

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
(CHFFA)**

**THE HELP II PROGRAM**

**Executive Summary**

<b>Applicant:</b>	The Youth Connection of Ventura County dba Casa Pacifica ("Casa Pacifica") 1722 South Lewis Road Camarillo, California 93012 Ventura County	<b>Amount Requested:</b>	\$500,000	<b>Date Requested:</b>	December 1, 2005	<b>Loan Term:</b>	5 years	<b>Resolution Number:</b>	HII-178
<b>Project Site:</b>	1722 South Lewis Road, Camarillo, California								
<b>Facility Type:</b>	Community Clinic, Group Home								
<b>Uses of Loan Proceeds:</b> Loan proceeds will be used to purchase various equipment for the group home.									
<b>Type of Issue:</b> HELP II Loan.									
<b>Prior HELP II Borrower:</b> No.									
<b>Financial Overview:</b> Casa Pacifica's income statement exhibits moderate operating results with declining net income over the past three fiscal years along with continued revenue growth from newly developed programs. Casa Pacifica's balance sheet is solid with moderate liquidity, a strong current ratio, significant net assets and minimal debt. In addition, proforma debt service coverage is strong.									
<b>Sources of Revenues:</b> (FYE 06/30/05)									
		<u>Amount</u>		<u>Percent</u>					
	Government contracts	\$12,546,163		89.8%					
	Special events	244,218		1.7%					
	Contributions	385,023		2.8%					
	Contributions in-kind	363,691		2.6%					
	Other revenue	10,331		0.1%					
	Interest and dividends	19,123		0.1%					
	Gain (loss) on investments	9,583		0.0%					
	Net released from program restrictions	<u>405,243</u>		<u>2.9%</u>					
	Total support and revenue	<u>\$13,983,375</u>		<u>100.0%</u>					
<b>Estimated Sources of Funds:</b>									
	HELP II loan	\$500,000	<b>Estimated Uses of Funds:</b>						
	Borrower funds	49,750	Purchase equipment		\$566,000				
	Grant funds	<u>22,500</u>	Financing costs		6,250				
	Total Sources	<u>\$572,250</u>	Total Uses		<u>\$572,250</u>				
<b>Legal Review:</b> No information was disclosed to question the financial viability or legal integrity of the Applicant.									
<b>Staff Recommendation:</b> Staff recommends the Authority approve a resolution for a HELP II loan in an amount not to exceed \$500,000 for a term not to exceed 5 years for The Youth Connection of Ventura County dba Casa Pacifica, subject to the standard HELP II loan provisions.									

**STAFF SUMMARY AND RECOMMENDATION**

**THE HELP II PROGRAM**

The Youth Connection of Ventura County  
dba Casa Pacifica (“Casa Pacifica”)

December 1, 2005  
Resolution Number: HII-315

**I. PURPOSE OF FINANCING:**

Casa Pacifica’s overall strategic plan is to replace outdated equipment. Casa Pacifica purchased the equipment in 1994 and it has never been replaced.

<i>Purchase equipment</i> .....	<b>\$566,000</b>
Casa Pacifica plans to purchase various equipment items such as a kitchen boiler, air conditioner, bedroom furniture, gymnasium flooring, office furniture, computers and vehicles.	
<i>Authority Fee</i> .....	<u><b>6,250</b></u>
<i>Total Uses of Funds</i> .....	<u><b>\$572,250</b></u>

**Structure of Financing:**

- 5-year term with 60 monthly payments of approximately \$8,984 (yearly payments of approximately \$107,808).
- Total interest payments of approximately \$39,061.
- UCC-1 lien on equipment and gross revenues.

**II. FINANCIAL STATEMENTS AND ANALYSIS:**

**The Youth Connection of Ventura County**  
**dba Casa Pacifica**  
**STATEMENT OF ACTIVITIES**  
**(Unrestricted)**

	<b>3 Months</b>	<b>For the Year Ended June 30</b>		
	<b><u>Ended Sept. 30</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
	<b>(Unaudited)</b>			
<b><u>Support and revenue</u></b>				
Government contracts	\$ 3,460,476	\$ 12,546,163	\$ 9,460,085	\$ 8,704,036
Special events	70,202	244,218	479,313	475,945
Contributions	34,937	385,023	412,020	339,317
Contributions in-kind	41,467	363,691	187,403	110,577
Other revenue	1,122	10,331	4,375	15,507
Interest and dividends	1,404	19,123	3,940	10,088
Gain (loss) on investments	-	9,583	-	7,186
Gain on sale of property and equipment	-	-	-	500
Net assets released from program restrictions	-	405,243	323,473	57,634
Net assets released from capital restrictions	-	-	154,820	134,980
Total support and revenue	<u>3,609,608</u>	<u>13,983,375</u>	<u>11,025,429</u>	<u>9,855,770</u>
<b><u>Expenses</u></b>				
Salaries, wages and benefits	2,965,130	10,352,243	8,143,551	7,165,503
Food	101,461	399,332	367,967	377,136
Depreciation	154,619	599,961	472,692	361,949
Outside services	107,778	322,478	246,037	238,071
Special events	-	-	199,371	172,815
Utilities	46,447	124,650	111,355	138,234
Supplies	40,802	166,866	122,073	121,577
Miscellaneous	8,415	57,947	131,100	49,473
Consultant	179,978	390,119	182,651	187,647
Insurance	43,635	168,821	124,034	101,141
In-kind donation expense	40,957	214,023	187,403	100,223
Child related expense	52,886	125,893	83,923	82,687
Dues and conferences	38,125	112,898	81,031	63,293
Telephone	42,701	151,316	91,443	77,907
Repairs and maintenance	16,179	53,645	43,525	49,385
Transportation	17,135	125,875	74,084	40,625
Small equipment	10,074	58,936	27,374	23,936
Rent	62,040	168,152	69,388	16,810
Printing	9,924	15,291	19,621	16,537
Promotions and advertising	329	4,245	3,478	15,765
Postage	5,597	11,771	13,857	13,473
Interest	4,681	20,438	18,851	21,848
Staff development	57,344	166,508	-	104,497
Program expense	30,643	64,284	51,525	45,230
Licenses and fees	48,242	166,915	14,535	12,934
Total expenses	<u>4,085,122</u>	<u>14,042,607</u>	<u>10,880,869</u>	<u>9,598,696</u>
<b>Increase (decrease) in unrestricted net asset:</b>	<b>(475,514)</b>	<b>(59,232)</b>	<b>144,560</b>	<b>257,074</b>
Unrestricted net assets, beginning of year	<u>8,899,026</u>	<u>8,958,258</u>	<u>8,813,698</u>	<u>8,556,624</u>
Unrestricted net assets, end of year	<u>\$ 8,423,512</u>	<u>\$ 8,899,026</u>	<u>\$ 8,958,258</u>	<u>\$ 8,813,698</u>

**The Youth Connection of Ventura County**  
**dba Casa Pacifica**  
**Statement of Financial Position**

	<b>As Of</b>		<b>As of June 30,</b>	
	<b>September 30,</b>		<b>2004</b>	<b>2003</b>
	<b>2005</b>	<b>2005</b>		
	<b>(Unaudited)</b>			
<b>ASSETS</b>				
Cash and equivalent	\$ 336,483	\$ 617,169	\$ 633,782	\$ 636,156
Accounts receivable, net	2,121,074	2,412,001	1,892,147	1,569,667
Pledges receivable, net	18,830	18,830	80	5,201
Prepaid expenses	307,688	266,807	191,363	157,927
Investments	764,415	800,432	702,305	688,017
Property and equipment	7,711,211	7,832,274	7,840,292	7,842,486
Total Assets	<u>\$ 11,259,701</u>	<u>\$ 11,947,513</u>	<u>\$ 11,259,969</u>	<u>\$ 10,899,454</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable	\$ 428,936	\$ 657,951	\$ 358,793	\$ 351,756
Accrued liabilities	1,162,776	1,195,006	783,065	578,792
Accrued unemployment liability	70,000	70,000	69,252	62,987
Capital lease obligations	60,681	70,838	109,505	147,543
Lines of credit	75,000	75,000	75,000	-
Notes payable	9,892	11,211	18,907	31,062
Total liabilities	<u>\$ 1,807,285</u>	<u>\$ 2,080,006</u>	<u>\$ 1,414,522</u>	<u>\$ 1,172,140</u>
<b>Net assets:</b>				
Unrestricted	8,423,512	8,899,026	8,958,258	8,813,698
Temporarily restricted	258,170	213,599	179,480	215,020
Permanently restricted	770,734	754,882	707,709	698,596
Total net assets	<u>9,452,416</u>	<u>9,867,507</u>	<u>9,845,447</u>	<u>9,727,314</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,259,701</u>	<u>\$ 11,947,513</u>	<u>\$ 11,259,969</u>	<u>\$ 10,899,454</u>

**Financial Ratios:**

**Proforma (a)**  
**FYE 2005**

Debt Service Coverage (x)	3.19	8.28	9.24	10.23
Debt/Unrestricted Net Assets (x)	.07	.01	.02	.03
Margin (%)		(.42)	1.31	2.61
Current Ratio (x)		2.05	2.60	2.78

(a) Recalculates 2005 audited results to include the impact of this proposed financing.

**The Youth Connection of Ventura County**  
**dba Casa Pacifica**

**STATEMENT OF ACTIVITIES**  
**(Unrestricted)**

	<b>3 Months</b>	<b>3 Months</b>
	<b><u>Ended Sept. 30</u></b>	<b><u>Ended Sept. 30</u></b>
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited)</b>	
<u>Support and revenue</u>		
Government contracts	\$ 3,460,476	\$ 2,950,758
Special events	70,202	66,663
Contributions	34,937	37,745
Contributions in-kind	41,467	38,077
Other revenue	1,122	2,326
Interest and dividends	1,404	9,745
Gain (loss) on investments	-	8,200
Gain on sale of property and equipment	-	
Net assets released from program restrictions	-	
Net assets released from capital restrictions	-	
Total support and revenue	<u>3,609,608</u>	<u>3,113,514</u>
<u>Expenses</u>		
Salaries, wages and benefits	2,965,130	2,350,573
Food	101,461	98,262
Depreciation	154,619	135,088
Outside services	107,778	66,692
Utilities	46,447	21,779
Supplies	40,802	18,856
Miscellaneous	8,415	6,139
Consultant	179,978	75,478
Insurance	43,635	45,612
In-kind donation expense	40,957	38,077
Child related expense	52,886	21,168
Dues and conferences	38,125	31,407
Telephone	42,701	31,779
Repairs and maintenance	16,179	9,776
Transportation	17,135	12,860
Small equipment	10,074	9,451
Rent	62,040	15,959
Printing	9,924	6,546
Promotions and advertising	329	1,948
Postage	5,597	3,543
Interest	4,681	4,171
Staff development	57,344	29,957
Program expense	30,643	33,012
Licenses and fees	48,242	48,933
Total expenses	<u>4,085,122</u>	<u>3,117,066</u>
<b>Increase (decrease) in unrestricted net assets</b>	<b>(475,514)</b>	<b>(3,552)</b>

Consistent with prior years, revenue is lowest during the first quarter of fiscal year 2006 since there is no school revenue in August and many resident children visit family, which reduces income from mental health services. In addition, the group home census in both programs is reflecting the trend in California to refer children and families to TBS and the WRAP Around Programs rather than placing the children in group homes. Cash is difficult to manage during the first quarter of every year since there are no major fundraising events to offset the seasonal decrease in income, which is compounded this year by the community based program growth. The cash balance is expected to rise quickly during the second quarter.

## **Financial Discussion:**

**Casa Pacifica's income statement exhibits moderate operating results with declining net income over the past three fiscal years along with continued revenue growth from newly developed programs.**

Casa Pacifica's primary funding sources are government contracts, which account for approximately 89% of total revenues in fiscal year ending 2005. Remaining revenues are mainly generated from contributions and contracted services provided to private corporations. Revenues have grown from \$9.8 million in fiscal year 2003 to \$13.9 million in fiscal year 2005, an increase of 42% as a result of service expansion and fundraising efforts.

In fiscal years 2002 and 2003, Casa Pacifica expanded the clinical department and increased the number of mental health services provided, which increased contract revenue by 10%. In April of 2000, a department was formed that provided a community based Ventura County Program called Therapeutic Behavior Services (TBS). Growth in this program was dramatic and the program was expanded to Santa Barbara County in 2003. In fiscal years 2004 and 2005, rapid growth in the TBS programs, as well as the WRAP Around program, increased revenue and expenses by 25%. Revamping Fund Development efforts increased contributions by 30% and special event revenue by 35%. Mental Health Services to Crisis Care Center Children were added, and the IT needs of the agency were evaluated. The Fund Development department revised its marketing materials and added a grant writer to staff in July 2004. An 81% increase in contributions and special event revenue resulted in a grant that enabled Casa Pacifica to begin a second community-based program called WRAP Around Services in Ventura in April 2004. The program has expanded its client base to 40 families and Ventura County has requested permission to expand it to 60 families.

Expenses have increased from \$9.5 million in fiscal year 2003 to \$14 million in fiscal year 2005, an increase of 47%. The increase in expenses is primarily due to the start-up costs of new programs as well as the increase in new staffing. Market value salary adjustments were made for teachers, clinicians and child care staff. Management has taken a number of steps to control expenses. First, overtime monitoring procedures have been instituted, which requires a monthly analysis and written explanation required by each supervisor. These procedures have produced a 20% reduction in overtime in the last year. Second, management is currently evaluating the possibility of waiting until January 2006 to hire non-critical positions. Finally, non-personnel expenses are reviewed each month by each department and any deviations from the budget require plans of correction. When expenditures in a line item account exceed the budget on a year to date basis, staff is expected to reduce expenditures in another department line item account to offset the variance.

**Casa Pacifica's balance sheet is strong with moderate liquidity, a strong current ratio, significant net assets and minimal debt. In addition, proforma debt service coverage is strong.**

Casa Pacifica's current balance sheet is solid with good liquidity of over \$300,000 in cash and cash equivalents, net assets in excess of \$9.8 million as of fiscal year ending 2005, and a strong current ratio of 2.05x. Casa Pacifica has successfully expanded services to those in need without adding significant long-term debt. Casa Pacifica's long-term debt to unrestricted net assets is a very low 0.01x. In addition, the proforma debt service coverage ratio is a solid 3.19x, indicating Casa Pacifica should comfortably be able to repay the proposed loan.

### **III. BACKGROUND:**

In the mid-1980s, a group of Ventura County citizens became concerned about the lack of services for children removed from homes by Child Protective Services. That concern evolved into a vision for a campus-based residential center offering a wide range of assessment, crisis care, medical care and educational services for abused and neglected children.

Casa Pacifica opened its doors to abused, neglected and severely emotionally disturbed children in the summer of 1994. During the first two years of operation, efforts focused on program implementation and on sorting out the roles of all participants in this unique public/private partnership. In 1996, the private school opened its doors to day students most of who were graduates of the residential treatment program but who still required a self-contained, special education school environment. In 1998, the "day school" program was expanded to incorporate an after-school component, in-home services, and family interventions including a parent support group. Meanwhile, the crisis care program (emergency shelter) was reconfigured to better segregate and supervise children by gender and age.

Today, Casa Pacifica's programs and services continue to expand. Children, who are in the residential treatment program, are placed in several Southern California counties. Day students come from school districts throughout Ventura County. Casa Pacifica has opened offices in two locations in Santa Barbara County to provide in-home therapeutic behavioral services. Combined community based services at the two locations comprise one-third of Casa Pacifica's annual budget, and will become a training center for professionals from around the region who wish to keep abreast of the latest interventions and therapeutic techniques.

### **Licenses and Contracts:**

Casa Pacifica's facilities are licensed by the California Department of Social Services for its group homes and the California Department of Health Services for its community clinic.

**IV. UTILIZATION STATISTICS:**

<b>Type of Service</b>	<b>Clients Served</b>			
	Three months ended September 30,*	Year Ended June 30,		
	2005	2005	2004	2003
Group Homes	216	589	426	356

\*The first quarter of fiscal year 2006 is lowest since there is no school revenue in August and many resident children visit family.

**V. OUTSTANDING DEBT:**

<b>Description</b>	<b>Original Amount</b>	<b>Amount Outstanding* As of 6/30/05</b>	<b>Estimated Amount Outstanding After Proposed Financing</b>
<b>Existing:</b>			
Note payable, 2001 Santa Barbara Bank & Trust Lease	\$199,202	\$70,838	\$70,838
Note payable, 2002 Toyota Financial Co.	32,693	11,211	11,211
Note Payable, 2004 MidState Bank & Trust	200,000	75,000	75,000
<b>Proposed:</b>			
CHFFA HELP II, 2005			500,000
<b>TOTAL DEBT</b>		<b>\$157,049</b>	<b>\$657,049</b>

\*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.



Casa Pacifica 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".

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

**VIII. 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.

**IX. 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.

**X. STAFF RECOMMENDATION:**

Staff recommends the Authority approve a resolution for a HELP II loan in an amount not to exceed \$500,000 for a term not to exceed 5 years for The Youth Connection of Ventura County dba Casa Pacifica, subject to the standard HELP II loan provisions.