

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Program

EXECUTIVE SUMMARY

<p>Applicant: Lake County Tribal Health Consortium, Inc. (LCTH) 925 Benvins Court Lakeport, California 95453 Lake County</p> <p>Project Site: 2255 East Highway 20, Nice, CA 95464</p> <p>Facility Type: Community Clinic</p>	<p>Amount Requested: \$400,000</p> <p>Requested Loan Term: 15 years</p> <p>Date Requested: February 27, 2003</p> <p>Resolution Number: HII-141</p>																								
<p>Use of Loan Proceeds: HELP II Loan proceeds and \$1 million from a HealthCAP loan will be used to purchase a 110 acre property which is currently in escrow. Six different tribes will be providing LCTH grant funds totaling approximately \$3.8 million to renovate several existing buildings on site, plus construction of a 20,000 square foot building on this purchased land.</p>																									
<p>Type of Issue: HELP II Loan</p> <p>Prior HELP II Borrower: No</p>																									
<p>Financial Overview: LCTH's income statement exhibits profitability for fiscal years 2000, 2001 and 2002. LCTH's balance sheet remains strong with good liquidity and a satisfactory projected debt service coverage ratio.</p>																									
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<p>* Loan application in underwriting, pending National Cooperative Bank Development Corporation approval</p>																									
<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.</p>																									
<p>Staff Recommendation: Staff recommends the Authority approve a resolution for a HELP II Loan in an amount not to exceed \$400,000 for a term not to exceed 15 years for Lake County Tribal Health Consortium, Inc., subject to a final appraised value on subject property satisfactory to the Authority, final approval of the HealthCAP loan, satisfactory evidence that the facility will receive the grant monies from the tribes and the standard HELP II loan provisions.</p>																									

**STAFF SUMMARY AND RECOMMENDATION
Lake County Tribal Health Consortium, Inc.**

**February 27, 2003
Resolution Number: HII-141**

I. PURPOSE OF FINANCING: LCTH purposes to use HELP II loan funds and \$1 million in HealthCAP loan funds to purchase 110 acres in Nice, California. This will allow for the expansion of existing services along with offering new services to its patients. LCTH belongs to a consortium of tribes in Lake County which will donate grant monies for the construction of new facilities on this newly purchased land. The tribes will benefit from this purchase and construction by expanding not only the medical and dental programs, but will also offer a large variety of support programs. One of the new programs will be a twelve-step program for alcohol and drug healing youth prevention program.

***Acquisition of the property*\$1,600,000**

This will be funded by a combination of a HELP II loan, HealthCAP loan and borrower funds. The property is located between Highway 20 and Highway 29 in Nice, California. The purchase includes thirteen buildings that are approximately 50 years old. The purchase of the property is currently in escrow.

***Construction*3,800,000**

Construction will be funded by grant funds received from the tribes. Most grant funds will be received this fiscal year ending June 30, 2003, with the balance in the following fiscal year. Eight of thirteen buildings will be remodeled and the remaining five will be demolished. A new 20,000 square foot one story building will be constructed on this site. This new building will be used for: (1) administration, 20%, (2) medical, 40% and, (3) dental 40%. The total square footage of the buildings on the new site will total approximately 30,000, including the renovated buildings. Construction and renovation is expected to begin in June of 2003 and the estimated completion date is December of 2003.

***Financing Costs*32,000**

 Estimated NCBDC's fees\$20,000

 Authority fee5,000

 Title/escrow fees7,000

***Total*\$5,432,000**

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Financing structure:

- 15-year fully amortized loan in the amount of \$400,000.
- 180 equal monthly payments of approximately \$2,624 (total annual payments of \$33,147).
- Total interest payments of approximately \$97,219.
- Second position lien (Subordinate to NCBDC loan of \$1 million) on subject property.
- Corporate gross revenue pledge, second lien position (Subordinate to NCBDC).
- This loan is being secured by collateral with an estimated value of \$1.6 million.
- Maximum combined loan to value (consisting of a HealthCAP loan of approximately \$1 million and HELP II loan of \$400,000) ratio of 95%. The estimated combined loan to value ratio is 87%.

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II. FINANCIAL STATEMENTS AND ANALYSIS:

LAKE COUNTY TRIBAL HEALTH CONSORTIUM, INC.

STATEMENTS OF ACTIVITIES

UNRESTRICTED

	<u>Dec. 31</u>	<u>For the Year Ended June 30</u>		
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenue:	(Unaudited)			
Grant	\$ 1,224,424	\$ 2,219,933	\$ 3,509,867	\$ 1,430,372
Third Party	430,977	858,355	1,209,627	373,604
Interest	14,163	20,172	32,780	40,341
Other	-	-	-	273,920
Total revenues	<u>1,669,564</u>	<u>3,098,460</u>	<u>4,752,274</u>	<u>2,118,237</u>
Expenses:				
Salaries & Benefits	881,189	1,474,005	1,080,374	988,924
Contract Health Services	285,659	539,951	281,134	265,997
Supplies	51,595	102,078	71,189	60,838
Contract Services	20,896	101,919	29,451	89,189
Travel	32,741	76,397	88,659	70,432
Depreciation	-	77,920	9,443	14,882
Interest	30,772	54,262	-	-
Utilities	27,342	65,594	55,352	21,624
Promotion	-	43,496	-	-
Lab Fees	24,818	33,500	28,528	-
Advertising	1,762	32,385	11,389	-
Workmen's Comp	20,144	32,115	18,714	-
Pharmacy Supplies	40,031	29,449	42,063	-
Office Supplies	42,885	29,451	20,702	21,450
Repairs & Maintenance	8,042	25,841	21,261	-
Automobile	-	25,150	21,551	-
Loss On Disposal of Fixed Assets	-	25,000	5,849	33,150
Legal Fees	16,108	18,581	7,199	14,352
Insurance	8,821	14,674	130,425	6,585
Rent	1,374	11,796	62,359	72,434
Other	107,369	159,445	183,552	313,706
Total expenses	<u>1,601,548</u>	<u>2,973,009</u>	<u>2,169,194</u>	<u>1,973,563</u>
Change in unrestricted assets	68,016	125,451	2,583,080	144,674
Unrestricted Net Assets, Beginning of Year	<u>3,658,098</u>	<u>3,532,647</u>	<u>949,567</u>	<u>804,893</u>
Unrestricted Net Assets, End Of Year	<u><u>\$ 3,726,114</u></u>	<u><u>\$ 3,658,098</u></u>	<u><u>\$ 3,532,647</u></u>	<u><u>\$ 949,567</u></u>

LAKE COUNTY TRIBAL HEALTH CONSORTIUM, INC.

STATEMENT OF FINANCIAL POSITION

	As of Dec. 31 2002	2002	As of June 30 2001	2000
	(Unaudited)			
ASSETS				
Current Assets:				
Cash	\$ 1,101,236	\$ 2,130,515	\$ 1,891,306	\$ 1,171,759
Accounts Receivables	389,278	296,220	148,335	146,606
Grants Receivables	264,187	139,947	52,037	51,431
Other	15,077	14,148	29,243	32,780
Total Current Assets	1,769,778	2,580,830	2,120,921	1,402,576
Property & Equipment, net	2,926,616	2,926,616	2,648,827	370,178
TOTAL ASSETS	\$ 4,696,394	\$ 5,507,446	\$ 4,769,748	\$ 1,772,754
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 4,239	\$ 17,488	\$ 12,270	\$ 27,766
Deferred Revenue	41,246	861,065	618,691	745,960
Accrued Expenses	47,658	82,664	50,237	49,461
Construction Loan Payable	-	-	555,903	-
Current Portion of Long Term Debt	10,994	13,413	-	-
Total Current Liabilities	104,137	974,630	1,237,101	823,187
Long Term Liabilities, net	866,143	874,718	-	-
TOTAL LIABILITIES	970,280	1,849,348	1,237,101	823,187
NET ASSETS				
Unrestricted	3,726,114	3,658,098	3,532,647	949,567
TOTAL LIABILITIES & NET ASSETS	\$ 4,696,394	\$ 5,507,446	\$ 4,769,748	\$ 1,772,754

Financial Ratios:

	Proforma (1) FYE 2002			
Debt Service Coverage (x)	1.48	4.75	N/A	N/A
Debt/Unrestricted Net Assets (x)	0.62	0.24	N/A	N/A
Margin (%)		4.05%	54.35%	6.83%
Current Ratio (x)		2.65	1.71	1.70

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

Financial Discussion:

LCTH's income statement exhibits profitability for fiscal years 2000, 2001 and 2002.

In each year the net income was well over \$100,000, with solid operating margins. During fiscal year 2001, net income increased to nearly \$2.6 million, primarily due to higher grant income from Indian Health Service (IHS) to open a new clinic. LCTH used these funds to purchase new equipment and provide additional services. Also, IHS had grant monies remaining at the end of the year and allocated the extra grant monies to all of the tribes based on each tribe's population. These additional grants are all nonrecurring and are not guaranteed each year.

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

LCTH's balance sheet is solid with good liquidity and significant net assets. LCTH's strong liquidity is exhibited by its \$2 million cash position in fiscal year 2002. LCTH's net assets continue to grow and its debt-to-unrestricted net assets ratio for fiscal year 2002 is low at 0.24x, and the current debt service coverage is a solid 4.75x. With the proposed HELP II loan and HealthCAP loan, the proforma debt service coverage will be satisfactory at 1.48x. This indicates that LCTH will comfortably be able to meet future debt service payments. The net asset balance has grown from \$950,000 in fiscal year 2000 to over \$3.6 million in fiscal year 2002.

III. UTILIZATION STATISTICS:

**Lake County Tribal Health Consortium, Inc.
Encounters & Patients**

<u>Type of Service</u>	<u>As of Dec. 31</u> <u>2002</u>	<u>2002</u>	<u>As of June 30,</u> <u>2001</u>	<u>2000</u>
Encounters				
Medi-Cal	283	1,783	2,384	1,788
Medicare	58	139	136	34
Private & Self Pay	3,905	10,117	7,004	7,277
Totals	4,246	12,039	9,524	9,099
Patients				
Medi-Cal	76	406	455	303
Medicare	6	17	13	8
Private & Self Pay	959	1,640	1,280	1,303
Totals	1,041	2,063	1,748	1,614

IV. ORGANIZATION:

Background: LCTH is a nonprofit public benefit corporation incorporated in 1983. It consists of seven federally recognized tribes which are all located in Lake County. LCTH provides services to all the residents of Lake County, not just Native Americans. The specific and primary purposes for which it was formed are: (1) to provide low cost, or free health care services to Native Americans and all residents of Lake County, (2) to improve the health status of Indian people to the highest possible status in body, mind and spirit, (3) to stimulate interest and advocate participation in health services by Indians, (4) to carry out research, planning and advisory functions as necessary and helpful for the promotion of Indian Health, (5) to promote and encourage the formation of Indian Health programs for medical care, dental, prenatal care, labor and delivery, mental health, substance abuse and other services necessary for comprehensive health care programs, (6) to develop means for improving communications between Indians and all agencies and individuals concerned with Indian Health, (7) to establish and maintain contact with the various agencies concerned with the health and welfare of Indians, (8) to teach and help to facilitate the proper use of health facilities and medications, and make referrals, (9) to promote and improve Indian health by all means necessary and, (10) to seek funding sufficient to fulfill the purposes of the consortium.

Licenses: LCTH is licensed by the State Department of Health Services as a Community Clinic.

Competition: LCTH is the sole provider of comprehensive health services to Native American residents and other residents of Lake County.

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:			
Loan payable			
Westamerica Bank, 2002	\$900,000	\$888,131	\$888,131
Proposed:			
CHFFA HELP II Loan, 2003		N/A	400,000
Health CAP Loan, 2003		N/A	1,000,000
TOTAL DEBT		\$888,131	\$2,288,131

*Amount Outstanding as of 6/30/02 includes the current portion of long-term debt.

VI. SECTION 15438.5 OF THE ACT:

The purchase of 110 acres and construction of a satellite clinic on the site will provide for outpatient medical, dental and behavioral health services as well as a residential treatment and fitness center. This satellite clinic will increase the number of Medi-Cal patients and will provide low income residents access to quality comprehensive health services.

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 \$400,000 for a term not to exceed 15 years for Lake County Tribal Health Consortium, Inc., subject to a final appraised value on the subject property satisfactory to the Authority, final approval of the HealthCAP loan, satisfactory evidence that the facility will receive the grant monies from the tribes and the standard HELP II loan provisions.