

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)

FUNDING SUMMARY

Applicant:	Surprise Valley Health Care District ("Surprise Valley")	Amount Requested:	Not to exceed \$750,000 *
Applicant Address:	741 North Main Street Cedarville, CA 96104 Modoc County	Resolution Number:	2008-10
Date Requested:	July 10, 2008	Loan Term:	No later than 45 days following the adoption of a 2008-2009 budget by the State of California
Background of Financing:	Many rural hospitals are facing unanticipated and staggering financial burdens associated with the anticipated State budget impasse and delayed Medi-Cal reimbursements; hence they are not receiving their regular Medi-Cal reimbursements. Consequently, Surprise Valley is seeking funding to bridge this financial gap in order to finance vital health services for its communities.		
Purpose:	Loan proceeds will be used to offset Medi-Cal reimbursements delays due to the State's budget impasse.		
Financial Overview:	In FY 2007, Surprise Valley's debt service coverage of (0.43X) did not meet the minimum CHFFA debt service coverage requirement of 1.10X. In FY 2006 Surprise Valley appears to have realized an operating gain of \$5,000 while in FY 2007, Surprise Valley appears to have incurred an operating loss of \$255,000. This funding is expected to sustain Surprise Valley's daily operations until the State budget passes.		
Financing Structure:	▪ The entire loan balance shall be repaid in full no later than 45 days following the adoption of a 2008-2009 budget by the State of California. ▪ Loan proceeds are to be disbursed on an as-needed basis in a total amount not to exceed the hospital's third-party-approved Medi-Cal claim. ▪ Loan origination fee of 1.25%. ▪ Possible reduction of Authority's 3% fixed interest rate. ▪ Lien on gross revenues.		
Due Diligence:	Due diligence of the following items has been completed or will be completed prior to closing: ▪ Religious Due Diligence ▪ Legal Review ▪ Community Service Obligation ▪ CEQA/Seismic/Pass through (Not required)		
Staff Recommendation:	Staff recommends the Authority approve a Resolution in an amount not to exceed \$750,000 for Surprise Valley Health Care District subject to financing terms acceptable to the Authority.		

* In addition, sum shall not exceed the maximum amount of Medi-Cal reimbursement ever received from the Department of Health Services over the course of the last three fiscal years for the same period of time the borrower now seeks to cover with Authority financing. Borrower will provide historical data demonstrating its Medi-Cal reimbursements for the last three fiscal years on or before the July 11th board meeting.

Surprise Valley Health Care District
Statement of Activities
Unrestricted

	For the Year Ended June 30,		
	2,007	2006	2005
Revenue and support:			
Net patient service revenue	\$ 2,954,028	\$ 2,971,033	\$ 2,784,695
District tax revenues	167,175	101,550	102,750
Investment income	214	15	31
Grants and contributions	161,009	163,542	48,115
Other operating revenue	172,493	99,299	69,641
Total revenue and support	3,454,919	3,335,439	3,005,232
Expenses:			
Salaries, wages, and employee benefits	2,128,861	2,008,292	1,972,978
Professional fees	458,219	483,801	413,403
Registry	229,368	47,321	23,468
Supplies	438,858	409,609	309,363
Purchased services	74,786	35,515	34,216
Utilities	62,916	51,792	49,473
Building and equipment rent	6,341	7,809	5,498
Insurance	70,895	50,830	35,435
Interest expense	34,526	24,212	17,102
Depreciation and amortization	111,676	110,717	142,488
Other operating expenses	93,716	100,244	103,065
Total expenses	3,710,162	3,330,142	3,106,489
Change in unrestricted net assets	(255,243)	5,297	(101,257)
Net assets, beginning of year	456,857	451,560	552,817
Net assets, end of year	\$ 201,614	\$ 456,857	\$ 451,560

Surprise Valley Health Care District
Financial Position

	As of June 30,		
	2007	2006	2005
Assets:			
Current assets:			
Cash and investments	\$ 54,596	\$ 361	\$ 3,055
Accounts receivable-Patient	335,408	386,029	362,415
Inventories	102,402	97,219	75,985
Total Current Assets	<u>492,406</u>	<u>483,609</u>	<u>441,455</u>
Capital assets:			
Buildings and improvements	1,893,784	1,893,784	1,893,784
Equipment	1,716,176	1,610,529	1,502,197
Total Capital Assets	<u>3,609,960</u>	<u>3,504,313</u>	<u>3,395,981</u>
Less: accumulated depreciation	(3,027,808)	(2,928,203)	(2,817,346)
Total net capital assets	<u>582,152</u>	<u>576,110</u>	<u>578,635</u>
 Total assets	<u><u>\$ 1,074,558</u></u>	<u><u>\$ 1,059,719</u></u>	<u><u>\$ 1,020,090</u></u>
 Liabilities and net assets:			
Current liabilities:			
Bank overdraft	\$ -	\$ 22,754	\$ -
Current maturities of debt borrowings	217,235	200,355	204,031
Accounts payable and accrued expenses	237,030	115,342	125,403
Accrued payroll and related liabilities	155,394	144,970	153,268
Refundable advances	41,421	12,998	-
Estimated third party payor settlements	159,070	106,443	74,012
Total current liabilities	<u>810,150</u>	<u>602,862</u>	<u>\$ 556,714</u>
 Debt borrowings, net of current maturities	<u>62,794</u>	<u>-</u>	<u>11,816</u>
Total liabilities	<u>872,944</u>	<u>602,862</u>	<u>568,530</u>
 Net assets:			
Invested in capital assets, net of related debt	302,123	375,755	362,788
Unrestricted	(100,509)	81,102	88,772
Total net assets	<u>201,614</u>	<u>456,857</u>	<u>451,560</u>
 Total liabilities and net assets	<u><u>\$ 1,074,558</u></u>	<u><u>\$ 1,059,719</u></u>	<u><u>\$ 1,020,090</u></u>

Financial Ratios:

Proforma (a)
FYE June, 2007

Debt service coverage (x)	(0.43)	(0.43)	0.62	0.26
Debt/Unrestricted Net Assets (x)	1.39	1.39	0.44	0.48
Margin (%)		(6.39)	0.16	(3.37)
Current Ratio (x)		1.33	1.76	1.83

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