

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“Authority”)

HELP II LOAN PROGRAM FUND BALANCE ANALYSIS

Information Item

January 25, 2018

BACKGROUND:

In April 2015, in an effort to increase loan activity, the Authority approved programmatic changes to the HELP II loan program (the “Program”) for a period of two years through April 30, 2017. Those changes included the following:

1. Loan term was increased from 15 years to 20 years for the financing of real property acquisition, construction, or renovation.
2. The maximum loan amount was increased from \$1,000,000 to \$1,500,000 to finance larger projects.
3. The fixed interest rate was lowered from 3% to 2% for all loans except refinancings, which remain at 3%.

As a result, the loan volume in calendar year 2016 totaled \$6,995,000, exceeding loan volume in previous years. In April 2017, the Authority extended the changes for an additional two years, through April 30, 2019.

In addition, the Authority decided to maintain a minimum fund balance of \$6 million as a mechanism to safeguard the Program against unanticipated demands. If the fund balance fell below \$6 million, then staff would discontinue considering loan applications over \$1 million or staff would limit new loan volume to the amount of cashflow generated by loan portfolio repayments. During this time, staff worked with Sperry Capital, Inc. (“Sperry”), one of the Authority’s Financial Advisors, who evaluated the Program’s loan fund balance and loan volume for the programmatic changes and determined the Program’s fund could sustain an extension of the program terms.

In April 2017, Senate Bill 97 (chaptered on July 17, 2017) authorized the Authority to approve a \$20 million Lifeline Grant Program from the HELP II subfund account. The intent of the Lifeline Grant Program is to assist small and rural health facilities, including community-based clinics that may be adversely financially affected by a reduction or elimination of federal government assistance and that have little to no access to working capital.

As part of the Program’s fund analysis, staff also asked Sperry to include the potential transfer of \$2 million from the HELP II subfund account to a new Emergency HELP Loan Program subfund account. The Emergency HELP Loan Program may be made available to provide low cost loans to community and rural health clinics in counties that Governor Brown declared an emergency due to the recent Northern and Southern California fires. Sperry’s analysis and evaluation take into consideration the impact of transferring \$2 million from the HELP II subfund account to the Emergency HELP Loan Program.

ANALYSIS:

As of January 1, 2018, the Program fund cash balance was \$14.5 million. Together with outstanding loans of \$25.3 million, the portfolio provides total HELP II assets totaling \$39.8 million.

There are loans pending approval and approved loans that have not been fully disbursed, totaling approximately \$9.6 million (including the proposed \$2 million commitment for the Emergency Loan Program) detailed in the table below.

Closing Date	Borrower	Amount	Terms	Disbursed	To Disburse
29-Sep-16	Yolo Family Service Agency	\$ 200,000.00	2%/20	\$ (100,000.00)	\$ 100,000.00
20-Mar-17	Interim, Inc.	\$ 1,000,000.00	2%/20	\$ (100,000.00)	\$ 900,000.00
26-Jul-17	Petaluma Health Center	\$ 1,800,000.00	2%/20	\$ (1,300,000.00)	\$ 500,000.00
26-Jul-17	Petaluma Health Center	\$ 200,000.00	2%/5	\$ (10,000.00)	\$ 190,000.00
1-Feb-2018 (est.)	Mendocino District Hospital	\$ 1,500,000.00	2%/20	\$ -	\$ 1,500,000.00
1-Feb-2018 (est.)	Contra Costa ARC	\$ 1,500,000.00	2%/20	\$ -	\$ 1,500,000.00
1-Feb-2018 (est.)	Creative Alternatives	\$ 385,000.00	3%/15	\$ -	\$ 385,000.00
1-Mar-2018 (est.)	MCHD dba Trinity Hospital	\$ 1,500,000.00	2%/20	\$ -	\$ 1,500,000.00
1-Jun-2018 (est.)	Various Emergency Borrowers (1/25 agenda)	\$ 2,000,000.00			\$ 2,000,000.00
	Total	\$ 10,085,000.00		\$ (1,510,000.00)	\$ 8,575,000.00

If all of loans in the table are approved and disbursed, the cash balance will be reduced to \$4.9 million as follows:

January 1 Cash Balance:.....	\$14.5 million
Less Full Disbursement:	<u>9.6 million</u>
Remaining Cash:	\$4.9 million

The Program fund is currently receiving a cashflow of approximately \$440,000 per month (accrued interest and loan repayments). With loans being paid in full and new loans being funded, monthly payments should average more than \$400,000 for 2018 and should add about \$4.8 million to the balance of lendable funds over the course of the year.

Given these cash flow metrics and the current Program fund balance, Sperry concluded that the Program fund should be able to support a \$2 million commitment for the Emergency HELP Loan Program. However, the fund balance would fall below the \$6 million minimum cash balance.

As a result of the fund balance falling below the \$6 million cash balance, the loan terms may revert back to the \$1 million maximum loan amount and fixed interest rate of 3%.