

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

## FEATURED ARTICLE

## ORGANIZATIONAL GROWTH: GOVERNANCE CONSIDERATIONS

This week's *Z-News* article is part of a 2017 series on organizational growth. The previous article in this series focused on the "Human Capital Considerations" related to organizational growth. This week's article delves into the issue of the board and governance considerations when discussing or planning for growth.

Ideally, organizational growth should be driven by the board in partnership with executive leadership. For boards to effectively understand growth strategies, how peers are growing and evolving and the impact of external forces on growth strategies, it is important for them to be educated on the senior living sector and the surrounding environment. This can largely be accomplished through **board education**, either through presentations at board retreats, reading materials distributed to board members, or even attendance at industry conferences. At the 2016 Ziegler Senior Living Finance + Strategy Conference, there were roughly 50 board members in attendance; a great commitment to learning about what is taking place in the senior living sector. A December 2015 Ziegler CFO Hotline<sup>SM</sup> poll revealed that a little more than half of senior living organizations have board chairs that have attended industry conferences.

Does your board chair attend industry conferences...?			
	All respondents	Multi-sites	Single-sites
Always	5.9%	7.4%	4.9%
Often	16.4%	15.8%	16.9%
Sometimes	29.8%	35.8%	25.4%
Rarely	27.7%	25.3%	29.6%
Never	20.2%	15.8%	23.2%

Source: Ziegler CFO Hotline<sup>SM</sup>, December 2015

Growth opportunities can either be internally driven by strategic goals of the organization or opportunities may arise indirectly. When considering growth opportunities, there are a number of key board elements to monitor. Your organization's responses to these questions will impact growth strategies, timing and even receptivity to growth itself.

### 1. Is everyone on the same page regarding the "Why Grow?" question?

- It is important to spend time discussing the rationale for growth. Growth must be tied to the mission and specific goals of the organization. If the board itself is not in agreement on the need for growth, or how to grow, difficulties will arise. Additionally, it is important for the executive leadership and the board to have the same vision for growth.

### 2. What is the board's preference for pace of growth?

- Understanding the organization's culture around the pace of change is a must. This is a unique culture for each organization. There are times when a board agrees that change is needed and encourages moving forward with growth plans, but then struggles in the midst of that change. Be clear on timing around strategic growth goals to ensure all parties are on the same page.

#### ZIEGLER

200 South Wacker Drive | Suite 2000  
Chicago, IL 60606

#### CONTACT US

800 366 8899  
askziegler@ziegler.com



### 3. What is the board's risk tolerance?

- There are many forms of growth and each has its own set of benefits and potential drawbacks. Drawbacks are often in the form of the amount of risk that the organization is presented with. For example, the decision to build a new community comes with greater financial and operational risk than entering a joint venture for a home care agency. Again, risk tolerance will vary across organizations.

### 4. Do we have the right board member composition to navigate change and growth?

- Effective governance often comes back to board composition. Having the right people around the table is so important when it comes to growth. A diverse set of board members will offer a variety of considerations for growth. During times of growth and change, it is also smart to have a board populated with individuals who are used to entering new ventures and who are receptive to change. This will clearly impact the two previous elements around pace of change and risk tolerance.

Without a doubt, for an organization to be successful around growth, there needs to be a solid foundation at the board level. If your organization is struggling with governance issues and perhaps does not have the appropriate individuals and skill sets at the table, it will be important to solidify the governance attributes prior to undertaking significant growth ventures.

If you have any questions regarding the items in this article or anything else related to Ziegler, please reach out to the Ziegler banker in your region.

LISA MCCracken,  
DIRECTOR, SENIOR LIVING RESEARCH & DEVELOPMENT

## NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

MAY 10 - 12, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Terwilliger Plaza (OR)	Fitch	BBB Stable	Affirmed Rating	5/10/17
Kahala Nui (HI)	Fitch	A- Stable	Upgraded Rating	5/11/17

*This ratings table represents review of the reports released by Fitch Ratings, Standard & Poor's, and Moody's Investors Service and has been compiled by Ziegler Investment Banking.*

### IN YOUR CORNER

#### LEADINGAGE TEXAS ANNUAL CONFERENCE & SOLUTIONS EXPO

Hilton Austin Downtown  
Austin, Texas  
May 21-24, 2017

##### Session 2B

***Trump/Pence Presidency: What It Means to Non-profit Senior Living Providers' Capital Access***

Monday, May 22, 2017 | 2:15 pm - 3:45 pm  
Ziegler Participants: Rich Scanlon & Brandon Powell

#### LEADINGAGE ARIZONA ANNUAL CONFERENCE & EXPO

We-Koo-Pa Resort & Conference Center  
Scottsdale, Arizona  
May 31 - June 2, 2017

##### Session 10

***The Uncertain Future of Skilled Nursing***

Thursday, June 1, 2017 | 10:15 am - 11:45 am  
Ziegler Participants: Mary Muñoz & Daren Bell

#### 2017 MASONIC COMMUNITIES & SERVICES ASSOCIATION (MCSA) CONFERENCE

Louisville Marriott Downtown  
Louisville, Kentucky  
June 3-7, 2017

##### ***Choosing The Right Path For Mission-Driven Growth***

Tuesday, June 6, 2017 | 8:15 am - 10:15 am  
Ziegler Participant: Tom Meyers

## INTEREST RATES

FOR THE WEEK ENDING MAY 12, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.01%	3.03%	2.68%
Senior Living 30-Yr "A"	4.06%	4.08%	3.69%
Senior Living 30-Yr "BBB"	4.51%	4.53%	4.06%
Senior Living Unrated	5.26%	5.28%	4.80%
Senior Living New Campus	6.75%	6.75%	6.49%
SIFMA Muni Swap Index	0.79%	0.85%	0.63%

Source: Ziegler Capital Markets

### FEATURED FINANCING

**Immanuel Lutheran**  
— COMMUNITIES —

**\$65,380,000**

City of Kalispell, Montana Housing and Healthcare Facilities Revenue Bonds, Series 2017

**IMMANUEL LUTHERAN CORPORATION**

Kalispell, Montana

## MARKET REVIEW

## MONEY MARKET RATES

	5/12/17	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.00	4.00	4.00	3.50
Federal Funds (weekly average)	0.91	0.91	0.90	0.37
90 Day T-Bills	0.85	0.88	0.79	0.25
30-Day Commercial Paper (taxable)	0.84	0.83	0.81	0.33
Libor (30-day)	0.99	0.99	0.99	0.43
7 Day Tax-Exempt VRDB	0.79	0.85	0.89	0.40
Daily Rate Average	0.67	0.75	0.83	0.28

## COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.08	2.25	1.66	1 Year	0.86	2.61	2.25	2.36	1.76	1.36	1.11
5 Year	1.84	4.25	2.71	5 Year	1.41	3.41	3.25	3.06	2.56	2.16	1.81
7 Year	2.13	4.75	3.34	7 Year	1.69	3.79	3.76	3.59	3.09	2.69	2.29
10 Year	2.32	5.00	3.54	10 Year	2.16	4.41	4.40	4.11	3.66	3.21	2.76
30 Year	2.98	6.25	4.46	30 Year	3.01	5.26	5.15	4.96	4.51	4.06	3.61
				5 year ADJ RATE			4.25				

(\* Representative of recent non-rated issues underwritten by Ziegler retail sales); (\*\* Representative of institutional sales.)

## TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2017 HIGH	LOW
Bond Buyer					
20 Bond Index	3.81	3.82	-0.01	4.02	3.72
11 Bond Index	3.32	3.33	-0.01	3.53	3.22
Revenue Bond Index	4.01	4.03	-0.02	4.17	3.83
30 Year MMD	3.01	3.03	+0.02	3.24	2.88
Weekly Tax-Exempt Volume (Bil)	7.81	5.95	+1.86	7.81	2.23
30 Day T/E Visible Supply (Bil)	9.67	11.18	-1.51	13.37	5.50
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	136.24	136.91	+0.67	147.05%	120.39%

## INTEREST RATE COMPARISON

DATE	7-DAY T/E VRDB	PRIME RATE	FED FUNDS WEEKLY AVG.	13-WEEK T-BILL RATE	C.P.RATE TAXABLE	LIBOR (30-DAY)	30-YEAR T/E BONDS (A-AAA)		
05/12/17	0.79	4.00	0.91	0.85	0.84	0.099	4.06	-	3.61
05/05/17	0.85	4.00	0.91	0.88	0.83	0.99	4.08	-	3.63
04/28/17	0.90	4.00	0.90	0.79	0.84	0.99	4.06	-	3.61
04/21/17	0.92	4.00	0.90	0.78	0.83	0.98	3.95	-	3.50
04/14/17	0.89	4.00	0.90	0.79	0.81	0.99	4.01	-	3.51
04/07/17	0.88	4.00	0.90	0.81	0.86	0.98	4.09	-	3.59
03/31/17	0.91	4.00	0.88	0.76	0.80	0.98	4.13	-	3.63
03/24/17	0.79	4.00	0.90	0.76	0.82	0.98	4.17	-	3.67
03/17/17	0.71	4.00	0.75	0.73	0.82	0.94	4.30	-	3.80
03/10/17	0.62	3.75	0.66	0.72	0.79	0.85	4.34	-	3.84
03/03/17	0.62	3.75	0.64	0.69	0.65	0.83	4.26	-	3.76
02/24/17	0.65	3.75	0.66	0.49	0.60	0.78	4.09	-	3.69
02/03/17	0.65	3.75	0.64	0.49	0.61	0.78	4.35	-	3.55
01/06/17	0.68	3.75	0.62	0.51	0.62	0.76	4.40	-	3.55
12/02/16	0.56	3.50	0.38	0.47	0.50	0.62	4.80	-	3.85
11/04/16	0.56	3.50	0.38	0.37	0.40	0.53	3.55	-	2.85
10/07/16	0.87	3.50	0.40	0.31	0.39	0.52	3.30	-	2.75
09/02/16	0.56	3.50	0.38	0.32	0.39	0.52	2.75	-	2.40
08/05/16	0.44	3.50	0.40	0.26	0.36	0.49	2.90	-	2.45
07/01/06	0.41	3.50	0.39	0.25	0.37	0.46	2.85	-	2.35
06/03/16	0.39	3.50	0.35	0.27	0.38	0.46	3.20	-	2.70
05/06/16	0.39	3.50	0.37	0.18	0.34	0.43	3.30	-	2.90

Market and other data within this report derived from Bloomberg and other sources deemed to be reliable.