

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

<b>Applicant:</b>	Contra Costa Association for Retarded Citizens (CCARC) 1340 Arnold Drive, Suite 127 Martinez, CA 94553	<b>Amount Requested:</b>	\$523,000
		<b>Requested Loan Term:</b>	15 years
		<b>Date Requested:</b>	October 25, 2007
		<b>Resolution Number:</b>	HII-208
<b>Project Site:</b>	3020 Grant Street, Concord, CA 94520 2801 Robert Miller Drive, Richmond CA 94806		
<b>Facility Type:</b>	Child Day Care, Community Work-Activity, Developmental Disability		
<b>Background:</b> CCARC is a licensed, nonprofit community based membership organization located in Contra Costa County and has been operating since 1965. CCARC provides direct services and advocacy to children and adults with developmental disabilities, including mental retardation, autism, cerebral palsy, epilepsy, and other similar conditions.			
<b>Uses of Loan Proceeds:</b> Loan proceeds will be used to upgrade two large facilities and the surrounding lots that serve children and adults with developmental disabilities. The two campuses each have approximately 18,000 square feet of indoor space and serve up to 400 individuals each day.			
<b>Type of Issue:</b>		HELP II Loan	
<b>Prior HELP II Borrower:</b>		Yes	
<b>Payments Status:</b>		Current (Loan balance as of October 1, 2007 was \$226,774.)	
<b>Financial Overview:</b> CCARC has demonstrated a pattern of financial stability, modest profitability and significant growth in fiscal years 2004 through 2007, due primarily to an increase in the number of clients served over the three-year period. CCARC has maintained a solid balance sheet over with good liquidity and should have no difficulty repaying the HELP II loan.			
<b><u>Sources of Funds</u></b>		<b><u>Uses of Funds</u></b>	
HELP II Loan	\$523,000	Construction	\$679,665
Borrower Funds	<u>163,203</u>	Closing Costs	<u>6,538</u>
Total Sources	<u>\$686,203</u>	Total Uses	<u>\$686,203</u>
<b>Legal Review:</b> No information was disclosed to question the financial viability or legal integrity of the Applicant.			
<b>Staff Recommendation:</b> Staff recommends the Authority approve a resolution for a HELP II loan for Contra Costa Association for Retarded Citizens in an amount not to exceed \$523,000 for a term not to exceed 15 years, and financing terms acceptable to the Authority.			

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

October 25, 2007

Contra Costa Association for Retarded Citizens. (CCARC)

Resolution Number: HII-208

**I. PURPOSE OF FINANCING**

In 2005, Contra Costa County asked CCARC to take over operations at each of The George Miller Centers, both of which provide services to over 400 children and adults each year with developmental disabilities. CCARC intends to use HELP II loan funds to upgrade these facilities. Both centers are in need of significant upgrades to comply with required health and safety standards for the centers are amenable.

***Construction, Renovation and Remodel* ..... \$ 679,665**

CCARC seeks to upgrade two five-acre campuses located at 3020 Grant Street in Concord and 2801 Robert Miller Drive in Richmond. Each campus has seven to eight separate buildings located on the grounds. The two campuses each have approximately 18,000 sq. ft. of indoor space and serve up to 400 individuals each day. The scope of work includes: repairing the driveways and parking lots, replacing exterior benches, fences and doors, painting the interior and exterior of all buildings, roof replacements, HVAC system replacements, fire and security alarm replacement, installing awnings, and other related projects.

CCARC began leasing both campuses in 2005 and the respective leases expire in 2025. Construction is expected to begin December 2007 and is scheduled to be completed by September 2008.

Since CCARC leases both buildings, CHFFA will take a 2<sup>nd</sup> lien on an existing property owned by CCARC located at 2505 West 10<sup>th</sup> Street in Antioch, subordinate to the existing HELP II lien in the amount of \$235,530. To secure the 2<sup>nd</sup> lien position, as a condition of loan closing, CCARC will be required to pay off two outstanding City National Bank loans on this property, totaling approximately \$36,096. The estimated value of this property is \$1 million, leading to a combined loan (including CHFFA's existing loan and the proposed new HELP II loan) to value ratio of 75%, below the maximum loan to value ratio of 95% allowed by the HELP II Loan Program.

***Authority Fee*..... 6,538**

***Total Uses of Funds* ..... \$ 686,203**

### **Financing structure and terms**

- 15-year fully amortized loan in the amount of \$523,000
- 180 equal monthly payments of approximately \$3,612 (annual payments of approximately \$43,344)
- Total interest payments of approximately \$127,114
- First lien on corporate gross revenue pledge
- Second lien on property located at 2505 West 10<sup>th</sup> Street, Antioch CA 94509

## II. FINANCIAL STATEMENTS AND ANALYSIS

### Contra Costa Association for Retarded Citizens Statement of Activities (Unrestricted)

	For the year ended June 30		
	2007	2006	2005
<b><u>REVENUE &amp; SUPPORT</u></b>			
Fees and grants for government agencies	\$ 14,635,868	\$ 13,235,358	\$ 9,449,168
Commerical support services	1,378,896	1,184,664	1,050,204
Donated facility space	432,000	432,000	-
Thrift and consignment store sales	382,940	387,866	368,087
Other	248,224	86,482	79,993
Contributions	73,700	60,434	8,725
Restrictions satisfied by payments	5,189	64,701	8,816
Unrealized gain on investment	2,976	358	750
Interest	2,290	2,015	1,983
United Way	1,772	2,332	3,576
Special events	429	20,594	21,155
Loss on disposal of fixed assets	-	(737)	(1,578)
Total support and revenue	17,164,284	15,476,067	10,990,879
<b><u>EXPENSES</u></b>			
Family Support and Children's Services	5,753,567	4,734,032	3,153,402
Community Access Services	4,461,231	3,821,285	2,574,450
Transportation	73,229	78,930	98,510
Employment Services	4,220,158	3,923,716	3,453,318
GMC Startup	741,255	1,208,618	330,368
Administration	1,224,995	1,012,397	850,428
Stores	480,739	474,535	465,835
Total expenses	16,955,174	15,253,513	10,926,311
<b>Change in unrestricted net assets</b>	<b>209,110</b>	<b>222,554</b>	<b>64,568</b>
Unrestricted net assets at beginning of year	2,062,101	1,839,547	1,774,979
Unrestricted net assets end of year	\$ 2,271,211	\$ 2,062,101	\$ 1,839,547

**Contra Costa Association for Retarded Citizens  
Statement of Financial Position**

	<b>As of June 30</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b><u>Assets</u></b>			
Current Assets:			
Cash and cash equivalent	\$ 773,550	\$ 430,086	\$ 426,631
Certificates of Deposit	25,000	30,834	30,000
Accounts receivable	1,707,725	1,805,771	1,223,144
Unconditional promises to give	-	-	45,000
Prepaid expenses	142,957	118,180	55,445
Inventory Supplies	3,234	4,004	12,396
Total Current Assets	2,652,466	2,388,875	1,792,616
Fixed Assets, net	1,534,435	1,397,907	1,514,873
Other assets	106,910	99,350	107,818
Total Assets	\$ 4,293,811	\$ 3,886,132	\$ 3,415,307
 <b><u>Liabilities &amp; Net Assets</u></b>			
Current Liabilities:			
Accounts payable	\$ 469,293	\$ 310,050	\$ 298,011
Accrued wages	752,975	641,841	340,428
Accrued vacation	403,706	362,027	293,244
Payroll and sales taxes payable	31,243	75,373	58,509
Other accrued expenses	956	1,007	20,193
Current Portion of deferred rent	13,359	32,487	22,745
Current portion of long term debt	60,901	57,426	57,001
Total Current Liabilities	1,732,433	1,480,211	1,090,131
Deferred Rent, less current portion	17,373	30,732	52,996
Long term debt, less current portion	231,932	268,208	323,876
Total Liabilities	1,981,738	1,779,151	1,467,003
Net Assets:			
Unrestricted Net Assets	2,271,211	2,062,101	1,839,547
Temporarily Restricted Net Assets	40,862	44,880	108,757
Total Net Assets	2,312,073	2,106,981	1,948,304
Total Liabilities & Net Assets	\$ 4,293,811	\$ 3,886,132	\$ 3,415,307

**Financial Ratios:**

	<b><u>Proforma (a)</u></b>			
Debt Service Coverage (x)	<b>2.99</b>	<b>4.45</b>	<b>4.24</b>	<b>2.60</b>
Debt/Unrestricted Net Assets (x)	<b>0.35</b>	<b>0.13</b>	<b>0.16</b>	<b>0.21</b>
Margin (%)		<b>1.22</b>	<b>1.44</b>	<b>0.59</b>
Current Ratio (x)		<b>1.53</b>	<b>1.61</b>	<b>1.64</b>

(a) Recalculates 2007 audited results to include the impact of this proposed financing.

## **Financial Discussion – Income Statement**

**CCARC has demonstrated a pattern of financial stability, modest profitability and significant growth over the review period, due primarily to a 75% increase in the number of clients served over this three-year period.**

CCARC has been providing support services for individuals with developmental disabilities in Contra Costa County since 1965. CCARC has experienced increases in unrestricted revenues and unrestricted net assets for the last three fiscal years. The increase is due to four primary factors: gradual increases in all programs; start-up of a new program for children aged 0 to 3 with autism spectrum disorder; a 3% rate increase in program funds received from the State; and the addition of the George Miller Centers program, the program that will benefit from the proposed project. Since taking over these centers the number of individuals CCARC serves on a daily basis has increased by 40%.

In FY 2007, based on the factors mentioned above, CCARC's total revenue has grown from just under \$11 million in FY 2005 to slightly over \$17 million. Revenues and expenses have both increased by 11%. CCARC reported an increase in unrestricted net assets of \$209,110, slightly less than FY 2006. This increase was a result of increased expenses related to providing additional services.

During FY 2006, CCARC posted an increase in unrestricted net assets of \$222,554, raising unrestricted net assets to over \$3 million, an increase of 68% over the 2005 FY. Total 2006 revenues increased 41%, while patient visits were up 58%. During FY 2005, CCARC posted good operating results, with an increase in unrestricted net assets of \$64,568 and total revenue of \$10 million.

## **Financial Discussion – Balance Sheet**

**CCARC has maintained a solid balance sheet with good liquidity during the review period and should have no difficulty repaying the HELP II loan.**

In FY 2007, CCARC reported total unrestricted net assets of \$2,271,211, a 10% increase over FY 2006, which will provide strong financial support to sustain future operations. CCARC exhibits good liquidity with a 1.53x current ratio, supported by significant cash/cash equivalents of \$773,500.

CCARC has managed to expand its business with only a moderate increase in the amount of long-term debt, with a debt to unrestricted net assets ratio of .13x and a solid debt service coverage ratio of 4.45x. With this proposed financing, CCARC debt to unrestricted net assets ratio will be a modest 0.35x, with a solid debt service coverage ratio 2.99x. This solid debt service coverage indicates CCARC should be able to comfortably repay the proposed HELP II loan.

### III. UTILIZATION STATISTICS

#### Clients Served Fiscal Year Ended June 30

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Totals</b>	1050	950	600

### IV. ORGANIZATION

#### Background

CCARC is a licensed, nonprofit community based membership organization located in Contra Costa County and has been operating since 1965. CCARC provides direct services and advocacy to children and adults with developmental disabilities, including mental retardation, autism, cerebral palsy, epilepsy, and other similar conditions.

CCARC is a large agency with multiple sites and provides six programs serving all of Contra Costa County:

- Lynn Center, an early intervention program serving special needs kids from birth to six years old;
- Community Access Program, serving adults with severe and multiple developmental disabilities;
- ARC Inroads, a program serving the entire community focusing on self-determination and advocacy;
- Commercial Support Services, an assembly, packaging, and direct mail service which provides jobs for 250 developmental disabled adults and which generates revenue for the center;
- CARE Parent Network, a parent directed family resource center for parents of special needs children; and
- The George Miller Centers, in 2005, Contra Costa County asked CCARC to take over operations of the Centers which provides services to over 400 children and adults each year.

CCARC also operates Good Stuff Thrift Shop in El Cerrito and Interiors Consignment on Lonetree. All revenue generated by CCARC directly supports its programs.

#### Licenses

CCARC has licenses from the State Department of Social Services to operate an Adult Day Program, Infant Centers, and School Age Centers.

## V. OUTSTANDING DEBT

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding* As of June 30, 2007</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b>Existing Long-Term Debt:</b>			
CHFFA HELP II, 2000	\$400,000	\$235,530	\$235,530
City National Bank**	100,000	18,048	0
City National Bank**	100,000	18,048	0
Capital Leases		21,207	21,207
<b>Proposed</b>			
CHFFA HELP II, 2007		N/A	<b>523,000</b>
<b>TOTAL DEBT</b>		<b>\$292,833</b>	<b>\$779,737</b>

\*Includes current portion of long-term debt.

\*\*Loans must be paid in full as a condition of HELP II loan closing.

## VI. DUE DILIGENCE:

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

- Section 15459.1 of the Act (Community Service Requirement): Contra Costa Association for Retarded Citizens 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

## VII. STAFF RECOMMENDATION

Staff recommends the Authority approve a resolution for a HELP II loan for Contra Costa Association for Retarded Citizens in an amount not to exceed \$523,000 for a term not to exceed 15 years, subject to the standard HELP II loan provisions.