

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**

JANUARY 26, 2017

11:00 A.M.

Members of the Executive Committee Present:

Joseph D. Crocker, Vice-Chairman
Charles H. Hauser
Eileen C. Kugler
Carl K. Rust, II, M.D.
Robert E. Schaaf, M.D.

Members of the Executive Committee Absent:

John A. Fagg, M.D., Chairman

Members of Staff Present:

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

Others Present:

Kevin Dougherty, McGuire Woods, LLP
John Franklin, BB&T Capital Markets
Ted Goins, Lutheran Services
Kirby Nickerson, Lutheran Services

1. **Purpose of Meeting**

To consider preliminary approval for a refunding transaction for Lutheran Services for the Aging, Inc.

2. **Lutheran Services for the Aging, Inc. - Salisbury, NC -** Crystal M. Watson-Abbott

Remarks were made by John Franklin and Charles Hauser.

Executive Committee Action: Motion was made by Mr. Hauser, seconded by Ms. Kugler and unanimously approved.

Resolution: The Commission grants preliminary approval for a transaction for Lutheran Services for the Aging, Inc. to provide funds, to be used, together with other available funds, to refund the outstanding balance of the North Carolina Medical Care Commission \$23,625,000 Retirement Facilities First Mortgage Revenue Bonds Series 1998 (Lutheran Services for the Aging) and the North Carolina Medical Care Commission \$26,254,401 Retirement Facilities First Mortgage Revenue Bonds Series 2012B (Lutheran Services for the Aging Project). The purpose for the proposed refunding of \$10,065,000 of the 1998 Bonds and \$23,537,539 of the 2012B Bonds is to 1) extend the length of the bank's commitment for the 1998 and 2012B Bonds, 2) eliminates the letter of credit for the 1998 Bonds, and 3) move the BB&T covenant requirements closer to the structure of the Master Trust Indenture covenants. The proposed refunding of the 1998 and 2012B Bonds is projected to generate present value savings of \$600,000. The project is in accordance with an application received as follows:

ESTIMATED SOURCES OF FUNDS

Principal amount of bonds to be issued	\$33,790,372
Total Sources	\$33,790,372

ESTIMATED USES OF FUNDS

Amount to refund Series 1998 Bonds	\$10,065,000
Amount to refund Series 2012B Bonds	23,537,539
Additional Proceeds for Series 2012B Bonds	2,218
Commitment Fee	23,865
Bank Counsel	25,000
Corporation Counsel	40,000
Bond counsel	60,000
Bank Placement Fee	25,000
Trustee Fee	3,000
Local Government Commission fee	8,750
Total Uses	\$33,790,372

Tentative approval is given with the understanding that the governing board of Lutheran Services for the Aging 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 | <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 2015 Audit of Lutheran Services for the Aging, Inc.

Operating income	\$1,283,422
Change in unrestricted net assets	354,305
Change in net assets (A)	(\$292,231)
Net cash provided by operating activities	\$4,533,902
Change in cash	\$1,892,786

(A) Primarily due to Unrealized Losses on Investments and Loss on Impairment of Property

2) Ratings: Lutheran Services for the Aging, Inc. is not rated

3) Community Benefit Percentage G.S. 105 = 16.3%, which qualifies for 100% property tax exemption.

4) Long Term Service Coverage Ratios

Actual	FYE	2015	2.65
Forecasted	FYE	2016	2.17
Forecasted	FYE	2017	2.69
Forecasted	FYE	2018	2.34

5) Transaction Participants

Placement Agent/Advisor	BB&T Capital Markets
Bond counsel	McGuire Woods LLP
Corporation counsel	Young, Morphis, Bach & Taylor, LLP
Bank Purchaser	BB&T
Bank Counsel	Moore & Van Allen

6) Other Information

(a) Board diversity

Male: 10 (53%)
Female: 9 (47%)

Caucasian: 13 (68%)
African American: 6 (32%)

(b) Diversity records of residents at Lutheran Services for the Aging, Inc.

Male: 281 (24%)
Female: 909 (76%)

Caucasian: 93%
African American: 7%

7) **Fee Schedule - Attached**

8) **Compliance**

It was reported to the Commission at the May 2016 Medical Care Commission meeting that Lutheran Services for the Aging, Inc. had zero findings as of their most recent compliance examination for the fiscal year ended September 30, 2014.


As of January 19, 2017, the routine documents required per the bond covenants for FYE 2015 and FYE 2016 have been timely filed to the Commission. In addition, Lutheran Services for the Aging, Inc. was 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 2015 and FYE 2016 is completed, other findings may be identified that are not routine and typical.

3. **Adjournment**

There being no further business, the meeting was adjourned at 11:30 a.m.

Respectfully submitted,



Crystal Watson-Abbott

Lutheran Services Carolinas
Rates
Fiscal Year End September 30, 2017

Lutheran Home - Forsyth County (Trinity Elms health and rehab)

Rate Table	2015	2016	2017
Nursing PVT	\$ 251.00	\$ 256.00	\$ 264.00
Nursing Semi-PVT	236.00	241.00	248.00
Nursing Rehab PVT	251.00	256.00	325.00

Lutheran Home - Winston-Salem (Trinity Glen)

Rate Table	2015	2016	2017
Nursing PVT	\$ 261.00	\$ 271.00	\$ 283.00
Nursing Semi-PVT	248.00	258.00	270.00

Lutheran Home - Wilmington (Trinity Grove)

Rate Table	2015	2016	2017
Nursing PVT	\$ 209.00	\$ 219.00	\$ 230.00
Nursing Semi-PVT	203.00	213.00	224.00

Lutheran Home at Trinity Oaks (Trinity Oaks health and rehab)

Rate Table	2015	2016	2017
Nursing PVT	\$ 256.00	\$ 264.00	\$ 272.00
Nursing Semi-PVT	246.00	253.00	261.00
Nursing Rehab PVT	319.00	329.00	339.00
Nursing Memory Semi-PVT	251.00	259.00	267.00
Assisted Living PVT	161.00	166.00	171.00
Assisted Living Semi-PVT	152.00	157.00	162.00
Assisted Living Memory PVT	228.00	235.00	242.00
Assisted Living Memory Semi-PVT	220.00	227.00	234.00
One bedroom A/B	723.00	745.00	767.00
One bedroom C/D	746.00	768.00	791.00
Two bedroom A/B	784.00	808.00	832.00
Two bedroom C/D	957.00	986.00	1,016.00

Lutheran Services Carolinas
Rates
Fiscal Year End September 30, 2017

Lutheran Home - Albemarle (Trinity Place)

Rate Table	2015	2016	2017
Nursing PVT	\$ 240.00	\$ 242.00	\$ 250.00
Nursing Semi-PVT	225.00	225.00	230.00
Nursing Rehab PVT	285.00	285.00	295.00
Assisted Living Semi-PVT	140.00	140.00	144.00

Lutheran Home - Hickory West (Trinity Ridge)

Rate Table	2015	2016	2017
Nursing PVT	\$ 255.00	\$ 265.00	\$ 276.00
Nursing Semi-PVT	240.00	250.00	260.00
Nursing Rehab PVT	324.00	337.00	350.00

Lutheran Home - Hickory (Trinity Village)

Rate Table	2015	2016	2017
Nursing PVT	\$ 260.00	\$ 268.00	\$ 276.00
Nursing Semi-PVT	249.00	256.00	264.00
Nursing Rehab PVT	324.00	337.00	347.00
Assisted Living PVT	161.00	161.00	166.00
Assisted Living Semi-PVT	154.00	154.00	159.00
Assisted Living Memory PVT	231.00	231.00	238.00
Assisted Living Memory Semi-PVT	223.00	223.00	230.00

Lutheran Services Carolinas
Rates
Fiscal Year End September 30, 2017

Lutheran Retirement Center at Lutheridge (Trinity View)

Rate Table	2015	2016	2017
Assisted Living PVT	\$ 144.81	\$ 149.00	\$ 152.00
Studio - Birch	2,064.00	2,105.00	2,147.00
One bedroom - Spruce	3,045.00	3,106.00	3,168.00
One bedroom - Hickory	3,159.00	3,222.00	3,286.00
One bedroom deluxe - Spruce with porch	3,145.00	3,208.00	3,272.00
Two bedroom - Laurels	3,670.00	3,743.00	3,818.00
Two bedroom deluxe - Laurels with porch	3,770.00	3,845.00	3,918.00
Second person apartment	525.00	525.00	525.00

Lutheran Retirement Center - Salisbury (Trinity Oaks)

Rate Table	2015	2016	2017
Assisted Living PVT	\$ 158.00	\$ 163.00	\$ 168.00
One bedroom	2,147.00	2,211.00	2,277.00
Two bedroom	2,740.00	2,822.00	2,907.00
One bedroom deluxe	2,229.00	2,365.00	2,436.00
Studio	1,710.00	1,761.00	1,814.00
Cottage	2,954.00	3,043.00	3,134.00
Second person apartment	942.00	970.00	999.00
Second person cottage	1,051.00	1,083.00	1,115.00

Lutheran Services Carolinas
Rates
Fiscal Year End September 30, 2017

Trinity Oaks Cottage Entry Fee Pricing

Address	sq. ft.	Contract Refund		
		No Refund	50%	10%
114 CWD	1453	\$ 99,305	\$ 132,355	\$ 236,900
202 LL	1674	118,193	157,590	282,220
408 TOD	1677	118,193	157,590	282,220
103CWD	1677	118,193	157,590	282,220
111 CWD	1677	118,193	157,590	282,220
303 MHD	1677	118,193	157,590	282,220
304 MHD	1677	118,193	157,590	282,220
312 MHD	1687	118,193	157,590	282,220
316 MHD	1687	118,193	157,590	282,220
310 MHD	1699	118,193	157,590	282,220
314 MHD	1699	118,193	157,590	282,220
207 LL	1713	118,193	157,590	282,220
205 LL	1733	118,193	157,590	282,220
107 CWD	1765	118,193	157,590	282,220
305 MHD	1821	132,098	176,130	315,080
115 CWD	1828	132,098	176,130	315,080
109 CWD	1828	132,098	176,130	315,080
402 TOD	1861	132,098	176,130	315,080
404 TOD	1861	132,098	176,130	315,080
406 TOD	1861	132,098	176,130	315,080
105 CWD	1861	132,098	176,130	315,080
101 CWD	1861	132,098	176,130	315,080
118 CWD	1861	132,098	176,130	315,080
120 CWD	1861	132,098	176,130	315,080
113 CWD	1861	132,098	176,130	315,080
204 LL	1861	132,098	176,130	315,080
206 LL	1881	132,098	176,130	315,080
302 MHD	1861	132,098	176,130	315,080
301 MHD	1905	132,098	176,130	315,080
307 MHD	1909	132,098	176,130	315,080
208 LL	1913	132,098	176,130	315,080
116 CWD	1916	132,098	176,130	315,080
311 MHD	2089	132,098	176,130	315,080
309 MHD	2092	132,098	176,130	315,080
104 CWD	2250	173,813	231,750	393,975
106 CWD	2318	173,813	231,750	393,975
306 MHD	2318	173,813	231,750	393,975
308 MHD	2318	173,813	231,750	393,975
212 LL	2329	173,813	231,750	393,975
102CWD	2589	173,813	231,750	393,975
108 CWD	2644	173,813	231,750	393,975
210 LL	2797	173,813	231,750	393,975
2nd Person		5,260	7,000	12,600

**Lutheran Services Carolinas
Rates
Fiscal Year End September 30, 2017**

Trinity Oaks Apartment Entry Fee Pricing

ACCOUNT DESCRIPTION	Available units	Square Feet	Proposed Non-Refund	Proposed 50% Refund	Proposed 90% Refund
INDEPENDENT LIVING					
Studio	17	504	58,650	75,705	135,445
One Bedroom	18	607	66,700	88,840	159,135
One Bedroom Deluxe	45	695	70,040	93,215	166,860
Two Bedroom	45	955	104,545	139,565	249,520
Second Person			3,865	5,150	9,270