

**CHFFA HELP II LOAN PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: TLC Child & Family Services (“TLC”) 1800 North Gravenstein Highway Sebastopol, CA 95472 Sonoma County</p> <p>Project Site: Santa Rosa, CA 95401 (Sonoma County) Facility Type: Group Home Eligibility: Government Code section 15432(d)(13) Prior HELP II Borrower: Yes (August 2016 – approximately \$611,826 outstanding as of September 2019)</p>	<p>Loan Amount: \$480,000 Loan Term: 20-year fixed Annual Interest Rate: 2% Authority Meeting Date: October 31, 2019 Resolution Number: HII- 324</p>																				
<p>Background: TLC Child & Family Services (“TLC”) is a 501(c)(3) non-profit agency founded in 1975 to provide quality services to youth and families in the community. TLC offers adoption and foster care programs, residential treatment, mental health services, Transitional Housing Placement Programs, and education to serve children and young adults who have experienced abandonment, neglect, and abuse. In FY 2018, approximately 36 clients were served through the Transitional Housing Placement Programs.</p>																					
<p>Use of Loan Proceeds: Loan proceeds will be used to finance the purchase of a house to be used for transitional housing for clients who are transitioning from TLC’s services.</p>																					
<p>Financing Structure:</p> <ul style="list-style-type: none"> • First lien on the real property located in Santa Rosa, CA 95401 (Sonoma County) • 20-year, two percent (2%) fixed rate loan • 240 equal monthly payments of approximately \$2,428 (annual payments of approximately \$29,139) • A current appraisal for the real property that is acceptable to the Authority staff • Corporate gross revenue pledge • Loan to value ratio not to exceed 95% • Verification of borrower funds to close each escrow 																					
<p>Financial Overview: TLC’s income statement exhibits stable operations with consistent total revenues and decreasing total expenses over the period in review. TLC’s balance sheet appears solid with a pro-forma debt service coverage ratio of 1.49x.</p>																					
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<p>*Commitment letter received</p>																					
<p>Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, and Religious Affiliation documentation, and the Community Service Obligation certification. All documentation satisfies the Authority’s requirements.</p>																					
<p>Parties of Interest: First American Title and King Ridge Foundation</p>																					
<p>Staff Recommendation: Staff recommends approval of Resolution Number HII-324 for TLC Child & Family Services in an amount not to exceed \$480,000 for a term not to exceed 20 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:

TLC is seeking a HELP II loan to purchase a house for TLC’s Transitional Housing Program. Purchasing this property in comparison with potentially renting the same property will save an estimated \$420,000 in rent expense over the next 20 years for the program, based on an average annual rental market increase of 3%.

***Purchase of Real Property* \$620,000**

TLC plans to use the loan proceeds to purchase a 1,710 square foot, single family home, located in Santa Rosa, CA. This residential facility will be part of TLC’s Transitional Housing Program, which gives young people, ages 16-24, the opportunity to learn critical life skills and receive support from professional staff while living independently. In addition, the participants would receive comprehensive supportive mobile case management, including, but not limited to, mental health, medical and dental health, employment, education, and budgeting services. This four bedroom and two bathroom residence will provide transitional housing for three participants and a resident advisor.

TLC also has a long standing relationship with King Ridge Foundation (“King Ridge”), a non-profit organization that partners with and supports programs that serve at risk youth. This relationship originated with TLC youth attending two programs King Ridge supports and has continued to grow over the years to support at-risk youth. In light of the need for at-risk youth in the community to have a safe and stable home, King Ridge plans to donate \$80,000 towards the purchase of the property.

The HELP II loan will be secured by a first (1st) lien position on the property. An appraisal completed on September 19, 2019 valued the property at \$631,000, resulting in a loan-to-value ratio of 76%.

***Financing Costs* 8,000**

Authority Fee	\$6,000
Estimated Escrow/Title Fees	<u>2,000</u>

Total Estimated Uses of Funds..... \$628,000

II. FINANCIAL STATEMENTS AND ANALYSIS:

TLC Child & Family Services Income Statement (Unrestricted)

	As of December 31,		
	2018	2017	2016
Revenues and Support			
Fees and grants from government agencies	\$ 7,972,309	\$ 8,188,774	\$ 7,997,086
Contributions	140,879	118,332	118,726
Other income	12,108	9,446	8,585
Gain (loss) on disposal of assets	1,510	(37,125)	-
Total Revenue and Support	<u>8,126,806</u>	<u>8,279,427</u>	<u>8,124,397</u>
Expenses			
Total personnel costs	5,203,429	5,303,069	5,236,514
Foster parent fees	617,888	662,484	633,660
Rent	400,152	428,011	434,075
Professional fees and contract services	205,137	181,434	215,669
Other program costs	204,427	170,726	136,437
Food	195,246	205,713	213,015
Depreciation	151,650	140,968	128,571
Utilities	108,465	115,493	98,637
Maintenance and repairs	101,631	99,606	70,054
Vehicle operating costs	96,105	100,040	116,646
Miscellaneous	85,609	56,688	85,879
Insurance	85,458	89,014	78,799
Telephone	74,741	97,319	99,425
Interest	70,947	72,234	73,429
Conference and travel	52,442	44,734	55,441
Expendable equipment	35,709	33,627	43,626
Operating supplies	35,130	39,476	48,550
Clothing	34,690	39,675	41,116
Dues and subscriptions	29,914	20,358	20,358
School supplies	10,820	15,214	27,974
Personal and incidental	9,601	10,708	12,024
Postage and freight	7,703	7,640	9,227
Adoption support	2,741	5,211	17,072
Printing and publications	1,006	1,089	619
Bad debt expense	-	-	15,293
Total Expenses	<u>7,820,641</u>	<u>7,940,531</u>	<u>7,912,110</u>
Change in Net Assets	306,165	338,896	212,287
Net Assets, Beginning of Year	<u>3,393,929</u>	<u>3,055,033</u>	<u>2,842,746</u>
Net Assets, End of Year	<u>\$ 3,700,094</u>	<u>\$ 3,393,929</u>	<u>\$ 3,055,033</u>

**TLC Child & Family Services
Balance Sheet
(Unrestricted)**

	As of December 31,		
	2018	2017	2016
Assets			
Cash	\$ 1,188,551	\$ 1,013,948	\$ 853,434
Cash - restricted	314,208	314,208	314,208
Accounts receivable	951,508	909,903	963,428
Deposits	45,043	46,079	50,755
Prepaid expenses and other assets	128,217	81,916	92,824
Property and equipment	3,617,133	3,719,853	3,066,573
Total Assets	<u>\$ 6,244,660</u>	<u>\$ 6,085,907</u>	<u>\$ 5,341,222</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 196,574	\$ 159,204	\$ 180,698
Accrued liabilities	542,839	488,926	515,705
Accrued unemployment liability	30,000	30,000	30,000
Certificates of participation - net	1,112,617	1,308,313	1,494,009
Notes payable	662,536	705,535	65,777
Total Liabilities	<u>2,544,566</u>	<u>2,691,978</u>	<u>2,286,189</u>
Net Assets			
Without donor restrictions:			
Undesignated	3,689,458	3,387,151	-
Board designated	10,636	6,778	-
Unrestricted	-	-	3,037,533
Unrestricted - board designated	-	-	17,500
Total Net Assets	<u>3,700,094</u>	<u>3,393,929</u>	<u>3,055,033</u>
Total Liabilities and Net Assets	<u>\$ 6,244,660</u>	<u>\$ 6,085,907</u>	<u>\$ 5,341,222</u>

	Proforma^(a)			
	FYE December 31, 2018	2018	2017	2016
Debt Service Coverage - Net (x)	1.49	1.62	1.81	1.33
Debt to Unrestricted Net Assets (x)	0.61	0.48	0.59	0.51
Margin (%)		3.77	4.09	2.61
Current Ratio (x)		2.56	2.54	2.37

^(a) Recalculates FY 2018 audited results to include the impact of this proposed financing.

Financial Discussion –Income Statement

TLC’s income statement exhibits stable operations with consistent total revenues and decreasing total expenses over the period in review.

Over the period in review, TLC’s revenue have remained consistent, increasing from approximately \$8.124 million in FY 2016 to approximately \$8.127 million in FY 2018. Fees and grants from government agencies decreased by less than 1% over this period. However, TLC’s other revenue sources of contributions and other income increased from approximately \$119,000 in FY 2016 to approximately \$141,000 in FY 2018 and from approximately \$9,000 in FY 2016 to approximately \$12,000 in FY 2018, respectively. According to TLC’s management, these increases (which are expected to continue in future years) were due to improved efforts to promote TLC’s programs to the community by the new Chief Executive Officer. Overall, according to TLC’s management, the consistent total revenues can be attributed to the established nature of the fees and grants from government agencies as well as to the diversity of programs (such as foster care, mental health and education), which comprised over 98% of TLC’s total revenue for each fiscal year.

TLC’s expenses decreased slightly, from approximately \$7.9 million in FY 2016, to approximately \$7.8 million in FY 2018. According to TLC’s management, this decrease is attributed to streamlining services in its residential treatment program and a successful transition from two Executive Directors to one Executive Director as well as careful management over day-to-day expenses. Overall, TLC’s net income increased by 44% from approximately \$212,000 in FY 2016 to \$306,000 in FY 2018, thus exhibiting continued positive revenue.

Financial Discussion –Balance Sheet

TLC’s balance sheet appears solid with a pro-forma debt service coverage ratio of 1.49x.

TLC appears to display the ability to repay long-term debt by consistently maintaining CHFFA-issued bonds, a previous HELP II loan, and notes on two vehicles. For FY 2018, TLC exhibits a debt service coverage ratio of 1.62x. With the proposed additional HELP II loan financing, TLC’s pro-forma FY 2018 debt service coverage ratio would decrease slightly to 1.49x, as expected due to the increase in debt. Additionally, TLC’s pro-forma FY 2018 debt to unrestricted net assets ratio increases to 0.61x from 0.48x in FY 2018, signifying that TLC seems to have sufficient unrestricted net assets to pay off all long term debt and the ability to take on the new debt.

TLC’s total liabilities increased in FY 2017, as compared to FY 2016, by approximately 18%. However, this increase is a direct result of the previous HELP II loan obtained in FY 2017, as can be seen from the sharp increase in notes payable, from approximately \$66,000 in FY 2016 to approximately \$706,000 in FY 2017. With the 2017 HELP II loan, TLC was able to take advantage of an opportunity to purchase a property it was renting and realize long-term cost savings. Moreover, according to TLC’s management, a portion of the CHFFA Series 2011 Bonds will mature in FY 2021, which is expected to significantly decrease TLC’s total liabilities.

III. UTILIZATION STATISTICS:

Clients Served*
for Fiscal Year End December 31,

	2018	2017	2016
Totals	36	32	39

* Clients served in the Transitional Housing Placement Program

IV. OUTSTANDING DEBT:

	<u>Original Amount</u>	<u>Amount Outstanding as of December 31, 2018^(a)</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
<i>Existing Debt:</i>			
CHFFA Refunding Revenue Bonds (2011)	\$ 2,475,000	\$ 1,112,617	\$ 1,112,617
CHFFA HELP II Loan (2017)	675,000	633,200	\$ 633,200
Notes Payable - Toyota Prius (2017)	20,129	16,480	\$ 16,480
Notes Payable - Toyota Prius (2017)	20,111	12,856	\$ 12,856
<i>Proposed New Debt:</i>			
CHFFA HELP II Loan (2019)			480,000
Total Debt		<u><u>\$ 1,775,153</u></u>	<u><u>\$ 2,255,153</u></u>

^(a) Includes current portion of long-term debt

V. BACKGROUND AND LICENSURE:

Background

TLC was founded in 1975 under the name of High Sierra Group Home to serve children coming out of institutional care. In July 2007, it modified its name to TLC Child and Family Services to reflect its commitment to the entire family system. By then, TLC had added programs and services, including adoption and foster care as well as transitional housing placement to offer a comprehensive continuum of care. Now, each day, TLC provides services to an average of 200 children and young adults, from birth to 24 years of age, in a variety of structured programs.

Located in Northern California, TLC is a non-profit agency that strives to provide quality services to youth and families in the community. TLC offers adoption and foster care programs, residential treatment, mental health services and a private, non-public high school education. It also continues to experience great success with its Transitional Housing Placement Programs, which provide mobile case management services for foster-youth who are transitioning into adulthood.

TLC is passionate about connections-based treatment to assist children and families in addressing historical psychological trauma and current mental health issues. Its mission is to empower families, children, young adults, and their support systems to cultivate resilience and self-empowerment by fostering healthy relationships.

Licensure, Certification and Accreditation

TLC Child & Family Services is licensed by the California Department of Social Services to operate and maintain a transitional housing placement program.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Loan Program

Resolution Number HII-324

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, **TLC Child & Family Services** (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 the loan to the Borrower, in an amount not to exceed **\$480,000** for a term not to exceed **20 years** for the purposes described in the application filed with the Authority (the “Projects”), 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. 20-year, two percent (2%) fixed rate loan ;
2. First lien on the real property located in Santa Rosa, CA 95401;
3. Corporate gross revenue pledge; and
4. Verification of Borrower’s funds to close escrow.

Section 2. The Executive Director or Deputy Executive Director is hereby authorized, for and on behalf of the Authority, to determine the final amount, terms and conditions of the loans, 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 or Deputy 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 or Deputy 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 or Deputy Executive Director is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Executive Director or Deputy 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: _____