

**CHFFA HELP II LOAN PROGRAM  
EXECUTIVE SUMMARY**

<p><b>Applicant:</b> Humboldt Senior Resource Center, Incorporated (“Humboldt”) 1910 California Street Eureka, CA 95501 Humboldt County</p> <p><b>Project Site:</b> 1901 California Street, Eureka, CA 95501</p> <p><b>Facility Type:</b> Community Clinic and Adult Day Health Center</p> <p><b>Eligibility:</b> Government Code section 15432(d)(6) &amp; (7)</p> <p><b>Prior HELP II Borrower:</b> Yes (March 2007 – approximately \$218,137 outstanding as of December 2018)</p>	<p><b>Amount Requested:</b> \$675,000</p> <p><b>Requested Loan Term:</b> 15-year fixed</p> <p><b>Annual Interest Rate:</b> 3%</p> <p><b>Authority Meeting Date:</b> January 31, 2019</p> <p><b>Resolution Number:</b> HII-317</p>																
<p><b>Background:</b> Humboldt is a nonprofit senior service provider that has been providing services to the elderly in and around Humboldt County since 1974. Humboldt’s mission is to ensure that seniors and their caregivers will have a high quality life with dignity, health, and self-determination in a community of respect and tolerance.</p>																	
<p><b>Use of Loan Proceeds:</b> Loan proceeds will be used to refinance an existing private loan from Umpqua Bank. The new HELP II loan allows Humboldt to avoid a balloon payment due in May 2019.</p>																	
<p><b>Financing Structure:</b></p> <ul style="list-style-type: none"> <li>• 15-year, three percent (3%) fixed rate loan</li> <li>• 180 equal monthly payments of approximately \$4,661 (annual payments of approximately \$55,932)</li> <li>• Second lien on real property located on 1901 California Street, Eureka, CA 95501</li> <li>• Subordination Agreement with the City of Eureka</li> <li>• A current appraisal that exhibits a combined loan to value ratio not to exceed 95% (estimated combined loan to value ratio is approximately 42%)</li> <li>• Corporate gross revenue pledge</li> <li>• Verification of borrower funds to close escrow</li> </ul>																	
<p><b>Financial Overview:</b> Humboldt’s income statement appears to display increasing overall surpluses over the review period. Humboldt’s balance sheet appears solid with increasing net assets and a positive trend in being able to pay additional debt.</p>																	
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>Estimated Sources of Funds:</u></th> <th colspan="2" style="text-align: left;"><u>Estimated Uses of Funds:</u></th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">HELP II Loan</td> <td style="width: 20%; text-align: right;">\$ 675,000</td> <td style="width: 30%;">Refinance loan</td> <td style="width: 20%; text-align: right;">\$ 675,000</td> </tr> <tr> <td>Borrower funds</td> <td style="text-align: right; border-bottom: 1px solid black;">10,438</td> <td>Financing costs</td> <td style="text-align: right; border-bottom: 1px solid black;">10,438</td> </tr> <tr> <td><b>Total Estimated Sources</b></td> <td style="text-align: right; border-bottom: 3px double black;"><b>\$ 685,438</b></td> <td><b>Total Estimated Uses</b></td> <td style="text-align: right; border-bottom: 3px double black;"><b>\$ 685,438</b></td> </tr> </tbody> </table>		<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>		HELP II Loan	\$ 675,000	Refinance loan	\$ 675,000	Borrower funds	10,438	Financing costs	10,438	<b>Total Estimated Sources</b>	<b>\$ 685,438</b>	<b>Total Estimated Uses</b>	<b>\$ 685,438</b>
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<p><b>Due Diligence:</b> Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, and Community Service Requirement documentation. All documentation satisfies the Authority’s requirements.</p>																	
<p><b>Parties of Interest:</b> Humboldt Land Title Co., Umpqua Bank</p>																	
<p><b>Staff Recommendation:</b> Staff recommends approval of Resolution Number HII-317 for Humboldt Senior Resource Center, Incorporated in an amount not to exceed \$675,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority. TAP International, the Authority’s financial analyst, concurs with the Authority’s staff recommendation.</p>																	

**I. PURPOSE OF FINANCING:**

Humboldt is requesting a 2019 HELP II Loan to refinance an existing private loan from Umpqua Bank (the “2007 Umpqua Bank Loan”), originally secured in the amount of \$1.2 million. Under the structure of the 2007 Umpqua Bank Loan, a balloon payment of approximately \$675,000 would come due in May 2019. Humboldt management states that being able to refinance with a 2019 HELP II Loan would prevent Humboldt from having to pay this amount upfront, guaranteeing more dollars to directly fund the programs that it has to offer. As the balloon payment is the final payment of the 2007 Umpqua Bank Loan, minimal savings are expected from the refinancing and therefore, was not a major consideration for the new HELP II loan request. Humboldt is an existing HELP II loan borrower and has made timely payments with an outstanding balance of \$218,137 as of December 2018.

***Refinance Umpqua Bank Loan* ..... **\$675,000****

Humboldt plans to use loan proceeds to refinance the 2007 Umpqua Bank Loan, which was secured in addition to a 2007 HELP II Loan (the “2007 HELP II Loan”) from the Authority. The two loans were used to finance the construction of a new facility located in Eureka, CA 95501, which was completed in 2009. The new facility houses an Adult Day Health Care Program and provides Alzheimer’s services. In 2014, this building also became the facility to open Redwood Coast PACE (Program of All-inclusive Care for the Elderly), which is an all-inclusive health plan for adults age 55 years of age or older.

The 2019 HELP II Loan will be secured by a second (2nd) lien position on the property located at 1901 California Street, Eureka, CA 95501. Currently, the Authority’s 2007 HELP II Loan has the second lien position, which will move to the first lien position when the 2007 Umpqua Bank Loan is refinanced. The City of Eureka will subordinate its lien position to remain in its current third position and allow the 2019 HELP II Loan to hold the second lien position. When the refinancing is complete, the Authority will hold both the first and second lien positions on the property. In addition, an appraisal acceptable to the Authority will need to be completed prior to closing to reflect a combined loan-to-value ratio of less than 95%. Based on a prior appraisal from 2007, Humboldt’s management estimates the property value at \$3.25 million, reflecting a combined loan-to-value of 42%.

<b><i>Financing Costs</i>.....</b>		<b><u>10,438</u></b>
Authority fees .....	\$8,438	
Other closing costs .....	<u>2,000</u>	
<b>Total Estimated Uses of Funds.....</b>		<b><u>\$685,438</u></b>

**II. FINANCIAL STATEMENTS AND ANALYSIS:**

**Humboldt Senior Resource Center, Inc.  
Statement of Activities  
(Unrestricted)**

	As of June 30		
	2018	2017	2016
<b>SUPPORT, REVENUE, AND GAINS</b>			
<b>Support</b>			
Grants, contracts, and exchange transactions	\$ 1,028,229	\$ 1,013,029	\$ 967,115
Contributions	618,521	493,642	581,810
<b>Total Support</b>	<u>1,646,750</u>	<u>1,506,671</u>	<u>1,548,925</u>
<b>Revenue and Gains</b>			
Medi-Cal revenue	8,056,590	6,185,213	4,249,916
Medicare revenue	5,112,878	3,766,587	2,247,931
Premium revenue	105,991	72,016	119,109
Program revenue	826,899	826,775	825,926
Fund-raising	28,836	34,294	13,830
Interest and dividend income	7,721	1,418	7,444
Other income	9,833	17,097	32,495
Reinsurance reimbursement	157,527	203,468	-
Realized gain on asset disposal	-	1,500	-
Unrealized gains on investments	2,575	6,163	-
Realized gains on investments	805	258	861
Proceeds from insurance settlement	-	-	30,000
<b>Total Revenue and Gains</b>	<u>14,309,655</u>	<u>11,114,789</u>	<u>7,527,512</u>
<b>Net Assets Released From Restrictions</b>	<u>50,819</u>	<u>104,426</u>	<u>368,463</u>
<b>Total Support, Revenue, and Gains</b>	<u>16,007,224</u>	<u>12,725,886</u>	<u>9,444,900</u>
<b>EXPENSES</b>			
Salaries and wages	4,071,765	3,477,942	2,839,132
Fringe benefit expense	798,266	767,383	695,145
Advertising	11,978	19,789	38,677
Audit expense	26,510	24,112	23,434
Bad debt expense	256,610	426	8,079
Books, dues, and subscriptions	72,580	49,218	39,414
Contracted services	6,484,650	5,425,955	3,395,097
Copying, printing, and duplication	28,917	28,394	37,156
Dial-A-Ride ticket expense	23,544	24,084	26,766

**(Continued)**

	<b>As of June 30</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Equipment maintenance and rent	93,490	121,324	128,200
Expendable equipment	123,150	71,481	72,085
Food services supplies	38,097	40,179	34,248
Insurance	211,374	172,198	127,618
Interest expense	115,797	128,190	127,426
Medical and clinic supplies	1,477,686	990,394	649,552
Occupancy costs	219,701	192,059	153,644
Office expense and postage	55,310	65,821	66,406
Other supplies	79,437	65,914	54,919
Purchased meals	237,565	113,907	117,680
Raw food	274,685	268,621	239,558
Recruitment	15,172	15,527	16,758
Staff training and travel	101,587	61,192	41,418
Taxes, fees, and licenses	38,238	31,346	21,888
Vehicle operations	75,882	55,137	57,656
Volunteer service and expense	953	1,325	1,750
Waived services	103,613	112,377	120,487
Miscellaneous expense	46,559	44,754	40,162
Depreciation	189,422	185,081	202,843
In-kind expense	49,753	48,350	55,816
Unrealized loss on investments	-	-	3,561
<b>Total Expenses</b>	<b>15,322,291</b>	<b>12,602,480</b>	<b>9,436,575</b>
<b>CHANGES IN NET ASSETS</b>	<b>684,933</b>	<b>123,406</b>	<b>8,325</b>
<b>NET ASSETS, JULY 1</b>	<b>3,202,455</b>	<b>3,131,049</b>	<b>3,107,022</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>(52,000)</b>	<b>15,702</b>
<b>NET ASSETS, JUNE 30</b>	<b>\$ 3,887,388</b>	<b>\$ 3,202,455</b>	<b>\$ 3,131,049</b>

**Net patient service revenues for FYE June 30**

<b><u>Payor Source</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Medi-Cal	51%	49%
Medicare	32%	30%
Insurance & other third party	17%	21%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Humboldt Senior Resource Center, Inc.**  
**Statement of Financial Position**  
**(Unrestricted)**

	As of June 30		
	2018	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 987,363	\$ 252,948	\$ -
Accounts receivable- Net of allowance for doubtful accounts	2,206,145	2,037,070	1,050,480
Contracts and grants receivable	6,682	14,909	94,393
Prepaid expenses	44,540	41,040	27,883
Inventory	23,400	22,247	26,236
<b>Total Current Assets</b>	3,268,130	2,368,214	1,198,992
<b>Property and Equipment</b>			
Property and equipment- Net of accumulated depreciation	6,147,389	5,999,454	6,105,715
<b>Other Assets</b>			
Endowment fund	72,776	69,408	63,116
Board designated reserve fund	222,678	3,432	3,010
Unconditional promises to give- Net of discount	8,660	9,660	35,660
<b>Total Other Assets</b>	304,114	82,500	101,786
<b>TOTAL ASSETS</b>	\$ 9,719,633	\$ 8,450,168	\$ 7,406,493
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Bank overdraft	\$ -	\$ -	\$ 77,171
Accounts payable	2,038,173	1,573,016	725,452
Current portion of long term debt	970,584	281,165	81,871
Lines of credit	-	165,000	1,099,000
Refundable advances	489,769	257,168	93,710
Accrued liabilities:			
Payroll and payroll taxes	236,171	224,008	128,980
Compensated absences	170,440	149,351	122,289
<b>Total Current Liabilities</b>	3,905,137	2,649,708	2,328,473

**(Continued)**

	<b>As of June 30</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Long-Term Liabilities</b>			
Notes payable	1,624,216	2,383,517	1,753,057
Property reverting to funding source	78,143	78,519	78,519
<b>Total Long-Term Liabilities</b>	<u>1,702,359</u>	<u>2,462,036</u>	<u>1,831,576</u>
<b>Total Liabilities</b>	<u>5,607,496</u>	<u>5,111,744</u>	<u>4,160,049</u>
<b>Net Assets</b>			
Unrestricted	3,887,388	3,202,455	3,131,049
Temporarily restricted	224,749	135,969	115,395
<b>Total Net Assets</b>	<u>4,112,137</u>	<u>3,338,424</u>	<u>3,246,444</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 9,719,633</u>	<u>\$ 8,450,168</u>	<u>\$ 7,406,493</u>

	<b>Proforma<sup>(a)</sup></b>			
	<b>FYE June 30, 2018</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Debt Service Coverage - Net (x)	2.56	2.49	2.08	1.66
Debt to Unrestricted Net Assets (x)	0.67	0.67	0.83	0.59
Margin (%)		4.28	0.97	0.09
Current Ratio (x)		0.84	0.89	0.51

<sup>(a)</sup> Recalculates FY 2018 audited results to include the impact of this proposed financing and includes the proposed loan of \$675,000.

**[INTENTIONALLY LEFT BLANK]**

## **Financial Discussion – Statement of Activities (Income Statement)**

**Humboldt’s income statement appears to display significantly improving overall surpluses over the three-year review period.**

Humboldt’s total revenue appears to have increased from approximately \$9.4 million in FY 2016 to just over \$16 million in FY 2018, a healthy 69.5% increase. Humboldt’s management states that this increase is due to the patient numbers increasing in the Redwood Coast PACE program; as the participation has grown, revenues from Medicare and Medi-Cal have concurrently grown. Humboldt’s increase in revenue appears to also translate into an increase in unrestricted net assets. Over the review period, Humboldt has consistently posted improving overall surpluses. In FY 2016, it posted an increase in unrestricted net assets of approximately \$8,000, which jumped to just over \$123,000 in FY 2017, and most recently displayed an increase of \$685,000 in FY 2018. Overall, unrestricted net assets increased by approximately 24.2% from around \$3.1 million in FY 2016 to nearly \$3.9 million in FY 2018.

Total expenses increased by 62.4% from approximately \$9.4 million in FY 2016 to approximately \$15.3 million in FY 2018. Humboldt’s management attributes this increase to the growing number of patients at the facility; as the number of patients increase, the costs to run the programs increase simultaneously. A large portion of this increase is reflected by the increase in contracted services, which increased by 91% from approximately \$3.4 million in FY 2016 to nearly \$6.5 million in FY 2018. Humboldt explains that this increase is due to the reliance on contracts with many community health care facilities to provide services and attend to the needs of the participants in the programs. As the enrollment in Humboldt’s programs rise, the contracted service expenditures will increase. The contracted services include services from hospitals, skilled nursing facilities, hospice, in-home care agencies, and other in-home necessities. A large share of the total expense increase is also due to the increase in salaries and wages. Humboldt’s salaries and wages grew from approximately \$2.8 million in FY 2016 to \$4.1 million in FY 2018, a 43% increase. Humboldt’s management states that this increase is due to the increase in demand for a growing team of interdisciplinary professionals to serve the expanding number of participants in the Redwood Coast PACE program. Although expenses have substantially increased, they are slower than the growth of revenues, which has allowed Humboldt to post positive unrestricted net assets in FY 2018.

## **Financial Discussion – Statement of Financial Position (Balance Sheet)**

**Humboldt’s balance sheet appears to exhibit positive trends of success with an increase in net assets for each fiscal year and displays a solid pro forma debt service coverage ratio of 2.56x.**

Humboldt has demonstrated the ability to repay its debt by consistently making payments on its loans. Humboldt’s debt service coverage ratio has steadily improved over the review period, starting out at 1.66x in FY 2016, then climbing to 2.08x in FY 2017, and then further improving to a solid ratio of 2.49x in FY 2018. Considering the proposed 2007 Umpqua Bank Loan refinancing, their pro forma debt service coverage ratio will slightly improve to 2.56x.

Humboldt’s total net assets appears to have increased from approximately \$3.2 million in FY 2016 to just over \$4.1 million in FY 2018, an increase of 26.7%. Cash and cash equivalents sizably increased from approximately \$253,000 in FY 2017 to approximately \$987,000 in FY 2018. Although on an upward trend, Humboldt’s management explains that negative operations were expected during the first two years of implementing the Redwood Coast PACE program. However, Humboldt started seeing a positive operating balance in FY 2017 and FY 2018, and this is expected to continue growing due to the rising participant numbers. Accounts receivable also increased from approximately \$1.1 million in FY 2016 to approximately \$2.2 million in FY 2018. Humboldt’s management states that the large increase is due to the increasing number of participants across all programs its facilities have to offer.



**III. UTILIZATION STATISTICS**

**Clients Served  
for Fiscal Year End June 30**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Totals</b>	224	191	171

**IV. OUTSTANDING DEBT**

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding As of June 30, 2018<sup>(a)</sup></u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b>-EXISTING LONG-TERM DEBT:</b>			
CHFFA HELP II Loan (2007)	\$ 750,000	\$ 245,700	\$ 245,700
Umpqua Bank (2007)	1,200,000	692,714	-
City of Eureka (2008)	525,000	482,038	482,038
Umpqua Bank (2016)	1,000,000	722,956	722,956
Umpqua Bank (2018)	247,000	247,000	247,000
Wolff Loan (2018)	220,000	212,764	212,764
<b>- PROPOSED NEW DEBT:</b>			
CHFFA HELP II Loan (2019)			675,000
<b>- TOTAL DEBT</b>		<b>\$ 2,603,172</b>	<b>\$ 2,585,458</b>

<sup>(a)</sup> Includes current portion of long-term debt

## V. BACKGROUND AND LICENSURE

### **Background**

Humboldt was founded in 1974 as a small senior information and referral program, and has grown into an organization with more than 120 full-time and part-time employees committed to providing services, information, education, and recreation for seniors, families, and caregivers in Humboldt County. Humboldt is the primary senior service provider in Humboldt County and annually serves approximately 8,000 individuals primarily over the age of 50 across all programs.

#### Program Services:

- Redwood Coast PACE – Provides medical, social, nutritional, rehabilitation, and support services for adults who are age 55 and older. Program services include nursing and preventative health care, social work services and family support, prescription drugs, various therapies, and transportation to and from the Center for medical appointments as well as other offsite services.
- Adult Day Health Care and Alzheimer’s Program – Provides adults 18 years of age and older an alternative to nursing home care for those who do not need 24-hour skilled nursing. The program is designed to help people stay mentally and physically active, reduce isolation, maintain and improve health, and prevent decline of their abilities. Services include therapeutic activities, games, health monitoring, social services, dietary counseling, and various types of therapy.
- Multipurpose Senior Services Program – Helps frail elderly adults live at home by delaying or preventing placement in a nursing facility. Services include emergency response systems, home delivered meals, mental health care, minor home safety enhancements, money management, legal services, and transportation.
- Senior Nutrition Program— Serves over 100,000 meals a year to participants over the age of 60 across 3 dining centers and provides home delivered meals throughout Humboldt County.

### **Licensure, Certification, and Accreditation**

Humboldt is licensed by the California Department of Public Health to operate as an Adult Day Health Care provider and to operate the Redwood Coast PACE program as a Community Clinic. Humboldt is certified by the California Department of Aging, and the Redwood Coast PACE program has a contract with the Department of Health Care Services and Center for Medicare and Medicaid.

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**

**The HELP II Loan Program**

**Resolution Number HII-317**

**RESOLUTION APPROVING EXECUTION AND DELIVERY OF  
HELP II LOAN PROGRAM AGREEMENTS WITH CERTAIN  
PARTICIPATING HEALTH INSTITUTIONS**

WHEREAS, the California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the provisions of the California Health Facilities Financing Authority Act (the “Act”) to provide secured or unsecured loans to participating health institutions to refinance existing debt and finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, or equipping of a health facility;

WHEREAS, the Authority established the HELP II Loan Program (the “Program”) to provide loans to participating health institutions as authorized by the Act;

WHEREAS, **Humboldt Senior Resource Center, Incorporated** (the “Borrower”), a California participating health institution, has applied to the Authority for a loan through the Program, and the application has been reviewed by the staff of the Authority; and

WHEREAS, approval of the loan by the Authority is now sought;

NOW THEREFORE BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. Pursuant to the Act, the Authority approves a loan to the Borrower in an amount not to exceed **\$675,000** for a term not to exceed **15 years** for the purpose described in the application filed with the Authority (the “Project”), but solely to the extent there are available proceeds of the Program, as determined pursuant and subject to Section 2 hereof. This approval is further contingent upon the following conditions:

1. 15-year, three percent (3%) fixed rate loan;
2. Second lien position on real property located 1901 California Street, Eureka, CA 95501;
3. Subordination Agreement with the City of Eureka;
4. A current appraisal that is acceptable to Authority staff;
5. Corporate gross revenue pledge;
6. Combined loan to value ratio not to exceed 95%; and
7. Verification of Borrower’s funds to close escrow.

Section 2. The Executive Director is hereby authorized, for and on behalf of the Authority, to determine the final amount, terms and conditions of the loan, and to approve any changes in the Project described in the application submitted to the Authority, as said officer shall deem appropriate and authorized under the Act (provided that the amount of the loans may not be increased above the amount approved by the Authority and provided further that the loans continue to meet the Authority's guidelines for HELP II loans). Nothing in this resolution shall be construed to require the Authority to obtain any additional funding, even if more loans are approved than there is available funding. Any notice to the Borrower shall indicate that the Authority shall not be liable to the Borrower in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 3. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Program fund not to exceed those amounts approved by the Authority for the Borrower. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Borrower any and all documents necessary to complete the transfer of funds.

Section 4. The Executive Director of the Authority is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Executive Director deems necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby, and which have heretofore been approved as to form by the Authority.

Section 5. This resolution expires six months from the date of approval.

Date of Approval: \_\_\_\_\_