Attachment G



FINANCING

FINANCING:

The below sections address the HD-BHB strategy to fund and finance the Project. Part of this strategy includes the utilization of the DHCS California Advancing and Innovating Medi-Cal (CalAIM) Behavioral Health Initiative Payment Reform Opportunity to help finance the annual debt payments for \$118,188,050 in debt service as well as the annual operation expenditures for all six (6) MHRC buildings and Support Building.

Project Funding

•	BHCIP Round 5 Grant	\$20.167 Million
•	BHCIP Bond Round 1 Grant (Pending Approval)	\$31.000 Million
•	BHCIP Bond Round 1 Local Match	\$3.100 Million
•	Debt Service (presented to Board on Nov. 12, 2024)	\$54.877 Million
•	Funding Gap	\$63.311 Million
	Total	\$172.455 Million

Project Finances

•	Total Project Cost	\$172,454,829
•	Less Other Funding Sources	\$54,266,779
•	COP Funding	\$118,188,050
•	Rate*	4.67%
•	Term	30 years
•	Annual Debt Payment	\$7,401,536
•	Total Interest Paid	<u>\$103,858,023</u>
	Revised Total Project Cost**	\$276,316,852

^{*}Each additional increase of one basis point increases the Revised Total Project Cost by ~\$258,000.

CalAIM Payment Reform Opportunity

In Fiscal Year 2023–24, the California Department of Health Care Services (DHCS) implemented the California Advancing and Innovating Medi-Cal (CalAIM) Behavioral Health Payment Reform initiative. This reform transitions behavioral health reimbursement from a cost-based model to a fee-for-service structure.

The new model is designed to simplify reimbursement, better align payments with the cost and intensity of services provided, and support future value-based payment systems that reward quality and improved outcomes for Medi-Cal beneficiaries. It also allows counties to

^{**}Includes Total Project Cost and Total Interest Paid

retain revenue above cost and reinvest those funds into the local continuum of care - expanding mental health and substance use services and addressing debt service obligations.

MHRC and Debt Service Funding

Annual operating costs for the MHRC are projected at \$16,567,351, which includes:

- \$7,401,536 in annual debt service payments
- \$4,013,720 in provider payments for client services in six MHRCs
- \$3,449,097 in annual building depreciation (Cost Plan)
- \$1,672,998 for clients maintained in out-of-county facilities

Projected annual revenues total \$4,891,483, consisting of:

- \$1,296,000 in lease revenue from the six MHRCs
- \$2,361,012 in Medi-Cal reimbursements
- \$1,234,472 in contract revenue from out-of-county placements

In addition, HD BHB estimates \$3,659,684 in savings by serving clients locally who are currently placed out of county. Combined, projected revenue and savings total \$8,551,167, offsetting a portion of total costs and leaving a funding gap of \$7,986,183. To address this gap, HD BHB conducted a financial analysis consistent with CalAIM payment reform principles. The analysis found that a 10.5% increase in direct service delivery time by existing staff could generate an additional \$8,127,123 in annual revenue—effectively closing the shortfall. This equates to roughly 30 additional minutes of Medi-Cal claimable services per staff per day for an employee who currently provides about four hours of billable services daily.

Pro Forma Summary

In summary, the total projected annual MHRC operating costs, inclusive of debt service obligations, are estimated at \$16,567,351. Projected annual revenues, combined with anticipated savings from the repatriation of out-of-county placements, totals \$8,551,167. The resulting funding gap of \$7,986,183 is projected to be fully mitigated through a 10.5% increase in HD BHB systemwide billable direct services, which is estimated to generate approximately \$8,127,123 in additional annual revenue.

Project Expenditures

Through September 26, 2025, the County has incurred expenditures in the amount of \$2,283,174. These expenditures have been funded by BHCIP Round 5 Grant for Architectural and Engineering costs and Construction Management services for the project.