CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY ("Authority")
EXECUTIVE SUMMARY AND RECOMMENDATION

TLC Child & Family Services ("TLC")

Reinstatement of Resolution Number 359

August 25, 2011

PURPOSE OF THE REQUEST:

TLC Child & Family Services ("TLC") is seeking the Authority's approval to reinstate Resolution Number 359 to extend the expiration date of the resolution by six months. The original resolution was previously approved for $3 million at the January 6, 2011 board meeting and has since expired on June 6, 2011.

BACKGROUND:

At the January 6, 2011 board meeting, the Authority approved Resolution Number 359, which authorized TLC to offer bonds in the tax-exempt market in an amount not to exceed $3 million. Bond proceeds were approved to current refund the CHFFA 2000 Series A Bonds and a 1997 City of Sebastopol Certificate of Participation, fund debt service reserve funds, and pay the costs of issuance, including the fees and premiums associated with Cal-Mortgage insurance. TLC has not issued the bonds because of the current financial market conditions, more specifically the increase in interest rates experienced since the board approval. Thus, interest rates have not decreased to a point sufficient enough to meet Cal-Mortgage's interest savings requirement of 4%. TLC is requesting the reinstatement of the resolution for the opportunity to issue debt as interest rates decline to a point sufficient to allow refunding.

FINANCIAL OVERVIEW:

Staff has received the updated audited (as of December 31, 2010) and unaudited interim financial statements (as of June 30, 2011) for TLC. TLC's audited income statement appears to reflect improvements over the review period with operating margins changing from .32% in FY 2008 to 3.13% in FY 2010. According to TLC's financial advisor, the improvements can be primarily attributed to higher demand for housing services causing residential housing revenue to increase by about 42% from FY 2009 to FY 2010, and TLC's efforts to decrease expenses by reducing personnel costs through staff reductions and salary freezes. TLC's financial strength appears to be sound with a proforma debt service coverage ratio of 1.64x. TLC's unaudited interim financial statements show that TLC has a 4.45% operating margin, exhibiting that they are continuing to improve for the sixth month period of FY 2011.

RECOMMENDATION:

Staff recommends the reinstatement of Resolution Number 359 for TLC Child & Family Services. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, the Authority's financial advisor concur with the Authority's staff recommendation.