

John Knox Village of Florida, Inc.

Request for Issuance of Tax-Exempt Bonds

June 2, 2021

John Knox Village of Florida, Inc. (the “Village” or “JKV”) is hereby requesting that the City of Pompano Beach act as the conduit municipal issuing authority (**Authorized under the resolution 2014-339, dated September 23, 2014, sub section “Conduit Bonds (page 14 of 16))**), for the proposed sale of the Village’s Series 2021 tax-exempt bonds, in the amount of up to \$200 million. The proceeds of these bonds will be used to fund important capital projects on the Village campus that are described in more detail herein (the “2021 Project”).

The Village has been a member of the Pompano Beach community since its inception in 1967. For 54 years the Village has grown in both the people it serves as well as the people its employees, making it one of the largest employers in Pompano Beach. As one of the largest non-profit Life Plan Communities in the country, the Village continually strives to improve the lifestyle and wellbeing of its residents. The 2021 Project is another step along a continued Master Plan path that will ensure the Village maintains its leadership role in this nation's retirement industry and the local community.

Background on the Village

Resolution 2014-339, dated September 23, 2014, sub section “Conduit Bonds”, contemplating factor #5.

The Village was incorporated in 1978 as a Florida, not-for-profit corporation to provide housing, health care and other related services to the senior population. The Village is qualified as an exempt organization by the Internal Revenue Service pursuant to Section 501(c)(3) of the Internal Revenue Code. The Village mission is shown below.

John Knox Village of Florida, Inc. is dedicated to providing an environment of whole person wellness in which people we serve thrive.

John Knox Village of Florida, Inc. is committed to supporting our employees, partners and the greater community.

John Knox Village of Florida, Inc. recognizes the importance of being a civic leader in Pompano Beach. The Village is constantly looking for ways to enhance the interconnection between its residents and the broader community.

John Knox Home Health Agency, Inc. is a wholly owned subsidiary which is a Florida for-profit corporation and provides home health care services for Village residents and residents of the local community. John Knox Village of Florida Foundation, Inc. is a 501(c)(3) not-for-profit Florida corporation which serves as the philanthropic arm of the Village. These three organizations are governed by volunteer Boards of Directors consisting of Village residents and members of the local business community.

The Village is located on approximately 65 acres and consists of 647 independent living units, 64 assisted living units and 194 healthcare beds built and staffed in the greenhouse family living model. The Village

provides these extraordinary services to its residents under a life care contract. Residents occupy an independent living unit and have unlimited use of the assisted living facility and the health center as needs change. The life care contract assures life-long care for the remainder of the residents' lives.

The financial viability of the Village has always been a top priority for the Board of Directors as shown in the following Statement of Purpose:

To operate a financially responsible not-for-profit Life Plan Community that complies with legislative, professional and regulatory guidelines.

The combined corporations employ approximately 821 active employees with annual salary and benefits more than \$32,741,134 for the year ended December 31, 2020. Over 91% of the active employees live in Broward County and 170 of these employees live in Pompano Beach. These employees provide services to the almost 900 residents who currently reside at the Village. The Village is dedicated to being an employer of choice. This was exemplified during this most recent Covid-19 Pandemic, where the Village kept its workforce gainfully employed, providing hope and comfort to those families during this national crisis.

The Village is one of the largest property taxpayers in Broward County and paid more than \$991,041 in property taxes in 2020. Annual operating expenses, excluding payroll, totaled an additional \$35,976,844. The Village is continually upgrading units as new residents move in and makes ongoing improvements to the campus. Over the last four years, the Village spent over \$74,920,375 on capital improvements. The Village makes a concerted effort to purchase its supplies from local businesses to support the community.

As a retirement community, the Village is more than just a purchaser and consumer of goods and services. It is a home to senior residents who also desire a wide selection of ancillary goods and services. The residents of the Village have as their "suppliers" the local grocery stores, shopping malls, restaurants, hospitals, doctors and other businesses.

The Village gives back: The Village has always been active in the larger Pompano Beach Community. The Village participates by being a model employer, providing the best quality rehabilitative care for the County, in two Green House Model Inspired Healthcare Unit called Seaside Cove and Woodlands. The Village uses local vendors and suppliers. But the Village also supports the needy through participations in many programs. A partial list is below:

Resolution 2014-339, dated September 23, 2014, sub section "Conduit Bonds", contemplating factor #2.

The Village has given \$870,000 to the community between 2014-2020 through the Sharing and Caring programs.

The Village has given \$10,000 each year to the Meals on Wheels program in Broward.

The Village has given back packs stuffed with school supplies to need children in the back to school efforts.

The Village interacts with children from the Innovation Charter School in reading programs, and our Annual Holiday Parade.

The Village participates annually in the Collier City Fun Day. This event benefits low income families in our Pompano Beach Community.

The Village supports The Summit rehab apartments, sponsors Pee Wee Football teams, Broward Children's Center annual Miles for Smiles event, NAMI Broward County Annual Walk, Pompano Beach High School Harvest Drive and many other programs in our back yard.

The Villages debt Structure

The Village has three outstanding debt issuances. All of which comprise the \$61,481,960 of short-term and long-term debt shown on the Balance Sheet of the 2019 Audited Financial Statements (details in the footnotes). This is offset by \$59,087,142 of unrestricted cash and investments and \$109,334,296 of Property, Plant and Equipment. This debt is made up of three debt issues detailed below:

Series 2015 City of Pompano Beach, Florida Revenue Bonds: These are fixed rate bonds bearing between 2.875 and 5.000%, with principal due annually through 2044. Outstanding balance at December 31, 2019 was \$27,175,000. These bonds were issued to build a state of the art 144 room Green House model healthcare facility. The first step in the Villages Mater Plan repositioning.

Series 2020 City of Pompano Beach, Florida Health Facilities Revenue and Refunding Bonds: These are fixed rate bonds bearing between 3.25 and 5.000%, with principal due annually through 2050. Outstanding balance on December 31, 2020 was \$77,605,000. These bonds were issued to refund the original 20010 Variable Rate Demand Bonds, retire a line of credit, and provide funding for the building of a modern Pavilion.

All debt has parity and is governed by a Master Trust Indenture (MTI).

Credit Rating (A-, Negative Out Look as affirmed by Fitch Rating Service)

Resolution 2014-339, dated September 23, 2014, sub section "Conduit Bonds", contemplating factor #1.

Resolution 2014-339, dated September 23, 2014, sub section "Conduit Bonds", contemplating factor #4.

The Village's credit rating was affirmed by Fitch Rating Service (Fitch) in 2020 as a A- credit with a negative outlook. This credit rating is only one of a very few Life Plan Communities to achieve a A- rating category and speaks well of the financial strength of the Village. Fitch uses an approach which looks at various aspects of the Villages financial strength to include current operations, balance sheet strength, fulfillment of mission and occupancy. Each of these are weighed to determine the overall rating.

The Village's balance sheet is our strongest metrics. Fitch looks at an entities unrestricted cash and investment (allowing for Florida Mandatory Liquid Reserve (MLR) to be counted as unrestricted assets) as compared to the outstanding debt. Using these criteria, the Village has a strong cash to debt ratio of 41 to 100. This coupled with a strong restricted asset amount in the Foundation and Trust held accounts of \$78,350,961 to support the John Knox Village mission. This is not the usual case in the Life Plan business and is the cornerstone of the rating. Additionally, the Village maintains in excess of 365 days cash on hand (liquidity). Fitch views the days cash on hand ratio as a great strength which allows for the Village to weather any storm such as the current Covid-19 Pandemic.

Fitch further recognizes that the Village has been investing its moneys wisely in the plant, property, and equipment over the last four years in repositioning itself early to take advantage of the growing demographics of the aging population in our country. Better to invest in the future while in a position of

financial strength rather than make investments and improvements after a decline in financial strength due to lost competitive advantage.

The Village has grown net assets by \$9,496,704 over the last 2 years, attaining equity of \$65,609,961 as of December 31, 2020. to its financial strength by improvement in the operational metrics (income statement). Net income from core operations was maintained through the pandemic of 2020 as can be seen on the December 31, 2020/2019 Financial Statements.

Finally, the Village has maintained a 91% occupancy over the last four years. This occupancy has been maintained by providing superior services at a very affordable price line. Fitch rating service recognize the potential of raising rates in our competitive market if necessary.

The Villages response to Covid-19: The current pandemic has spelled financial trouble for many businesses in Pompano Beach, Broward County, State of Florida, the United States and the World in general. The Village made choices early and our financial strength has allowed the Village to keep its residents and employees safe.

Mission #1 “Protect the residents”: The number one mission of the Village from day one of this Pandemic was to keep our residents safe. The Village began an isolation effort in early March which include reduction of non-essential personnel and vendors from coming on campus, reducing external admission from rehab into our Woodlands Homes, screening all visitors onto the campus, asking loved ones to reduce visitation of healthcare units and assisted living units, closing dining venues, providing education on safe home delivery of grocery shopping, establishing 14 day self-isolation for residents who may be exposed to Covid-19 and asking residents to maintain social distances.

The employees at the Village were reassigned new duties to avoid layoffs. The Village instituted a 14-day personal time off policy authorizing an additional 14 days of Covid-19 PTO for any employee diagnosed with this virus. It has recently increased a bonus to employees who are put at risk when working with residents.

The Village Woodlands and Seaside Cove Residents and Staff were the first to receive vaccinations in December of 2019 and the whole resident has attained a 91% vaccination rate by the spring of 2020. Employee vaccination lags resident vaccination, but the Village recognizes cultural bias and trust can be overcome by education and understanding. With a goal of 90% for employee vaccination by the end of July 2020.

The Goal of the Village’s Covid-19 response is to protect our residents and employees while making as few disruptions to our Resident’s and employee’s lives as is possible. Where risk from Covid-19 infection can be mitigated, we have tried to continue our vendor business. The Village takes seriously it’s actions as these actions effect our resident’s daily lives, employees and their families and our vendors businesses.

The Project

Resolution 2014-339, dated September 23, 2014, sub section “Conduit Bonds”, contemplating factor #3.

Resolution 2014-339, dated September 23, 2014, sub section “Conduit Bonds”, contemplating factor #5.

The Village is in the process of updating the entire campus in phases. The purpose of which is to change the culture of the campus from sedentary lifestyle to one of engaged growth throughout the life process. The first step was changing the healthcare delivery to our most vulnerable residents in a licensed health care setting. The Woodlands and Seaside Cove greenhouse model homes has placed the Village at the top tier of healthcare in a Life Plan Community.

The second step was creating resident experience zones. The new Aquatic Complex funded with internal funds has created a new buzz in the community. Residents can be seen swimming laps in the new lap pool. Residents can be seen every morning playing pickle ball. The resort pool and Stryker's bar have become hubs of activity. This activity zone is a chief reason occupancy has remained at 91% while entrance fee revenues has increased on a per unit bases by \$40,000 per unit.

The Pavilion currently under construction will add another activity zone. While the Aquatic Complex's activities are based on wellness and relaxation, the Pavilion's activities will be home to 2 dining experiences and the Arts. The Pavilion funded with public tax-free debt will open in January of 2021 and will serve both the Village residents and will also be open to the public for certain programmed events. To accomplish this task the Village has used its own capital spend to build three facilities with the intention of reimbursing expenses with a public municipal tax-free debt offering. At the same time the Village intends to build additional experience zones and refinance the 2010 Variable Rate mentioned above.

The Project

The third step will be the Westlake Towers Project. This project is planned to be funded by 2021 Tax-Free Municipal debt issued by The City of Pompano Beach. In an amount of up to \$200,000,000. The sizing of the Public Debt will be dependent on the appetite for Bank debt which will be sized to the Entrance Fee Pool created by the sales of units. The project currently has 78 of the anticipated 150 Units presold.

Westlake Tower will contain three different zones:

The first floor will contain resident centric activities. These activities will include art shops, casual dining, lakeside seating, a music art center, private viewing three-dimensional studio to name just some of the amenities to be added.

The second and third floor will contain covered parking and electric car stations.

The fourth through eighteenth floors will be 150 residential units ranging from 1200 square feet to 2000 square feet. These new units will have smart home technology with commanding views of lakes and balconies. This modern building along with the Pavilion and new lake, will provide the corner stone of a new activity zone, were dining, performance and visual arts can be embraced. This project will create a new life breath for the Village.

As mentioned above this project is anticipated as being funded by both banks' debt and tax-free municipal debt to create a \$200,000,000 pool of funds. The bank debt is to be in the amount of the entrance fee pool not to exceed \$56,000,000. The remaining bond debt in the amount of \$144,000,000 (if bank debt is obtained) will have a 35-year maturity.

The \$200,000,000 of proceeds will fund a Debt Service Reserve, Capitalized Interest, and Issuance costs of \$23,000,000 and a project fund of up to \$177,000,000.

Resolution 2014-339, dated September 23, 2014, sub section "Conduit Bonds", contemplating factor #6,7,8,9.

The Village (Borrower) acknowledges the responsibility to issue debt that has no recourse to the issuer, is solely responsible for the payments of all fees and services required for the issuance of the debt by the issuer, is responsible for the continuous disclosure as is required by the Borrower's legal documents and offering statements and the payment of a non-refundable administrative fee of \$3,500 and an additional closing fee of .1% of the Par Value of debt to be issued, should the conduit financing be completed.

Asks:

Allow John Knox Village of Florida to issue Tax-exempt municipal bonds using the City of Pompano Beach as the conduit.

Summary

The Village is excited to have an opportunity to continue its relationship with the City of Pompano Beach. The City can provide the means for the Village to issue new fixed rate bonds as the Village works to realize its Master Plan of creating a lifestyle of inclusion and lifetime learning. The projects are designed to expand the growing interaction between local Pompano Beach residents and Village residents in commonly sought-after venues to include performance arts, dining, and entertainment venues. We look forward to working with the City on this project.

Bruce Chittenden
Chief Financial Officer
John Knox Village of Florida