

**JOINT EXECUTIVE COMMITTEE AND
HEALTH AND HUMAN DEVELOPMENT COMMITTEE MEETING
July 11, 2016**

IVES GROVE OFFICE COMPLEX – AUDITORIUM
14200 WASHINGTON AVENUE
STURTEVANT, WISCONSIN 53177

The joint meeting of the Executive Committee and the Health & Human Development Committee was called to order at 5:32 p.m. by Chairman Russell Clark.

Meeting attended by: Vice Chairman Zenner-Richards, Supervisors Miller, Osterman, Molnar, Cooke, Bernberg, Roanhouse, Dawson, Nielsen, Buske and Snow. Supervisor Shakoor, II arrived at 5:42 p.m. Also attending were County Executive Delagrave, Chief of Staff M.T. Boyle, Corporation Counsel Jon Lehman, Health & Human Services Director Hope Otto, Finance Director Alexis Tillman and Ridgewood Director Liam Doherty.

Excused: Supervisor Gleason.

Absent: None.

#1 – Public comments

There were no public comments made at the meeting.

#4 – Discussion with members and County Executive about the conditions of sale that should be included in the Letter of Intent to sell Ridgewood Care Center. The county's broker, Mr. Ray Giannini of Marcus & Millichap, will attend and be available to provide market insight and answer questions.

Chairman Clark stated the interview panel had selected Mr. Giannini as the broker to represent Racine County. County Executive Delagrave then introduced Mr. Giannini and turned the meeting over to him. Mr. Giannini provided information on his background, which was primarily in the area of assisted living, senior housing and skilled nursing facilities and asked the committee members if they had any particular concerns or questions. He explained that it is good to work with a broker that constantly works in this market. He stated that the demographics indicate over the next thirty years there will be a massive demand coming up.

Supervisor Buske asked if the county sold the facility, could that buyer then re-sell it or could the county indicate that they needed to keep it for a specific number of years. Mr. Giannini said the buyers would be courting the county and explained that the letter of intent is a starting point – a 'sketch' of an offer. He talked about certain things you would want to see – that the facility would stay as skilled nursing, there would be access to Medicaid, possibly a deed restriction, etc. - that was a function of the negotiations. Chairman Clark asked of any of the other facilities sold, had they been closed and moved elsewhere? Mr. Giannini answered that he could not think of a single instance. Supervisor Bernberg asked if a non-profit could purchase the facility. Mr. Giannini indicated we would review all offers, but said it was not likely that a non-profit would be interested since they are not as active in the marketplace and tend to build their own facilities.

Supervisor Osterman asked how many transactions Mr. Giannini has done. Mr. Giannini answered about sixty. Supervisor Osterman also asked about a move of the facility. Mr. Giannini explained that the state highly regulates the movement of beds within a region (this was 1 of 5) and how that process is extraordinarily difficult to do. That makes acquisition much easier to accomplish. Supervisor Osterman asked about a lease situation and how many facilities functioned like that. Mr. Giannini said he did not know if anyone had that specific statistic. He explained that to shut a facility down if a huge risk and the state is involved in that as well and they are restricted to a degree. Supervisor Osterman asked about the vetting process of the potential buyers. Mr. Giannini explained the process involved multiple steps, which started with the letters of intent. A rough timeline would be about six months to close, with time built in for members to view the offers, other facilities run by the potential buyer, a financial review, etc. He explained when skilled nursing facilities were created there had not been a lot of competition. It is now a business that is highly regulated and complicated because of the licensing. Assisted living has increased and people with means to have home care means there is enormous pressure to keep beds filled.

Supervisor Miller asked about the current population makeup at the facility. Mr. Giannini stated there are so many consumer protections in place that it would be hard to displace someone. There are laws in place related to the liability for Medicaid patients and he talked about having a mix of Medicaid and private payers. You could also place a stipulation of accepting Medicaid or a percentage of access. The highest and best use of the facility is for it to remain skilled nursing. There is significant competition for business. Discussion was held regarding the private pay costs. Supervisor Miller said knows there is a shortage of good staff and asked the effect a sale would have on the employees. Mr. Giannini indicated that any buyer would be competing with the marketplace for those staff and often salaries get raised to get a competitive atmosphere. He found the county's staff to be reasonably priced and the usage was efficient. County Executive Delagrave indicated that staffing has become an issue where we are getting into a bind and have to start using a pool for staffing.

Supervisor Miller asked about the assurances against bankruptcy of a buyer. Mr. Giannini said the county is now facing a financially unsustainable situation. The model is predicated on losses and the loss cannot go on. You are trying to make this financially sustainable and this is a reasonable size facility to proceed forward. County Executive Delagrave said when vetting, we do our best to acquire assurances by choosing a quality vendor.

Chairman Clark asked Mr. Giannini to talk about the pros/cons of a lease to buy situation. Mr. Giannini answered that because we are running a loss, an operator would ask for fund to make them financially stable. A lessee cannot go to a lender because they do not own the real estate, so have no real collateral for a loan. If securing the license, the lessee would want to control the beds. From a legal perspective, when the lessee issues quarterly financial statements, there is a 90-day lag of financial disclosure, which makes leasing a risky endeavor. The county would also not likely see any rental income for about 36 months from the facility and may still need to provide funding. Chairman Clark said some constituents had indicated they would be comfortable with a non-profit running the facility and asked Mr. Giannini to talk about that. Mr. Giannini explained that a non-profit does not pay any property taxes. They are not active in the marketplace and it was his experience that non-profits do not actively engage in a purchase. When selling a facility like this, there may be obstacles in their way and often they withdraw from the sale process.

Supervisor Bernberg asked if a buyer would have his/her own agent. Mr. Giannini said most often, the answer is no, but they possible could. Chairman Clark asked how many potential offers did Mr. Giannini believe would be received and how long would it be marketed. Mr. Giannini answered that he estimates about 8-10 potential buyers and the marketing period would be approximately 30-40 days. He did not believe we would need longer than that and then asked if there was a possibility the county would want to cut that period shorter. Chairman Clark answered probably not. Chairman Clark asked about the approximate value of the property and it we had priced this too low, what would happen. Mr. Giannini if we get several offers at list then you go up. You can have multiple rounds of offers and there are ways of handling that. Chairman Clark asked what a new owner might do immediately or in the near future. Mr. Giannini said the footprint has enough room to expand and they might look at a continuing care spectrum – rehab, independent and assisted, then skilled nursing care.

Supervisor Snow asked about the least amount of time a property was held before being re-sold and could there be a stipulation for the county to have a say in any resale? Mr. Giannini indicated when a property is bought the state has to approve the licensing. If there were any changes post-closing, it would be hard for the county to have a stake in the resale.

Supervisor Shakoor said the estimated fair market value was about \$10 million. Mr. Giannini said that was about the maximum value. Supervisor Shakoor then asked what a buyer could do to keep the facility profitable. Mr. Giannini said we need it to stay profitable in the community and there are lots of efficiencies when adding another one to a vendor that has multiple facilities. County Executive Delagrave explained when you have a regional operator, their pricing on costs for goods, such as food, are much better because they are buying in larger quantities. All they tend to work with is nursing home businesses. They often have more sophisticated technology. Discussion was held regarding operators and dealing with purchases and staff scheduling when you have a larger pool of workers to draw from or flexibility in staffing.

Supervisor Cooke said a new facility could cost \$20-\$24 million to build, so how then do you justify the value for a sale/purchase. Mr. Giannini said there are costs efficiencies and buyers most likely could turn a profit within a year's time frame. He then talked about the various methods used in valuing commercial properties.

County Executive Delagrave said we currently have the lowest census at Ridgewood and the projections of revenue deficits are worse than initially thought. Mr. Giannini said our costs go back to that of a single-facility owner compared to large group efficiencies of multiple-facility owners. If the census continues to decline, it can affect a sales price, even if the need is there. Discussion was held regarding reasons you see a decline in the census and the types of valuation methods.

County Executive Delagrave said the purpose this evening was to address conditions related to the sale. Supervisor Miller asked if official action was needed to decide the conditions. Mr. Giannini said he would like to start marketing the facility, which would allow buyers to submit offers. He talked about non-binding letters of intent and explained examples. Specific conditions could be part of the negotiating process. Supervisor Shakoor said we don't want to get into micromanaging the conditions. The bottom line is it will have to come back to the committees and the full County Board for a final decision. The idea was for our broker to go and get the job done and then bring it back for review.

Motion: Supervisor Bernberg moved to proceed and follow the recommendation of Mr. Giannini regarding the letters of intent. Seconded by Supervisor Zenner-Richards.

Supervisor Miller questioned whether a motion was proper at this stage. Corporation Counsel Lehman indicated that any final decision would involve all 21 County Board members. The Board had already agreed to proceed in the manner in which Supervisor Bernberg's motion addressed in that Mr. Giannini was empowered to move forward with marketing the facility.

Supervisor Miller said he thought there had been an excellent discussion and the broker knows the members concerns. Supervisor Shakoor said the authorization had been given for the broker to proceed with the job. He had gotten enough information from the Supervisors and administration to move forward.

Supervisor Zenner-Richards said she would accept the comments made regarding the process and said that she thought Supervisor Bernberg was trying to clarify this and move forward. Supervisor Zenner-Richards then withdrew her second to the motion.

County Executive Delagrave indicated that he was comfortable with the discussion for Mr. Giannini to move forward with marketing the facility. Supervisor Bernberg read from the Wisconsin Statutes regarding opening meeting law and asked for an opinion from the Corporation Counsel. Corporation Counsel Lehman confirmed that he agreed with Supervisor Bernberg that the meeting was properly noticed for the committees to take action.

Supervisor Cooke pointed out that there was a motion on the floor without a second and that he did not feel comfortable voting that motion, although we have achieved the objective of this meeting.

Action: The motion died for lack of a second.

Supervisor Snow stated there had been a lot of dialogue this evening. He would still like to see some documentation of the conditions on paper and that it should be voted on. Supervisor Osterman said he agreed. Discussion was held regarding what conditions should be included.

Mr. Giannini said he understood the main three topic areas were:

- Some type of deed restriction on the property
- That Medicaid access would continue
- The seller reserves the right of conducting due diligence on vetting the potential buyer

He further stated that conditions beyond those might put undue pressure on the marketing and may reduce the number of interested buyers. There would still be time to respond to letters of intent and segregate the officer. He would begin marketing the facility and start the process.

Supervisor Shakoor indicated the broker has dealt with these situations before. Chairman Clark stated yes, the broker had the authorization to proceed with marketing the property. County Executive Delagrave said it was his intent to bring forward something for those employees vested in Racine County that there would be a provision for qualifying them for retirement insurance/

#3 – Youth in Governance Statement revisions

Chairman Clark explained that one of the youth representatives had come up with a suggestion to change the statement and have the youth read it at the committee meetings. He then turned the meeting over to Supervisor Osterman, who stated that the members had a copy of the suggested wording for the statement and he was looking for input regarding the change. The Government Services Committee would adopt the final language for the statement.

#2 – Approve minutes from previous meeting(s)

EXECUTIVE COMMITTEE MOTION

Action: To approve the minutes from the June 14, 2016 Executive Committee meeting as printed. **Motion passed.** Motion: Supervisor Miller. Seconded: Supervisor Cooke.

#5 - Adjournments

EXECUTIVE COMMITTEE MOTION

Action: Adjourn the meeting at 7:30 p.m. **Motion Passed.** Moved: Supervisor Miller. Seconded: Supervisor Bernberg. Vote: All Ayes No Nays.

HEALTH AND HUMAN DEVELOPMENT COMMITTEE MOTION

Action: Adjourn the meeting at 7:30 p.m. **Motion Passed.** Moved: Supervisor Miller. Seconded: Supervisor Buske. Vote: All Ayes No Nays.