



RAC FINANCE COMMITTEE MINUTES

October 20, 2021

Club Room, Freedom Plaza

Members Present: Chair Neil Rothfeld, Sandee Braddy, Bill Krueger, Joyce McCutcheon, Dave Mohl, Al Roberts, Cor Snoeren & Joan Walker & RAC Liaison Bill Ciota
FP Management Present: Joey Mingione, Finance Director

Chairman Neil Rothfeld called the meeting to order at 2:30 pm. Neil asked the Secretary to conduct a roll call and determine that a quorum was present. The Secretary confirmed a quorum.

The minutes for September 15, 2021 were approved by the members present, upon a motion made by Dave Mohl, seconded by Bill Kreuger.

REPORTS:

Cost of Living: Cor Snoeren stated that the CPI Class A, under which our contract falls, was 5.3 % for September. Cor stated that the CPI for August, 2021 was 5.2%, showing a slight change from month to month.

Health Peak Stock: Neil Rothfeld stated, the stock, at yesterday's close, was \$34.61. Neil further stated that Morningstar reported that a valuation of \$36.00 was a Fairly Valued with a trading range of \$27.632 to \$37.69.

New Hires: Sandee Braddy reported that in Sept. there were 6 new hires. Joey Mingione stated that the latest data show that there were 37 new hires. He further stated that due to the federal mandate all health care facility employees must be vaccinated by late October. This has resulted in the loss of approximately 60 employees with 36 of those employees opting for the 30 days leave of absence, but there were not high expectations for their return.

Move Ins/Outs: Joey Mingione stated that there were 8 move ins during September for a total of 30 move ins year to date and Joey also added that there was an expected total of an additional 13 move ins for the fourth quarter. He then stated that there were 7 move outs in Sept. and 47 move outs year to date. Joey stated that there was an expected total of 62 move outs by year end.

Financials: Before the discussion of financials, Cor Snoeren distributed one page of the financials in a new more readable format and asked for discussion. One thing Cor pointed out was the revenue portion. Dave Mohl stated that the financials show that YTD the Net Operating Revenue was \$711,000 and the non operating income was \$8,667,000. After discussion on the format, Joey Mingione agreed to send Cor the spreadsheet of the September financial report so Cor could see if a simpler adaptation could be done.

Chairman Rothfeld reviewed the September financial report, noting that Skilled Nursing was still running a deficit in expenses. Joey replied that lower occupancy rates in Skilled Nursing are contributing to the deficits with Medicare and Managed Care patients in Skilled Nursing contributing to the costs since they require more services such as therapy and pharmacy supplies. Joey stated that staffing these units is a problem and now they are using Agency help again to cover shifts.

The Marketing expense overage of \$90,000 was explained by Joey Mingione with him stating that some of the expense is referral fees paid to residents as well as to an outside agency, whose fee is approximately one month's service fee for a closed sale. ROC also is paid \$24,000 a month for their marketing efforts. Joey also stated that discounts to entry fees were no longer being given except in a case of a less desirable apartment. Cor Snoeren asked why the entry fees were not included as revenue. The Chairman replied that these fees were amortized using an actuarial table.

The Chairman asked about the continuing IT expenses. Joey replied that there were additional costs related to ensuring all computers were HIPAA compliant as well as adding additional software programs such as On Shift that assists with scheduling of staff and Relias Learning which is a web-based learning program to ensure all staff are meeting the community and state mandated education requirements.

Chairman Rothfeld and Al Roberts raised questions about insurance costs. Joey Mingione then gave the following breakdown:

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|-----------------------------------|---------------------|
| Premium: | \$ 39,000 per month |
| Pending Claims Pd in Sept. | \$152,000 |
| <u>Year to date:</u> | |
| Premiums | \$308,000 |
| Claims paid | \$493,000 |
| Loss Reserves for possible future | |
| Claims incurred | \$439,000 |
| Real Estate taxes & | \$717,000 |
| Misc. such as Umbrella ins. | |

MSC Budget: The Monthly Service Charge Budget has been set for 2022. Joey Mingione stated that the Consumer Price Index was up 5.2% for the year ending August 2021. Residents' contractual obligation could allow up to 2% to be added to the CPI. However, because the CPI has risen so dramatically, Health Peak has decided to only add 1% to the CPI rate setting the monthly service fee increase for 2022 at 6.2%.

Bill Kreuger asked about the actuarial study that is done to determine the recommended taxable deduction amount for health care. Joey stated that the figures are sent to an accounting firm and they determine the amount.

Al Roberts asked if the payroll raise was included in the new budget. Joey Mingione stated that the amount was and that it is 2.5%. Joey also stated that market adjustments to salary were not included in the budget and hopefully could be avoided by maintaining adequate staffing.

Dave Mohl asked where the Reserves are held and how are they invested. Joey Mingione replied that the reserve funds of \$19,754,726 are held at Wells Fargo. 10M in cash and \$9.69M in other assets. Dave also asked if the committee could get a periodic verification of the Reserves held at Wells Fargo. Joey replied in the affirmative.

There being no further business, Chairman Rothfeld, upon a motion made by Bill Krueger, seconded by Cor Snoeren, the chairman adjourned the meeting at 3:30 p.m.

The next meeting will be held on November 17, 2021 at 2:30 p.m. in the Club Room, Freedom Plaza.

Respectfully submitted.

Joan Feehan Walker, Secretary