CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Program

EXECUTIVE SUMMARY

Applicant:	Yolo Community Care Continuum (Yolo) Davis, California Yolo County	**Amount Requested**: **Requested Loan Term**: **Date Requested**: **Resolution Number**:	$407,000 15 years December 1, 2005 HII-179

Project Site: 584 Kentucky Avenue, Woodland, CA (Safe Harbor Crisis House)
Facility Type: Adult Crisis Residential Facility

Use of Loan Proceeds: Loan proceeds will be used to construct a new facility to expand existing services for a much-needed Adult Crisis Residential Facility.

Type of Issue: HELP II Loan
Prior HELP II Borrower: No

Financial Overview: Yolo has posted increases in net assets during two of the past three years. However, Yolo has recently experienced a challenging operating environment due to state and county fiscal cut-backs. Yolo enacted a strategic business plan in July to help offset the decline of revenues and operational losses experienced in fiscal year 2005. The balance sheet is generally weak, with moderate liquidity and financial resources relative to long-term debt.

Sources of Revenue:
(FYE 6-30-05)

	Amount	Percent
Grants and contracts	$1,580,733	75%
Program fees	389,625	19%
Donations	35,151	2%
Other	94,331	4%
Total Revenue	$2,099,840	100%

Estimated Sources of Funds:		**Estimated Uses of Funds**:	
HELP II loan	$407,000	Construct new facility	$1,957,000
State Department of HCD loan*	1,000,000	Permits and other fees	220,000
Woodland and Davis CDBG Grant**	640,000	Refinance existing loan	95,000
County of Yolo Grant**	125,000	Financing Costs	10,000
Borrower funds***	110,000		
Total Sources	$2,282,000	Total Uses	$2,282,000

*Loan approval received. Loan repayment is deferred as long as Yolo uses funds for the "intended usage" for 10 years, at which point the loan is forgiven. **Grant funding approved.. ***Borrower funds will consist of the contribution of the land, purchased in 2003 for $110,000 and currently has no liens.

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 a HELP II Loan in an amount not to exceed $407,000 for a term not to exceed 15 years for Yolo Community Care Continuum, subject to the standard HELP II loan provisions.

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STAFF SUMMARY AND RECOMMENDATION

Yolo Community Care Continuum (Yolo)
December 1, 2005
Resolution Number: HII-179

PURPOSE OF FINANCING: Yolo intends to expand its operations to meet an increasing demand for mentally ill adults. The new facility will provide additional capacity for adults who need treatment for mental illness in a residential environment. Yolo reports that last year approximately 125 clients were turned away because the current facility was at full capacity and could not take additional clients.

Construct new facility ***$1,957,000***
Safe Harbor Crisis House is currently licensed for 6 mentally disabled adults. The new facility license will allow 14 adults, an addition of 8 adults. The new building will be approximately 5,600 square feet located on .65 acres, with seven (7) bedrooms, a dining room, a living room, a kitchen, and a counseling room.

Yolo has received loan approval for a $1 million loan from the State Department of Housing and Community Development (no repayment required if intended usage is met at the facility for 10 years). The HELP II loan will be secured by the property and facility to be constructed at 584 Kentucky Avenue in Woodland, CA. The estimated combined (first and second loans) loan to value ratio is 71% (using the estimated value of $1.957 million, total construction costs).

In addition, Yolo has obtained grant approvals from various sources in the amount of approximately $765,000 to supplement the HELP II loan funding.

The project plans are complete and approved by the City of Woodland. A conditional use permit has been obtained and building permits have been secured. The construction company has been selected and the site pad has been prepared, with construction expected to begin in late December or January 2006.

The proposed facility (Safe Harbor House) is a short-term residential treatment program which provides crisis intervention in a supportive, group living environment for adults who are experiencing acute psychiatric symptoms.

Permits/other fees	***220,000***
Refinance an existing loan	***95,000***

Yolo wishes to refinance an existing (obtained in 2003) Wells Fargo Mortgage, which has a fixed interest rate of 7.5%. The new HELP II loan will lower the annual interest expense by approximately $4,000 per year. This loan is secured by real property located at 580 Kentucky Avenue in Woodland.

Financing Costs		***10,000***
Authority Fees	$5,100	
Title/escrow fees....................................	4,900	
Total...		***$2,282,000***

Financing Structure:

- 15-year fully amortized loan in the amount of $407,000.
- 180 equal monthly payments of approximately $2,810 (total annual payments of $33,700).
- Total interest payments of approximately $99,000.
- First (1st) position lien on the property located at 584 Kentucky Avenue, Woodland, California
- First (1st) position lien on gross revenues.
- Second (2nd) position lien held by HCD, no repayment required, if certain conditions are met.

II. FINANCIAL STATEMENTS AND ANALYSIS:

Yolo Community Care Continuum
Statement of Activities

	3 months ended Sept. 30		For the year ended June 30	
	2005	**2005**	**2004**	**2003**
REVENUE	(Unaudited)	(Audited)	(Audited)	(Audited)
Grants and Contracts	$ 399,763	$ 1,580,733	$ 2,229,722	$ 2,068,264
Program Fees	89,390	389,625	437,717	273,402
Donations	5,830	35,151	97,191	49,217
Other	195	41,267	19,716	23,163
Net assets released from restrictions	13,226	53,064	21,994	14,090
Total revenues	508,404	2,099,840	2,806,340	2,428,136
EXPENSES				
Salaries and benefits	313,528	1,487,531	1,752,795	1,624,952
Professional fees	6,350	400	16,809	54,551
Equipment lease	3,262	10,745	9,884	8,470
Equipment repair	1,387	7,286	23,565	9,500
Office supplies	3,408	33,846	42,915	32,011
Food	8,182	37,638	42,011	39,477
Other supplies	6,522	39,020	120,338	44,497
Recreation	447	1,164	2,475	3,060
Travel and training	4,730	17,973	26,998	17,936
Vehicle costs	4,845	22,277	27,058	30,284
Advertising & publications	414	3,861	5,454	4,671
Telephone & utilities	8,692	93,427	91,361	82,879
Insurance	12,735	48,514	46,185	43,077
Tax, licenses, & fees	2,171	34,108	192,766	40,691
Facility maintenance	2,842	30,849	48,587	38,877
Rent	71,497	248,286	244,351	253,797
Transitional housing	12,379	46,307	79,633	-
Interest	14,677	56,921	52,665	53,244
Depreciation	4,831	39,644	44,681	50,029
Other		-	-	-
Total expenses	482,899	2,259,797	2,870,531	2,432,003
Change in unrestricted net assets	**12,650**	**(159,957)**	**(64,191)**	**(3,867)**
Unrealized gains on investments	66	2,318	3,914	189
Total Increase (Decrease) in Unrestricted Net Assets	12,716	(157,639)	(60,277)	(3,678)
Temporarily Restricted Net Assets:				
Grants and Contracts	-	145,325	199,116	77,067
Donations	-	23,735	54,184	53,467
Interest	371	1,018	719	776
Transfer to New Dimensions	-	67,000	(42,662)	(140,406)
Expiration of restrictions	(13,226)	(53,064)	(21,994)	(14,090)
Increase (Decrease) in Temporarily Restricted Net A	(12,855)	184,014	189,363	(23,186)
Increase (Decrease) in Net Assets	**(139)**	**26,375**	**129,086**	**(26,864)**
Net Assets, beginning of year	570,771	544,396	415,310	442,174
Net Assets, end of year	$ 570,632	$ 570,771	$ 544,396	$ 415,310

Yolo Community Care Continuum
Consolidated Statement of Financial Position

	As of Sept. 30		As of June 30,	
	2005	**2005**	**2004**	**2003**
	(Unaudited)	(Audited)	(Audited)	(Audited)
Assets:				
Cash and cash equivalent	$ 158,280	$ 222,956	$ 472,832	$ 251,245
Investment in mutual funds	2,001	46,346	42,759	37,885
Grants & contracts receivable	525,790	351,517	292,563	281,822
Acounts receivables	13,739	89,512	11,678	14,756
Prepaid expenses	63,002	57,362	45,949	42,707
Total Current Liabilities	762,812	767,693	865,781	628,415
Deferred construction costs	557,814	557,813	325,123	166,481
Property & equipment, net	474,514	492,571	608,523	622,278
Other assets	16,840	16,840	17,840	17,840
Total Assets	1,811,980	$ 1,834,917	$ 1,817,267	$ 1,435,014
Liabilities:				
Mortgages payable - current portion	$ 11,410	$ 11,410	$ 8,577	$ 7,157
Contracts payable - current portion	8,261	19,214	19,377	27,815
Line of credit	175,000	175,000	-	-
Accounts payable	134,088	120,561	241,571	92,901
Client trust funds	67,579	60,270	64,150	62,573
Accrued vacation	45,114	50,247	50,435	43,129
Accrued pension cost	-	-	46,000	26,961
Acrued payroll & related items	8,976	49,998	149,334	55,798
Due grantors	116,615	116,615	18,047	16,747
Other	18,080	-		
Total Current Liabilities	585,123	603,315	597,491	333,081
Long-term Liabilites:				
Mortgage payable - net of current p	656,225	659,913	669,060	675,674
Contracts payable - net of current p	-	918	6,320	10,949
Total Liabilities	1,241,348	1,264,146	1,272,871	1,019,704
Net Assets:				
Unrestricted net assets	(83,207)	(95,923)	61,716	121,993
Temporarily restricted	653,839	666,694	482,680	293,317
Total Net Assets	570,632	570,771	544,396	415,310
Total Liablities & Net Assets	$ 1,811,980	$ 1,834,917	$ 1,817,267	$ 1,435,014
Financial Ratios:	**Proforma (a) 6/30/2005**			
Debt Service Coverage (x)	1.37	1.88	3.79	1.25
Debt/Net Assets (x)	3.64	1.18	1.24	1.64
Margin (%)		1.16	4.46	(1.11)
Current Ratio (x)		1.27	1.45	1.89

(a) Recalculates June 2005 audited results to include the impact of the proposed HELP II loan and HCD loan.
Proforma debt service coverage calculations exclude the HCD loan, since this is a deferred loan that does not require repayment.

Financial Discussion:

Yolo has posted increases in net assets during two of the past three years. However, Yolo has recently experienced a challenging operating environment due to state and county fiscal cut-backs.

Yolo is mostly dependent upon governmental grants and contracts, which comprise approximately 75% of its revenues. Management indicates that operations have been impacted by reductions or eliminations of contracts in fiscal year 2005 and are in the process of seeking other sources of funding.

Fiscal year 2005 revenues declined sharply as a result of the elimination of the SHIA (Supportive Housing Initiative Act) and PATH (Projects for Assistance in Transition from Homeless) grant programs for housing. These grant programs were eliminated from the state budget due to fiscal cut-backs. Yolo responded by reducing personnel and cutting administrative expenses, to help offset declining revenues.

The main source of operating losses in 2005 was the Farmhouse Program (Yolo's long term residential facility). This loss related to Yolo County Mental Health fiscal cut-backs, which reduced the number of beds from nine to six. This resulted in revenues declining sharply and an operating loss of $76,000.

Operating losses were also a result of the difficulty experienced by the three Regional Resource Centers (drop-in centers for mental health consumers to receive support services) in transitioning from a daily rate to per minute rate reimbursement in January 2005. This placed a burden on the Yolo staff, as they had to learn a new system required by Yolo County Mental Health to account for time per minute versus per hour. The treatment centers experienced losses of $60,000 in the fiscal year.

The number of clients served (see page 8) increased significantly from fiscal year 2004 to 2005, while funding decreased. There are several reasons for this. First, the population of Yolo County has increased, which in turn increased the number of people needing mental health services. Second, as funding for services was cut, particularly at the Farmhouse Facility, individuals who would have used these services ended being more frequent users of emergency services at Safe Harbor Facility. Third, in order to decrease the very high cost of in-patient psychiatric services, Yolo County Mental Health worked to discharge patients from in-patient units into Yolo Community Care Continuum programs.

Yolo enacted a strategic business plan in July 2005 to help offset the decline of revenues and operational losses experienced in fiscal year 2005 and management projects breakeven operations in the current fiscal year.

The main focus of the plan involved increasing the number of licensed beds at the Farmhouse Program from six to ten. The key reason for the Farmhouse expansion program was the establishment of five new contracts with neighboring counties: Glenn, Colusa, Butte, Trinity and Nevada. The Farmhouse has enjoyed a 92% occupancy rate recently and now has a waiting list for beds. Yolo projects that the additional beds will increase revenues by $220,000 per year. In addition, operating income is projected to be approximately $20,000 in fiscal year 2005-06 compared to a loss of $76,000 in fiscal 2005 for this program.

Secondly, the plan details how the proposed new construction (Safe Harbor Crisis House) allows the existing "Safe Harbor" facility (located at 166 College Street, Woodland) to generate additional revenues of approximately $33,000 per year. The 5-bedroom home will be used for supportive housing, which is low-income housing for people with disabilities. This will only require minimal additional expenses and current staff/administration will be able to handle the workload.

Thirdly, the strategic plan identified training and enacted billing quotas for the three Regional Resource Centers, to improve their operating efficiency. The rate of billable minutes slowly increased during the six months remaining in the fiscal year, as staff learned how to bill more efficiently. Staff did not start reaching their billing quotas until May of 2005. As projected, staff has continued to meet and exceed billing quotas in the interim period. During the interim period, these programs show a net gain of $9,200.

In conclusion, the strategic business plan has dramatically improved Yolo's operations and management projects breakeven or small operating gains in the current fiscal year. The success of Yolo's strategic plan is exhibited in its unaudited interim period ending September 30, 2005, with net operating income of **$12,000**.

The balance sheet is generally weak, with moderate liquidity and financial resources relative to long-term debt.

Yolo has minimal cash investments of $222,000, which have fallen to $158,000 in the interim period due to its funding predevelopment costs. For fiscal year 2005, its long-term debt is approximately $660,000 compared to net assets of $570,000, leading to a leveraged position of 1.18x, with proforma debt to net assets increasing to a more leveraged 3.62x. However, Yolo's proforma debt service coverage is an adequate 1.37x, indicating that they should be able to repay the proposed loan.

In addition, Yolo does have additional positive factors not reflected fully on the balance sheet. The balance sheet does not reflect the fair market value of four residential owned properties with estimated current market value in excess of $4 million compared to long-term debt of $660,000, resulting in net equity of $3.3 million in real property. This provides additional stability to the organization.

III. UTILIZATION STATISTICS:

Clients Served

Type of Services	June 30, 2005	June 30, 2004	June 30, 2003
Total	**323**	**277**	**280**

IV. ORGANIZATION:

Background:
Yolo was founded in 1979 and incorporated as a non-profit 501 (c) (3) corporation to provide a continuum of community based programs for individuals experiencing a psychiatric disability. Each component of service is designed to meet each clients needs at specific points in the recovery process.

The ***Residential Program*** provides twenty-four hour supervision that includes both a crisis residential program and a long-term residential program. Day treatment and consumer self-help centers offer clients the opportunity to develop independent living skills and to participate in self-help activities.

Supportive Housing patients are provided an opportunity to live independently with support.

The ***Vocational Program*** provides individuals with employment and employment support.

Each Yolo program encourages increased levels of independent living.

Licenses:
Yolo is licensed by the State Department of Social Services for each of its various programs. The proposed facility will be licensed as a Social Rehabilitation Facility to serve up to 14 adults from the ages of 19-59 years old.

Competition:
There is no immediate competition for services provided by Yolo.

V. OUTSTANDING DEBT:

Lender/Property Address	Original Amount	Amount Outstanding As of 6/30/05*	Estimated Amount Outstanding After Proposed Financing
Existing:			
Wells Fargo Home Mortgage 580 Kentucky Avenue Woodland, CA 95695	$97,000	$95,455	$0
Kenneth Stout 759 M Street Davis, CA	100,000	87,640	87,640
First Northern Bank 24321 County Road 96 Davis, CA	350,000	342,090	342,090
First Northern Bank 166 & 168 College Street Woodland, CA	250,000	146,137	146,137
Proposed:			
HCD Loan, 2005			1,000,000
CHFFA HELP II Loan, 2005			407,000
TOTAL DEBT		**$671,323**	**$1,982,867**

* Includes current portion of long-term debt.

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.

Yolo 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, (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".

A copy of this executed certification is provided in **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.

IX. RELIGIOUS AFFILIATION DUE DILIGENCE:

Staff has reviewed the Applicant's responses to the questions contained in the Religious Affiliation portion of the application. No information was disclosed in the questionnaire or discovered by staff to question the Applicant's compliance with the provisions of the Authority's Act relating to religious affiliation.

X. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution for a HELP II Loan in an amount not to exceed $407,000 for a term not to exceed 15 years for Yolo Community Care Continuum, subject to standard HELP II loan provisions.

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