

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

<p>Applicant: Aldea, Inc. (“Aldea”) 3299 Claremont Way Napa, CA 94558 Napa County</p> <p>Projects Sites: 4002 Jefferson Street, Napa, California 94558, Napa County; and 1000 Marin Street, Vallejo, California 94590, Solano County.</p> <p>Facilities Type: Community Mental Health Facilities</p>	<p>Amount Requested: \$575,000</p> <p>Requested Loan Term: 15 years</p> <p>Date Requested: August 30, 2007</p> <p>Resolution Number: HII-204</p>																
<p>Background: Aldea provides mental health services to children, adults and families with developmental disabilities in Napa and Solano Counties. Its programs include outpatient, day treatment, school-based, foster care, in-home support, nonpublic schools and residential treatment programs. Aldea’s services target children, most of whom are poor, neglected, abused or suffer from emotional disturbances, and adults who are developmentally disabled. Services are provided to clients from 18 to 70 years old.</p>																	
<p>Uses of Loan Proceeds: Loan proceeds will be used to refinance two existing bank loans from WestAmerica Bank, totaling approximately \$561,000. Aldea will save approximately \$306,000 in debt service payments over the life of the loan during the next 15 years. This estimated savings is based on the new HELP II loan rate of 3% compared to the projected interest rates of 8.5% and 9% for Aldea’s two loans (given today’s current interest rates, Aldea’s variable rate loans would adjust to these levels in 2007 and 2009).</p>																	
<p style="text-align: center;">Type of Issue: HELP II Loan</p> <p>Prior HELP II Borrower: Yes</p> <p>Payments Status: Current (As of August 1, 2007, current loan balance is \$73,360)</p>																	
<p>Financial Overview: Aldea has experienced positive operating results during the last three fiscal years. Aldea’s balance sheet is solid, with good liquidity and substantial unrestricted net assets.</p>																	
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>Sources of Funds</u></th> <th colspan="2" style="text-align: left;"><u>Uses of Funds</u></th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">HELP II Loan</td> <td style="width: 20%; text-align: right;">\$575,000</td> <td style="width: 30%;">Refinance Existing Loans</td> <td style="width: 20%; text-align: right;">\$561,000</td> </tr> <tr> <td>Borrower Funds</td> <td style="text-align: right;"><u>0</u></td> <td>Loan/Title Fees</td> <td style="text-align: right;"><u>14,000</u></td> </tr> <tr> <td>Total Sources</td> <td style="text-align: right;"><u>\$575,000</u></td> <td>Total Uses</td> <td style="text-align: right;"><u>\$575,000</u></td> </tr> </tbody> </table>		<u>Sources of Funds</u>		<u>Uses of Funds</u>		HELP II Loan	\$575,000	Refinance Existing Loans	\$561,000	Borrower Funds	<u>0</u>	Loan/Title Fees	<u>14,000</u>	Total Sources	<u>\$575,000</u>	Total Uses	<u>\$575,000</u>
<u>Sources of Funds</u>		<u>Uses of Funds</u>															
HELP II Loan	\$575,000	Refinance Existing Loans	\$561,000														
Borrower Funds	<u>0</u>	Loan/Title Fees	<u>14,000</u>														
Total Sources	<u>\$575,000</u>	Total Uses	<u>\$575,000</u>														
<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of the applicant.</p>																	
<p>Staff Recommendation: Staff recommends the Authority approve a resolution for a HELP II loan in an amount not to exceed \$575,000 for a term not to exceed 15 years for Aldea, Inc. This loan is contingent upon financing terms acceptable to the Authority.</p>																	

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

August 30, 2007

Aldea, Inc. ("Aldea")

Resolution Number: HII-204

I. PURPOSE OF FINANCING

Loan proceeds will be used to refinance two existing adjustable rate mortgages with balloon payments due in 2012 and 2014. As a result of the proposed HELP II loan, Aldea will improve cash flow and avoid upcoming balloon payments.

Refinance existing adjustable rate loan (Vallejo property)..... \$ 332,000

The current interest rate on this note is 6.4%, to be adjusted to approximately 8.5% in 2009, given current interest rates. Refinancing will improve Aldea's cash flow (saving approximately \$174,000 over the life of the loan) and avoid a balloon payment due in 2014.

The proposed loan will be secured by real property located at 1000 Marin Street, Vallejo, CA., which houses Aldea Treatment Foster Care program that has been in operation since 1987. The program provides long-term foster home placement in Napa County and emergency and long-term foster home placement in Solano County.

Refinance existing adjustable rate loan (Napa property)..... 229,000

The current interest rate on this note is 7.08%, to be adjusted to approximately 9% in December 2007, given current interest rates. Refinancing will improve Aldea's cash flow (saving approximately \$132,000 over the life of the loan) and avoid a balloon payment due in 2012.

The proposed loan will be secured by real property located at 4002 Jefferson Street, Napa, CA., which houses Aldea School program that has been in operation since 1988. The program provides nonpublic schooling for up to twenty students.

Management estimates the current market value of the Vallejo property to be \$800,000 and the current market value of the Napa property to be \$1 million, leading to a loan to value ratio of 32%.

Financing Costs 14,000

Authority Closing Fee	\$7,188	
Title & Escrow	<u>6,812</u>	

Total Uses of Funds \$ 575,000

Financing Structure

- 15-year fully amortized loan in the amount of \$575,000.
- 180 equal monthly payments of approximately \$3,971 (yearly payments of about \$47,650).
- Total interest payments of approximately \$139,752.
- Lien on gross revenues.
- First position lien on property located at 1000 Marin Street, Vallejo, CA.
- First position lien on property located at 4002 Jefferson Street, Napa, CA.
- Estimated loan to value ratio of 32%.
- Satisfactory appraisals on both properties listed above.

[Intentionally left blank]

II. FINANCIAL STATEMENTS AND ANALYSIS

Aldea, Inc.
Statement of Activities
(Unrestricted)

	Fiscal Year Ended December 31,		
	2006	2005	2004
Revenues and Support			
Contracts, net of refunds	\$ 6,553,805	\$ 6,698,711	\$ 7,014,649
Grants and donations	140,673	1,617,580	324,357
Fundraising	45,466	-	53,437
Rental income	18,150	15,500	23,808
Interest and dividend income	56,355	24,366	20,827
Gain on sale of marketable securities	80,481	37,033	12,916
Gain on sale of property and equipment	1,409	-	4,313
Other income	7,884	28,662	8,530
Net assets released from restriction	868,848	370,417	1,018,799
Total Revenues and Support	7,773,071	8,792,269	8,481,636
Expenses			
Salaries	4,693,616	5,465,570	5,516,248
Foster family payments	1,295,726	1,328,166	1,215,112
Other agency contracts	249,415	160,865	114,957
Rent and utilities	203,603	180,467	163,447
Supplies, printing and postage	194,524	220,131	191,226
Transportation	107,301	73,777	72,440
Professional fees, and training	99,178	96,621	68,582
Insurance	94,144	96,376	75,619
Telephone	82,575	105,017	104,681
Depreciation	79,330	89,962	71,949
Clothing and needs	68,753	92,009	80,965
Dues and fees	63,263	55,089	52,016
Food	75,028	77,596	55,664
Repairs and maintenance	49,226	119,407	97,060
IT Services	44,329	80,511	39,095
Interest expense	41,967	43,797	36,480
Leases	45,963	-	-
Fundraising expense	-	25,385	25,891
Pass through services	-	284,266	161,232
Other	43,004	39,440	36,071
Total expenses	7,530,945	8,634,452	8,178,735
Loss on program liquidation*	(178,085)	-	-
Increase in unrestricted net assets	64,041	157,817	302,901
Unrestricted net assets, beginning of the year	2,494,117	2,420,980	2,118,081
Prior period adjustment	-	(84,680)	-
Unrestricted net assets, end of the year	\$ 2,558,158	\$ 2,494,117	\$ 2,420,982

*A pre-planned liquidation of a program that was administered by Aldea, Inc. until it was transferred to Probation Youth in 2006.

Aldea, Inc.
Statement of Financial Position

	As of December 31,		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,135,258	\$ 838,242	\$ 925,213
Accounts receivable	741,437	1,102,373	1,435,605
Prepaid expenses	31,089	105,515	92,446
Deposits	2,073	-	-
Total current assets	<u>1,909,857</u>	<u>2,046,130</u>	<u>2,453,264</u>
Property and equipment:			
Investment	601,497	686,132.00	1,035,214.00
Fixed assets, net of accumulated depreciation	1,594,147	1,651,312	1,776,255
Trust fund assets	54,133	51,555	51,555
Total property and equipment	<u>2,249,777</u>	<u>2,388,999</u>	<u>2,863,024</u>
Total assets	<u>4,159,634</u>	<u>4,435,129</u>	<u>5,316,288</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 145,191	\$ 592,796	\$ 714,106
Accrued expense	306,297	-	-
Current portion of capital Leases	1,160	11,342	54,423
Current portion of long-term debt	38,930	37,365	-
Other liabilities	66,146	-	-
Total current liabilities	<u>557,724</u>	<u>641,503</u>	<u>768,529</u>
Long-term liabilities:			
Trust fund liability	54,133	51,555	51,555
Capital lease, net of current portion	-	1,916	-
Long-term debt, less current portion	614,917	658,463	706,784
Total liabilities	<u>1,226,774</u>	<u>1,353,437</u>	<u>1,526,868</u>
Net assets:			
Unrestricted	2,558,158	2,494,117	2,420,982
Temporarily restricted	374,702	587,575	1,368,438
Total net assets	<u>2,932,860</u>	<u>3,081,692</u>	<u>3,789,420</u>
Total liabilities and net assets	<u>\$ 4,159,634</u>	<u>\$ 4,435,129</u>	<u>\$ 5,316,288</u>

Financial Ratios:

	Proforma (a)			
	<u>FYE December 31, 2006</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt service coverage (x)	3.71	2.34	2.97	4.80
Debt to unrestricted net assets (x)	0.21	0.21	0.22	0.20
Current Ratio		3.42	3.19	3.19
Margin (%)		3.11%	1.79%	3.57%

(a) Recalculates 2006 results to include the impact of this proposed financing.

Financial Discussion

Aldea has experienced positive operating results during the last three fiscal years.

Aldea is a long-term provider of mental health services and has been in operation since 1972. During fiscal years 2004-2007, Aldea posted operating profits of \$64,000, \$157,000 and \$302,000 respectively.

During FY 2006, Aldea experienced a decline in revenues due to two reasons. First, a major collaborative program with the Youth Probation was launched successfully and designed to function independently from Aldea, resulting in the transfer of that revenue stream. Secondly, at the end of FY 2005, Aldea discontinued to act as a fiscal agent for the Tobacco Settlement Funds, which reduced grant funding. To counter the decline in revenues, Aldea's management reduced expenses by \$778,000, or 13%, in several expense categories, despite the fact that the costs of basic services had increased due to the rising price of utilities, gas, and insurance.

Aldea's balance sheet is solid, with good liquidity and substantial unrestricted net assets.

In FY 2006, Aldea's liquidity improved with cash and cash equivalents of \$1.13 million compared to \$300,000 in FY 2005. Aldea's accounts receivable decreased by 33% during FY 2006, with 93% of these receivables being less than 30 days old. Aldea has substantial unrestricted net assets of \$2.9 million, providing a solid safety net for future operations. The balance sheet remains strong with moderate debt of \$654,000, leading to a low debt to unrestricted net asset ratio of 0.21x. The debt service coverage (DSC) is solid in the current fiscal year at 2.34x, while proforma DSC improves to 3.71x, due to the lower payments from the new HELP II loan.

III. UTILIZATION STATISTICS

**Clients Served/(Patient Visits)
Fiscal Year Ended December 31**

	2004	2005	2006
Totals	2,126 / (25,779)	2300 / (28,986)	2163 / (29,304)

IV. ORGANIZATION

Background

Aldea, incorporated as a nonprofit corporation in 1972, provides mental health services to children, families and adults with developmental disabilities in Napa and Solano Counties. Aldea's programs offer a continuum of mental health and child welfare services in a variety of settings: outpatient, day treatment, school-based, foster care, in-home support, nonpublic school and residential treatment programs. Aldea's services target children, most of whom are poor, neglected, abused or suffer from emotional disturbances, and adults in Napa and Sonoma Counties who are developmentally disabled and range in age from 18 to 70 years old.

Aldea has been led by the same executive director for 32 years, and has a staff of more than 126 employees. Professional staff include a medical director, a board certified child psychiatrist, licensed clinical social workers, marriage family and child therapists, and a credentialed teacher in special education.

Aldea's objective is to provide treatment in a variety of settings to individuals and families with serious behavioral, emotional, and/or developmental problems so that they may reach their potential and live productively in the community.

Licenses

Aldea's treatment foster care program and residential treatment program are licensed through California Department of Social Services Community Care Licensing.

OUTSTANDING DEBT

<u>Issue:</u>	<u>Original Amount</u>	<u>Amount Outstanding as of 12/31/2006*</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
<i>Existing CHFFA:</i>			
CHFFA HELP II, 2000	\$ 245,000	\$ 91,388	\$ 91,388
<i>Other:</i>			
WESTAMERICA BANK, 2004	350,000	329,071	0
WESTAMERICA BANK, 2002	250,000	233,388	0
<i>Proposed:</i>			
CHFFA HELP II, 2007			575,000
Total		<u>\$ 653,847</u>	<u>\$ 666,388</u>

* Includes current portion of long-term debt.

V. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- Section 15438.5 of the Act (Savings Pass Through) Aldea has provided a description of its pass through in **Exhibit A**.
- Section 15459.1 of the Act (Community Service Requirement): Aldea has executed this certification indicating that Medi-Cal and Medicare patients are accepted. A copy of the certification is provided as **Exhibit B**.
- Religious Due Diligence
- Legal Review

VI. STAFF RECOMMENDATION

Staff recommends the Authority approve a resolution for a HELP II loan in an amount not to exceed \$575,000 for a term not to exceed 15 years for Aldea, Inc. This loan is contingent upon financing terms acceptable to the Authority.