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## Salud refinances debt, expands services

WATSONVILLE -- Salud Para La Gente will borrow as much as \$4.8 million to pay off debt dating from financial troubles two years ago and to expand services.

The money will come from the issuance of tax-exempt bonds through the California Municipal Finance Authority at a low-rate and fixed term.

Sister Julie Hyer, Salud's chief executive officer, said the bulk of the new borrowing will allow the nonprofit to refinance a \$2.5 million loan taken out to rehabilitate the organization's clinic on East Beach Street. The variable interest rate on that loan is now 6.75 percent. She expects the new financing rate to be 5.5 percent or less.

The remainder of the loan will go to complete construction of a \$1.3 million Salud clinic on the campus of Watsonville Community Hospital and for equipment purchases for that clinic and the one on East Beach Street.

Salud also operates seven clinics at Watsonville elementary and middle schools.

"There is an extreme need for health care services in this community," said Hyer, adding the nonprofit is focusing on providing direct care as well as health education.

The City Council on Tuesday approved the nonprofit health care agency's move to issue the tax-exempt bonds through the California Municipal Finance Authority after city Administrative Services Director Marc Pimental assured members the city the responsibility for repayment rested solely with Salud.

Salud simply needed an elected body to hold a public hearing to qualify for the tax-exempt bonds, he said.

"You are merely a conduit where the public can come in and comment," he explained.

No one spoke against the action.

Two years ago, Salud, with a \$12 million annual budget, was \$4.5 million in debt and on the verge of bankruptcy. But it has since reduced its debt by \$2 million.

Pimental, who also serves on Salud's board, said the nonprofit has grown to a \$16 million agency and has rebuilt its management structure and financial controls. In 2008, he said Salud counted more than 100,000 patient visits to its medical, dental and vision clinics. It's on track for more than 120,000 visits this year.

"This funding will all but seal the lid on the troubles the organization found itself in in 2006," Pimental said.