

# **CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“Authority”)**

## **HELP II Loan Program Gross Revenue Cap Review August 25, 2011**

### **BACKGROUND:**

At the June 30, 2011 Authority meeting, the Chair requested staff to review the current \$30 million maximum gross revenue cap for the HELP II Loan Program (“Program”) and to make a recommendation whether or not to increase the current cap for the Program.

The Program’s current guidelines state that only health facilities with annual gross revenues of no more than \$30 million are eligible for a loan of up to \$750,000<sup>1</sup>. Over the last four years, CHFFA has granted only three exceptions<sup>2</sup> (approximately 7% or less over the cap) allowing borrowers with revenues exceeding the gross revenue cap to get loans under the Program. Of the three exceptions, Vista Community Clinic accounted for two of the occurrences. Staff considers these requested exceptions to represent a relatively small number of exceptions.

Staff notes the Program was designed to help “small” and rural health facilities and district hospitals obtain adequate financing for their capital needs. The Authority has not previously further defined or elaborated upon the term “small,” but for comparison’s sake staff offers data from the Small Business Administration (SBA). Staff reviewed SBA rules to determine what the SBA deems “small” based on their official size standards, and found that their revenue caps for related organizations ranged between \$7 million and \$25.5 million. Based on these observations and the relatively small number of historical exceptions to the Authority’s Program, staff is comfortable with maintaining the Program’s gross revenue cap of \$30 million.<sup>3</sup>

### **STAFF RECOMMENDATION:**

Staff does not recommend the Authority increase the gross revenue cap from its current level of not more than \$30 million.

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<sup>1</sup> District hospitals and projects located in rural areas are exempt from this guideline.

<sup>2</sup> The three exceptions include, (1) May 2010 exception request by Venice Family Clinic (VFC). VFC’s gross revenues were approximately \$32 million and VFC had approximately \$12.5 million of in-kind contributions and (2) September 2010 and June 2011 exception requests by, Vista Community Clinic (VCC). VCC’s gross revenues were approximately \$30.1 million in FY 2010 and \$31 million in FY 2011 of which \$1.5 million of both fiscal years represented a grant for a specific purpose (i.e., to expand its Grapevine clinic and develop an Electronic Medical Records system).

<sup>3</sup> Staff is also checking in with the California Primary Care Association to get their thoughts on the Authority’s gross revenue cap and will provide any updates at the upcoming August 25, 2011 Authority meeting.