

MINUTES  
FINANCE LIAISON COMMITTEE MEETING  
OCTOBER 6, 2020

The meeting was called to order a 9:30 AM by Chairman Scott McCausland. Members present were Ben Bastianen, Joan Bliss, Marcel Frenkel, Barbara Hayler, Scott McCausland, Jay Schachner, and Jim Westerman. CEO Nadia Geigler and CFO Dan Churchill represented The Admiral at the Lake. Gerry Bloomer attended as a resident observer. The meeting was held online.

The minutes of the September 1, 2020 meeting were approved.

Scott welcomed Gerry Bloomer, a prospective new member of the committee.

The meeting focused on a preliminary look at the 2021 budget. Dan walked us through the major assumptions he incorporated into his first draft. Occupancy and turnover assumptions are based on a compromise between best/worst-case scenarios developed with Katie O'Brien, Director of Marketing. Harbors payment type ratios also reflect actuarial projections for our resident mix by age and sex. Dan highlighted the fact that our entrance/monthly fees are reduced for a second person in an apartment or on a life-care contract.

Dan reported that our cash-flow remains tight because, due to the COVID-19 pandemic, move-ins have dropped below our projections. Nadia added that there have been some COVID related move-outs. In terms of cash on hand, the entrance fee/refund ratio is negative. This should self-correct, as we anticipate increased move-ins next year based upon interest shown by prospective new residents.

As noted in the minutes of our September 1, 2020 meeting, we will not meet our bond covenants this year. Ben said now is a very good time to ask the bondholders for a reduction in the covenants. He suggested we act aggressively and ask for reductions in Days Cash on Hand from 180 to 100 days, and in the Debt Service Coverage Ratio from 120 to 80%. Dan will consult with Ziegler and look into this.

Dan said he had been advised by our insurance carriers that premiums will be significantly higher next year, primarily due to COVID uncertainty but also because as interest rates fall (return on investment drops) premiums necessarily go up. Even before COVID Dan had started researching alternative insurance options, and this is ongoing. By changing health insurance brokers, our workers compensation insurance premiums will remain essentially flat, saving us approximately \$30,000. Nevertheless, at this point Dan is tentatively budgeting \$750,000 for all insurance. Nadia added that the insurance industry is anticipating significant COVID related litigation expenses. Win or lose, legal fees are high.

We anticipate increased contribution requirements for our pension plan next year. We offered a lump-sum payout to participants this year and were able to reduce the number of participants. This eliminated the need for an audit.

The Chicago minimum wage will increase from \$14 to \$15/hour (7%) on July 1, 2021. This will result in an increase at all wage levels, although at declining rates for increasing wages. Nadia noted that employees understand that wage increases will be limited. Garry said it was his impression that we had given employees an expectation of larger increases.

With regard to payroll taxes, we have deferred payment of the employer portion of social security taxes. They are scheduled to be paid 50% on 12/31/2021 and 50% on 12/31/2022

Barbara said our reinforced concrete building has a low fire risk, resulting in lowering the fire-insurance premiums for all Kendal affiliates. She suggested that this gives us the opportunity to ask Kendal to convert their loan to us into a gift. Garry asked if it is advantageous for us to stay in the Kendal pool. Dan assured us that it is.

Marcel suggested that residents in one-bedroom apartments might be encouraged to move to other apartments so that adjoining one bedrooms could be converted to two-bedroom apartments. Dan replied that Marketing is always looking at these possibilities, depending on demand. He noted that in some instances, as circumstances change, residents request a move from one apartment to another.

Jay inquired as to the status of our planned giving program. Nadia said the Board is moving forward on this. Recently there was a presentation to residents on gifts and bequests. There will be more to follow.

Scott reminded us that for next year the committee should think about who will become chairman and who will represent us on the residents council. Also, on our agenda for next year should be a review of the pricing structure for entrance/monthly fees and first/second occupant fees.

Our next meeting is scheduled for 10:00 AM on Tuesday, October 13, 2020. It will be a video conference held remotely on Zoom.

Scott adjourned this meeting at 11:00 AM.

Jay Schachner  
Secretary