

**CHFFA HELP II LOAN PROGRAM  
EXECUTIVE SUMMARY**

<p><b>Applicant:</b> Contra Costa ARC (“CCARC”) 1340 Arnold Drive, Suite 127 Martinez, CA 94553 Contra Costa County</p> <p><b>Project Site:</b> Property located in Concord, CA 94520</p> <p><b>Facility Type:</b> Adult Day Program and Child Day Care Facility for Persons with Developmental Disabilities</p> <p><b>Eligibility:</b> Government Code section 15432(d)(10)(19)</p> <p><b>Prior HELP II Borrower:</b> Yes (2008, Balance outstanding as of October 31, 2017: \$219,495)</p>	<p><b>Amount Requested:</b> \$1,200,000</p> <p><b>Requested Loan Term:</b> 20-year fixed</p> <p><b>Authority Meeting Date:</b> December 7, 2017</p> <p><b>Resolution Number:</b> HII-308</p>
--	--

**Background:** CCARC is a licensed nonprofit organization that provides direct services and advocacy to assist individuals of all ages with developmental disabilities. CCARC’s mission is to enhance and enrich the lives of children with special needs and adults with intellectual and developmental disabilities, including autism, cerebral palsy, epilepsy, and similar conditions. The four primary types of programs that are provided by CCARC include family support and children’s services, employment services, Community Access Services, and transportation services. CCARC has multiple sites located in Castro Valley, Antioch, Concord, Richmond, and Martinez.

**Use of Loan Proceeds:** Loan proceeds will be used to finance the purchase of a commercial property to provide office space for administration and for the expansion of the ARC University training program. CCARC will provide day program services through the ARC Access program, which provides in-home services such as education skills, social skills, recreational skills, and personal health.

- Financing Structure:**
- First lien on real property located in Concord, CA 94520
  - 20-year, two percent (2%) fixed rate loan
  - 240 equal monthly payments of approximately \$6,070 (annual payments of approximately \$72,847)
  - A current appraisal that is acceptable to the Authority staff
  - Corporate gross revenue pledge
  - Loan to value ratio not to exceed 95% (estimated loan to value ratio is approximately 80%)
  - Verification of borrower funds to close escrow

**Financial Overview:** CCARC’s income statement appears to display strong operating results from FY 2015 to FY 2017 with increasing net assets each year. CCARC’s balance sheet appears strong with a FY 2017 pro-forma debt service coverage ratio of 6.8x.

<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>	
HELP II loan	\$ 1,200,000	Purchase real property	\$ 1,500,000
Thomas J. Long Foundation grant	300,000	Financing costs	16,500
Borrower's funds	<u>16,500</u>		
<b>Total Estimated Sources</b>	<b><u>\$ 1,516,500</u></b>	<b>Total Estimated Uses</b>	<b><u>\$ 1,516,500</u></b>

**Due Diligence:** Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through and Community Service Requirement documentation. All documentation satisfies the Authority’s requirements.

**Parties of Interest:** Chicago Title Company; 2051 Conca LLC

**Staff Recommendation:** Staff recommends approval of Resolution Number HII-308 for CCARC in an amount not to exceed \$1,200,000 for a term not to exceed 20 years, and contingent upon financing terms acceptable to the Authority. Macias Gini & O’Connell LLP, the Authority’s financial analyst, concur with the Authority’s staff recommendation.

**I. PURPOSE OF FINANCING:**

In 2011, CCARC created ARC Access (the “Program”) to provide innovative in-home services to persons with developmental disabilities who were unable to attend traditional day services due to health reasons. The Program, which was created in response to the closure of Agnews Developmental Center in San Jose, provides services to individuals who are transitioning into the community. With the scheduled closure of the Sonoma Developmental Center (“SDC”) by December 2018, CCARC is in need of expanding the Program. CCARC currently serves 35 individuals in the Program and is preparing to expand services by December 2019, to serve an additional 45 individuals who currently reside at SDC. CCARC’s Program will expand capacity by hiring additional staff, increase training programs, and securing office space for the additional administrative workload.

CCARC is seeking a HELP II loan in order to acquire a new facility to house the expansion of ARC Access services and for administrative training and oversight. The low-cost, fixed-rate HELP II loan will allow CCARC to maintain stability and longevity of its programs and operations as the alternative costs for leasing property continue to increase.

***Purchase Real Property*..... \$1,200,000**

Loan proceeds, along with grant funds from the Thomas J. Long Foundation<sup>1</sup> (the “Foundation”), will be used to purchase a commercial property located in Concord, CA. The 6,232 square foot facility will be used for office space for administration, record keeping, monthly staff training, and the expansion of the ARC University training program. CCARC provides training to its staff as well as staff from approximately 13 other agencies that provide services to individuals with developmental disabilities. CCARC anticipates the expanded Program will allow CCARC to double the number of staff trained in FY 2016 to approximately 1,100 people.

The HELP II loan will be secured by a first (1<sup>st</sup>) lien position on the property. An appraisal will be completed prior to closing to ensure a loan-to-value ratio of less than 95%. CCARC estimates the value of the property at \$1.5 million, resulting in an estimated loan-to-value ratio of 80%.

***Financing Costs*..... 16,500**

Authority Fees .....	\$15,000
Estimated Escrow/Title Fees .....	1,500

**Total Uses of Funds ..... \$1,216,500**

---

<sup>1</sup> The Foundation, named and created by the co-founder of the Longs Drug Store chain, invests in areas of education, services for seniors, services for individuals with disabilities, and the safety net to benefit the most vulnerable residents of Alameda and Contra Costa counties. CCARC was awarded a grant in the amount of \$2,315,000 over four years, from December 15 2015 to December 15, 2019, to be used for CCARC’s “Preparing for the Future” program, which includes, among other projects, the expansion and enhancement of existing services. The purchase of a building to expand the ARC University training program was outlined as an objective of expanding and enhancing existing services.

## II. FINANCIAL STATEMENTS AND ANALYSIS:

**Contra Costa ARC, Inc.**  
**Statement of Activites**  
**(Unrestricted)**

	<b>As of June 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Revenue and Other Support:</b>			
Fees and grants from government agencies	\$ 16,252,996	\$ 15,862,460	\$ 16,988,116
Contributions	412,100	156,208	42,080
United Way	-	-	299
Thrift and consignment store sales	185,815	169,527	168,584
Production contracts	1,869,324	2,024,309	1,749,095
Interest	1,128	18	34
Special events	22,076	30,471	35,190
In-kind facility space	432,000	432,000	432,000
Loss on disposal of fixed assets	(8,809)	-	-
Other	98,122	107,793	(15,705)
Total revenue and other support	<u>19,264,752</u>	<u>18,782,786</u>	<u>19,399,693</u>
Restrictions satisfied by payments	<u>538,005</u>	<u>374,061</u>	<u>14,479</u>
Total revenue and other support with restrictions satisfied by payments	<u>19,802,757</u>	<u>19,156,847</u>	<u>19,414,172</u>
<b>Expenses</b>			
Salaries	10,944,546	10,163,186	10,633,290
Employment benefits	1,431,934	1,377,737	1,429,263
Retirement plan	85,240	88,303	91,521
Payroll taxes	912,677	907,506	932,527
Travel and training	108,828	121,320	124,623
Occupancy	1,993,121	1,957,285	1,910,111
Communications	142,668	168,523	158,266
Supplies	348,995	367,107	381,417
Equipment rental and maintenance	183,471	192,527	201,593
Vehicle expense and repairs	400,035	438,272	446,048
Professional and outside services	667,003	615,171	844,120
Fundraising	10,763	8,219	8,881
Production contract costs	1,381,977	1,573,425	1,362,852
Bad debt expense	-	116,000	-
Licenses and taxes	35,641	20,485	22,327
Total expenses before interest and depreciation	<u>18,646,899</u>	<u>18,115,066</u>	<u>18,546,839</u>

**(Continued)**

	<b>As of June 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Interest	26,157	31,364	38,473
Depreciation	339,583	416,508	444,293
Total program and supporting service expense	19,012,639	18,562,938	19,029,605
Total increase in net assets	790,118	593,909	384,567
Net Assets, beginning of year	4,545,421	3,951,512	3,566,945
Net assets, end of year	<u>\$ 5,335,539</u>	<u>\$ 4,545,421</u>	<u>\$ 3,951,512</u>

**Net service revenues for FYE June 30,**

<b><u>Payor Source</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Fees for services (Regional Centers)	85%	73%
Production contracts	10%	9%
Contributions	4%	4%
Grants	1%	14%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**(INTENTIONALLY LEFT BLANK)**

**Contra Costa ARC, Inc.**  
**Statement of Financial Position**

	As of June 30,		
	2017	2016	2015
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 4,079,466	\$ 2,208,532	\$ 1,128,021
Certificate of deposit	30,912	30,868	30,850
Accounts receivable, net	1,910,985	2,096,494	2,204,583
Unconditional promises to give receivable, net current portion	931,500	723,000	-
Other receivable	118,673	74,673	65,873
Prepaid expenses	198,431	239,701	195,784
Total current assets	7,269,967	5,373,268	3,625,111
Unconditional promises to give receivable, less current portion	478,000	1,483,500	-
Fixed Assets, net:			
Building	366,770	366,770	366,770
Building improvements	258,310	258,310	196,822
Land	244,513	244,513	244,513
Equipment and furniture	2,608,426	2,484,690	2,385,754
Leasehold improvements	2,659,469	2,609,054	2,523,318
Less accumulated depreciation	(4,031,123)	(3,854,976)	(3,450,743)
Total noncurrent assets	2,106,365	2,108,361	2,266,434
Other Assets:			
Lease deposits and advances	57,352	56,867	70,453
Total assets	\$ 9,911,684	\$ 9,021,996	\$ 5,961,998

**(Continued)**

	As of June 30,		
	2017	2016	2015
<b>Liabilities and Net Assets</b>			
Current Liabilities:			
Accounts payable	\$ 211,288	\$ 226,472	\$ 318,637
Accrued wages	1,086,520	440,548	568,536
Accrued vacation	560,641	535,299	496,886
Payroll and sales taxes payable	85,504	38,574	38,000
Other accrued expenses	8,732	11,696	14,070
Current portion of other notes payable and capital leases payable	-	28,500	69,397
Current portion of mortgages payable	36,895	35,806	34,749
Total current liabilities	<u>1,989,580</u>	<u>1,316,895</u>	<u>1,540,275</u>
Deferred rent	23,076	21,291	18,897
Other notes payable and capital lease payable, less current portion	-	-	61,458
Mortgages payable, less current portion	194,776	231,671	267,477
Total long-term liabilities	<u>217,852</u>	<u>252,962</u>	<u>347,832</u>
Total liabilities	<u>2,207,432</u>	<u>1,569,857</u>	<u>1,888,107</u>
Net Assets:			
Unrestricted	5,335,539	4,545,421	3,951,512
Temporarily restricted	2,368,713	2,906,718	122,379
Total net assets	<u>7,704,252</u>	<u>7,452,139</u>	<u>4,073,891</u>
Total liabilities and net assets	<u>\$ 9,911,684</u>	<u>\$ 9,021,996</u>	<u>\$ 5,961,998</u>

	<b>Proforma</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>FYE June 30, 2017</b>			
Debt Service Coverage - Operating	7.08	12.78	7.69	4.99
Debt to Unrestricted Net Assets (x)	0.27	0.04	0.07	0.11
Margin (%)		1.31	1.17	1.91
Current Ratio (x)		3.65	4.08	2.35

## **Financial Discussion – Statement of Activities (Income Statement)**

**CCARC’s income statement appears to display strong operating results from FY 2015 to FY 2017 with increasing net assets each year.**

CCARC has exhibited consistent growth in net assets over the review period, from approximately \$385,000 in FY 2015 to approximately \$790,000 in FY 2017. CCARC’s total revenue appears to dip slightly from approximately \$19.4 million in FY 2015 to approximately \$18.8 million in FY 2016, but rebounds to approximately \$19.3 million in FY 2017. According to CCARC’s management, the decrease in total revenues was due to State of California (the “State”) budget cuts in the public school system and changing the eligibility requirements for children to receive intervention services, which resulted in a decrease in children receiving services. Inadequate reimbursement rates also led to the closure of the Lynn Center Early Intervention Program (“LCEIP”) in Brentwood. In FY 2015, CCARC restructured and consolidated its service sites and employees to address the decrease in revenue. The increased revenues in FY 2017 was primarily due to funds received from the Foundation grant and from increased provider rates from the Department of Developmental Services.

Total expenses decreased from approximately \$19 million in FY 2015 to approximately \$18.6 million in FY 2016, but increased back to \$19 million in FY 2017. The largest contribution to total expenses is salaries, which dropped from approximately \$10.6 million in FY 2015 to approximately \$10.2 million in FY 2016. According to CCARC’s management, the decrease in salaries was due to the restructuring and consolidation in FY 2015; however, salaries have increased to approximately \$10.9 million in FY 2017 with new growth in CCARC’s programs.

### **Particular Facts to Note:**

- Production contracts increased approximately 15% from FY 2015 of approximately \$1.7 million to FY 2016 of approximately \$2 million, but decreased approximately 7.7% in FY 2017 to approximately \$1.9 million. According to CCARC’s management, the fluctuation is normal due to the flow of employment contracts in its Commercial Support Services, which provides job placement and job coaching in various assembly, packaging, and direct mail business operations.
- In FY 2016, there is a single anomaly of approximately \$116,000 in bad debt expense. According to CCARC’s management, the \$116,000 was due to a grant specific allowance that was recorded as a bad debt to offset the expense.

## **Financial Discussion – Statement of Financial Position (Balance Sheet)**

### **CCARC's balance sheet appears strong with a FY 2017 pro-forma debt service coverage ratio of 7.08x.**

CCARC's total assets increased from approximately \$6 million in FY 2015 to approximately \$9.9 million in FY 2017. CCARC's total assets increased primarily due to a grant from the Foundation awarded in FY 2015 in the amount of \$2.3 million. The grant funds are being used toward the expansion of program services and capital expansion to increase service capacity for children and adults.

CCARC has demonstrated an ability to repay its debt with its debt service coverage ratio increasing from 5x in FY 2015 to 12.78x in FY 2017. With the new HELP II loan, CCARC's FY 2017 pro-forma debt service coverage ratio would decline to a still strong 7.08x. CCARC has steadily paid down its long-term debt as demonstrated by the decreasing debt-to-unrestricted net assets ratio from 0.11x in FY 2015 to 0.04x in FY 2017. CCARC has only one outstanding long-term debt obligation as of FY 2017, which is a HELP II loan approved in 2008. Approval of the second HELP II loan would increase CCARC's FY 2017 pro-forma debt-to-unrestricted net assets ratio to 0.27x.

### **Particular Facts to Note:**

- CCARC has a receivable for unconditional promises to give, which is grant funding awarded by the Foundation for the following projects: infrastructure and capacity building, expansion and enhancement of existing services, start-up of new services, and new paths to employment for individuals with developmental disabilities. The long-term unconditional promises to give receivable decreased from approximately \$1.5 million in FY 2016 to approximately \$478,000 in FY 2017 as CCARC spends down the grant funds.
- Cash and Cash equivalents have increased over 250% from approximately \$1.1 million in FY 2015 to approximately \$4.1 million in FY 2017. According to CCARC's management, the increase in cash and cash equivalents was due to the increase in enrollment after the restructuring and consolidating program services and sites. CCARC was able to focus on the current programs, which resulted in increased referrals and increased requests for services. CCARC also remodeled its LCEIP in Pittsburg, which contributed to increased program enrollment.
- Temporarily restricted net assets increased significantly from approximately \$122,000 in FY 2015 to approximately \$2.9 million in FY 2016. According to CCARC's management, the large increase was due to expenditures from the Foundation grant.



**EXHIBIT 1**  
**UTILIZATION STATISTICS**

**Clients Served**  
**Fiscal Year Ended June 30,**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Totals</b>	1,031	1,010	1,120

**EXHIBIT 2**  
**OUTSTANDING DEBT**

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding As of June 30, 2017<sup>a</sup></u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b><i>-EXISTING LONG-TERM DEBT:</i></b>			
CHFFA HELP II Loan	\$ 523,000	\$ 231,671	\$ 231,671
<b><i>PROPOSED NEW DEBT</i></b>			
CHFFA HELP II Loan (2017)			1,200,000
<b><i>TOTAL DEBT</i></b>		<u><u>\$ 231,671</u></u>	<u><u>\$ 1,431,671</u></u>

<sup>a</sup> Includes current portion of long-term debt.

## EXHIBIT 3

### BACKGROUND AND LICENSURE

#### Background

CCARC is a licensed nonprofit organization that provides direct services and advocacy to assist individuals of all ages with developmental disabilities. CCARC's mission is to enhance and enrich the lives of children with special needs and adults with intellectual and developmental disabilities, including autism, cerebral palsy, epilepsy, and similar conditions. The four primary types of programs that are provided by CCARC include family support and children's services, employment services, Community Access Services, and transportation services. CCARC has multiple sites that extends from Castro Valley, Antioch, Concord, Richmond, and Martinez.

CCARC has four types of program components, which include:

- **Family Support and Children Services** – Provides early intervention services for children up to age six years in preschool, home, community, and clinical settings. Intervention services are specialized for children with communication and social delays, children with developmental delays or at risk of delays, and children with social-emotional and behavioral challenges. Services also include the Care Parent Network (“CARE”), is a parent-directed family resource center for parents of children with special needs and afterschool program for working parents with students with special needs.
- **Community Access Services** – Provides individualized services that promote participation in a wide variety of community activities for adults with severe and multiple disabilities. Activities aim to promote independence and contribute to the community through volunteer or paid work.
- **Transportation Services** – Provides transportation between consumers' residence and consumer' day program or work site.
- **Employment Services** – Through fee for service agreements with the State Department of Rehabilitation and the Regional Center of the East Bay, Commercial Support Services (“CSS”) Work Services operates assembly, packaging, and direct mail businesses. CSS provides job placement, job coaching, and follow along support for successful employment for over 175 adults with developmental disabilities working in over 100 companies throughout Contra Costa County.

#### Licensure, Certification, and Accreditation

CCARC is licensed by the California Department of Social Services to operate Adult Day Programs, Infant Centers, and School Age Centers.

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**

**The HELP II Loan Program**

**Resolution Number HII-308**

**RESOLUTION APPROVING EXECUTION AND DELIVERY OF  
HELP II LOAN PROGRAM AGREEMENTS WITH CERTAIN  
PARTICIPATING HEALTH INSTITUTIONS**

WHEREAS, the California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the provisions of the California Health Facilities Financing Authority Act (the “Act”) to provide secured or unsecured loans to participating health institutions to refinance existing debt and finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, or equipping of a health facility;

WHEREAS, the Authority established the HELP II Loan Program (the “Program”) to provide loans to participating health institutions as authorized by the Act;

WHEREAS, **Contra Costa ARC** (the “Borrower”), a California participating health institution, has applied to the Authority for a loan through the Program, and the application has been reviewed by the staff of the Authority; and

WHEREAS, approval of the loan by the Authority is now sought;

NOW THEREFORE BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. Pursuant to the Act, the Authority approves a loan to the Borrower in an amount not to exceed **\$1,200,000** for a term not to exceed **20 years** for the purpose described in the application filed with the Authority (the “Project”), but solely to the extent there are available proceeds of the Program, as determined pursuant and subject to Section 2 hereof. This approval is further contingent upon the following conditions:

1. 20-year, two percent (2%) fixed rate loan;
2. First lien position on real property located in Concord, CA 94520;
3. A current appraisal that is acceptable to Authority staff;
4. Corporate gross revenue pledge;
5. Loan to value ratio not to exceed 95%; and
6. Verification of Borrower’s funds to close escrow.

Section 2. The Executive Director is hereby authorized, for and on behalf of the Authority, to determine the final amount, terms and conditions of the loan, and to approve any changes in the Project described in the application submitted to the Authority, as said officer shall deem appropriate and authorized under the Act (provided that the amount of the loans may not be increased above the amount approved by the Authority and provided further that the loans continue to meet the Authority's guidelines for HELP II loans). Nothing in this resolution shall be construed to require the Authority to obtain any additional funding, even if more loans are approved than there is available funding. Any notice to the Borrower shall indicate that the Authority shall not be liable to the Borrower in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 3. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Program fund not to exceed those amounts approved by the Authority for the Borrower. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Borrower any and all documents necessary to complete the transfer of funds.

Section 4. The Executive Director of the Authority is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Executive Director deems necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby, and which have heretofore been approved as to form by the Authority.

Section 5. This resolution expires six months from the date of approval.

Date of Approval: \_\_\_\_\_