

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)

HELP II Loan Program Fund Balance Analysis

April 30, 2020

Executive Summary

In light of the recent COVID-19 pandemic and the subsequent negative effects it has had on health facilities across California, staff has prepared a brief summary of the HELP II Loan Program (HELP II) fund balance and analysis of the proposal to allocate \$5 million from the HELP II fund in order to create the COVID-19 Emergency HELP Loan Program.

Summary of HELP II Fund Balance

As of March 24, 2020, the HELP II fund had a cash balance of approximately \$16 million with an annual program income of approximately \$3.7 million with no expenses being taken from the HELP II fund. Program income consists of HELP II borrower's annual debt service payments (including principal and interest) made on outstanding loans plus interest earned on the HELP II fund balance. The following chart presents some HELP II statistics based on the last five years.

Statistics from Years 2015 – 2019

| | Lowest | Average | Highest |
|-------------------------------------|-----------|-----------|-----------|
| Number of Loans Closed Per Year | 5 | 6 | 8 |
| Average Loan Amount Closed Per Year | \$569,000 | \$646,000 | \$820,000 |

Furthermore, the Authority has approved one loan that is expected to close in April and has received three applications that are currently being reviewed.

| Current HELP II Loan Applications | |
|---------------------------------------|--------------------|
| Organization | Loan Amount |
| Hart Community Homes, Inc. | \$1,330,000 |
| Unicare Community Health Center, Inc. | \$970,000 |
| Orchard Hospital | \$950,000 |
| Mayers Memorial Hospital District | \$1,500,000 |
| Total | \$4,750,000 |

Analysis of Proposal

In the following analysis, four case studies will be presented in order to cover a reasonable spectrum of potential scenarios for the HELP II fund with the proposed allocation of \$5 million for the COVID-19 Emergency HELP Loan Program. For all cases below, “Program Income” will assume board approval of the proposed three-month HELP II loan payment deferral and that all HELP II borrowers will take advantage of the deferral option for the full three months.

With an annual HELP II program income of \$3.7 million and three-months of loan payment deferrals equaling to \$925,000, the adjusted annual HELP II program income would be \$2,775,000 for calendar year 2020. Also, with the forthcoming completion of the Lifeline Grant Program, any funds not awarded by June 30, 2020 will revert back to the HELP II fund on July 1, 2020. As a conservative representation of the remaining Lifeline Grant Program funds, all cases will assume \$2 million will revert back into the HELP II fund. Lastly, the scenarios will continue to account for no expenses being taken from the HELP II fund.

Current Case: This scenario assumes the successful closure of the four current potential HELP II loans and no additional HELP II loans during calendar year 2020.

| HELP II Fund | |
|---|---------------------|
| Beginning HELP II Fund Balance | \$16,000,000 |
| Emergency HELP Loan Fund | (\$5,000,000) |
| Current HELP II Loan Applications | (\$4,750,000) |
| Program Income | \$2,775,000 |
| Lifeline Grant Program | \$2,000,000 |
| End of Year HELP II Fund Balance | \$11,025,000 |

The following three cases build upon the Current Case scenario by factoring in additional HELP II loans based on the Statistics from Years 2015 – 2019 chart and assumes the average loan amount of \$646,000 for each additional loan.

Low Loan Volume Case (Five HELP II loans): This scenario assumes one additional loan closes during calendar year 2020.

| HELP II Fund | |
|---|---------------------|
| Beginning HELP II Fund Balance | \$16,000,000 |
| Emergency HELP Loan Fund | (\$5,000,000) |
| Current HELP II Loan Applications | (\$4,750,000) |
| Low Loan Volume Case | (\$646,000) |
| Program Income | \$2,775,000 |
| Lifeline Grant Program | \$2,000,000 |
| End of Year HELP II Fund Balance | \$10,379,000 |

Average Loan Volume Case (Six HELP II loans): This scenario assumes two additional HELP II loans close during calendar year 2020.

| HELP II Fund | |
|---|----------------------|
| Beginning HELP II Fund Balance | \$16,000,000 |
| Emergency HELP Loan Fund | (\$5,000,000) |
| Current HELP II Loan Applications | (\$4,750,000) |
| Average Loan Volume Case | (\$1,292,000) |
| Program Income | \$2,775,000 |
| Lifeline Grant Program | \$2,000,000 |
| End of Year HELP II Fund Balance | \$9,733,000 |

High Loan Volume Case (Eight HELP II loans): This scenario assumes four additional loans close during calendar year 2020.

| HELP II Fund | |
|---|----------------------|
| Beginning HELP II Fund Balance | \$16,000,000 |
| Emergency HELP Loan Fund | (\$5,000,000) |
| Current HELP II Loan Applications | (\$4,750,000) |
| High Loan Volume Case | (\$2,584,000) |
| Program Income | \$2,775,000 |
| Lifeline Grant Program | \$2,000,000 |
| End of Year HELP II Fund Balance | \$8,441,000 |

From the results of the case studies above, the HELP II fund appears to display resilience as none of the end of year HELP II fund balances reach the minimum fund balance floor of \$6 million in any of the cases. More specifically, looking at the High Loan Volume Case, which was the case that was closest to the minimum floor amount, there would need to be another four HELP II loans of average size from the Current Loan Volume amount to approach the minimum floor amount. Any loan volume amount less than or equal to the High Loan Volume amount does not appear to hinder the Authority's ability to continue approving HELP II loans with the current terms. In addition, while the creation of the \$5 million COVID-19 Emergency HELP Loan Program would immediately lower the HELP II fund balance to \$11 million, the outflow of funds to close any HELP II loans as well as the inflow of loan repayments will occur throughout the calendar year. The anticipated additional inflow of \$2 million from the Lifeline Grant Program solidifies a robust fund balance in each scenario.