CHFFA HELP II LOAN PROGRAM
EXECUTIVE SUMMARY

Applicant: Mendocino Coast Health Care District ("MCDH")
700 River Drive
Fort Bragg, CA 95437
Mendocino County
Project Site: 700 River Drive, Fort Bragg, CA 95437
Facility Type: Acute Care Hospital / District Hospital
Eligibility: Government Code Section 15432(d)(1)
Prior HELP II Borrower: No

Amount Requested-Renovation: $2,000,000
Loan Term: 20-year fixed
Amount Requested-Equipment: $1,500,000
Loan Term: 5-year fixed
Authority Meeting Date: April 27, 2017
Resolution Number: HII-306

Policy Exception Request: Under the current guidelines, the maximum loan amount for a project is $1.5 million. MCDH is requesting a policy exception to the maximum loan amount for a total of $3.5 million to renovate and equip its current facility. MCDH would like the Authority to consider an exception to this guideline for the reasons discussed on page two herein.

Background: MCDH opened its doors in 1971 as a 25-bed acute care hospital. MCDH provides 24-hour emergency care, inpatient and outpatient services, and healthcare education to prevent, manage and treat chronic and acute conditions. MCDH's rural health clinic, a department of MCDH, provides comprehensive primary care with access to a lab, diagnostic imaging, and physical therapy services. MCDH delivers healthcare services to the residents of Mendocino County (the "County"), which stretches across 70 miles of rural communities. The delivery of healthcare services is a challenge for rural residence since the next closest hospital is approximately one hour east of Fort Bragg. The County stretches over 3,506 square miles and a population of approximately 88,000. In FY 2016, MCDH served approximately 13,800 patients and had approximately 56,000 patient visits.

Uses of Loan Proceeds: Loan proceeds will be used to finance the renovation of three separate projects mandated by Office of Statewide Health Planning and Development to meet facility compliance, the renovation of MCDH's parking area to increase safety, and the purchase of equipment to upgrade MCDH's current electronic health record system. The mandated projects include replacement of automatic transfer switch, replacement of two existing roof-mounted heating, ventilation, and air condition handling unit, and remodel of the current central sterile department.

Financing Structure:
- 20-year, two percent (2%) fixed rate for renovations.
- 240 equal monthly payments of approximately $10,117 (annual payments of approximately $121,000).
- Second (2^{nd}) lien position on real property located at 700 River Drive, Fort Bragg, CA 95437.
- Interception of county property tax revenues in event of default (annual payments of $350,000 and in coordination with Mendocino County).
- Verification of Borrower's funds to close escrow and current appraisal for the collateral.
- Combined loan to value ratio not to exceed 95% (estimated combined loan to value ratio of 50%).

Financial Overview: MCDH's income statement appears to exhibit increasing operating revenues over the review period of FY 2014 to FY 2016. MCDH's balance sheet appears steady with a proforma debt service coverage ratio of 1.96x.

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CHFFA HELP II LOAN PROGRAM
EXECUTIVE SUMMARY

(continued)

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
HELP II Loan	$ 3,500,000	Renovations	$ 2,750,000
Borrower Funds	1,020,750	Equipment	1,725,000
		Financing Costs	45,750
Total Estimated Sources	$ 4,520,750	**Total Estimated Uses**	$ 4,520,750

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

Parties of Interest: Redwood Empire Title Company of Mendocino County and Cal-Mortgage Insurance

Staff Recommendation: Staff recommends approval of Resolution Number HII-306 for Mendocino Coast Health Care District in an amount not to exceed $1,500,000 for a term not to exceed 20 years for renovations, contingent upon financing terms acceptable to the Authority and contingent upon Cal Mortgage Insurance's consent to incur additional indebtedness. Macias Gini & O'Connell LLP, the Authority's financial analyst, concurs with the Authority's staff recommendation.

I. POLICY EXCEPTION REQUEST:

Under the current guidelines, the maximum loan amount is $1.5 million. Mendocino Coast Health Care District ("MCDH") is requesting an exception to the maximum loan amount for its renovation project and maximum loan amount totaling of $3.5 million: $2 million to finance renovations on four separate projects and $1.5 million to finance equipment upgrades. Three of the renovation projects are necessary to become compliant with Office of Statewide Health Planning and Development's ("OSHPD") regulations and standard of care. MCDH's alternative would be to finance $2 million through a private placement vendor for approximately 8% over five years. When compared to the terms of the HELP II loan, MCDH expects an annual savings of approximately $360,000 for the first five years.

MCDH would like the Authority to consider a policy exception for the following reasons:

1. MCDH is a district hospital in the Mendocino community, which faces a severe health care provider shortage. MCDH is a vital part of the community that delivers health care services to residents in rural areas. Due to geographical distances, Mendocino County (the "County") residents have greater travel time to obtain services and the County lacks public transportation. In addition, rural roads create difficulty in emergency response situations. The next closest hospital is an hour away.
2. Renovations are mandated and must be completed in the very near future. Otherwise, MCDH risk the safety of its patients, discontinued services, and the possibility of MCDH's operational license being revoked. All departments that utilize the operating room depend on the renovations in order continue its services.
3. Renovations are needed in parking lot areas of MCDH's campus to fix the uneven pavement, potholes, and dangerous walkways. The current condition of the area is a tripping hazard for pedestrians, especially those with limited mobility. An addition of speed bumps will be added to control traffic safety due to the increase in patient volumes.
4. MCDH's EHR is no longer capable of running the most updated EHR software system and needs to be updated. Delays in EHR updates would not only result in a disruption of services, it would disqualify MCDH from receiving EHR payment incentives and, instead, would receive penalties for not using the EHR.
5. The monies saved from the HELP II loan would be returned to services provided to patients, help MCDH continue its current positive revenue flows, and remain solvent.

In addition to the required loan collateral for a HELP II loan, an interception of county tax revenues will be secured in an event of default, which should give the Authority added security.

II. PURPOSE OF FINANCING:

MCDH filed for bankruptcy in FY 2013 and received final court approval on its exit plan in FY 2015. During the fiscal years leading up to FY 2013, MCDH was experiencing difficulty in maintaining operations and repayment of maturing debt obligations. The bankruptcy allowed certain debt to be restructured, reduced, discharged or rendered unenforceable. As news about MCDH's bankruptcy became known, patients left the hospital to seek a more stable health care provider. Since then, MCDH has been able to financially reorganize with the hire of a new chief executive officer and chief financial officer. Patients are now returning as news of MCDH exiting bankruptcy has spread. As a result, MCDH has experienced increased patient volumes and has been able to provide additional services, in FY 2017, such as a new pain management department. MCDH now participates in several state programs, which have increased Medi-Cal reimbursements.

As part of the bankruptcy exit plan, MCDH has been conservative on obtaining additional debt and has deferred a large amount of maintenance work on its facility to stay in line with its expenses. Due to the postponed repairs and maintenance, MCDH's facility has fallen out of compliance with OSHPD and the California Department of Public Health ("CDPH"); starting in 2013 with the central sterile department ("CSD"), then in 2014 with the heating, ventilation, and air conditioning ("HVAC") air handling units, and finally in 2015 with the automatic transfer switch ("ATS")[1]. MCDH has also delayed safety renovations of its parking lot area and equipment upgrades for its electronic healthcare record ("EHR") system. MCDH anticipates the renovations will ensure its growing patient volumes will continue to receive health care services in a safe and efficient environment.

The HELP II loan request and the private placement financing, if the policy exception is not granted, will be the last debt MCDH will obtain for major facility renovations or upgrades. MCDH's revenue bonds will mature by FY 2029 and all remaining debt, besides the HELP II loan, is expected to be paid in full before or by FY 2025.

Renovations.. $2,000,000

MCDH is requesting a HELP II loan to finance the renovations of new HVAC air handling units, the CSD, and the ATS. The HVAC air handling units and the CSD are out compliance with OSHPD and CDPH, due to the unit's current supply of inappropriate levels of temperature, humidity, and air pressure. The HVAC units were specifically built for the facility and it is not replaceable or repairable. Currently, MCDH has a temporary ATS unit in place since the previous ATS failed in early 2015. The temporary ATS is located outside of the facility and was approved by OSHPD as a temporary fix. These renovations are mandated by OSHPD to meet compliance and crucial to the operations of the hospital surgery department and the facility overall. **The approximate cost of the mandated renovations is $1.5 million.**

In addition to health and safety of the staff, patients, and visitors, MCDH is requesting to finance renovations to the parking lot area of its property. The parking lot area requires resealing and restriping to fix the uneven pavement,

[1] An Automatic Transfer Switch (ATS) is often installed where a backup generator is located, so that the generator may provide temporary electrical power if the utility source fails.

potholes, and dangerous walkways. The need to ensure safety is critical. The current condition of the area is a tripping hazard for pedestrians, especially those with limited mobility, and new speed bumps will be added to control traffic safety. **The approximate cost of the parking lot renovation is $500,000.**

MCDH's decision to complete all four renovations projects simultaneously will save on construction cost and minimize disruption of daily hospital operations. Construction is scheduled to begin in June 2017. Prevailing wages will be paid and the language will be included in the construction contract.

The HELP II loan will be secured by a second (2nd) lien position on the property located at 700 River Drive, Fort Bragg, CA 95437, as Cal-Mortgage Insurance holds the first lien position through MCDH's current bonds. Cal-Mortgage is in full support of MCDH's HELP II loan request. The property value is estimated at $15,000,000, leading to a combined loan-to-value ratio of approximately 50%. An appraisal acceptable to the Authority will be completed prior to closing. Renovation loan is amortized over 20 years.

Equipment		***1,500,000***

Loan proceeds will be used to update MCDH's electronic health record ("EHR") system. MCDH's EHR hardware was installed in 2012 and it is currently not capable of running the most updated EHR software. The EHR allows MCDH staff to efficiently access patient data electronically and increase patient care services. Delayed updates would result in disruption of services, which would cost more to MCDH than the cost to replace the equipment. MCDH is a Medicare EHR incentive program participant, which receives payments for meaningful use of EHR technology. MCDH will no longer qualify for the incentive program and receive penalties if the updates are not completed. The EHR incentive program does not reimburse providers for the cost of acquiring EHR assets; therefore, MCDH must finance all updates. Equipment loan is amortized over 5 years.

Financing Costs		***45,750***
Authority Fees	$43,750	
Title and Escrow Fees	2,000	
Total Uses of Funds		**$3,545,750**

III. FINANCIAL STATEMENTS AND ANALYSIS:

Mendocino Coast District Hospital
Statement of Revenues, Expenses and Changes in Net Position

	As of June 30,		
	2016	**2015**	**2014**
Operating revenues			
Net patient service revenue	$ 52,426,560	$ 46,415,770	$ 44,228,194
Other operating revenue	1,429,811	1,239,481	382,780
Total operating revenues	53,856,371	47,655,251	44,610,974
Operating expenses			
Salaries & wages	17,519,350	17,032,880	14,346,253
Employee benefits	7,148,814	6,994,678	8,833,023
Registry	3,490,381	2,473,334	1,593,059
Professional fees	6,920,688	7,512,962	6,150,027
Supplies	8,222,292	7,750,258	6,452,678
Purchased services	1,280,664	1,597,297	1,424,145
Repairs & maintenance	1,134,240	1,025,549	883,220
Utilities	895,689	864,691	758,496
Rentals & leases	594,937	632,405	490,845
Insurance	486,516	594,097	682,568
Depreciation & amortization	2,451,836	2,511,842	2,458,665
Other operating expenses	1,595,393	2,026,125	897,719
Total operating expenses	51,740,800	51,016,118	44,970,698
Operating gains (loss)	2,115,571	(3,360,867)	(359,724)
Nonoperating revenues (expenses)			
Taxation for debt services	1,228,283	1,116,211	1,121,434
Investment income	-	-	11,111
Interest expense	(888,393)	(812,756)	(897,002)
Contributions	340,300	298,305	668,287
Other non-operating income (expense)	(12,207)	2,683	-
Total nonoperating revenues	667,983	604,443	903,830
Excess of revenues (expenses)	2,783,554	(2,756,424)	544,106
Other increases in net position	573,744	947,789	476,801
Increase (decrease) in net position	3,357,298	(1,808,635)	1,020,907
Net position, beginning of year	6,170,366	7,979,001	6,958,093
Net position, end of year	$ 9,527,664	$ 6,170,366	$ 7,979,001

***Net patient service revenues for FYE June 30,**

Payor Source	**2016**	**2015**
Medicare	58%	61%
Medi-Cal	15%	13%
Other third-party payors	25%	24%
Patients	2%	2%
Total	**100%**	**100%**

Mendocino Coast District Hospital
Statement of Net Position

	As of June 30, 2016	2015	2014
Assets			
Current assets:			
Cash and cash equivalents	$ 2,679,733	$ 1,370,370	$ 1,346,466
Patient accounts receivable, net of allowances	5,425,781	3,515,481	3,271,014
Other receivables*	2,620,370	1,462,592	225,994
Assets whose use is limited	804,031	837,082	1,977,037
Third-party payor settlements	815,873	945,541	156,592
Supplies	800,371	783,107	651,983
Prepaid expenses and deposits	616,306	706,453	992,286
Total current assets	13,762,465	9,620,626	8,621,372
Assets whose use is limited, less current portion	4,975,485	4,960,687	5,192,825
Capital assets, net of accumulated depreciation	15,388,339	17,568,736	18,857,632
Total assets	34,126,289	32,150,049	32,671,829
Deferred outflows of resources	-	-	212,351
	$ 34,126,289	$ 32,150,049	$ 32,884,180
Liabilities and net position			
Current liabilities:			
Current maturities of long-term debt	$ 1,294,110	$ 1,447,868	$ 1,477,359
Accounts payable and accrued interest	4,897,011	5,039,601	4,328,713
Estimated third-party payor settlements	2,024,936	1,787,115	-
Accrued payroll and related liabilities	3,031,950	2,909,993	2,479,335
Total current liabilities	11,248,007	11,184,577	8,285,407
Other long-term liabilities	-	-	1,095,888
Long-term debt, net of current maturities	13,350,618	14,795,106	15,523,885
Total liabilities	24,598,625	25,979,683	24,905,180
Net position			
Invested in capital assets, net of related debt	2,623,300	3,646,793	2,873,958
Expendable for restricted purposes	-	-	86,572
Unrestricted	6,904,364	2,523,573	5,018,470
Total net position	9,527,664	6,170,366	7,979,000
Total liabilities and net position	$ 34,126,289	$ 32,150,049	$ 32,884,180

	Proforma FYE June 30, 2016	**2016**	**2015**	**2014**
Debt Service Coverage - Operating	1.96	1.96	(0.37)	0.69
Debt to Unrestricted Net Assets (x)	1.70	1.54	2.63	2.13
Margin (%)		3.93	(7.05)	(0.81)
Current Ratio (x)		1.22	0.86	1.04

*Includes supplemental Medicaid funding, California Department of Health and Human Services funding, Medicare electronic health records incentive, taxes, and other.

<u>Financial Discussion – Statement of Revenues, Expenses, and Change in Net Position</u>

MCDH's income statement appears to exhibit increasing operating revenues over the review period.

Over the review period, MCDH's operating revenues increased nearly 20%, from FY 2014 of approximately $44.6 million to FY 2016 of approximately $53.8 million. The increase in revenues is due to the growing patient volumes and Medicare and Medi-Cal reimbursements received. However, MCDH's operational income significantly decreased from FY 2014 of approximately negative $360,000 to FY 2015 of approximately negative $3.4 million, and increased in FY 2016 to approximately $2 million. MCDH's change in net position has also fluctuated from approximately $1 million in FY 2014, approximately negative $1.8 million in FY 2015, and increased to approximately $3.3 million in FY 2016. According to MCDH's management, the fluctuation of operational income and change in net position was due to a spike of patient volumes in FY 2015. MCDH had experienced a domino effect of increased expenses to meet the growing patient demands. Operational expenses increased from approximately $45 million in FY 2014 to approximately $51 million in FY 2015, with the largest expenses being staff, supplies, professional fees, and registry.

- MCDH's largest expense, salaries, and wages increased approximately 22%, while employee benefits decreased approximately 19%, from FY 2014 of approximately $8.8 million to FY 2016 of approximately $7.1 million. According to MCDH's management, in FY 2016 the cost of employee benefits decreased due to a change in premiums and the cost of employee salaries and wages increased due to multiple hires including a full-time chief executive officer and chief financial officer. In previous years, chief executive officer and chief financial officer positions were contracted and the associated expenses were not part of salaries and wages.

- Other operating expenses grew from FY 2014 of approximately $898,000 to FY 2015 of approximately $2 million. According to MCDH's management, the growth was attributed to deferred expenses and patient volume increase.

Financial Discussion – Statement of Net Position

MCDH appears to exhibit a steady balance sheet with a proforma debt service coverage ratio of 1.96x.

MCDH appears to exhibit improving total current assets from approximately $8.6 million in FY 2014 to approximately $9.6 million in FY 2015, to approximately $13.7 million in FY 2016. Total net position had a slight decrease from approximately $8 million in FY 2014, to approximately $6 million in FY 2015, and increased to $9.5 million in FY 2016. According to MCDH's management, between FY 2015 and FY 2016, MCDH changed auditors and the new auditors reclassified certain amounts. The reclassification had no effects on the previously reported change in net position. MCDH's debt service coverage ratio is at a solid 1.96x, while debt to unrestricted net position is 1.54x. With the proposed financing, MCDH's proforma debt service coverage will remain the same at 1.96x and debt to unrestricted net position will increase to 1.70x.

In the beginning of FY 2017, MCDH issued new Insured Health Facility Refunding Revenue Bonds Series 2016 (the "2016 Bonds") to refund outstanding Insured Health Facility Revenue Bonds Series 1996, 2009, and 2010. According to MCDH's management, the 2016 Bonds will save MCDH approximately $1.3 million over the life of the bonds. With the savings of the 2016 Bonds and the new HELP II loan request, at the amount of $3.5 million, MCDH's proforma debt service coverage ratio remains the same.

- Patient accounts receivables increased 54% from approximately $3.5 million in FY 2015 to, in FY 2016, approximately $5.4 million. According to MCDH's management, its formula for calculating contractual allowances and bad debts associated to accounts receivables had been outdated for years. In FY 2016, MCDH updated its formula to correctly account for current reimbursements and adjustments. During this period, MCDH also experienced a significant increase in patient volume, which led to an increase in reimbursements.

- Estimated third-party payor settlement in FY 2015 for approximately $1.8 million and FY 2016 for approximately $2 million, represents repayment of funds to Medicare and Medi-Cal. According to MCDH's management, Medicare and Medi-Cal billing practices changed in FY 2016. It was discovered that MCDH's practice of crossover billing to its clinic for Medi-Cal and Medicare services caused overpayments, which are considered a liability. In FY 2016, MCDH brought in a consultant to perform three years of reconciliations for the clinic to determine the correct liability due to the previous billing issue. No liability was recorded in FY 2014 because reconciliations had not been done for the two years prior.

- FY 2014 appears to have two single anomalies in deferred outflows of resources and expendable for restricted purposes. According to MCDH's management, in FY 2015, the Governmental Accounting Standards Board allowed these categories of funds to be expensed rather than identified in a separate category. MCDH's new auditors expensed these items; therefore, no amounts were seen in FY 2015and FY 2016.

EXHIBIT 1

UTILIZATION STATISTICS

Clients Served / (Client Visits)

Mendocino Coast Health Care District
Fiscal Year Ended June 30,

	2016	2015	2014
Totals	13,174 / (51,805)	13,731 / (55,762)	13,804 / (56,173)

EXHIBIT 2

OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding As of June 30, 2016[a]	Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:			
General Obligation Bonds Series 2000	$ 4,125,000	$ 3,940,000	$ 3,940,000
General Obligation Capital Appreciation Bonds Series 2000	884,638	585,503	585,503
Insured Health Facility Revenue Bonds Series 1996	4,030,000	1,095,000	-
Insured Health Facility Revenue Bonds Series 2009	5,000,000	3,835,000	-
Insured Health Facility Revenue Bonds Series 2010	2,875,000	2,140,000	-
United Healthcare note	2,100,000	1,680,000	1,680,000
CMS note	210,000	126,303	126,303
OSHPD Cal Mortgage	1,005,806	980,805	980,805
Bankruptcy payables	604,248	424,094	424,094
SUBSEQUENT DEBT AFTER June 30, 2016			
Insured Health Facility Refunding Revenue Bonds Series 2016[b]	5,400,000	-	5,400,000
PROPOSED NEW DEBT			
CHFFA HELP II Loan (2017)		-	**3,500,000**
TOTAL DEBT		**$ 14,806,705**	**$ 16,636,705**

[a] Based on 2016 audited financials.

[b] Insured Health Facility Revenue Bonds Series 1996, 2009, and 2010 were refinanced through the issuance of Insured Health Facility Refunding Revenue Bonds Series 2016 of approximately $5.4 million.

EXHIBIT 3

BACKGROUND AND LICENSURE

Background

MCDH opened its doors in 1971, following a victorious grassroots effort to pass a hospital district initiative on the January 1967 ballot. MCDH is a 25-bed acute care hospital which provides 24-hour emergency care, inpatient and outpatient services, and healthcare education to prevent, manage, and treat chronic and acute conditions. MCDH's rural health clinic, a department of MCDH, provides comprehensive primary care with access to a lab, diagnostic imaging, and physical therapy services. In 2010, MCDH's new diagnostic imaging center houses the latest technology in X-rays, CT scans, and MRIs. MCDH's mission is to make a positive difference in the health of its rural community. MCDH is committed to providing the most sophisticated care possible while operating in a rural environment.

MCDH provides healthcare services to the residents of Mendocino County (the "County"), which stretches across 70 miles of rural communities. The Office of Statewide Health Planing and Development ("OSHPD"), considers MCDH a rural hospital, since the County's population density is less than 250 persons per square mile, with no population center exceeding 50,000. Residents of the County may have to travel over an hour to the next closest acute care hospital. In FY 2016, MCDH served approximately 13,800 patients annually and had approximately 56,000 patient visits.

Licensure, Certification, and Accreditation

MCDH is licensed by the State of California Department of Public Health to operate and maintain a general acute care hospital. The license also approves other services and certifiable parts. MCDH's other approved services include the following: nuclear medicine, outpatient clinics-diagnostic imaging at Diagnostic Imaging Center, outpatient clinic-rural health clinic at North Coast Family Health Center, outpatient services-PT at 755 River Dr., Fort Bragg, outpatient services-therapy and clinic services at 700 River Dr., Fort Bragg, physical therapy, respiratory care services, and standby emergency medical services. MCDH's other certifiable parts include a rural health clinic at North Coast Family Health Center in Fort Bragg, California.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Loan Program

Resolution Number HII-306

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, **Mendocino Coast Health Care District (**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 **$1,500,000** for a term not to exceed **20 years** for the purpose of renovations as 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 renovations;
2. Second (2^{nd}) lien position on real property located at 700 River Drive, Fort Bragg, CA 95437;
3. Consent from Cal Mortgage Insurance to incur additional indebtedness prior to closing;
4. Interception of property tax revenues in event of default (annual payments of $350,000 and in coordination with Mendocino County);
5. Current appraisal for the collateral property acceptable to Authority staff;
6. Executed construction contract;
7. Combined loan to value ratio not to exceed 95%; 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 12 months from the date of approval.

Date of Approval: ___________________________