

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Program

EXECUTIVE SUMMARY

Applicant: Samuel Dixon Family Health Center, Inc. ("SDFHC") 30257 San Martinez Road Val Verde, California Los Angeles County		Amount Requested: \$120,000	Requested Loan Term: 10 years	Date Requested: Sept. 26, 2002	Resolution Number: HII-128
Project Site: 30257 San Martinez Road, Val Verde, California					
Facility Type: Community Clinic					
Policy Issue: Current HELP II guidelines specify that all applicants submit three years of audited financial statements to be considered for HELP II financing. Although SDFHC has only one year of audited financial statements, staff recommends approval for the reasons outlined on the following page.					
Use of Loan Proceeds: Loan proceeds will be used to refinance an existing loan with a balloon payment due in October 2002. In addition, SDFHC will use loan funds to renovate its reception area and purchase equipment. The refinancing portion of this HELP II loan will save SDFHC approximately \$3,000 per year in comparison to the current loan payments.					
Type of Issue: HELP II Loan					
Prior HELP II Borrower: No					
Financial Overview: SDHFC's financial position is stable with consistent profitability. Further aiding stability is SDHFC's strong market presence in the Santa Clarita Valley. SDHFC's balance sheet remains strong with good liquidity and a strong projected debt service coverage ratio.					
Sources of Revenue: (FYE 6-30-02)		<u>Amount</u>	<u>Percent</u>		
	Contracts and grants	\$514,873	61.1%		
	Contributions	72,559	8.6%		
	Contributions in-kind	99,548	11.8%		
	Patient revenue	64,882	7.7%		
	United Way	25,115	3.0%		
	Other income	<u>65,862</u>	<u>7.8%</u>		
	Total revenue and support	<u>\$842,839</u>	<u>100.0%</u>		
<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>			
	HELP II Loan	\$120,000	Refinance existing loan	\$80,000	
	Borrower's Funds	6,000	Renovation	25,000	
			Equipment	15,000	
			Financing Costs	<u>6,000</u>	
	Total Sources	<u>\$126,000</u>	Total Uses	<u>\$126,000</u>	
Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.					
Staff Recommendation: Staff recommends the Authority approve a resolution for a HELP II Loan in an amount not to exceed \$120,000 for a term not to exceed 10 years for Samuel Dixon Family Health Center, Inc., subject to a final appraised value on the Val Verde property satisfactory to the Authority and the standard HELP II loan provisions.					

STAFF SUMMARY AND RECOMMENDATION

Samuel Dixon Family Health Center, Inc.

September 26, 2002

Resolution Number: HII-128

POLICY ISSUE: HELP II Loan Program guidelines provide that the borrower submit three years of audited financial statements. SDFHC has only one year of audited financial statements, fiscal year ending June 30, 2002. Staff recommends an exception to the HELP II loan policy since SDFHC has two years of financial reviews which are unaudited, but have been completed by a certified public accountant firm for fiscal years 2000 and 2001. In addition, SDFHC will continue to provide the Authority future audited financial statements each fiscal year during the life of the HELP II loan as required by the Loan and Security Agreement.

I. PURPOSE OF FINANCING: SDFHC seeks to refinance a line of credit with a balloon payment due in October 2002 on its Val Verde property. In addition, SDFHC proposes to renovate its reception area and purchase equipment. This project will provide additional capacity to meet the increasing demand for its services.

***Refinance existing loan on the Val Verde property*.....\$80,000**

Loan proceeds will be used to refinance an existing loan with a balloon payment due in October 2002. The property was purchased in October 1992 for \$105,000. The interest rate on this note is 10% and the estimated loan balance is approximately \$80,000. The annual savings are estimated to be approximately \$3,000 per year, due to the lower interest rate. SDHFC is in the process of having the property appraised and the estimated “as-is” value is \$150,000. The appraised value on the property must be satisfactory to the Authority’s policies of a loan to value ratio that does not exceed 95%.

***Renovation of existing facility*25,000**

Currently, the reception area is deteriorating and in need of renovation. SDFHC seeks to enlarge its reception area by 70 to 80 square feet, installing energy efficient doors and windows and replacing the carpets with linoleum.

***Equipment*15,000**

Equipment purchases include an integrated telephone system, computers, office furniture and dental equipment.

***Financing Costs* 6,000**

Authority Fee\$1,500

Title/escrow fees4,500

***Total*.....\$126,000**

Financing structure:

- 10-year fully amortized loan term in the amount of \$120,000.
- 120 equal monthly payments of approximately \$1,159 (total annual payments of \$13,908).
- Total interest payments of approximately \$19,048.
- A first position lien on the property located at 30257 San Martinez Road, Val Verde California.
- UCC-1 on equipment purchase.
- Corporate gross revenue pledge.
- Maximum loan to value ratio of 95%.

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II. FINANCIAL STATEMENTS AND ANALYSIS:

Samuel Dixon Family Health Center, Inc.
Statement of Activities
Unrestricted

	One Month Period Ended	For the Year Ended June 30		
	July 2002 (Unaudited)	2002	2001 (Unaudited) (1)	2000 (Unaudited) (1)
REVENUE AND SUPPORT				
Contracts and grants	\$ 38,992	\$ 514,873	\$ 339,477	\$ 427,587
Contributions	4,864	72,559	97,309	56,897
Contributions in-kind	-	99,548	51,950	-
Patient revenue	4,553	64,882	51,389	36,604
United Way	-	25,115	27,390	30,000
Other income	6,648	24,544	34,094	19,318
Net assets released from program restrictions	-	41,318	-	-
Total revenue and support	<u>55,057</u>	<u>842,839</u>	<u>601,609</u>	<u>570,406</u>
EXPENSES				
Salaries	37,498	387,220	348,595	247,382
Payroll taxes and employee benefits	4,493	46,118	39,314	26,841
Supplies - pharmacy	194	104,432	17,743	4,507
Depreciation	-	45,178	21,054	10,404
Insurance	477	29,360	22,447	19,888
Consultant and contractual services	151	28,773	15,945	16,101
Rent	600	25,104	18,815	-
Supplies - laboratory	-	16,268	13,657	7,406
Miscellaneous	192	14,049	4,790	6,258
Supplies - medical	904	11,512	9,666	28,676
Janitorial service	665	9,517	7,415	5,174
Equipment repair	5,490	9,482	3,772	4,072
Supplies - office	115	8,514	11,352	5,201
Telephone	219	6,793	6,356	3,433
Utilities	509	5,791	4,426	2,620
Interest	355	4,766	9,052	9,482
Other	228	10,889	13,101	14,656
Total expenses	<u>52,090</u>	<u>763,766</u>	<u>567,500</u>	<u>412,101</u>
Increase in net assets	2,967	79,073	34,109	158,305
Unrestricted net assets, beginning of year	<u>431,641</u>	<u>352,568</u>	<u>318,459</u>	<u>160,154</u>
Unrestricted net assets, end of year	<u>\$ 434,608</u>	<u>\$ 431,641</u>	<u>\$ 352,568</u>	<u>\$ 318,459</u>

(1) FY 2000 and 2001 were not audited because of the cost.

Samuel Dixon Family Health Center, Inc.
Balance Sheet

	As of July 31, 2002	As of June 30		
	(Unaudited)	2002	2001 (Unaudited) (2)	2000 (Unaudited) (2)
ASSETS				
Cash	\$ 78,357	\$ 85,662	\$ 56,292	\$ 119,653
Accounts receivable	188,019	190,995	48,190	31,526
Prepaid expenses	40,117	27,242	43,601	54,438
Property and equipment	293,512	293,512	316,520	276,816
Total Assets	<u>\$ 600,005</u>	<u>\$ 597,411</u>	<u>\$ 464,603</u>	<u>\$ 482,433</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 10,309	\$ 10,697	\$ 3,908	\$ 34,732
Accrued liabilities	12,437	12,925	15,601	31,360
Accrued unemployment liability	2,500	2,500	2,500	2,500
Note payable	80,210	80,966	90,026	95,382
Other	1,259	-	-	-
Total liabilities	<u>106,715</u>	<u>107,088</u>	<u>112,035</u>	<u>163,974</u>
Net assets				
Unrestricted	434,608	431,641	352,568	318,459
Temporarily restricted	58,682	58,682	-	-
Total net assets	<u>493,290</u>	<u>490,323</u>	<u>352,568</u>	<u>318,459</u>
Total liabilities and net assets	<u>\$ 600,005</u>	<u>\$ 597,411</u>	<u>\$ 464,603</u>	<u>\$ 482,433</u>

Financial Ratios:

	Proforma (1) FYE 2002			
Debt Service Coverage (x)	14.45	17.08	4.93	13.67
Debt/Unrestricted Net Assets (x)	.22	.15	.26	.30
Margin (%)		15.28%	5.67%	27.75%
Current Ratio (x)		22.87	21.11	7.08

(1) Recalculates June 2002 audited results to include the impact of this financing.

(2) FY 2000 and 2001 were not audited because of the cost.

Financial Discussion:

SDFHC's financial position is stable with consistent profitability over our review period. Further aiding stability is SDFHC's strong market presence in the Santa Clarita Valley.

SDFHC's financial position is stable with consistent profitability supported by a strong demand for its services. Since fiscal 2000, SDFHC has experienced steady revenue growth of over 20% as a result of increased in patient visits. Patient revenue consists of Medi-Cal, Medicare, private insurance and self-pay, with most of SDFHC's revenues being generated from government contracts and grants. In fiscal 2000, contract and grants revenue reflected a Community Development Block Grant of approximately \$150,000 that was used to open a second clinic in Canyon Country. In fiscal 2002, SDFHC was awarded over \$200,000 in grants, \$100,000 of which was provided by the Authority through the Cedillo-Alarcón Investment Act of 2000. The grants will be used to construct a building addition to house its administration staff and open two dental operatories at its Val Verde site.

SDFHC's balance sheet remains strong with good liquidity and a strong projected debt service coverage ratio.

SDFHC's balance sheet is solid with good liquidity, minimal long-term debt, and significant net assets. SDFHC's strong liquidity is seen in its \$85,000 cash position. SDFHC's net assets continue to grow, and with minimal long-term debt. Its debt-to-net assets ratio is low at 0.15. SDFHC is able to expand its operations with minimal increases in its long-term debt. With the proposed HELP II loan financing, debt service coverage ratio will remain strong at 14.45x, indicating SDFHC's ability to meet future debt service payments.

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III. UTILIZATION STATISTICS:

Samuel Dixon Family Health Center, Inc.				
Patient Visits				
(calendar year)				
8 Months				
Ended Aug. 31				
<u>Type of Service</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Medicare	60	42	47	6
Medi-Cal	390	499	374	428
CHDP	441	712	594	691
EAPC	1,301	966	1,477	538
Other State Program	731	1,023	669	376
Private Insurance	17	243	67	267
Patient Pay	1,633	1,258	1,065	1,423
Non Pay/Free	27	33	52	225
All Other	41	93	82	81
Total	4,641	4,869	4,427	4,035

IV. ORGANIZATION:

Background: Samuel Dixon Family Health Center, Inc. was founded by the Reverend Samuel Dixon of Val Verde and began providing primary care services in August 1980. The mission of SDFHC is to enhance the quality of healthcare in the Santa Clarita Valley with special emphasis on the low-income and underserved of the area. Cultural services are provided by a bilingual staff and include a range of primary care services. Common health problems treated include diabetes, hypertension and anemia. Preventative health screens are provided, including immunization, physicals for adults and children, women's health care and testing for HIV and other sexually transmitted diseases. In September 2000, SDFHC opened a second clinic in Canyon Country.

Licenses: SDFHC is licensed as a community clinic with the Department of Health Services.

Competition: Northeast Valley Valencia Center operates the local county health department clinic and sees primarily Medi-Cal patients. SDFHC's patients are primarily the uninsured using a sliding fee schedule. Approximately 54% of SDFHC's patients are self-pay.

<u>Health Facility</u> <u>Location</u>	<u>Patient</u> <u>Visits</u>	<u>Market Share</u> <u>(%)</u>	<u>Estimated</u> <u>Distance Away</u>
Northeast Valley Valencia Center	11,383	70%	5 miles
Samuel Dixon Family Health Center, Inc.	4,869	30%	N/A

V. OUTSTANDING DEBT:

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding As of 6/30/02</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
Existing:			
Valencia National Bank, 1992	\$105,000	\$80,966	\$-0-
Proposed:			
CHFFA HELP II Loan, 2002		N/A	120,000
TOTAL DEBT		\$80,966	\$120,000

VI. SECTION 15438.5 OF THE ACT:

Annual savings of approximately \$3,000 per year resulting from the refinance portion of this proposed financing will contribute to SDFHC’s long-term viability and provide additional services to an average of 40 non-pay clients per year.

VII. 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.

VIII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a resolution for a HELP II Loan in an amount not to exceed \$120,000 for a term not to exceed 10 years for Samuel Dixon Family Health Center, Inc., subject to a final appraised value on the Val Verde property satisfactory to the Authority and the standard HELP II loan provisions.