

STAFF SUMMARY AND RECOMMENDATION
West County Health Centers, Inc. (“West County”)

Amendment to Resolution Number HII-159

February 24, 2005

APPROVED HELP II LOAN AMOUNT: \$193,000

PURPOSE OF AMENDMENT: West County requests an extension of three months to close its HELP II loan due to delays in the permit review process beyond its control. The County of Sonoma has raised issues regarding parking and the size of sidewalks. The County is currently reviewing a survey and revised plan completed this month by West County.

West County also requests an increased loan amount of \$212,000, which will bring their total HELP II loan balance to the maximum allowable amount of \$400,000. In February 2004, West County was eligible for a maximum loan of \$193,000 since their loan balance on their 1998 HELP II loan was \$207,000 at that time. West County has paid an additional \$19,000 in principal in the last twelve months, resulting in current balance of \$188,000 and a maximum eligible loan amount of \$212,000.

Staff recommends approval of this amendment based on the sufficiency of collateral, adequacy of projected debt service coverage (including this new loan).

BACKGROUND: The Authority approved a \$193,000 HELP II loan for West County to construct a centralized support services facility and to convert vacated space to provide medical, counseling, and educational services. This loan will be collateralized by the new facility, with an estimated as-improved property value of \$650,000. The Authority’s resolution expires one year after the approval date of February 27, 2004.

The Authority also approved the release of a \$100,000 security in that had been held in connection with its 1998 HELP II loan, contingent upon recording a lien in that amount for the property to be held as collateral for this new HELP II loan.

FINANCIAL UPDATE: The projected financial picture of West County is substantially the same as described in the staff report presented to the Authority in February 2004.

Proforma debt service coverage (for the increased amount of \$212,000), based on audited 2003 figures, is adequate at 2.12x. The total debt level will remain low, with a proforma debt to unrestricted net asset ratio of 0.18x.

Unaudited financial statements for 2004 indicate that West County continues to be profitable, highly liquid, and maintains a low level of debt.

The estimated as-improved value of the facility is \$650,000. The total loan to value (for the combined HELP II total of \$400,000) is approximately 62%.

See Page 3 and 4 for financial statements.

Below is an updated Sources/Uses of funds:

Estimated Sources of Funds:

HELP II Loan	\$212,000
Equity Contribution	188,000
Grant Funds	275,000
Other loan	<u>75,000</u>
Total Sources	<u>\$750,000</u>

Estimated Uses of Funds:

Construction	\$637,000
Remodeling	20,000
Equipment	89,000
Financing Costs	<u>34,000</u>
Total Uses	<u>\$750,000</u>

RECOMMENDATION:

Staff recommends the Authority approve an amendment to HII-159, to extend the Resolution's expiration to May 27, 2005 and to increase the loan to an amount not to exceed \$212,000. All other conditions of HII-159 remain in place.

West County Health Centers, Inc.
Statement of Activities
(Unrestricted)

	For the Year Ended December 31,			
	2004	2003	2002	2001
	(unaudited)			
Revenues:				
Patient fees, net	\$ 2,509,367	\$ 2,199,105	\$ 2,326,789	\$ 2,076,717
Cost Settlements	35,855	36,222	136,068	219,837
Contributions	31,151	17,353	16,318	55,202
Investment income	11,989	9,880	30,030	26,902
Other	13,565	8,930	20,233	41,644
Net assets released from restrictions	<u>1,843,730</u>	<u>2,139,489</u>	<u>1,951,198</u>	<u>1,217,246</u>
Total Revenue	4,445,657	4,410,979	4,480,636	3,637,548
Expenses:				
Salaries and benefits - Health care	2,861,476	2,677,133	2,333,095	1,762,663
Salaries and benefits - General & administrative	583,152	597,002	529,331	486,079
Medical supplies	122,803	197,218	125,125	93,265
Depreciation	142,846	142,025	102,003	96,977
Insurance	69,875	67,292	65,989	43,610
Repairs and maintenance	30,306	39,648	62,337	81,931
Utilities	25,832	47,228	38,678	32,751
Interest expense	16,215	16,491	18,046	18,550
Outside/contracted services	248,860	207,864	145,197	211,997
Bad debt expense	24,000	151,347	29,654	29,214
Other	<u>226,313</u>	<u>230,956</u>	<u>172,205</u>	<u>196,815</u>
Total Expenses	4,351,678	4,374,204	3,621,660	3,053,852
Change in Unrestricted Net Assets	93,979	36,775	858,976	583,696
Unrestricted Net Assets at Beginning of Year	<u>3,543,576</u>	<u>3,506,801</u>	<u>2,647,825</u>	<u>2,034,915</u>
Unrestricted Net Assets at End of Year	<u>\$ 3,637,555</u>	<u>\$ 3,543,576</u>	<u>\$ 3,506,801</u>	<u>\$ 2,618,611</u>

West County Health Centers, Inc.
Statement of Financial Position

	As of December 31			
	2004	2003	2002	2001
	(Unaudited)			
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,408,097	\$ 1,290,881	\$ 976,667	\$ 1,029,549
Patient accounts receivable, net	494,365	587,114	540,979	296,526
Estimated settlements receivable	105,260	105,260	284,828	244,249
Grants Receivable - Federal	141,478	177,470	221,172	33,868
Grants Receivable - other	214,795	216,869	262,875	196,500
Prepaid assets	111,489	75,491	66,597	41,253
Total Current Assets	2,475,484	2,453,085	2,353,118	1,841,945
Depreciable assets, net	1,966,639	2,102,228	2,125,792	1,598,142
Land	216,123	216,123	216,123	216,123
Other assets	140,735	155,767	139,714	120,108
Construction in progress	107,006	58,531	-	20,856
TOTAL ASSETS	\$ 4,905,987	\$ 4,985,734	\$ 4,834,747	\$ 3,797,174
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 22,216	\$ 52,200	\$ 61,782	\$ 37,740
Note payable - current	39,678	38,119	36,625	35,193
Deferred revenue	586,729	664,214	530,471	383,633
Accrued expenses	194,206	222,345	195,669	152,759
Total Current Liabilities	842,829	976,878	824,547	609,325
Long-Term Liabilities:				
Long term debt, net of current maturities	298,383	338,060	376,179	412,804
TOTAL LIABILITIES	1,141,212	1,314,938	1,200,726	1,022,129
Net Assets:				
Unrestricted Net Assets	3,637,555	3,543,576	3,506,801	2,647,825
Temporarily Restricted Net Assets	127,220	127,220	127,220	127,220
TOTAL NET ASSETS	3,764,775	3,670,796	3,634,021	2,775,045
TOTAL LIABILITIES AND NET ASSETS	\$ 4,905,987	\$ 4,985,734	\$ 4,834,747	\$ 3,797,174

Financial Ratios:

	Proforma ^(a)			
	<u>FYE December 2003</u>			
Debt Service Coverage (x)	2.12 ^(b)	3.23	18.39	13.91
Debt/Unrestricted Net Assets (x)	0.18 ^(b)	0.11	0.12	0.17
Margin (%)		0.83%	19.17%	16.85%
Current Ratio (x)		2.51	2.85	3.02

^(a) Recalculates December 2003 audited results to include the impact of this proposed HELP II loan and other loan of \$75,000.

^(b) Using 2004 unaudited results, DSC would be 3.04x and Debt/Unrestricted Net Assets would be 0.17x.