

Cal-Mortgage Program

California Health Facility Construction Loan Insurance

Application Package



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Loan Insurance Application Package

Contents

Cal-Mortgage Loan Insurance Program Brochure

Application and Approval Process Description

Exhibit A - Application for Health Facility Construction Loan Insurance

Exhibit B - Financial Feasibility Study Guidelines

Exhibit C - Estimate of Costs and Requisition (OSH-CM-134)

Exhibit D – Declaration of Official Intent

Exhibit E – Phase 1 Environmental Site Assessment: Instructions and Questionnaire

Exhibit F – Supplemental Management and Disclosure Information Requirements

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**LOAN INSURANCE
APPLICATION and APPROVAL PROCESS
DESCRIPTION**

This document describes the steps involved in the processing and approving of loan insurance applications from the Cal-Mortgage Loan Insurance Division of the Office of Statewide Health Planning and Development (**OSHPD**). The Pre-Application / Application form provides the information and "check list" of documents that an Applicant (borrower) needs to provide.

Applicants are encouraged to contact Cal-Mortgage staff early. The pre-application phase is set up to determine eligibility as soon as possible in the process to save the borrower effort and funds, if the borrower is not eligible for the Loan Insurance Program. During the application submission phase, information and documents can be submitted in increments, allowing Cal-Mortgage staff time to review them, to identify any questions, and to resolve them with the Applicant. Depending upon the needs of the Applicant (small borrower, phased project, etc.), a staged application process can be arranged.

Additional information about the Cal-Mortgage Loan Insurance Program, including its programmatic priorities, appears in the Cal-Mortgage State Plan. Copy can be found on Cal-Mortgage web site www.oshpd.ca.gov/calmort/index.htm.

Please note that financial statements and other information submitted to Cal-Mortgage are not confidential information under the California Public Records Act and may be disclosed upon request.

The Cal-Mortgage Loan Insurance Program is regulated by Health and Safety Code Section 129000, et. seq., (**Insurance Law**) and other laws. Upon request, a paper copy or CD-ROM can be provided. Or look at website: www.leginfo.ca.gov/calaw.html

I. Pre-Application Review

In this first step, the borrower completes and submits a signed Pre-Application form and provides copies of the requested documents. Cal-Mortgage staff reviews this to determine eligibility.

To be eligible for loan insurance the Applicant must be a California nonprofit public benefit corporation and a 501(c) (3) entity under the IRS Code or a political subdivision, be a facility providing health services, and assure that its services will be available to all

persons residing in the facility's service area. For additional detail on eligibility requirements, refer to Section 129010 (g) and Section 129050 of the Insurance Law.

The \$500 application fee need not be sent in at this stage.

Upon the receipt of the Pre-Application information, Cal-Mortgage staff (Project Officer) will contact the Applicant and schedule a visit site to the existing campus of the Applicant and if applicable, the proposed project site. The Project Officer will review the approval process with the Applicant and answer any questions. The Project Officer will advise the Applicant of any eligibility, structural, or feasibility issues, and provide guidance on how the Applicant should proceed through the application process.

II. Application Submission and Review:

The next step is for the Applicant to complete the signed Application form and begin submitting information and copies of documents. The Applicant must submit a \$500 non-refundable application fee. Checks should be made payable to "Office of Statewide Health Planning and Development."

The Applicant submits one (1) copy of the documents in a binder (three ring or Acco fasteners on the left side). Documents may be submitted in stages or all at once. If a particular item is not applicable, the appropriately numbered item should be described as "Not Applicable." The tabs should be numbered and organized as listed in the Pre-Application / Application form.

After review of these application materials, the Project Officer writes a Project Summary and Feasibility Analysis (**PS&FA**). The PS&FA includes a recommendation for the application and a proposed set of conditions. The Deputy Director of the Cal-Mortgage Loan Insurance Division determines whether or not to recommend approval of the project, and if so, with what conditions.

If approval is recommended, Cal-Mortgage staff will schedule the application for a meeting of the Advisory Loan Insurance Committee. The Project Officer will notify the Applicant to submit one (1) more complete set of items and twelve (12) additional sets of the Application, with copies of Attachments A; B; C (6 & 7); D (1 – 3, & 7 – 10, & 17 – 19, & 26 – 27); E; and F(4).

If Cal-Mortgage staff does not recommend the application for approval, Cal-Mortgage staff will notify the Applicant in writing.

III. Review by the Advisory Loan Insurance Committee

The next step is a consideration of the application and staff's recommendation by the Advisory Loan Insurance Committee (**Committee**) at a public meeting. Only those applications recommended by the Deputy Director of the Cal-Mortgage Loan Insurance Division are considered by the Committee. The Committee, composed of health care industry experts, provides the Director with additional analysis and advice with respect

to the application. After its deliberation regarding an application, the Committee decides whether to recommend the project to the OSHPD Director for approval.

In the event either Cal-Mortgage staff or the Committee denies an application, the Applicant may request a fair hearing before the California Health Planning and Data Advisory Commission (CHPDAC), who reviews the decision and makes its recommendation for approval or disapproval of the application to the OSHPD Director.

IV. Issuance of Conditional Loan Insurance Commitment

If the OSHPD Director concurs with the recommendation of Cal-Mortgage staff and the Advisory Loan Insurance Committee to approve the application, OSHPD will issue a letter of commitment to insure the project loan. This letter of commitment specifies conditions the Applicant must meet prior to the sale of the Bonds and the closing of the insured loan transaction. Such conditions typically include demonstration that required documents and actions have been completed as listed in the following two steps, and may also include conditions intended to improve the financial feasibility of the project or reduce the risk to the Cal-Mortgage Loan Insurance Program. The term of the commitment to insure the Applicant's loan normally ranges from 3 to 6 months and may be extended. The original commitment and extension may not exceed 12 months.

V. Preparation for Marketing the Bonds

Prior to sale or pricing of the bonds, the following documents must be received and approved by Cal-Mortgage staff. If any information previously submitted to Cal-Mortgage has changed, the Applicant must provide that revised information.

- One copy of all draft closing documents, generally forwarded electronically to the Project Officer and Program Staff Counsel.
- Evidence that any conditions in the Letter of Commitment (LOC) from OSHPD have been satisfied, for example:

Copy of the final Source and Use of funds

Copy of final debt service schedule

Proforma title report for issuance of ALTA

Phase I Environmental Site Assessment, see Exhibit E.

Evidence of insurance coverage

If construction is part of the project:

- a. A certification from the architect that (a) the final set of the architectural plans and (b) the construction materials outline specifications for the entire project are complete and available to Cal-Mortgage upon request.

- b. Copy of the draft construction contract to be executed, with a fixed limit of construction cost (not-be-exceed price) for the entire project.
- c. The name of the contractor who has been awarded the construction contract.
- d. Copies of all building permits and governmental agency approvals required for the project.

For the acquisition of residential units, a pest (including termites) inspection indicating there is not pest problem.

VI. Closing the Insured Loan Transaction

Prior to the closing: The following shall be provided to OSHPD:

If any of the above information has changed, the Applicant shall provide that revised information.

Copy of the final Source and Use of funds breakdown and a debt service schedule prepared by the underwriter after the Bonds have been priced.

If construction is part of the project:

- a. Copy of the executed construction contract, including all amendments or additions, and all correspondence between the contractor and the Applicant.
- b. Evidence of fire and extended coverage for all work performed under contract and other improvements on the site against loss or damage to the extent of replacement value covered by the standard extended coverage insurance endorsement. The policies shall include a standard mortgage clause making any loss payable to the mortgagee and OSHPD, as their interest may appear.
- c. Evidence of performance, payment, and materialman's bonds in the amount of the construction contract for all contractors and subcontractors.

Post Closing: The following shall be provided to OSHPD:

ALTA Lender's title policy, with OSHPD designed as a beneficiary in an amount equal to the Bonds with required endorsements.

Collateral: OSHPD must receive a security interest in the Corporation's properties secured through (generally) first deeds of trust, fixture filings, UCC-1's and a gross revenue pledge with Deposit Control Agreements.

Documents: Cal-Mortgage shall be provided, at no cost to Cal-Mortgage, three copies of the transcript (closing documents), with the first copy being loose-leaf in a notebook, the second copy being a bound copy, and the third copy being a CD-ROM.



Cal-Mortgage Loan Insurance Division Pre-Application / Application

Applicant Information		
Borrower Name		Street Address (Main Office)
City & State		Zip Code
Telephone Number	Project Contact Person	
Fax Number	E-mail Address	Federal Tax I.D. Number

If a Pre-Application was submitted, update previously submitted information.

Eligibility: If the answer to the following two questions is No, you may not be eligible, please contact Cal-Mortgage for further information.

Is the Applicant a corporation formed under or subject to the Nonprofit Public Benefit Law that is organized for the purpose of owning and operating a health facility and that also meets the requirements of Section 501(c)(3) of the Internal Revenue Code?

Yes No

Or, is the Applicant a political subdivision?

Yes No

If Yes, please specify type

City County Joint Powers
 Local hospital district Other

Healthcare Facility Category:

- Clinic Mental Health Group Home Developmentally Disabled
- CCRC Multi - Level SNF Intermediate Care Facility
- Hospital Chem. Depend. Recovery Facility Adult Day Health Care
- Other, Please Specify _____

Brief narrative describing the Applicant's organization and its history: (or attach copy of narrative from brochure or other document)

Amount Requested and Scope of Proposed Project

Projected loan amount: \$

Street Address(es) of the Project to be financed and insured:

Scope of project and purpose, specify healthcare services to be provided upon completion

What is the expected Project start date?

When will the Project be complete?

Estimated Project Sources and Uses of Funds – Summary

<u>Sources</u>	<u>Amount (\$)</u>	<u>Uses</u>	<u>Amount (\$)</u>
Existing Cash		Retire Debt	
Fundraising		Property Acquisition	
Grants		Construction/Remodel	
Insured Loan		Equipment	
Loan (s)		Contingency	
Other :		Financing Costs	
		Other:	
Total Sources		Total Uses	

Certification

The undersigned representative of the Applicant hereby certifies that all documents and information provided in conjunction with this loan request and pre-application / application form are complete, accurate and represent the scope of business conducted by the Applicant the scope of the proposed project.

Signature

Date

Send to:

Cal-Mortgage Loan Insurance Division

400 R Street, Suite 470

Sacramento, California 95811

Telephone: (916) 324-9957

Fax: (916) 445-2837

E-mail: cminsure@oshpd.ca.gov

Pre-Application List of Attachments

A. Governance and Management:

- 1. Governing Board: A list of names with occupations / professional background and when term expires
- 2. Management organization chart
- 3. Resumes for the following:
 - a. Chief Executive Officer / Executive Director / Administrator
 - b. Chief Operating Officer (if applicable)
 - c. Chief Financial Officer or Equivalent
 - d. Medical Director (if applicable)
 - e. Individual(s) responsible for managing the Project (if applicable)

B. Financial Information:

- 1. Copies of the last three annual audited financial statements. Include copies of management letters and Management responses.
- 2. Copy of the most recently filed tax return
- 3. Copy of the most recent internally prepared financial statements, year-to-date (not more than two months old).

If a Pre-Application was submitted, update previously submitted information and include the following, additional Application attachments.

Application List of Attachments

A. Governance and Management

See pre-application list. Update with any changes.

4. If management is provided by contract, provide a copy of the contract.

B. Financial Information

See pre-application list. Update with any changes.

C. Corporation Information and Documentation

Documents – Copies of:

1. Articles of Incorporation
2. By-laws
3. Current Internal Revenue Service 501(c)(3) designation letter
4. Current Franchise Tax Board tax-exempt designation letter
5. Current licenses to operate facilities
6. Board's Investment Policy

Information:

7. Chart of the Applicant's structure (parents, affiliates, subsidiaries) including copies of any agreements with, or loans or guarantees to or from, the Applicant and/or "parent" corporation or other entity.
8. Listing of all locations (service sites, property) with addresses and ownership status

D. Project Planning:

Healthcare Services and Facilities:

1. Include a description of the proposed project, including healthcare services to be provided upon completion of the project. List any alternatives to the proposed project that were considered.
2. A brief design narrative explaining the functions and services in the proposed facility, which includes the number and types of rooms needed for the functions and services.
3. Include a facility (development) master plan, or a narrative description of the Applicant's plans for future development, acquisition of real property or growth over the term of the proposed borrowing, if any.

Financing and Feasibility:

4. Include a description of all consulting contracts, including parties thereto, relating to the project.
5. Include original commitment letters from the proposed issuer of the bonds or certificates of participation (collectively **Bonds**) and from the Underwriter or Lender.
6. If the project includes a refinancing:
 - Include a copy of promissory notes with complete description of original project financed, or Official Statements for prior bond issues and evidence of the current outstanding principal balances and amortization schedules of each debt to be refinanced. Include a refunding analysis showing the proposed new debt structure, sources and uses of funds, costs of issuance and net present value savings.
 - If the project is only a refinancing that is not currently insured by OSHPD and if the refinancing is being undertaken for reasons other than debt service savings, explain the reasons.
7. Applicant's Financial Feasibility Study, (see Exhibit B). (Note that for small projects, generally those less than \$1 million, the Applicant should consult with its Project Officer regarding the possibility of using a financial feasibility workbook. This standard workbook for small projects may be prepared by the Applicant internally, avoiding significant consulting costs.)
8. List of grants, contracts and other information that support revenue forecasts, including grantor, amount, effective date, and whether it's a one time or renewable source of revenue.
9. Proposed Annual Debt Services Schedule(s).
10. Estimate of Costs and Requisition Form OSH-CM-134, (see Exhibit C).
11. Certified copy of the resolution of the governing board authorizing the borrowing and designating a signatory to execute the transaction documents
12. If the Applicant expects to reimburse itself for any expenditures from proceeds of a tax exempt borrowing, then the Applicant needs a Declaration of Official Intent (for sample, see Exhibit D). The Declaration (final resolution) must be approved by bond counsel prior to submission to Cal-Mortgage.

Property and Land Acquisition:

13. If land is to be purchased:
 - Include a description of the proposed parcel(s) and all improvements.
 - Attach a copy of the Purchase (Option) Agreement.
14. Original of the property appraisal by a State Certified Appraiser (See Business and Professions Code Section 11300, et. seq.)
15. Preliminary title report for issuance of ALTA Lenders title policy
16. Copy of the Phase I Environmental Site Assessment from the State Department of Toxic Substance Control (see Exhibit E).

Construction (including remodeling):

17. Map of the community showing location of the construction site.
18. Plat plan showing property lines and existing and proposed new structures positioned on the site
19. Drawings of the proposed building and of any existing buildings on the site. The relationship of the various departments and services shall be shown. The name of each room denoting its function shall be noted. The plans may be single line drawings of a legible scale and should include the following:
 - Plat plan showing roads, distances to property lines, existing buildings, parking, sidewalks, etc.
 - The plan of each floor, with the square footage shown.
 - Elevations of all facades and relevant sections shall be shown.
20. Outline specifications, which provide a general description of the type of construction, exterior and interior finishes, and type (description) of heating, ventilating and plumbing systems.
21. Describe the architect's and engineer's past experience in designing a similar type facility.
22. Attach a copy of the executed contract(s) with the architect and all engineers and consultants, if any.
23. If known, the proposed contractor for the project and a description of the contractor's past experience in constructing a similar type facility.
24. Preliminary cost estimate based on the drawings and outline specifications listing the separate costs for the structure, equipment, furnishings, landscaping, paving/parking, and off-site work.
25. Copy of independent cost estimate prepared by a firm other than the Architect or the Contractor.
26. Copy of the zoning approval (if required by a local agency).
27. Identify planning documents, building permits and governmental agency approvals that will be required for the project, and which approvals are in-hand and the estimated dates for obtaining pending permits.
28. Copy of the Environmental Impact Report or Negative Declaration approved by the appropriate authority.

E. Community Benefit

- Community Benefit
1. Describe how this project will meet identified health-care needs of the community or of an underserved population, including how the project will provide culturally competent care.
 2. Include a list of bilingual services, if any, which are, or will be, offered.
 3. Describe the community services the Applicant shall provide as a result of this project, as required by Health & Safety Code Sections 129050(j) and 129085.

If Applicant is a **hospital**:

4. Describe the community services the Applicant shall provide as a result of this project, as required by Health & Safety Code Sections 129055 (or 129070) and 129065.
5. Attach a copy the Applicant's Community Benefit Plan as required by Senate Bill 697 (Torres), Chapter 812, Statutes of 1994.

If Applicant is a **skilled nursing facility** or **clinic**:

6. Describe the community services the Applicant shall provide as a result of this project, as required by Health & Safety Code Section 129055 (or 129070).

If Applicant is a **continuing care (multi-level) facility**, include:

7. Copy of the Deposit Subscription Agreement
8. Copy of the Care and Resident Agreement

F. Other Supplemental Information

1. List the amount of insurance coverage by category:
 - a. Structure
 - b. Contents
 - c. Liability (including owned and non-owned auto)
 - d. Business Interruption and Extra Expense
 - e. Earthquake and Flood
 - f. Errors and Omissions
 - g. Directors and Officers Liability
2. Schedule of all pending and threatened litigation or claims involving the Applicant, or any related corporation or other entity, or their respective properties, whether plaintiff or defendant, and the results of the plaintiff/defendant index search for the Applicant, or any related corporation or other entity, and the extent to which it is or is not covered by insurance.
3. Current status on all union contracts and labor relations affecting facility operating expense.
4. Disclosure Information Questions – complete and attach Exhibit F.

EXHIBIT B

FINANCIAL FEASIBILITY STUDY GUIDELINES

A financial feasibility study demonstrates, among other things, that loan proceeds, together with cash flow of the facility, are sufficient to complete the project and to cover annual debt service requirements.

A financial feasibility study consists of historical and prospective financial statements and other pertinent information that present, to the best of the applicant's knowledge and belief, a facility's expected financial position, results of operations, and changes in financial position. A financial forecast is based on the applicant's assumptions reflecting conditions it expects to exist and the course of action it expects to take.

In addition to management's expected outcome, the feasibility study should include sensitivity analyses as appropriate or as requested by the State Project staff (i.e., elimination of Medicare capital pass through, changing market interest rates, variance in utilization, reduction in grants or contract, etc.).

The fundamental purpose of a financial feasibility study is to determine and evaluate an applicant's ability to repay borrowed funds. Specifically, it compares the relative size of positive cash flow to principal and interest payments on the proposed debt.

Please note that financial statements and other financial information submitted to Cal-Mortgage are not confidential information under the California Public Records Act and may be disclosed upon request.

All financial feasibility studies prepared for the program are to be incorporated into the Official Statement or Offering/Private Placement Memorandum either by reference or in their entirety. If the study is only to be referenced, the name of the preparing feasibility firm and the date of the study are to be cited.

The feasibility study must be prepared by a firm with expertise in health facility financial consulting. The firm should have sufficient resources and expertise to do the study and render an opinion. While Health and Safety Code Sec. 129095 allows the applicant to choose its consultants, in order to avoid any potential conflict of interest, the feasibility study should be prepared by someone other than the corporation's auditing firm of record.

Failure to follow these guidelines may adversely affect approval of the project. Furthermore, submitting a study following these guidelines does not guarantee approval of the project.

Tables of data, where appropriate, should be expressed in actual amounts and percent of change.

The financial feasibility study is to describe the assumptions underlying the financial analyses, in addition to historical and forecasted financial statements.

I. Instructions for Assumptions and Rationale

1. Background and Description

- a. History and background of the Applicant and the onsite management company operating the facility, if any.
- b. **EXISTING FACILITY:** If the project is a renovation or expansion, provide an overview of the size, services provided, occupancy rate, and service area of the existing facility; If the Applicant owns and/or operates other health facilities, briefly describe as well.
- c. **NEW FACILITY/PROJECT:** Describe the project components, including the physical facility, size, services provided, service area (if different from existing facility), expected utilization of services added by the project, and sources of new revenue for the project.

2. Project Costs and Financing

Provide a detailed Sources and Use of Funds breakdown.

- a. The construction cost "detail" should be provided by the design architect, a cost estimator, or the general contractor who will perform or manage the actual construction. Validation of construction costs by an independent cost estimator is important to the believability of the project budget. The construction cost should include a contingency allowance. (The Project Officer may require an additional contingency based on the facts and circumstances of the project.)
- b. Provide conceptual design and accompanying narrative describing how the proposed square footage is appropriate to current and mid-range future space needs of the facility. For replacement projects describe why the existing site is inadequate and how the replacement facility will alleviate the problem.
- c. Provide a square footage cost for the space. How does this project's costs compare to costs with other similar type facilities in the area. Describe any major cost variations.

3. Historical and Forecast of Facility Utilization

- a. The history of facility utilization should be shown for the facility overall and for the specific services involved with the project. For example, if the project includes increasing ob/gyn beds, the historical and projected occupancy rates should be shown.
- b. If the applicant/project is a clinic, provide historical and projected encounters, as well as yearly encounter documentation for each physician and mid-level medical FTE equivalent.
- c. The applicant should explicitly state how the forecast utilization will be achieved. It is not sufficient to assume future utilization will equal historical utilization. This section should contain demographic data, patient/payor mix, average length of stay, and other information sufficient to justify the utilization assumptions.
- d. Document the historical record and current plan for provider recruitment and retention (Kaiser, county health departments, medical groups, etc.).

4. Historical and Forecast of Revenues

- a. Provide forecast revenue data for the facility overall, as well as the new service(s) added by the project. The forecast should be supported by a discussion of how the revenue items were determined, including assumed rates of increase in charges and contractual allowances. Changes in revenue due to cost containment, utilization trends, and payor mix should be explicitly addressed, as well as the impact of existing contractual relationships, as described in Item 8.
- b. Delineate the patient revenues by source (including Medicare, Medi-Cal, AFDC, Bronzan McCorquodale realignment funds, county probation, regional centers for the developmentally disabled, residential care, personal care, accommodation fees, etc.) and percentage of total patients/residents.
- c. If the clinic is Federally Qualified Health Center (**FQHC**), identify the current and prior (**FQHC**) encounter rate approved by Medi-Cal.
- d. Delineate all grants by source. If the feasibility study assumes an inflation rate for grant income in excess of 2% per year, explain.
- e. Identify and age accounts receivable by source.

5. Historical and Forecast of Expenses

- a. Provide historical and forecast expense data in the same level of detail and show the expenses associated with the service(s) added by the project. The presentation should include a breakdown of FTE's.

The forecast should be supported by a discussion of how the expense items were determined, including assumed rates of inflation for labor, utilities, supplies, etc., and any changes that will occur from different methods of operation.

6. Historical and Forecast of Working Capital Requirements

Identify the explicit assumptions used to determine working capital requirements. For example, was it calculated as a percentage of operating expenses and revenues? By another method?

7. Description of Long-Term Debt and Debt Service Coverage

Prepare a Debt Service Coverage Schedule with 3 years historical and 5 years forecasted ratios.

8. Effects of Contractual Allowance, Discounts and Capitation

Please provide the following information:

- Medi-Cal: If you are a contracting hospital, provide the current term of your contract and allowed daily rate of reimbursement; if you are a contractor to a Medi-Cal hospital, describe the nature of the contract.
- Medicare: Describe the basis of reimbursement under Medicare; if you are providing Medicare as a health maintenance organization (**HMO**) or a comprehensive medical plan (**CMP**), please describe.

Provide the estimate of total Medicare patient days and revenue assumed in the revenue projections over the forecast period. Compare this to historical expense.

- Third-Party Payors: Identify insurance companies or employers with whom you have preferred provider (**PPO**) arrangements, or HMO, or IPA contracts. Describe the terms of reimbursement under these contracts or the discount percentage and the percentage of revenue each contract generates. Also, if the facility, alone or with others, offers a PPO directly to employers, describe the nature of that arrangement.

Provide the estimate of total patient days and revenue assumed in the revenue projects for each type of contracts or arrangement over the forecast period.

9. Table of Per Diem Revenue by Historical and Forecast Year

The patient days used in the calculation should be the same as Item 10. Calculate the percentage increase from year-to-year. Explain the differences between historical and forecast rates of increase, and any deviation between future increases and assumed revenue increase.

10. Table of Per Diem Expense by Historical and Forecast Year

Provide the total patient days (actual and assumed) used to calculate per diem expense. Calculate the percentage increase from year to year (historical and forecast). Explain any difference between historical and forecast rates of increase, as well as any deviation between future increase and assumed expense inflation.

11. Table of Routine Cost Per Diem and Medicare Limit Per Diem for Historical and Forecast Years

This section applies to skilled nursing facilities. The applicant should complete this for historical periods and for future periods if it expects to receive Medicare reimbursement by methods other than DRG's or CMP/HMO contracts.

12. Lease vs. Purchase Analysis

Prepare a schedule of continuing to lease the facility versus purchasing the facility.

13. Refinancing Project

If the project is refinancing existing debt, identify the amount of savings by year as well as a percent of the present value savings.

II. Managed Care Involvement

1. Is the proposed project located in a county scheduled to implement mandatory Medi-Cal managed care for AFDC recipients over the next 2 years? If yes, provide the Office with a copy of the County's draft managed care implementation plan.

2. If yes, describe the facilities referral and marketing plans for attracting capitated Medi-Cal enrolls. Provide written documentation of referral and joint-marketing plans with either local initiative or main stream option payors/provider networks.
3. Provide lists of all area physicians/provider networks currently involved in either Medi-Cal managed care or primary care case management (**PCCM**) contracting. If possible, provide documentation indicating historic enrollment levels and current and future provider interest in competing for Medi-Cal managed care patients.
4. Indicate the facility plans for competing with #3.

III. Instructions for Historical & Forecast Financial Statement

1. Provide three (3) years historical and five (5) years Proforma Statements for the Balance Sheet, Income & Expense Statement, Cash Flow Statement, and Statement of Changes in Fund Balance.
2. The Balance Sheet should reflect any reserves that are required (debt service, insurance, refund, charity, fill-up, capital improvements, etc.).
3. For the Income & Expense Statement, also include percent of changes over the preceding year.
4. For all historical and forecast years, show the following ratios and data:
 - a. Current Ratio
 - b. Days in Patient Accounts Receivable
 - c. Days Cash on Hand
 - d. Equity Ratio
 - e. Asset to Long Term Debt Ratio
 - f. Operation Margin
 - g. Days Payable
 - h. Debt Service Coverage

IV. Demand Analysis

1. Describe how the service/market area was determined.
2. Describe the demographic and economic factors of the service/market area relating to income, housing, employment, transportation, and population.
3. Identify any existing or proposed similar type facility within the

service/market area and describe and compare the terms of the market share, size, historical utilization, distance from the facility and fee structure (including entrance fees and monthly service fees if applicable). Indicate whether the competing facilities have payment arrangements similar to the facility (i.e., Medi-Cal, Preferred Physician Option, Health Maintenance Organization, Comprehensive Medical Plan, etc.).

4. Identify Cal-Mortgage insured facilities providing competing services in the primary and secondary service areas.
5. In forecasting utilization for multi-level (CCRC / RCFE) facilities, describe the marketing plans including sales person's method of compensation and any health or asset screening procedures (if applicable).
6. Provide maps and other relevant documentation, which illustrates that the proposed facility is conveniently located in the target population and is in reasonable proximity to referring providers.

V. **Additional Requirements**

1. Clinics

- a. Indicate the clinic's linkage with local hospitals and commonly used specialty providers.
- b. What are the clinic hours of operation? Are there plans for Saturday and evening hours? If not, why not?
- c. Describe the clinic's financial system(s) for documenting cost accounting and describe the billing and collection system.

2. Multi-Level Health Facility (CCRC / RCFE)

- a. Provide documentation as to how the facility/Applicant intends to meet the financial risks associated with:
 - i. Initial fill-up of the facility.
 - ii. Health care costs for short term acute care or rehab SNF care.
 - iii. Turnover or mortality within a mature facility.
 - iv. Resident asset depletion or charity care.
- b. Describe how the facility proposes to cover the cost of healthcare for residents whose health (**HMO**) plan will direct them to a different HMO designated skilled nursing facility for post operative or convalescent care.

HEALTH FACILITY CONSTRUCTION LOAN INSURANCE

(Check Applicable Use)

Estimate of Costs and Requisition

OSH-CM-134 (Rev. 04/96)

- Loan Insurance Application
 Distribution of Funds

1. Name of Facility Corporate Name (if different)		2. Project Number		3. Disb. No.		
4. Address		5. Trustee				
Use of Funds:		Total Project Costs	Disbursed This Requisition	Total Amount Expended to Date	%	Unexpended Balance
I. Project Costs		\$	\$	\$		\$
A. Retire/Debase Existing Debt					#DIV/0!	
B. Acquisition, Cost, Title & Recording					#DIV/0!	0
C. Site Survey & Soil Investigation					#DIV/0!	0
D. Appraisal					#DIV/0!	0
E. Cal-EPA					#DIV/0!	0
F. Architectural/Engineering						
1. Plan Check Fees, Permits, etc.					#DIV/0!	0
2. Contract Architect					#DIV/0!	0
3. Contract Engineer					#DIV/0!	0
4. Other A/E Consultant Fees					#DIV/0!	0
5. Other					#DIV/0!	0
G. Construction						
1. Landscaping					#DIV/0!	0
2. Construction Contracts					#DIV/0!	0
Construction Contract Contingency					#DIV/0!	0
3. Insurance					#DIV/0!	0
4. Material Testing					#DIV/0!	0
5. Owner's Contingency					#DIV/0!	0
6. Other					#DIV/0!	0
H. Fixed/Movable Equipment					#DIV/0!	0
I. Supervision - Inspector					#DIV/0!	0
J. Marketing					#DIV/0!	0
K. Other					#DIV/0!	0
<u>Total Project Costs</u>		\$0	\$0	\$0	#DIV/0!	\$0
II. Costs of Issuance						
1. Bond Counsel					#DIV/0!	0
2. Underwriters Counsel					#DIV/0!	0
3. Corporate Counsel					#DIV/0!	0
4. Financial Feasibility					#DIV/0!	0
5. Printing, Rating, Audit, Auth Fee, etc.					#DIV/0!	0
6. Underwriters Discounts					#DIV/0!	0
7. Trustee Fees					#DIV/0!	0
8. Title and Recording					#DIV/0!	0
9. C/M Application Fee (\$500)					#DIV/0!	0
10. Financial Advisor					#DIV/0!	0
11. Other					#DIV/0!	0
<u>Total Costs of Issuance</u>		\$0	\$0	\$0	#DIV/0!	\$0
III. Original Issue Discount/Premium					#DIV/0!	0
IV. Debt Service Reserve					#DIV/0!	0

EXHIBIT D

Declaration of Official Intent

The Internal Revenue Service requires that if a borrower intends to be reimbursed for certain expenditures from the proceeds of a tax-exempt bond issue, the borrower must have adopted a Declaration of Official Intent (**DOI**) to do so. Reimbursement of project related costs cannot occur for expenditures that predate the date of the approved DOI.

The attached sample DOI is for illustrative purposes only and may not conform to current Treasury requirements.

Please contact legal counsel to assure that you are proceeding correctly.

EXHIBIT D

[This is an example format. The final format should be approved by the Applicant's bond counsel. A Declaration is needed for all bond financings, which seek to reimburse certain expenditures from proceeds of indebtedness.]

**DECLARATION OF OFFICIAL INTENT
OF [NAME OF (i) THE ACTUAL ISSUER; (ii) THE GOVERNMENTAL CONDUIT
BORROWER, IF ANY; OR (iii) THE 501 (c)(3) CONDUIT BORROWER, IF ANY]
TO REIMBURSE CERTAIN EXPENDITURES
FROM PROCEEDS OF INDEBTEDNESS**

WHEREAS, the [name of the party identified above] (the "Issuer") intends to [acquire, construct, improve] a [general description of project or program] (the "Project");

WHEREAS, the Issuer expects to pay certain expenditures (the "Reimbursement Expenditures") in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis;

[Insert the following WHEREAS paragraph if an individual has been designated to declare official intent:

WHEREAS, the Issuer has designated the undersigned, in the undersigned's individual capacity, to declare the Issuer's official intent to reimburse expenditures with proceeds of a subsequent borrowing;]

WHEREAS, the Issuer reasonably expects that debt obligations in an amount not expected to exceed \$_____ will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Reimbursement Expenditures; and

WHEREAS, [Insert the following for private activity bonds other than qualified 501(c)(3) bonds: Section 1.103-8 (a)(5) and] Section 1.150-2 of the Treasury Regulations require[s] the Issuer to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing;

NOW, THEREFORE, the [Issuer/undersigned] declares:

Section 1. The [Issuer/undersigned] finds and determines that the foregoing recitals are true and correct.

Section 2. This declaration is made solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This declaration does not bind the Issuer to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 3. The Issuer hereby declares its official intent to use proceeds of indebtedness to reimburse itself for Reimbursement Expenditures. [The preceding sentence is to be used in resolutions; the following sentence is to be substituted in declarations: The undersigned hereby declares the Issuer's official intent to use proceeds of indebtedness to reimburse itself for Reimbursement Expenditures.]

Section 4. This declaration shall take effect from and after its adoption.

[The following is to be used in resolutions only: The undersigned, [Secretary] of the Issuer, hereby certifies that the foregoing is a full, true and correct copy of the declaration of the {governing body} of said Issuer duly made at a meeting thereof held on the date specified below, and that said declaration has not been amended, modified or revoked by said [governing body].]

[Name] Date _____
[Title]

Exhibit E**INSTRUCTIONS TO CAL-MORTGAGE APPLICANTS
NEEDING ENVIRONMENTAL DOCUMENT REVIEW**

You have been asked by your Cal-Mortgage project officer to have the Department of Toxic Substances Control (Department) review a Phase I Environmental Assessment (Phase I) report or equivalent documentation. The review is required to evaluate if current and past practices have resulted in the release of hazardous substances on the subject property. A Phase I report is an initial environmental assessment prepared by an environmental professional based in part on existing information from inquiries of appropriate state and local agencies and past and present owners and operators of businesses on the subject property. Nationally accepted guidance for the preparation of a Phase I is provided by the American Society for Testing and Materials, "Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process" (Designation: E 1527). A site inspection by environmental professionals employed by the Department will be performed.

The Department will prepare an Environmental Review Report summarizing the information provided by the Cal-Mortgage applicant and any additional information gathered by the Department. The report will recommend whether or not additional investigation is required based on best efforts to obtain information about the operational history of the site. If further investigation is required because of suspected releases of hazardous substances to the property, the applicant will be asked to enter into a separate voluntary agreement with the Department to conduct a Preliminary Endangerment Assessment under Departmental oversight. If no further action is recommended, Cal-Mortgage staff will continue to process your application.

Please contact the Department staff prior to submission of any documentation to determine the suitability of the existing information.

To initiate this effort, complete the attached questionnaire. Send the completed questionnaire package to:

Mr. Richard Hume
Northern California – Central Cleanup Operations Branch
Department of Toxic Substances Control
8800 Cal Center Drive
Sacramento, California 95826-3200

Also, send a check in the amount of \$1,500.00 made payable to the “**Department of Toxic Substances Control**” to:

Ms. Karen Poon
Accounting Office
Department of Toxic Substances Control
P.O. Box 806
Sacramento, California 95812-0806

PRINT ON THE CHECK THE NAME AND LOCATION OF THE SITE AND THE RESPONSIBLE CORPORATION (if different than the entity issuing the check), so that the money will be credited toward your account and work can begin on your project. Upon receipt of the check, a receipt will be sent to you. A copy of the check should be sent concurrently to Mr. Richard Hume.

The \$1,500 is a down payment for services to be provided by the Department in review of a Phase I report or other environmental documentation for the subject property. This down payment is equal to approximately twenty hours of Department staff time and overhead. You will be billed for additional hours of labor incurred by Department staff or reimbursed if less time is required.

If requested, Department staff will give you an estimate of the number of hours expected to complete an Environmental Review Report for your specific property following receipt of the document(s) to be reviewed. Department staff will also contact you to arrange a visit to the property. The Department staff will use their best efforts to complete the report within four weeks of receiving the questionnaire and deposit check.

Once the Department's review is complete, we will send the Environmental Review Report to your Cal-Mortgage project officer. Please contact your project officer to view this report.

For questions concerning this process or the information requested in the questionnaire, please contact Ms. Sandra Karinen at (916) 255-3745 or her supervisor, Mr. Richard Hume, at (916) 255-3690.

CAL-MORTGAGE APPLICANT ENVIRONMENTAL DOCUMENT REVIEW QUESTIONNAIRE

GENERAL INSTRUCTIONS

If your application to Cal-Mortgage is for facilities at multiple locations, please complete a separate questionnaire for each location.

- A. Complete the following questionnaire, "General Information," for the subject property.
- B. Include a copy of the Phase I Environmental Assessment Report(s) or equivalent environmental documentation that has been completed for this project. If any **environmental cleanup** activities have been conducted based on recommendations contained in these reports, please include a description of those activities.
- C. Include a map of the property illustrating building locations and pertinent property features.
- D. Include a copy of the legal description for the property (if not incorporated in the submitted report).

Preparer represents that to the best of the preparer's knowledge the following statements and information contained in this questionnaire are true and correct and to the best of the preparer's actual knowledge, no material facts have been suppressed or misstated.

Signature of Preparer: _____

Printed Name of Preparer: _____

Date of Preparation: _____

Organization: _____

Cal-Mortgage Applicant Environmental Review Questionnaire**GENERAL INFORMATION**

Name of Organization:	
Mailing Address:	
City, State, Zip Code:	
Contact:	
Title:	
Phone Number:	
Property Name:	
Property Street Address:	
City, State, Zip Code	
County:	
Assessor's Parcel Number(s):	
Name of Current Property Owner:	
Property Size:	
Current Use:	
Proposed Use:	
If project includes new construction or expansion of existing structures, please describe:	

EXHIBIT F

DISCLOSURE INFORMATION QUESTIONS

Disclosure Information:

- a. Have any former or current members of the OSHPD staff or Advisory Loan Insurance Committee members assisted in the preparation of this application?

If so, who, and what was their responsibility?

- b. Are any facilities proposed to be financed by this application not required to be licensed by a State Agency?

If so, identify those facilities and explain how they are eligible for loan insurance.

- c. Do any current or former members of the Board of Directors, Applicant employees, or contract management employees, or spouses of any of the above expect to benefit financially from this transaction?

If so, identify the individuals and the amount of potential financial benefit. Explain how this transaction can be construed to be an "arms length" transaction.

- d. Does the Applicant applying for this loan guarantee have any outstanding licensing, certification, or pending legal issues with any state or federal agency, excluding routine financial audits of cost reports?

If so, identify those issues, and provide a status report as to the disposition of those matters.