

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“CHFFA”)  
STAFF SUMMARY AND RECOMMENDATION**

**Shasta Community Health Center (“SCHC”)**

**Amended Resolution Number HII-237**

**January 5, 2010**

**PURPOSE OF THE REQUEST:**

Staff requests the board to amend a resolution originally approved by the board at the April 30, 2009 Authority meeting. If approved by the board, this amended resolution will allow Shasta Community Health Center (“SCHC”) to change the permitted use of some of the loan proceeds previously approved by the board. Specifically, the amended resolution will allow SCHC to use more of the proceeds to purchase dental equipment. Upon board approval, staff will release the remaining balance of SCHC’s HELP II loan funds in the amount of \$371,000.

**BACKGROUND:**

At the April 30, 2009 meeting, the board approved Resolution No. HII-237 for a HELP II loan in the amount of \$750,000. Loan proceeds were approved to remodel an existing dental facility (in the amount of \$650,000) in the City of Shasta Lake and to purchase dental equipment (in the amount of \$250,000). SCHC agreed to use its own funds to cover the difference between the HELP II loan and the total cost of the project, plus financing costs (a difference of \$150,000).

According to SCHC’s management, favorable market conditions significantly reduced the construction costs of the proposed project. Accordingly, Authority staff has only disbursed \$379,000 of the original \$650,000 approved for remodeling the SCHC facility. SCHC has advised no remaining funds will be needed for renovation, but that additional monies are now needed for purchasing equipment for the newly renovated facility due to increases in the cost of the dental equipment. SCHC would like to use the remaining loan proceeds in the amount of \$371,000 for the acquisition of dental equipment to outfit the newly renovated seven operatories (includes such items such as x-ray equipment, oral cancer screening equipment, information technology, and other dental operatory equipment and fixtures). If approved by the board, staff will disburse the remaining funds for the acquisition of equipment.

A summary of the change of use in HELP II loan proceeds is shown below:

APPROVED HELP II LOAN AMOUNT:	\$750,000
HELP II FUNDS DISBURSED TO DATE:	<u>\$379,000</u>
REMAINING HELP II LOAN BALANCE:	<u>\$371,000</u>

<u>Sources of Funds</u>		<u>Uses of Funds</u>	
HELP II Loan	371,000	Equipment	391,500
Borrower Funds	<u>20,500</u>		
Total Sources	<u>\$391,500</u>	Total Uses	<u>\$391,500</u>

## **FINANCING STRUCTURE FOR THE SECOND DISBURSEMENT:**

- 5-year fixed rate loan.
- 180 equal monthly payments of approximately \$6,666 (yearly payments of about \$79,992).
- UCC-1 lien on equipment.
- Corporate gross revenue pledge.

## **FINANCIAL ANALYSIS:**

There has been no significant change in SCHC's financial condition since the April 2009 financial analysis was presented to the board. When this item was presented to the board in April of 2009, staff noted SCHC's income statements appeared to exhibit positive operating income during FY 2008 and that SCHC's financial strength appeared sound with good liquidity of approximately \$2.7 million in cash and \$16.1 million in total net assets. SCHC's proforma debt service coverage ratio is healthy at 11.05x. This ratio reflects the proposed change in use of funds. Staff concludes SCHC appears capable of repaying the entire \$750,000 HELP II loan.

## **RECOMMENDATION:**

Staff recommends the Authority approve amending the original resolution to change the project scope and to authorize the release of the remaining HELP II loan proceeds in the amount of \$371,000 for SCHC, subject to the standard HELP II loan provisions.