

NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

**The North Carolina Medical Care Commission
809 Ruggles Drive
Raleigh, North Carolina**

MINUTES

**CALLED MEETING OF THE EXECUTIVE COMMITTEE
CONFERENCE TELEPHONE MEETING ORIGINATING
FROM THE COMMISSION'S OFFICE**

April 25, 2017

3:00 P.M.

Members of the Executive Committee Present:

John A. Fagg, M.D., Chairman
Joseph D. Crocker, Vice-Chairman
Charles H. Hauser
Carl K. Rust, II, M.D.

Members of the Executive Committee Absent:

Eileen C. Kugler, RN, MSN, MPH, FNP
Robert E. Schaaf, M.D.
Paul M. Wiles

Members of Staff Present:

S. Mark Payne, DHSR Director, MCC Secretary
Crystal Watson-Abbott, Auditor
Alice S. Creech, Executive Assistant

Others Present:

Anita Holt, The Forest at Duke
Karen Henry, The Forest at Duke
Mike Kelly, Ziegler
Tad Melton, Ziegler
Devdutta G. Sangvai, M.D., NC Medical Care Commission Member

1. **Purpose of Meeting**

To consider preliminary approval to a refunding transaction for The Forest at Duke.

2. **The Forest at Duke, Inc.- Durham, NC -** Crystal M. Watson-Abbott

Resolution: The Commission grants preliminary approval to a transaction for The Forest at Duke to provide funds, to be used, together with other available funds, to refund the North Carolina Medical Care Commission \$28,200,000 Retirement Facilities First Mortgage Revenue Refunding Bonds (The Forest at Duke Project), Series 2007A, outstanding as of the date of the refunding in the amount of \$22,055,000. The proposed 2017 Bond Issue is projected to generate net present value savings of \$2,500,000 or 11.4 % of the refunded bonds. The proposed transaction is in accordance with an application received as follows:

Remarks were made by: Mr. Crocker, Mr. Melton, Dr. Sangvai, Dr. Fagg, Ms. Holt and Ms. Henry.

Executive Committee Action: A motion was made by Dr. John Fagg, seconded by Mr. Charles Hauser and unanimously approved with the recusal of Dr. Carl Rust.

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$20,615,000
2007A Debt Service Reserve Fund	<u>1,793,405</u>
Total Sources	\$22,408,405

ESTIMATED USES OF FUNDS

Amount to refund Series 2007 Bonds	\$22,055,000
Underwriter Discount	72,153
Bank Counsel	35,000
Bank Fee	10,308
Corporation Counsel	45,000
Bond counsel	65,000
Trustee Fee	10,000
Local Government Commission fee	8,750
ALTA Survey	65,000
Appraisal/Phase I	20,000
Title Policy/Real Estate Recording	21,000
Miscellaneous	<u>1,194</u>
Total Uses	\$22,408,405

Tentative approval is given with the understanding that the governing board of The Forest at Duke, Inc. accepts the following conditions:

1. The project will continue to be developed pursuant to the applicable Medical Care Commission guidelines.
2. Any required Certificate of Need must be in effect at the time of the issuance of the bonds or notes.
3. Financial feasibility must be determined prior to the issuance of bonds.
4. The project must, in all respects, meet requirements of G.S. § 131A (Health Care Facilities Finance Act).
5. The Executive Committee of the Commission is delegated the authority to approve the issuance of bonds for this project and may approve the issuance of such greater principal amount of the loan as shall be necessary to finance the project; provided, however, that the amount set forth above shall not be increased by more than ten percent (10%).
6. The bonds or notes shall be sold in such a manner and upon such terms and conditions as will, in the sole judgment of the Executive Committee of the Commission, result in the lowest cost to the facility and its residents.
7. If public approval of the bonds is required for the purpose of Section 147(f) of the Internal Revenue Code of 1986, as amended (“Section 147(f)”), this tentative approval shall constitute the recommendation of the Commission that the Governor of the State of North Carolina (the “Governor”) approve the issuance of such bonds, subject to the satisfaction of the requirements of Section 147(f) concerning the holding of a public hearing prior to the submission of such recommendation to the Governor.
8. The borrower will comply with the Commission’s Resolution: Community Benefits/Charity Care Agreement and Program Description for CCRC’s as adopted
9. The borrower will furnish, prior to the sale of or reissuance of the bonds or notes or execution of the leases, evidence that it is in compliance with the covenants of all of its outstanding Medical Care Commission debt.

Based on information furnished by applicant, the project is -

- | | | | | | | |
|--|------------|-----|-------|----|------------|-----|
| 1. Financially feasible | ✓
_____ | Yes | _____ | No | _____ | N/A |
| 2. Construction and related costs are reasonable | _____ | Yes | _____ | No | ✓
_____ | N/A |

Notes:

1) Information from 2016 Audit of The Forest at Duke, Inc.

Operating income	\$1,521,703
Change in unrestricted net assets	\$3,078,251
Change in net assets	\$2,873,093
Net cash provided by operating activities	\$7,440,573
Change in cash	\$2,957,711

2) Ratings: The Forest at Duke, Inc. is rated **BBB+**

3) Community Benefit Percentage G.S. 105 = 4.2%, which qualifies The Forest at Duke for 80% property tax exemption.

4) Long Term Service Coverage Ratios

Actual	FYE	2016	2.18
Forecasted	FYE	2017	4.74
Forecasted	FYE	2018	4.56
Forecasted	FYE	2019	4.75

5) Transaction Participants

Placement Agent/Advisor	Ziegler
Bond counsel	Robinson Bradshaw & Hinson, P.A.
Corporation counsel	Womble Carlyle Sandridge Rice, LLP
Bank Purchaser	SunTrust
Bank Counsel	Parker Poe Adams & Bernstein, LLP
Bond Trustee	U.S. Bank

6) Other Information

(a) Board diversity

Male: 8
Female: 8
Total: 16

Caucasian: 12
African American: 4
16

(b) Diversity of residents at The Forest at Duke

Male: 120 (30%)
Female: 280 (70%)

95% Caucasian
5% African American, Asian, Indian, German, Russian and Israeli

(c) Board of Directors/Management Diversity

Since its inception, The Forest at Duke has strived to build and foster a community that welcomes all older adults without regard to race, ethnicity, nationality, religious affiliation and/or gender.

We have firmly believed that our governing board and leadership teams should be reflective of our geographic community as well as the community of those we seek to serve.

Board of Directors:

Our Board has consistently and historically had representation of women, African Americans, public and private sector professionals representing health care, education, local government, human and social services, finance/financial planning and philanthropy resource development.

Since 1999, our Board has been 25% African American. Over the years, African American members have held leadership positions including Chair of the Board, Secretary and Finance Committee Chair. Currently, the Vice Chair and Secretary of the Board are African American. The Chair of the Board from 2012 through 2016 was African American. Women have contributed consistently, comprising up to 40% of Board members since our beginning. They have also assumed leadership roles, including Chair, Vice Chair, as well as Committee Chairs including Nominations and Governance.

The current Board for fiscal year 2017 is comprised of 16 members. 8 or 50% of the members are female and 4 or 25% of the members are African American.

The Forest at Duke's Leadership Team:

6 of the 8 members are female
CEO/President – African American female
Director of Human Resources – African American female

Management Team (12 members):

Director of Nursing – African American
Technology Manager – African American
Nurse Manager – Asian
Nurse Manager – Indian
Nurse Manager – African American

(d) Resident Diversity

The Forest at Duke continues to seek ways to welcome residents of diverse backgrounds. The current population of residents is comprised of 70% female and 30% male. 4% of the residents represent African American, Asian, Indian, German, Russian and Israeli descents.

We continue to strive to welcome more residents to our community of diverse backgrounds. Our efforts have focused on building community relationships with diverse groups through the strength of resident relationships. The Forest has and will continue to provide programs on our campus that focus on specific topics of interest to these groups. By being on our campus, they can interact with our current residents and witness the diversity of the Board and Leadership Team and feel welcome; thus, encouraging them to envision themselves living here.

To fulfill The Forest's goals of providing care and services to broad spectrum of older adults, our strategic plan includes seeking strategic partnerships for affordable housing and care/case management service collaboration. While approximately 50% of our residences have an entry fee lower than the average home price in Durham, we continue to seek a broader economic demographic by offering scholarship for entry fee. Also, regarding affordability, The Forest has addressed increases in monthly fees. Historically, monthly fee increases have been 5.5%. The last three fiscal years have averaged 3.5%.

7) Fee Schedule

SCHEDULE OF FEES

Single Occupancy		Square	Amortized	50% Refund	90% Refund	Monthly
	1) <u>Footage</u>	2) <u>Entry Fee</u>	3) <u>Entry Fee</u>	4) <u>Entry Fee</u>	5) <u>Service Fee</u>	
APARTMENTS						
Ash	1BDR	553	\$ 89,655	\$121,515	\$153,380	\$2,990
Beech	1BDR Expanded	717	118,320	161,650	204,975	3,465
Cedar	1 BDR with Den	914	171,915	236,680	301,445	3,922
Dogwood	2 BDR	1144	225,720	312,010	398,295	4,461
Elm	2 BDR with Den	1243	241,425	333,995	426,565	4,787
COTTAGES						
Alder	1BDR with Den	1207	254,405	352,170	449,930	4,544
Birch	2 BDR	1445	300,690	416,965	533,245	4,787
Chestnut	2 BDR with Den	1662	344,845	478,785	612,720	5,040
Pine	2 BDR with Study	2200	477,360	664,305	851,250	5,211
Holly	2 BDR with Study	2362	497,760	692,865	887,965	5,377
Magnolia	2 BDR with Study	2558	518,160	721,425	924,685	5,488
APARTMENTS						
Ash	1 BDR	553	\$ 117,655	\$156,715	\$195,780	\$4,522
Beech	1 BDR Expanded	717	146,320	196,850	247,375	4,997
Cedar	1 BDR with Den	914	199,915	271,880	343,845	5,454
Dogwood	2 BDR	1144	253,720	347,210	440,695	5,993
Elm	2 BDR with Den	1243	269,425	369,195	468,965	6,319
COTTAGES						
Alder	1 BDR with Den	1207	282,405	387,370	492,330	6,076
Birch	2 BDR	1445	328,690	452,165	575,645	6,319
Chestnut	2 BDR with Den	1662	372,845	513,985	655,120	6,572
Pine	2 BDR with Study	2200	505,360	699,505	893,650	6,684
Holly	2 BDR with Study	2362	525,760	728,065	930,365	6,850
Magnolia	2 BDR with Study	2558	546,160	756,625	967,085	6,961

Effective October 1, 2016.

8) Compliance

The Forest at Duke had zero findings for the FYE 2015 and 2016 compliance examination that was completed on March 30, 2017. A review of the routine documents shows The Forest at Duke is in compliance with the routine document filings required per the bond covenants for FYE 2017 as of March 31, 2017. In addition, The Forest at Duke is in compliance with the Long Term Debt Service Coverage Ratio and Days Cash on Hand requirements. At the time the in depth compliance examination for FYE 2017 is completed, other findings may be identified that are not routine and typical.

9) MCC Bond Sale Approval Policy Information

The Forest at Duke
Series 2017 Bond Refinancing
NC Medical Care Commission Bond Sale Approval Policy

	Time of Preliminary Approval	Time of Final Approval
- Estimated Interest Rate	3.00%	
- All In True Interest Cost	3.31%	
- Maturity Schedule	2017 - 2032	
- Estimated NPV Savings (\$)	\$2,522,279	
- Estimated NPV Savings (%)	11.40%	

3. Adjournment

There being no further business, the meeting was adjourned at 3:30 p.m.

Respectfully submitted,

Crystal Watson-Abbott

