

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
THE HELP II PROGRAM
EXECUTIVE SUMMARY**

Applicant: Casa Pacifica Centers for Children and Families (“Casa Pacifica”) 1722 South Lewis Road Camarillo, CA 93012
Amount Requested: \$515,000
Requested Loan Term: 5 years
Date Requested: September 25, 2008
Resolution Number: HII-229
Project Site: 1722 South Lewis Road, Camarillo, CA 93012, Ventura County
Facility Type: Group Home
Prior HELP II Borrower: Yes (Casa Pacifica is current; loan balance is \$226,811)

Background: Established in 1994, Casa Pacifica is a licensed, nonprofit organization providing group homes, non-public classrooms for at-risk children, medical care, crisis care, therapeutic behavioral services and a residential treatment program for abused and neglected children. Casa Pacifica leases (lease expires in 2031) the land (22 acres) from which it operates from the County of Ventura, but has substantially improved the land (estimated value is \$11.3 million) with various buildings and related tenant improvements.

Uses of Loan Proceeds: Loan proceeds will be used to refinance an existing line of credit which had been used to construct and renovate cottages, a gymnasium, an administration building and other related facilities on the Camarillo campus. This refinancing will result in an approximate savings of \$63,992 over the life of the new HELP II loan through reduction of Casa Pacifica’s interest rate from 7.5% to 3%. Though the line of credit will not be closed out, this HELP II loan and a separate contribution from Casa Pacifica will reduce the line of credit to a zero balance.

- Financing Structure**
- 5-year fixed rate loan
 - 60 equal monthly payments of approximately \$9,956 (yearly payments of about \$119,472)
 - First lien position on leasehold assets located at 1722 South Lewis Road, Camarillo, CA 93012 and consent to placement of this lien from the Ventura County Board of Supervisors.
 - Loan to value ratio not to exceed 95% (estimated loan to value ratio of 4%).
 - Current and full appraisal of leasehold improvements on 1722 South Lewis Road, Camarillo, CA.

Financial Overview: Casa Pacifica’s income statement appears to be improving over our review period, with positive operating results experienced during FY 2007 and continued revenue growth from newly developed programs. Casa Pacifica’s balance sheet appears solid with moderate liquidity, a strong current ratio, significant net assets and minimal debt. In addition, Casa Pacifica’s proforma debt service coverage is a strong 3.99x.

<u>Sources of Funds</u>		<u>Uses of Funds</u>	
HELP II Loan	\$515,000	Refinance existing loan	\$600,000
Borrower funds	<u>93,000</u>	Financing costs	<u>8,000</u>
Total Sources	<u>\$608,000</u>	Total Uses	<u>\$608,000</u>

Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation: Staff recommends approval of a HELP II loan for Casa Pacifica in an amount not to exceed \$515,000 for a term not to exceed 5 years, and contingent upon financing terms acceptable to the Authority.

**STAFF SUMMARY AND RECOMMENDATION
THE HELP II PROGRAM**

Casa Pacifica Centers for Children and Families (“Casa Pacifica”)
Resolution Number: HII-229

I. PURPOSE OF FINANCING

***Refinancing Santa Barbara Bank and Trust line of credit*..... \$ 600,000**

Casa Pacifica intends to pay off their line of credit used to construct and renovate cottages, a gym, an administration building, and other related facilities located on their Camarillo campus. The original loan was approved for \$650,000, for a 5-year term, with an adjustable rate which is currently at 7.5%. A cash contribution from the borrower will reduce the approximate outstanding balance of \$600,000 to zero. This refinancing will provide Casa Pacifica an excellent opportunity to lock in a lower interest rate and to stabilize their future projected debt payments. The proposed loan will result in total interest savings of approximately \$63,992 over the remaining life of the HELP II loan.

The proposed HELP II loan will be secured by a first lien position on leasehold assets located at 1722 South Lewis, Camarillo, CA 93012. Casa Pacifica estimates the current market value of the leasehold assets to be approximately \$11.3 million, leading to a loan to value ratio of 4%. CHFFA will require a full appraisal of the leasehold assets prior to closing.

***Financing Costs* 8,000**

Authority Fees..... 6,437
Title and Escrow..... 1,563

***Total Uses of Funds* \$ 608,000**

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II. FINANCIAL STATEMENTS AND ANALYSIS

Casa Pacifica Centers for Children and Families Financial Position

	As of June 30,		
	2007	2006	2005
Assets:			
Cash and Cash Equivalents	\$230,802	\$9,214	\$392,832
Other Investments	117,779	85,547	56,288
Pledges Receivable	-	-	18,830
Accounts Receivable (Net)	3,884,198	3,057,967	2,324,559
Other Receivable	82,250	165,500	87,442
Prepaid Expenses and Other Assets	300,408	216,392	266,807
Property and Equipment (Net)	7,507,480	7,689,490	7,832,274
Total Assets	<u>12,122,917</u>	<u>11,224,110</u>	<u>10,979,032</u>
Liabilities and net assets:			
Accounts Payable	\$1,059,847	\$532,301	\$657,951
Accrued Liabilities	1,263,103	1,500,446	1,195,006
Accrued Unemployment Liability	66,501	66,501	70,000
Capital Lease Obligation	-	28,774	70,838
Line of Credit	650,000	120,000	75,000
Note Payable	350,581	446,387	11,211
Total current liabilities	<u>3,390,032</u>	<u>2,694,409</u>	<u>2,080,006</u>
Net assets:			
Total net assets	8,732,885	8,529,701	8,899,026
Total liabilities and net assets	<u>\$12,122,917</u>	<u>\$11,224,110</u>	<u>\$10,979,032</u>

Financial Ratios:

	Proforma (a)			
	<u>FYE June, 2007</u>			
Debt service coverage (x)	3.99	8.35	4.88	8.40
Debt/Unrestricted Net Assets (x)	0.86	0.02	1.01	0.98
Margin (%)		1.13	(2.29)	(0.42)
Current Ratio (x)		3.58	4.17	5.28

(a) Recalculates 2007 audited results to include the impact of this proposed financing.

Casa Pacifica Centers for Children and Families
Statement of Activities
 Unrestricted

	For the Year Ended June 30,		
	2007	2006	2005
Revenue and support:			
Government Contracts	\$16,114,055	\$14,743,065	\$12,546,163
Contributions	652,375	450,667	385,023
Contributions In-Kind	599,397	406,977	363,691
Special Events	190,616	256,631	244,218
Interest and Dividends	30,430	6,636	19,123
Other Revenue	7,560	9,730	10,331
Gain (Loss) on Investments	88,542	7,436	9,583
Net Assets Released from Restrictions	327,804	252,560	405,243
Total revenue and support	18,010,779	16,133,702	13,983,375
Expenses:			
Salaries and Wages	10,826,992	9,869,117	8,517,781
Payroll Taxes and Employee Benefits	2,305,719	1,973,028	1,834,462
Outside Services	661,807	780,191	322,478
Depreciation	654,971	654,508	599,961
Food	423,242	402,980	399,332
Consultants	388,567	441,829	390,119
Rent	387,962	232,846	168,152
Child-Related Expenses	376,491	223,454	125,893
Transportation	241,933	185,982	125,875
Staff Development	222,955	234,208	166,508
Supplies	221,504	198,209	166,866
Insurance	188,750	178,424	168,821
Utilities	181,845	166,692	124,650
Conferences and Meetings	142,509	137,690	110,347
Telephone	124,566	191,093	151,316
Other	457,782	632,776	670,046
Total expenses	17,807,595	16,503,027	14,042,607
Change in unrestricted net assets	203,184	(369,325)	(59,232)
Unrestricted net assets, beginning of year	8,529,701	8,899,026	8,958,258
Unrestricted net assets, end of year	\$8,732,885	\$8,529,701	\$8,899,026

Financial Discussion:

Casa Pacifica's income statement appears to exhibit moderate operating results with continued revenue growth from newly developed programs, despite declining net income over the past three fiscal years.

Important Facts to Note:

- According to Casa Pacifica, its primary funding sources are government contracts (approximately 89% of total revenues in fiscal year ending 2007). Remaining revenues are apparently mainly generated from contributions and contracted services provided to private corporations. Revenues have grown from \$13.9 million in fiscal year 2005 to \$18 million in fiscal year 2007, an increase of 29% as a result of the maturation of existing programs and fundraising efforts.
- Expenses increased from \$14 million in fiscal year 2005 to \$17.8 million in fiscal year 2007, an increase of 27%. Casa Pacifica attributes the increase in expenses primarily to significant start-up costs of new programs as well as a consequential increase in staffing to support the programs. Casa Pacifica also incurred market value salary adjustments for teachers, clinicians and child care staff. Lastly, in 2005 and 2006, Santa Barbara County ran into major deficit problems and still owes Casa Pacifica \$950,000 for services rendered, which Casa Pacifica hopes to soon recover from the County.
- Casa Pacifica has taken a number of steps to control expenses. One such measure has been the implementation of overtime monitoring procedures, which require a monthly analysis and written explanation by each supervisor. Another measure taken to control expenses is the institution of a monthly review by each department. Any deviation from the budget found in this monthly review requires plans of correction. When expenditures in a line item account exceed the budget on a year to date basis, staff is expected to reduce expenditures in another department line item account to offset the variance.

Casa Pacifica's balance sheet appears strong with moderate liquidity, a strong current ratio, significant net assets and minimal debt. In addition, proforma debt service coverage is strong.

Casa Pacifica's current balance sheet appears solid with moderate liquidity of over \$200,000 in cash and cash equivalents, net assets in excess of \$8.7 million as of fiscal year ending 2007, and a strong current ratio of 3.58x. Casa Pacifica has successfully expanded services to those in need without adding significant long-term debt. Casa Pacifica's long-term debt to unrestricted net assets is a very low 0.02x. In addition, the proforma debt service coverage ratio is a solid 3.99x, indicating Casa Pacifica should comfortably be able to repay the proposed loan.

III. UTILIZATION STATISTICS

**Clients Served
Fiscal Year Ended June 30**

	2005	2006	2007
Totals	915	1367	1741

IV. ORGANIZATION

Background and Licensing

In the mid-1980s, a group of Ventura County citizens became concerned about the lack of services for children removed from homes by Child Protective Services. That concern evolved into a vision for a campus-based residential center offering a wide range of assessment, crisis care, medical care and educational services for abused and neglected children. As a result of this vision, Casa Pacifica opened its doors to abused, neglected and severely emotionally disturbed children in the summer of 1994.

During the first two years of operation, efforts focused on program implementation and on sorting out the roles of all participants in this unique public/private partnership. In 1996, the private school opened its doors to day students most of who were graduates of the residential treatment program but who still required a self-contained, special education school environment. In 1998, the "day school" program was expanded to incorporate an after-school component, in-home services, and family interventions including a parent support group. Meanwhile, the crisis care program (emergency shelter) was reconfigured to improve in its efforts to both segregate and supervise children by gender and age.

Today, Casa Pacifica's programs and services continue to expand. Children, who are in the residential treatment program, are placed in several Southern California counties. Day students come from school districts throughout Ventura County. Casa Pacifica has opened offices in two locations in Santa Barbara County to provide in-home therapeutic behavioral services. Combined community based services at the two locations comprise one-third of Casa Pacifica's annual budget, and will become a training center for professionals from around the region who wish to keep abreast of the latest interventions and therapeutic techniques.

Casa Pacifica's facilities are licensed by the California Department of Social Services for its group homes and the California Department of Health Services for its community clinic.

V. OUTSTANDING DEBT

<u>Date Issue:</u>	<u>Original Amount</u>	<u>Amount Outstanding as of 6/30/2007</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
Existing Long-Term Debt:			
CHFFA HELP II, 2005	\$500,000	\$260,000	\$ 235,207
Santa Barbara Bank & Trust	650,000	600,000	0
Proposed:			
CHFFA HELP II, 2008		N/A	515,000
Total Debt		\$ 860,000	\$ 750,207

VI. DUE DILIGENCE

Due diligence has been completed with regard to the following items:

- Savings Pass Through: Casa Pacifica has provided a description of its savings pass through.
- Community Service Requirement: Casa Pacifica has certified that the services of the Facility will be made available to all persons residing or employed in the area served.
- Religious Due Diligence
- Legal Review