

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

Applicant:	Imperial Beach Community Clinic (IBCC) 949 Palm Avenue Imperial Beach, CA 91932 San Diego County	Equipment Loan Amount:	\$500,000
Project Site:	Same as above	Annual Interest Rate:	3% fixed
Facility Type:	Nonprofit corporation operating community clinics	Loan Term:	5 years
Eligibility:	Government Code Section 15432(d)(6)	Authority Meeting Date:	December 11, 2025
Prior HELP II Borrower:	Yes (January 2002)	Resolution Number:	HII-366
Background: IBCC is a federally qualified health center serving the South Bay region of San Diego County near the U.S.-Mexico border. Founded in 1971 as the Imperial Beach Peoples' Free Clinic, IBCC has grown from a volunteer-run effort into a comprehensive provider of primary and specialty care. Today, the clinic operates two locations and continues to expand services to meet the needs of a diverse community facing significant barriers to timely, quality healthcare.			
Use of Proceeds: Loan proceeds will be used to purchase medical and dental equipment and furnishings for the Imperial Beach Health Center that is currently under renovation.			
Financing Structure: <ul style="list-style-type: none"> • UCC-1 lien on equipment purchased • 5-year, three percent (3%) fixed rate loan • 60 equal monthly payments of approximately \$8,984 (annual payments of approximately \$107,812) • Corporate gross revenue pledge • Verification of borrower funds to complete project 			
Financial Overview: IBCC's revenues fluctuated during the review period but ultimately showed overall growth in FY 2024. IBCC's balance sheet highlights a period of recovery with a pro-forma FY 2024 net debt service coverage ratio of 2.3x.			
<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>	
HELP II loans	\$ 500,000	Purchase equipment/furnishings	\$ 500,000
Applicant funds	<u>6,250</u>	Financing Costs	<u>6,250</u>
Total Estimated Sources	<u>\$ 506,250</u>	Total Estimated Uses	<u>\$ 506,250</u>
Due Diligence: Staff has confirmed the documentation provided by IBCC satisfies the California Health Facilities Financing Authority's (Authority) eligibility and legal review requirements.			
Staff Recommendation: Staff recommends the Authority approve Resolution No. HII-366 in an amount not to exceed \$500,000 for Imperial Beach Community Clinic, subject to the terms and conditions in the resolution. TAP International, Inc., the Authority's financial analyst, concurs with the Authority's staff recommendation.			

STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

I. PURPOSE OF FINANCING

IBCC is requesting a HELP II loan to purchase medical and dental equipment and furnishings for its two-story Imperial Beach Health Center, which is currently undergoing renovations and is expected to be completed in March 2026. This project is designed to significantly enhance the clinic's capacity and broaden the range of services available to patients. By integrating state-of-the-art technology and modern equipment, IBCC aims to deliver comprehensive, patient-centered care that is efficient, personalized, and aligned with the highest standards of quality. This initiative will improve access to essential health services, support operational efficiency, and strengthen the clinic's ability to serve the community effectively.

Purchase Equipment/Furnishings ***\$500,000***

The HELP II loan will finance the acquisition of upgraded medical and dental equipment, including new exam tables, advanced diagnostic tools such as ultrasound and electrocardiogram systems, pediatric vision screening devices, and cardiac monitoring equipment. The loan will also support the purchase of updated HVAC infrastructure, electronic medical record enhancements, and essential office and exam room furnishings to improve clinical efficiency, staff productivity, and the overall patient experience.

The HELP II loan will be secured by a UCC-1 Financing Statement filed against the equipment and furnishings purchased.

Financing Costs..... ***6,250***

Authority Fees \$6,250

Total Uses of Funds **\$506,250**

II. FINANCIAL STATEMENTS AND ANALYSIS

Imperial Beach Community Clinic
Statement of Operation and Change in Net Assets
(Income Statement)

	For the Years Ended June 30,		
	2024	2023	2022
Changes in unrestricted net assets			
Revenue and other support			
Patient and third party revenue, net	\$ 11,440,132	\$ 7,225,383	\$ 8,823,413
Grant and contributions revenue	3,216,458	4,558,337	4,568,494
Incentive and other program revenues	706,533	611,269	-
Interest, investment and other revenues	262,589	85,552	62,161
Total unrestricted revenue and other support	<u>15,625,712</u>	<u>12,480,541</u>	<u>13,454,068</u>
Expenses			
Salaries and wages	9,337,966	8,479,736	8,645,021
Employee benefits	1,365,371	1,406,200	1,408,909
Purchased services and professional services	2,033,229	1,597,181	1,454,437
Office and other supplies	958,786	630,235	1,330,436
Occupancy costs	654,327	514,038	410,675
Depreciation	129,821	175,093	207,995
Insurance	83,788	68,738	56,119
Legal settlement expense	453,866	-	-
Travel and conferences	-	-	17,905
Interest	26,293	3,247	6,298
Other	425,676	415,958	301,990
Total expenses	<u>15,469,123</u>	<u>13,290,426</u>	<u>13,839,785</u>
Increase (decrease) in net assets without donor restrictions	<u>156,589</u>	<u>(809,885)</u>	<u>(385,717)</u>
Net assets			
Beginning of year	8,287,006	9,096,891	9,482,608
End of year	<u>\$ 8,443,595</u>	<u>\$ 8,287,006</u>	<u>\$ 9,096,891</u>

Imperial Beach Community Clinic
Statement of Financial Position
(Balance Sheet)

		As of June 30,		
		2024	2023	2022
Assets				
Current assets				
Cash and cash equivalents	\$	2,491,133	\$ 2,525,271	\$ 3,608,586
Investments		2,152,817	3,194,404	3,143,357
Patient accounts receivable, net		2,399,658	1,287,931	1,563,872
Grants and other receivables		74,720	105,565	165,007
Estimated third-party payor settlements		596,444	499,843	553,186
Prepaid expenses		490,300	236,539	210,721
Total current assets		8,205,072	7,849,553	9,244,729
Property and equipment, net		2,546,219	1,188,302	1,312,521
Total assets	\$	10,751,291	\$ 9,037,855	\$ 10,557,250
Liabilities and net assets				
Current liabilities				
Current portion of long-term debt	\$	-	\$ 132	\$ 128,812
Accounts payable and accrued expenses		226,927	29,058	53,840
Accrued payroll and other related liabilities		692,352	649,136	750,900
Estimated third-party settlements payable		-	72,523	-
Deferred revenue		-	-	526,807
Total current liabilities		919,279	750,849	1,460,359
Operating lease liability		1,388,417	-	-
Total liabilities		2,307,696	750,849	1,460,359
Net assets				
Unrestricted		8,443,595	8,287,006	9,096,891
Total net assets		8,443,595	8,287,006	9,096,891
Total liabilities and net assets	\$	10,751,291	\$ 9,037,855	\$ 10,557,250

	Proforma			
	FYE June 30, 2024 ^(a)	2024	2023	2022
Debt Service Coverage - Net (x)	2.3	11.8	(4.8)	(1.3)
Debt to Unrestricted Net Assets (x)	0.1	0.0	0.0	0.0
Margin (%)		1.0	(6.5)	(2.9)
Current Ratio (x)		8.9	10.5	6.3

^(a) Recalculates FY 2024 audited results to include the impact of this proposed financing.

Financial Discussion

IBCC's revenues fluctuated during the review period but ultimately showed overall growth in FY 2024.

Total unrestricted revenue and other support exhibited fluctuations across the review period, declining from approximately \$13.5 million in FY 2022 to approximately \$12.5 million in FY 2023, then increasing to \$15.6 million in FY 2024. IBCC experienced operating losses in the first two fiscal years of the review period, primarily driven by a decrease in patient and third-party revenue from \$8.8 million in FY 2022 to \$7.2 million in FY 2023. This decline was largely due to significant provider turnover, which resulted in temporary vacancies and an estimated \$1 million loss in revenue. Additionally, reduced reimbursements from Medi-Cal related to changes in the 340B program¹ fully impacted FY 2023, contributing to a loss of roughly \$300,000. However, patient and third-party revenue significantly rebounded to \$11.4 million in FY 2024, an increase of roughly 58.3%. According to IBCC's management, this growth was driven by the addition of new service lines, such as chiropractic care, generating roughly 3,500 encounters annually, as well as continued expansion of the dental program. Staffing also grew across medical and behavioral health, and patient visits increased from just under 26,000 in calendar year (CY) 2022 to nearly 36,000 in CY 2024, contributing to the rise in third-party revenue. Grant and contributions revenue decreased from roughly \$4.6 million in FY 2022 to roughly \$3.2 million in FY 2024. IBCC's management attributed this decrease primarily to the expiration of one-time funding from the American Rescue Plan of \$1.3 million received in FY 2022, noting that no further declines are anticipated.

Total expenses grew at a similar pace in comparison to revenues, increasing from approximately \$13.8 million in FY 2022 to approximately \$15.5 million in FY 2024, a growth rate of roughly 11.8%. Salaries and wages, the largest contributor in the expense category, rose from approximately \$8.6 million in FY 2022 to approximately \$9.3 million in FY 2024. IBCC's management indicated that the rise in personnel costs was largely due to wage adjustments and staffing growth, including increases to front-line and provider salaries to remain competitive with market levels. Purchased services and professional services also displayed growth over the review period, rising from approximately \$1.5 million in FY 2022 to \$2 million in FY 2024. As noted by IBCC's management, this growth was largely due to the introduction of chiropractic services, which costs roughly \$200,000 annually on a contract basis. IBCC also mentioned that its need to use temporary physicians or healthcare professionals to fill in for regular staff to ensure continuity of patient care through Locum Tenens has expanded to keep up with patient care. Office and other supplies, in contrast, showed a decrease from roughly \$1.3 million in FY 2022 to roughly \$959,000 in FY 2024. IBCC's management explained that this reduction reflects several cost-saving measures, including stricter purchasing approvals, contract renegotiations, and participation in a Group Purchasing Organization to leverage bulk pricing. Legal settlement expense appeared as a one-time cost in FY 2024 at \$454,000. This expense is related to a settlement with former employees and there are currently no active or pending legal matters, as stated by IBCC's management.

¹ 340B Program: Allows eligible healthcare providers to purchase outpatient medications at discounted prices to help maximize resources and improve patient access to care.

IBCC's balance sheet highlights a period of recovery with a pro-forma FY 2024 net debt service coverage ratio of 2.3x.

Total assets fluctuated over the review period, declining from approximately \$10.6 million in FY 2022 to approximately \$9 million in FY 2023, and then increased to \$10.8 million in FY 2024. Cash and cash equivalents was the largest asset category and decreased from roughly \$3.6 million in FY 2022 to roughly \$2.5 million in FY 2024. IBCC's management stated the decrease was primarily caused by the use of Locum Tenens to maintain patient care and increased staffing costs. In addition, ongoing rate adjustments with the Department of Health Care Services affected cash levels, though management expects improvement as rate changes are finalized. Investments were another significant asset category that also exhibited a decrease from roughly \$3.1 million in FY 2022 to roughly \$2.2 million in FY 2024. IBCC's management explained that this decrease was due to reallocations of funds toward operational priorities. Property and equipment was another asset category that displayed sharp growth, rising from approximately \$1.3 million in FY 2022 to \$2.5 million in FY 2024. According to IBCC's management, this increase was largely due to a change in lease accounting implemented in FY 2024, which added a right of use asset and corresponding operating lease liability for one of its facilities, totaling approximately \$1.4 million over 5 years.

IBCC has maintained a minimal debt position, carrying no outstanding debt as of FY 2024, reflecting a strong balance sheet and significant financial flexibility. The organization has consistently reported a debt-to-unrestricted net assets ratio of 0x throughout the review period, with a pro-forma FY 2024 debt-to-unrestricted net assets ratio of just 0.1x following the addition of the new HELP II loan. IBCC's net debt service coverage ratio (DSCR) of 11.8x in FY 2024 further highlights the organization's ability to meet its debt obligations over time as the organization recovered from a net DSCR of negative 1.3x in FY 2022 and negative 4.8x in FY 2023, primarily as a result of paying off an outstanding loan and reversing financial losses in FY 2022 and FY 2023 into a financial gain in FY 2024. With the new HELP II loan, IBCC's ability to repay its debt remains solid with a pro-forma FY 2024 net DSCR of 2.3x. Based on staff's review of IBCC's FY 2025 profit and loss statement and balance sheet, the organization continues to demonstrate stable financial performance, and staff has identified no concerns regarding its ability to support additional debt.

III. UTILIZATION STATISTICS

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

	2024	2023	2022
Totals	32,923 / 160,730	31,254 / 148,125	31,283 / 158,604

IV. OUTSTANDING DEBT

	Original Amount	Amount Outstanding as of June 30, 2024	Estimated Amount Outstanding after Proposed Financing
EXISTING LONG-TERM DEBT			
N/A			
PROPOSED NEW DEBT			
HELP II loan (2025)			\$ 500,000
TOTAL DEBT		\$ -	\$ 500,000

V. BACKGROUND AND LICENSURE

Background

IBCC is a federally qualified health center that serves the coastal area of San Diego County's South Bay region, near the U.S.-Mexico border. This diverse community is shaped by high mobility and transnational influences, which pose unique challenges driven by political, socio-economic, and environmental conditions. Residents often face significant barriers to timely, quality care and are increasingly vulnerable to mental health issues, substance use disorders, and other complex environmental factors.

Founded in 1971, the Imperial Beach Peoples' Free Clinic began as a volunteer driven effort, providing essential care to underserved residents in a converted schoolhouse using donated supplies. By 1975, the clinic secured government funding and Medi-Cal certification, formalizing healthcare services for low-income and uninsured families. Partnerships with the University of California, San Diego Medical Center and Mercy Hospital in the 1980s expanded pediatric and prenatal care, while growing patient needs in the 1990s prompted moves to larger facilities to address chronic conditions like heart disease and diabetes. In 2002, the clinic relocated to a 7,400-square-foot, state-of-the-art facility and achieved Federally Qualified Health Center status in 2006. To meet the needs of the growing community, the Nestor Community Health Center opened in 2011. Today, IBCC operates two locations and is continually expanding services, including street medicine to care for unsheltered individuals and families.

IBCC's clinical staff includes board certified family practice, internal medicine and pediatric physicians, psychiatrists, behavioral health clinicians, nurse practitioners, registered nurses, a certified nurse midwife, and a registered dietitian. Across two locations, IBCC offers adult & family medicine, dental services, pediatric care, prenatal care, gynecology & family planning, behavioral health services, a Medication Assisted Treatment Program, as well as nutrition, chiropractic, and other services.

Licensure, Certification and Accreditation

IBCC is licensed by the Department of Public Health to operate and maintain its two facilities as community clinics.

VI. STAFF RECOMENDATION

Staff recommends the Authority approve Resolution No. HII-366 in an amount not to exceed \$500,000 for Imperial Beach Community Clinic, subject to the terms and conditions in the resolution. TAP International, Inc., the Authority's financial analyst, concurs with the Authority's staff recommendation.

RESOLUTION NO. HII-366

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY APPROVING EXECUTION AND DELIVERY OF HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II) AGREEMENTS WITH IMPERIAL BEACH COMMUNITY CLINIC

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; and

WHEREAS, the Authority established HELP II (the “Program”) to provide loans to participating health institutions (as that term is defined in the Act) as authorized by the Act; and

WHEREAS, **Imperial Beach Community Clinic** (the “Borrower”), a California participating health institution, has applied to the Authority for a loan through the Program, the application has been reviewed by the staff of the Authority, and the staff of the Authority has determined that the Borrower is eligible for a Program loan; and

WHEREAS, the Borrower now seeks approval of the loan by the Authority;

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 (the “Loan”) to the Borrower, in an amount not to exceed **\$500,000** for a term not to exceed **5 years** for the purposes described in Exhibit A of this resolution (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 terms and conditions:

1. UCC-1 lien on equipment purchased
2. 5-year, three percent (3%) fixed rate loan
3. Corporate gross revenue pledge
4. Verification of borrower funds to complete the project

Section 2. The Executive Director and/or the Deputy Executive Director are 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 that officer shall deem appropriate and authorized under the Act, provided that the amount of the Loan shall not be increased above the amount approved by the Authority and provided further that the Loan continues to meet the Authority’s guidelines for HELP II loans. This resolution shall not be construed to require the Authority to obtain any additional funding, even if more loans are approved than there is available funding.

Section 3. The Executive Director and/or the Deputy Executive Director are hereby authorized and directed, for and on behalf of the Authority, to draw money from the Program fund in a sum not to exceed those amounts approved by the Authority for the Loan. The Executive Director and/or 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 those amounts.

Section 4. The Executive Director and/or 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 and/or the Deputy Executive Director deems necessary or advisable to document the Loan and to otherwise effectuate the purposes of this resolution and the transactions contemplated hereby, and that have previously been approved as to form by the Authority.

Section 5. This resolution expires on June 30, 2026.

Date of Approval: _____

EXHIBIT A

USE OF HELP II LOAN PROCEEDS FOR RESOLUTION NO. HII-366

- Purchase medical and dental equipment and furnishings to be used at 949 Palm Avenue, Imperial Beach, CA 91932.