Health Center Stories:
United Health Centers of the San Joaquin Valley, CA

This summary describes how United Health Centers (UHC), located in San Joaquin Valley, California, refinanced existing long-term debt to enhance its overall financial profile. Capital Link worked with UHC throughout the planning of its capital project and developed this "health center story" to assist other health centers. The health center used tax-exempt bond financing to consolidate two long-term loans, improving cash flow and lowering interest expense.

The health center initiated the project to reduce the cost of its debt service, thereby freeing up cash to facilitate its continued growth and meet increased patient demand. UHC total visits grew 30% from FY05 to FY09 as the health center expanded its services and hired new providers to respond to the need. The following table summarizes UHC's patient encounter volumes since 2005:

Visit Trends for UHC (FY05-FY09)	2005	2006	2007	2008	2009
Number of Patient Visits (Total)	140,744	147,600	156,518	162,345	182,607
% Annual Growth	--	5%	6%	4%	12%

During 2009, UHC served 20,519 patients from its primary service area. Total population estimates for 2010 indicated that well over 92,000 people reside in this same area with the 2015 population forecasted to be 105,000. Considering the area's need and projected growth through health reform, UHS continues to manage its capital resources carefully to be able to respond effectively to the increasing demand for services.

About United Health Centers

UHC has a long-standing 40-year commitment to farm workers' health. With its corporate offices located in Parlier, California, the health center is a private non-profit organization, incorporated in January 1971, whose purpose is to provide comprehensive medical, dental and community health services to the medically underserved in the central San Joaquin Valley in California. To fulfill its mission, UHC offers Family Practice, Internal Medicine, and General Dentistry. Other services provided include Obstetrics', Gynecology, Nutrition and Health Education, Family Planning, Comprehensive Prenatal Services, Child Health Disability Prevention Program, Women's Infants and Children Program, Pharmacy, X-ray, Laboratory, diagnostics testing, referrals, and preventative medicine programs.

UHC currently serves 29 rural communities in Fresno and Tulare Counties. The organization's seven medical facilities serve the cities of Parlier, Mendota, Sanger, Orange Cove, Huron, Kerman, and Earlimart and the surrounding communities. These catchment areas are federally designated as Medically Underserved Areas and Health Professional Shortage Areas. Fresno County, the home of the majority of UHC's patients, is among the 13 poorest counties in the state and 13 poorest metropolitan regions in the country.

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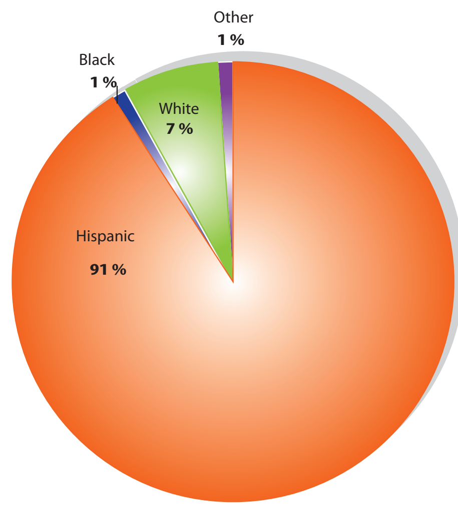
About United Health Centers

United Health Centers delivers approximately 180,000 medical, dental, and other service encounters per year. The ethnic composition of the patients served by the centers is predominantly Hispanic, as indicated to the right. United Health Centers accepts various modes of payment including Medi-Cal, Medicare, and private insurance. Services are provided to patients without insurance on a sliding-fee-scale according to the patient's ability to pay.



The Capital Structure

UHC decided to pursue long-term tax-exempt bond financing in the amount of $5.7 million for the purposes of refinancing its existing long term debt. This plan allowed UHC to take advantage of current market interest rates that were well below the rates on its existing debt, consolidating two long-term loans and paying off an existing interest rate swap contract with a single 30-year bond issue. The new bond issue was insured by Cal Mortgage, replacing $4.6 million in existing long-term debt consisting of two separate loans, one with an approximate balance of $2.4 million and another with an approximate balance of $2.2 million. Additionally, $366,000 was included within the financing to meet debt service reserve requirements for the transaction.

This financing structure was unique in that the costs of issuance associated with the bond issue were largely offset with a capital grant from United Health Group. The total grant portion was $518,000 or 9% of the total sources of project funds.

UHC realized a savings in interest expense on the related debt as shown in the following table:

Lender	**Approximate Balance**	**Current Rate**	**Annual Interest Expense Prior to Refinancing**	**Annual Interest Expense After Refinancing**
Existing Loan	$ 2,400,000	6.151%	$ 145,588	
Existing Loan	$ 2,200,000	7.375%	$ 161,209	
Total Debt (including swap payoff and Debt Service Reserve funds)	$ 5,225,000	4.89%*	$ 306,768	$ 217,377

* Average Coupon Rate of bonds

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Impact

UHC management requested five years of detailed financial forecasts to ensure that health center operations were stable and key financial indicators were healthy, in particular the debt service coverage calculations associated with the proposed financing. The health center developed a series of financial projections based on the health center's historical results and conservative operating assumptions, providing a Balance Sheet, Income Statement, and Cash Flow Statement, as well as supporting schedules that include Provider Productivity, Patient Volumes and Revenue, Grant & Contract Revenue, Employment Expenses, Depreciation and Amortization Schedules, Project Budget, Sources and Uses of Funds, and Financial Ratios.

The forecasted performance through 2014 showed incremental improvement over the years prior to the refinancing. The projected average Operating Margin for the FY10-FY14 periods was 1.5% with a high of 2.0% in FY13, while the average Operating Margin for the FY06-FY09 periods was 1.1%. By 2014 patient visits were expected to grow to 214,000; Total Revenues are projected at $38.7 million while Total Expenses should increase to $38 million, generating an Operating Margin of 1.9% or $737,000. Additional Non-Operating Income increased the projected Change in Net Assets to $827,000. With the reduction in debt service from the refinancing along with modest growth expectations, the financia projections reassured the health center's management and Board that its overall financial condition was expected to strengthen after the transaction was completed.

In addition to the projected improvement in financial metrics, the health center anticipates multiple positive impacts on its community, including increased patient visits and direct employment at the health center. By purchasing goods and services from local businesses, UHC also supports jobs in other sectors and stimulates the local economy through an infusion of spending. The health center further stimulates the local economy through the indirect expenditures of related sectors and the induced expenditures of new household income. UHC's impact on the community is as follows:

	2009 (prior to project start)	**2014 (projected)**
Number of Patients Served	182,607	213,848
Permanent Direct Employment	376.1	393.8
Total Economic Impact	$51,541,297	$62,326,292