

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
THE HELP II PROGRAM
EXECUTIVE SUMMARY**

| | | | |
|--|--|-----------------------------|--------------------|
| Applicant: | Chico Feminist Women's Health Center dba Women's Health Specialists (WHS) 1469 Humboldt Road, Suite 200 Chico, CA 95928 Butte County | Amount Requested: | \$213,750 |
| | | Requested Loan Term: | 5 years |
| | | Date Requested: | October 26, 2006 |
| | | Resolution Number: | HII-188 |
| Project Sites: | Women's Health Specialists, 1901 Victor Ave., Redding, CA 96001 Women's Health Specialists, 1750 Wright St., Suite I, Sacramento, CA 95825 | | |
| Facility Type: | Community Clinic | | |
| Security Provisions: The loan will be secured by a Debt Service Reserve Account equal to six months of debt service payments and an equipment lien. This security provision is consistent with prior HELP II financings. Please see next page for the details of all security provisions. | | | |
| Uses of Loan Proceeds: Loan proceeds will be used to renovate and update WHS's Redding and Sacramento facilities to accommodate increased patient load and improve overall operating efficiency. | | | |
| Type of Issue: | | HELP II Loan | |
| Prior HELP II Borrower: | | No | |
| Payments Status: | | N/A | |
| Financial Overview: WHS's income statement reflects solid operating performance for fiscal years 2003 through 2005. Although WHS reported a loss in 2004, it relates to a one-time write-off of the five prior fiscal years of uncollectible accounts receivables. WHS has maintained a healthy balance sheet over the last three fiscal years. | | | |
| Sources of Revenues: (FYE 12/31/05) | | <u>Amount</u> | <u>Percent</u> |
| | Clinic Fees | \$ 5,740,606 | 95.56% |
| | FNR/ ACNC | 46,727 | 0.78% |
| | Grants | 144,830 | 2.41% |
| | Donations | 46,041 | 0.77% |
| | Other | <u>28,895</u> | <u>0.48%</u> |
| | Total Revenue | <u>\$ 6,007,099</u> | <u>100.00%</u> |
| Sources of Funds | | Uses of Funds | |
| | HELP II Loan | \$213,750 | Renovation |
| | Borrower Funds | <u>13,922</u> | \$200,000 |
| | Total Sources | <u>\$227,672</u> | Purchase equipment |
| | | | 25,000 |
| | | | <u>2,672</u> |
| | | | Loan Fees |
| | | | <u>\$227,672</u> |
| | | | Total Uses |
| Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant. | | | |
| Staff Recommendation: Staff recommends the Authority approve a resolution for a HELP II loan in an amount not to exceed \$213,750, for a term not to exceed 5 years for Women's Health Specialists, subject to the standard HELP II loan provisions with the exception of the security provisions outlined above. | | | |

**STAFF SUMMARY AND RECOMMENDATION
THE HELP II PROGRAM**

October 26, 2006

Women’s Health Specialists (“WHS”)
Resolution Number: HII-188

SECURITY PROVISIONS: Typically, HELP II loans are secured by a lien on the borrower’s real property. WHS does not own any real property (the Redding and Sacramento facilities have five plus years remaining on their leases). Consequently, staff recommends the proposed loan be secured by a debt service reserve account equal to six months of debt payments totaling \$23,045. WHS shall fund this debt service reserve account at loan closing, with terms and conditions agreeable to CHFFA. Additionally, a UCC-1 equipment lien will be filed. These security provisions are consistent with previous HELP II loans to borrowers who lease facilities. The HELP II loan term shall match the remaining lease term of five years.

I. PURPOSE OF FINANCING

WHS must renovate its Redding and Sacramento facilities to handle an increase in patient volume and improve overall operating efficiency.

***Remodel and renovate the Redding and Sacramento facilities* \$ 200,000**

A portion of the loan proceeds will be used to remodel the patient intake areas and renovate clinician work areas in the Redding and Sacramento facilities, which will accommodate an increase in patient load, allow more clients in waiting/intake processing areas and decrease wait times and increase overall capacity. The clinic intake, case management, and clinician work areas will be modified at both facilities. In addition, improvements will be made to the patient records area, which includes adding locking file storage systems. Finally, WHS will replace carpets, floors, and window covers.

***Purchase Equipment* 25,000**

A portion of the loan proceeds will be used to purchase ultrasound equipment to be used at its Redding facility.

***Authority Fees* 2,672**

***Total Uses of Funds* \$ 227,672**

Financing Structure

- Five-year fully amortized loan term with 60 equal monthly payments of approximately \$3,841(total annual payments of \$46,090).
- Total interest payments of approximately \$32,063 for the life of the loan.
- Borrower to fund a Debt Service Reserve Account at closing equal to six months of debt service payments in the amount of \$23,045.
- 1st lien on corporate gross revenue.
- UCC-1 lien on equipment.

II. FINANCIAL STATEMENTS AND ANALYSIS

Women's Health Specialists Statement of Activities (Unrestricted)

| | Period Ending June 30 | For the year ended December 31 | | |
|--|--------------------------|--------------------------------|-------------------|-------------------|
| | 2006 (Unaudited) | 2005 | 2004 | 2003 |
| REVENUE | | | | |
| Clinic fees | \$ 3,407,174 | \$ 5,740,606 | \$ 5,014,447 | \$ 4,347,605 |
| FNR/ ACNC ¹ | 25,780 | 46,727 | 37,820 | 45,070 |
| Grants | 18,890 | 144,830 | 42,625 | 158,364 |
| Donations | 21,494 | 46,041 | 42,467 | 34,593 |
| Other | 18,927 | 28,895 | 20,024 | 15,134 |
| Total revenues | <u>3,492,265</u> | <u>6,007,099</u> | <u>5,157,383</u> | <u>4,600,766</u> |
| EXPENSES | | | | |
| Payroll and Employee Benefits | 1,681,928 | 2,808,919 | 2,457,618 | 1,987,446 |
| Clinic operations | 580,415 | 1,125,770 | 933,501 | 785,948 |
| Rent and Utilities | 300,370 | 444,900 | 377,309 | 378,675 |
| Physicians fees and travel | 217,434 | 404,940 | 328,973 | 274,231 |
| Payroll Tax | 114,248 | 214,849 | 183,896 | 143,314 |
| Office Expense, literature, printing and postage | 135,677 | 152,587 | 138,349 | 101,297 |
| Insurance | 132,421 | 130,383 | 207,794 | 149,792 |
| Conferences and events | 19,767 | 61,584 | 36,605 | 2,538 |
| Uncompensated Care | 23,696 | 57,839 | 389,685 | 61,647 |
| Advertising and public relations | 62,854 | 57,348 | 62,994 | 44,610 |
| Legal and accounting | 39,426 | 51,673 | 31,049 | 30,029 |
| Depreciation | 24,473 | 40,359 | 29,832 | 17,359 |
| Bank charges | 13,926 | 25,141 | 26,941 | 25,210 |
| FNR/ ACNC ¹ | 15,067 | 23,545 | 31,453 | 18,822 |
| Fundraising | 19,515 | 16,435 | - | - |
| Consulting and administration | 22,956 | 13,870 | 44,026 | 28,335 |
| Miscellaneous | - | - | 30,665 | 1,367 |
| Total expenses | <u>3,404,173</u> | <u>5,630,142</u> | <u>5,310,690</u> | <u>4,050,620</u> |
| Change in unrestricted net assets | 88,092 | 376,957 | (153,307) | 550,146 |
| Unrestricted net assets at beginning of year | 977,754 | 600,797 | 754,104 | 203,958 |
| Unrestricted net assets end of year | <u>\$ 1,065,846</u> | <u>\$ 977,754</u> | <u>\$ 600,797</u> | <u>\$ 754,104</u> |

1. FNR stands for Far Northern Regional which was a grant received to educate the community on reproductive health. ACNC stands for Adoption Choice of Northern California which provides consulting services to birth and adoptive parents

**Women's Health Specialists
Statement of Financial Position**

| | <u>June 30</u> | | <u>As of December 31</u> | | |
|--|---------------------|---------------------|--------------------------|-------------------|--------------|
| | <u>2006</u> | | <u>2005</u> | <u>2004</u> | <u>2003</u> |
| <u>Assets</u> | (Unaudited) | | | | |
| Current Assets: | | | | | |
| Cash | \$ 831,947 | \$ 702,329 | \$ 175,193 | \$ 275,911 | |
| Accounts Receivable | 225,481 | 323,214 | 366,935 | 548,547 | |
| Medical Inventory | 71,615 | 71,615 | 67,183 | - | |
| Prepaid and deposits | 19,489 | 19,489 | 18,735 | 15,279 | |
| Total Current Assets | <u>1,148,532</u> | <u>1,116,647</u> | <u>628,046</u> | <u>839,737</u> | |
| Equipment/Furnishings, net | 221,971 | 177,735 | 146,248 | 91,662 | |
| Total Assets | <u>\$ 1,370,503</u> | <u>\$ 1,294,382</u> | <u>\$ 774,294</u> | <u>\$ 931,399</u> | |
| <u>Liabilities & Net Assets</u> | | | | | |
| Current Liabilities: | | | | | |
| Prepaid grant | 140,000 | 140,000 | - | - | |
| Accounts payable | 70,498 | 103,296 | 117,408 | \$ 123,630 | |
| Payroll tax payable | 13,439 | 10,562 | 10,761 | 15,663 | |
| Current portion long-term debt | 2,800 | 15,711 | 9,201 | 7,728 | |
| Total Current Liabilities | <u>226,737</u> | <u>269,569</u> | <u>137,370</u> | <u>147,021</u> | |
| Notes payable | 57,170 | 47,059 | 36,127 | 30,274 | |
| Total Liabilities | <u>283,907</u> | <u>316,628</u> | <u>173,497</u> | <u>177,295</u> | |
| Unrestricted net assets | 1,086,596 | 977,754 | 600,797 | 754,104 | |
| Total Liabilities & Net Assets | <u>\$ 1,370,503</u> | <u>\$ 1,294,382</u> | <u>\$ 774,294</u> | <u>\$ 931,399</u> | |
| Current Ratio | 5.07 | 4.14 | 4.57 | 5.71 | |
| Financial Ratios: | Proforma (a) | | | | |
| | 12/31/2005 | | | | |
| Debt Service Coverage (x) | <u>6.63</u> | 48.94 | 24.80 | (10.27) | 73.43 |
| Debt/Unrestricted Net Assets (x) | 0.23 | 0.06 | 0.06 | 0.08 | 0.05 |
| Margin (%) | | 3.22 | 6.28 | (2.97) | 11.96 |
| Current Ratio (x) | | 5.07 | 4.14 | 4.57 | 5.71 |

(a) Recalculates 2005 audited results to include the impact of this proposed financing.

Financial Discussion

WHS's income statement reflects solid operating performance for fiscal years 2003 through 2005. WHS has experienced strong demand for its services, with patient visits increasing approximately 60% during this period.

WHS receives over 97% of its revenues from Clinic Fees and approximately 80% of those fees were covered by Medi-Cal (including Family PACT). Additional revenues are received from grants, donations, some of which are designated towards specific clinic programs or services.

During fiscal year 2005 WHS posted solid operating results, with an increase in unrestricted net assets of \$377,000. Grant revenue was higher due to a grant received from California Wellness Foundation. WHS has experienced strong demand for its services, as exhibited by an 18% increase in patient visits from the previous fiscal year. Total revenues increased by 16%, primarily due to an increase in patient visits/clinic fees, which increased by 14%. WHS operational expenses also increased accordingly.

During fiscal year 2004, WHS reported a decrease in unrestricted net assets of \$153,000. The loss primarily relates to the write-off of five years worth of uncollectible accounts receivables (bad debt) totaling approximately \$288,000 (see uncompensated care expense on page 3). Excluding this one time expense, WHS would have posted an increase in unrestricted net assets of \$135,000. Total revenues for the fiscal year increased by 12%, while total expenses increased by 24% (excluding the one-time bad debt expense). The higher expenses were due to increases in payroll/employee benefits, higher insurance and worker's compensation rates, plus expenses related to the rollout of the new FNR/ACNC program.

During fiscal year 2003 WHS posted solid operating results, with an increase in unrestricted net assets of \$550,000, reflecting a strong 12% operating margin.

During the interim period ending June 30, 2006, WHS continued to operate with a surplus, with an increase of unrestricted net assets of \$88,000. WHS experienced higher expenses for payroll, benefits and rents due to expanded days of operation and office hours, which required additional staffing and lease space. Office expense increased due to an upgrade in the computer systems and network. Advertising and public relations increased due to additional radio time and other marketing efforts. Finally, insurance increased due to significantly higher enrollment and higher premiums. WHS expects the trend of increasing patient visits and revenues to continue.

WHS has maintained a healthy balance sheet over the last three fiscal years.

During fiscal year 2005, WHS exhibits solid liquidity with a 4.14x current ratio, supported by significant cash/cash equivalents of \$702,000.

WHS currently has minimal long-term debt, with a debt to unrestricted net assets ratio of .06x and a strong debt service coverage ratio of 24.80x. With the proposed financing, WHS debt to unrestricted net assets ratio will be a modest .23x along with a debt service coverage ratio 6.63x.

III. UTILIZATION STATISTICS

**Client Served / (Patient Visits)
Fiscal Year Ended June 30**

| | 2003 | 2004 | 2005 |
|---------------|-------------------|-------------------|-------------------|
| Totals | 20,275 / (34,808) | 23,949 / (46,556) | 26,535 / (55,044) |

IV. ORGANIZATION

Background

The Chico Feminist Women’s Health Center, dba Women’s Health Specialists (WHS) was established as a community clinic in 1975 by nine women to advocate, promote, and protect reproductive rights for all women. WHS operates seven (7) clinic sites located in Chico, Redding, Sacramento, Santa Rosa, Grass Valley, and Petaluma.

Approximately 80% of WHS clients use Medi-Cal or Family PACT, 10% have health insurance, and 10% are uninsured. WHS clinics serve women and men from 26 counties in Northern California and served 26,535 patients in 2005. Patient volume has increased by almost 60% during the last three years. The Sacramento and Redding facilities will be renovated to accommodate additional growth in clientele.

WHS operates a wide array of programs in support of its mission to give women control over gynecological health and reproductive choices: Well Woman Health Care, Health Education Program, Family Planning Services, Comprehensive Abortion Care, Breast Cancer Early Detection Program, Women’s Health and Information Line, Menopause Services, Fertility Health Services, Adoption Choices of America, and Community Education. Also, WHS has authored three books on women’s health.

Licenses

Both the Redding and the Sacramento WHS facilities are licensed by the California Department of Health Services to operate as community clinics.

Contracts

WHS is of a type and in a geographic area subject to Medi-Cal contracting. WHS has been awarded a Medi-Cal contract by agreeing to provide a community service and to accept Medi-Cal and Medicare patients.

V. OUTSTANDING DEBT

| Description | Original Amount | Amount Outstanding as of 12/31/2005 | Estimated Amount Outstanding After Proposed Loan |
|--|-----------------|-------------------------------------|--|
| Existing: | | | |
| County of Sacramento (Bridge loan), 8/98 | \$175,000 | \$28,013* | \$28,013 |
| Equipment Lease I, 6/03 | 38,647 | 30,573* | 30,573 |
| Equipment Lease II, 2/04 | 8,544 | 4,184* | 4,184 |
| Proposed: | | | 213,750 |
| CHFFA HELP II Loan, 2006 | | | 213,750 |
| Total Debt | | \$62,770* | \$276,520 |

* Includes current portion of long-term debt.

VI. SECTION 15438.5 OF THE ACT (Savings Pass Through)

It is the intent of the Legislature in enacting this part to provide financing only to health facilities that can demonstrate the financial feasibility of their projects. It is further the intent of the Legislature that all or part of any savings experienced by a participating health institution, as a result of that tax-exempt revenue bond funding, be passed on to the consuming public through lower charges or containment of the rate of increase in hospital rates.

WHS has provided a description of its savings pass through in **Exhibit A**.

VII. SECTION 15459 OF THE ACT (Community Service Requirement)

As a condition of the issuance of revenue bonds, whether by the Authority or any local agency, each borrower shall give reasonable assurance to the Authority that the services of the health facility will be made available to all persons residing or employed in the area served by the facility. As part of this assurance, borrowers shall agree to a number of actions, including (1) To advise each person seeking services at the borrower’s facility as to the person’s potential eligibility for Medi-Cal and Medicare benefits or benefits from other governmental third-party payers, and (2) To post notices in appropriate areas within the facility regarding services being available to all in the service area. This agreement is a standard “Certification and Agreement Regarding Community Service Obligation”.

WHS has executed this certification indicating whether Medi-Cal and Medicare patients are accepted. A copy of WHS’ certification is included as **Exhibit B**.

VIII. RELIGIOUS AFFILIATION DUE DILIGENCE:

Staff has reviewed the Applicant's responses to the questions contained in the Religious Affiliation portion of the application. No information was disclosed in the questionnaire or discovered by staff to question the Applicant's compliance with the provisions of the Authority's Act relating to religious affiliation.

IX. LEGAL REVIEW

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

X. STAFF RECOMMENDATION

Staff recommends the Authority approve a resolution for a HELP II loan in an amount not to exceed \$213,750 for a term not to exceed 5 years for Women's Health Specialists, subject to the standard HELP II loan provisions, subject to the security provisions exhibited in this report.