

# County Board Meeting



October 19, 2022

7PM

# DCRNC History

- What is now called the DeKalb County Nursing Home was begun as a “poor farm” in 1853. Prior to that time when persons were in need of public assistance, due to financial or health reasons, they were referred to the township overseers of the poor. The overseers would allocate available county resources to assist these people. The County Board of Supervisors felt that the poor of DeKalb County would better be served by a centrally located facility which ultimately led to the creation of the County Home in 1945.
- The nineteen sixties were the beginning of many new concepts in health care for the elderly and chronically ill. Along with these new concepts came many new rules and regulations for the licensing of all health care facilities.
- Plans for an addition to the County Home was presented to the architect in 1966. The groundbreaking ceremony was held at 1:00 p.m. on May 8, 1968.
- The new structure consisted of a ground floor and three stories above that. A total bed capacity of 194 beds were available on three patient units.



# DCRNC History (continued)

- In 1991, the County was authorized after referendum to levy and collect a tax for the purpose of maintaining a prior nursing home facility, but never levied such tax over the thirty years since its passage because of an expectancy that the facility would fund itself without the necessity of tax levies.
- MPA was hired to manage the operation in August of 1997.
- The current facility was erected in 1998 utilizing local funds without a referendum by the voters and was occupied in March 2000.
- The County sold \$13,000,000 in bonds in August, 2020 to pay for the Rehab & Nursing Center Expansion project. Construction activity in 2019 and 2020 was funded with Rehab & Nursing Center cash reserves and internal borrowing. The bonds were issued for 30 years at an average interest cost of 2.23% and with all debt to be retired by operating revenues of the Rehab & Nursing Center. Annual debt service payments will range from a low of about \$624,000 to a high of about \$683,000. The bonds will not be fully retired until December 15, 2050, subject to a call provision beginning December 15, 2030.



# Financial Challenges

- **FY2019:** Budgets \$15,997,400 in Patient Service Revenue; Actual Revenue is \$13,905,290.

**\$2,092,110 short of budget projection**

- **August 2020:** The County sold \$13,000,000 in bonds for an expansion project at the DCRNC to be paid from operating revenues over the next 30 years. The debt service averages \$661,500 per year for a total of \$19,846,449.

- **FY2020:** Budgets \$16,654,000 in Patient Service Revenues; Actual Revenue is \$13,839,223.

**\$2,814,777 short of budget projection**

- **March 15, 2021:** The Treasurer's Office noted cash flow issues with this fund.
- **April 21, 2021:** The County Board approves a Loan of **\$2,000,000** for cash flow purposes.
- **October 14, 2021:** Operating Board authorizes notice to MPA that a Request for Proposals will be issued for management services. Sixty-day notice is required contractually in the event a new management company is selected.



# Continued Challenges

- **October 27, 2021:** An additional **\$1,500,000** in borrowing is needed to pay accumulated invoices.
- **October 29, 2021:** MPA provides the County notice that it intends to terminate their agreements with the County on December 31, 2021.
- **November 5, 2021:** Receivables are reviewed with approximately **\$1,800,000** to be written off as bad debt. The majority of the uncollectible receivables are from 2018 through 2020 and are related to Medicaid billing and a failure to file eligibility and claims within prescribed time limits.
- **November 2021:** An additional **\$1,000,000** in borrowing is needed to pay for accumulated invoices and payroll obligations.
- **December 2021:** An additional **\$800,000** in borrowing is needed to pay accumulated invoices and payroll obligations.
- **December 31, 2021:** Management Performance Associate's agreement to serve as the Management Company of the DCRNC ends.



# Continued Challenges

- **January 1, 2022:** The County Board assumes oversight of governance of the DCRNC operations. The Health and Human Services Committee will be the direct report with financial updates provided to the Committee of the Whole.
- **January 1, 2022:** The DCRNC enters into agreement with Jordan Healthcare to assist with assessment and collection of receivables and to assist with current billing.
- **January 4, 2022:** Met with Architect to work toward receiving occupancy for Activity Center and warming kitchens. Occupancy was permitted in late February by City of DeKalb and IDPH.
- **January 2022:** The County Board approves an agreement with Marcus and Millichap to provide an understanding of the processes for each of the options including a new management company, leasing the property or sale of the facility. As part of the agreement Marcus and Millichap would serve as the County's broker in the event the County leased or sold the operation.
- **February 4, 2022:** An additional **\$100,000** in borrowing is needed to meet payroll obligations.



# Continued Challenges

- **February 18, 2022:** Another **\$1,000,000** in borrowing is needed to meet accumulated invoices and payroll obligations.
- **March 16, 2022:** Another **\$500,000** is needed to meet accumulated invoices and payroll obligations.
- **May 18, 2022:** **\$410,000** is transferred from the Asset Replacement Fund to cover invoices and settlements.
- **July 2022:** **\$300,000** is needed to meet accumulated invoices and payroll obligations.
- **August 2022:** Another **\$500,000** is needed to meet accumulated invoices and payroll obligations.



# Actual Cash Flow Borrowing

Jun-21	Asset Replacement Fund	\$1,000,000
Jun-21	Asset Replacement Fund	\$101,000
Jul-21	Asset Replacement Fund	\$899,000
Oct-21	Asset Replacement Fund	\$1,500,000
Nov-21	Asset Replacement Fund	\$1,000,000
Dec-21	Opportunity Fund	\$800,000
Feb-22	Opportunity Fund	\$100,000
Feb-22	Special Projects Fund	\$500,000
Feb-22	Opportunity Fund	\$500,000
Mar-22	Asset Replacement Fund	\$500,000
May-22	Asset Replacement Fund	\$410,000
July-22	Opp. Fund/Special Projects	\$300,000
Aug-22	Opportunity Fund	<u>\$500,000</u>
		\$8,110,000



# Cash Flow Borrowing by Fund

<i>Actual</i>	Borrowed:	Maximum:	Remaining:
Asset Replacement Fund	\$5,410,000	\$5,450,000	\$40,000
Opportunity Fund	\$1,900,000	\$1,945,000	\$45,000
Special Projects Fund	<u>\$800,000</u>	<u>\$1,085,000</u>	<u>\$285,000</u>
	\$8,110,000	\$8,480,000	\$370,000

## *Estimated*

Oct-December

\$300K/Month

\$900,000      \$370,000      (\$530,000)

The remaining funds would be transferred from the General Fund.



# Contractual Documents

- The County Board voted to enter into a Letter of Intent to sell the DeKalb County Rehab and Nursing Center to Illuminate HC in July of 2022.
- The purchase price was established at \$8,300,100.
- The Letter of Intent included a \$20,000 non-refundable escrow.
- The parties have worked to develop an “Asset Purchase Agreement” and an “Operational Transfer Agreement”.
- These documents provide the legal language related to the sale of the facility and transfer of the operation from DeKalb County to Illuminate HC.

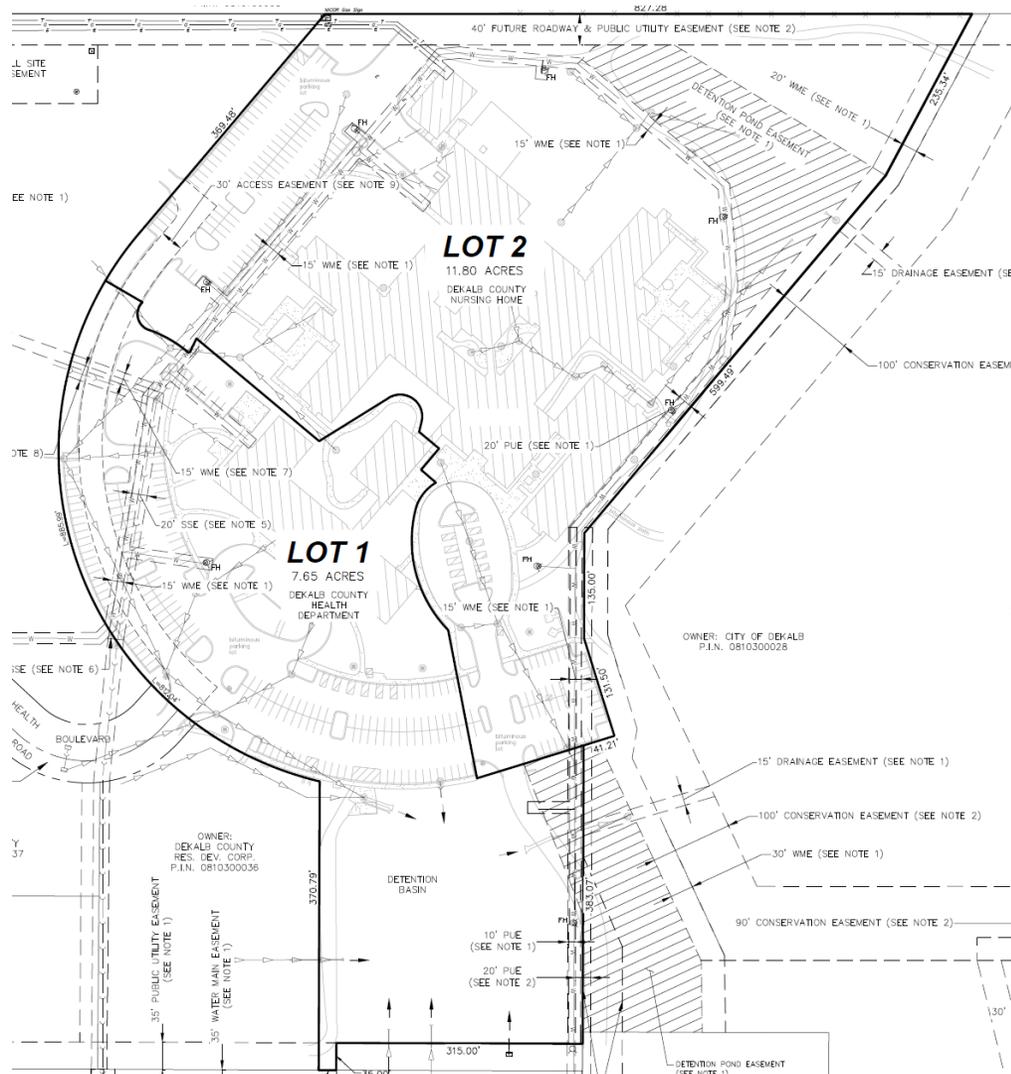


# Asset Purchase Agreement

- This agreement addresses the sale of the facility, land, improvements, real property, fixtures & equipment and personal property.
- The 45-day due diligence period begins when the Asset Purchase Agreement is executed.
- The sale is an “As Is, Where Is, With All Faults”.
- The sale closing is anticipated on or before December 31, 2022.
- The County will have a Right of First Refusal/Notice of Sale.



# Asset Purchase Agreement



- The re-subdivision to divide what is currently one large lot into two lots (as shown) was presented to City of DeKalb PZC October 17th.
- Lot 2 is what is included in the Asset Purchase Agreement.
- The Planned Unit Development language provides access easements for Illuminate to get to and from the property. Any additional easements may need to be provided as necessary.



# Operational Transfer Agreement

- This agreement addresses the transfer of the operation,
- County retains Accounts Receivable for services provided prior to the date of sale and is responsible for liabilities related to Accounts Payable prior to the sale.
- A “hold-back” of 3% will be included for any liabilities or over-payments related to the County’s ownership of the DCRNC.
- Employees will no longer be County employees upon the sale closing and would need to be rehired by Illuminate.
- The County will provide a credit for Paid Hours Off (PHO) accrued by current employees.



# Post-Closing Agreement for Shared Uses

- This addendum outlines Shared Uses and Services primarily related to the adjoined buildings and transitional period.

## Heating

Parties agree that Nursing Home property provides heating water to Multi-Purpose Rooms and Public Health Department. Health Department will continue to pay 25% of natural gas costs. In the event a new boiler system is installed for the Health Department, the County is no longer required to reimburse Illuminate for heating costs.

## Air Handling

The air handlers for the DCRNC building and the Health Department building are supplied air from compressors in the DCRNC. The County intends to install a compressor before the end of calendar year 2023 in a room within the multi-purpose room area. The parties agree that the Buyer will continue to provide air as needed until the end of 2023 or when the County gets the new compressor installed, whichever comes first.



# Post-Closing Agreement for Shared Uses

## Parking Lot Lighting

The Health Department parking lot lighting is on a single meter that serves all of Health Department and DCRNC operations. The County will pay to have the parking lighting outside of the area being purchased split into a separate meter before the end of 2023. DCRNC will be responsible for paying the electric service bills until the end of 2023, or when the County completes the process of splitting the parking lot lighting, whichever comes first. However, the County will reimburse the Buyer five-hundred dollars (\$500.00) monthly as its pro-rata share of the bills until the County lights are removed from the DCRNC meter.

## Network & Data

Buyer may remain on the County's computer network until the Operations Transfer Agreement cut-off-date, or until a time that the Buyer is able to fully establish its own internet connectivity, computer network, phone system, email system and other technology related needs.



# Post-Closing Agreement for Shared Uses

## Network & Data

All computer related electronic equipment including; computers, printers, cables, switches, wireless access points, telephones on the County network, and scanners will remain with the Facility at time of sale. If the Buyer identifies that it does not have a use for the wireless access points and/or network switches located in the DCRNC, the County will remove and assume ownership of same at the cut-off-date.

After Closing, if Buyer deploys any new technology-related equipment, the County will not be responsible for supporting such equipment, and the equipment may not be connected to the County's network. However, County wi-fi access may be utilized for such equipment, and mailboxes and access to email will be continuing to be established for any new users until the cut-off-date. Once the Buyer establishes its own computer network, all connectivity to the County network, County internet, County email, and County phone system will be removed. Internet, email, and phone system, a copy of all files and emails will be provided to Buyer, if Buyer would like a copy of these files and emails.



# Post-Closing Agreement for Shared Uses

## Telecommunications

Telephone numbers will remain active and will be ported to the Buyer at a point in time when the Buyer is ready to accept control of applicable phone numbers. The County will endeavor to continue to support the Buyer's phone system until the time of porting. However, devices controlling the phone system will no longer be under County software and equipment support, and the County cannot ensure the phone systems stability. Therefore, if such equipment were to fail and require vendor support and/or remediation, the Buyer will be responsible for resolving the issue, and/or expediting a move to its own phone system.

## Parking Lot Cameras

Parking lot cameras currently located on light poles on the real property that will remain with the County and that are in a position facing the DCRNC will be repositioned in a manner directed away from the DCRNC prior to sale. Parking lot cameras located within the area being conveyed to the Buyer will be removed by the County camera security system prior to Closing.



# Post-Closing Agreement for Shared Uses

## Multi-Purpose Room

The County agrees to allow the Buyer to reasonably utilize the multi-purpose rooms needed (meetings, gatherings, etc.). Scheduling of the rooms is controlled by the Public Health Administrator, or her designee. The County agrees to provide the use of the rooms and any utility costs at no additional charge to the Buyer. The Buyer agrees to clean-up the room after each use. The County recognizes that the multi-purpose rooms may also be utilized by the Buyer in an emergency if there are failures with the DCRNC cooling system. The parties agree that any liability associated with the use of the rooms including the transport of residents is solely that of the Buyer and furthermore the Buyer agrees to indemnify the County for any use of, or activities related to the use of the Multi-Purpose rooms by the Buyer.

## Signage

Illuminate will comply with the City of DeKalb's sign ordinance.



# Post-Closing Agreement for Shared Uses

## Storage

The property includes a maintenance garage that a portion is dedicated to storage for the Health Department. The County is including the garage in the transfer of the assets to the Buyer but will continue to utilize this portion of the garage for off-site storage. The Buyer will be responsible for the operations and maintenance of the garage and the County will cover any maintenance costs for the interior of the County controlled storage area. The storage portion of the building is 1900 s.f. (47.5% of the whole building) and has 14 cages. 7 cages are unassigned, 3 are assigned to the Buyer's DCRNC. 2 are assigned to the DeKalb County Sheriff, and 2 are assigned to public health. The parties agree that access and use the Storage Facility shall be shared accordingly. The Storage Facility shall be maintained by Buyer to a standard that is commensurate with the condition of the Storage Facility on the Effective Date of the Asset Purchase Agreement.



# Next Steps

## Certificate of Need/State Licensure

After the Asset Purchase Agreement is in place, the County will work with Illuminate and the State of Illinois Health Facilities and Services Review Board to apply for a Certificate of Need to establish the continued need to operate a skilled nursing facility in our area. The Review Board approval is required prior to closing on the sale.

## Re-subdivision

The City of DeKalb Planning and Zoning Commission has forwarded the subdivision plat to the City Council for action next week. Easements will be established as necessary before recording.



# Resolution Language

## **A Resolution Authorizing the County Board Chair to Execute an Asset Purchase Agreement and Operational Transfer Agreement between the DeKalb County Government and Illuminate HC regarding the Sale of the DeKalb County Rehab and Nursing Center**

Be it resolved by the County Board of the County of DeKalb, Illinois as follows;

WHEREAS, the DeKalb County Board entered into a Letter of Intent to sell the DeKalb County Rehab and Nursing Center (DCRNC) to Illuminate HC; and

WHEREAS, the attached Asset Purchase Agreement (“Exhibit A”) and Operational Transfer Agreement (“Exhibit B”) outline the terms of the sale;

WHEREAS, the sale is contingent upon approval of the Illinois health facilities and services review board;

NOW, THEREFORE, BE IT RESOLVED that in recognition of these factors, the DeKalb County Board hereby authorizes the County Board Chair the authority to execute the Asset Purchase and Operational Transfer Agreements and any related or ancillary documents as presented in final form after legal review.



# Available Resources

DCRNC Debt Fund Balance	\$835,000	} → Available fund balances associated with expansion, debt service and Supportive Living Funds.
Rehab Expansion Fund	\$605,000	
Supportive Living Facility	\$715,000	
SLF Contribution FY2022	\$415,000	
Potential Sale	\$8,051,000	→ Sale Price \$8.3M less 3% commission.
Potential ARPA Lost Revenue	\$4,700,000	} → "Lost Revenues" recouped under ARPA. \$4.7 for 2021 and remainder 2022 and beyond. Not specific to DCRNC.
	\$3,624,000	
Accounts Receivable	\$3,215,000	→ Receivables 180 Days or Less
SLF 2023-2030	\$1,200,000	→ Estimated \$150k year/8 years
<hr/> Total Estimated Resources	<hr/> \$23,360,000	



# Expenses and Liabilities

Debt Service Escrow at Closing	\$13,500,000
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2021-April	\$2,000,000
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2021-October	\$1,500,000
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2021-November	\$1,000,000
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2021-December	\$800,000
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2022-February	\$1,100,000
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2022-March	\$500,000
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2022-April	\$0
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2022-May	\$410,000
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July-Dec. 2022 (\$300K/mo.)	\$1,800,000
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Total Internal Borrowing	\$9,110,000
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Placeholder for Add'l Liability	\$750,000
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Total Debt & Borrowing	\$23,360,000
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At the time of closing, funds will need to be deposited into an interest bearing escrow account to cover the principal and interest on the debt until the call date (December 2030).



The amount of funds “borrowed” from internal sources since April 2021. Assumes a net loss on a cash basis of \$300,000 per month for six months from July 2022 through December 2022.



Funds reserved for any legal or contractual obligations.



# Liabilities & Resources Reconciliation

Debt Service Escrow at Closing	\$13,500,000	DCRNC Debt Fund Balance	\$835,000
2021-April	\$2,000,000	Rehab Expansion Fund	\$605,000
2021-October	\$1,500,000	Supportive Living Facility	\$715,000
2021-November	\$1,000,000	SLF Contribution FY2022	\$415,000
2021-December	\$800,000	Potential Sale (Price less Commission)	\$8,051,000
2022-February	\$1,100,000		\$4,700,000
2022-March	\$500,000	Potential ARPA Lost Revenue	\$3,624,000
2022-April	\$0	Accounts Receivable	\$3,215,000
2022-May	\$410,000	SLF 2023-2030	\$1,200,000
July-Dec. 2022 (Est. \$300K/mo.)	\$1,800,000		
Total Est. Internal Borrowing	\$9,110,000	Total Estimated Resources	\$23,360,000
Placeholder for Add'l Liability	\$750,000		
Total Debt & Borrowing	\$23,360,000		

