction counseling to the deaf, serving 50 participants each year.

Creative Alternatives provides addition substance abuse treatment over 200 youth ages 13-21 per annum.

Prop 63 programs provide criminal justice service to over 100 adults each year.

Co-Occurring Disorders Divisions provides mental health services to 180 adults per annum.

Angel Step Inn Walk-in Resource Center provides services to over 200 women with domestic violence problems each year.

IV. OUTSTANDING DEBT:

Description	Original Amount	Amount Outstanding As of 6/30/04*	Estimated Amount Outstanding after Proposed Financing
Existing:			
Note payable Bank of the West, 2003	$700,000	$692,222	$692,222
State of California Emergency Housing and Assistance Program	500,000	500,000	500,000
Note payable Bank of the West, 2002	675,000	593,066	593,066
CHFFA Health Facility Revenue Bonds, 1997 Series A	4,095,000	3,400,804	3,400,804
CHFFA Insured Revenue Bonds, 1992 Series A	1,315,000	1,065,324	-0-
CHFFA Small Facilities Pooled Loan Program, 1994 Series B	775,000	640,000	-0-
CHFFA Health Facility Revenue Bonds, 2001 Series A	1,780,000	1,610,371	1,610,371
Proposed:			
CHFFA Insured Revenue Bonds, 2005 Series A			2,015,000
Totals		$8,501,787	$8,811,463

*Includes current portion of long-term debt.

V. SECTION 15438.5 OF THE ACT (Savings Pass Through):

It is the intent of the Legislature in enacting this part to provide financing only to health facilities that can demonstrate the financial feasibility of their projects. It is further the intent of the Legislature that all or part of any savings experienced by a participating health institution, as a result of that tax-exempt revenue bond funding, be passed on to the consuming public through lower charges or containment of the rate of increase in hospital rates.

SCADP has provided a description of its savings pass through in **Exhibit A**.

VI. SECTION 15459.1 (b) OF THE ACT (Community Service Requirement):

As a condition of the issuance of revenue bonds, whether by the Authority or any local agency, each borrower shall give reasonable assurance to the Authority that the services of the health facility will be made available to all persons residing or employed in the area served by the facility. As part of this assurance, borrowers shall agree to a number of actions, including (a) to advise each person seeking services at the borrower's facility as to the person's potential eligibility for Medi-Cal and Medicare benefits or benefits from other governmental third-party payers, and (b) to post notices in appropriate areas within the facility regarding services being available to all in the service area. This agreement is a standard "Certification and Agreement Regarding Community Service Obligation".

SCADP has executed this certification and whether Medi-Cal and Medicare patients are accepted. A copy of the certification is provided as **Exhibit B.**

VII. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

VIII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution for Southern California Alcohol and Drug Program, Inc. in an amount not to exceed $2,015,000 subject to a final insurance commitment from Cal-Mortgage.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
EXECUTIVE SUMMARY

Applicant:	California Autism Foundation, Inc. (“CAF”) 4075 Lakeside Drive Richmond, CA 94806 Contra Costa County	**Amount Requested:** **Loan Term:** **Date Requested:** **Resolution Number:**	$4,245,000 20 years February 24, 2005 F-308
Project Sites:	4075 Lakeside Drive, Richmond, California 982 Marlesta Road, Pinole, California 2632 Appaloosa Trail, Pinole, California 3592 Morningside Drive, El Sobrante, California 371 Devon Drive, San Raphael, California		
Facility Types:	Residential and vocational services to the developmentally disabled		

Uses of Bond Proceeds: Loan proceeds will be used to refinance the Authority’s 1995 California Autism Foundation Bonds. The proposed refunding will result in a cumulative net savings of $400,800 over the term of the new bonds ($20,040 per year).

Type of Issue:	Negotiated public offering, fixed interest rate
Credit Enhancement:	Cal-Mortgage Insurance
Expected Credit Rating:	A (S&P), based on Cal-Mortgage Insurance *(CAF does not have an underlying credit rating)*
Senior Underwriter:	Altura, Nelson &Co., Incorporated
Bond Counsel:	Quint & Thimmig LLP

Financial Overview: CAF is a growing organization that has demonstrated profitable operations, leading to strong growth in net assets. CAF is highly liquid and has a modest level of debt. Proforma debt service coverage will be adequate.

Sources of Revenue: Unrestricted (12/31/03)	Amount	Percent
Program service revenue	$9,394,257	79%
Contributions	1,360,032	11%
Production revenue	1,081,508	9%
Other revenue	120,539	1%
Total	$11,956,336	100%

Sources of Funds:		**Uses of Funds:**	
Par amount of CHFFA bonds	$4,245,000	Refinance original debt	$3,976,000 *
Trustee held funds	618,000	Debt service reserve	343,000
Original issue discount	(200,000)	Insurance premiums	243,000
		Costs of issuance	101,000
Total Sources	$4,663,000	Total Uses	$4,663,000

* Includes prepayment penalties and accrued interest

Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation: Staff recommends the Authority approve a resolution to provide a loan to California Autism Foundation, Inc., in an amount not to exceed $4,245,000, subject to a final Cal-Mortgage Insurance commitment.

(bes)

CALIFORNIA AUTISM FOUNDATION, INC. ("CAF")
STAFF SUMMARY AND RECOMMENDATION

February 24, 2005
Resolution Number: F-308

I. *PURPOSE OF FINANCING:*

CAF proposes to refinance its existing Authority debt, with a current outstanding balance of $3.7 million. There is also accrued interest and a redemption premium, totaling approximately $276,000. The new bond will be issued with the same final maturity date as the existing bond.

Refinance 1995 CHFFA Series A Bonds ***..*** ***$3,976,000***

The 1995 CHFFA Series A Bonds financed the acquisition and improvement of a 60,000 square foot warehouse and office to consolidate CAF offices and vocational programs on site and to refinance existing indebtedness incurred by CAF in connection with the acquisition of five group homes. The warehouse currently houses CAF's day program and other services.

The interest rates on the bonds range from 5.375% to 6.250% (which does not include the 0.50% Cal-Mortgage premium associated with each issue). Replacing these bonds with the proposed new bond issue will result in a projected cumulative net savings of approximately $401,000.

Debt Service Reserve Fund ***343,000***

Financing Costs ***344,000***
Insurance Premium *243,000*
Costs of Issuance *101,000*

Total Uses of Funds ***$4,663,000***

FINANCING STRUCTURE:

- Negotiated public offering with serial and term bond maturities.
- Fixed interest rates.
- 20-year loan with final maturity date of December 1, 2025.
- Credit enhancement – Cal-Mortgage Insurance.
- Expected Credit Rating: A (S&P), based on Cal-Mortgage Insurance.
- Debt Service Reserve Fund.
- General obligation and gross revenue pledge.
- Financial covenants acceptable to the Authority.

II. FINANCIAL STATEMENTS AND ANALYSIS:

California Autism Foundation, Inc.
Statement of Activities
(Unrestricted)

	For the Year Ended December 31,			
	2004	**2003**	**2002**	**2001**
	(unaudited)			
Revenues:				
Program service revenue	$ 8,894,867	$ 9,394,257	$ 8,787,823	$ 6,705,181
Contributions	195,935	1,360,032	382,743	86,399
Production revenue	1,117,078	1,081,508	853,031	1,057,021
Other	393,769	179,225	217,378	137,616
Total Revenue	10,601,649	12,015,022	10,240,975	7,986,217
Expenses:				
Salaries and benefits - program services	6,372,999	6,069,985	6,158,225	4,880,746
Salaries and benefits - general & management	930,331	806,698	809,391	786,407
Program expenditures	764,325	751,774	263,814	209,429
Insurance	138,723	565,901	82,681	76,940
Interest expense	280,209	371,624	348,025	336,156
Repairs and maintenance	179,466	280,307	450,494	362,147
Consultants	218,609	271,356	177,485	102,647
Utilities	170,276	268,347	251,575	273,156
Depreciation	267,077	228,753	206,313	175,897
Rent	83,932	102,683	66,629	71,722
Other	666,803	175,057	451,026	438,230
Total Expenses	10,072,750	9,892,485	9,265,658	7,713,477
Change in Unrestricted Net Assets	**528,899**	**2,122,537**	**975,317**	**272,740**
Unrestricted Net Assets at Beginning of Year	4,586,199	2,463,662	1,488,345	1,215,605
Unrestricted Net Assets at End of Year	$ 5,115,098	$ 4,586,199	$ 2,463,662	$ 1,488,345

California Autism Foundation, Inc.
Statement of Financial Position

	As of December 31			
	2004 (Unaudited)	2003	2002	2001
ASSETS				
Cash and cash equivalents	$ 999,097	$ 1,010,171	$ 510,909	$ 444,285
Cash and cash equivalents - restricted	511,902	590,119	619,462	563,829
Investments	656,396	860,351	-	-
Receivables, net	915,333	989,372	1,076,503	812,917
Note receivable	460,380	935,000 [a]	-	-
Other	601,211	139,953	83,885	119,816
Property and equipment, net	9,473,907	7,186,386	7,651,521	6,407,875
Investments	680,833	320,833 [b]	-	-
TOTAL ASSETS	$ 14,299,059	$ 12,032,185	$ 9,942,280	$ 8,348,722
LIABILITIES AND NET ASSETS				
Accounts payable	$ 568,504	$ 408,874	$ 471,668	$ 494,503
Bank line of credit	2,201,627	613,700	-	-
Deferred revenue	-	198,800 [a]	-	-
Bonds payable	3,700,000	3,835,000	3,960,000	4,080,000
Other long term debt	2,201,928	1,799,493	2,427,488	1,677,774
TOTAL LIABILITIES	8,672,059	6,855,867	6,859,156	6,252,277
Net Assets:				
Unrestricted Net Assets	5,115,098	4,586,199	2,463,662	1,488,345
Temporarily Restricted Net Assets	511,902	590,119	619,462	608,100
TOTAL NET ASSETS	5,627,000	5,176,318	3,083,124	2,096,445
TOTAL LIABILITIES AND NET ASSETS	$ 14,299,059	$ 12,032,185	$ 9,942,280	$ 8,348,722

[a] CAF entered into a sale-leaseback arrangement with one of its facilities. The $198,800 gain will be taken into income over the term of the five year lease.

[b] In 2003, the executive director of CAF donated 25% of his private company's stock.

Financial Ratios:

	Proforma [a] FYE December 2003			
Debt Service Coverage (x)	5.83	5.36	3.27	1.74
Debt/Unrestricted Net Assets (x)	1.26	1.23	2.59	3.87
Margin (%)		17.26%	9.52%	3.42%
Current Ratio (x)		3.10	2.50	2.13

[a] Based on December 2003 audited results. Using 2004 unaudited results, DSC would be 2.20x and Debt/Unrestricted Net Assets would be 1.20x

Financial Discussion:

CAF is a growing organization that has demonstrated profitable operations over the four years of our review leading to strong growth in net assets.

CAF is a growing organization. The number of clients served has increased significantly since 2001, especially in supported living programs (110%), day programs (40%), and school services (57%). In that time, CAF has increased both its total revenues and total expenses by 31%.

Strong profitability in our review period has led to a 223% increase in net assets since 2001. CAF has been profitable throughout our review period. 2003 was a particularly profitable year due to two donations totaling $1.1 million as well as the awarding of additional program service funds for services provided in 2001 and 2002.

CAF continues to expand its facilities in 2004, including construction of a school and the acquisition of a private company which employs many of CAF's clients.

CAF is highly liquid and has a modest level of debt. Proforma debt service coverage will be adequate.

CAF has had a current ratio in excess of 2.00x in each year of our review period. With its strong growth in net assets, CAF has become less leveraged, with a debt to unrestricted net assets ratio of 1.23x at December 31, 2003. CAF has, however, assumed a considerable amount of short-term debt in order to finance the construction and acquisition mentioned above.

This refinancing will slightly increase CAF's debt service coverage. Debt service coverage, based on audited 2003 figures, was strong at 5.83x. Based on unaudited 2004 figures, this coverage is more than adequate at 2.20x.

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III. BACKGROUND

CAF was founded in 1982 and provides residential, vocational, and other specialized program services for people with autism and other developmental disabilities. CAF operates nine group homes (including three for children) for 54 clients located in Marin, Contra Costa, and San Francisco Counties. CAF also offers supported living services to 20 clients with developmental disabilities. CAF's A Better Chance school, ABC Day Program, and ABC Supported Employment, and ABC Industries offer a wide variety of services, including education in basic math and self-help skills and on-the-job vocational training.

IV. SECTION 15438.5 OF THE ACT (Savings Pass Through).

It is the intent of the Legislature in enacting this part to provide financing only to health facilities that can demonstrate the financial feasibility of their projects. It is further the intent of the Legislature that all or part of any savings experienced by a participating health institution, as a result of that tax-exempt revenue bond funding, be passed on to the consuming public through lower charges or containment of the rate of increase in hospital rates.

CAF has provided a description of its savings pass through in Attachment A.

V. SECTION 15459.1 (b) OF THE ACT (Community Service Requirement).

As a condition of the issuance of revenue bonds, whether by the Authority or any local agency, each borrower shall give reasonable assurance to the Authority that the services of the health facility will be made available to all persons residing or employed in the area served by the facility. As part of this assurance, borrowers shall agree to a number of actions, including (a) To advise each person seeking services at the borrower's facility as to the person's potential eligibility for Medi-Cal and Medicare benefits or benefits from other governmental third-party payers, (b) To make available to the authority and to any interested person a list of physicians with staff privileges at the borrower's facility, and (c) To post notices in appropriate areas within the facility regarding services being available to all in the service area. This agreement is a standard "Certification and Agreement Regarding Community Service Obligation".

CAF has executed this certification and has addressed whether Medi-Cal and Medicare patients are accepted.

A copy of this certification is provided in Attachment B.

VI. OUTSTANDING DEBT:

Description	Original Amount	Amount Outstanding As of 12/31/03 (audited)*	Estimated Amount Outstanding After Proposed Financing
Existing:			
1995 CHFFA Series A bonds	$ 4,700,000	$ 3,835,000	$ -
Other long-term debt		1,799,493	1,799,493
Proposed:			
CHFFA Pool, 2005			4,245,000
TOTAL DEBT		**$ 5,634,493**	**6,044,493**

*Includes current portion.

VII. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

IX. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution to provide a loan to California Autism Foundation, Inc., in an amount not to exceed $4,245,000, subject to a final Cal-Mortgage Insurance commitment.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
EXECUTIVE SUMMARY

Applicant:	Clinicas Del Camino Real, Incorporated ("Clinicas") 200 South Wells Road #200 Ventura, CA 93007 Ventura County	**Amount Requested:** **Loan Term:** **Date Requested:** **Resolution Number:**	$10,075,000 20 years February 24, 2005 F-308
Project Sites:	200 South Wells Road, Ventura, California 650 Meta Street, Oxnard, California 355 Central Avenue, Fillmore, California 1200 Maricopa Highway, Ojai, California		
Facility Types:	Community Clinics		

Uses of Bond Proceeds: Loan proceeds will be used to refinance the Authority's 1994 Series B STARTS bonds, the 1990 Local Medical Facilities COP, and the Authority's 1995 Series A bonds. The proposed refunding will result in an annual debt service combined savings of approximately $100,000 or approximately $2.1 million over the remaining life of the bonds.

Type of Issue:	Negotiated public offering, fixed interest rate
Credit Enhancement:	Cal-Mortgage Insurance
Expected Credit Rating:	A (S&P), based on Cal-Mortgage Insurance *(Clinicas does not have an underlying credit rating)*
Senior Underwriter:	Altura, Nelson &Co., Incorporated
Bond Counsel:	Quint & Thimmig LLP

Financial Overview: Clinicas is a financially solid organization that has opened two additional health centers within the past three fiscal years without any negative impact to its overall performance, as revenues continue to outpace the growth in expenditures. Clinicas' balance sheet has been impacted by the purchase of new equipment and facilities but remains strong.

Sources of Revenue: Unrestricted (6/30/04)	**Amount**	**Percent**
Net patient revenue	$10,959,363	72%
Grant revenue	2,863,042	18%
Other income	60,263	1%
Net assets released from restriction	1,421,196	9%
Total	$15,303,864	100%

Sources of Funds:		**Uses of Funds**:	
Par amount of CHFFA bonds	$10,075,000	Refinance original debt	$9,282,461*
Trustee held other funds	1,315,404	Debt service reserve	764,414
Original Issue Discount	(475,000)	Insurance premium	613,368
		Costs of issuance	235,201
		Reserve fund shortfall	19,960
Total Sources	$10,915,404	Total Uses	$10,915,404

*Includes prepayment penalties and accrued interest.

Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation: Staff recommends the Authority approve a resolution to provide a loan to Clinicas Del Camino Real, Incorporated, in an amount not to exceed $10,075,000, subject to a final Cal-Mortgage Insurance commitment.

(MB)

CLINICAS DEL CAMINO REAL, INCORPORATED ("CLINICAS")
STAFF SUMMARY AND RECOMMENDATION

February 24, 2005
Resolution Number: F-308

I. PURPOSE OF FINANCING:

Clinicas proposes to refinance three of its existing fixed rate loans with total outstanding balances of approximately $9 million. The new bonds will be issued with the same final maturity dates as the existing loans.

Refinance 1995 CHFFA Series A Bonds.. $6,622,288

The 1995 CHFFA Series A Bonds financed the construction of a 48,000 square foot facility that replaced a smaller facility. The replacement structure was built approximately one mile away from the original building and currently houses the corporate headquarters in addition to medical facilities. The interest rates on the bonds range from 6.00% to 6.55% (which does not include the 0.50% Cal-Mortgage premium associated with each issue). Replacing these bonds with the proposed new bond issue will result in a projected cumulative savings of approximately $1.4 million.

Refinance 1990 Local Medical Facilities Financing Authority Bonds..... 2,183,771

The 1990 Local Medical Facilities Financing Authority Bonds were used to finance a 12,000 square foot facility in Oxnard. Additionally, funds were used to buy out a partner's interest in their Saticoy facility and refinance commercial bank loans used to construct the Saticoy and Fillmore facilities (NOTE: The Saticoy facility was eventually replaced by the 48,000 square foot facility financed by the 1995 CHFFA Series A Bonds). The interest rate on the 1990 bonds is 7.55%. Replacing the bonds with the proposed new bond issue will result in a project cumulative savings of approximately $667,000.

Refinance 1994 CHFFA STARTS B Bonds 476,402

The 1994 CHFFA STARTS B Bonds were used to refinance high interest balloon financing associated with the Oxnard clinic, reimburse expenditures related to a parking lot improvement project at the Oxnard clinic and purchase medical equipment for the newly expanded Ojai clinic. The interest rates on the bonds range from 6.7% to 7.5%. Replacing these bonds with the proposed new bond issue will result in a project cumulative savings of approximately $60,000.

Debt Service Reserve Fund	***764,414***
Financing Costs	***868,529***
Insurance Premium ………………………………613,368	
Costs of Issuance …………………………………235,201	
Reserve Fund Shortfall ……………………………19,960	
Total Uses of Funds	***$10,915,404***

FINANCING STRUCTURE:

- Negotiated public offering with serial and term bond maturities.
- Fixed interest rates.
- Final maturity date of December 1, 2025.
- Credit enhancement – Cal-Mortgage Insurance.
- Expected Credit Rating: A (S&P), based on Cal-Mortgage Insurance.
- Debt Service Reserve Fund.
- General obligation and gross revenue pledge.
- Financial covenants acceptable to the Authority.

II. FINANCIAL STATEMENTS AND ANALYSIS:

Clinicas Del Camino Real, Incorporated
Statement of Activity
(Unrestricted)

	For the five months ended November 30, 2004 (Unaudited)	For the year ended June 30, 2004	2003	2002
Unrestricted Revenue:				
Net patient revenue	$ 4,863,378	$ 10,959,363	$ 9,791,759	$ 8,849,927
Grant revenue	1,951,508	2,863,042	1,459,387	1,881,160
Other income	5,673	60,263	63,471	112,516
Net assets released from restrictions		1,421,196	2,716,781	1,055,364
Total revenues	6,820,559	15,303,864	14,031,398	11,898,967
Operating Expenses:				
Salaries and benefits	4,637,564	9,929,766	8,618,340	7,416,179
Depreciation	355,416	828,813	716,785	554,545
Supplies	410,566	787,337	783,593	523,672
Consultants/contractual services	325,443	792,170	602,794	408,270
Interest	283,934	616,237	637,927	687,616
Promotion	79,106	310,052	596,130	375,550
Rent	59,348	140,052	134,375	136,656
Utilities	91,755	194,305	189,250	168,138
Telephone	67,807	171,677	144,950	120,109
Insurance	68,186	141,991	139,248	147,731
Janitorial	-	-	-	117,936
Repairs/Maintenance	52,514	101,064	131,607	92,518
Printing and duplication	60,097	118,653	124,245	74,311
Travel	55,577	71,348	88,075	54,025
Equipment lease and rental	49,531	111,084	61,567	64,172
Miscellaneous	111,457	318,193	587,472	361,750
Total operating expenses	6,708,301	14,632,742	13,556,358	11,303,178
Increase in unrestricted net assets	**112,258**	**671,122**	**475,040**	**595,789**
Unrestricted net assets, beginning of year	3,754,848	3,083,726	2,853,710	2,257,921
Prior Period Adjustment			(245,024)	
Unrestricted net assets, end of year	$ 3,867,106	$ 3,754,848	$ 3,083,726	$ 2,853,710

Clinicas Del Camino Real, Incorporated
Statement of Financial Position

	As of November 30, 2004 (Unaudited)	2004	As of June 30, 2003	2002
Assets				
Current Assets:				
Cash and cash equivalents	$ 2,197,393	$ 2,258,762	$ 2,691,015	$ 3,817,054
Grants receivable	2,029,565	2,342,795	1,251,376	1,328,779
Patient accounts receivable, net	1,530,303	1,411,852	506,524	575,336
Inventory	72,429	84,760	244,094	523,031
Prepaid expenses	182,931	162,757	89,612	12,804
Other		-	379	13,271
Total Current Assets	6,012,621	6,260,926	4,783,000	6,270,275
Property, plant and equipment, net	12,230,623	12,496,918	11,989,250	11,394,990
Total Assets	$ 18,243,244	$ 18,757,844	$ 16,772,250	$ 17,665,265
Liabilities & Net Assets				
Liabilities:				
Accounts payable	$ 445,067	$ 572,056	$ 409,903	$ 303,541
Estimated third-party payor settlements	958,332	1,083,216	888,046	1,138,046
Accrued expenditures	846,444	977,996	857,573	764,773
Other liabilities	356,603	296,096	356,171	389,148
Line of credit	377,250	377,250	-	-
Current portion of bonds, mortgages and notes	267,048	265,890	262,259	252,338
Current portion of leases	92,942	73,849	59,948	-
Total current liabilities	3,343,686	3,646,353	2,833,900	2,847,846
Bonds, mortgages and notes	8,605,735	8,717,507	8,984,663	9,246,927
Leases	397,574	396,161	448,765	-
Total Liabilities	12,346,995	12,760,021	12,267,328	12,094,773
Unrestricted net assets	3,867,106	3,754,848	3,083,726	2,853,710
Temporarily restricted net assets	2,029,143	2,242,975	1,421,196	2,716,782
Total Liabilities & Net Assets	$ 18,243,244	$ 18,757,844	$ 16,772,250	$ 17,665,265

Financial Ratios:

	Proforma [a]			
Debt Service Coverage (x)	**2.58**	**2.25**	**2.06**	**1.96**
Debt/Unrestricted Net Assets (x)	**2.82**	**2.52**	**3.16**	**3.33**
Margin (%)		**4.40**	**3.40**	**5.00**
Current Ratio (x)		**1.72**	**1.69**	**2.20**

[a] Recalculates June 2004 results to include the impact of this proposed financing.

Financial Discussion:

Clinicas is a financially solid organization that has opened two additional health centers within the past three fiscal years without any negative impact to its overall performance, as revenues continue to outpace the growth in expenditures.

Within the past three fiscal years, salaries and benefits have increased over 30% as the organization has increased its services at its existing facilities and has opened two new health centers. Clinicas increased staff by 4.2 full-time equivalent (FTE) providers, (doctors, mid-levels and medical assistants), one full-time psychiatrist, and two FTE psychologists to adequately operate its two new facilities located on two different school campuses in Oxnard. Workers compensation premiums doubled in fiscal year end 2004 as the overall payroll increased.

Consultant/contractual service expenditures nearly doubled over the review period primarily due to service expansion. A part-time provider and several dentists were hired as independent contractors to fill the expanded dental service needs at the Fillmore, Ventura, and the new site locations.

Other contractual cost service increases were associated with additional auditing fees as the Clinicas' pension plan required an annual audit as the plan reached 100 participants, a part-time grant manager was hired to assist in a grant writing campaign for new state, federal and private foundations, and a new accounts receivable practice management system required training and installation contracts.

Although total expenditures over the review period increased by approximately 30%, revenues during the same period increased at a slightly higher rate that enabled Clinicas to post increases to its unrestricted net asset balance each year. Of note, Clinicas records grants as a temporarily restricted asset until the grant-funded invoice for services is rendered or the grant-funded equipment purchases are delivered and in use, at which time, the net assets are then released from restrictions.

Clinicas' balance sheet has been impacted by the purchase of new equipment and facilities but remains strong.

Cash and cash equivalents decreased by approximately $1.5 million from FYE 2002 through FYE 2004 as the organization paid for property and equipment for its two new health centers and for a new accounts receivable practice management system.

The patient accounts receivables have been impacted by the new accounts receivable practice management system, which hindered Clinicas' ability to collect on a timely basis during a 5-month stretch of 2003. In addition, Clinicas' has been unable to collect from Medi-Cal for in-patient services due to administrative obstacles with the Department of Health Services Provider Enrollment Section. Medi-Cal accounts receivables increased from $470,000 in FYE 2002 to $1.1 million in FYE 2004. Clinicas anticipates the problem will be resolved soon.

The balance sheet remains strong as Clinicas maintains a current ratio of approximately 4.40x and an unrestricted net asset balance greater than $3 million. With this proposed refinancing, the proforma debt service coverage ratio will be 2.58x.

III. BACKGROUND

Clinicas, formerly known as the Free Clinic of the Santa Clara River Valley, was incorporated as a California nonprofit corporation in 1975. Clinicas operates seven community clinics located in the cities of Ventura, Oxnard, Fillmore, Santa Paula and Ojai in the county of Ventura, California. Comprehensive primary care services and mental health services are provided at all seven health centers. The Ventura and two Oxnard facilities also provide dental and ophthalmology services.

IV. SECTION 15438.5 OF THE ACT (Savings Pass Through).

It is the intent of the Legislature in enacting this part to provide financing only to health facilities that can demonstrate the financial feasibility of their projects. It is further the intent of the Legislature that all or part of any savings experienced by a participating health institution, as a result of that tax-exempt revenue bond funding, be passed on to the consuming public through lower charges or containment of the rate of increase in hospital rates.

Clinicas has provided a description of its savings pass through in Attachment A.

V. SECTION 15459.1 (b) OF THE ACT (Community Service Requirement).

As a condition of the issuance of revenue bonds, whether by the Authority or any local agency, each borrower shall give reasonable assurance to the Authority that the services of the health facility will be made available to all persons residing or employed in the area served by the facility. As part of this assurance, borrowers shall agree to a number of actions, including (a) To advise each person seeking services at the borrower's facility as to the person's potential eligibility for Medi-Cal and Medicare benefits or benefits from other governmental third-party payers, (b) To make available to the authority and to any interested person a list of physicians with staff privileges at the borrower's facility, and (c) To post notices in appropriate areas within the facility regarding services being available to all in the service area. This agreement is a standard “Certification and Agreement Regarding Community Service Obligation”.

Clinicas has executed this certification and has addressed whether Medi-Cal and Medicare patients are accepted.

A copy of this certification is provided in Attachment B.

VI. OUTSTANDING DEBT:

Description	Original Amount	Amount Outstanding As of 6/30/04 (audited)*	Estimated Amount Outstanding After Proposed Financing
Existing:			
1990 Local Medical Facilities Financing Authority	$ 2,800,000	$ 2,190,000	$ -
CHFFA STARTS 1994 A	550,000	465,001	-
1995 CHFFA Series A bonds	7,225,000	6,285,833	-
1999 Chrysler Corporation**	36,612	3,716	-
1998 Wells Fargo Bank	234,693	38,847	38,847
Proposed:			
CHFFA Pool, 2005			10,075,000
TOTAL DEBT		**$ 8,983,397**	**10,113,847**

*Includes current portion.
**Debt matured in November 2004.

VII. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

IX. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution to provide a loan to Clinicas Del Camino Real, Incorporated, in an amount not to exceed $10,075,000, subject to a final Cal-Mortgage Insurance commitment.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Executive Summary

Applicant:	Social Model Recovery Systems, Inc. ("SMRS") 250 East Rowland Street Covina, California Los Angeles County	**Amount Requested:** **Loan Term:** **Date Requested:** **Resolution Number:**	$1,020,000 17 years Feb. 24, 2005 F-308
Project Site:	525 North Parker Street, Orange, California (Orange County)		
Facility Type:	Chemical Dependency Rehabilitation		

Uses of Loan Proceeds: Loan proceeds will be used to refund the Authority's 1994 Series B STARTS bonds to lower debt service payments. The proposed refunding will result in annual debt service savings of approximately $7,400 or nearly $125,800 over the remaining life of the bonds.

Type of Issue: Negotiated public offering with fixed rates
Credit Enhancement: Cal Mortgage Insurance
Expected Rating: "A" Standard & Poor's (Based on Cal-Mortgage's credit rating)
Senior Underwriter: Altura, Nelson & Co., Inc.
Bond Counsel: Quint and Thimmig, LLP

Financial Overview: SMRS is a financially stable organization, which has posted positive net income for the past three fiscal years including the interim fiscal year. SMRS has a diverse revenue mix, characterized by a high demand for its services in the Los Angeles and Orange County areas. SMRS' balance sheet is solid with good liquidity, a strong current ratio, significant net assets and acceptable proforma debt service coverage. SMRS is highly leveraged, however, proforma debt service coverage is adequate.

Sources of Revenues: (6/30/04)	Amount	Percent
Service contracts	$3,129,613	66.4%
Client fees	1,425,680	30.2%
Consulting services	55,963	1.2%
Community based housing	56,224	1.2%
Other	49,275	1.0%
	$4,716,755	100%

Estimated Sources of Funds:		**Estimated Uses of Funds**:	
Bond Proceeds	$1,020,000	Refinance STARTS 1994, Series B	$860,000*
Trustee Held Funds	60,000	Financing Costs	74,520
Original Issuance Discount	(42,388)	Debt Service Reserve Account	82,410
		STARTS 94 Reserve Fund Shortfall	20,682
Total Sources	$1,035,000	Total Uses	$1,037,612

*Includes accrued interest and miscellaneous costs.

Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation: Staff recommends the Authority approve a resolution for Social Model Recovery Systems, Inc. in an amount not to exceed $1,020,000 subject to a final Cal-Mortgage Insurance commitment.

(MM)

STAFF SUMMARY AND RECOMMENDATION

Social Model Recovery Systems, Inc.

February 24, 2005

Resolution Number: F-308

I. PURPOSE OF FINANCING: Loan proceeds will be used to refinance the Authority's 1994 Series B STARTS bonds, which will result in an overall savings of nearly $125,800 over the remaining life of the bonds. The new bonds will be issued with the same final maturity dates as the existing loan.

Refinance 1994 Series B STARTS Bonds ***$860,000***

The 1994 CHFFA Series B STARTS Bonds financed the purchase of the Touchstones Adolescent Alcohol and Other Drug Treatment Services property located at 525 North Parker Street in Orange, California. The interest rates on the bonds range from 6.70% to 7.50%. Replacing these bonds with the proposed new bond issue will result in a projected savings of approximately $125,800 over the life of the bonds.

Debt Service Reserve Fund ***82,410***

Financing Costs ***95,202***

Insurance Premium ……………………………… 15,035
Costs of Issuance ………………………………… 59,485
Reserve Fund Shortfall ……………………………20,682

Total Uses of Funds ***$1,037,612***

Structure of Financing:

- Negotiated public offering with serial and term bond maturities.
- Fixed interest rates.
- Final maturity date of April 1, 2022.
- Credit enhancement – Cal-Mortgage Insurance.
- Expected Credit Rating: A (S&P), based on Cal-Mortgage Insurance.
- Debt Service Reserve Fund.
- General obligation and gross revenue pledge.
- Financial covenants acceptable to the Authority.

II. FINANCIAL STATEMENTS AND ANALYSIS

Social Model Recovery Systems, Inc.
Statement of Activities
(Unrestricted)

	For six months ended Dec. 31	For the fiscal year ended June 30,		
	2004	2004	2003	2002
	Unaudited			
REVENUE AND SUPPORT				
Service contracts	$ 1,748,823	$ 3,129,612	$3,096,453	$ 2,805,044
Client fees	716,313	1,424,964	1,360,498	1,292,100
Consulting services	26,706	55,963	84,415	58,300
Community based housing	41,625	56,224	67,839	66,831
Contributions	8,358	4,031	12,745	500
Interest and dividends	3,484	2,478	6,287	19,002
Other	33,102	43,483	63,000	25,000
Total Revenue and Support	2,578,411	4,716,755	4,691,237	4,266,777
EXPENSES				
Salaries and benefits	1,595,598	2,995,243	2,866,003	2,481,683
Facility leases	47,597	95,432	98,417	57,224
Facility mortgage, interest	79,935	149,970	155,464	165,721
Vehicle loan interest	1,784	4,482	4,906	2,452
Equipment leases	28,293	69,906	68,577	62,770
Insurance	29,290	72,096	60,922	46,048
Resident supplies and medications	43,750	82,511	70,019	87,548
Community based housing	40,188	62,916	60,769	59,546
Food and kitchen	58,920	112,150	103,173	98,734
Utilities, maintenance and supplies	69,481	136,075	145,825	144,114
Staffing, office supplies and telephone	211,024	398,025	402,457	383,495
Travel and vehicle	53,465	99,838	116,671	100,119
Professional fees	85,704	97,057	123,096	142,071
Marketing	40,448	65,956	161,235	113,163
Agency development	924	1,120	7,974	2,855
Depreciation	51,565	114,681	122,267	95,655
Networking events expense	4,153	11,556	-	-
Total expenses	2,442,119	4,569,014	4,567,775	4,043,198
Increase in unrestricted net assets	**136,292**	**147,741**	**123,462**	**223,579**
Unrestricted net assets at beginning of year	1,177,533	1,029,792	1,067,533	843,954
Prior period adjustment			161,203	
Unrestricted net assets end of year	$ 1,313,825	$ 1,177,533	$1,029,792	$ 1,067,533

Social Model Recovery Systems, Inc.
Balance Sheet

	As of Dec. 31	As of June 30,		
	2004	2004	2003	2002
	(Unaudited)			
Assets:				
Current assets:				
Cash	$ 500,972	$ 420,767	$ 430,508	$ 548,768
Contracts and accounts receivables	936,319	944,786	860,973	941,582
Prepaid expenses	81,289	15,998	14,550	16,415
Total current assets	1,518,580	1,381,551	1,306,031	1,506,765
Fixed assets, net	2,507,206	2,515,559	2,595,196	2,525,818
Other assets	6,310	2,809	2,809	
Total assets	$ 4,032,096	$ 3,899,919	$ 3,904,036	$ 4,032,583
Liabilities and fund balance:				
Current liabilities:				
Accrued expenses	194,724	138,176	180,744	183,634
Deferred income	122,000	142,000	172,000	235,000
Total current liabilities	316,724	280,176	352,744	418,634
Note payable	41,910	50,075	65,210	25,126
Mortgages payable	2,359,637	2,392,135	2,456,290	2,521,290
Total liabilities	2,718,271	2,722,386	2,874,244	2,965,050
Net assets:				
Unrestricted	1,313,825	1,177,533	1,029,792	1,067,533
Total net assets	1,313,825	1,177,533	1,029,792	1,067,533
Total liabilities and net assets	$ 4,032,096	$ 3,899,919	$ 3,904,036	$ 4,032,583

Financial Ratios:	**Proforma (a) 2004**			
Debt Service Coverage (x)	**1.79**	**1.75**	**1.69**	**2.02**
Debt/Unrestricted Net Assets (x)	**2.37**	**1.51**	**2.39**	**2.36**
Margin (%)		**3.40**	**2.63**	**5.24**
Current Ratio (x)		**4.93**	**3.70**	**3.78**

(a) Recalculates 2004 audited results to include the impact of the proposed financing.

Financial Discussion:

SMRS is a financially stable organization, which has posted positive net income for the past three fiscal years including the interim fiscal year. SMRS has a diverse revenue mix, characterized by a high demand for its services in the Los Angeles and Orange County areas.

SMRS has an impressive operating history with positive net income for six consecutive fiscal years between 1998 through 2004. During our review period, from fiscal year 2002 through 2004, SMRS posted net income ranging from $160,000 to $223,000, resulting in solid margins of 2.5% to 5%.

During the interim six-month period, SMRS continues to operate positively. Service contract revenues have improved further boosted by strong demand for governmental contract work. Operating expenses have risen in-line with growth in operating revenues, as management has continued to operate efficiently.

SMRS has a diverse revenue mix with a majority of its revenues originating from governmental service contracts (66%) and client fees (30%). These funding sources have shown consistent revenue growth as a result of strong demand for its services.

SMRS' residential programs (River Community and Touchstones facilities) account for 64% of revenues. The outpatient and day treatment program, primarily for former and current River Community residents, account for 17% of total revenue. The remaining revenues are derived from substance abuse prevention program, community living, consulting and training.

SMRS' balance sheet is solid with good liquidity, a strong current ratio, significant net assets and acceptable proforma debt service coverage. SMRS is highly leveraged, however, proforma debt service coverage is adequate.

SMRS current balance sheet is strong with good liquidity of over $400,000 in cash and cash equivalents, a strong current ratio of 4.93x, and net assets of over $1.1 million. SMRS' is highly leveraged with a debt to unrestricted net assets ratio of 1.51x, however its debt service coverage is a solid 1.75x and further improves to 1.79x with this refinancing, indicating SMRS's ability to repay the proposed loan.

BACKGROUND:
SMRS was incorporated in 1986, and since then, has grown to be one of the largest providers of substance abuse and mental health treatment services in Southern California. Its service area is Los Angeles and Orange Counties, where approximately 150 residential clients and 200 outpatient clients are served per year. River Community opened in 1987 and was the first residential program to meet the needs of the dually diagnosed adult population. This 38-bed facility has been owned by SMRS since 2000. SMRS expanded services in 1992 and opened Touchstones, a 23-bed adolescent drug and alcohol treatment facility located in the City of Orange. The Authority's STARTS Loan Program financed this facility in 1992. SMRS also uses various outreach programs to target and educate victims of substance abuse. SMRS also operates independent community-based living houses in the San Gabriel Valley.

IV. OUTSTANDING DEBT:

Date Issued:	Original Amount	Amount Outstanding As of 6/30/04* (audited)	Estimated Amount Outstanding after Proposed Financing
Existing:			
CHFFA Bonds 2001	$2,392,135	$1,572,135	$1,572,135
CHFFA STARTS 1994	935,000	820,000	-0-
Proposed:			
CHFFA 2005			1,020,000
Totals		$2,392,135	$2,592,135

* Includes current portion of long-term bonds.

V. SECTION 15438.5 OF THE ACT (Savings Pass Through):

It is the intent of the Legislature in enacting this part to provide financing only to health facilities that can demonstrate the financial feasibility of their projects. It is further the intent of the Legislature that all or part of any savings experienced by a participating health institution, as a result of that tax-exempt revenue bond funding, be passed on to the consuming public through lower charges or containment of the rate of increase in hospital rates.

SMRS has provided a description of its savings pass through in **Exhibit A**.

VI. SECTION 15459.1 (b) OF THE ACT (Community Service Requirement):

As a condition of the issuance of revenue bonds, whether by the Authority or any local agency, each borrower shall give reasonable assurance to the Authority that the services of the health facility will be made available to all persons residing or employed in the area served by the facility. As part of this assurance, borrowers shall agree to a number of actions, including (a) to advise each person seeking services at the borrower's facility as to the person's potential eligibility for Medi-Cal and Medicare benefits or benefits from other governmental third-party payers, and (b) to post notices in appropriate areas within the facility regarding services being available to all in the service area. This agreement is a standard “Certification and Agreement Regarding Community Service Obligation”.

SMRS has executed this certification and whether Medi-Cal and Medicare patients are accepted. A copy of the certification is provided as **Exhibit B.**

VII. LEGAL REVIEW:

Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

VIII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution for Social Model Recovery Systems, Inc., in an amount not to exceed $1,020,000, subject to a final Cal-Mortgage insurance commitment.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
EXECUTIVE SUMMARY

Applicant:	Verdugo Mental Health ("VMH") 1540 East Colorado Street Glendale, CA 91205 Los Angeles County	**Amount Requested:** **Loan Term:** **Date Requested:** **Resolution Number:**	$1,100,000 17 years February 24, 2005 F-308
Project Site:	Same as above		
Facility Types:	Community Mental Health Clinic		

Uses of Bond Proceeds: VMH intends to refinance its proportionate share of the STARTS 1994 Series B bonds, resulting in approximately $11,000 in annual savings or $186,000 over the remaining life of the bonds.

Type of Issue:	Negotiated public offering, fixed interest rate
Credit Enhancement:	Cal-Mortgage Insurance
Expected Credit Rating:	A (S&P), based on Cal-Mortgage Insurance *(VMH does not have an underlying credit rating)*
Senior Underwriter:	Altura, Nelson &Co., Incorporated
Bond Counsel:	Quint & Thimmig LLP

Financial Overview: VMH experienced operating losses in fiscal 2002 and 2003, but has reversed this trend in fiscal 2004 with steady revenues and continuous demand for its services. The balance sheet remains strong with a stable net asset balance.

Sources of Revenue: Unrestricted (6/30/04)	**Amount**	**Percent**
Patient revenue	$4,453,807	78%
Grant revenue	948,921	17%
Other revenue	338,721	5%
Total	$5,741,449	100%

Sources of Funds:		**Uses of Funds:**	
Par amount of CHFFA bonds	$1,100,000	Refinance original bonds	$934,160*
Trustee held payments	65,380	Original reserve account shortage	22,370
Insurance surplus (estimate)	3,710	Debt service reserve – new bonds	87,390
Original issue discount	(55,000)	Refinancing costs	70,170
Total Sources	$1,114,090	Total Uses	$1,114,090

*Includes accrual items and miscellaneous costs.

Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation: Staff recommends the Authority approve a resolution to provide a loan to Verdugo Mental Health in an amount not to exceed $1,100,000, subject to a final Cal-Mortgage Insurance commitment.

(LJ)

VERDUGO MENTAL HEALTH. (“VMH”)

STAFF SUMMARY AND RECOMMENDATION

February 24, 2005
Resolution Number: F-308

I. PURPOSE OF FINANCING:

VMH proposes to refinance its STARTS 1994 Series B bonds with an outstanding balance of approximately $830,000. The refunding bonds will be issued with the same final maturity date as the existing bonds.

Refinance 1994 CHFFA Series B Bonds.. $934,160

The 1994 CHFFA Series B Bonds were issued to purchase a building located at 1540 East Colorado Street in Glendale, California, to locate its adult outpatient program and administrative services to the new site. The interest rates on the 1994 bonds range from 6.7% to 7.5%. Replacing these bonds with the proposed new bond issue will result in a projected cumulative net savings of approximately $186,000.

FINANCING STRUCTURE:

- Negotiated public offering with serial and term bond maturities.
- Fixed interest rates.
- 17-year loan with final maturity date of 2022.
- Credit enhancement – Cal-Mortgage Insurance.
- Expected Credit Rating: A (S&P), based on Cal-Mortgage Insurance.
- Debt Service Reserve Fund.
- General obligation and gross revenue pledge.
- Financial covenants acceptable to the Authority.

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II. FINANCIAL STATEMENTS AND ANALYSIS:

Verdugo Mental Health
Statement of Activities
(Unrestricted)

	For five months ended November 30	For the year ended June 30		
	2004	**2004**	**2003**	**2002**
	(Unaudited)			
REVENUE				
Patient revenue	$ 2,147,699	$ 4,453,807	$ 4,357,771	$ 4,025,644
Grant revenue	365,490	948,921	1,130,788	1,062,585
Other revenue	56,461	338,721	157,647	178,643
Net assets released from restrictions	-	-	-	19,958
Total revenues	2,569,650	5,741,449	5,646,206	5,286,830
EXPENSES				
Salaries and related expenses	1,864,373	4,357,966	4,433,896	4,508,524
Advertising	1,812	5,836	12,289	11,384
Automobile and mileage	4,571	11,468	8,926	15,709
Bad debts	-	-	3,009	604,150
Building maintenance	37,113	85,836	62,947	60,301
Business meetings	5,297	14,560	13,875	13,687
Computer supplies and expenses	7,486	1,953	3,321	11,349
Consulting and professional fees	87,535	148,541	126,772	52,305
Data processing services	4,423	10,382	9,794	11,262
Dues and subscriptions	13,882	28,179	29,700	35,684
Equipment maintenance and rental	53,855	55,347	52,996	56,626
Facility leases	13,884	45,564	125,531	175,938
Insurance	59,628	144,306	129,894	110,682
Interest	43,632	108,785	104,174	115,838
Legal and accounting	232	29,556	40,624	27,245
Fundraising expenses	161	11,675	1,509	8,091
Office and program supplies	43,558	116,939	122,594	133,560
Other expenses	2,689	5,742	10,932	4,837
Pharmacy and laboratory expenses	1,536	11,792	25,295	28,208
Printing and duplication	6,646	24,181	20,215	19,816
Purchased services	7,332	135,919	90,945	104,318
Staff development and training	3,838	4,484	3,607	7,321
Taxes and licenses	1,626	2,352	2,552	3,237
Telephone and answering service	30,519	71,347	81,692	85,919
Utilities	16,014	39,851	49,222	43,878
Depreciation	36,328	87,153	92,908	97,289
Total expenses	2,347,970	5,559,714	5,659,219	6,347,158
Change in unrestricted net assets	**221,680**	**181,735**	**(13,013)**	**(1,060,328)**
Unrestricted net assets at beginning of year	524,972	343,237	356,250	1,416,578
Unrestricted net assets end of year	$ 746,652	$ 524,972	$ 343,237	$ 356,250

Verdugo Mental Health
Statement of Financial Position

	As of November 30	As of June 30		
	2004	2004	2003	2002
Assets	**(Unaudited)**			
Cash	$ 111,431	$ 35,540	$ 224,639	$ 116,780
Investments	361,239	362,890	340,735	351,546
Accounts receivable	485,149	414,953	459,182	515,984
Other receivables	-	6,270	2,847	2,368
Prepaid expenses	67,304	73,697	71,514	65,799
Deposits	6,354	3,310	2,163	2,163
Property and equipment, net	2,683,687	2,713,414	2,776,916	2,866,457
Total Assets	$ 3,715,164	$ 3,610,074	$ 3,877,996	$ 3,921,097
Liabilities				
Accounts payable	$ 240,054	$ 91,249	$ 321,848	$ 284,603
Accrued expenses	305,660	597,057	734,879	466,222
Credit line	310,000	380,000	246,000	496,000
Notes payable	821,872	828,750	1,085,424	1,125,625
Unfunded accrued pension costs	638,159	536,241	536,241	576,264
Total Liabilities	2,315,745	2,433,297	2,924,392	2,948,714
Net Assets				
Unrestricted net assets				
Undesignated	746,652	1,318,190	1,136,455	1,189,491
Unfunded pension losses	962	(793,218)	(793,218)	(833,241)
Total unrestricted net assets	747,614	524,972	343,237	356,250
Temporarily restricted net assets	43,902	43,902	41,417	39,061
Permanently restricted net assets	607,903	607,903	568,950	577,072
Total Net Assets	1,399,419	1,176,777	953,604	972,383
Total Liablities & Net Assets	$ 3,715,164	$ 3,610,074	$ 3,877,996	$ 3,921,097

Financial Ratios:	**Proforma (a) 6/30/2004**			
Debt Service Coverage (x)	**4.33**	**1.03 (b)**	**1.27**	**(5.47)**
Debt/Unrestricted Net Assets (x)	**1.90**	**1.58**	**3.16**	**3.16**
Margin (%)		**3.17**	**(0.23)**	**(20.06)**
Current Ratio (x)		**0.82**	**0.71**	**0.82**

(a) Recalculates June 2004 audited results to include the impact of this proposed financing.

(b) Debt service coverage for 2004 would have been 2.53x if large loan payment of $256,674 was not made.

Notes:

Current assets represent total assets less property and equipment, net.

Current liabilities represent total liabilities less non-current portion of notes payable and unfunded accrued pension costs.

Financial Discussion:

VMH experienced operating losses in fiscal 2002 and 2003, but has reversed this trend in fiscal 2004 with steady revenues, and a continuous demand for its services.

VMH, as a community mental health clinic provides out patient mental healthcare to low to moderate-income population. VMH receives over 78% of its revenues from patient revenue, mostly from Medi-Cal programs and some patient fees. Additional revenue of 17% are grants from Federal, State, County and private sources.

Total revenues had a minor increase of 8% over our review period from fiscal 2002 to fiscal 2004. The program revenue is stagnant when government reimbursement levels did not increase. Total patient revenue improved as a result of an increase in outpatient visits. However, operating expenses decreased by 13% over our review period. Most of the expenses decreased over the period, including large decreases in both bad debts and facility leases. However, a significant increase in consulting and professional fees occurred from fiscal 2002 to fiscal 2004, mostly due to hiring of consultants to improve financial performance. In addition, equipment maintenance and rental expenses will increase by nearly 100% due to a new lease on the installation of a computerized financial information system network. On the other hand, purchased service expenses will decrease by almost 90% due to the cancellation of the old network computer service.

VMH experienced operating losses in fiscal 2002 and 2003 due to fluctuations in program revenue, with profit margins just turning positive at 3.17 % in fiscal 2004. The negative profit margin was more due to stagnant revenue than the expenses, which began to decrease through cost containment measures, implemented by its management. However, even with the stagnant revenue, the unrestricted net assets increased 47 % for the review period. The current interim period indicates a profit of approximately $222,000 in unrestricted net assets. The positive trend for the interim period is the result of some increases in revenue while controlling expenses. Management anticipates maintaining a profit margin of approximately 3% for fiscal 2005. In addition, this refinancing will improve VMH's financial position by reducing total debt service cost by approximately $118,000 in net present value savings.

The balance sheet remains strong with a stable net asset balance.

VMH has not maintained positive cash flows as demonstrated by a current ratio of approximately .80x. However, it shows a positive trend for the interim period and it intends to improve its cash position further by reducing its accounts payable and improving its profitability. VMH is highly leveraged, with a proforma debt-to-unrestricted net assets ratio of 1.90x. With this proposed refinancing, management anticipates meeting all of its debt obligations, as evidenced by a proforma debt service coverage ratio of 4.33x.

III. BACKGROUND

In 1957, Glendale Mental Health Services, the predecessor to Verdugo Mental Health Center (VMH), was formed as a nonprofit corporation to provide outpatient psychiatric services for children and adults as a result of the survey conducted by the Glendale Welfare Planning Council assessing the community needs for local mental health services. In 1962, Glendale was one of the first private agencies to establish a contract with the Los Angeles County Department of Mental Health. After 1963, VMH moved several times as contract monies and client caseload increased. In 1973, VMH opened Burbank Child Guidance Clinic to work specifically with child-related problems. In 1981, the name was changed to Verdugo Mental Health Center.

In 1985, VMH developed self-pay program to provide low cost therapy to individuals who did not qualify for government funds due to low clinical priority. In 1986, VMH opened its Positive Direction Center as a drop-in center for persons in mental health recovery. Utilizing funds received through a Community Development Block Grant, VMH constructed the Glen Roberts Child Study Center in 1987 to provide space for child treatment and research. In late 1993, Verdugo acquired property adjacent to the Glen Roberts Child Study Center at 1540 East Colorado Street in Glendale, and relocated the adult outpatient program and administrative services to the new site during 1994. Also in 1994, VMH transitioned from a traditional clinical model of mental health service delivery to a rehabilitation model for State of California, Department of Mental Health contract programs. In 2001, VMH changed its name to Verdugo Mental Health and operates under that name currently.

IV. SECTION 15438.5 OF THE ACT (Savings Pass Through).

It is the intent of the Legislature in enacting this part to provide financing only to health facilities that can demonstrate the financial feasibility of their projects. It is further the intent of the Legislature that all or part of any savings experienced by a participating health institution, as a result of that tax-exempt revenue bond funding, be passed on to the consuming public through lower charges or containment of the rate of increase in hospital rates.

VMH has provided a description of its savings pass through in Exhibit A.

V. SECTION 15459.1 (b) OF THE ACT (Community Service Requirement).

As a condition of the issuance of revenue bonds, whether by the Authority or any local agency, each borrower shall give reasonable assurance to the Authority that the services of the health facility will be made available to all persons residing or employed in the area served by the facility. As part of this assurance, borrowers shall agree to a number of actions, including (a) To advise each person seeking services at the borrower's facility as to the person's potential eligibility for Medi-Cal and Medicare benefits or benefits from other governmental third-party payers, (b) To make available to the authority and to any interested person a list of physicians with staff privileges at the borrower's facility, and (c) To post notices in appropriate areas within the facility regarding services being available to all in the service area. This agreement is a standard “Certification and Agreement Regarding Community Service Obligation”.

VMH has executed this certification and submitted its current list of physicians, specialties, languages spoken, telephone numbers and whether Medi-Cal and Medicare patients are accepted.

A copy of this certification is provided in Exhibit B.

VI. OUTSTANDING DEBT:

Description	Original Amount	Amount Outstanding As of 6/30/04	Estimated Amount Outstanding After Proposed Financing
Existing:			
CHFFA 1994 Series B Bond	$995,000	$828,750	$-0-
Proposed:			
CHFFA 2005 Series A Bond	1,100,000	-0-	1,100,000
TOTAL DEBT		**$828,750**	**$1,100,000**

VII. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

IX. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution to provide a loan to Verdugo Mental Health in an amount not to exceed $1,100,000, subject to a final Cal-Mortgage Insurance commitment.

ALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Executive Summary

Applicant:	Asian Community Center of Sacramento Valley ("ACCSV") 7375 Park City Drive Sacramento, California Sacramento County	**Amount Requested:**	$2,185,000
		Loan Term:	10 years
		Date Requested:	Feb. 24, 2005
		Resolution Number:	F-308
Project Site:	7801 Rush River Drive, Sacramento, California		
Facility Type:	Skilled nursing facility		

Uses of Loan Proceeds: Loan proceeds will be used to refund the existing Authority's 1992 Series D bonds to obtain a lower interest rate and debt service payments. The proposed refunding will result in debt payment savings of approximately $27,200 per year, over the next 10 years for a total savings of $272,000.

Type of Issue:	Negotiated public offering with fixed rates
Credit Enhancement:	Cal Mortgage Insurance
Expected Rating:	"A" Standard & Poor's (Based on Cal-Mortgage's credit rating)
Senior Underwriter:	Altura, Nelson & Co., Inc.
Bond Counsel:	Quint and Thimmig, LLP

Financial Overview: ACCSV's income statement demonstrates strong operating performance with positive net income and solid operating margins. ACCSV's balance sheet is solid with good liquidity, a strong current ratio, and significant net assets. In addition, proforma debt service coverage is very good.

Sources of Revenues: (12/31/03)	**Amount**	**Percent**
Patient Fees	$4,999,976	85%
Bingo	353,539	6%
Contributions	292,617	5%
Grants	196,089	3%
Other	69,260	1%
Totals	$5,911,481	100%

Estimated Sources of Funds:		**Estimated Uses of Funds**:	
Bond Proceeds	$2,185,000	Refinance 1992 Bonds	$2,038,000*
Existing Bond Reserve Acc't.	261,000	Debt Service Reserve Account	250,000
Existing Escrow Acc't.	107,000	Financing Costs	160,000
Original Issue Discount	(105,000)		
Total Sources	$2,448,000	Total Uses	$2,448,000

* Includes accrued interest and other misc. costs.

Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation: Staff recommends the Authority approve a resolution for Asian Community Center of Sacramento Valley, Inc. in an amount not to exceed $2,185,000, subject to a final Cal-Mortgage insurance commitment.

(RA)

STAFF SUMMARY AND RECOMMENDATION

Asian Community Center of Sacramento Valley, Inc.
("ACCSV")

February 24, 2005

Resolution Number: F-308

I. PURPOSE OF FINANCING:

ACCSV proposes to refinance its existing Authority bonds with lower interest rate bonds issued through the Authority. The new bonds will be issues with the same final maturity as the existing bonds.

Refinance 1992 Series D**...**		***$2,038,000***
The 1992 CHFFA Series D bonds were used to refinance the 1985 CHFFA bonds. The proceeds of the 1985 Bonds were used to purchase the Asian Community Nursing Home in Sacramento.		
Debt Service Reserve Fund..		***250,000***
Financing Costs		***160,000***
Insurance Premium ………………………………	*109,000*	
Costs of Issuance …………………………………	*32,000*	
Underwriters discount ……………………………	*19,000*	
Total Uses of Funds...		***$2,448,000***

Structure of Financing:

- Negotiated public offering with serial and term bond maturities.
- 10-year amortization period through 2015
- Fixed interest rate.
- Final maturity is April 1, 2015
- Credit enhancement – Cal-Mortgage Insurance
- Expected Credit Rating: A (S%P), based on Cal-Mortgage Insurance
- Debt Service Reserve Fund
- General obligation and gross revenue pledge
- Financial covenants acceptable to the Authority

II. FINANCIAL STATEMENTS AND ANALYSIS

Asian Community Center of Sacramento Valley, Inc.
Statement of Activities
(Unrestricted)

	For the year ended December 31,			
	2004	**2003**	**2002**	**2001**
	(Unaudited)			
Revenue and other support:				
Patient care	$ 5,359,784	$ 4,999,976	$ 4,766,655	$4,579,331
Bingo	242,381	353,539	337,311	366,311
Grants	229,410	196,089	166,946	0
Program revenue	44,347	51,493	14,518	0
Rental	10,144	10,767	5,994	0
Contributions and other	380,665	292,617	280,996	249,323
Net assets related from restrictions	8,481	7,000	11,435	10,000
Total revenue and other support	6,275,212	5,911,481	5,583,855	5,204,965
Operating expenses:				
Salaries and fringe benefits	3,965,099	3,906,131	3,630,661	3,412,579
Purchased services	78,299	122,270	108,415	84,244
Rent	62,886	88,774	85,593	86,100
Utilities	122,476	139,768	123,922	135,863
Supplies	408,642	457,448	463,460	520,102
Insurance	181,985	166,746	127,672	59,569
Other direct expenses	217,746	140,420	94,556	59,728
Professional fees	121,353	129,945	137,046	188,392
County fees and taxes	12,905	19,487	18,110	24,907
Volunteer	7,536	9,720	10,226	10,453
Repairs and maintenance	39,070	57,050	73,929	51,542
Depreciation and amortization	250,027	230,378	211,898	201,745
Fundraising	8,354	12,719	7,043	6,394
Interest	131,333	138,675	145,402	151,625
Other expenses	186,027	55,130	92,894	59,792
Total expenses	5,793,738	5,674,661	5,330,827	5,053,035
Change in net assets from operations	481,474	236,820	253,028	151,930
Other changes:				
Interest and dividends	56,818	38,255	46,891	94,906
Net realized and unrealized gain/(loss) on investments	120,607	38,487	(121,373)	(128,706)
Total other changes	177,425	76,742	(74,482)	(33,800)
Change in unrestricted net assets	**658,899**	**313,562**	**178,546**	**118,130**
Unrestricted net assets at beginning of year	5,159,629	4,846,067	4,667,521	4,549,391
Unrestricted net assets end of year	$ 5,818,528	$ 5,159,629	$ 4,846,067	$ 4,667,521

Asian Community Center of Sacramento Valley, Inc.
Balance Sheet

	As of December 31,			
	2004	**2003**	**2002**	**2001**
	(Unaudited)			
Assets				
Current assets:				
Cash and cash equivalent	$ 1,036,219	$ 1,601,289	$ 1,635,523	$ 1,485,225
Accounts receivable, net	625,723	467,170	543,323	461,322
Grant receivable	4,606	26,742	21,219	-
Other accounts receivable	58,408	9,783	4,776	7,589
Supply inventory	28,640	28,863	21,422	14,609
Prepaid expenses	645,961	208,069	78,778	46,865
Investments	2,241,581	1,456,955	831,933	992,304
Total current assets	4,641,138	3,798,871	3,136,974	3,007,914
Long-term assets:				
Land, building, and equipment	3,724,200	3,808,175	3,952,617	3,956,130
Deposits	3,000	3,000	3,000	13,000
Patient trust fund	3,837	3,584	3,956	3,838
Cash held by trustees	525,936	512,711	592,606	675,926
Bond and organization costs	16,777	18,338	19,898	21,459
Total long term assets	4,273,750	4,345,808	4,572,077	4,670,353
Total assets	$ 8,914,888	$ 8,144,679	$ 7,709,051	$ 7,678,267
Liabilities and net assets				
Current liabilities:				
Accounts payable	506,191	202,880	124,751	161,660
Wages, vacation, and fringe benefits payable	196,046	344,971	277,802	292,469
Interest payable	63,469	44,625	47,025	49,188
Revenues received in advance	232,989	211,924	180,176	164,939
Current portion of bonds payable	135,000	125,000	120,000	110,000
Total current liabilities	1,133,695	929,400	749,754	778,256
Long-term liabilities:				
Patient trust fund payable	3,837	3,584	3,956	3,838
Bonds payable, net	1,885,000	1,972,331	2,093,274	2,209,217
Total long-term liabilities	1,888,837	1,975,915	2,097,230	2,213,055
Net assets:				
Unrestricted	5,818,528	5,159,629	4,846,067	4,667,521
Temporarily restricted	73,828	79,735	16,000	9,435
Total net assets	5,892,356	5,239,364	4,862,067	4,676,956
Total liabilities and net assets	$ 8,914,888	$ 8,144,679	$ 7,709,051	$ 7,668,267

Financial Ratios:

	Proforma (a) FYE 2003			
Debt Service Coverage (x)	**2.84**	**2.64**	**2.10**	**1.84**
Debt/Unrestricted Net Assets (x)	**0.39**	**0.41**	**0.46**	**0.48**
Margin (%)		**4.01**	**4.53**	**2.21**
Current Ratio (x)		**4.09**	**4.18**	**3.86**

(a) Recalculates 2003 audited results to include the impact of the proposed financing.

Financial Discussion:

ACCSV's income statement demonstrates strong operating performance with positive net income and solid operating margins.

ACCSV has posted net income ranging from $118,000 to $313,000 between fiscal year 2001 and 2003. ACCSV has experienced steadily improving operating results during this period and continues to see solid operating results in the unaudited period ending December 31, 2004, with net income of $658,000.

ACCSV has continued to expand its services to those in need. During our review period from fiscal year 2001 through 2004 revenues have continued to grow in most segments, including patient care, grants and contributions being the largest increases. Total revenues for fiscal year 2002 and 2003 jumped an average of 6.5% per annum and the trend continues into unaudited fiscal year 2004.

ACCSV's balance sheet is solid with good liquidity, strong current ratio, and significant net assets. In addition, proforma debt service coverage including the proposed loan is very good.

ACCSV's current balance sheet is strong, with good liquidity of over $1.6 million in cash and cash equivalents, a strong current ratio of 4.09X, and unrestricted net assets of over $5.1 million. ACCSV's has expanded its operations with minimal usage of long-term debt, as its debt to unrestricted net assets ratio is only .41x. The current debt service coverage is a solid 2.64x, while the proforma debt service coverage improves to 2.84x, indicating that ACCSV can comfortably repay the proposed loan.

IV. BACKGROUND:

Asian Community Center of Sacramento Valley, Inc. ("ACCSV"), a California nonprofit public benefit corporation owns and operates a 99-bed skilled nursing facility (Asian Community Nursing Home) and a community center located in Sacramento, California. ACCSV was incorporated in 1972 to develop and provide charitable services designed to promote the general welfare of persons of Asian ancestry. Its services are geared toward the needs of the elderly, immigrants and non-English speaking population. Notwithstanding its primary mission, ACCSV complies fully with the provisions of applicable federal, state and local laws prohibiting discrimination on the basis of race, color, creed, sex, religion, national origin, disability, marital status, age, physical handicap, medical condition or ancestry.

V. OUTSTANDING DEBT:

Date Issued:	Original Amount	Amount Outstanding As of 12/31/03 (audited)	Estimated Amount Outstanding after Proposed Financing
Existing:			
CHFFA 1992 Bonds	$3,160,000	$2,097,331*	$-0-
Proposed:			
CHFFA Series 2005			2,185,000
Totals		$2,097,331	$2,185,000

- Includes the current portion of long-term debt of $125,000.

VI. SECTION 15438.5 OF THE ACT (Savings Pass Through):

It is the intent of the Legislature in enacting this part to provide financing only to health facilities that can demonstrate the financial feasibility of their projects. It is further the intent of the Legislature that all or part of any savings experienced by a participating health institution, as a result of that tax-exempt revenue bond funding, be passed on to the consuming public through lower charges or containment of the rate of increase in hospital rates.

ACCSV has provided a description of its savings pass through in **Exhibit A**.

VII. SECTION 15459.1 (b) OF THE ACT (Community Service Requirement):

As a condition of the issuance of revenue bonds, whether by the Authority or any local agency, each borrower shall give reasonable assurance to the Authority that the services of the health facility will be made available to all persons residing or employed in the area served by the facility. As part of this assurance, borrowers shall agree to a number of actions, including (a) to advise each person seeking services at the borrower's facility as to the person's potential eligibility for Medi-Cal and Medicare benefits or benefits from other governmental third-party payers, and (b) to post notices in appropriate areas within the facility regarding services being available to all in the service area. This agreement is a standard "Certification and Agreement Regarding Community Service Obligation".

ACCSV has executed this certification and whether Medi-Cal and Medicare patients are accepted. A copy of the certification is provided as **Exhibit B.**

VIII. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

VIII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution for Asian Community Center of Sacramento Valley, Inc. in an amount not to exceed $2,185,000, subject to a final Cal-Mortgage insurance commitment.