

Mark Hennessey: We're here today for a meeting of the Continuing Care Retirement Council. I'm Mark Hennessey. I'm the chair of the council. I'd like to call to order the meeting of the CCRC council and welcome members, participants, and observers.

A couple of things we're going to read through here that are normal, boilerplate stuff that's reminders for folks. One thing I would put on the table that's kind of important is if you'd silence your cell phones so that it doesn't disrupt the meeting that's taking place today, I'd appreciate that.

The meeting is subject to open meeting law, [00:00:30] and it's broadcast is going to go over the internet, webcast accessed at the Department of Health website, which is www.health.ny.gov. The on-demand webcast will be available no later than 7 days after the meeting for a minimum of 30 days. Then a copy will be retained in the Department for four months.

Here are some suggestions and ground rules to help make this a successful meeting. Because there is synchronized captioning, it is important that people announce themselves. Say who they are the first time that they speak so we can make sure their [00:01:00] names and organizations are captured within the titling. That's one thing. The second thing, is it's really important to have only one person speak at a time. It's difficult for the people who are going to do the transcription and that, to be able to transcribe two different conversations that are taking place at the same time. We'll try to manage things. I'll try to manage things and make sure that we stick to that idea. I would ask for everybody's patience on that.

On council members' side, if you'd just raise your palm or something like that. You don't have to put your hand all the way in the air, but [00:01:30] just a little bit. That will help me to keep track of who's going to be the next speaker, and who wants to have an opportunity to talk.

There's a form that needs to be filled out upon entering the meeting room which required your attendance at meetings. It's required by the joint commission on public ethics in Executive Law 166. The form is posted on the Department of Health's website, which I said earlier, is www.health.ny.gov under the council section on the CCRC page. In the future, [00:02:00] you can fill out the form prior to council meetings, if you choose to do so to save a little time. We want to thank you for your cooperation in helping making that sure we fulfill all legal requirements for holding a meeting.

Members of the public are only allowed to address the council if they speak up before the meeting and sign up for being a person to make public comment. Comments are going to be limited to 3 minutes per speaker. Members of the public are not allowed to hand out materials directly to the council or question the council. They can only make [00:02:30] public comments to the council for consideration. At this time, I just want to take a moment and see if there's anybody who is interested in making public comment. If so, please talk to Susan

over there. I'm seeing Susan indicate that there is no one over there who's interested in making public comment; so I guess we can skip the agenda item of taking up public comment. Anyone have any difficulty with us skipping over that? Okay.

The next item on the agenda is approval of transcript from the June 22, 2017 [00:03:00] meeting. May I have a motion and a second on the idea of approving that transcript? The motion's by Mr. Kaplan. The second is by Ms. Barnett. Is there any discussion? Okay. Now, I'm going to call a vote on the motion. All in favor, say "aye".

Council Members: Aye.

Mark Hennessey: Any opposed, say "no". Motion is adopted.

Next on the agenda are two presentations by operators of [00:03:30] continuing care retirement communities. We'll bring them up one at a time. These appearances were brought together at the request of the council. We want to have an active discussion on topics the council members want to discuss. We'd also like to note, however, that we would ask for members to hold questions related to the financial or credit history of either of these corporations presenting today. This is because I would like to take a motion a little bit later to take up those matters during the executive session, which we will still convene [00:04:00] today, but we want to make sure to give people an opportunity to have an open and frank discussion about financial matters.

Having said that, I'd like to bring up The Knolls, A Bethel Community, to talk to us about what is going on. If you would you just speak up to the table and make sure to state your name, and where you're from, and all that. Thank you.

Beth Goldstein: I'm Beth Goldstein, and I am the CEO of Bethel Methodist Home, [00:04:30] the operator of the Knolls CCRC. I'm going to give you a brief overview of where we are to date. Basically, we took over the Knolls ... We closed, and we took over November 1, 2016. Things have been going quite well, just as we had projected and as we thought. Of course, there's been a few surprises here and there, which we expected [00:05:00] as well.

We are currently at occupancy of 74, which is a 62% occupancy. We have engaged a very active marketing program since we took over. It did take a couple of months for it to get up and running, hiring the staff, etc. Since March, things have been going really well. We have had 17 sales since the month [00:05:30] of March. We have taken in quite a few entrance fees to date, and we are right on target with what our budgeted projections were in that respect.

We currently have 16 people who we consider on the top ten hot board. Three who will move in the next 30 days, and 13 who should move in between now and the end of the [00:06:00] year.

Again, expenses, we are right on as we projected them to be. We've had a few surprises as far as the marketing ... Not surprises. The up front costs of marketing were more than we had projected, because in our projections we balanced it out over a period of time. When we first took over, obviously some of those [00:06:30] costs came into effect in the beginning; but by the end of the year, certainly that should start evening out, as we thought that it would. We've had some unforeseen repairs that have had to be done. Things that we expected to happen even though we did a lot of due diligence before we took over; but again, the property, there wasn't much going on as far as maintenance of the property. There were a couple of things that took us by surprise.

The [00:07:00] residents are very happy. We have renovated all of the empty apartments that we had, so they're all ready for sale. We have started the renovations of some of the common areas. We submitted a CON for the renovation of the skilled nursing portion. We have also ... By the end of this week, we should have the construction drawings and the specs so we can put all [00:07:30] the major common area construction out to bid so that that can take place. The roof work is being done, the outside work, the paving, the beautification, landscaping. That's all been done over the last couple of months, and continues, and will continue through November, when the weather starts, I guess, changing on us.

Things are going really well, as we expected.

Mark Hennessey: [00:08:00] Okay, are there questions from the council?

Wayne Kaplan: This is Wayne Kaplan. Having acquired properties, I know that it's not always what you expect. They day you take the keys, it's not always exactly the same as the day before you took the keys. I hear you.

Beth Goldstein: Correct.

Wayne Kaplan: I appreciate that. How exactly are you marketing?

Beth Goldstein: We have engaged Love and Company, who is a national senior living marketing firm. They have worked with us to hire [00:08:30] our staff, so the sales director and the sales person are Bethel staff, Knolls staff. They do all the training. They work with them on the events that we have planned. We do at least two events a month. Anybody that's hot leads, we have a tour of homes, we bring them back, and we have smaller group meetings. We have luncheons. As a matter of fact, [Stash 00:08:53] and I attend those luncheons. We do tours. We answer questions that they may have; because, [00:09:00] believe it or not, some people are familiar with the bankruptcy, but I would say 95% are not. They're new leads, new people, who are very interested in the concept, but are not familiar with the CCRC concept and need a little more encouragement and acknowledgement about the model. It's not that familiar to people in that area.

- Wayne Kaplan: How are you reaching [00:09:30] out to these people? I mean, social media, advertisements in the New York Times, you know.
- Beth Goldstein: We have a new website. We bought ... There's a direct marketing campaign for lead generation. We have had ... Wait, I have those numbers.
- male: 900.
- Beth Goldstein: Over 900. [crosstalk 00:09:50] I want to [00:10:00] say 943 leads, since we've taken over. Each event we hold usually has close to 35 or 40 people in attendance, twice a month. Some of them brand new; and again, [00:10:30] some of them are focused on bringing people back that are hot leads or warm leads that they want to work with a little more to get them to close the deal.
- Wayne Kaplan: Do you work with real estate brokers at all, and give them a commission for finding you a resident?
- Beth Goldstein: Actually, it's funny. We just had our marketing meeting Monday to talk about the budget for next year. That was one of the things we talked about [00:11:00] doing for next year. Working with real estate companies, working with case managers, financial planners; things like that. Doing less of the direct leads, but also more of the outreach to people who would be helping these people to come in; and giving commissions, if necessary. We do have a commission policy for our sales people, resident referrals, and even employee [00:11:30] referrals.
- James Sheehan: How much inquiry or pressure are you getting on the conditional refunds that you're scheduled to do next year? Are people pushing you or asking about them?
- Beth Goldstein: Not at all.
- James Sheehan: Okay.
- Mark Hennessey: Any other questions from council members outside of the bounds of what we talked about possibly having an executive session about? [00:12:00] Seeing nobody, so I'm assuming that's a no. I move that the council go into an executive session, under the exception found in Public Officers Law, Section 105, 1F. This provision allows a public body to go into executive session for the sole purpose of allowing discussion of the medical, financial, credit, or employment history of a particular person or corporation. Do I have a second? Second is Ms. Laible. [00:12:30] Any discussion? We're going to take this to a vote. All in favor, say "aye".
- Council Members: Aye.
- Mark Hennessey: All opposed. The motion is adopted. I now move that we allow of The Knolls, A Bethel Community into executive session for the purpose of presenting their

financial history to us. Do I have a second? Second is Mr. Davis. Any discussion?
[00:13:00] All in favor, say "aye".

Council Members: Aye.

Mark Hennessey: All opposed, say "no". Before we break for executive session, I want to make clear that the executive session will be held solely for the purpose of receiving this financial information. Once this discussion is completed, we'll immediately end executive session and move back to the public session.

Female: Excuse me. We don't actually have a space for the executive session until noon.

Mark Hennessey: Okay. [00:13:30] There should be no discussion in the executive session regarding any other matter than those allowed under the Public Officers Law, Section 105, 1F. We're going to take a two minute recess. Okay.

[Sue 00:13:43], could you join me for one second?

Into executive session.

We've [00:14:00] just adjourned the executive session, and I'd like to thank the representatives from The Knolls, A Bethel Community for spending some time talking with us today. Thank you.

Beth Goldstein: You're welcome.

Mark Hennessey: Next item on the agenda is a presentation by representatives of Glen Arden. I know that they're ... A PowerPoint presentation, [00:14:30] I think, that is already up on the board. We'll welcome the representatives from Glen Arden.
[crosstalk 00:15:01]

Debra Zambito: [00:15:00] I guess we'll sit here, right.

Mark Hennessey: Just give me one second. [crosstalk 00:15:29]

Female: [00:15:30] Switch to their presentation.

Mark Hennessey: [crosstalk 00:15:44] Thanks [00:16:00] for joining us here today. I know that you have a presentation that you want to do, and I just ... We'll have a discussion that will follow that. I would ask again, if council members and other people who are seated here with us, will indulge in the idea of making sure to not to ask any financial questions. We'll take that up separately during an executive session that will follow. The [00:16:30] microphone is yours. Please remember to introduce yourself, the organization you work for, for the people doing the captioning if you wouldn't mind.

Debra Zambito: Okay, thank you. I was told I should test this first.

Mark Hennessey: That's not a bad idea.

Debra Zambito: Yay, it works. Good, good. Good morning. Yes, we're still morning. My name is Debra Zambito, and I'm the CEO of Elant. Under that umbrella, of course, is Glen Arden, which is a CCRC community located in Orange County, [00:17:00] New York, Goshen specifically. We're here today to talk about Glen Arden and give you some information.

Scott P.: Scott [Piotti 00:17:11]. I, as well, work for Elant, Inc., which is over the Glen Arden CCRC. I am the Controller of the entity.

Debra Zambito: Good, okay. I wanted to start with identifying just some discussion [00:17:30] points. I'm going to start with a Glen Arden timeline. It may seem a little odd, because you actually ... Some of you may know the timeline more than I do, but I'm trying to understand how we got to this point as best I can. How we ended up where we are today, okay, with the entire Glen Arden operation.

I [00:18:00] went back. We started in June of 1996, obviously. I'm going to start with ... I'm going to go to the next slide, actually. In June of 1996, Glen Arden opened with 163 independent living units and the 40-bed skilled nursing unit. The reason I went back is because I wanted to see what we looked like when we were [00:18:30] at our highest occupancy point, and then marry that up with what did the financial picture look like at our very highest occupancy point.

In the year 2000, we were at 153 units occupied. 163 was our overall, we had 153 units occupied. That year, we brought to the bottom line [00:19:00] only \$140,000. That is not a lot of money to end up with at a 153 units occupied. To me, that's very telling. I wanted to ... I looked at the financials. I just looked at the income statement. I didn't go in any in-depth analysis. I was just surprised.

The first [00:19:30] thing that stuck out to me like a sore thumb was we had costs. There just appeared to be very little cost management. Great revenues, came out of the gate strong, lots of units occupied; we weren't able to bring a lot of that to the bottom line. I think that trend, unfortunately, continued, in terms of the cost side of the equation.

[00:20:00] In 2005, as you can see, a few years later, they converted 15 of the units, the ILU into the enriched housing; so we have 28 private bedroom suites. Each one has a private bedroom and bathroom. Then depending on the size of the ILU unit that was converted, [00:20:30] is what size your EHU common space is. Certainly, there are more ... There are enriched housing units that are quite, quite luxurious and spacious. These are really like hotel suites, bedroom suites.

For me, because I'm an accountant by education, and that's where I came up the ranks. [00:21:00] I looked at that from a financial perspective, so that translates into a lot of non-revenue producing area, space, under cover. When

we start ... When we get into our later discussions, and hopefully we will when we talk about pricing and some of the things that got us to this point, I think that's something we certainly need to have a conversation about.

I gave you that timeline.

James Davis: Can we just interject a question first?

Debra Zambito: Sure.

James Davis: When you opened, [00:21:30] you didn't have enriched housing?

Debra Zambito: We did not.

James Davis: You were not a type A contract. What type of contracts were you selling? Do you know? You don't have the full life care spectrum.

Debra Zambito: I don't know.

James Davis: You don't have the full life care spectrum here.

Debra Zambito: I don't know the answer to that. I do not know, literally, the type of contract that we [crosstalk 00:21:50].

James Davis: Too far back. Of course to have type A, you'd have to have-

Wayne Kaplan: You'd need all three levels.

James Davis: The three levels. Yeah.

Debra Zambito: Understand that as part of the [00:22:00] Elant system, you had Goshen Adult Home. Perhaps that was the-

James Davis: That's probably the answer.

Debra Zambito: How they were able to suffice that requirement.

James Davis: Okay, and that's probably the answer.

Wayne Kaplan: That would make sense.

Debra Zambito: Now, interestingly enough, and again, hindsight it's always what we could have, should have, unfortunately. Our contracts have [00:22:30] not ... Our agreements, I should say residency agreements, have not really been updated to take into consideration when we put in the enriched housing. We did allow, at that point ... My understanding is we asked people, current residents of the ILU, if they wanted to buy into that, an additional contract and up theirs. Some

chose to, some chose not [00:23:00] to. Regardless, of whether they were given those choices, the actual language in our residency agreements still reads Elant Adult Home.

When we talk about the need for a higher level of care, or a different level of care, and are we able to meet the needs of the residents when the care changes; we still have Glen Arden's Adult Home. Quite frankly, [00:23:30] it has most recently really created a problem for us. When needs have changed and we haven't been able to.

Wayne Kaplan: The services in an adult home are actually a little bit more acute than the services in enriched housing, so you should be covered.

Debra Zambito: We are, but you know what, it's the expectation of the resident that has presented, because of that language.

Wayne Kaplan: What sort of problem [inaudible 00:23:58]?

Debra Zambito: [00:24:00] It says we will provide the adult home care. We don't talk about what happens if ... The adult home is a separate entity; it's not under the same roof.

Wayne Kaplan: Right, but the [crosstalk 00:24:17].

Debra Zambito: The enriched housing is.

Wayne Kaplan: They need that care.

Debra Zambito: They don't like the adult home. "I want to stay in enriched housing. I don't like the adult home." We're caught really in [00:24:30] legal language issues is what it ended up being. We can talk about ... There are specifics. I'm actually referring to a very specific incident that happened this year. We certainly can talk about it in executive session. This is definitely not in the forum.

James Davis: Council member Davis. If somebody comes to Glen Arden now, they're signing a residency agreement for full life care?

Debra Zambito: [00:25:00] Yes, but the actual agreement still speaks to Goshen Adult Home. We don't even own the adult home anymore.

James Davis: Okay. In effect, you don't have full life care [crosstalk 00:25:12].

Debra Zambito: We do have the enriched housing.

James Davis: Okay.

Debra Zambito: It's just the language in the contract does not refer to it.

James Davis: Okay, so you need to change that.

Debra Zambito: Yes.

James Davis: You need to change that.

Debra Zambito: We have several changes that ... On a phone call last week, we talked about, and [00:25:30] we'll make recommendations. It'll go to the folks that need to review it, and then obviously, with the Department of Health being the final sign-off on that.

James Davis: That's a critical piece that you've got ...

Debra Zambito: Absolutely. Yes, it is.

James Davis: When you say the enriched housing units are non-revenue producing, you're not selling them to the outside public? They're attractive, as you said. The outside public's not looking at them?

Debra Zambito: They have such large space, you can't possibly [00:26:00] charge the amount ... If we were going to any other public space, or commercial space to rent, they would be charging much more for that type of a-

Scott P.: Square footage.

Debra Zambito: Square footage and layout and footprint than what we're able to charge.

James Davis: They're empty?

Debra Zambito: Pardon me?

James Davis: Are these empty, these enriched housing units? Did I hear you say-

Debra Zambito: Not all. Some of them are occupied by contract holders.

James Davis: [00:26:30] Right, and how many of these?

Debra Zambito: We do have ... I think we may have three beds empty right now. Not a lot, but we have some SSI folks in there. You know, you're talking about \$1,200 a month.

James Davis: You have SSI folks in your enriched housing?

Debra Zambito: We do. Um-huh. We do.

James Davis: One of the things you obviously have to ... I guess, now you can't admit from the outside, given their history. You're well beyond the seven year time frame.

[00:27:00] Maybe one of the things to look at ... This is getting too much into the details perhaps, is how do you open that up to the outside public to generate some revenue?

Debra Zambito: Well, actually, this is what I'm hoping to ... After we have our presentation, I'm very much interested in hearing what ideas we can come up with. I have no magical powers, no glass ball that I look into to [00:27:30] help us navigate. Again, you'll see the financial piece. I think that will even shed some greater light on some of the challenges that we're having.

Mark Hennessey: Do you want to continue moving through the presentation?

Debra Zambito: We will. We'll just ... I do want to talk about current occupancy and marketing and then ... We'll skip over the next financial statements, year-to-date. Scott was going to speak to [00:28:00] that as an overview. We can certainly take that, probably more preferably, into executive session as questions ... I do have a handout.

Mark Hennessey: Can [00:28:30] we just go into recess for about a minute, if you don't mind?

Debra Zambito: You want us to ... ?

Mark Hennessey: No, you can stay. Stay where you are.

Debra Zambito: That was the timeline. Any questions regarding that timeline before we move forward? No. The financial statements. We were asked to present through Q2'17. [00:29:00] I will be giving a handout. As an overview, we have a loss from operations versus budget of \$248,000. Our revenue. We've tried to break down where we think the loss is coming from, where we know the loss is coming from. Our resident services revenue is [00:29:30] down 276, our entrance fees 268, and our ILU resident services are up by \$58,000.

On the next slide, we talk a little bit about the health care revenue and our mix. That's really how it is broken out. We did the, really, the rate volume analysis. Just for own [00:30:00] purposes, we do this every month when we go through our financial statements. It's helpful to find out why we're down.

The other operating income, we had a little bit of a pickup. Then, operating expenses were under budget by \$17,000. The goal obviously, is to, when we have a shortfall in revenue ... Typically, in most businesses, we want to react [00:30:30] on the cost side of the equation so that we are reacting quickly. We don't want to see that continue. We do do that on a regular basis. We speak to the financial situation frequently. Every week, we know what our revenue stream is. When we can react on the cost side of the equation, we do that fairly quickly. [00:31:00] By that, I mean, usually it's with staffing.

There are many costs involved that are a combination of fixed and variable. When we can change the variable component to be aligned with any shortfalls in revenue, or anticipated shortfalls, obviously that's where we react to it. That has ... It's [00:31:30] common practice that we follow that. We're very diligent about that.

Scott P.: If I may, Debra, just to interject. Given the fact that we are a CCRC and not a full-blown nursing home facility; there's a lot more fixed costs than there are variable costs. It is a little more difficult to manage that process. We have been very diligent to scope through all the contracts. We've worked with a couple of vendors already to renew those. At the end of the day, you'll see from the slides and so [00:32:00] far that we've been speaking, typically in the health care industry, it becomes a revenue. It's getting the revenue in to generate more ability to invest more capital into facilities and improvement and add more staff. I just wanted to point that out, because -as you know- it's different from the senior home perspective. There are lot more fixed costs than there are variable costs.

James Davis: What's the occupancy, in your skilled nursing, what's your occupancy?

Debra Zambito: The occupancy [00:32:30] is ...

Scott P.: It's right around 90%.

Debra Zambito: Yeah.

Scott P.: [crosstalk 00:32:35] Being down 146 days really, from a budgeting perspective, really isn't that bad. It's more or less the quality mix at this point. The quality mix meaning the medicare, private, and insurance. It's been a little bit less of a rate in there as well. It's about half and half with the price and the volume. We've been ... We've had some pretty good census and mix [00:33:00] there, to a point ... At one point, we were full and had I guess, not a waiting list; but we couldn't get anybody in. We were on bed holds, if you will. It's doing well. In some cases, if anything, we wish we had more beds for the nursing side of it, skilled nursing side of it.

James Davis: You're admitting from the outside?

Debra Zambito: Limited.

Scott P.: Very limited.

Debra Zambito: A limited amount.

James Davis: How were they allowed to do that? I'll bet it's a good idea. I'm just curious to know since you're so far beyond the timeline [00:33:30] for outside admissions. I mean, we just reached our 7th year, and we all looked at what we could do.

You're well beyond, even that amortization schedule, right?. Anyway, just something to think about. I mean, it's probably something you should be doing, but I think it doesn't meet the spirit of the Article 46, not the spirit of the language.

Debra Zambito: [00:34:00] Occupancy. We have 97 units occupied. We are at 65.5%. That's of September 1. We've had 10 move ins thus far in 2017. We have had 5 move outs as follows: 2 deaths, 2 [00:34:30] permanently placed, and 1 moved out to another facility as a result of a higher level of care with a secured memory unit. We anticipate 7 move ins in Q4.

The next slide is our marketing and sales slide.

James Sheehan: Can I go back for a second?

Debra Zambito: [00:35:00] Certainly.

James Sheehan: You said you had 7 move ins projected for the fourth quarter. Does that mean you have deposits, confirmed deposits? How did you get to that number?

Debra Zambito: We have ... From our lead generation. We do not have 7 deposits. We have what we call a [ladders 00:35:18] program. Most of the folks come in under the ladders program; so they're not depositing, they are going right to move in. If they're depositing, they are [00:35:30] timing their deposits so that they know that they can move in within that 30 day mark.

James Davis: Yeah, but the ladder ... You should still be getting the deposit. The ladder comes in how you pay the balance. You still should be getting those deposits.

Debra Zambito: They have to close on their ... within 30 days.

James Davis: Without a deposit?

Debra Zambito: No, they have to close within 30 days of their deposit. What they'll do is ... They may have a home to sell. [00:36:00] Rather than putting a deposit down today, they want to take advantage of the ladders program. They're going to wait until they know they're in contract, and they're going to close on their home within that 30 days, and then they'll ... As long as what the pivotal timing event is, that's going to get them to move in.

James Davis: I understand the process, but usually you get the deposit, and then the balance becomes [00:36:30] the ladder, not the deposit. To your question, those move ins are far from guaranteed.

James Sheehan: That's my concern.

Scott P.: They're projected.

Debra Zambito: They're projected. They are not ... That's anticipated, yes. Projected, anticipated. We do not have deposits on the books. I'm sorry if that is misleading.

One of the challenges [00:37:00] that we have had in selling our units is lead generation. Having really an appropriate lead database or prospecting database. We've been ... We have focused most of our efforts on getting that to where we have an effective lead database and [00:37:30] growing that database. Our conversion rates, in terms of lead to presentation and presentation to closing, is right up there with the industry average. The industry average was ... This is using Greystone. We had them in as a consultant, marketing consultant. I think they left in 2015. It may have been 2016, early in the year.

male: [00:38:00] Why did they leave?

Debra Zambito: They were ... It was costing a great deal of money, and we were not seeing the return on that investment. The contract ended, and it was not renewed. There are a couple of things that we're doing. Back to [00:38:30] the industry average for our lead generation to presentation and then presentation to closing. Those are consistent with what Greystone intended for our community. The problem really lies in how do we get the numbers into ... How do we get the lead database? We're working with Focus Media, who is a local media company, advertising. [00:39:00] We are almost on, I would say, a fee-for-service with them. We're really picking and choosing, rather than a robust marketing plan that's costing us hundreds of thousands of dollars, and being uncertain about the return.

We are using the data that we collect from actual marketing events, direct mail pieces, and everything that we do. Then [00:39:30] following suit with saying, "All right, how much did we get out of that? What was the return on that investment? That direct mail piece may have cost us \$5,000 and we were able to ... It went out to a certain number of people, and we were able to get 160 people in the door, first time visitors in the door, with whom to make a presentation to. That's how we are moving [00:40:00] forward with our marketing plan.

We are also one of the big ... We just signed off ... I just signed off on this. One of the big challenges that we've had is that we did not really have a good website. We did not have a functional website. As you know, many of our leads come from the adult children of the folks that normally would be moving into a community like ours. Well, they're digital. When you don't have [00:40:30] a mobile-friendly or a good website that is going to give these folks some information, some good information, there's nothing that pulls them in. There's nothing that pulls them in. We're spending \$15,000 on a new website. That's the fourth quarter this year.

The direct mail piece and our new website [00:41:00] are the two areas we focus on. The direct mail has worked very well for us. We keep getting pulled into a ... Most marketing programs have this 360 project, so they want to do some print. They want to do some direct mail. They want to do website. They want ... You know what, we just can't afford to do that. We have to spend our money very smartly. [00:41:30] I have to make very certain that every dime that we spend on a marketing event that it has a good return. It just has to for us. There is not money to be thrown away or wasted.

We have revived our referral program. We have many local residents that live in our community. When I say local, people that have been [00:42:00] born and raised and raised their families in Orange County, and specifically Goshen. They're great advocates for us. That's one of the ways we also are able to enhance our lead database. Website, direct mail, and referral programs; those are our biggest producers in terms of lead database that are going to get us where [00:42:30] we need to go.

We've also engaged in community outreach. We attend various senior centers. We make presentations to senior centers. We are involved in every opportunity that is available within the Orange County, Sullivan County, and Rockland County area. I believe we [00:43:00] are ... I think there's an opportunity in the Pennsylvania. It's a little bit to the west of where we are in Goshen, but I believe that that's a little bit of an untapped market for us. We just need to make sure that there is ... We have to income qualify, or at least ask a certain asset base folks need in order to qualify; so we're not just [00:43:30] sending information out to people that are not qualified. We purchase lists, we cull it down, we qualify the folks; and that's who we're marketing to. We're not wasting dollars on folks that don't have the means to spend in a community of ours.

Yes?

- Alicia Laible: Council Member Laible. How are other similar facilities in the area doing, compared to you, with their occupancy rate?
- Debra Zambito: They have higher [00:44:00] occupancy. Our probably biggest competitor would be Woodland Ponds. It's a different community though, very much so. They attract a different resident, type of resident.
- James Davis: It's a good distance away really.
- Debra Zambito: It is a good distance away.
- James Davis: It's your closest, but still-
- Debra Zambito: [crosstalk 00:44:24] You know what, quite frankly, our biggest competitor is folks still wanting to stay in their own [00:44:30] homes.

- Alicia Laible: Is CCRC ... What about independent living in the area and other skilled nursing facilities in the area, how do they do with their occupancy rates?
- Debra Zambito: The skilled nursing facilities are pretty full. They're pretty full. This time of year - that July, August, going into September, first two weeks of September- there's always a lull in the skilled nursing facilities, in their admissions. Typically, they are. Other than that, [00:45:00] the facilities are kept fairly full.
- Alicia Laible: With a decrease in your occupancy rate, what do you think has been the major shift to cause that change, to be at 65% right now?
- Debra Zambito: We've been ... That's actually ... I'm embarrassed to say, but that's up from where we were. We took a tremendous nose dive when the real estate market bottomed [00:45:30] out. That was ... Look at ... The folks that move into a CCRC in our area, are folks that had enormous homes in Goshen. They thought that was going to be part of their retirement. They're thinking their homes are going to be worth a million dollars, and they can't get rid of them for \$400,000. That really [00:46:00] was our biggest challenge back then. Look, it's never going to come back to where it ... It was kind of this pretend real estate market. It's bounced back somewhat. It will never be to the level that it was before the bottom fell out of that real estate market, unfortunately. Again, it's one of our biggest challenges in the [00:46:30] local area.
- Now Sullivan County, that's a little bit north. That's going through some changes, Sullivan County. The mix of folks, it's actually becoming quite a popular spot. We get a substantial amount of leads from the Sullivan County area. We think ... [00:47:00] We're testing the waters in Rockland. Rockland is really a secondary market for us. Primary market would be Orange County and Sullivan. I think, right over the border, the Pennsylvania border there, would be another secondary market, probably similar to Rockland. I don't know if they have the income base that we would need. We're still ... Again, like I said we're [00:47:30] testing, doing some due diligence and testing the waters there.
- One of the other things that we're doing is ... Again, email blasts is up there as one of the lead generations. We have an opportunity, for a very reasonable price, to purchase a list of ... [00:48:00] It's an email list of the adult children of the senior community, folks that have already been qualified. We're going to be doing some email blasts to them as another way to generate ... Getting mom in there.
- We do a lot of presentations. Our marketing events have been very successful. [00:48:30] We do what we call "lunch and learn". They come in. We do a presentation with them. We then tour them. We have lunch together. They have an opportunity ... We have ... It's really, quite frankly, all hands on deck. The new requirement is every department head in Glen Arden is to participate in the presentation and then hosting a [00:49:00] table when we meet for lunch. We want them to want to come to us because this is their new home. We are

treating it as a ... Like a cruise ship environment, [00:49:30] or the permanent vacation environment, or a hospitality environment.

I think in the past, part of our challenges were ... This is from speaking with folks that have been involved in Glen Arden for a long period of time. We went back to that comfort zone of health care, of health care, of health care. Well, you know what, no senior [00:50:00] that I know of wants to deal front and center with making end-of-life decisions at the age of 60 when you're still playing tennis every day and active. That's what you're asking them to do when you present it in that manner. We want to ... We're trying to present it differently, have a different approach on how we [00:50:30] market and fill those independent living units. We call it the cruise ship approach or the vacation.

We want people to feel like ... Look, you can come here. Your housekeeping is done. You can eat in the restaurant. You don't have to cook every night. You know, you don't have to clean your car off when the snow hits. Somebody picks you up right underneath the carport when it's raining out, if you need to go to the grocery [00:51:00] store or activities. We have a very robust activity calendar. We have a new director of activities, and she's certified in Zumba and yoga and all sorts of things. She's fabulous. People want to come to our community for those reasons, so we've taken a little bit of a different approach. [00:51:30] We've tried to. We've tried to be creative. We've tried to think outside of the box on how we can fill the independent living units and market this product.

We have challenges to overcome, which I believe is on ... Well, I was ... Let's ... Here are some of the conversion rates, just for your information. I gave the industry average, per Greystone Consulting. This is lead database to presentation. Glen Arden is at the 35%. [00:52:00] Then presentation to closing ... Greystone had actually set a goal for us of 9%, and we've met that goal. We've maintained that goal. The industry average is a little bit higher. We're on the low end of that.

These are our challenges. These are some of the reasons why we need to think outside of the box. I can't wave a magic [00:52:30] wand and change many of these situations. The age of the community. Not to mention, that obviously we have some challenge with our operating reserve. In normal business practices, when we have somebody that's making an investment ... [00:53:00] That's what folks do when they look at a Glen Arden, a CCRC; they're making an investment in their future. They make an investment. Well, what do you typically do ... What do we all do when we make investments, if you actually have a building structure? It's common that you take part of that money that you take in, and you set it aside for capital, right. Well, I can't change what happened in the past, but I can tell you that that's not what happened.

[00:53:30] How do I address age of community? We have many capital repairs that are needed. That certainly would help our situation, in terms of being a

more attractive place for folks to want to come and live. It's a challenge. It's a challenge. Poor condition, that's kind of what the age of community. There are some things that really are in poor condition. Now, we were able [00:54:00] to redo the café recently. Very, very ... A few changes, lighting, flooring. We did a lot of the work ourselves. Our maintenance department did a lot of the work themselves, and it's nice. It was like a little facelift, and the residents are enjoying it, and they're thrilled about it.

Our next area [00:54:30] is the lobby. We're doing some soft goods redo in the lobby. Again, a little facelift. We've been able to get ... Use folks that are allowing us to pay them over time. It's not like I need \$50,000 to write a check today to pay the folks. We've been able to work with community contractors and vendors [00:55:00] that want to see us succeed quite frankly, so they're willing to help us.

The lack of a secured memory care unit. More and more, a greater percentage of the population we're finding, have memory care issues. We have very luxurious space in the EHU, that it would be certainly something for us to consider what is involved [00:55:30] in retrofitting that space to obtain a secured memory unit. I think that's one of the things we need to look very seriously at. I think there's a large need for it in our area, in our space.

James Davis: You don't need too much to do that. It could be WanderGuard system.

Debra Zambito: Well, we have WanderGuard, but I'm talking about a secured ... [00:56:00] Meaning they have their own eating space, they have their own ... It's a secured unit where they're self-contained. This again, is something we recently faced a challenge with specifically. It's tough when we're having conversations with the families. They want so much for mom and dad to stay here, and we can't care for them the way that they need to be cared [00:56:30] for. This happened with not having a secured memory unit, you know. It's heartbreaking. It's heartbreaking.

James Davis: With a life care contract, somebody has advanced dementia, where do they go?

Debra Zambito: We had an independent health care evaluation, outside evaluation, and they need a secured unit. They need a locked [00:57:00] unit.

James Davis: Someplace else?

Debra Zambito: Yeah.

James Davis: Under a life care contract?

Debra Zambito: Well, we had to ... We refunded their refundable portion of their entrance fee.

James Davis: So they left?

Debra Zambito: Yes, they had to leave-

Scott P.: They left to another [crosstalk 00:57:14].

Debra Zambito: Yeah, yeah. That was our one that I had said, where we lost five, that was one of them, that went. It really was a sad situation. She had been here for many years. [00:57:30] It was tough. It was tough dealing with the family. They're like, "Why can't she stay here?" Because it's not safe. She was hitting other residents, you know. It wasn't a good situation. Sad.

We're at maximum debt capacity. That really limits our refinancing [00:58:00] opportunities. Again, we're limited. There's no magical answer for that.

Alicia Laible: Can I ask you ... Can you explain to me a little bit about the ownership structure, just so I understand? When you say you're at maximum debt capacity, is that just specifically at Glen Arden, or does Elant fall into this?

Debra Zambito: No, that's just Glen Arden, in terms [00:58:30] of our bond, our debt.

Alicia Laible: As far as not having capital, or capital infusion or anything, that's not an option for ... ?

Debra Zambito: There is a capital fund. You can't use it, if you're not meeting certain covenants.

Alicia Laible: Right.

James Sheehan: As to ... I'm sorry, this is Member Sheehan. As to Elant or as to Glen Arden?

Debra Zambito: Glen Arden.

James Sheehan: [00:59:00] You're ... Could I just pick this up for a second?

Alicia Laible: Please.

James Sheehan: You sold off a series of SNFs, right? Elant sold off a series of SNFs over the last year, and generated capital as a result of those sales, correct? About how much was generated from those sales?

Debra Zambito: Limited. Not much, not much.

James Sheehan: From one, two, three, four, five, four.

Debra Zambito: Four SNFs have transferred [00:59:30] ownership. One as late, as recently as September 1st. Two of them as recently as September 1st. Two of them, April 27th, transferred ownership.

James Sheehan: How much were the proceeds of those sales? Net proceeds.

- Tracy Raleigh: I think that ... This is Tracy Raleigh from the Department of Health. Is that a matter that you'd prefer to take up in executive session? In terms of ...
- James Sheehan: Okay, okay.
- Mark Hennessey: How about this? Just to ... [01:00:00] Let's do take that up in executive session. Yeah. No, I definitely think we need to continue plowing through that, but we'll take it up in executive session, okay. Is there anything further that you want to add on this presentation? I think we can kind of get the rest of it, having read through the rest of the slides. Did any of the council members disagree on that? I mean, it's pretty straight forward stuff.
- James Davis: I just had one quick question.
- Mark Hennessey: Sure.
- James Davis: On property values, the Lego park that's going [01:00:30] up near you. Is that going to help you at all? Are you going to be able to sell any property to them?
- Debra Zambito: We have vacant land that ... It abuts the anticipated future Legoland spot. That certainly is an option.
- James Davis: Good. Then potential property values in the area could be affected by that as well.
- Debra Zambito: Yes. Well, you know, it's [01:01:00] interesting. Yes, for the most part, there are certain property values that definitely are increasing as a result of Legoland coming in. Absolutely.
- Mark Hennessey: All right, so I'll move that the council go into an executive session under the exception found in Public Officers Law, Section 105, 1F. This provision allows a public body to go into executive session for the sole purpose of allowing discussion of the medical, financial, credit, or employment history of a particular person [01:01:30] or corporation. Do I have a second? Second is Mr. Kaplan. All in favor, say "aye".
- Council Members: Aye.
- Mark Hennessey: Any opposed? I now move that we allow the representatives of Glen Arden into the executive session for presenting their financial history to us. Do I have a second? Ms. Laible? All in favor.
- Council Members: Aye.
- Mark Hennessey: Any opposed? [01:02:00] Sorry, forgot to announce the motion passed on the first go around, the second go around. That motion has passed as well. Before we break for executive session ... I know I stated this earlier, but I'm going to

state it again. I want to be clear the executive session will be held solely for the purpose of receiving this financial information. Once this discussion is completed, we'll immediately end the executive session and move back to public session. There should be no discussion in the executive session regarding any other matter than those allowed under the Public [01:02:30] Officers Law, Section 105, 1F. We will now move into executive session.

Okay, we'll now resume regular session. There's only one. I should say we've finished up the executive session. I know there are some members who wanted to ask some additional questions, [01:03:00] make some additional comments, that would be outside the bounds of executive session. We'll start with Mr. Kaplan.

Wayne Kaplan: These are just some suggestions. Again, they may be good ones, they may be bad ones. It's just suggestions.

Debra Zambito: I've got my pen.

Wayne Kaplan: The SSI residents who are taking up the enriched housing units, double them up. No reason they should have a private unit to themselves. Then, you'll open up more units. You'll have more units to rent. That should be able to help. Again, these are short term solutions. Maybe not the whole, long-term, over the year solutions; but just a [01:03:30] few things.

I mean a secured memory unit should have been installed a long time ago. It may be too late to do that now with licensing, getting a [STAR 01:03:38] license. I don't know if you can even do that. That was just a suggestion.

You're very close to Kiryas Joel. How about having a kosher section and a kosher kitchen, and going after that potential market.

You said that you were possibly thinking about going into Pennsylvania to market. I don't think you're close enough to Pennsylvania to do it, but northwest [01:04:00] New Jersey, and there's Sparta, all those lakes; tons of money. Tons of money, and you're pretty close to that.

The last suggestion is hire back Christine [Wise Velasquez 01:04:12]. She was a cracker jack. I don't even know if she was there when you were there or not. Do you know who I'm talking about?

Debra Zambito: Um-huh (affirmative).

Wayne Kaplan: Those are my suggestions.

Mark Hennessey: Any other questions or suggestions?

Alicia Laible: Yeah, I ... I think I just want to reiterate what Mr. [01:04:30] Davis said earlier, about marketing. If that is going to be an option moving forward and maintaining the CCRC, I agree with him, wholeheartedly, that there should be a different marketing approach going on. I would ramp that up as much as possible. I know that spending time with an agency to go over the spending of each dollar [01:05:00] may seem helpful, but you lose out on so many potential people while you're in the middle of that study. Sometimes those agencies costs tend to be higher than what they're worth when you learn in the end. Whereas some billboards, radio ads, TV, whatever. That kind of marketing, while it can be expensive, can really help.

Then, obviously, talking about the dated facilities, the age of community, making some sort of capital available, however that [01:05:30] would happen, through sale of certain land or that. I think capital investment would be very important because if you are going to go out marketing and bring these people in ... I know that your rate of ... Whatever it was at. Was it 9%, 9% of people who ... ?

Debra Zambito: That was presentation to conversion rate, presentation to sale.

Alicia Laible: Yeah, maybe you would see it even higher if there was an investment in the actual property and what it is that [01:06:00] they're seeing.

Then, lastly, again if this is the path you go down, I would highly recommend a management company coming in and evaluating everything that you have and utilizing that. There are some very good management companies out there that can come in and take a look at everything that you have to offer. You know, I've seen them turn around some pretty poor facilities.

James Davis: Council member Davis, just dovetailing on that. I [01:06:30] would, if you're serious about making this a viable situation and there is capital, I think you'd need a whole, entire development plan. You've raised a whole host of issues, whether it's memory support, or the condition of the building, or the admitting from the outside; but they are lots of ways to do better. I was hoping that you were still using Greystone. I see you're not. There are other companies I think you could engage to give you a whole new development [01:07:00] plan, for all of the issues that you raised, and bring it all together in one package. There's just a host of issues you're facing here. My recommendation, if I were in your shoes, would be to get a firm like that to [crosstalk 01:07:12] to present that plan.

Alicia Laible: Yeah, I should say, when I said management company, I meant consulting company. Let me just revise to say-

James Davis: Marketing would be part of that.

Alicia Laible: Could be part of that, yeah.

- James Davis: You have the right contract types? Can you offer more? There's got to be 20 things to look at here, and I think you need somebody to bring that together for you. That's just my recommendation.
- Debra Zambito: [01:07:30] We're following the marketing plan that Greystone set. We're following all of it.
- James Davis: That should be updated every year. They're gone for two years now.
- Debra Zambito: Yes, yes, they have. The reasons that we got rid of them is because you can't pay for everything. I can't pay for everything.
- James Davis: That's why I'm saying, subject to the appropriate infusion.
- Debra Zambito: Right.
- James Davis: You're going to have to get an infusion [01:08:00] to make this work. There's no other way around that. If you can make that infusion, my suggestion is that you have this whole new development plan for your campus.
- Mark Hennessey: Any other members who have comments, questions, suggestions? Ms. Barnett.
- Harriet Barnett: I just want to say there were so many problems ... I'm thinking of this as a person living in a CCRC. I was very disturbed when you mentioned that some families came [01:08:30] in and then they decided not to. Families would look at this, and be very, very upset. There are too many factors. I agree, totally, you need the cash. Then when you get the cash, you have to see how the whole thing would be re-planned. I couldn't make any other recommendation because there are just too many variables in the situation.
- James Sheehan: Well, I think, and I don't know what the prior history is with the CCRC, [01:09:00] looking at this facility. It sounds like this is not something that happened yesterday. It's been going on for a number of years. As we're active as an organization going forward, it seems to me that the early warning system should tell us that this is out here substantially before today.
- Debra Zambito: Yes, I'm in agreement. When I went back and looked at the timeline and just did some really quick -and looked at [01:09:30] things- I don't know. I'm trying to understand. If I understand how we got here, maybe that will shed some light on how do we get us out of this hole that we dug. It's just ... It's disappointing, and it's frustrating.
- Mark Hennessey: [01:10:00] I do want to say -and I can't speak on behalf of the rest of the board- but I appreciate your candor. You know, admitting that things need to be looked at, and understood, and moved through is a positive development; and being honest about that is, I think, is very valued. I think everybody on the board values the continuity of operations, as it can be, [01:10:30] and the importance

of protecting the residents. I think that you see it the same way. We appreciate that. Thank you for coming today. I would assume that that's, maybe, the final comment on this matter for today's meeting. We appreciate your time. Thank you for coming today.

Debra Zambito: Thank you. I was told to make sure I get my little thing for my [crosstalk 01:11:00] [01:11:00] computer.

Mark Hennessey: Please make sure and take your equipment with you.

Debra Zambito: What?

Mark Hennessey: Take your equipment with you. We appreciate [crosstalk 01:11:06].

Debra Zambito: I know, I know.

Mark Hennessey: Having lost a couple of those over the years, I ...

Debra Zambito: They're expensive little things, aren't they?

Mark Hennessey: The final item on today's agenda was actually a discussion of next meetings. You know, I don't actually know when we will have our next application [01:11:30] coming through. I know there are a few that are in the works. I would look to see if there are any suggestions from board members about the next time we convene, unless there is some further information or direction from anybody on the DOH side about applications coming through or anything like that.

Tracy Raleigh: No, we have two [inaudible 01:11:52], right. George, do you want to speak to that?

George: We have River Spring.

Tracy Raleigh: River Spring? Yeah, River Spring is under active review. [01:12:00] I don't see that coming before the council [crosstalk 01:12:06] before year end.

male: Where is that? [crosstalk 01:12:14]

Mark Hennessey: Hearing that, is there anything else the board needs to consider before year end that anyone can identify?

James Davis: My only concern would be getting feedback on the situation somehow, [01:12:30] whatever the best way is to do that. Is it winding down? Is it selling to Legoland and maintaining operations?

Harriet Barnett: An update. An update on what has been transpiring.

James Davis: I mean, you guys keep on top of them, I'm sure.

DFS Rep.: Yes.

James Davis: Maybe it come through DFS. I don't know how you want to do it.

Alicia Laible: I would just hate to see other residents have to choose between two bad options, [01:13:00] or three bad options, whatever they might be.

James Davis: Yes.

Tracy Raleigh: I think, you know, we should probably have more joint calls with Glen Arden and pushing the board to make a decision on active pursuit of-

male: This is all on video, right? This is all part of our video discussion?

Female: Correct.

Mark Hennessey: Yes. Yep. Okay.

DFS Rep.: I'm sorry. I would just concur with what [01:13:30] Tracy said. Again, we can report on the financial situation, but until we all know what that picture is going to look like, we need the feedback from management and the update on their efforts. I think that's part of the equation.

Mark Hennessey: Okay, can we adjourn on the basis that if there's a need to reconvene before year end to actively discuss any of this stuff, we could do that. Does everyone agree that that's possibly something we could entertain?

Council Members: Yeah. Yep. Good idea.

Mark Hennessey: We'll look to guidance from [01:14:00] you guys about when an appropriate time would be to do that, if necessary.

James Sheehan: You guys being DFS and DOH.

Mark Hennessey: DFS and Department of Health.

Tracy Raleigh: Yes.

Mark Hennessey: Yeah. Okay.

James Sheehan: We didn't ask, has there been press coverage of the Glen Arden situation? Has there been any press or media coverage of the Glen Arden situation?

Debra Zambito: No. No, there has not.

Mark Hennessey: Just to repeat, for the microphone, the response to that question [01:14:30] from Debra Zambito, right, was no.

Debra Zambito: Correct.

Mark Hennessey: Just repeating that for the mic. Thank you. All right, having sort of discussed that, I'd ask for a motion to adjourn this meeting of the CCRC council. A move by Ms. Barnett. Can I get a second. Mr. Kaplan is a second. Any discussion? Put it up for a vote. All in favor of adjourning, say "aye".

Council Members: Aye.

Mark Hennessey: [01:15:00] All opposed. Thank you very much. Appreciate your time. Look forward to hearing from everybody at the next meeting.