

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

### FEATURED ARTICLE

## ZIEGLER SENIOR LIVING FINANCE + STRATEGY CONFERENCE: HIGHLIGHTS (PART II)

In last week's *Z-News*, we gave a sneak peek into the **22nd Annual Ziegler Senior Living Finance + Strategy Conference**. This year's conference kicked off this week in Amelia Island, Florida, and was attended by more than 650 individuals ranging from the country's leading senior living executives, business firms, banks, and investors. The "Conference: Highlights (Part I)" outlined the popular pre-con sessions to be held on Wednesday afternoon, as well as details of the Thursday morning agenda. This issue focuses on the remainder of the conference.

Thursday early afternoon kicked off with a series of breakout sessions. To focus on the increased need for clinical excellence within the sector, this year's **System Sophistication** highlighted organizations with known strengths in that arena. Paul Ogier (Lutheran Senior Services) and Pamela Richmond (Otterbein) shared how their organizations have evolved their clinical platforms to focus on metrics with an emphasis on outcomes and the ability to effectively negotiate with payors and healthcare systems.

At the same time, other attendees participated in a session entitled **Embracing the Promise of Technology & Developing a Culture of Innovation**. An industry expert, Scott Collins (Link•Age) and two senior living providers, David Fenoglio (Lutheran SeniorLife) and Kris Hansen (Western Home Communities), talked about how to integrate technology into your organization and foster a culture of innovation.

Three additional sessions in the mid-afternoon on Thursday focused on trends around developing professionals for careers in aging services, the ever-present trend of sponsorship transitions, and also advanced financial concepts for providers accessing the capital markets. Sean Kelly (The Kendal Corporation), Dr. Douglas Olson (University of Wisconsin-Eau Claire) and Christy Kramer (LeadingAge) shared their insights in **Fostering College & University Partnerships to Enhance the Senior Living Workforce**. In speaking about their experiences with affiliations and mergers, Karen Christiansen and Jim Petty (Acts Retirement-Life Communities), and John Cochrane (HumanGood) participated as speakers in **Growth Through Sponsorship Transition**. To round out Thursday mid-afternoon, a session was held for the finance professionals in attendance, Kim Klockenga (John Knox Village) and Kevin Stagg (Christian Health Care Center) were guest speakers in **Comprehensive & Advanced Financial Solutions**.

Thursday late- afternoon sessions covered key themes such as:

- **Single-site Communities in the Spotlight: Sophistication Among Non-System Providers.** This is a great session that highlighted progressive single-site organizations, including Steve Dickie (Oklahoma Methodist Manor), John Sauder (Mennonite Home Communities), and Danny Sanford (Still Hopes Retirement Community). The speakers demonstrated examples of sophistication and growth among campuses that are single-site in nature.
- **Successful Campus Repositionings. This is always a conference favorite.** Two providers shared histories, photos and master planning strategies for their campus projects. This year's presenters included Russell Crews (CC Young), Cole Gray (Greenbrier), Timothy Myers (Ingleside) and Tom Seybold (Westminster Ingleside Group).
- **The Merger & Acquisition Marketplace for For-Profits and Not-for-Profits.** There is much to gain from learning the insights of our for-profit counterparts, particularly as it relates to growth through acquisitions and mergers. This year's speakers included Kevin Carden (REDICO), Patrick Lee (Senior Lifestyle) and Kevin Pascoe (National Health Investors).
- **Focus on NOM: Best Practices to Improve the Bottom Line.** This well-attended session gave best practices and tips for providers looking to enhance financial and operational performance. Angela Larson (Montereau), Dana Anders (CliftonLarsonAllen) and Mary Schoeggl (Pacific Retirement Services) shared their unique perspectives on the topic and provided valuable tools for attendees.
- **Clarifying Your Skilled Nursing Strategy During Disruptive Times.** It is safe to say that today's skilled nursing marketplace is among the most challenging for not-for-profit providers. This session acknowledged the pressures, but also gave guidance on how to be competitive in these dynamic times. Speakers were Betsy Rust (Plante Moran), Douglas Struyk (Christian Health Care Center) and David Trost (St. John's United).

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Attendees awoke bright and early Friday morning for a final series of breakout sessions.

- The annual **Bank Financing Panel** was represented by James Goldsmith (Washington Federal), Sean Conley (BBVA) and James Dougherty (Fulton Bank).
- Another session featured every year is the **Architect's Panel**, where some of the lead design engineers in the sector feature the latest trends and projects. This year's speakers included Rocky Berg (Three Architecture), Paul Donaldson (PRDG) and Michael Martin (RLPS).
- Given the significant consolidation activity in recent years, a second session was featured to highlight **Successful Not-for-Profit Affiliations**. This year's case studies were presented by Deirdre Kinsey (Longhorn Village), Labinco Clarke (Brazos Presbyterian Homes) and John Nixon III & Mary Wagner (UMRC and Porter Hills).
- To focus on the preferences of the changing customer and how to effectively promote your organization, Jay Hibbard (Covenant Living Communities & Services), Lindsay Hutter (Goodwin House) and Janel Wait (GlynnDevins) participated in **Advancing Success in Sales & Marketing Techniques**.
- Last was a breakout session focused on financing alternatives to the traditional fixed-rate bond market and bank marketplace. Steve Muth (M&T Bank) and Michael Patterson (Freddie Mac) presented in **Alternative Financing Strategies to Support Growth**.

The closing general session, **The Future of Senior Living**, ended the conference with a focus on what is changing and what providers need to do to position themselves for what lies ahead. In a future issue of *Z-News*, we will take a deeper dive into this session.

For questions about this issue of *Z-News* or other related topics, please refer to the Ziegler banker in your region.

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

AS OF SEPTEMBER 20, 2019

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
El Castillo Retirement Residences (NM)	Fitch	BB+ Stable	Assigned Rating	9/19/19
Immanuel (NE))	Fitch	AA Stable	Assigned Rating Affirmed Rating	9/20/19
Sun Health Services Obligated Group (AZ)	Fitch	A- Stable	Assigned Rating	9/20/19

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**INTEREST RATES/YIELDS**

(AS OF SEPTEMBER 20, 2019)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.08%	2.03%	2.66%
Senior Living 30-Yr "A"	3.08%	3.03%	3.53%
Senior Living 30-Yr "BBB"	3.28%	3.23%	3.82%
Senior Living Unrated	4.18%	4.13%	4.63%
Senior Living New Campus	6.00%	6.00%	6.48%
SIFMA Muni Swap Index	1.47%	1.31%	1.56%

  

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.29%	4.30%	2.17%

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

**FEATURED FINANCINGS**



**Holland Home™**

**HOLLAND HOME OBLIGATED GROUP**  
 Grand Rapids, Michigan

Michigan Strategic Fund,  
 Limited Obligation Revenue and  
 Revenue Refunding Bonds,  
 Series 2019

**\$24,225,000**

## MARKET COMMENTARY

## FROM A CAPITAL MARKETS PERSPECTIVE

Last week in equities, the major U.S. stock indexes fell slightly, snapping a three-week string of gains, with little change overall until the market fell modestly on Friday afternoon. The S&P 500 and Dow both remained more than 1% below their records set in July; the NASDAQ was nearly 3% shy of its peak. Crude oil prices surged 15% on Monday in the wake of drone attacks that temporarily disrupted about half of Saudi Arabia's oil production capacity.

As expected, the U.S. Federal Reserve cut its benchmark interest rate for the second time in two months, but board members were split on the outlook for further reductions this year. Seven of 17 Fed officials projected that there will be a need for another rate cut, but 10 others maintained that rates should remain at the newly reduced level or shouldn't have been cut at all this month. For four days in a row, the U.S. Federal Reserve intervened in a segment of the bond market known as overnight repo, where companies often go to meet short-term borrowing needs. Borrowing costs in the repo market soared on Tuesday amid a lack of liquidity, but the situation stabilized after the Fed stepped in with financial backing.

In fixed income, U.S. Treasury bond yields fell for the second week in a row, but they remained above the multi-year lows recorded early this month. The 10-year Treasury bond yield fell to around 1.75% on Friday, down from 1.90% a week earlier. In Munis, yields matched treasury movements. The 10-Year and 30-Year MMD each decreased 8 bp's and 9 bp's from 1.55% to 1.47% and 2.16% to 2.07%, respectively. The tax-exempt bond funds saw an inflow of approximately \$209.318 million.

ADAM BUCHANAN

SENIOR VICE PRESIDENT

*See pages 5-6 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

	9/20/19	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.00	5.25	5.25	5.00
Federal Funds (weekly average)	2.08	2.10	2.10	1.91
90 Day T-Bills	1.90	1.94	1.94	2.12
30-Day Commercial Paper (taxable)	2.06	2.05	2.02	2.10
Libor (30-day)	2.04	2.03	2.14	2.21
7 Day Tax-Exempt VRDB	1.47	1.31	1.36	1.48
Daily Rate Average	1.45	1.35	1.36	1.50

## COMPARATIVE YIELDS

## TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
1 Year	1.82	2.42	1 Year	1.28	2.98	2.68	2.08	1.73	1.58
5 Year	1.60	2.65	5 Year	1.29	3.09	2.84	2.29	1.99	1.69
7 Year	1.66	3.91	7 Year	1.34	3.34	3.04	2.39	2.19	1.79
10 Year	1.72	3.52	10 Year	1.48	3.58	3.28	2.68	2.48	1.93
30 Year	2.16	3.96	30 Year	2.08	4.18	3.88	3.28	3.08	2.53

(\* Representative of institutional sales)

## TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2019 HIGH	LOW
Bond Buyer					
20 Bond Index	2.76	2.85	-.09	4.24	2.76
11 Bond Index	2.30	2.39	-.09	3.71	2.30
Revenue Bond Index	3.24	3.33	-.09	4.71	3.24
30 Year MMD	2.08	2.03	+.05	3.11	1.84
Weekly Tax-Exempt Volume (Bil)	8.32	7.68	-.64	9.36	0.20
30 Day T/E Visible Supply (Bil)	8.21	10.52	-2.31	11.23	.93
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	141.93	127.84	+14.09	141.93%	109.21%

## 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)		
09/20/19	1.47	5.00	2.08	1.90	2.06	2.04	3.08	-	2.53
09/13/19	1.31	5.25	2.10	1.94	2.05	2.03	3.03	-	2.48
09/06/19	1.28	5.25	2.11	1.95	2.03	2.04	2.60	-	2.05
08/30/19	1.35	5.25	2.11	1.98	2.02	2.10	2.54	-	1.99
08/23/19	1.36	5.25	2.10	1.94	2.02	2.14	2.61	-	2.06
08/16/19	1.35	5.25	2.11	1.87	2.07	2.18	2.57	-	2.02
08/09/19	1.32	5.25	2.10	1.99	2.11	2.20	2.71	-	2.16
08/02/19	1.40	5.25	2.28	2.05	2.18	2.24	2.89	-	2.34
07/26/19	1.40	5.50	2.40	2.10	2.22	2.27	2.95	-	2.40
07/19/19	1.27	5.50	2.38	2.04	2.28	2.27	2.97	-	2.42
07/12/09	1.18	5.50	2.38	2.13	2.23	2.32	2.98	-	2.43
07/05/19	1.49	5.50	2.38	2.17	2.36	2.39	2.97	-	2.47
06/07/19	1.40	5.50	2.37	2.26	2.38	2.41	3.03	-	2.53
05/03/19	2.12	5.50	2.42	2.41	2.42	2.48	3.23	-	2.73
04/05/19	1.48	5.50	2.40	2.42	2.47	2.47	3.40	-	2.90
03/01/19	1.74	5.50	2.40	2.43	2.43	2.49	3.88	-	3.43
02/01/19	1.43	5.50	2.40	2.39	2.40	2.51	4.02	-	3.47
01/04/19	1.63	5.50	2.40	2.42	2.47	2.52	3.93	-	3.38
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

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