

**CHFFA HELP II LOAN PROGRAM  
EXECUTIVE SUMMARY**

<p><b>Applicant:</b> Mayers Memorial Hospital District (Mayers) 43563 Highway 299E Fall River Mills, CA 96028 Shasta County</p> <p><b>Project Site:</b> 20641 Commerce Way, Burney, CA 96013</p> <p><b>Facility Type:</b> General Acute Care Hospital</p> <p><b>Eligibility:</b> Government Code section 15432(d)(1)</p> <p><b>Prior HELP II Borrower:</b> Yes (May 2013 – paid in full April 2018)</p>	<p><b>Loan Amount:</b> \$1,500,000</p> <p><b>Loan Term:</b> 20-year fixed</p> <p><b>Annual Interest Rate:</b> 2%</p> <p><b>Authority Meeting Date:</b> May 28, 2020</p> <p><b>Resolution Number:</b> HII- 325</p>
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**Background:** Mayers Memorial Hospital District is a 501(c)(3) non-profit agency founded in 1956 to provide the local residents with an extensive array of services including, but not limited to skilled nursing beds, obstetrics, surgery, laboratory, imaging, physical therapy and outpatient services. Mayers provides health care to its rural community with two facilities and approximately 240 employees.

**Use of Loan Proceeds:** Loan proceeds will be used to finance the renovation of the Burney Rural Health Clinic to meet Office of Statewide Health Planning and Development (OSHPD) 3 building code standards and increase access to primary care for patients in the district.

- Financing Structure:**
- 20-year, two percent (2%) fixed rate loan
  - 240 equal monthly payments of approximately \$7,588 (annual payments of approximately \$91,059)
  - Assignment of Shasta County property tax revenue in the event of default (annual payments of \$91,059 in agreement with Shasta County)
  - Verification of Borrower’s funds prior to closing
  - Consent from U.S. Department of Agriculture (USDA) to incur additional indebtedness
  - Executed construction contract for renovations

**Financial Overview:** Mayers’ income statement exhibits stable operations with positive gains from operations over the period in review. Mayers’ balance sheet appears strong with a pro-forma debt service coverage ratio of 11.58x.

<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>	
HELP II Loan	\$ 1,500,000	Renovation	\$ 2,033,000
Borrower Funds	<u>553,750</u>	Financing Fee	<u>20,750</u>
<b>Total Estimated Sources</b>	<b><u><u>\$ 2,053,750</u></u></b>	<b>Total Estimated Uses</b>	<b><u><u>\$ 2,053,750</u></u></b>

**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.

**Staff Recommendation:** Staff recommends approval of Resolution Number HII-325 for Mayers Memorial Hospital District in an amount not to exceed \$1,500,000 for a term not to exceed 20 years, and contingent upon financing terms acceptable to the Authority. TAP International, Inc., the Authority’s financial analyst, concurs with the Authority’s staff recommendation.

**I. PURPOSE OF FINANCING:**

Mayers is seeking a HELP II loan to finance the renovation of its Burney Rural Health Clinic (Burney Clinic). Currently, many patients have to drive more than 20 miles out of their area to receive timely care, or they end up in Mayers emergency room for health issues that have not been addressed. Currently, the Burney Clinic does not satisfy the OSHPD 3 building code standards for primary care clinics, including certain architectural, plumbing, mechanical and electrical requirements. Mayers previously rented the facility to a local Federally Qualified Health Center (FQHC), which moved out of the clinic space in 2013. Since FQHCs are federally regulated, the facility was not required to meet the OSHPD 3 building code standards that Mayers’ proposed hospital-based rural health clinic will. Mayers is currently using the facility for storage space. Renovating the Burney Clinic will allow Mayers to expand access to primary care services in one of the more densely populated areas in Shasta County.

**Renovation** ..... **\$2,033,000**

Loan proceeds will be used to finance renovations at the Burney Clinic, including the examination and treatment rooms, support areas for the examination and treatment rooms, the administrative area, the reception area, and outpatient waiting room. The renovations will provide space for handicap accessibility, meet clinical requirements for infection control purposes and meet amenity/workspace requirements for the employees where the current space is not in compliance with OSHPD 3 building code standards for primary care clinics. When complete, the Burney Clinic will allow Mayers to make primary care more available in the area. The remaining \$533,000 that is not funded by the HELP II loan will come from the borrower.

District hospitals are considered public property and cannot be foreclosed upon to liquidate assets for loan repayments. As such, the HELP II loan will be secured by an assignment of Mayers’ property tax revenue in the event of default in lieu of requiring a lien position. In addition, Mayers has outstanding loans with the USDA, so CHFFA will need to acquire proof that Mayers has received consent from the USDA to incur additional indebtedness.

**Financing Costs** ..... **20,750**

Authority Fees .....	\$16,750
Estimated Escrow/Title Fees .....	<u>4,000</u>

**Total Uses of Funds** ..... **\$2,053,750**

**II. FINANCIAL STATEMENTS AND ANALYSIS:**

**Mayers Memorial Hospital District  
Statement of Activities  
(Income Statement)**

	<b>As of June 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Revenues</b>			
Net patient and resident service revenue	\$ 27,702,142	\$ 27,058,409	\$ 23,040,330
Other operating income	481,972	857,854	911,861
Total revenue	<u>28,184,114</u>	<u>27,916,263</u>	<u>23,952,191</u>
<b>Expenses</b>			
Operating expenses			
Salaries and wages	10,319,427	10,089,007	10,334,467
Employee benefits	3,044,389	2,987,823	2,680,145
Professional fees	1,746,905	1,797,746	1,706,089
Supplies	2,962,079	2,577,791	2,369,431
Purchased services	5,934,064	3,609,990	2,472,405
Repairs and maintenance	392,151	446,429	407,230
Rents and leases	217,649	100,947	92,553
Utilities	515,142	494,886	481,588
Insurance	225,360	225,266	218,952
Other	670,937	769,405	555,409
Depreciation	845,163	1,239,154	1,321,930
Total operating expenses	<u>26,873,266</u>	<u>24,338,444</u>	<u>22,640,199</u>
Gain from operations	<u>1,310,848</u>	<u>3,577,819</u>	<u>1,311,992</u>
Nonoperating revenue (expenses)			
Property taxes	913,448	1,149,892	1,220,832
Interest income	-	-	74
Other income	2,349,675	530,434	1,066,396
Interest expense	<u>(240,664)</u>	<u>(491,394)</u>	<u>(543,340)</u>
Total nonoperating revenue - Net	<u>3,022,459</u>	<u>1,188,932</u>	<u>1,743,962</u>
Excess of revenue over expenses	4,333,307	4,766,751	3,055,954
Net position - beginning of year	<u>15,285,965</u>	<u>10,519,214</u>	<u>7,463,260</u>
Net position - end of year	<u>\$ 19,619,272</u>	<u>\$ 15,285,965</u>	<u>\$ 10,519,214</u>

**For Fiscal Year End June 30,**

<b><u>Payer Source</u></b>	<b><u>% Patient and Resident Service Revenue</u></b>		<b><u>Patient Days</u></b>			
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>		<b><u>2018</u></b>	
			<b><u>Total</u></b>	<b><u>%</u></b>	<b><u>Total</u></b>	<b><u>%</u></b>
Medicare	28	33	1,633	6	1,801	6
Medi-Cal	46	36	25,904	88	26,710	89
Other third-party payors	18	24	347	1	212	1
Patients	8	7	1,516	5	1,263	4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>29,400</b>	<b>100</b>	<b>29,986</b>	<b>100</b>

**Mayers Memorial Hospital District**  
**Statements of Financial Position**  
**(Balance Sheet)**

	As of June 30,			
	2019	2018	2017	
<b>Assets</b>				
Current assets				
Cash and cash equivalents				
Cash	\$ 12,587,134	\$ 6,733,615	\$ 5,043,593	
Cash held in trust for others	22,660	22,523	483,454	
Patient and resident receivables - Net	3,242,022	4,435,168	3,242,837	
Inventories	490,780	416,037	399,355	
Prepays	475,617	405,068	387,335	
Due from third-party reimbursement programs	895,245	2,342,734	1,405,420	
Other accounts receivable	76	-	-	
Total current assets	<u>17,713,534</u>	<u>14,355,145</u>	<u>10,961,994</u>	
Noncurrent assets				
Noncurrent cash and cash equivalents				
Board-designated cash and cash equivalents	1,692,527	791,097	-	
Debt service reserve	58,229	268,907	-	
Capital assets	17,838,993	10,615,790	9,588,562	
Restricted cash, less current portion	-	-	513,732	
Total noncurrent assets - Net	<u>19,589,749</u>	<u>11,675,794</u>	<u>10,102,294</u>	
Total assets	<u>37,303,283</u>	<u>26,030,939</u>	<u>21,064,288</u>	
Deferred outflow of resources - Deferred charge on bond refunding	-	5,338	60,540	
Total assets and deferred outflows of resources	<u>\$ 37,303,283</u>	<u>\$ 26,036,277</u>	<u>\$ 21,124,828</u>	
<b>Liabilities and Net Assets</b>				
Current liabilities				
Current portions of long-term debt and capital lease obligations	\$ 141,099	\$ 136,271	\$ 678,937	
Current portion - Unearned revenue	-	-	451,877	
Accounts payable	1,872,570	880,684	461,442	
Patient balances payable	283,856	320,493	163,344	
Accrued expenses	906,523	810,408	923,540	
Cash held in trust for others	22,660	22,523	17,761	
Total current liabilities	<u>3,226,708</u>	<u>2,170,379</u>	<u>2,696,901</u>	
Noncurrent liabilities				
Long-term debt and capital lease obligations - Net of current portions	14,457,303	8,579,933	7,908,713	
Total liabilities	<u>17,684,011</u>	<u>10,750,312</u>	<u>10,605,614</u>	
Net position				
Net investment in capital assets	3,352,516	2,937,067	3,745,337	
Restricted	58,229	291,430	997,186	
Unrestricted	16,208,527	12,057,468	5,776,691	
Total net position	<u>19,619,272</u>	<u>15,285,965</u>	<u>10,519,214</u>	
Total liabilities and net position	<u>\$ 37,303,283</u>	<u>\$ 26,036,277</u>	<u>\$ 21,124,828</u>	
	<b>Proforma</b>			
	<b>FYE June 30, 2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Debt Service Coverage - Net (x)	11.58	14.38	5.55	3.79
Debt to Unrestricted Net Assets (x)	0.99	0.90	0.72	1.49
Margin (%)		4.65	12.82	5.48
Current Ratio (x)		5.49	6.61	4.06

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

### **Mayers' income statement exhibits stable operations with positive gains from operations over the period in review.**

Mayers continues to produce positive margins over the period in review, indicating sustainable operations. More specifically, revenue from operations appears to exhibit a positive upward trend, increasing by approximately 18% from approximately \$24 million in FY 2017 to approximately \$28.2 million in FY 2019. According to Mayers' management, the increasing revenue from operations was due to an increase in the utilization of various services including swing bed utilization, emergency room visits, and outpatient visits. During the same period, operating expenses also increased by approximately 19% from approximately \$22.6 million in FY 2017 to approximately \$26.9 million in FY 2019. According to Mayers' management, this increase in expenses was primarily due to staffing shortages in skilled nursing that led to the use of a staffing agency as well as rate increases for employee benefits.

Overall, excess of revenue over expenses increased 42%, from approximately \$3.1 million in FY 2017 to \$4.3 million in FY 2019. According to Mayers' management, this increase is largely attributable to third-party intergovernmental transfer settlements from Mayers' Medi-Cal managed care provider, as well as increased grants and contributions for various construction and renovation projects.

Mayers' management states that, due to the COVID-19 pandemic, Mayers has experienced a decrease in revenue of about 23% to 33% since March 2020 as outpatient volumes have decreased. Mayers' anticipates up to another 10% decrease over the next quarter. However, they expects that its current cash on hand, CARES Act payments, and a Paycheck Protection Program loan will help absorb these losses. With a HELP II loan, the newly-renovated Burney Clinic also would help return operations back to normal output with increased services available and increased outpatient volumes.

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

### **Mayers' balance sheet appears strong with a pro-forma debt service coverage ratio of 11.58x.**

In April 2018, Mayers repaid its previous HELP II loan in full and continues to display its ability to repay long-term debt. With a debt service coverage ratio from net income of 14.38x in FY 2019, the added HELP II loan results in a pro-forma net debt service coverage ratio of 11.58x. Although, Mayers' pro-forma debt to unrestricted net assets ratio increases to 0.99x from 0.90x in FY 2019, Mayers shows its ability to take on new debt with a strong current ratio of 5.49x and a positive margin of 4.65% in FY 2019.

Mayers' total liabilities increased significantly from approximately \$10.8 million in FY 2018 to \$17.7 million in FY 2019, an increase of 65%. This increase seems to be primarily due to the addition of approximately \$6.2 million of new USDA loans, which, according to Mayers' management, is being used to expand an emergency room to meet OSHPD seismic requirements.

**III. UTILIZATION STATISTICS:**

**Patient Visits  
Fiscal Year Ended June 30,**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Totals	14,364	14,193	14,707

**IV. OUTSTANDING DEBT:**

	<u>Original Amount</u>	<u>Amount Outstanding As of June 30, 2019</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b><i>-EXISTING LONG-TERM DEBT:</i></b>			
General Obligation Bonds, 2011 Series A	\$5,000,886	\$1,189,599	\$1,189,599
U.S. Department of Agriculture Loan Series (2017)	13,485,335	13,372,335	13,372,355
<b><i>-PROPOSED NEW DEBT</i></b>			
<b><i>HELP II Loan (2020)</i></b>			<u>1,500,000</u>
<b><i>-TOTAL DEBT</i></b>		<u>\$14,561,934</u>	<u>\$16,061,934</u>

## **V. BACKGROUND AND LICENSURE:**

### **Background**

As the realization of Dr. Howard Mayers' dream for his Intermountain patients, Mayers Memorial Hospital was founded in 1956 at Fall River Mills through the donations and dedication of the Intermountain community. At its opening, Mayers had only ten beds with much of the labor and materials coming from donations from the local residents. In 1969, the residents voted to form a hospital district and levy a district tax for support, allowing the hospital to grow and thrive. More skilled nursing beds were added as well as other services including obstetrics, surgery, laboratory and both inpatient and outpatient services. In 1995, Mayers grew again, this time adding a fifty bed skilled nursing facility in Burney. While Mayers owns two facilities, the district hospital and the Burney Clinic, the Burney Clinic has not been in operation since 2013 as it has been used for storage space.

Today, Mayers Memorial Hospital District houses sixteen general acute care beds and 99 skilled nursing beds and will include an Alzheimer's/Dementia Care unit housed at the Burney Clinic. Other services include but are not limited to cardiac rehabilitation, emergency services, respiratory and physical therapy, radiology and telemedicine. In addition to its many services, Mayers is also one of the largest employers in Shasta County with approximately 240 employees.

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

Mayers Memorial Hospital District is licensed by the California Department of Public Health to operate and maintain a general acute care hospital.

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**

**The HELP II Loan Program**

**Resolution Number HII-325**

**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, **Mayers Memorial Hospital District** (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 **\$1,500,000** 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 the real property;
2. Assignment of Shasta County property tax revenue in the event of default (annual payments of \$91,059 in agreement with Shasta County);
3. Verification of Borrower’s funds prior to closing;
4. Consent from U.S. Department of Agriculture to incur additional debt; and
5. Executed construction contract for renovations.



Section 2. The Executive Director and Deputy Executive Director are 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 and Deputy Executive Director are 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 and Deputy Executive Director are 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 and Deputy Executive Director are hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Executive Director and Deputy Executive Director deem 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: \_\_\_\_\_