

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)
501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Family Service Association (FSA or Borrower)	Amount Requested:	Not to exceed \$10,500,000
Applicant Description:	The Borrower is a 501(c)(3) nonprofit public benefit corporation providing social services, child development, housing and senior services to residents of Riverside and San Bernardino Counties.		
Type of Financing:	Primarily a refunding of outstanding bonds		
Project Description	Refunding prior bonds which had financed the acquisition and improvement of properties in Riverside and San Bernardino Counties. None of the proceeds of the original bonds were used to finance housing projects.		
Project Sites:	<ol style="list-style-type: none"> 21250 Box Springs Road Moreno Valley, CA 92553 21801 Alessandro Boulevard Moreno Valley, CA 92553 23270 Hemlock Avenue Moreno Valley, CA 92557 	<ol style="list-style-type: none"> 23268 Olive Wood Plaza Drive Moreno Valley, CA 92553 8172 Magnolia Avenue Riverside, CA 92504 8565 Nuevo Avenue Fontana, CA 92335 	
Plan of Finance:	<p>If approved by the Board, IBank will issue up to \$10.5 million in fixed rate tax-exempt and taxable obligations that will be evidenced by a loan agreement between IBank, FSA and Banc of California, National Association (together, the Obligations). The proceeds of the taxable obligations would finance those project costs that are not eligible for tax-exempt financing. The proceeds of the Obligations are expected to be used as follows: (1) finance and refinance the cost of acquisition, construction, renovation and equipping of the real property and improvements to properties located in Riverside and San Bernardino Counties and (2) pay certain costs of issuance in connection with the issuance of the Obligations.</p> <p>Type of Issue: Tax Exempt Obligations Tax Status: Tax-Exempt and Taxable Term: 25 years Credit Enhancement: None Credit Rating: Unrated Fees: App Fee \$1,500; Issuance Fee \$25,750; Annual Fee \$500 per year</p>		
Est. Sources of Funds:		Est. Uses of Funds:	
Tax-Exempt Obligation Proceeds	\$9,821,000	Refinance Existing Debt	\$5,846,000
County of San Bernardino	\$115,000	Reserve	\$500,000
CA Department of Education	\$64,000	Equipment and Improvements	\$2,627,000
Taxable Obligation proceeds	\$500,000	Property Acquisition and Improvements	\$1,337,000
		Costs of Issuance	\$190,000
TOTAL SOURCES	\$10,500,000	TOTAL USES	\$10,500,000
Financing Team:	<p>Special Counsel: Kutak Rock LLP Borrower's Counsel: Ada Cordero-Sacks Financial Advisor: Dowdell Consulting Purchaser/Lender: Banc of California, National Association (Lender)</p>		
Public Benefits:	FSA employs over 400 individuals in professional, paraprofessional and support staff positions, and is supported by over 500 community volunteers. FSA is one of the largest multi-service agencies in the region, providing services to primarily low-income, ethnic minority families who often lack the resources for healthy family life. Each year approximately 25,000 clients are served in the following key areas covering over 40 service sites: Child Development, Mental Health, Community and Senior Centers, Senior Nutrition, Senior Specialty Services and Housing, and Counseling Services. FSA expects to expand their programing and service capabilities, and add 30 additional staff as a direct result of this financing. None of the proceeds of the Obligations will be used to finance housing projects.		
Date of Board Meeting: October 20, 2014	Resolution Number: 14-15	Prepared by: John Belmont	
Staff Recommendation: Staff recommends approval of Resolution 14-15 authorizing the issuance of Tax-Exempt and Taxable Obligations (together, the Obligations) in an aggregate amount not to exceed \$10,500,000 and loaning the proceeds of the Obligations to Family Service Association (FSA). The Obligations would constitute a special limited obligation of the IBank payable solely from payments provided by FSA.			

BACKGROUND AND HISTORY

Family Services Association (FSA) was founded on October 3, 1956. The mission of FSA is to provide quality human services, child development, housing and senior services to residents of the Inland Empire and Desert Communities (Riverside and San Bernardino Counties), while advocating on behalf of those served. Although FSA's mission includes providing housing to residents of Riverside and San Bernardino Counties, as a condition to closing for the Obligations, FSA will be required to certify that no portion of the proceeds of the Obligations would be used to finance housing.

FSA is one of the largest multi-service agencies in the region, providing services to primarily low-income, ethnic minority families who often lack the resources for healthy family life. Each year FSA reaches approximately 25,000 clients in the following key areas covering over 40 service sites: Child Development, Mental health, Community and Senior Centers, Senior Nutrition, Senior Specialty Services and Housing, and Counseling Services.

Current FSA leadership is listed in Appendix A.

THE PROJECT

The Project consists of the financing and refinancing of the acquisition and improvement of properties in Riverside and San Bernardino Counties. None of the proceeds of the original bonds were used to finance housing projects. Similarly, none of the proceeds of the Obligations will be used to finance housing.

Existing Facilities Owned by FSA:

1. Box Springs – Headquarters
21250 Box Springs Road
Moreno Valley, CA 92553

FSA's administrative office is located in this 78,408 square foot facility which provides clinical and child development services. The low rise two story building was built in 1989. There will be approximately \$1,030,000 of facility improvements made to enhance the energy efficiency of the facility. This will include window replacement, roofing, HVAC, and solar.

2. Alessandro - Central Kitchen/Distribution
21801 Alessandro Boulevard
Moreno Valley, CA 92553

FSA's central kitchen for senior nutrition, distribution/warehouse, and mobile fresh program is located in this 9,180 square foot facility. This one story building was built in 1960. There will be approximately \$350,000 of facility improvements made to enhance the energy efficiency and water use of this facility. This will include LED lighting, roofing, HVAC, solar and installation of water efficient systems.

3. Hemlock - Child Development
23270 Hemlock Avenue
Moreno Valley, CA 92557

A child development center for early childhood education is located in this 7,524 square foot facility. This one story building was built in 1990. There will be approximately \$300,000 of facility improvements made to enhance the energy efficiency and water use of the facility. This will include LED lighting, roofing, HVAC, solar and installation of water efficient systems.

4. Olivewood - Child Development
23268 Olive Wood Plaza Drive
Moreno Valley, CA 92553

A child development center for early childhood education is located in this 6,873 square foot facility. This one story building was built in 1985. There will be approximately \$350,000 of facility improvements made to enhance the energy efficiency and water use of the facility. This will include LED lighting, roofing, HVAC, solar and installation of water efficient systems.

5. Magnolia - Clinical Services & Child Development
8172 Magnolia Avenue
Riverside, CA 92504

FSA's clinical and mental health services and a child development center for early childhood education is located in this 18,743 square foot facility. This one story building was built in 1970. There will be approximately \$614,000 of facility improvements made to enhance the energy efficiency and water use of the facility. This will include LED lighting, roofing, HVAC, solar and installation of water efficient systems.

Facility to be acquired by FSA:

6. Nuevo - Central Kitchen & Senior Center
8565 Nuevo Avenue
Fontana, CA 92335

This 5,400 square foot facility houses FSA's central kitchen for senior nutrition/congregate meals and a senior activity center. This one story single tenant building was built in 1959. Currently FSA is leasing this facility from the County of San Bernardino . The County of San Bernardino and FSA will be entering into a purchase contract for FSA to purchase the property for \$200,000 . Upon the completion of the purchase FSA will invest approximately \$342,000 to complete certain facility improvements including energy efficiency and water use improvements.

FSA will be contracting with WB Allen Development (Riverside, CA) for all energy/water conservation and other improvements as noted above.

See Appendix B for photos of Project.

FINANCING STRUCTURE

If the IBank Board grants its approval of the issuance of Tax-Exempt Obligations for an aggregate amount not to exceed \$10,000,000 for the benefit of FSA, IBank will enter into a loan agreement among IBank, FSA and Banc of California, NA (Lender).

There is a taxable component to the financing which is approximately \$500,000, and represents the allocable portion of the Box Springs-Headquarters property utilized by other entities that are not nonprofits, including AT&T which expects to locate a cell tower at the property. This taxable component will also be memorialized in the above loan agreement.

FSA's obligation to repay Lender for the proceeds of the Obligations will be secured by collateral including two Deeds of Trust on certain real property. As part of the financing, IBank will assign all rights to the collateral to the Lender. Furthermore, IBank will assign its right to receive the loan payments from FSA, except for rights to certain payments reserved to the IBank, to the Lender pursuant to the Loan Agreement and the Assignment Agreements. Repayment of the Obligations will be made solely from payments provided by FSA pursuant the Loan Agreement.

The Lender will be required by IBank to sign a sophisticated investor letter (Investor Letter) at closing certifying, among other things, that (i) it is an accredited investor (Accredited Investor), within the meaning of Rule 144(A) of the Securities Act (Rule); (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Loan and that it is able to bear the economic risks of such investment; and (iii) it will prohibit the subsequent sale, assignment or transfer of the Loan, except, in whole and not in part, to another Accredited Investor or, to a Qualified Institutional Buyer within the meaning of the Rule, signing an Investor Letter.

In no event shall the Loan constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the Tax-Exempt Obligations. The Tax-Exempt Obligations shall constitute a special limited obligation of the IBank payable solely from payments made by FSA under the Loan Agreement.

FSA's financial statements for fiscal years 2011, 2012 and 2013 are attached as Appendix C.

FINANCIAL COVENANTS SUMMARY:

Lender's financial covenants to be maintained by FSA:

- FSA shall at all times maintain Tangible Net Worth of an amount to be negotiated with Lender, measured annually based on the audited financial statements of Borrower as of each June 30, commencing June 30, 2014.
- FSA shall maintain a Debt Service Coverage Ratio of not less than 1.15 to 1.00, measured annually based on the financial statements of Borrower as of the end of each fiscal year, commencing the fiscal year ended June 30, 2014.
- FSA shall not, without the prior written consent of Lender, incur any additional indebtedness for borrowed money, secured or unsecured, direct or contingent, except, so long as no Default or Event of Default has occurred and is continuing under the Loan Agreement, up to an amount to be negotiated between FSA and the Lender for purchase money indebtedness.

PUBLIC BENEFITS

Services are provided on a sliding scale fee and no cost basis to individuals who qualify.

Listed below is a description of programs and services offered by FSA:

- Mental Health Services: Six sites provide a variety of therapeutic mental health ranging from child abuse to marital conflict.
- Child Development Centers: Ten sites offer a safe, stimulating and enriching environment for over 2,000 children daily.
- Senior/Community Centers: Four sites serve low-income and socially isolated residents with a focal point of health and human services.
- Senior Nutrition Services: 29 meal sites offer nutritious meals daily to 3,500 seniors, including home-delivered meals to homebound elderly.
- Senior Specialty Services: Adult day care for caregiving families of elders with dementia and other frailties; early intervention program for elders with mental health issues. Seniors represent a total of 42% of clients served.
- Community Housing Development Corporation: A separate non-profit agency operated by FSA to provide capital and operating support to low-income families who need assistance with affordable housing. Assistance for low-income families such as rental/mortgage payments; HUD Permanent Housing complex for women with disabilities and their children; and various housing projects in development.
- Emerging Programs: These programs include specialty food service programs and workforce readiness programs for youth.

FSA employs over 400 individuals in professional, paraprofessional and support staff positions, lending to the local economy. Many of FSA's program and services are supported by over 500 community volunteers.

As a result of IBank financing, FSA will be able to expand its Senior Nutritional & Senior Center programs which will create 30 additional staff positions. The program's expansion will commence upon the completion of the acquisition of the Nuevo Central Kitchen and Senior Center and the remodel of the Alessandro Central Kitchen facilities. The remodel will take place over the next 18 months upon closing of the tax-exempt financing. The new staff positions will include; Food Service Supervisor, Food Servers, Warehouse Staff, Drivers, Dietitian's, Senior Center Development Director and Program Specialists. The hiring of this new staff will be ramped up over a three year period.

There will also be significant environmental and energy efficiency benefits associated with the renovations of the properties. These include the installation of solar panels, energy efficient windows, enhanced water efficiency and modern HVAC systems.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA	October 17, 2014
Publications	<i>The Sacramento Bee The Press-Enterprise San Bernardino County Sun</i>
Oral/Written Comments	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of IBank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. FSA is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by FSA to IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments. 4. The proposed financing is appropriate for the Project.

RECOMMENDATION

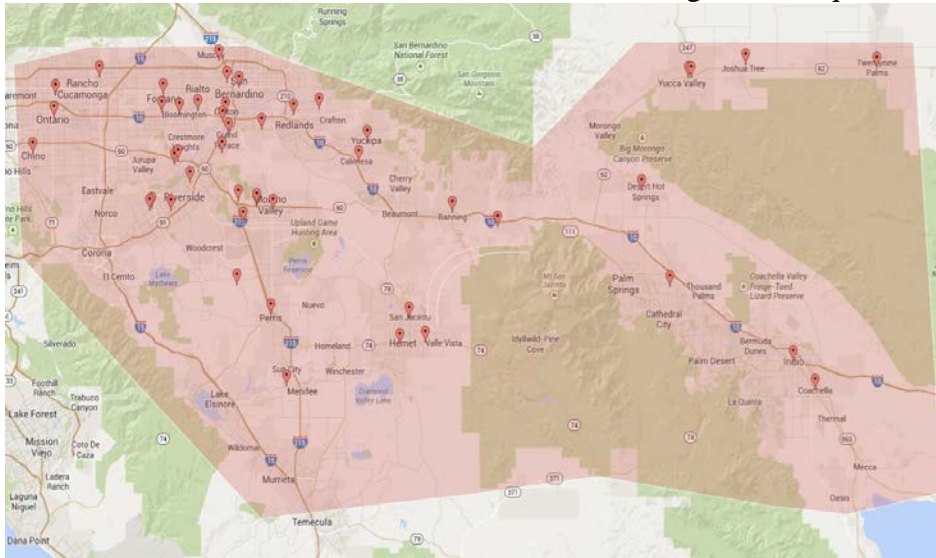
Staff recommends approval of Resolution 14-15 authorizing the issuance of the Obligations in an aggregate amount not to exceed \$10,500,000 and loaning the proceeds of the Obligations to Family Service Association (FSA). The Obligations would constitute a special limited obligation of the IBank payable solely from payments provided by FSA.

APPENDIX A – GOVERNANCE

FAMILY SERVICE ASSOCIATION OFFICERS	
Dom Betro, Chief Executive Officer	
Veronica Dover, Chief Operating Officer (FSA)	
Judith Wood, Chief Operating Officer (Child Development Services)	
Debi Starbuck, Chief Financial Officer	
FAMILY SERVICE ASSOCIATION BOARD MEMBERS	
Michael A. Ocasio, Board Chair	President & CEO Small Business FDC of OC Santa Ana, CA
Timothy Streeter, Vice Chair	Exec. VP and Chief Credit Officer Security Bank of California Riverside, CA
Lugena Wahlquist, Vice Chair	Retired Mental Health Administrator Riverside, CA
David Demers, Treasurer	Moreno Valley, CA
Ellie Bennett, Past Chair	Retired COO Associate Medical Center Director RCRMC
Carla Lidner, DDS	Riverside, CA
Jane Block	Community Activist Riverside, CA
Linda Wray	Retired Legislative Aide Riverside, CA
Paul Jensen	Retired School Administrator Redlands, CA
Jeff Rajcic	Chief Executive Officer CM School Supply Riverside, CA
Paul Zellerbach	Riverside County D.A. Riverside, CA
Dr. John Thomas, PhD	School of Business, Dean La Sierra University 12038 Canary Court Grand Terrace, CA
Dr. Margaret Wild, PhD.	Coordinator of Early Childhood and Family Studies Riverside, CA
Kitty Huang, RN. BSN	Retired Director of Infection Control Parkview Community Hospital Riverside, CA
Irving Hendrick, PhD	University of California Riverside Riverside, CA
Jane Adams, Secretary	Retired Aging Services Administrator
Jim Sandoval	Vice Chancellor University of California Riverside Riverside, CA

APPENDIX B –Photos

FSA Service Area Covers Over 40 Locations Serving 25,000 Sq. Miles



Central Kitchen / Congregate Meals and Senior Activity Center

