

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)  
EXECUTIVE SUMMARY**

<b>Applicant:</b> South Central Family Health Center (the Center) 1111 East Vernon Avenue Los Angeles, CA 90011 Los Angeles County	<b>Loan Amount:</b> \$1,500,000 <b>Loan term:</b> 5 years <b>Annal Interest Rate:</b> 3% fixed <b>Authority Meeting Date:</b> December 12, 2024 <b>Resolution No.:</b> HII-359
--	--

**Project Site:** See Exhibit 1

**Facility Type:** Community Care Facility

**Eligibility:** Government Code Section 15432(d)(6)

**Prior Borrower:** No (Previously approved for a HELP II loan in July 2024 but did not close)

**Background:** Since 1981, the Center has provided linguistically and culturally appropriate, comprehensive, affordable, and accessible family health care to the working poor and uninsured population of South Los Angeles. The Center is both a 501(c)(3) and a Federally Qualified Health Center (FQHC) with ten facilities in South and Southeast Los Angeles and the San Gabriel Valley.

**Use of Proceeds:** Loan proceeds will be used to purchase equipment, furnishings, and information technology (IT) for a medical center that was purchased in September 2023 as well as for other sites operated by the Center.

**Financing Structure:**

- 5-year, three percent (3%) fixed rate loan
- 60 equal monthly payments of approximately \$26,953 (annual payments of approximately \$323,436)
- UCC-1 lien on equipment/IT purchased
- Corporate gross revenue pledge
- Verification of borrower’s funds to close

**Financial Overview:** The Center’s income statement appears to exhibit increasing revenues in each year of the review period. The Center appears to display a positive balance sheet with a pro-forma FY 2023 net debt service coverage ratio of 2.1x.

**Estimated Sources of Funds:**

HELP II loan	\$ 1,500,000
Applicant funds	18,750
<b>Total Estimated Sources</b>	<b>\$ 1,518,750</b>

**Estimated Uses of Funds:**

Purchase equipment, furnishings, IT	\$ 1,500,000
Financing costs	18,750
<b>Total Estimated Uses</b>	<b>\$ 1,518,750</b>

**Due Diligence:** Staff has confirmed the documentation provided by the Center satisfies the California Health Facilities Financing Authority’s (Authority) eligibility and legal review requirements.

**Staff Recommendation:** Staff recommends the Authority approve Resolution No. HII-359 in an amount not to exceed \$1,500,000 for South Central Family Health Center, subject to the terms and conditions in the resolution. TAP International, Inc., the Authority’s financial analyst, concurs with the Authority’s staff recommendation.

**STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION**

**I. PURPOSE OF FINANCING**

In July 2024, the Center was approved for a HELP II loan to renovate a facility purchased in September 2023, known as the Huntington Park Family Health Center. Instead of using the previous CHFFA HELP II loan to complete the renovations, the Center decided to use its \$1.5 million line of credit from BMO Bank along with money raised through a capital fundraising campaign. The renovations created twenty medical exam rooms, a seven operatories dental clinic, an x-ray room, a laboratory, registration areas, waiting areas, two nursing stations, provider offices, an employee lunch area, and restrooms. The Center is now requesting a HELP II loan in an amount not to exceed \$1,500,000 to purchase equipment, furnishings, and IT. The majority of the HELP II loan funds will be used to equip, furnish, and install IT at the Huntington Park Family Health Center, with the remaining loan funds being used to equip, furnish, and install IT at various other Center locations.

***Purchase Equipment/Furnishings/IT* ..... \$1,500,000**

The majority of the HELP II loan funds will be used to equip the Center’s newly purchased and renovated 11,781 square-foot facility, which the Center anticipates will support an additional 3,000 patients per year. The Center plans to purchase equipment, furnishings, and IT, including new personal computers and printers, the installation of a wall unit, a server, cabling, and cameras, dental equipment, air conditioning equipment, a new emergency diesel generator, four proximity card security systems at multiple locations for heightened security through the use of contactless smart cards or key fobs to unlock doors, a new phone system, and additional storage for their ever-growing database. Exam room equipment and furnishings include exam tables, dental chairs, and an electrocardiograph machine. Additionally, the equipment, furnishings, and IT will be utilized at different locations, including 3100 Florence Avenue in Huntington Park; 4411, 4415, and 4425 S. Central Avenue in Los Angeles; 2417 W. Whittier Boulevard in Montebello, and 1028 and 1111 E. Vernon Avenue in Los Angeles.

The HELP II loan will be secured by a UCC-1 Financing Statement to protect CHFFA’s security interest in the IT and equipment purchased.

***Financing Costs* ..... 18,750**

    Authority Fees ..... \$18,750

**Total Uses of Funds..... \$1,518,750**

## II. FINANCIAL STATEMENTS AND ANALYSIS

**South Central Family Health Center  
Statement of Activities  
(Income Statement)**

	Years ended December 31		
	2023	2022	2021
<b>Operating revenues</b>			
Unrestricted revenues, gains, and other support			
Net patient services revenues	\$ 8,026,320	\$ 8,821,409	\$ 7,681,349
Capitation revenues	17,927,891	14,269,532	11,793,827
Grant revenues	11,427,705	14,698,093	10,796,783
Contributions	204,479	128,798	425,362
Medical incentives	1,287,051	547,909	189,918
Pharmaceutical revenues	223,101	412,135	620,194
Other	57,892	43,199	487,620
Operating revenues before net assets released from restrictions used for operations	39,154,439	38,921,075	31,995,053
Net assets released from restrictions used for operations	375,989	146,687	852,189
Total operating revenues	39,530,428	39,067,762	32,847,242
<b>Expenses</b>			
Salaries and wages	20,361,329	17,242,997	15,882,528
Employee benefits	4,571,968	3,942,749	3,519,548
Purchased services and professional fees	6,465,745	5,633,982	4,855,217
Supplies and other	3,934,519	4,126,677	3,456,200
Rent	1,438,530	1,385,423	1,307,677
Depreciation	1,458,295	1,303,392	1,285,542
Interest	135,487	188,280	222,212
Total operating expenses	38,365,873	33,823,500	30,528,924
Income from operations	1,164,555	5,244,262	2,318,318
<b>Other (loss) income</b>			
Investment (loss) income, net	216,058	(76,251)	3,542
Increase in net assets without donor restrictions	1,380,613	5,168,011	2,321,860
<b>Changes in net assets with donor restrictions</b>			
Contributions with donor restrictions	275,594	250,000	775,000
Net assets released from restrictions used for operations	(375,989)	(146,687)	(852,189)
Increase (decrease) in net assets with donor restrictions	(100,395)	103,313	(77,189)
Change in net assets from operations	1,280,218	5,271,324	2,244,671
Net assets, beginning of year	16,549,410	11,278,086	9,033,415
Net assets, end of year	\$ 17,829,628	\$ 16,549,410	\$ 11,278,086

**South Central Family Health Center  
Statement of Financial Position  
(Balance Sheet)**

	<b>As of December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 4,564,184	\$ 4,905,885	\$ 3,755,403
Short-term investments	1,822,335	2,392,145	513,441
Patient accounts receivable	1,674,245	1,931,709	1,438,827
Grants and other receivables	1,854,294	2,013,923	1,355,117
Estimated settlement amounts due from third-party payers	153,196	123,809	-
Prepaid expenses and other assets	122,956	142,364	176,454
Total current assets	<u>10,191,210</u>	<u>11,509,835</u>	<u>7,239,242</u>
<b>Non-current assets</b>			
Property and equipment, net	17,387,594	14,322,730	12,883,408
Right-of-use assets, net	3,079,159	4,222,066	-
Estimated settlement amounts due from third-party payers	846,305	846,657	-
Assets limited as to use - held by trustee	132,387	98,184	60,862
Deposits	98,488	96,488	96,488
Total non-current assets	<u>21,543,933</u>	<u>19,586,125</u>	<u>13,040,758</u>
Total assets	<u>\$ 31,735,143</u>	<u>\$ 31,095,960</u>	<u>\$ 20,280,000</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 1,138,914	\$ 1,000,898	\$ 1,121,605
Accrued expenses	2,585,614	2,338,368	1,851,471
Lease liability	1,249,198	1,270,548	-
Estimated settlement amounts due to third-party payers	882,257	954,940	164,301
Current portion of long-term loan	199,819	925,327	197,669
Total current liabilities	<u>6,055,802</u>	<u>6,490,081</u>	<u>3,335,046</u>
<b>Non-current liabilities</b>			
Long-term loan, net of current portion	2,556,113	2,756,350	5,040,095
Lease liability, net of current portion	1,875,372	2,951,518	-
Estimated settlement amounts due to third-party payers - long term	3,418,228	2,348,601	626,773
Total non-current liabilities	<u>7,849,713</u>	<u>8,056,469</u>	<u>5,666,868</u>
Total liabilities	<u>13,905,515</u>	<u>14,546,550</u>	<u>9,001,914</u>
<b>Net assets</b>			
Without donor restrictions	17,593,890	16,213,286	11,045,275
With donor restrictions	235,738	336,124	232,811
Total net assets	<u>17,829,628</u>	<u>16,549,410</u>	<u>11,278,086</u>
Total liabilities and net assets	<u>\$ 31,735,143</u>	<u>\$31,095,960</u>	<u>\$ 20,280,000</u>

	<b>Proforma <sup>(a)</sup> FYE 12/31/2023</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Debt Service Coverage - Net (x)	2.1	2.8	17.3	9.9
Debt to Unrestricted Net Assets (x)	0.2	0.2	0.2	0.5
Margin (%)		2.9	13.4	7.1
Current Ratio (x)		1.7	1.8	2.2

<sup>(a)</sup> Recalculates FY 2023 audited results to include the impact of this proposed financing.

## **Financial Discussion**

**The Center's income statement appears to exhibit increasing revenues in each year of the review period.**

The Center's income statement shows operating revenues exceeded operating expenses in each year of the review period. Total operating revenues increased from approximately \$32.8 million in FY 2021, to approximately \$39.1 million in FY 2022, to just over \$39.5 million in FY 2023. The increase in operating revenues from FY 2021 to FY 2022 was due to increases in patient services revenues, capitation revenues, medical incentives, and grant revenues. Patient services revenues increased significantly from FY 2021 to FY 2022 due to an increase in the Center's reimbursement rate for Medicare Advantage, an upgraded alternative to Medicare that offers more coverage. The new rate allowed the Center to bill retroactively from 2015 to 2022. The FY 2023 patient services revenues reflect the new billing amount but declined overall since retroactive payments no longer apply. Capitation revenues improved in FY 2022 largely due to an increase in the Prospective Payments Systems (PPS) rate for Medi-Cal patients. Many of the Center's patients who were covered by the My Health LA insurance program at a rate of \$32 were converted to Medi-Cal insurance at a PPS rate of \$210. Additionally, a new law expanded Medi-Cal insurance to cover Californians ages 50 and older. The changes allowed the Center to enroll additional patients, which increased the average monthly visits by approximately 3,300 patients. The combination of additional patients and the higher PPS rate resulted in higher capitation revenues that are expected to continue in the future. Medical incentives are continuously offered by state and federal programs like LA Care, Care 1<sup>st</sup>, and Health Net's incentive program for meeting and exceeding certain healthcare benchmarks set by the National Committee for Quality Assurance, including childhood and adolescent immunizations, cancer screenings, cardiac rehabilitation, women's health services, and dental services. As a result of the Center meeting the required benchmarks, its medical incentives revenues increased from over \$189,000 in FY 2021, to over \$547,000 in FY 2022, to over \$1.2 million in FY 2023. The Center's management expects medical incentive increases to continue. Grant revenues increased from FY 2021 to FY 2022 because the Center received additional COVID-19 related grant monies from five different government agencies in FY 2021. The Center was able to draw grant monies from the Consolidated Health Centers, the Health Resources and Services Administration, Title X Family Planning Services, the Substance Abuse and Mental Health Services Administration, and the American Rescue Plan in FY 2022.

The Center's management is actively working to increase total operating revenues by streamlining workflows with improved scheduling practices to reduce wait times and optimize patient workflow to increase the number of patients seen. Additionally, the Center will increase marketing and promotional activities in the community. The new facility is expected to bring in an additional 3,000 patients and increase total revenues by about 12%, compared to FY 2023. Expenses are projected to increase by about 11% compared to FY 2023.

The Center's total operating expenses also increased over the review period, with salaries and wages increasing from nearly \$15.9 million in FY 2021, to over \$17.2 million in FY 2022, and to nearly \$20.4 million in FY 2023. According to the Center's management, the increase was due to merit and cost of living increases for hourly employees. Exempt employees received two salary increases in FY 2021 and FY 2022 and one cost of living increase in FY 2023. Management approved an over 18% increase in salaries and wages in spite of the 1.2% increase in revenues to keep up with inflation, to attract and retain quality employees, and due to the high turnover rate.

**The Center appears to display a positive balance sheet, with a pro-forma FY 2023 net debt service coverage ratio of 2.1x.**

Over the three-year review period, the Center appears to have demonstrated a strong net debt service coverage ratio of 9.9x in FY 2021 and 17.3x in FY 2022. Later, the net debt service coverage ratio declined to 2.8x in FY 2023 due to several factors. A new loan was taken out in March 2021 that consolidated an existing loan along with a line of credit, which was not previously considered long-term debt. Also, in FY 2023, the Center made additional payments of over \$736,000 on two of its existing loans. These payments increased the Center's total annual payments for FY 2023 and decreased its net debt service coverage ratio. The addition of this new HELP II loan decreases the Center's FY 2023 pro-forma net debt service coverage ratio slightly to 2.1x, but it does not appear to impact the Center's ability to repay its debt.

The Center's indicators of financial liquidity appear to be strong, posting a current ratio of 2.2x in FY 2021 and 1.7x in FY 2023. The strong ratios are attributed to the Center's total current assets that increased steadily from just over \$20.3 million in FY 2021 to over \$31.7 million in FY 2023.

**III. UTILIZATION STATISTICS**

**Clients Served / Patient Visits  
Fiscal Year Ending December 31,**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Totals</b>	26,048 / 147,827	25,794 / 137,553	25,384 / 133,803

**IV. OUTSTANDING DEBT**

	<b>Original Amount</b>	<b>Amount Outstanding as of December 31, 2023</b>	<b>Estimated Amount Outstanding after Proposed Financing</b>
<b>EXISTING LONG-TERM DEBT</b>			
Bank of the West (2020)	\$ 2,570,000	\$ 1,449,218	\$ 1,449,218
Bank of the West (2021)	2,280,000	1,306,714	1,306,714
<b>PROPOSED NEW DEBT</b>			
HELP II Loan (2024)			1,500,000
<b>TOTAL DEBT</b>		<b>\$ 2,755,932</b>	<b>\$ 4,255,932</b>

## **V. BACKGROUND AND LICENSURE**

### **Background**

The Center was founded in 1981 by two former medical professionals who wanted to serve the uninsured, Latin American immigrant patients who had recently arrived to the South Central Los Angeles area. Initially, the small clinic only saw an average of 500 patients per year. Now, the Center serves an average of 25,000 patients per year via ten different clinics and has become a Federally Qualified Health Center committed to providing primary care, women's health services, pediatrics, prenatal and postpartum care, vision care, chiropractic, and sexual health to the historically underserved and uninsured families of South Los Angeles.

### **Licensure and Accreditation**

South Central Family Health Center is licensed by the State Department of Public Health to operate and maintain community clinics.

## **VI. STAFF RECOMMENDATION**

Staff recommends the Authority approve Resolution No. HII-359 in an amount not to exceed \$1,500,000 for South Central Family Health Center, subject to the terms and conditions in the resolution. TAP International, Inc., the Authority's financial analyst, concurs with the Authority's staff recommendation.



**Exhibit 1**  
**PROJECT SITES**

- 3100 Florence Avenue, Huntington Park, CA 90011
- 2417 W. Whittier Boulevard, Montebello, CA 90640
- 4411, 4415 and 4425 S. Central, Los Angeles, CA 90011
- 1028 and 1111 E. Vernon Avenue, Los Angeles, CA 90011

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**  
**HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)**

**Resolution Number HII-359**

RESOLUTION APPROVING EXECUTION AND DELIVERY OF  
HELP II 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 (Gov. Code, §15430 et seq.) (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 HELP II (the “Program”) to provide loans to participating health institutions as authorized by the Act;

WHEREAS, **South Central Family Health Center** (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 HELP II loan to the Borrower in an amount not to exceed **\$1,500,000** for a term not to exceed **5 years** for the purposes described in Exhibit A of this resolution (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. 5-year, three percent (3%) fixed-rate loan
2. UCC-1 lien on equipment, furnishings, and IT purchased
3. Corporate gross revenue pledge
4. Verification of Borrower’s funds to close

Section 2. The Executive Director and the Deputy Executive Director are 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 that officer shall deem appropriate and authorized under the Act, provided that the amount of the loans shall 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 and the Deputy Executive Director are 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 and the Deputy Executive Director are 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 those amounts.

Section 4. The Executive Director and the Deputy Executive Director of the Authority are hereby authorized and directed to do any and all things and to execute and deliver any and all documents that the Executive Director or the Deputy Executive Director deems necessary or advisable to effectuate the purposes of this resolution and the transactions contemplated hereby, and that have heretofore been approved as to form by the Authority.

Section 5. This resolution is repealed on June 30, 2025.

Date of Approval: \_\_\_\_\_

## **EXHIBIT A**

### **USE OF HELP II LOAN PROCEEDS FOR RESOLUTION NO. HII-359**

- Purchase equipment, furnishings, and information technology for:
  - 3100 Florence Avenue in Huntington Park;
  - 4411, 4415, and 4425 S. Central Avenue in Los Angeles;
  - 2417 W. Whittier Boulevard in Montebello; and
  - 1028 and 1111 E. Vernon Avenue in Los Angeles.