CHFFA HELP II LOAN PROGRAM
EXECUTIVE SUMMARY

Applicant:	Bi-Bett Corporation ("Bi-Bett")	**Amount Requested:**	$693,545
	2290 Diamond Blvd., Ste. 200	**Requested Loan Term:**	20-year fixed
	Concord, CA 94520	**Authority Meeting Date:**	July 30, 2015
	Contra Costa County	**Resolution Number:**	HII-295
Project Site:	3150 Brookdale Avenue, Oakland, CA 94602		
Facility Type:	Alcoholism Recovery Facility		
Eligibility:	Government Code section 15432(d)(13)		
Prior HELP II Borrower:	Yes (2004 with an outstanding balance of $131,929.89 as of 6/26/2015)		

Background: Bi-Bett is a non-profit corporation established in 1969, which operates alcoholism and drug addiction recovery facilities in Alameda, Contra Costa and Solano County. Bi-Bett provides a continuum of services to over 10,000 individuals per year. The services provided include outreach, intervention, drop-in support, crisis intervention, residential detoxification, residential treatment, outpatient services, sober living houses, and drinking and driving treatment programs. Bi-Bett serves men, women, women with children, and adolescents. Its clients include individuals with substance abuse disorders and co-occurring disorders, the homeless, individuals engaged in the criminal justice system and children protective services.

Use of Loan Proceeds: Loan proceeds along with Bi-Bett's internal funds will be used to purchase a larger building for the Orchid Women's Recovery Center in Oakland, in order to accommodate services for 21 women and children. Bi-Bett plans to remodel the building, converting it into a licensed residential care facility with 12 bedrooms, central kitchen and dining room, three living rooms, seven bathrooms, a playroom and an office. Bi-Bett intends to sell Orchid Women's Recovery Center's current building and utilize the sale proceeds to pay down the balance of an existing HELP II loan and complete exterior renovations at the new location. The purchase of the new building will allow Bi-Bett to expand capacity and provide additional living space for family activities.

Financing Structure:

- First lien on the property located at 3150 Brookdale Avenue, Oakland, CA 94602.
- 20-year fixed rate loan with 240 equal monthly payments of approximately $3,509 (annual payments of approximately $42,102).
- A current appraisal that is acceptable to the Authority.
- Proof of licensing shall be provided to the Authority within 120 days of renovation completion.
- Corporate gross revenue pledge.
- Loan to value ratio not to exceed 95% (estimated loan to value ratio is approximately 76%).
- Verification of borrower funds to close escrow.

Financial Overview: Bi-Bett's income statement appears to exhibit positive operating results during the review period with a strong debt service coverage ratio, while the balance sheet is very solid with good liquidity and growing net assets. The proforma debt service coverage ratio with the proposed HELP II loan appears to be a solid 3.48x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
HELP II loan	$ 693,545	Purchase real property	$ 808,050
Borrower funds	153,000	Financing costs	38,495
Total Estimated Sources	$ 846,545	**Total Estimated Uses**	$ 846,545

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: *(Included for the purpose of discerning conflicts of interest)*
Chicago Title Company; and Grand Lake Real Estate

Staff Recommendation: Staff recommends approval of Resolution Number HI-295 for Bi-Bett Corporation in an amount not to exceed $693,545 for a term not to exceed 20 years, and contingent upon financing terms acceptable to the Authority. Macias Gini & O'Connell LLP, the Authority's financial analyst, concurs with the Authority's staff recommendations.

(BMS)

I. PURPOSE OF FINANCING:

Bi-Bett is requesting a HELP II loan to purchase a larger building for the Orchid Women's Recovery Center ("Orchid") in Oakland, which will be able to accommodate services for 21 women and children. This financial transaction is in accordance with Bi-Bett's strategic plan to expand services in order to meet its growing demand. Orchid, a women and children residential perinatal substance abuse treatment program, is currently housed in a 2,400 square foot building serving 12 women and children. The purchase of the new building will allow Orchid to expand capacity by nine beds, and provide additional living space for family activities. Bi-Bett intends to sell Orchid's current building and utilize the sale proceeds to pay down the balance of the existing HELP II loan and complete exterior renovations at the new location.

Purchase of real estate property ***$808,050***

Bi-Bett plans to use HELP II loan proceeds and internal funds to purchase a 5,880 square foot building on an 11,500 square foot lot. Bi-Bett will remodel the building into a licensed residential care facility with 12 bedrooms, central kitchen and dining room, three living rooms, seven bathrooms, a playroom, an office, and a backyard with a children's play area. The first floor will be handicapped accessible and in compliance with the Americans with Disabilities Act. Bi-Bett anticipates starting the renovation process in November 2015 with an estimated completion date of January 2016.

The HELP II loan will be secured by a first lien position on the property that will be renovated at 3150 Brookdale Avenue, Oakland, CA 94602. According to Bi-Bett's management, the property has an estimated market value of $910,000, leading to an estimated loan to value ratio of approximately 76%. An appraisal will be required prior to closing of the HELP II loan. Bi-Bett reports that it has submitted a conditional use permit application to the City of Oakland for the property.

Financing Costs		***38,495***
Transfer tax, Inspection Fees, Appraisal	$23,858	
Authority Fees	8,669	
Title and Escrow Fees	5,968	
Total Uses of Funds		**$846,545**

II. FINANCIAL STATEMENTS AND ANALYSIS

Bi-Bett Corporation
Statement of activities
(Unrestricted)

	For the Year Ended June 30		
	2014	**2013**	**2012**
Revenue			
Government contracts	$4,675,532	$4,444,218	$ 3,950,697
Drinking driver program	1,625,390	1,587,305	1,860,469
Resident fees and rent	581,595	528,861	671,165
Center Point	25,900	71,330	73,080
Food stamp related revenue	75,205	74,664	72,683
Kaiser and other insurance providers	73,410	138,910	244,140
Donations	14,776	15,396	19,693
Reach plus	(969)	16,312	34,485
Other income	26,927	1,988	3,055
Interest and dividend income	32,657	24,409	18,059
Net assets released from restrictions	2,383	-	-
Total revenue	7,132,806	6,903,393	6,947,526
Expenses			
Salaries	2,807,362	2,729,589	2,602,730
Benefits	760,863	811,570	800,621
Rent	844,082	771,330	745,031
Depreciation and amortization	203,120	204,628	205,477
Interest	22,300	24,943	28,063
Food	366,143	356,017	314,274
Facility supplies	140,400	163,958	108,553
Utilities and telephone	382,577	391,934	387,000
Maintenance	187,673	205,600	193,239
Insurance	94,675	92,659	89,157
Transportation	113,156	129,404	112,371
Staff development and conferences	11,801	10,267	10,006
Dues, publications and subscriptions	17,870	16,863	16,016
Educational Films	4,422	10,318	4,582
Program costs	92,035	112,170	98,829
Outside services	406,632	415,935	450,385
Printing and office expenses	130,401	111,826	134,672
Personal needs	17,818	18,823	17,591
Professional fees	139,137	135,941	143,822
DUI fees paid	106,371	106,240	123,057
Taxes and licensing	42,124	35,541	41,082
Advertising	822	750	-
Total expenses	6,891,784	6,856,306	6,626,558
Change in net assets	241,022	47,087	320,968
Net assets, beginning of year	6,106,311	6,059,224	5,738,256
Net assets, end of year	$6,347,333	$6,106,311	$ 6,059,224

Continued

Payor source for FY 2014

Payor Source	Percent
Local and government contracts	66.0
Drinking Driver DUI Participant Fees	23.0
Resident Fees	8.0
Other	3.0
Total	100.0

[INTENTIONALLY LEFT BLANK]

Bi-Bett Corporation
Statement of Financial Position

	As of June 30,		
	2014	**2013**	**2012**
Current assets			
Cash and cash equivalents	$ 4,766,180	$4,259,613	$4,132,533
Certificates of deposit	139,539	139,480	139,420
Receivables, principally government contracts	758,573	973,956	1,091,156
Prepaid expenses and deposits	117,758	121,616	111,558
Total current assets	5,782,050	5,494,665	5,474,667
Property and equipment, net	1,370,616	1,462,275	1,533,013
Investments	11,942	11,620	11,586
Total assets	$ 7,164,608	$6,968,560	$7,019,266
Liabilities and net assets			
Accounts payable	$ 151,045	$ 156,773	$ 171,714
Accrued expenses	140,174	123,047	140,461
Current portion of long term debt	73,947	69,530	71,792
Total current liabilities	365,166	349,350	383,967
Long term debt, net of current portion	315,698	374,524	443,849
Total liabilities	680,864	723,874	827,816
Net assets			
Unrestricted	6,347,333	6,106,311	6,059,224
Temporarily restricted	136,411	138,375	132,226
Total net assets	$ 6,483,744	$6,244,686	$6,191,450
Total liabilities and net assets	$ 7,164,608	$6,968,560	$7,019,266

Financial Ratios:

		Proforma (a)		
		FYE June 30, 2014		
Debt Service Coverage - Net (x)	3.48	5.08	2.86	6.13
Debt to Unrestricted Net Assets (x)	0.15	0.03	0.07	0.09
Margin (%)		3.38	0.68	4.62
Current Ratio (x)		15.83	15.73	14.26

(a) Recalculates FY 2014 audited results to include the impact of this proposed financing

Financial Discussion – Statement of Activities (Income Statement)

Bi-Bett's income statement appears to exhibit positive operating results over the review period.

Bi-Bett's overall revenue has increased by approximately 2.7% from approximately $6.9 million in FY 2012 to $7.1 million in FY 2014. In FY 2014, Bi-Bett's overall revenue increased by 3.3% compared to the overall revenue in FY 2013 due to more access to government funding, particularly through AB 109 criminal justice funds[1], while their overall expenses increased slightly by 0.05%.

The change in net assets appears to exhibit positive operating results with a decrease from $320,968 in FY 2012 to $47,087 in FY 2013 then increasing to $241,022 in FY 2014. According to Bi-Bett's management, the fluctuation in the change in net assets is primarily attributed to an overall increase in expenses predominately in personnel cost, overtime and workers compensation, food and facility supplies and maintenance due to increasing fire inspection requirements and the bed bug crisis.

Particular Facts to Note:

- In comparison to the 2.7% increase in revenue over the review period, expenses have increased by 4% from approximately $6.6 million in FY 2012 to approximately $6.8 million in FY 2014. According to Bi-Bett's management, the County reimbursement rate has not kept up with the rising costs of rents, employee health insurance, food, water, supplies, licensing and certification fees. In anticipation that expenses will continue to rise, Bi-Bett has requested and received a number of rate increases in various programs for the FY 2015. Bi-Bett's management is also considering the closure or the reorganization of a small men's residential treatment program, which has a systemic deficit due to its size.
- According to Bi-Bett's management, government substance abuse funding has fluctuated over the last few years and will continue to do so. Criminal justice funding has decreased and has been discontinued or partially replaced by new funding programs. Bi-Bett anticipates the Substance Abuse Prevention and Treatment Block Grant, a major source of funding for substance abuse prevention and treatment services will be replaced upon federal approval of the Substance Abuse Disorder Bridge to Reform "Waiver" allowing residential substance abuse treatment programs to receive Medi-Cal for the first time.

[1] Assembly Bill 109 (AB 109) was passed by the California Legislature in 2001 and provides for the realignment of funding and supervision for certain low level offenders, adult parolees, and juvenile offenders from state prisons and institutional facilities to the local jurisdiction. Aside from cost savings to the State budget, this realignment is also intended to make available services and supports to facilitate rehabilitation and assimilation into the community thus, reducing recidivism and the restart of the incarceration costs on the State.

Financial Discussion – Statement of Financial Position (Balance Sheet)

Bi-Betts's financial strength appears strong with a net proforma debt service coverage ratio of 3.48x.

Bi-Bett's total unrestricted net assets appear to have increased by approximately 4.75% from $6 million in FY 2012 to approximately $6.3 million in FY 2014. Bi-Bett's proforma debt-to-unrestricted net assets ratio appears to be .15x indicating moderate leverage usage and its net proforma debt service coverage ratio is a solid 3.48x, indicating Bi-Bett should likely be able to repay the HELP II loan.

Particular Facts to Note:

- According to Bi-Bett's management, the corporation has maintained a relatively stable cash balance. In FY 2014, Bi-Bett had cash and cash equivalents of approximately $4.7 million, representing approximately 364 days cash on hand, well above the health industry target of 30 days.

EXHIBIT 1

UTILIZATION STATISTICS

Clients Served / (Patients Visits)
for Fiscal Year Ended June 30,

	2014	2013	2012
Totals	**86 / (4826)**	**70 / (4893)**	**69 / (5252)**

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 (2004)	$400,000	$131,929	$131,929
Vehicle Loan (2014)	26,875	10,933	10,933
- PROPOSED NEW DEBT:			
CHFFA Help II Loan (2015)	693,545		**693,545**
- TOTAL DEBT		**$142,862**	**$836,407**

(a) Includes current portion of long-term debt.

EXHIBIT 3

BACKGROUND AND LICENSURE

Background

Bi-Bett Corporation is a non-profit corporation established in 1969 as the first Alcoholism and Recovery program in Contra Costa County. Currently, it administers 20 alcoholism and drug addiction recovery programs and 11 sober living facilities in Alameda, Contra Costa and Solano County.

Bi-Bett's programs and services are founded on the Social Model philosophy and approach to alcoholism and drug problems which are viewed as a reciprocal relationship between the addict and the social environment. The goal of the Social Model approach is to reduce denial and stigmatization, alter individual and community attitudes towards alcohol and drug problems, and to assist both the individual and the community in their recovery.

Bi-Bett provides a continuum of services to over 10,000 individuals per year. The services provided include outreach, intervention, drop-in support, crisis intervention, residential detoxification, residential treatment, outpatient services, sober living houses, and drinking and driving treatment programs. Bi-Bett serves men, women, women with children and adolescents. Its clients include individuals with substance abuse disorders and co-occurring disorders, the homeless, individuals engaged in the criminal justice system and children protective services.

Presently Bi-Bett is participating in the statewide and local "integration' of primary medical care, mental health, substance abuse and homeless services.

Licensure, Certification and Accreditation

Bi-Bett is licensed by the California Department of Health Care Services to operate and maintain an adult residential alcohol and drug abuse recovery facility for Orchid Women's Recovery Center, which is located at 1342 East 27th Street, Oakland, California 94606.
Bi-Bett maintains licenses with the California Department of Health Care Services for all the other programs and facilities that it administers.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Loan Program

Resolution Number HII-295

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, **Bi-Bett Corporation** (the "Borrower"), a California participating health institution, has applied to the Authority for a loan through the Program, and the application has been reviewed by the staff of the Authority; and

WHEREAS, approval of the loan by the Authority is now sought;

NOW THEREFORE BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. Pursuant to the Act, the Authority approves a loan to the Borrower in an amount not to exceed **$693,545** for a term not to exceed **20 years** for the purpose 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 fixed rate loan;

2. First lien position on the property located at 3150 Brookdale Avenue, Oakland, CA, 94602;

3. Corporate gross revenue pledge;

4. Verification of Borrower's funds to close escrow;

5. Proof of licensing shall be provided to the Authority within 120 days of renovation completion;

6. A current appraisal that is acceptable to Authority staff; and

7. Loan to value ratio not to exceed 95%.

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 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 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: _____