CHFFA HELP II LOAN PROGRAM
EXECUTIVE SUMMARY

Applicant:	Yolo Family Service Agency ("YFSA") 455 First Street Woodland, CA 95695 Yolo County	**Amount Requested – Refinance:**	$190,000
		Loan Term – Refinance:	15-year fixed
		Amount Requested – Construction:	$200,000
		Loan Term – Renovations:	20-year fixed
		Authority Meeting Date:	March 24, 2016
Project Site:	455 First Street, Woodland, CA 95695 (Yolo County)	**Resolution Number:**	HII-299

Facility Type: Community Mental Health

Eligibility: A community mental health center pursuant to Government Code section 15432(d) (16)

Prior HELP II Borrower: Yes (Balance outstanding: $122,873 as of March 2016; Current on payments)

Background: YFSA is a non-profit corporation founded in 1959 with the goal of providing preventative and therapeutic mental health services throughout Yolo County. YFSA's core services are provided in English and Spanish for children, families, couples, and individuals coping with issues such as marital difficulties, parent/child conflict, depression, anxiety, the effects of trauma and abuse, custody and divorce, as well as grief and loss. YFSA's programs and services reach several cities in Yolo County, including Clarksburg, Davis, Esparto, Knight's Landing, West Sacramento, Winters, and Woodland.

Uses of Loan Proceeds: YFSA seeks to build a new meeting and training space for its expanding clinical staff at its facility located at 455 First Street in Woodland, CA. YFSA also seeks to consolidate its existing debt by refinancing its current HELP II loan and a private loan in order to lower its minimum monthly debt payments. YFSA expects the minimum payments of the new HELP II loan to be approximately $1,000 less than its current debt payments.

Financing Structure:

- 15-year, three percent (3%) fixed rate for the refinance.
- 180 equal monthly payments of approximately $1,312 (annual payments of approximately $15,745).
- 20-year, two percent (2%) fixed rate for renovations.
- 240 equal monthly payments of approximately $1,012 (annual payments of approximately $12,141).
- Corporate gross revenue pledge.
- First (1st) lien position on the property located at 455 First Street, Woodland, CA 95695.
- Executed construction contract for construction.
- Verification of Borrower's funds to close escrow.
- Loan to value ratio not to exceed 95% (estimated combined loan to value ratio of 41%).

Financial Overview: YFSA's income statement appears to exhibit improving results with increasing unrestricted net assets. YFSA appears to exhibit an improving balance sheet and demonstrates a strong ability to repay its debt with a pro-forma debt service coverage ratio of 4.17x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
HELP II Loan	$ 390,000	Construction	$ 200,000
Borrower funds	20,945	Refinance	190,000
		Equipment	15,000
		Financing costs	5,945
Total Estimated Sources	$ 410,945	**Total Estimated Uses**	$ 410,945

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through and Community Service Requirement documentation. All documentation satisfies the Authority's requirements.

Parties of Interest: Placer Title Company

Staff Recommendation: Staff recommends approval of Resolution Number HII-299 for Yolo Family Service Agency in an amount not to exceed $200,000 for a term not to exceed 20 years for renovations, and an amount not to exceed $190,000 for a term not to exceed 15 years for refinancing, contingent upon financing terms acceptable to the Authority. Macias Gini & O'Connell, LLP, the Authority's financial analyst, concurs with staff recommendations.

(BAL/AV)

I. PURPOSE OF FINANCING:

In order to keep up with the increasing demand for mental health services within the communities of Yolo County, YFSA seeks to build a meeting and training space and expand its clinical staff. YFSA's current meeting and training space is not adequate to ensure the on-going training of its clinical staff, which is a cornerstone of YFSA's overall success as a mental health provider. Also, due to the limited space, YFSA has not been able to meet service requests as referrals have increased beyond the organization's physical capacity to provide timely counseling and supportive services.

YFSA has exhibited difficulty making timely monthly payments on its existing HELP II loan as the organization relies on reimbursement payments from Yolo County (the "County"). When the County is late reimbursing YFSA, it then causes YFSA to be late with its payments to the Authority. YFSA also seeks to refinance and consolidate its current HELP II loan and a private loan with The Community College Foundation ("TCCF") in order to lower its minimum monthly debt payments. The refinancing and consolidation will allow YFSA to make timely payments even when the County's reimbursement payments are not made in a timely manner.

Under YFSA's previous Executive Director, the Authority granted YFSA a reprieve from making loan repayments from the beginning of calendar year 2011 through May 2011. In June 2011, YFSA started making its monthly loan payments again with an additional $800 per month until the loan was brought current. YFSA's new Executive Director, who was hired in the past six months, is focused on improving the organization's cash flows in order to better service its long-term debt obligations. The new Executive Director has also established a reserve account, which YFSA can draw from in the event of future financial difficulties. The new HELP II loan, which includes the new construction and the consolidated debt, will improve YFSA's cash flow as the minimum monthly payment on the new HELP II loan is expected to be approximately $1,000 less than its current monthly debt payment.

Construction**.. $200,000**

YFSA plans to build an approximately 750 square foot training and meeting space at its facility located at 455 First Street in Woodland, CA, which will also be available to the community. YFSA will also remodel its current training and meeting space into three separate therapy rooms, which will greatly reduce or eliminate YFSA's client wait list.

The new HELP II loan will be secured by a first (1^{st}) lien position on the property located at 455 First Street, Woodland, CA 95695. An appraisal acceptable to the Authority will need to be completed prior to closing to reflect a loan-to-value ratio of less than 95%. YFSA's management estimates the property value at $950,000, reflecting a loan-to-value of 41%. Prevailing wage will be paid and included in the construction contract.

Refinance existing loans **..**	**190,000**

Proceeds from the 2005 HELP II loan were used to consolidate YFSA's previous two HELP II loans and to replace the roof on the existing facility located at 455 First Street in Woodland, CA. The previous two HELP II loans were used to purchase property in Davis and Woodland.

From FY 2008 through FY 2015, TCCF provided professional services for YFSA, which included accounting, payroll, human resources, taxes, and backup support as needed. The total amount of the debt accumulated through FY 2015 was $62,000. In July 2015, YFSA entered into an agreement with TCCF to repay the debt by the end of calendar year 2019. Refinancing into a HELP II loan would increase YFSA's borrowing costs as the TCCF agreement has a zero percent interest rate compared to the 3% interest rate of a HELP II loan. However, YFSA's cash flows would be greatly improved due to the longer payback period of the HELP II loan – 15 years compared to four years for the TCCF agreement. YFSA's minimum monthly payment for the TCCF agreement is $1,500, but would drop to approximately $400 per month with the refinancing. TCCF continues to provide services to YFSA, and YFSA makes payments for those services separately from the repayments for the accumulated debt.

Equipment **...**	**15,000**

YFSA will contribute its own funds to the overall project for the purchase of furniture and equipment, including eight to ten folding tables, chairs to accommodate up to 50 people, computers, phones, and other miscellaneous office furnishings.

Financing Costs **...**		**5,945**
Authority Fees..	$4,945	
Title and Escrow Fees..................................	1,000	
Total Uses of Funds..		**$410,945**

II. FINANCIAL STATEMENTS AND ANALYSIS

Yolo Family Service Agency
Statement of Activities
(Unrestricted)

	For the year ended June 30,		
	2015	**2014**	**2013**
Revenue and support:			
Client fees*	$ 567,524	$ 678,433	$ 599,093
Grants and donations	464,240	202,502	85,577
Other revenue	2,190	3,071	1,496
Total revenue and support	1,033,954	884,006	686,166
Net assets released from restrictions	-	23,105	63,105
Total unrestricted revenues and reclassifications	1,033,954	907,111	749,271
Expenses:			
Personnel compensation	620,888	495,730	441,557
Payroll taxes	50,891	37,868	37,438
Employee benefits	55,935	53,262	67,961
Contracted services	74,528	98,927	83,697
Dues and subscriptions	1,681	1,291	219
Travel and meetings	894	1,019	319
Insurance	21,643	18,646	15,887
Repairs and maintenance	6,977	3,467	5,487
Postage and delivery	760	868	821
Printing and reproduction	4,765	4,551	6,483
Occupancy	21,611	15,083	14,038
Supplies	16,500	16,160	9,754
Telephone	10,759	10,158	6,822
Interest	6,300	5,715	6,469
Depreciation	24,220	22,457	20,924
Miscellaneous	(31,586)	731	748
Staff development	980	824	100
Fees and taxes	60,370	56,236	49,642
Total expenses	948,116	842,993	768,366
Change in unrestricted net assets	85,838	64,118	(19,095)
Unrestricted net assets, beginning of year	111,295	47,177	66,272
Unrestricted net assets, end of year	$ 197,133	$ 111,295	$ 47,177

***Client fees for FYE June 30, 2015**

Payor Source	**Percent**
Medi-Cal	54
Private Insurance	35
Other	9
Self-pay	2
Total	100

Yolo Family Service Agency
Statement of Financial Position

	As of June 30,		
Assets	**2015**	**2014**	**2013**
Current assets:			
Cash	$ 46,922	$ 63,510	$ 20,538
Accounts receivable	169,043	103,786	138,953
Prepaid expenses	37,021	5,321	8,121
Total current assets	252,986	172,617	167,612
Property and equipment	272,632	296,671	279,543
Other assets	3,899	4,080	4,261
Total assets	$ 529,517	$ 473,368	$ 451,416
Liabilities			
Current liabilities:			
Accounts payable	$ 125,291	$ 77,933	$ 131,962
Accrued personnel costs	65,455	57,283	53,658
Current portion of long-term debt	24,490	21,963	29,851
Deferred revenue	-	65,000	-
Total current liabilities	215,236	222,179	215,471
Non-current portion of long-term debt	117,148	139,894	165,663
Total liabilities	332,384	362,073	381,134
Net assets:			
Unrestricted	197,133	111,295	47,177
Temporarily restricted	-	-	23,105
Total net assets	197,133	111,295	70,282
Total liabilities & net assets	$ 529,517	$ 473,368	$ 451,416

Financial Ratios:

	Proforma (a) FYE June 30, 2015			
Debt Service Coverage - Net (x)	**4.17**	**4.12**	**2.59**	**0.31**
Debt/Unrestricted Net Assets (x)	**1.98**	**0.72**	**1.45**	**4.14**
Margin (%)		**8.30**	**7.07**	**(2.55)**
Current Ratio (x)		**1.18**	**0.78**	**0.78**

(a) Recalculates FY2015 audited results to include the impact of this proposed financing

Financial Discussion – Statement of Activities (Income Statement)

YFSA's income statement appears to exhibit improving results with increasing unrestricted net assets.

YFSA appears to demonstrate improvements in its operating results as total revenue grew approximately 38% from FY 2013 to FY 2015 while total expenses grew approximately 23% during the same period. YFSA experienced a loss in FY 2013 with a change in unrestricted net assets of approximately negative $19,000, but then improved in FY 2014 and FY 2015 to approximately $64,000 and approximately $86,000, respectively. According to YFSA's management, the loss in FY 2013 was due to revenue growth not keeping up with the increasing costs of running the organization. In order the cut costs, the YFSA Board asked staff to take a 10% pay reduction and the Executive Director took a 50% pay reduction along with other cost saving measures. In FY 2014 and early FY 2015, YFSA focused on increasing revenue by growing its insurance contracts. In FY 2015, the County stopped providing Early and Periodic Screening, Diagnostic, and Treatment ("EPSDT") services, which in turn increased YFSA's EPSDT services and revenues. YFSA's management expects revenues to continue increasing as EPSDT services earn a higher hourly rate for YFSA compared to its other services. YFSA's end-of-year unrestricted net assets have steadily grown from approximately $47,000 in FY 2013 to approximately $111,000 in FY 2014, and then to approximately $197,000 in FY 2015.

Particular Facts to Note:

- Client fees fluctuated over the review period, growing from approximately $599,000 in FY 2013 to approximately $678,000 in FY 2014, but then decreasing to approximately $568,000 in FY 2015. According to YFSA's management, client fees fluctuated as YFSA shifted its business from focusing on insurance services in FY 2014 to focusing on EPSDT services in FY 2015.
- Grants and donations more than doubled in each fiscal year, increasing from approximately $86,000 in FY 2013 to approximately $203,000 in FY 2014, and then to approximately $464,000 in FY 2015. According to YFSA management, grants and donations increased due to YFSA's aggressive community outreach through attending local events, fundraisers, and meetings.
- YFSA's largest expense, personnel compensation, grew from approximately $442,000 in FY 2013 to approximately $621,000 in FY 2015, an increase of nearly 41%. According to YFSA's management, during the economic downturn, YFSA staff experienced significant pay cuts, which were reinstated at the beginning of FY 2015.
- Employee benefits decreased nearly 22%, from approximately $68,000 in FY 2013 to approximately $53,000 in FY 2014, but then slightly increased in FY 2015 to approximately $56,000. According to YFSA's management, in FY 2014 fewer staff qualified for employee benefits as YFSA hired more part-time workers. YFSA also changed its employee insurance provider in FY 2015, which contributed to the slight increase in the employee benefits expense.
- In FY 2015, YFSA's miscellaneous expense was approximately negative $32,000. According to YFSA's management, the change in employee insurance providers in FY 2015 resulted in a one-time credit for YFSA and was reflected as a negative expense.

Financial Discussion – Statement of Financial Position (Balance Sheet)

YFSA appears to exhibit an improving balance sheet and demonstrates a strong ability to repay its debt with a strong pro-forma debt service coverage ratio of 4.17x.

YFSA appears to exhibit an improving ability to repay its long-term debt in each fiscal year as its debt service coverage ratio increased from 0.31x in FY 2013 to 2.59x in FY 2014, and then to 4.12x in FY 2015. However, YFSA's reliance on reimbursements from the County affects YFSA's ability to make timely payments to the Authority. According to YFSA management, the County took an average of 31 days to reimburse YFSA in FY 2015. YFSA has also steadily lowered its long-term debt obligation from approximately $196,000 in FY 2013 to approximately $162,000 in FY 2014, and to approximately $142,000 in FY 2015. The reduction of long-term debt correlates to YFSA's decreasing debt-to-unrestricted net assets ratio, which improved from 4.14x in FY 2013 to 1.45x in FY 2014, and then to 0.72x in FY 2015. With the new construction financing, YFSA's FY 2015 pro-forma debt-to-unrestricted net assets ratio increases to 1.98x. Although highly leveraged, YFSA anticipates unrestricted net assets to increase as revenues increase from the EPSDT services as well as the services provided once the new construction is complete. The refinanced loans will also improve YFSA's cash flows and its ability to repay the long-term debt.

Particular Facts to Note:

- Cash increased greatly from approximately $21,000 in FY 2013 to approximately $64,000 in FY 2014, but then decreased to approximately $47,000 in FY 2015. According to YFSA management, the fluctuations were due to the timing of when receivables are collected as well as when grant monies are received.

- Prepaid expenses increased significantly in FY 2015 to approximately $37,000 from approximately $5,000 in FY 2014. According to YFSA's management, the increase in FY 2015 was due to the timing of payments for liability insurance as well as rent payments for its satellite offices.

- Accounts payable experienced large variations, decreasing from approximately $132,000 in FY 2013 to approximately $78,000 in FY 2014, and then increasing to approximately $125,000 in FY 2015. According to YFSA's management, due to the timing of cash received for a couple of unrestricted grants in FY 2014, YFSA had the opportunity to make additional payments to vendors. However, due to lack of available cash in FY 2015, payments to some vendors fell behind and increased accounts payable. The refinanced loan will lower YFSA's minimum monthly payment, which will improve its cash flows and ability to repay its vendors and long-term debt. YFSA's new Executive Director has also established a reserve account to draw from if future financial difficulties arise. As of March 2016, YFSA is current on its loan repayments.

- YFSA had a deferred revenue liability of approximately $65,000 in FY 2014 due to an advance payment received from Yocha Dehe Wintun Nation for YFSA's outreach service to rural areas.

EXHIBIT 1

UTILIZATION STATISTICS

Clients Served / (Patient Visits)

Yolo Family Service Agency
Fiscal Year Ended June 30,

	2015	2014	2013
Totals	517 / (9,218)	410 / (7,898)	321 / (6,548)

EXHIBIT 2

OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding[a] As of June 30, 2015	Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:			
CHFFA HELP II Loan			
January 2006	$ 320,000	$ 141,638	$ -
TCCF Loan[b]			
July 2015	62,000	62,000	-
-PROPOSED NEW DEBT:			
CHFFA HELP II Loan, 2016		-	390,000
-TOTAL DEBT		**$ 203,638**	**$ 390,000**

[a] Includes current portion of long-term debt

[b] TCCF loan was obtained July 1, 2015, and therefore does not appear on FY 2015 financial statements

EXHIBIT 3

BACKGROUND AND LICENSURE

Background

YFSA is a non-profit corporation founded in 1959 with the goal of providing preventative and therapeutic mental health services throughout Yolo County. YFSA's core services are provided in English and Spanish for children, families, couples, and individuals coping with issues such as marital difficulties, parent/child conflict, depression, anxiety, the effects of trauma and abuse, custody and divorce, as well as grief and loss. YFSA's two main programs, which include the Community Based Counseling and Psychotherapy Program and the Professional Training Program, have been in operation since its inception. YFSA has also operated its School Based Program for more than 20 years, its Rural Outreach Program for more than ten years, its Help Me Grow Program for over one year, and a Med-Support Program began within the last year. YFSA's programs and services reach several cities in Yolo County, including Clarksburg, Davis, Esparto, Knight's Landing, West Sacramento, Winters, and Woodland.

Licensure, Certification and Accreditation

YFSA is certified as a community mental health center by the Yolo County Department of Health and Human Services Agency.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Loan Program

Resolution Number HII-299

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, **Yolo Family Service Agency** (the "Borrower"), a California nonprofit corporation and 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 a loan to the Borrower in an amount not to exceed **$200,000** for a term not to exceed **20 years** for the purpose of construction, and a second loan in an amount not to exceed **$190,000** for a term not to exceed **15 years** for the purpose of refinancing as each are 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. 20-year, two percent (2%) fixed rate for construction;
2. 15-year, three percent (3%) fixed rate for refinance;
3. First (1^{st}) lien position on property located at 455 First Street, Woodland, CA 95695;
4. A current appraisal acceptable to Authority staff;
5. Loan to value ratio not to exceed 95%;
6. Executed construction contract;
7. Corporate gross revenue pledge; and
8. Verification of Borrower's funds to close escrow.

Section 2. The Executive Director is 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 said officer shall deem appropriate and authorized under the Act (provided that the amount of the loan may 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). 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 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 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 of the Authority is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the 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: ______________________