

DEPARTMENT OF SOCIAL SERVICES

744 P Street, MS 10-90, Sacramento, California 95814



**California Department of Social Services
Continuing Care Advisory Committee
Meeting Minutes
February 26, 2008**

The Continuing Care Advisory Committee (Committee) met at Grand Lake Gardens, 401 Santa Clara Avenue, Oakland, California. The meeting convened at 10:00 a.m. Members present were: Tom Stringer, Charles Lamb, Marilyn Oliver, John Sonneborn, Mary Beth Tompane, Barbara Hood, Kathy Kirchhoff and Bernard Werth. Absent members were: John Breaux and Jack Patton. Staff attending from the Continuing Care Contracts Branch (CCCB) were: John Rodriguez, Linda Smith, Annette Kite, Allison Nakatomi, Rea Osborne, and Bob Thompson from the Legal Division. Attending from the public were: Betsy Donovan, Todd Murch, Anne Burns Johnson, Eric Dowdy, Adnan Hasan, Mort Swales, Paul Jepson, Art Christman, Bill Hendrickson, and several residents of Grand Lake Gardens.

GENERAL ADMINISTRATIVE DUTIES

Mr. Stringer called the meeting to order at 10:00 a.m. He welcomed everyone and thanked staff from Grand Lake Village for hosting the meeting and for the delicious breakfast buffet that was served.

Mr. Stringer introduced Kathy Kirchhoff who was recently appointed by the Governor to serve on the Committee as the Certified Public Accountant representative. Ms. Kirchhoff stated that she was delighted to be serving on the Committee. She started in the senior living and long-term care field in 1994 when KPMG asked her to move from her tax practice to consulting work. She is a licensed CPI and has a master's degree in business taxation. She was very attracted to the work that KPMG did with organizations which included looking at feasibility of new projects, looking at operational benchmarking for improving performance and focusing on nonprofit CCRCs throughout the country. Ten years ago she had an opportunity to move from the consulting field into investment banking. She joined Herbert J. Sims and Company and opened a west coast office that focused solely on senior living finance. She has been doing investment banking for ten years. Last April she left Sims and moved to CAIN Brothers which is a leading underwriter in the field. CAIN Brothers also provides a lot of financial advisory work not only with senior living but with health organizations as well. Ms. Kirchhoff stated that she looks forward to her new role and working with every one on CCRC issues in California.

Approval/Correction of November 13, 2007 Advisory Committee Minutes

Mr. Stringer asked the Committee members if there were any additions, deletions, or corrections to the minutes. There were no changes made to the minutes of November 13, 2007, and they were approved as written.

OLD BUSINESS

Legislative Update

Mr. Rodriguez reported that the Department continues to monitor AB 1022 (Saldana). Aging Services of California is the sponsor and this bill would allow the state's CCRCs to offer care outside their physical plant. Mr. Rodriguez reiterated the Administration's policy regarding the Department not commenting on its position of bills until the Governor's Office has signed off on it. He indicated that there is a large segment of the industry, residents, and providers that are in support of the bill. The Department will continue to monitor this legislation. AB 1022 passed out of the Assembly and is being calendared to be heard in the Senate Human Services Committee in early March.

Private Duty Aide Survey

Anne Burns Johnson, Executive Director of Aging Services of California, gave an update on the Private Duty Aide Survey. It is currently being reviewed by the law firm of Hanson, Bridgett, Marcus, Vlahos and Rudy. The survey which was developed by Aging Services of California in consultation with the CCCB is designed to provide insight on the issue of private duty aide use in the state's CCRCs. The brief survey includes questions on the types of policies are in place at CCRCs as well as attitudes towards their use. Ms. Burns Johnson stated that she expects the survey will be distributed electronically in March to all CCRCs in the state.

NEW BUSINESS

Improving the Continuing Care Statutes and Facility Management:

CCCB Data Base and CCRC Website

Mr. Rodriguez reported on the CCATS data base and the CCRC Website Update. The data base was established in 1992-93 so its technology is outdated and the software is no longer supportable. He stated that there is some data that has been collected in that system that is no longer gathered, including resident information, etc. The Branch will be issuing a request for bid to develop new business requirements and develop a new data base. The Branch looks forward to having better management information reporting.

The Governor's Office last year issued a standard "look and feel" for all external websites for all State Departments. The Branch is using this opportunity to rebuild the existing external website. The Branch will be soliciting input from the Committee and other interested parties as to what kind of information providers and residents would like to see on the website. The information will be collected and developed so that the website will be more user friendly for consumers and providers. Mr. Rodriguez stated that a letter would be going out asking for input from Committee members, residents, providers and other interested parties.

2007 Complaints

Ms. Smith reported that the Branch received only seven complaints from residents last year. Six of the complaints dealt with resident's rights issues and one dealt with a financial issue. She added that none of the complaints resulted in any citations or actions against providers.

Report to the Director on the Committee Activities

Ms. Smith presented a draft annual report for the Director. It contained four issues: (1) Legislation, (2) Continuing Care Contracts Branch staffing (where the Committee recommended that the Chairman and other members meet with the Deputy Director), (3) Privately Paid Personal Duty Assistants, and (4) Committee Meetings. She asked the Committee members to submit any additional items within the next few weeks so that the report can be finalized and presented to the Director.

Reviewing the Financial and Managerial Condition of CCRCs and Providers:

CCRC Trends – A Financial Feasibility Perspective

Bill Hendrickson thanked the Committee for inviting him to speak. He stated that he began his consulting company in 1990 and focuses his work on financial feasibility analyses for CCRCs. He works primarily in California but also in Oregon and Washington. The two types of assignments he works on are project development and project verification and most involve repositioning which includes expansions. He has worked with roughly two-thirds of the 80 CCRCs in California. He discussed the three trends that he has seen over the last five years. These include:

- Increase in For-Profit Interest, and Development.
- Increasing "Penciling Out" Challenges Due to Higher Construction Costs.
- Increasing Participation of Third-Party Developers with Mixed Results.

Capital Markets Overview

Kathy Kirchhoff from Cain Brothers gave an overview of what is happening in the capital markets stating that it has been a turbulent ride particularly within the last six weeks. She discussed the history of interest rates comparing where it is today to eight or more years ago.

Ms. Kirchhoff's presentation focused on:

- The History of Interest Rates
- The Subprime Market Meltdown
- Potential Impact on Access to Capital for CCRCs

**Discussion on the Impact of Down Real Estate and Stock Markets on CCRC
Occupancy**

Mr. Lamb shared staffing problems they encountered during the recent Southern California fires. The main problem was that employees that were working at the time the fires started had to stay through the duration of the firestorm, while fellow employees could not get to work. Since then, AFVW has been working with Riverside Sheriff's Department to get employees clearance to get at the facility if future disaster situations occur.

The second issue Mr. Lamb brought up was a news release. The Senior Achievement in Excellence Award for 2007 was presented to AFVW for project of the year. This award is sponsored by the 50 Housing Councils of the Building Industry Association of Southern California. AFVW is very proud of their accomplishment.

Mr. Lamb stated that the slow real estate market is hitting hard in Riverside and San Bernardino counties, the two counties rated third and fourth in the nation for foreclosures. AFVW is affected by the real estate market in both Riverside and San Bernardino counties. Future AFVW residents are having problems selling their homes and that is having a tremendous impact on AFVW's occupancy level. The past eight years occupancy averaged between 96-98 percent, now it is at 89.77 percent occupancy. AFVW has acquired a letter of credit with KBC Bank for their last construction project. In that letter of credit is a covenant stating that the occupancy level remains at 90 percent. AFVW is already working with KBC Bank to get a one-year waiver. Also, they are having problems getting tenants while the units sit vacant. They are being hit hard and need some flexibility to keep operating. They anticipate they are going to be facing the impact from this for the next several years. Ms. Tompane added that they have similar problems in her facility because they have more vacant units now also. Mr. Stringer also stated that he is facing similar problems in his facility in Hemet and that everyone is being affected throughout the State.

NEW MATTERS UPON REQUEST BY PUBLIC ATTENDEES

There were no new matters upon request by public attendees.

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES BRIEFING

Report on Status of Applications

Ms. Nakatomi reported on the status of applications (attached). She also reported on the prior year activities (attached).

ADJOURNMENT

There being no further business, the meeting was adjourned.