

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

### FEATURED ARTICLE

## GOVERNANCE SPOTLIGHT: THE IMPORTANCE OF GENERATIVE DISCUSSIONS

It has been stated a number of times in recent years that the complexity of the senior living business has increased coming out of the recession. The consumer is changing. Healthcare reform and payment reform are redefining the care continuum. Workforce pressures are challenging daily operations and the industry consolidation is increasing the scale and sophistication in many markets. There is little room for uninformed and disengaged board leadership in today's not-for-profit senior living environment. The aim of this week's *Z-News* article is to not only emphasize the importance of spending time in meaningful, strategic dialogue, but to also provide a sample of generative questions that can be utilized by your board.

A few years ago, Ziegler conducted a survey through its *CFO Hotline<sup>SM</sup>* series and determined that roughly 40% of senior living boards meeting quarterly and another 30% meet every other month. With meetings only 4-6 times a year, you may ask how a board has time for open-ended discussion, particularly if meeting time is limited. The reality is, you do not have a choice but to spend time in such discussions. If your board does not designate one meeting as its annual retreat (36% of senior living boards have an annual retreat), then these deep-dive conversations need to be built into the agenda for each meeting or at designated times throughout the year. The ultimate role of the board is to set the strategic direction of the organization. If board meetings are spent discussing operations or listening to a round-robin of updates that could have easily been distributed in advance, you are missing the boat. It is without a doubt that organizations who spend time in generative work have greater clarity around identity, strategic direction and a collective vision for the future. There are some organizations who spend 30-minutes at the end of each board meeting in discussion around a generative question. Others weave these discussions in with educational topics brought forth during meetings.

It is important to note that these types of conversations require a level of trust and respect among board members. There can often be disagreement and varying perspectives on a particular topic. That is a good thing, but it needs to be done within a board culture that appreciates diverse schools of thought and understands how to use those discussions to move the organization forward. Here are some examples of questions that boards should be contemplating:

- If we were to build this organization from scratch, what would it look like?
- What is our organization's risk tolerance regarding pace of growth?
- Would we be willing to grow in a certain direction if it meant challenges for the next 2-3 years, knowing that long-term we would be in a more stable position?
- Is there anything that we do or offer as an organization that we should really consider not doing anymore?
- Is there something that we do really well, better than others, that we could build upon and use as a growth strategy?
- Under what circumstances would we be willing to affiliate with another organization, if any?
- Would we ever consider creating a for-profit division or joint-venture with a for-profit entity? What would that mean for us as a not-for-profit?
- What is most exciting about the current senior living environment we are in today?
- What are the greatest threats to the future viability of this organization? What can be done to diminish the threats?
- What are our weaknesses as a board? What could we be doing better?
- Would you, as a board member, be willing to live in this community (one of our communities)? What would you want to see changed before making that decision?
- Would you describe the organization as innovative?

There are dozens of potential questions that can be created for use with your board and leadership teams to stimulate conversation. Spring is often a time where strategic planning sessions are held and organizations look to redefine their future direction. This can be the ideal time to utilize some of the above questions to help advance the planning efforts and grow the overall strength of the board itself.

If you have any questions about the content of this issue of *Z-News* or other related items, please contact the Ziegler banker in your region.

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CAPITAL :: INVESTMENTS :: ADVICE

**NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS**

AS OF FEBRUARY 22, 2019

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Three Pillars Senior Living Communities (WI)	Fitch	A Stable	Affirmed Rating	1/17/19
Orchard Cove (MA)	Fitch	BBB+ Stable	Assigned Rating	1/30/19
Brethren Village (PA)	Fitch	BB+ Stable	Affirmed Rating	2/21/19
Church Home of Hartford dba Seabury (CT)	Fitch	BB Stable	Affirmed Rating	2/22/19
Pickersgill, Inc. (MD)	S&P	A Stable	Affirmed Rating	2/22/19

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**INTEREST RATES/YIELDS**

(AS OF FEBRUARY 22, 2019)


	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.01%	3.00%	3.03%
Senior Living 30-Yr "A"	3.91%	4.00%	3.92%
Senior Living 30-Yr "BBB"	4.31%	4.40%	4.18%
Senior Living Unrated	5.01%	5.10%	4.92%
Senior Living New Campus	6.50%	6.50%	6.50%
SIFMA Muni Swap Index	1.75%	1.72%	1.46%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.87%	4.88%	1.87%

*\*Ziegler Senior Living Municipal Long Bond Index*  
*Source: Ziegler Capital Markets*

**FEATURED FINANCING**



**PARADISE VALLEY**  
ESTATES

**NCROC - PARADISE VALLEY**  
ESTATES  
Fairfield, California

California Municipal Finance  
Authority, Insured Revenue Bonds,  
Series 2019

**\$95,685,000**

## MARKET COMMENTARY

## FROM A CAPITAL MARKETS PERSPECTIVE

Major stock indexes continued to post gains last week—albeit small gains of roughly 1%—extending their recent streak of steady progress. The Dow and the NASDAQ have now posted nine straight weeks of gains, while the S&P 500 stands at four straight weeks. This year's gains have been broad, a testament to the fact that as of Thursday, 90% of S&P 500 stocks were trading above their 50-day moving averages. The turbulence in the stock market, which spiked volatility indexes towards the end of 2018, have declined sharply year-to-date. Compared with December 24th when volatility peaked, the VIX is down more than 60%.

Thursday marks the release of the U.S. government's fourth-quarter GDP estimate. The market will be watching closely as this will be the first official read as to whether economic growth has slowed from the 3.4% annual rate that was recorded for 3Q18. Economists expect the report to show that growth has slowed in the fourth quarter to 2.0%-2.5%. In regards to U.S.-China trade talks, President Trump announced that he would be delaying an increase in tariffs that had been set to take place Saturday, March 2nd. In light of optimism over U.S. and China trade talks, and a decline in oil supplies among OPEC consortium countries, the price of U.S. crude oil climbed above \$57 per barrel on Friday, marking its highest level in over three months.

Apparent yield stability has ensued as the bond market is going through a quiet stretch. Yields on government bonds have remained stable year-to-date after rising in 2018. The 10-year benchmark has traded this year in a fairly small window, ranging from 2.56% to 2.79%. Last week, municipal bond funds experienced \$1,469 million of weekly reporting fund inflows. Municipal long term funds had \$920 million of weekly inflows, high yield funds had \$397 million of weekly inflows, national funds had \$1,291 million of weekly inflows, and ETF funds had \$95 million of weekly inflows. In 2019, there have been 6 weeks of inflows and 1 week of outflows. In 2018, there were 29 weeks of inflows and 23 weeks of outflows.

ADAM J. BUCHANAN

SENIOR VICE PRESIDENT

*See pages 4-5 for current market rates*

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

## MARKET REVIEW

## MONEY MARKET RATES

	2/22/19	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.50	5.50	5.50	4.50
Federal Funds (weekly average)	2.40	2.40	2.40	1.41
90 Day T-Bills	2.44	2.42	2.36	1.64
30-Day Commercial Paper (taxable)	2.44	2.44	2.45	1.57
Libor (30-day)	2.48	2.48	2.51	1.62
7 Day Tax-Exempt VRDB	1.75	1.72	1.29	1.09
Daily Rate Average	1.70	1.70	1.11	1.15

## COMPARATIVE YIELDS

## TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
1 Year	2.53	2.98	1 Year	1.59	3.09	2.79	2.39	1.94	1.79
5 Year	2.46	3.31	5 Year	1.69	3.29	3.04	2.69	2.29	2.04
7 Year	2.54	3.59	7 Year	1.92	3.72	3.42	3.07	2.67	2.37
10 Year	2.65	3.90	10 Year	2.11	4.11	3.76	3.41	3.01	2.56
30 Year	3.01	4.66	30 Year	3.01	5.01	4.66	4.31	3.91	3.46

(\* Representative of institutional sales)

## TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2019 HIGH	LOW
Bond Buyer					
20 Bond Index	4.23	4.24	-0.01	4.24	4.09
11 Bond Index	3.70	3.71	-0.01	3.71	3.58
Revenue Bond Index	4.70	4.71	-0.01	4.71	4.56
30 Year MMD	3.01	3.00	+0.01	3.11	2.93
Weekly Tax-Exempt Volume (Bil)	1.62	4.95	-3.33	5.80	0.20
30 Day T/E Visible Supply (Bil)	5.16	1.92	+3.24	6.60	1.92
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	130.33	134.22	-3.89	134.42%	130.33%

## 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)		
02/22/2019	1.75	5.50	2.40	2.44	2.44	2.48	3.91	-	3.46
02/15/19	1.72	5.50	2.40	2.42	2.44	2.48	4.00	-	3.45
02/08/19	1.51	5.50	2.40	2.41	2.45	2.51	4.00	-	3.45
02/01/19	1.43	5.50	2.40	2.39	2.40	2.51	4.02	-	3.47
01/25/19	1.29	5.50	2.40	2.36	2.45	2.51	4.10	-	3.55
01/18/19	1.28	5.50	2.40	2.35	2.51	2.50	4.04	-	3.49
01/11/19	1.39	5.50	2.40	2.42	2.51	2.51	4.05	-	3.50
01/04/19	1.63	5.50	2.40	2.42	2.47	2.52	3.93	-	3.38
12/28/18	1.71	5.50	2.39	2.33	2.42	2.51	4.02	-	3.47
12/21/18	1.68	5.50	2.24	2.37	2.50	2.47	4.04	-	3.49
12/14/18	1.64	5.25	2.19	2.41	2.46	2.45	4.17	-	3.62
12/07/18	1.65	5.25	2.19	2.39	2.30	2.38	4.08	-	3.55
11/02/18	1.61	5.25	2.18	2.25	2.25	2.31	3.83	-	3.38
10/05/18	1.53	5.25	2.16	2.21	2.21	2.28	4.11	-	3.76
09/07/18	1.49	5.00	1.91	2.13	2.04	2.12	3.86	-	3.51
08/03/18	1.29	5.00	1.90	2.00	1.94	2.08	3.80	-	3.50
07/06/18	1.19	5.00	1.90	1.91	1.96	2.09	3.67	-	3.37
06/01/18	1.06	4.75	1.69	1.91	1.86	1.98	3.62	-	3.32
05/04/18	1.61	4.75	1.68	1.83	1.85	1.92	3.80	-	3.50
04/06/18	1.60	4.75	1.68	1.71	1.82	1.89	3.78	-	3.48
03/02/18	1.09	4.50	1.38	1.63	1.65	1.67	3.82	-	3.52
02/02/18	1.08	4.50	1.39	1.48	1.49	1.57	3.73	-	3.43

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