CHFFA HELP II PROGRAM
EXECUTIVE SUMMARY

Applicant: Ukiah Valley Association for Habilitation ("UVAH")
990 S. Dora St
Ukiah, California, 95482
Mendocino County

Amount Requested: $500,000
Requested Loan Term: 15-year fixed
Authority Meeting Date: January 30, 2014
Resolution Number: HII-285

Project Sites: 990 S. Dora, 915 S. Dora, 209 W. Mill, Ukiah, California 95482 (Mendocino County)
Facility Type: Developmental Disability Services
Eligibility: Government Code section 15432(d)(13)
Prior HELP II Borrower: No

Background: UVAH was incorporated as a California non-profit public benefit corporation in 1961. The primary purpose of the organization is to help people with disabilities meet their full potential as individuals and productive citizens in Mendocino County. UVAH provides a wide range of services, a supportive environment, education, and UVAH involves the community in an effort to integrate people with disabilities into community life. In FY 2013, UVAH served approximately 113 clients.

Uses of Loan Proceeds: The HELP II loan proceeds will be used to, (1) refinance two existing loans from Savings Bank of Mendocino, (2) renovate three existing facilities owned/operated by UVAH, and (3) install solar arrays at two existing facilities. Refinancing the two loans will lower the interest rates for UVAH from 5.75% to 3% and eliminate risks associated with the current variable interest rates on the loans, plus eliminate a balloon payment due in 2020 on one of the loans. The estimated interest savings will be approximately $9,000 per year due to the lower HELP II loan rates. The renovations will improve the safety of the buildings and enhance environments for people with developmental disabilities who use the facilities. The solar arrays will provide an annual savings of approximately $7,500 in UVAH's utility bill.

Financing Structure:

- First lien on two properties located at 915 S. Dora St and 209 W. Mill St., Ukiah, CA 95482.
- Loan #1 lien on the 915 S. Dora St. facility and Loan #2 lien on the 209 W. Mill St. facility.
- Loan #1: 15-year fixed rate loan: 180 equal monthly payments of approximately $2,503.
- Loan #2: 5-year fixed rate amortization portion: 60 equal monthly payments of approximately $740 and 15-year fixed amortization portion: 180 equal monthly payments of approximately $665 for a total monthly loan payment of approximately $1,405.
- Corporate gross revenue pledge.
- Receipt of executed renovation contracts and invoices acceptable to the Authority.
- Verification of borrower funds.
- A current appraisal of the two collateralized properties acceptable to the Authority.
- Combined loan to value ratio not to exceed 95% (estimated loan to value ratio of 81%).

Financial Overview: UVAH income statement appears to exhibit adequate operating results during the review period. The proforma debt service coverage ratio is an adequate 1.29x, indicating UVAH should be able to repay the proposed HELP II loan.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
HELP II loan, (1st lien) Loan #1	$ 362,510	Refinance debt	$ 301,190
HELP II loan, (1st lien) Loan #2	137,490	Renovations	208,220
Borrower funds	19,410	Financing costs	10,000
Total Estimated Sources	$ 519,410	**Total Estimated Uses**	$ 519,410

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)*
Savings Bank of Mendocino; Redwood Empire Title Company of Mendocino; Gaia Energy Systems; Ron's Quality Construction; Central Valley Environmental; 21st Century Floors; Redwood Empire Roofing

Staff Recommendation: Staff recommends approval of Resolution Number HII-285 for UVAH for two loans totaling an amount not to exceed $500,000 for total terms not to exceed 15 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.

(CA/TB)

I. PURPOSE OF FINANCING:

UVAH seeks to renovate three existing facilities to improve their safety and the environment for individuals with developmental disabilities, as well as to refinance two existing loans. The lower interest rate will result in an estimated interest cost savings of approximately $9,000 per year and will allow UVAH to eliminate the variable rate structure of the loans, as well as a balloon payment on one of the loans. UVAH will also install solar arrays on two facilities which UVAH estimates will annually lower its utility bill by roughly $7,500.

Refinance two existing bank loans..... $301,190

UVAH intends to use loan proceeds to refinance existing bank loans with Savings Bank of Mendocino as follows:

- 915 S. Dora Street, Ukiah, CA 95482 - Has a variable interest rate loan currently at 5.75% with a balloon payment of approximately $216,000 due in 2020. This loan was originally used to purchase this facility in 2010 for $395,000. The current outstanding balance is $260,000.

  The facility is a 7,995 square foot building with four offices, three bathrooms, two changing rooms, four classroom areas and a meeting room. UVAH provides an Adult Day Program for its developmentally disabled clients at this location.

- 209 W. Mill Street, Ukiah, CA 95482 - Has a variable interest rate loan currently at 5.75% due in 2018. This loan ($205,124.44) was originally obtained to purchase and renovate this facility in 1995. The current outstanding balance is $41,190.

  The facility is a 2,496 square foot building with three offices, two bathrooms, five class rooms, and a full kitchen. UVAH similarly provides Adult Day Program services for its developmentally disabled clients at this location.

Renovation of three existing facilities..... 208,220

The renovations will be as follows:

- The renovation project at 990 S. Dora Street includes, (1) the removal and installation of a new roof, (2) installation of solar arrays, (3) asbestos abatement, (4) remodeling of office and work areas, including new flooring and (5) ceiling repair.

  This facility is a 4,190 square foot building with nine offices, four bedrooms, and two classroom work areas. This site houses the administration offices for the organization and it provides the administrative and clerical support for services provided at all locations. It also houses the employment and vocational training programs.

- The renovation project at 209 W. Mill Street includes the installation of new carpet in three areas, laminate in the hallways, and new tile in the kitchen area.

- The renovation project at 915 S. Dora Street includes the installation of new tile floors, solar arrays, and the removal and installation of a new roof.

UVAH advises it will comply with Labor Code section 1720 et seq. The HELP II loan will be secured by a first lien position on two properties (915 S. Dora Street and 209 W. Mill Street, Ukiah, CA 95482). Because UVAH offers two properties as security and because of the complexity of the transaction, CHFFA staff plans to issue two separate loans. According to UVAH management, the property located at 915 S. Dora has an estimated current market value of approximately $423,000 and the property located at 209 W. Mill Street has an estimated current market value of approximately $195,000, leading to an estimated combined loan to value ratio of approximately 81%. A full appraisal on the both properties will be required prior to closing and must be acceptable to the Authority.

Financing Costs		***10,000***
Authority Fees	$6,000	
Title and Escrow Fees.....	4,000	
Total Uses of Funds		**$519,410**

II. FINANCIAL STATEMENTS AND ANALYSIS

Ukiah Valley Association for Habilitation
Statement of Financial Position

	As of June 30,		
	2013	**2012**	**2011**
ASSETS:			
Current assets:			
Cash	$ 336,862	$ 332,997	$ 340,048
Accounts receivable	169,198	178,091	162,779
Prepaid expenses	14,962	8,083	-
Total current assets	521,022	519,171	502,827
Non- current assets:			
Deposits	29,059	47,983	49,531
Property and equipment, net of accumulation depreciation	614,289	618,585	657,487
Total non-current assets	643,348	666,568	707,018
Total assets	$ 1,164,370	$ 1,185,739	$ 1,209,845
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable	$ 18,317	$ 22,409	$ 10,806
Compensated absences	50,093	51,716	57,184
Notes payable, current portion	38,852	37,861	34,188
Total current liabilities	107,262	111,986	102,178
Non-current liabilities:			
Notes payable, net of current portion	314,624	344,136	421,824
Total non- current liabilities	314,624	344,136	421,824
Total liabilities	421,886	456,122	524,002
Net assets:			
Unrestricted	742,484	729,617	685,843
Total net assets	742,484	729,617	685,843
TOTAL LIABILITIES AND NET ASSETS	$ 1,164,370	$ 1,185,739	$ 1,209,845

Financial Ratios

	Proforma FYE June 2013	**2013**	**2012**	**2011**
Debt service coverage (x)	1.29	1.22	2.11	2.43
Debt to unrestricted net assets (x)	0.73	0.48	0.52	0.66
Margin (%)		0.59	2.77	2.05
Current ratio (x)		4.86	4.64	4.92

Ukiah Valley Association for Habilitation
Statement of Activities
Unrestricted

	Fiscal Year Ended June 30,		
	2013	**2012**	**2011**
Revenues:			
Contracts	$ 223,875	$ 212,765	$ 192,535
Service fees - Rehabilitation	1,763,740	1,717,832	1,774,324
Contract - Mendocino Private Industry Council	25,000	51,104	53,589
Fundraising	21,956	34,358	19,192
Donations	10,238	6,846	6,345
In-Kind	119,136	127,981	151,941
Other	11,707	6,755	16,275
Total revenues	$ 2,175,652	$ 2,157,641	$ 2,214,201
Expenses:			
Staff wages and benefits	$ 1,552,249	$ 1,449,033	$ 1,467,554
Trainee wages and benefits	170,284	189,167	208,017
In-kind wages	119,136	127,981	151,941
Supplies	47,268	43,938	40,795
Vehicle/ travel	44,424	45,746	46,709
Depreciation	39,070	44,278	49,279
Insurance	36,416	37,205	38,140
Maintenance	36,011	31,607	31,628
Interest	24,904	28,917	28,667
Other expenses	21,604	29,018	17,117
Utilities	20,537	21,532	18,043
Communications	18,616	19,534	19,610
Professional fees	13,917	17,149	14,557
Conferences/ conventions	12,874	7,086	7,176
Rent	5475	5,741	29,496
Total expenses	$ 2,162,785	$ 2,097,932	$ 2,168,729
Change in unrestricted net assets	12,867	59,709	45,472
Unrestricted Net Assets - Beginning of year	729,617	685,843	640,371
Prior period adjustment	-	(15,935)	-
Unrestricted Net Assets - End of year	$ 742,484	$ 729,617	$ 685,843

Financial Discussion – Statement of Activities (Income Statement)

UVAH's income statement appears to exhibit adequate operating results over the review period.

Over the review period, operating margins have remained positive for all three years, ranging from .59% to 2.05%. UVAH reports that the decline in operating margins in FY 2013 was largely due to a very slight decline in revenues (associated with reductions in regional center reimbursements and in-kind revenue for adult education service revenues from the Ukiah Unified School District) with correspondingly stable expenses. According to UVAH, the organization is carefully monitoring its revenues and expenses to ensure expenses are maintained at an acceptable level.

Particular Facts to Note:

- Revenue from contracts increased approximately 16.28% over the review period, which management indicates derives from service contracts with customers for grounds maintenance, domestic and motel housekeeping, janitorial and retail services, document shredding, minor assembly and packaging, and bulk mailing services. The coordination for these services is part of UVAH's Mayacama Industries program.

- Contract revenue from the Mendocino Private Industry Council (MPIC) significantly decreased in FY 2013 to almost half the amount in FY 2011. UVAH management explains the MPIC is a Federal contract and the decrease was due to Federal Government sequestration (spending limit), and they will compensate by reducing staff hours and seeking other revenue sources. UVAH has experienced and adjusted to similar drops in previous years funding levels.

- Staff wages and benefits increased by approximately 5.77% from FY 2011 to FY 2013, which UVAH management explains was due to the board of directors approving a one-time 5% increase in salaries. On the other hand, rent significantly decreased due to the purchase of the 915 S. Dora Street, Ukiah, CA 95482 property.

- The State Legislature controls the reimbursement rates for UVAH's regional center funded services. The regional center funded service revenue shows a slight decline due to state reductions. According to UVAH management, revenue from the regional center funded services was restored to 100% of its established rates in July 2013, and UVAH anticipates an upcoming increase in state revenue to compensate for the recently increased minimum wage standard.

- According to UVAH management, they have weathered the state budget crisis by reducing overhead expenses for telephone and rent, reducing staff to the minimum allowed by mandated ratios and increasing other revenue sources. And, they continue to explore ways to increase revenue sources outside state funding.

Financial Discussion – Statement of Financial Position (Balance Sheet)

UVAH's financial strength appears sound with a proforma debt service coverage ratio of 1.29x.

UVAH's total unrestricted net assets appear to have increased by approximately 8.26% from $686,000 in FY 2011 to approximately $743,000 in FY 2013, appearing to reflect overall organizational growth. UVAH's proforma debt-to-unrestricted net assets ratio is an acceptable .73x and its proforma debt service coverage ratio is an adequate 1.29x with this proposed financing, indicating UVAH should be able to repay the HELP II loan.

Particular Facts to Note:

- According to UVAH management, they have maintained UVAH's cash balance at a relatively stable level. In FY 2013, cash was approximately $337,000, representing approximately 58 days cash on hand, sufficiently above the health industry target of 30 days.

- Notes payable declined from $421,824 in FY 2011 to $344,136 in FY 2012, primarily due to UVAH paying off a construction loan ahead of schedule to eliminate a high interest rate variable loan of 7.5%.

EXHIBIT 1

UTILIZATION STATISTICS

Clients Served for Fiscal Year Ended June 30,

	2013	2012	2011
Totals	**113**	**118**	**139**

EXHIBIT 2

OUTSTANDING DEBT

Date Issue:	Original Issue Amount	Amount Outstanding[1] as of 6/30/2013	Estimated Amount Outstanding After Proposed Financing*
EXISTING LONG-TERM DEBT:			
Savings Bank Mendocino, Mortgage [2] November 27, 1995	$ 205,124	$ 48,848	$ -
Savings Bank Mendocino, Mortgage March 1, 2002	136,792	17,722	17,722
Savings Bank Mendocino, Mortgage [2] September 8, 2010	276,500	263,559	-
Savings Bank Mendocino, Vehicle March 20, 2013	26,339	23,347	23,347
PROPOSED NEW DEBT			
CHFFA HELP II Loan			500,000
TOTAL DEBT		**$ 353,476**	**$ 541,069**

(1) Includes current portion of long term debt
(2) To be paid in full by UVAH

EXHIBIT 3

BACKGROUND AND LICENSURE

Background

Ukiah Valley Association for Habilitation ("UVAH") was incorporated as a California non-profit public benefit corporation in 1961. The fundamental purpose of UVAH is to help people with disabilities meet their full potential as individuals and productive citizens in Mendocino County. UVAH provides a wide range of services, a supportive environment, education, and UVAH involves the community in an effort to integrate people with disabilities into community life. UVAH serves the community by carrying out the following three programs:

- The Rural Adult Program ("RAP") is a day training service for people with developmental disabilities. RAP provides training and support in self-care, communication, community awareness, recreation/leisure activities, and vocational development to help the individuals with developmental disabilities maximize their independence.

- Mayacama Industries is an employment and vocational training program serving people with any type of disability. Mayacama Industries provides work training and employment for people to improve their work skills and habits and it offers individuals the opportunity to earn community-based employment. Mayacama Employment Service assists individuals to achieve economic self-sufficiency and vocational independence through its job placement and support services. Mayacama Industries operates Mayacama Employment Services, which is a job placement and support service the matches employers with capable employees. The service offers job training and follow-along assistance to both employers and employees as long as they desire.

- L.I.F.E. Services (Learning Independence from Experience) is a service designed to assist adults with developmental or other disabilities (as well as 18-22 year old students), who desire to be fully included within work and community life, with Individualized Education Programs in their last year of school.

The Board of Directors has governance responsibilities over all of the organization's activities. Board members, elected by the organization's membership, are community members and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

Licensure, Certification and Accreditation

UVAH is licensed by the California Department of Social Services to operate and maintain two Adult Day Programs for the developmentally disabled at 915 S. Dora St. and 209 W. Mill St., Ukiah, CA 95482.

990 S. Dora is where the administration offices for the agency are located. It provides administrative and clerical support for services provided at 990 S. Dora, 915 S. Dora and 209 West Mill St. UVAH also operates vocational and supported employment services from this site, which do not require a license. These services are funded through the Department of Rehabilitation and the regional center. UVAH has permits from the Federal Department of Labor and State Department of Industrial Relations allowing them to pay subminimum wages to workers based on their productivity.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Loan Program

Resolution Number HII-285

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, **Ukiah Valley Association for Habilitation** (the "Borrower"), a California nonprofit corporation and participating health institution, has applied to the Authority for two loans through the Program, and the application has been reviewed by the staff of the Authority; and

WHEREAS, approval of the loans 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 two loans to the Borrower, which may have separate closing dates, in a combined total amount not to exceed **$500,000** 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. First lien position on two properties located at 915 S. Dora Street, Ukiah, CA 95482 for Loan #1 and 209 W. Mill Street, Ukiah, CA 95482 for Loan #2;

2. Loan #1: 15-year fixed rate loan for a loan amount of approximately $362,510;

3. Loan #2: 5-year fixed rate portion loan for refinancing and a 15-year fixed rate portion loan for renovations for a total loan amount of approximately $137,490;

4. Corporate gross revenue pledge;

5. Executed renovation contracts and invoices acceptable to Authority staff;

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

7. A current appraisal of the two real property parcels noted in the first condition above that are acceptable to Authority staff; and

8. Combined 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 loans, and to approve any changes in the Project described in the application submitted to the Authority, as said officer shall deem appropriate and authorized under the Act (provided that the amount of the loans may not be increased above the amount approved by the Authority and provided further that the loans continue to meet the Authority's guidelines for HELP II loans). Nothing in this resolution shall be construed to require the Authority to obtain any additional funding, even if more loans are approved than there is available funding. Any notice to the Borrower shall indicate that the Authority shall not be liable to the Borrower in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 3. The Executive Director 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: _____