

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

Applicant:	Buckelew Programs (“Buckelew”) 119 Mission Avenue San Rafael, California, 94901 Marin County	Amount Requested: \$658,000	Requested Loan Term: 15 years
		Date Requested: October 8, 2009	Resolution Number: HII-244
Project Site:	1109 Sir Francis Drake Boulevard, Kentfield, California 94904 (Marin County)		
Facility Type:	Adult Residential		
Prior HELP II Borrower:	No		
Background: Established in 1970, Buckelew provides community living service to residents of Marin County with mental illness. Buckelew operates 15 facilities located throughout the northern bay area. Revenues for this organization are supported by county contracts, client fees and grants.			
Uses of Loan Proceeds: Loan proceeds will be used to refinance an existing loan with a balance of approximately \$658,000. Refinancing this loan will reduce the interest rate from 6% to 3% resulting in an estimated interest savings of approximately \$181,000 over the life of the proposed HELP II loan.			
Financing Structure			
<ul style="list-style-type: none"> • 15-year fixed rate loan. • First (1st) lien position on property located at 1109 Sir Francis Drake Boulevard, Kentfield, CA 94904. • A current appraisal of the collateralized property acceptable to the Authority • Loan to value ratio not to exceed 95% (estimated loan to value ratio of 69%). • Corporate gross revenue pledge. 			
Financial Overview: Buckelew’s income statement appears to exhibit an improvement in operating results during our review period. In addition, Buckelew appears to have good liquidity and minimal long-term debt. The proforma debt service coverage ratio is a solid 6.92x, indicating that Buckelew should comfortably be able to repay this proposed HELP II loan.			
Parties of Interest:			
Bank of Marin Stewart Title of California <i>(Included for the purpose of discerning Conflicts of Interest)</i>			
Sources of Funds		Uses of Funds	
HELP II Loan	\$658,000	Refinance	\$658,000
Borrower Funds	<u>10,000</u>	Financing costs	<u>10,000</u>
Total Sources	<u>\$668,000</u>	Total Uses	<u>\$668,000</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 Buckelew Programs in an amount not to exceed \$658,000 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**

October 8, 2009
Buckelew Programs (“Buckelew”)
Resolution Number: HII-244

I. PURPOSE OF FINANCING: Buckelew plans to refinance an existing loan in order to lower its interest rate and avoid a balloon payment due in July 2011. This refinancing will enable Buckelew to increase cash flow and redirect the cost savings towards improvement of services as well as complete several improvements projects.

***Refinance loan with Bank of Marin* \$ 658,000**

Buckelew intends to refinance an existing loan of \$658,000 with the Bank of Marin. The original loan obtained in June 2004 was used to consolidate several note payables that were used to purchase other facilities (which were also partially subsidized by government funding). This loan has a current interest rate of 6% with a balloon payment of \$638,000 due in July 2011, and a monthly payment of \$4,267. The loan is secured by real property located at 1109 Sir Francis Drake Boulevard (an 8,500 square foot building purchased in 1977).

The facility is used to house and provide services for 15 mentally disabled adults and is licensed as an adult residential facility. The refinance of this existing loan will reduce the interest rate from 6% to 3%, resulting in an interest savings of approximately \$181,000 over the life of the proposed HELP II loan. In addition, it will provide Buckelew a stable interest rate while paying down the principal on the loan faster.

According to Buckelew management, the estimated value of the facility is \$950,000. Buckelew is in the process of having the property appraised. CHFFA will condition the closing of this loan upon receipt of a full appraisal demonstrating satisfaction of the Authority’s maximum loan to value ratio of 95%.

***Financing Costs* 10,000**

Authority Fees..... \$8,225
Title and Escrow..... 1,775

***Total Uses of Funds* \$ 668,000**

II. FINANCIAL STATEMENTS AND ANALYSIS

Buckelew Programs
Statement of Activities
(Unrestricted)

	For the Year Ended June 30,		
	2008	2007	2006
Revenue and support:			
Grants and contracts	\$ 6,887,595	\$ 6,861,042	\$ 5,610,346
Grants return	102,876	-	-
Client fees	1,834,059	1,325,310	1,287,575
Contribution	549,000	619,817	472,531
Interest income	37,001	31,718	48,187
Other revenue	33,064	-	-
Net assets released from restrictions	122,451	172,962	91,671
Total revenue and support	9,566,046	9,010,849	7,510,310
Expenses:			
Salaries	4,398,921	4,196,520	3,873,041
Benefits	1,192,336	1,241,024	1,102,404
Rent	1,013,319	878,055	683,435
Maintenance	519,896	505,062	386,905
Food	288,793	260,628	255,799
Development department	233,564	155,053	198,730
Marin scapes special event	214,895	180,339	180,955
Consultants	170,975	73,017	85,702
Transportation	160,645	145,918	122,349
Insurance	127,049	124,594	118,162
Telephone	124,401	127,706	85,290
Utilities	123,028	96,051	92,215
Office supplies	99,484	81,640	85,380
Depreciation expense	93,463	116,331	118,824
Client wages	93,178	106,547	125,987
Emergency housing / supplies	74,691	44,228	34,458
Staff development	63,089	54,704	54,474
Activities	55,118	61,113	64,487
Grants	52,155	150,491	319,686
Interest expenses	41,049	41,538	41,699
Miscellaneous expense	198,760	167,555	132,780
Total expenses	9,338,809	8,808,114	8,162,762
Change in unrestricted net assets	227,237	202,735	(652,452)
Unrestricted net assets, beginning of period	2,708,015	2,505,280	3,157,732
Prior period adjustment	109,725	-	-
Unrestricted net assets, beginning of period - restated	2,817,740	2,505,280	3,157,732
Unrestricted net assets, end of period	\$ 3,044,977	\$ 2,708,015	\$ 2,505,280

Buckelew Programs
Financial Position

	As of June 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
ASSETS:			
Current assets:			
Cash	\$ 1,492,926	\$ 1,164,269	\$ 1,013,944
Non-current assets:			
Note receivable	375,999	359,779	291,067
Restricted annuity	281,745	242,505	205,245
Fixed assets, net of accumulated depreciation	1,936,397	1,979,052	2,078,312
Total non-current assets	<u>2,594,141</u>	<u>2,581,336</u>	<u>2,574,624</u>
Total assets	<u>\$ 4,087,067</u>	<u>\$ 3,745,605</u>	<u>\$ 3,588,568</u>
 LIABILITIES AND NET ASSETS:			
Current liabilities:			
Notes payable	\$ 10,829	\$ 10,020	\$ 9,598
Non-current liabilities:			
Notes payable	657,559	668,521	678,606
Employment benefits obligation	281,748	242,505	205,245
Total non-current liabilities	<u>939,307</u>	<u>911,026</u>	<u>883,851</u>
Total liabilities	<u>950,136</u>	<u>921,046</u>	<u>893,449</u>
Net assets:			
Unrestricted	3,044,977	2,708,015	2,505,280
Temporarily restricted	91,954	116,544	189,839
Total net assets	<u>3,136,931</u>	<u>2,824,559</u>	<u>2,695,119</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,087,067</u>	<u>\$ 3,745,605</u>	<u>\$ 3,588,568</u>

Financial Ratios:	Proforma (a)			
	<u>FYE June 30, 2008</u>			
Debt service coverage (x)	6.92	7.50	7.05	(10.23)
Debt/Unrestricted Net Assets (x)	0.22	0.31	0.34	0.36
Margin (%)		2.38	2.25	(8.69)
Current Ratio (x)		137.86	116.19	105.64

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

Financial Discussion:

Buckelew's income statement appears to exhibit continuously improving operating results during the review period.

Particular Facts to Note:

- During our review period, change in unrestricted net assets increased from (\$652,000) in FY 2006 to \$227,000 in FY 2008.
- Buckelew's operating loss in FY 2006 was a result of the loss of grants and contracts in the closing of the Linda Reed Day Center. Buckelew restructured its organization in 2006, which resulted in a more efficient organization and a positive increase of operations. The restructure also entailed closing the above facility and allocating resources to other areas of the organization.
- Grants and contracts, along with Billings, comprise 91% of revenue. Buckelew's major contracts include the California Department of Rehabilitation, Marin, Sonoma, and Napa Counties, as well as U.S. Department of Housing and Urban Development. Grants expenses decreased from approximately \$319,000 in fiscal year 2006 to approximately \$52,000 in fiscal year 2008. This decrease was attributed to a development activity grant in FY 2006 that was discontinued in FY 2007.
- Consultant expenses increased in FY 2008 to approximately \$170,000. This increase was due to the Executive Director position being vacant and then being replaced by an independent consultant.
- Fiscal years 2008 and 2007 both ended with surpluses of approximately \$227,000 and \$203,000 respectively. Buckelew continued a pattern of gradual growth in County Mental Health funding through the addition of new services and programs, particularly in Sonoma County.

Buckelew's financial strength appears sound with a proforma debt service coverage ratio of 6.92x.

Particular Facts to Note:

- Buckelew's cash position has increased from approximately \$1 million in FY 2006 to \$1.4 million in FY 2008. This increase was a result of growth in programs in Sonoma County, which in turn increased grants and contacts. This liquidity provides a solid cash reserve for Buckelew.
- Buckelew has minimal leverage with the only long-term debt being the proposed HELP II loan. The proforma debt to unrestricted net assets ratio is a modest .22x. The debt service coverage ratio is 7.50x and the proforma debt service coverage ratio remains solid at 6.92x, indicating that Buckelew should comfortably be able to repay the HELP II loan.

III. UTILIZATION STATISTICS

**Clients Served
Fiscal Year Ended June 30,**

	2006	2007	2008
Totals	742	883	942

IV. ORGANIZATION

Background and Licensing

Founded in 1970, Buckelew is a private, non-profit agency initially established to provide community living services to adults with mental disabilities. The agency is governed by a volunteer Board of Directors and employs a staff of 120-plus individuals to administer and provide services through the agencies community living programs. Buckelew currently contracts with governments primarily through County Mental Health Departments, Department of Rehabilitation, and HUD agencies. These contracts allow Buckelew to provide residential, independent living, transitional age youth, and employment vocational training services.

Licensing:

Buckelew is licensed by the California Department of Social Services to operate and maintain an adult residential facility, which is located at 1109 Sir Francis Drake Boulevard, Kentfield, CA 94904.

V. OUTSTANDING DEBT

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding* As of June 30, 2008</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
Existing Long-Term Debt:			
Bank of Marin, June 2004	\$705,000	\$657,493	\$-0-
Proposed CHFFA HELP II, 2009		N/A	658,000
TOTAL DEBT		<u><u>\$657,493</u></u>	<u><u>658,000</u></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: Buckelew has provided a description of its savings pass through in **Exhibit A**.
- Section 15459.1 of the Act (Community Service Requirement): Buckelew 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 Buckelew Programs in an amount not to exceed \$658,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.