

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
JUNE 18, 2014
2:00 P.M.**

Members of the Executive Committee Present:

Dr. John A. Fagg, Chairman
Joseph D. Crocker, Vice-Chairman
Dr. George A. Binder
Albert F. Lockamy, R.Ph.
Dr. Carl K. Rust

Members of the Executive Committee Absent:

George H.V. Cecil
Mary L. Piepenbring

Members of Staff Present:

Christopher B. Taylor, CPA, Assistant Secretary
Alice S. Creech, Bond Program Assistant

Others Present:

Alice Adams, Robinson Bradshaw & Hinson, PA
Tommy Brewer, Ziegler
Robert Chandler, Deerfield Episcopal Retirement Community
Jonathan Erickson, United Methodist Retirement Homes
Adam Garcia, Ziegler
Allen Robertson, Robinson Bradshaw & Hinson, PA

1. Purpose of Meeting

To consider preliminary approval to refinancing projects for (1) United Methodist Retirement Homes and (2) Deerfield Episcopal Retirement Community.

2. United Methodist Retirement Homes, Durham, NC - Christopher B. Taylor and Tommy Brewer

Executive Committee Action: A motion was made by Dr. Binder, seconded by Mr. Lockamy and unanimously approved with Dr. Fagg and Dr. Rust abstaining from the vote.

Resolution: The Commission grants preliminary approval to a project for United Methodist Retirement Homes to provide funds to be used, together with other available funds, (1) to refund the North Carolina Medical Care Commission \$15,410,000 Retirement Facilities First Mortgage Revenue Refunding Bonds (Cypress Glen Retirement Community) Series 2004A outstanding as of October 1, 2014 in the amount of \$8,015,000, (2) to refund \$2,630,000 of the North Carolina Medical Care Commission \$20,790,000 Retirement Facilities First Mortgage Revenue Bonds (The United Methodist Retirement Homes Project) Series 2005A and (3) to refund \$1,285,000 of the North Carolina Medical Care Commission \$24,250,000 Retirement Facilities First Mortgage Revenue Bonds (The United Methodist Retirement Homes Project) Series 2005B. The refundings are estimated to generate \$725,000 in savings for an estimated 6% present value savings. As of October 1, 2013, Cypress Glen Retirement Community merged with United Methodist Retirement Homes and ceased to exist as a separate corporate entity. The 2014 Bonds are to be purchased by Branch Banking & Trust Company and held as Bank Bought Bonds bearing an interest rate of 78% of one month LIBOR plus 1.3925% until final maturity on October 1, 2024. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$12,075,000
Debt service reserve fund to be released from refunded Bonds (2004A)	100,000
Equity contribution	<u>23,812</u>
Total Sources	\$12,198,812

ESTIMATED USES OF FUNDS

Refund Series 2004A Bonds	\$8,015,000
Refund Series 2005A Bonds	2,630,000
Refund Series 2005B Bonds	1,285,000
Accountant's fee	5,000
Corporation counsel	30,000
Bond counsel	50,000

Trustee fee	1,000
Local Government Commission fee	8,750
Bank counsel	30,000
Bank commitment fee	40,000
Structuring agent	90,562
Miscellaneous	<u>13,500</u>
Total Uses	\$12,198,812

Tentative approval is given with the understanding that the governing board of United Methodist Retirement Homes 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 patients.
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 on November 9, 2007.

9. Based on information furnished by applicant, the project is -

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

Notes:

1) Information from 2013 Audits for Cypress Glen (CG) and United Methodist Retirement Homes (UMRH) (They merged as of October 1, 2013)

	<u>CG</u>	<u>UMRH</u>
Operating income	\$1,527,624	\$2,984,779
Change in unrestricted net assets	\$1,363,539	\$4,045,270
Change in net assets	\$2,045,074	\$4,235,164
Net cash provided by operating activities	\$3,946,865	\$5,756,582
Net change in cash	\$229,762	(\$1,291,195)

2) Ratings: Neither UMRH or CG are rated

3) Long Term Service Coverage Ratios

Actual	FYE 2013	<u>1.77</u>
Projected	FYE 2014	<u>2.04</u>
Projected	FYE 2015	<u>2.15</u>
Projected	FYE 2016	<u>2.29</u>

4) Community Benefit Percentage G.S. 105- for FYE 2013

	<u>CG</u>	<u>UMRH</u>
G.S. 105 Percentage	8.72%	10.78%
Property tax exemption	100%	100%

5) Transaction Participants

Structuring agent	Ziegler
Borrowers counsel	Womble Carlyle Sandridge & Rice, PLLC
Bond counsel	Robinson Bradshaw & Hinson, PA
Bank purchaser	BB&T
Bank counsel	Moore & Van Allen
Bond trustee	US Bank

3. Deerfield Episcopal Retirement Community, Inc. – Asheville, NC - Christopher B. Taylor and Tommy Brewer

Executive Committee Action: A motion was made by Mr. Crocker, seconded by Dr. Rust and unanimously approved.

Resolution: The Commission grants preliminary approval to a financing for Deerfield Episcopal Retirement Community, Inc. to provide funds, to be used together with other available funds, to refund (1) the North Carolina Medical Care Commission \$37,505,000 Health Care Retirement Facilities First Mortgage Revenue Refunding Bonds (Deerfield Episcopal Retirement Community) Series 2004A outstanding in the amount of \$19,845,000 and (2) the North Carolina Medical Care Commission \$5,000,000 Health Care Retirement Facilities First Mortgage Revenue Refunding Bonds (Deerfield Episcopal Retirement Community) Series 2004B outstanding in the amount of \$5,000,000. The refunding is estimated to generate \$2.0 million or 8% of the refunded bonds in savings. The 2014 Bonds are being purchased by First Citizens Bank & Trust Company and will be held as Bank Bought Bonds bearing a fixed rate of 2.50% for a 10-year period ending November 1, 2024, which is also the final maturity of the bonds. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$24,650,000
Debt service reserve fund from Series 2004A Bonds	<u>500,000</u>
Total Sources	\$25,150,000

ESTIMATED USES OF FUNDS

Refund Series 2004A Bonds	\$19,845,000
Refund Series 2004B Bonds	5,000,000
Corporation counsel	35,000
Bond counsel	45,000
Structuring agent	125,000

Trustees fee and counsel	5,000
Accountant's fee	5,000
Bank counsel	10,000
Bank fee (commitment and origination)	32,500
Appraisal	10,000
Local Government Commission fee	8,750
Miscellaneous	<u>28,750</u>
Total Uses	\$25,150,000

Tentative approval is given with the understanding that the governing board of Deerfield Episcopal Retirement Community, 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 patients.
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 on November 9, 2007.
9. Based on information furnished by applicant, the project is -

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

Notes:

1) Information from 2013 Audit

Operating income	\$3,860,595
Change in unrestricted net assets	\$3,860,595
Change in net assets	\$ 4,059,191
Net cash provided by operating activities	\$12,211,405
Net change in cash	\$10,272,803

2) Ratings: BBB+ from Fitch

3) Long Term Service Coverage Ratios

Actual	FYE 2013	<u>2.76</u>
Projected	FYE 2014	<u>1.67</u>
Projected	FYE 2015	<u>1.83</u>
Projected	FYE 2016	<u>1.87</u>

4) Community Benefit Percentage G.S. 105- for FYE 2013

G.S. 105 Percentage	5.28%
Property tax exemption	100%

5) Transaction Participants

Structuring agent	Ziegler
Borrowers counsel	Womble Carlyle Sandridge & Rice, PLLC
Bond counsel	Hunton & Williams
Bank purchaser	First Citizens
Bank counsel	Ward & Smith
Bond trustee	US Bank

4. **Adjournment**

There being no further business, a motion was made to adjourn the meeting by Mr. Lockamy, seconded by Dr. Rust and unanimously approved. The meeting was adjourned at 2:30 p.m.

Respectfully submitted,

Christopher B. Taylor, CPA
Assistant Secretary