

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)  
EXECUTIVE SUMMARY**

<p><b>Applicant:</b> OLE Health (OLE) 1141 Pear Tree Lane Napa, CA 94558 Napa County</p> <p><b>Project Site:</b> 215 Gateway Road, Napa, CA 94558 <b>Facility Type:</b> Community Clinic <b>Eligibility:</b> Government Code Section 15432(d)(5) <b>Prior HELP II Borrower:</b> No</p>	<p><b>Loan Amount:</b> \$2,000,000 <b>Loan Term:</b> 20-year fixed <b>Annual Interest Rate:</b> 2% <b>Authority Meeting Date:</b> September 29, 2022 <b>Resolution Number:</b> HII-337</p>																
<p><b>Policy Exception Request:</b> OLE’s gross revenues for fiscal year (FY) 2021 were approximately \$40.6 million, which exceeds the HELP II’s gross revenue maximum of \$40 million. Staff recommends the Authority consider the requested financing exception to this guideline (see the following page for more details).</p>																	
<p><b>Background:</b> OLE is a 501(c)(3) community clinic that was founded in 1972 and currently has seven clinics that serve the Napa and Solano counties communities. For nearly 50 years, OLE has offered primary health care, including medical, dental, optometry, behavioral health and pharmacy service,s and now provides care to almost 40,000 patients.</p>																	
<p><b>Use of Proceeds:</b> Loan proceeds will be used to finance the purchase of a property that will be used as a call and referral center for patient care services and administrative space.</p>																	
<p><b>Financing Structure:</b></p> <ul style="list-style-type: none"> <li>• First lien on the real property located at 215 Gateway Road, Napa, CA 94558</li> <li>• 20-year, two percent (2%) fixed rate loan</li> <li>• 240 equal monthly payments of approximately \$10,118 (annual payments of approximately \$121,412)</li> <li>• A current appraisal that exhibits a loan-to-value ratio not to exceed 95%</li> <li>• Corporate gross revenue pledge</li> <li>• Executed purchase contract</li> <li>• Verification of borrower funds to close escrow</li> </ul>																	
<p><b>Financial Overview:</b> OLE’s income statement exhibits positive gains in net income over the review period. OLE’s balance sheet appears strong with a net pro-forma debt service coverage ratio of 4.07x.</p>																	
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<p><b>Due Diligence:</b> Staff has confirmed the following documentation satisfies the California Health Facilities Financing Authority’s (Authority) requirements: Eligibility, Legal Review, and Religious Affiliation Due Diligence.</p>																	
<p><b>Staff Recommendation:</b> Staff recommends the Authority approve Resolution Number HII-337, in an amount not to exceed \$2,000,000 for OLE Health, subject to the terms and conditions in the resolution. TAP International, Inc., the Authority’s financial analyst, concurs with the Authority staff’s recommendation.</p>																	

## STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

### I. POLICY EXCEPTION REQUEST

HELP II is intended to benefit small and rural health facilities and for small facilities. Currently, HELP II parameters define a small health facility as one with annual gross revenues of less than \$40 million per year or less. OLE's audited statement of operations for FY 2021 reflects gross revenues of approximately \$40.6 million.

OLE is requesting the Authority to approve a policy exception for the following reasons:

1. FY 2021 was the first year that OLE's gross revenues exceeded \$40 million. This was due to several one-time supporting revenues that are not typically part of OLE's operating income, such as various COVID-19 related grants, which alone totaled approximately \$2.2 million in FY 2021.
2. OLE exceeds the maximum by approximately \$560,000, which is about 1.4% above the maximum amount.
3. Approximately \$20.5 million of OLE's \$40,559,557 gross revenues comes from patient service revenue. The remainder of the gross revenues mostly comes in the form of grants and contributions, which are not guaranteed in any given year.
4. Approximately \$1.2 million of deferred rent is reflected as revenue in the consolidated financials although it was a one-time transaction between OLE and one of its subsidiaries.
5. The Authority has previously referred to the Small Business Association (SBA)'s definition of a small business. In FY 2020, OLE qualified for a Paycheck Protection Program (PPP) loan from SBA as a small business.

**II. PURPOSE OF FINANCING**

OLE is requesting a HELP II loan to purchase a facility that will be used as a call and referral center for patient services as well as for administrative space. This facility will allow OLE to increase the number of staff answering calls, which in turn will increase the volume of patient calls that can be addressed at any given time. Currently, OLE leases an 8,565 square foot building for a monthly rental cost of \$17,139. With the requested HELP II loan, the monthly payment would become \$10,118; thus, saving OLE approximately \$7,000 per month or \$84,000 per year, and OLE would gain the benefit of owning a larger property.

***Purchase Real Property*..... \$3,400,000**

OLE intends to purchase a 14,328-square-foot office building that will have the capacity of approximately 100 workstations for staff. OLE plans to use 80% of the space to answer all incoming patient calls, such as making appointments, medication refills, patient care follow-up, vaccine clinic coordination and referrals to specialty medical services, while the other 20% would be used for administrative space. The HELP II loan will cover \$2 million of the property purchase price, and the remaining funds will come from OLE.

The property is currently 50% occupied by another tenant whose lease ends in February 2023. This tenant, SyMed Corporation (SyMed), is a medical billing service and software development company, and OLE will assume the collection of rent once it owns the building. OLE plans to occupy the vacant 50% immediately and, once the lease with SyMed expires, to occupy the other 50% of the space as well to expand its call center space.

The HELP II loan will be secured by a first (1<sup>st</sup>) lien position on the property purchased. An appraisal completed on January 5, 2022, valued the property at \$3,400,000, resulting in a loan-to-value ratio of 59%.

***Financing Costs* ..... 30,000**

Authority Fees ..... \$25,000

Estimated Escrow/Title Fees ..... 5,000

**Total Uses of Funds ..... \$3,430,000**

### III. FINANCIAL STATEMENTS AND ANALYSIS

**OLE Health and Subsidiaries**  
**Statement of Activities**  
**(Income Statement)**

	<b>For the Years Ended June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Revenues, gains, and other support</b>			
Net patient service revenue	\$ 16,744,139	\$ 15,660,491	\$ 15,869,822
Capitation revenue	3,800,338	3,327,818	3,220,642
Grant revenue	7,253,359	6,233,224	4,696,537
Contribution revenue	3,416,167	1,783,750	1,307,965
Other revenue	8,918,940	8,591,096	5,579,703
Net assets released from restriction use for operations	426,614	804,770	1,381,551
Total revenues, gains, and other support	<u>40,559,557</u>	<u>36,401,149</u>	<u>32,056,220</u>
<b>Expenditures</b>			
Salaries and benefits	26,047,547	22,826,666	20,002,192
Supplies	3,070,632	2,922,743	2,746,710
Depreciation and amortization	1,424,206	1,519,127	774,449
Space costs	2,937,267	2,646,700	1,906,081
Equipment costs	362,150	220,893	211,693
Insurance	132,704	124,083	111,660
Contractual services	1,598,070	664,887	870,919
Professional fees	2,261,241	2,433,459	590,361
Interest and other	2,576,251	3,435,856	1,939,489
Total expenditures	<u>40,410,068</u>	<u>36,794,414</u>	<u>29,153,554</u>
Operating income	<u>149,489</u>	<u>(393,265)</u>	<u>2,902,666</u>
<b>Other income</b>			
Investment return, net	<u>2,159,617</u>	<u>585,870</u>	<u>644,923</u>
Total other income	<u>2,159,617</u>	<u>585,870</u>	<u>644,923</u>
Excess of revenue, gains, and other support over expenditures	2,309,106	192,605	3,547,589
Net assets released from restriction for capital projects	230,000	645,000	3,244,870
Gain from loan forgiveness on long-term debt	<u>3,586,472</u>	<u>-</u>	<u>-</u>
Change in net assets without donor restrictions	<u>6,125,578</u>	<u>837,605</u>	<u>6,792,459</u>
<b>Net assets with donor restrictions</b>			
Contributions	213,026	1,650,671	600,168
Net assets released from restrictions	<u>(656,614)</u>	<u>(1,449,770)</u>	<u>(4,626,421)</u>
Change in net assets with donor restrictions	<u>(443,588)</u>	<u>200,901</u>	<u>(4,026,253)</u>
Change in net assets	<u>5,681,990</u>	<u>1,038,506</u>	<u>2,766,206</u>
Net assets - beginning of the year	<u>41,061,973</u>	<u>40,023,467</u>	<u>37,257,261</u>
Net assets - end of the year	<u>\$ 46,743,963</u>	<u>\$ 41,061,973</u>	<u>\$ 40,023,467</u>

**OLE Health and Subsidiaries**  
**Statements of Financial Position**  
**(Balance Sheet)**

	<b>As of June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 7,743,643	\$ 12,065,726	\$ 7,749,682
Current portion of investments	23,225,885	15,419,535	14,996,305
Patient accounts receivable, net	2,757,895	1,245,310	1,525,082
Current portion of grants, contributions, and other receivables, net	2,945,117	1,563,496	2,647,656
Amounts due from third-party payors	750,845	283,746	527,969
Prepaid expenses and other assets	971,087	898,358	615,474
Total current assets	<u>38,394,472</u>	<u>31,476,171</u>	<u>28,062,168</u>
Long-term assets			
Investments, long-term portion	1,540,000	-	-
Grants, contributions, and other receivables, long-term portion	-	100,000	280,000
Note receivable	14,330,990	14,330,990	14,330,990
Assets limited as to use	587,681	1,757,177	4,852,811
Total long-term assets	<u>16,458,671</u>	<u>16,188,167</u>	<u>19,463,801</u>
Property, land, and equipment, at cost			
Land and land improvements	2,989,983	2,989,983	2,989,983
Buildings and leasehold improvements	27,765,561	27,393,757	26,682,481
Equipment	4,999,865	4,822,277	4,762,340
Furniture and fixtures	1,794,468	1,709,102	1,697,440
Website	37,013	37,013	37,013
Construction in progress	266,934	23,711	6,221
Total property, land, and equipment, at cost	<u>37,853,824</u>	<u>36,975,843</u>	<u>36,175,478</u>
Less accumulated depreciation and amortization	<u>8,412,601</u>	<u>7,490,898</u>	<u>5,971,771</u>
Total assets	<u>84,294,366</u>	<u>77,149,283</u>	<u>77,729,676</u>
<b>Liabilities and Net Assets</b>			
Current liabilities			
Accounts payable	\$ 274,452	\$ 273,389	\$ 3,359,158
Accrued expenses	5,495,849	2,801,995	4,198,429
Current portion of long-term debt, net of debt issuance costs	-	1,457,790	109,387
Deferred revenue	2,416,576	-	613,781
Total current liabilities	<u>8,186,877</u>	<u>4,533,174</u>	<u>8,280,755</u>
Long-term debt, net of current portion and debt issuance costs	<u>29,363,526</u>	<u>31,554,136</u>	<u>29,425,454</u>
Total liabilities	<u>37,550,403</u>	<u>36,087,310</u>	<u>37,706,209</u>
Net assets			
Without donor restrictions	45,678,252	39,552,674	38,715,069
With donor restrictions	1,065,711	1,509,299	1,308,398
Total net assets	<u>46,743,963</u>	<u>41,061,973</u>	<u>40,023,467</u>
Total liabilities and net assets	<u>\$ 84,294,366</u>	<u>\$ 77,149,283</u>	<u>\$ 77,729,676</u>

	<b>Proforma</b>			
	<b>FYE June 30, 2021</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Debt Service Coverage - Net (x)	4.07	3.99	4.03	5.23
Debt to Unrestricted Net Assets (x)	0.69	0.64	0.83	0.76
Margin (%)		0.37	(1.08)	9.05
Current Ratio (x)		4.69	6.94	3.39

## **Financial Discussion**

### **OLE's income statement exhibits positive gains in net income over the review period.**

OLE's change in net assets without donor restrictions (Net Income) fluctuated over the period in review, from approximately \$6.8 million in FY 2019 to approximately \$838,000 in FY 2020 to approximately \$6.1 million in FY 2021. According to OLE management, the decrease in FY 2020 was primarily due to the opening of OLE's South Napa Campus (SNC), which subsequently increased expenditures, such as salaries, with the expansion. Additionally, with SNC becoming operational, capitalized expenses were recognized as depreciation and interest expense. Likewise, the rebounding increase in Net Income in FY 2021 was due partly to the additional revenues from the SNC site. Moreover, the increase in Net Income in FY 2021 also appeared to be attributable to a gain from loan forgiveness of long-term debt and an increase in investment returns from approximately \$586,000 in FY 2020 to approximately \$2.2 million in FY 2021. According to OLE's management, a PPP loan of approximately \$3.6 million was forgiven in FY 2021, and the increase in investments was mostly due to a transfer of funds from the operating account to the investment account and the subsequent capital gains recognized from the larger investment amount.

During the COVID-19 pandemic, OLE was able to adjust to telehealth, which minimized a loss of patient visits, and OLE received funds from several key federal grants, such as provider relief and community clinic funding from the Health Resources and Services Administration. Dental services ceased operations for eight weeks but were fully operational after that period.

### **OLE's balance sheet appears strong with a net pro-forma debt service coverage ratio of 4.07x.**

Over the period in review, OLE maintained a strong debt service coverage ratio, ending with a 3.99x in FY 2021. With the inclusion of the HELP II loan, OLE's pro-forma FY 2021 debt service coverage ratio improves slightly to 4.07x, which reflects the savings from removing the currently leased building and exhibits OLE's ample ability to repay the new debt. Moreover, OLE had a debt to unrestricted net assets ratio of 0.64x in FY 2021, which demonstrates OLE's readiness to take on new debt. The pro-forma debt to unrestricted net assets ratio of 0.69x further shows OLE's ability to manage the debt.

Furthermore, OLE appears to display financial strength in the balance sheet as total assets have increased over the review period from approximately \$77.7 million in FY 2019 to approximately \$84.3 million in FY 2021. According to OLE's management, this increase was due to a variety of factors, including receiving several large grants, an increase in patient account receivables, and the investments transfer from the operating account as previously discussed.

**IV. UTILIZATION STATISTICS**

**Clients Served/Patient Visits  
Fiscal Year Ended June 30,**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Totals	28,673/108,253	26,287/99,344	29,189/109,486

**V. OUTSTANDING DEBT**

	<u>Original Amount</u>	<u>Amount Outstanding as of 06/30/2021</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b>EXISTING LONG-TERM DEBT</b>			
QLICI Notes (2017)	\$29,651,000	\$29,651,000	\$29,651,000
Bank of Stockton* (2021)	2,830,938		2,830,938
<b>PROPOSED NEW DEBT</b>			
<i>HELP II Loan (2022)</i>			<b>2,000,000</b>
<b>TOTAL DEBT</b>		<u><b>\$29,651,000</b></u>	<u><b>\$34,481,938</b></u>

\*Loan originated after completion of the FY 2021 audit.

## **VI. BACKGROUND AND LICENSURE:**

### **Background**

OLE Health was founded in 1972 as a single clinic in Napa County. Today, OLE has seven total clinics between Napa County and Solano County that serve nearly 40,000 patients. As the only nonprofit health center in Napa County, OLE provides comprehensive services, including, but not limited to, medical, dental, optometry, behavioral health, pediatrics, and pharmacy across the clinic sites. OLE offers care to all, regardless of ability to pay and provides referrals to specialists or other providers for services that the OLE clinics do not offer. OLE also has a team of enrollment specialists who help community members, whether they are OLE patients or not, get connected to additional support and resources, such as enrolling in health insurance.

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

OLE is licensed by the State Department of Public Health to operate seven community clinics.

## **VII. STAFF RECOMMENDATION**

Staff recommends the Authority approve Resolution Number HII-337, in an amount not to exceed \$2,000,000 for OLE Health, subject to the terms and conditions in the resolution. TAP International, Inc., the Authority's financial analyst, concurs with the Authority staff's recommendation.



**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**  
**HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)**

**Resolution Number HII-337**

RESOLUTION APPROVING EXECUTION AND DELIVERY OF  
HELP II 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 (Gov. Code, §15430 et seq.) (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 HELP II (the “Program”) to provide loans to participating health institutions as authorized by the Act;

WHEREAS, **OLE Health** (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;

WHEREAS, the Borrower requests an exemption to the requirement that an applicant cannot have more than \$40,000,000 in annual gross revenues as shown on the most recent audited financials, and Authority staff recommends granting the exemption; 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 **\$2,000,000** for a term not to exceed **20 years** for the purposes 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. First lien on the real property located at 215 Gateway Road, Napa, CA 94558;
2. 20-year, two percent (2%) fixed-rate loan;
3. A current appraisal that exhibits a loan-to-value ratio not to exceed 95%
4. Corporate gross revenue pledge;
5. Executed purchase contract; and
6. Verification of Borrower’s funds to close escrow.

Section 2. The Executive Director and the 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 the 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 the 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 the Deputy Executive Director of the Authority are hereby authorized and directed to do any and all things and to execute and deliver any and all documents that the Executive Director or the Deputy Executive Director deems necessary or advisable to effectuate the purposes of this resolution and the transactions contemplated hereby, and that have heretofore been approved as to form by the Authority.

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

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