

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

**Applicant:** Community Action Partnership of San Luis Obispo County, Inc. (the "Partnership")  
1030 Southwood Drive  
San Luis Obispo, CA 93401  
San Luis Obispo County

**Amount Requested:** \$376,000  
**Requested Loan Term:** 15 years  
**Date Requested:** June 25, 2009  
**Resolution Number:** HII-242

**Project Site:** 1152 East Grand Ave, Arroyo Grande, CA 93420  
**Facility Type:** Community Clinic (Federally Qualified Health Center)  
**Prior HELP II Borrower:** No

**Background:** The Community Action Partnership of San Luis Obispo County (formerly the Economic Opportunity Commission) is a private, nonprofit public benefit Community Action Agency. Established in 1965 as part of President Lyndon Johnson's war on poverty, the Partnership is dedicated to addressing the issues of poverty through a comprehensive array of community-based social and medical programs and actions. In 2008, the Partnership's programs served more than 43,000 low-income persons in San Luis Obispo County and nine central and southern California counties. The Partnership is located in a rural Medical Service Study Area as defined by the California Health Manpower Policy Commission.

**Uses of Loan Proceeds:** Loan proceeds will be used to refinance a 7% variable rate loan that was used to acquire the Arroyo Grande Clinic.

**Financing Structure**

- 15-year fixed rate loan.
- First (1st) lien position on property located at 1152 East Grand Ave, Arroyo Grande, CA.
- Loan to value ratio not to exceed 95% (estimated loan to value ratio of 50%).
- Corporate gross revenue pledge.
- Concurrent pay-down of the existing mortgage by approximately \$165,000 from borrower funds.

**Financial Overview:** The Partnership's income statement appears to exhibit continuous positive operating results during the review period. The Partnership's financial strength appears sound with a proforma debt service coverage ratio of 1.67x.

**Sources of Funds**

HELP II Loan	\$376,000
Borrower Funds	<u>165,000</u>
Total Sources	<u>\$541,000</u>

**Uses of Funds**

Refinance	\$533,000
Financing costs	<u>8,000</u>
Total Uses	<u>\$541,000</u>

**Legal Review:** Although disclosures were made by the applicant, the information disclosed does not appear to detrimentally affect the financial viability or legal integrity of the applicant.

**Staff Recommendation:** Staff recommends approval of a HELP II loan for Community Action Partnership of San Luis Obispo County, Inc. in an amount not to exceed \$376,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.

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

June 25, 2009

Community Action Partnership of San Luis Obispo County, Inc. (The "Partnership")  
Resolution Number: HII-242

**I. PURPOSE OF FINANCING**

***Refinance loan with Coast National Bank* ..... \$ 533,000**

The Partnership intends to use the HELP II loan proceeds to refinance the 7% variable rate loan which financed the Arroyo Grande Clinic property. The Clinic consists of a 3,065 square foot building purchased in February 2003 for \$800,000, and sits on approximately a half acre in the City of Arroyo Grande, California. The Clinic, in part, consists of eight exam rooms, three counseling rooms, a teen reception area, an adult reception area, medical records storage, a Nurse Charting Station, miscellaneous supply storage areas and a case management office.

With the proposed refinancing, the Partnership will eliminate a \$478,000 balloon payment due on this loan in March, 2013, plus realize a total interest savings of approximately \$112,000 over the life of the loan. In addition, The Taper Foundation donated a grant of \$157,000 to help pay down the remaining portion of the bank loan .

The proposed HELP II loan closing is contingent upon receipt of an acceptable appraisal of the property. Management indicates that the property is valued at approximately \$750,000, leading to a loan to value ratio of 50%.

***Financing Costs* ..... 8,000**

Authority Fees..... \$4,696  
Title and Escrow..... 3,304

***Total Uses of Funds* ..... \$ 541,000**

## II. FINANCIAL STATEMENTS AND ANALYSIS

### Community Action Partnership of San Luis Obispo County, Inc.

#### Statement of Activities

(Unrestricted)

	For the Year Ended March 31,		
	2008	2007	2006
<b>Unrestricted Revenue:</b>			
Grants	\$49,791,601	\$45,856,718	\$41,083,570
In-kind donations	2,123,759	3,335,466	2,877,054
Donations and fundraising	432,268	409,274	454,028
Investment income - interest	18,381	19,146	14,642
Other	1,126,570	984,258	801,329
Net assets released from restrictions	194,433	90,359	82,130
<b>Total unrestricted revenue</b>	<b>53,687,012</b>	<b>50,695,221</b>	<b>45,312,753</b>
<b>Unrestricted expenses:</b>			
Salaries and wages	17,788,219	17,765,482	16,196,285
Consultants and contractual	14,148,043	11,763,207	10,201,717
Employee benefits	6,642,026	7,133,857	6,801,464
Delegate Agency contract	3,619,876	3,261,711	2,799,587
Materials and supplies	2,841,545	2,419,745	2,148,245
Capital purchases	2,096,739	369,576	253,955
Other - in-kind	1,068,209	1,436,209	1,246,052
Volunteers - in-kind	931,137	1,656,894	1,468,123
Rent	823,304	945,656	800,917
Repairs and maintenance	759,775	732,360	604,674
Travel and transportation	601,624	641,179	495,703
Utilities and housekeeping	469,942	490,185	444,186
Other expenses	419,021	484,373	348,925
Insurance	401,379	404,501	403,538
Training and seminars	213,882	217,969	134,309
Contractors - in-kind	124,393	236,307	179,824
Medical expenses	195,717	254,595	175,273
Postage and printing	179,761	162,610	139,612
Telephone	167,196	176,824	195,631
Interest expenses	67,421	8,875	64,065
Depreciation	57,101	75,153	85,117
<b>Total unrestricted expenses</b>	<b>53,616,310</b>	<b>50,637,268</b>	<b>45,187,202</b>
<b>Increase in unrestricted net assets</b>	<b>70,702</b>	<b>57,953</b>	<b>125,551</b>
<b>Adjustments to net assets</b>			
Additions to property & equipment net assets	780,854	347,331	290,554
Deletions to property & equipment net assets	-	(1,389,378)	(1,392,939)
Temporarily restricted assets	20,101	73,493	112,225
Adjustment	-	-	(5,581)
Unrestricted net assets, beginning of year	7,316,618	8,227,219	9,097,409
<b>Unrestricted net assets, end of year</b>	<b>\$8,188,275</b>	<b>\$7,316,618</b>	<b>\$8,227,219</b>

**Community Action Partnership of San Luis Obispo County, Inc.**

**Financial Position**

	<u>As of March 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>ASSETS:</b>			
Current assets			
Cash	\$226,310	\$780,833	\$341,620
Grants and accounts receivable	5,310,979	4,198,034	3,322,588
Inventory	76,510	70,724	64,906
Prepaid expenses	132,272	181,722	30,520
Total current assets	<u>5,746,071</u>	<u>5,231,313</u>	<u>3,759,634</u>
Property, plant, and equipment	8,782,191	8,008,139	9,016,207
Deposits	36,268	36,718	240,761
Total assets	<u>\$14,564,530</u>	<u>\$13,276,170</u>	<u>\$13,016,602</u>
 <b>LIABILITIES AND NET ASSETS:</b>			
Current liabilities:			
Line of credit	\$380,000	\$135,816	\$175,000
Current portion-capital lease payable	-	17,451	23,046
Current portion - notes payable	56,582	52,187	44,315
Accounts payable and accrued expenses	3,150,750	2,895,671	2,495,609
SDE reserve account	213,613	216,701	101,939
Refundable advances	1,635,842	1,648,669	896,979
Total current liabilities	<u>5,436,787</u>	<u>4,966,495</u>	<u>3,736,888</u>
Capital lease payable	-	-	17,451
Notes Payable	939,468	993,057	1,035,044
Total liabilities	<u>6,376,255</u>	<u>5,959,552</u>	<u>4,789,383</u>
Net assets:	8,188,275	7,316,618	8,227,219
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$14,564,530</u>	<u>\$13,276,170</u>	<u>\$13,016,602</u>

Financial Ratios:	Proforma (a)			
	<u>FYE March 31, 2008</u>			
Debt service coverage (x)	1.67	1.42	1.86	2.78
Debt/Unrestricted Net Assets (x)	0.10	0.11	0.14	0.13
Margin (%)	0.13	0.13	0.11	0.28
Current Ratio (x)	1.06	1.05	1.05	1.01

(a) Recalculates 2008 audited results to include the impact of this proposed financing.

**Financial Discussion:**

**The Partnership's income statement appears to exhibit continuous positive operating results during the review period.**

The Partnership's income statements show that its revenues have increased by \$8.4 million or 18.5% over the review period. Demand for the Partnership's medical services has been growing, as evidenced by the continuously increasing number of patients' visit, increasing from 1,834 in FY 2006 to 2,151 in FY 2008. The Partnership's revenues depend heavily on federal, state, regional, and foundation grants, in addition to public and private donations since most of its care-recipients are classified as low-income. Consequently, Grants have increased by 21% from \$41 million in FY 2006 to \$49.8 million in FY 2008. As a result of the current economic difficulties, "In-kind" donations have dropped from \$3.3 million in FY 2007 to \$2.1 million in FY 2008.

In line with this increase in revenues, expenses have increased by \$8.4 million or 19% from \$45.2 million in FY 2006 to \$53.6 million in FY 2008 with the majority of the increase resulting from the increase in Consultant and Contractual expenses and Capital Purchases due to growth in Migrant Seasonal Programs and CalWorks Child Care programs. Payments to Child Care providers in the Migrant Head Start program have grown steadily as an alternative for childcare since facilities are not available in the rural areas the partnership serves. Additionally, the CalWorks Child Care programs have grown significantly over the past three years and accounts for the \$3.4 million of the increase in contractual payments since 2006.

Overall, the Partnership has been posting positive net revenue over the review period.

Of note, Delegate Agency Contract expense line item refers to the payments to Madera Community Action Partnership, the administrator of the Migrant and Seasonal Head Start program on behalf of the Partnership.

**The Partnership's financial strength appears sound with a proforma debt service coverage ratio of 1.67x.**

In FY 2008, the Partnership's balance sheet appears sound with \$8.1 million in net assets. The Partnership's proforma debt to unrestricted net assets is a low 0.10x, resulting in very low leverage, indicating that the Partnership does not seem to be overburdened with debt. Meanwhile, debt service coverage is an adequate 1.42x and with the proposed financing, the proforma debt service coverage ratio would improve to a 1.67x, indicating that the Partnership will be in a more favorable position to repay its debt.

In FY 2008, Grants and Accounts Receivable constituted approximately 92% of its total current assets with heavy reliance on State, and Federal grants. To remedy its reliance on Federal and State funds, the Partnership received a grant from the State of California in 2007 to create an overall plan for Resource and Fund development. The purpose of this grant is to establish a long term plan for the Partnership's sustainability and less dependence on State and Federal funds. Therefore, the Partnership hired a Director of Advancement and Communications in late 2008 and formed an advisory committee, "Advancement Partners" in

2009. Together, they provide leadership to the Partnership's fund development and communications efforts to enhance the sustainability of Community Action Partnership programs and services and build an operating reserve for the agency through both annual and deferred giving.

### III. UTILIZATION STATISTICS

**Clients Served/(Patient Visits)  
Fiscal Year Ended March 31**

	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Totals</b>	1,834/(4,309)	1,993/(4,464)	2,151/(4,804)

### IV. ORGANIZATION

#### **Background and Licensing**

The Community Action Partnership of San Luis Obispo County (formerly the Economic Opportunity Commission) is a private, nonprofit public benefit Community Action Agency (CAA). Established in 1965 as part of President Lyndon Johnson's war on poverty, the Partnership is dedicated to addressing the issues of poverty through a comprehensive array of community-based programs and actions. In 2008, the Partnership's programs served more than 43,000 low-income persons in San Luis Obispo County and these nine central and southern California counties: Orange, Ventura, Santa Barbara, Fresno, Kern, Monterey, Santa Cruz, San Benito, and San Joaquin.

The Partnership is governed by a 15-member Board of Directors with equal representation from business, local government and low-income residents. The organization's programs work in partnership with county government, city government, the private sector, faith-based groups, low-income populations, and hundreds of volunteers who read to children; serve breakfast, lunch and dinner at the homeless day center and overnight shelter; and work with frail seniors in a safe, high-quality day care setting.

Additionally, the Partnership provides healthcare services. Licensed medical providers and trained support staff provide caring, confidential services for teens, men and women. The health services are categorized as follows: Clinical services offers reproductive health exams, birth control, testing and treatment for sexually transmitted infections (STIs), pregnancy and HIV testing and counseling. Forty Wonderful offers menopausal services and mammogram referrals. Teen Wellness provides special clinics for teens that are staffed by teens. Senior Health Screening provides monthly clinics at 15 senior-focused sites countywide, offering testing, counseling and referral for follow up services. Liberty Tattoo Removal provides laser removal of unwanted anti-social and/or gang related tattoos. Education: health education on topics such as sexuality, HIV/AIDS, reproduction/anatomy, contraception, self-esteem, communication and relationship skills. Y-CARE? delivers teen peer education related to AIDS. Teen Academic Parenting Program provides case management, support services, transportation, and education for pregnant and parenting teens

and teen dads. Youth development: LifeBound Leadership offers safe, positive, academic-based, after-school programs for South County teens.

**Licensing:**

The Partnership is a community clinic licensed by the Department of Public Health of the State of California.

**V. OUTSTANDING DEBT**

<u>Date Issue:</u>	<u>Original Amount</u>	<u>Amount Outstanding* as of 3/31/2008</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
<b>Existing Long-Term Debt:</b>			
Coast National Bank, (February, 2003)	\$ 600,000	\$ 548,249	\$ -
Coast National Bank, (May, 2003)	225,000	205,873	205,873
Morgan, Private Trust, (October, 2000)	200,000	66,715	66,715
Coast National Bank, (December, 2004)	190,924	169,685	169,685
Coast National Bank, (June, 2006)	12,392	5,528	5,528
<b>Proposed:</b>			
CHFFA HELP II, 2009		N/A	376,000
<b>TOTAL DEBT</b>		<u><b>\$ 996,050</b></u>	<u><b>\$ 823,801</b></u>

\*Includes current portion of long-term debt.

**VI. DUE DILIGENCE**

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

- Savings Pass Through: The Partnership has provided a description of its savings pass through in **Exhibit A**.
- Section 15459.1 of the Act (Community Service Requirement): The Partnership has executed this certification indicating that Medi-Cal and Medicare patients are accepted. A copy of the certification is provided as **Exhibit B**.
- Religious Due Diligence
- Legal Review

**VII. STAFF RECOMMENDATION**

Staff recommends approval of a HELP II loan for Community Action Partnership of San Luis Obispo County, Inc. in an amount not to exceed \$376,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.