

ORDINANCE

83-11

ORDINANCE OF THE FISCAL COURT OF MADISON COUNTY, KENTUCKY, RELATING TO AND APPROVING AN INDUCEMENT CONTRACT BETWEEN THE COUNTY AND WILLIAM KENNETH CUMMINS & ASSOCIATES, IN WHICH THE COUNTY AGREES TO FINANCE THE CONSTRUCTION OF A HEALTH CARE FACILITY PROJECT FOR THE PURPOSE OF CONSTRUCTING A NURSING HOME AND CONTINUING CARE FACILITY ON A TRACT OF LAND LOCATED NEAR INTERSTATE 75 AT THE BEREA INTERCHANGE IN THE COUNTY, THROUGH THE ISSUANCE BY THE COUNTY OF APPROXIMATELY \$9,000,000 OF HEALTH CARE FACILITIES REVENUE BONDS, FOR THE PURPOSE OF CREATING ADDITIONAL EMPLOYMENT OPPORTUNITIES IN SAID COUNTY; AND AUTHORIZING THE BEGINNING OF CONSTRUCTION OF SAID PROJECT PRIOR TO THE ISSUANCE OF SAID BONDS, WITH SAID COMPANY PAYING FOR SAME AND TO BE REIMBURSED OUT OF THE PROCEEDS OF SAID BONDS FOR ALL COSTS HEREAFTER ADVANCED BY THE COMPANY TOWARD THE COST OF THE PROJECT.

WHEREAS, it is necessary and desirable for the general welfare and economy of the County that the County provide additional permanent opportunities for employment in the County, and

WHEREAS, William Kenneth Cummins & Associates (the "Company"), has submitted to the County a proposed Inducement Contract, in which the Company proposes to construct and equip a new 60 bed nursing home and 150 unit continuing care facility (the "Project"), on a tract of land of approximately 12 acres, located near Interstate 75 at the Berea Interchange in the County, which Project would be owned and operated by the Company to provide health care and housing for the aged and infirm, and

WHEREAS, the Company has proposed in said Inducement Contract that if the County will agree to authorize, issue, and sell County of Madison Health Care Facilities Revenue Bonds in the amount of approximately \$9,000,000, pursuant to Sections 103.200 through 103.285 of the Kentucky Revised Statutes, for the purpose of financing the construction of the Project on said tract, the Company would agree to own and operate the Project and to make loan payments to the County sufficient to pay all principal and interest requirements of the Bonds as same become due, and

WHEREAS, in the opinion of the Fiscal Court of the County, the Project would relieve to some appreciable degree the condition of unemployment now existing in the County and its general economic area, and would tend to increase industry in the State in accordance with the public policy of the State, all as set forth in said Statutes, and

WHEREAS, said plan of financing and the aforesaid Statutes contemplate that said Bonds would not be a general obligation debt of the County, but would be secured only by a foreclosable mortgage lien against and a first pledge of the revenues of the Project, which revenues would be derived by the County from loan payments from the Company sufficient to pay all principal and interest requirements of the Bonds, and

WHEREAS, it is deemed advisable and in the best interests of the County that said Inducement Contract be approved and executed,

NOW, THEREFORE, BE IT ORDAINED BY THE FISCAL COURT OF THE COUNTY OF MADISON, COMMONWEALTH OF KENTUCKY, AS FOLLOWS:

1. That the Inducement Contract referred to in the preamble hereto is hereby accepted and approved, said Contract contemplating that the County shall cause a new 60 bed nursing home and 150 unit continuing care facility (the "Project"), to be constructed on a certain site located near Interstate 75 at the Berea Interchange in the County, which Project is to be financed by the issuance of approximately \$9,000,000 of County of Madison Health Care Facilities Revenue Bonds.

2. That the County shall cooperate fully with the Company, with Local Counsel, Roger M. Oliver, Oliver Building, Berea, Kentucky 40403, and with Bond Counsel designated in said Inducement Contract (viz., Rubin & Hays, Suite 300, 209 South Fifth Street, Louisville, Kentucky 40202), in the issuance of the proposed Bonds in order to induce said Company to locate and construct and operate the Project on said site and thus create new opportunities for employment within the County and the surrounding area.

3. That the County agrees to enter into the appropriate Loan Agreement between the County and the Company and agrees that this Ordinance commits the County insofar as the laws of the Commonwealth of Kentucky allow, (a) to issue said Bonds and to lend the proceeds thereof to the Company, (b) to adopt the appropriate Ordinance authorizing said Bonds; and (c) to approve the appropriate Trust Indenture to secure the Bonds; provided all of the proceedings for the issuance of said Bonds must be approved by said Local Counsel, Bond Counsel, and the Fiscal Court of the County. Since Kentucky law (KRS 103.230) permits the sale of such Bonds to be made at a negotiated interest rate and price without public advertising, if such rate and price are agreeable to the Company, and since the Company desires that such Bonds be sold in that manner by negotiation, the County agrees to cooperate fully with the Company in effecting such negotiated sale.

4. That the County Judge/Executive is hereby authorized and directed to execute said Inducement Contract on behalf of the County and to execute all necessary documents, instruments, and obligations of the County, in order effectively to carry out the intent and purpose of this Ordinance and of said Contract, all without expense to the County. A copy of said Contract is hereby ordered to be made a part of this Ordinance the same as if copied in full herein, and such copy shall be filed in the records of the County with this Ordinance.

5. That the County hereby specifically approves and authorizes the beginning of acquisition and construction of the Project before all of the details of the issuance of the Bonds have been completed, with the agreement by the County in the Inducement Contract, that the Company may be reimbursed out of the proceeds of the Bonds when issued for any and all costs of the Project hereafter advanced by the Company.

6. That this approval is made subject to the condition that such Bonds shall not constitute a general obligation of the County and that the County shall have no expense in connection with the Project or in connection with the issuance of the Bonds, all as provided in said Inducement Contract.

7. That the approval of the aforesaid Inducement Contract by the County shall be evidenced by the passage and enactment of this Ordinance by the Fiscal Court of the County and by the furnishing of a certified copy of same to the Company and to Bond Counsel.

8. That this Ordinance shall be in force immediately upon its enactment and approval.

INTRODUCED AND GIVEN FIRST READING ON July 18th, 1983.

GIVEN SECOND READING, ENACTED, AND APPROVED ON Sept. 6th, 1983.

Attest:

*Charles Wagers*  
County Clerk

*Harold K. Botner*  
County Judge/Executive

(Seal of County)

CERTIFICATE OF COUNTY CLERK

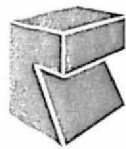
I, CHARLES WAGERS, hereby certify that I am the duly qualified and acting County Clerk of Madison County, Kentucky, that the foregoing Ordinance is a true copy of an Ordinance duly given first reading by the Fiscal Court of Madison County on July 18th, 1983, and given second reading, passed, enacted, and approved by said Fiscal Court on Sept. 6th, 1983, and that said Ordinance (together with the Inducement Contract approved herein) appears as a matter of public record in the official records of said County.

I further certify that said meetings were duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820, and 61.825, that a quorum was present at each of said meetings, that said Ordinance has not been modified, amended, revoked, or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as County Clerk and the official Seal of the County this 18 day of Oct., 1983.

(Seal of County)

*Charles Wagers*  
County Clerk



## Rodgers Construction, Inc.

January 18, 1983

Mr. John Runda  
Berea Health Care Center  
Route #1, U.S. 25 North  
Berea, KY 40403

Dear John:

It was good to meet with you last week in Lexington and to hear of your retirement facility (continuing care center) plans for Berea. As we agreed, I have discussed your issue with Roger Nauert of Alexander Grant & Company and offer you the following thoughts on your project.

- (1) Most CCC's draw 95% of their residents from within about fifty miles of the facility.
- (2) The typical breakeven size for such projects is 150 units; anything below 100 units would be considered beneath the typical minimum size of a feasible facility. This, however, assumes a certain approach - and, corresponding cost load, and your "mom and pop" strategy may well prove a smaller project feasible.
- (3) Regarding community size, while there is no agreed upon industry standard, typical industry ratios suggest a minimum 100:10:1 ratio; that is, total population:total +65:population meeting minimum total financial criteria:anticipated penetration rate (i.e., likely number of residents that size community would support). These numbers represent facilities and communities which are somewhat larger than yours. For a smaller project the confidence limits in the ratios would be greatly reduced.

Of course, competitive facilities in an area will also have an impact.



John Runda  
January 18, 1983  
Page Two

- (4) Because CCC's are a middle class phenomen, and because of what we know of your area, your economic demographics fall short of what we would normally consider viable numbers.
- (5) It is my understanding that the Lexington project is proceeding on target with regard to pre-sales; however, it could not be characterized as an overwhelming success.
- (6) We very much like your idea of some affiliation with the local hospital and/or university.
- (7) In summary,
  - (a) your concept is sound;
  - (b) your history suggests a capacity to successfully execute such a project;
  - (c) the numbers do not fit the standard formulas.
- (8) Consequently, should you proceed, we believe that you'll be required to use somewhat of a new approach in order to be successful.

Please let us know if we can be of further services.

Sincerely,

  
Marc Fortune  
Director of Health  
Facilities Development

MF/bjs

cc: Roger Nauert, Alexander Grant & Co.  
Ted Renaker, Alexander Grant & Co.



CABINET FOR HUMAN RESOURCES  
COMMONWEALTH OF KENTUCKY  
FRANKFORT 40621

DEPARTMENT FOR HEALTH SERVICES  
Division of State Health Planning  
Certificate of Need Branch

275 East Main Street  
August 4, 1983

John C. Runda, Ph.D.  
Manager  
Berea Health Care Center  
Route 1, U.S. 25N  
Berea, Kentucky 40403

Dear Dr. Runda:

I am responding to your letter of August 1, 1983 concerning the proposed construction of a long-term care (beds) facility in Berea. The answers to your specific questions follow:

- 1) Does the construction of long-term care beds require a certificate of Need?

YES

- 2) If a long-term care facility only admits private pay patients is a Certificate of Need still required?

YES

- 3) Does the current and proposed State Health Plan allow for the construction of new long-term care beds?

The current plan prohibits new Intermediate Care and Skilled Nursing Care beds until December 1983.

(NOTE: The CON Board decided years ago not to approve new beds for the distinct Nursing Home bed category although there are still some beds licensed as such).

The proposed plan prohibits new Personal Care, Nursing Home, Intermediate Care, and Skilled Nursing Care beds until June 30, 1984.

John C. Runda, Ph.D.  
Page Two  
August 4, 1983

- 4) Does it make any difference if the long-term care beds are affiliated with a Continuing Care Center?

NO

- 5) If yes, are there any restrictions as to whom may occupy the LTC beds at a Continuing Care Center?

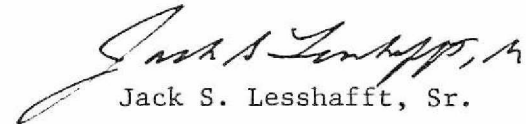
NA. See Number 4 above.

- 6) Can financing for long-term care bed construction be secured (such as through Industrial Revenue Bonds) before the issuance of a Certificate of Need?

Cannot make a final financial commitment until CON is approved. (Also Section 1122 when applicable).

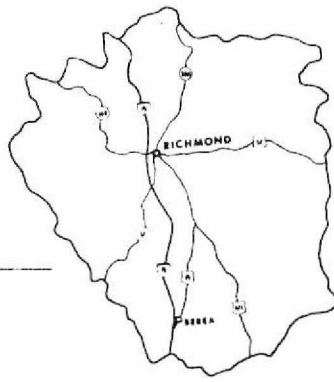
If I can be of further assistance, please feel free to inquire.

Sincerely,

  
Jack S. Lesshafft, Sr.

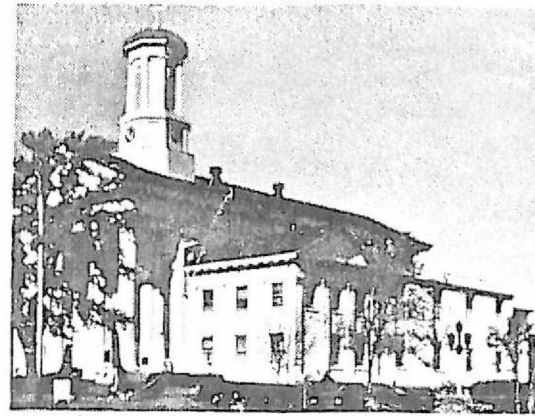
JSL/djl

cc: Geo. D. Kent, Ph.D.  
Jayne M. Fairchild



**HAROLD K. BOTNER**  
*MADISON COUNTY JUDGE EXECUTIVE*  
Telephone 623-2849  
Courthouse

Richmond, Kentucky 40475



September 7, 1983

Mr. Robert Purdom  
Finance and Administration Cabinet  
Division of County and Municipal Accounting  
Capitol Annex  
Frankfort, Kentucky 40601

Dear Mr. Purdom:

As per our telephone conversation of this date, I am forwarding a true attest copy of the "Berea Continuing Care Retirement Center" proposal. The Madison County Fiscal Court passed the enabling legislation and inducement contract yesterday.

Enclosed are two exhibits provided by Dr. John Runda, who opposed the bond ordinance at the public hearing September 6, 1983.

We appreciate your assistance in this matter.

It has been a pleasure to work with your knowledgeable, competent staff. In particular, Al Howell and Dan Yeast have served the citizens of Madison County by providing management advice and sound ideas which we have been able to implement locally.

Sincerely,

A handwritten signature in cursive script that reads "Joan S. Perry".

Joan S. Perry  
Deputy Judge/Executive

JP/sh  
Enclosures

INDUCEMENT CONTRACT

THIS CONTRACT, made and entered into this 18 day of ~~August~~<sup>October</sup>, 1983, by and between COUNTY OF MADISON, Kentucky, party of the first part, hereinafter referred to as the "County," and WILLIAM KENNETH CUMMINS & ASSOCIATES or an entity designated by them party of the second part, hereinafter referred to as the "Company,"

W I T N E S S E T H :

A. RECITATION OF FACTS

As a means of setting forth the matters of mutual inducement which have resulted in the making and entering into of this Contract, the following statements of fact are herewith recited:

1. The County is a duly constituted county of the Commonwealth of Kentucky, and is authorized and empowered by the provisions of Sections 103.200 to 103.285 of the Kentucky Revised Statutes, as amended (the "Act"), to acquire, own, lease, and dispose of industrial building projects or "building" projects as defined in Section 103.200 of the Act.

2. The Company proposes to construct and equip a new 60 bed nursing home and 150 unit continuing care facility (the "Project") on a tract of land of approximately 12 acres located near Interstate 75 at the Berea interchange in the County, which Project will be used to provide health care and housing for the aged and infirm, and will provide employment for approximately \_\_\_\_ employees. The cost of the Project, including land, building, equipment, and furnishings, is estimated to be approximately \$9,000,000.

3. The Company has advised the County that its contemplated program is largely dependent upon assistance which the County might render through the issuance and sale of County of Madison Health Care Facilities Revenue Bonds (the "Bonds"), pursuant to the Act, and that if the County will agree to render such assistance and to make possible the financing and construction of the Project through the issuance of such Bonds, then the Company will undertake the Project.

4. The Company proposes that the proceeds of the Bonds be lent by the County to the Company pursuant to a Loan Agreement whereby the Company will agree to pay all principal of and interest on the Bonds as same become due, and the County will assign such Loan Agreement (including a mortgage to the County of all rights of the Company in the Project) to the Trustee for the Bondholders.

5. It is necessary and desirable for the general welfare and economy of the County that the County provide additional permanent opportunities for industrial employment in such area.

6. As provided in the Act, the proposed Bonds would not be a general obligation debt of the County, but would be secured only by a first pledge of the revenues of the Project, including the loan payments under the Loan Agreement, and by a first foreclosable mortgage lien against the Project. The Bonds will mature over a period of approximately 30 years.

#### B. UNDERTAKINGS ON THE PART OF THE COUNTY

The County agrees as follows:

1. That the County will authorize the issuance under the Act of approximately \$9,000,000 principal amount of Bonds, which Bonds shall not be a general obligation debt of the County and shall be payable solely from the revenues and receipts of the Project, including the loan payments under the Loan Agreement, as required by the Act.

2. That the County acquiesces in the designation by the Company of the Trustee for the Bondholders and the Purchasers of the Bonds; and the County will adopt such proceedings as are necessary to effect the execution of a proposed Loan Agreement between the County and the Company and the issuance and securing of the Bonds in the manner contemplated by the Act.

3. That the Company is hereby authorized to commence the acquisition, construction, equipping, and furnishing of the Project. The Bond-Authorizing Ordinance and related proceedings (including the appropriate Trust Indenture) will provide that the proceeds of the Bonds shall be applied to the payment of the

costs hereafter to be incurred in the acquisition and construction of the Project and to the reimbursement of the Company, the County, and/or others who may have advanced the payment of such costs, including the necessary building, equipment, and furnishings.

4. That the County agrees to enter into the appropriate Loan Agreement between the County and the Company and agrees that this Contract commits the County insofar as the laws of the Commonwealth of Kentucky allow, to issue said Bonds for the use and benefit of said Company, to adopt the appropriate Ordinance authorizing said Bonds and approving the Trust Indenture to secure the Bonds; provided all of the proceedings for the issuance of said Bonds must be approved by Local Counsel and Bond Counsel designated below and by the Fiscal Court of the County. Since Kentucky law (KRS 103.230) permits the sale of such Bonds to be made at a negotiated interest rate and price without public advertising, if such rate and price are agreeable to the Company, and since the Company desires that such Bonds be sold in that manner by negotiation, the County agrees to cooperate fully with the Company in effecting such negotiated sale.

5. That the County will perform such other acts and adopt such further proceedings as may be reasonably required to effect such financing.

C. UNDERTAKINGS ON THE PART OF THE COMPANY

1. The Company has obtained the services of Rubin & Hays, Suite 300, 209 South Fifth Street, Louisville, Kentucky 40202, as Bond Counsel, to prepare the necessary proceedings for the authorization, issuance, sale, and delivery of the Bonds; and the Company has agreed for the County in such financing to have the benefit of the services of its Local Counsel, viz., Roger M. Oliver, Oliver Building, Berea, Kentucky 40403; provided all fees and charges of such Local Counsel and Bond Counsel will be borne by the Company, and/or paid out of the proceeds of the Bonds. Under no circumstances will any part of said fees and expenses be borne by the County.

2. The Company further agrees as follows:

(a) To enter into the Loan Agreement with the County, under the terms of which the Company will agree to borrow the proceeds of the Bonds from the County and will obligate the Company to pay to the County loan payments sufficient to pay the principal of and interest on the Bonds, as and when the same become due and payable, until all of the Bonds have been retired, said instrument to be in form and contain such provisions as shall be satisfactory to the County, the Company, Local Counsel, and Bond Counsel.

(b) To hold the County harmless from all liability and to reimburse the County for all expenses which the County might incur in the fulfillment of its obligations under this Contract.

(c) To pay all costs of completing the Project, if, and to the extent that the proceeds of the Bonds shall be inadequate.

(d) To complete such further steps, perform such further acts, and adopt such further proceedings as may be required to implement its undertakings.

#### D. GENERAL PROVISIONS

1. All commitments of the County herein are subject to the condition that nothing contained in this Contract shall result in the County becoming liable for the payment of the principal of or interest on the Bonds, or for the performance of any pledge, mortgage, obligation, or agreement of any kind whatsoever; and none of the Bonds nor any of the County's agreements or obligations shall be construed to constitute an indebtedness of the County, within the meaning of any constitutional or statutory provision whatsoever.

2. All costs of the Project and all fees and expenses of the financing (including all amounts payable to Bond Counsel and Local Counsel), will be paid out of the proceeds of the Bonds or separately by the Company.

3. This proposed financing shall not exempt the Company from paying any and all ad valorem, City, State, or County taxes otherwise payable on the Project as the Company will retain title to the Project and will not transfer title to the County.

4. The County and the Company hereby covenant to agree to reasonable provisions and documents concerning each phase of the proposed financing.

IN WITNESS WHEREOF, the parties hereto, each after due authorization, have executed this Contract on the date indicated.

COUNTY OF MADISON, KENTUCKY

Dated: 18 Oct 1983

By Harold R. Botner  
County Judge/Executive

WILLIAM KENNETH CUMMINS & ASSOCIATES

By William K. Cummins  
Signature

Dated: 10/12/83


Developer  
Title

Affidavit

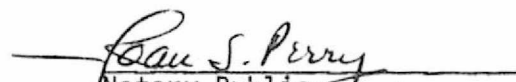
I, Harold K. Botner, do affirm that I intend to sign the inducement contract and Ordinance 83-11 both of which relate to the issuance of industrial revenue bonds. Under KRS 67.710(1), it becomes my duty to sign the aforesaid documents even though I voted against Ordinance 83-11 on second reading and adoption. My dissenting vote was based on the following considerations:

- a) The developer, Mr. Cummins, presented no detailed financing information.
- b) The developer presented no real market analysis or business plan.
- c) There were too many questions raised by the proposal as to the monthly costs a resident would incur and no questions answered about the future of any residents unable to care for themselves.

This the 8th day of September, 1983.

  
Harold K. Botner  
Madison County Judge/Executive

Sworn before me this 8th day of September, 1983.

  
Notary Public  
State at Large  
My Commission Expires July 2, 1986



CARE CENTER

Description Of The Development:

The development will be constructed in two phases. Phase One will consist of 77 one bedroom and 25 two bedroom apartment units for middle income elderly families in a four story brick building, designed as a "Continuing Care Retirement Center", which will include facilities for dining, recreation, and health services. There will be a beauty and barber shop to serve the residents' needs.

The size of the one bedroom apartments will be approximately 600 s.f. and the two bedroom units will be approximately 750 s.f.

Phase Three will consist of a fifty-one apartment unit addition to the Phase One building. The thirty-six one bedroom and fifteen two bedroom units will be the same size as the original apartments.

The purpose of a Continuing Care Retirement Center is to provide an intermediate level of services between those of an "independent living" apartment and those of a skilled nursing home. (The nursing home represents a high cost option for the elderly.) Although each apartment unit will be equipped with a kitchenette, it is anticipated that residents will eat at least two meals per day in the central dining room. A staff dietician will design special menus.

Other features of the development will be the availability of home health care services through a licensed provider, with the objective of reducing or eliminating nursing home stays. Certain types of health care functions, such as administering medicines, physical therapy, and rehabilitation, will be handled on the premises.

The staff of the Berea Continuing Care Center will include a Director of Resident Services who will serve the residents by planning and leading group activities. In addition to the facilities and equipment available in the building the Center will have a specially-equipped van to convey residents to group outings, entertainment events, and to take them on shopping trips.

This development is planned to appeal to the elderly (65 and older) and very elderly (75 and older) but younger persons will also be eligible.

-1- <sup>key</sup> ~~Mr. Williams - Bankrupt study~~  
~~Chapter 11~~  
 Mr. Williams - 48% ownership  
 (used different initials in application)  
 Son-in-law - Larry Bonds  


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 Joe Graves presented > 12/13/85

#### BACKGROUND ABOUT CONTINUING CARE

The elderly (65 and older) and very elderly (75 and older) population groups are growing at a faster rate than any of the younger groups. Five thousand persons turn 65 daily. Of those over 65, 22% have stopped work. At present, elderly persons living in households represent 8.4 percent of the total population. By the year 2000 (only 15 years hence), these groups are expected to represent 9.2 percent of the population.

While elderly persons are becoming a significant portion of the population, younger families are becoming less likely to provide housing and care for their elders. Until recently, this situation was alleviated somewhat by means of several Federally-funded rent subsidy programs (such as the HUD Section 8 program), which provided "independent living" housing for low-income elderly families. More recently, the HODAG (housing development action grant) program showed promise of stimulating housing development, especially in downtown areas.

These programs have been the victims of Federal cutbacks, and are not likely to be reinstated in the foreseeable future. As a result, there will be a growing shortage of safe and affordable housing for the elderly, and an increasing need for supporting services -- particularly for the very elderly. At the present time, elderly persons who cannot live independently, and who do not have a spouse or relative to care for them, must seek care in a licensed nursing home.

This transition from independent living to a nursing home is emotionally traumatic and very costly.

#### ABOUT THE BEREA CONTINUING CARE CENTER

There are no continuing care centers in Madison County.

The Berea Continuing Care Center is designed to appeal to persons over sixty-five who perhaps have slowed due to age or the loss of a spouse, to people who no longer want to maintain a house and who would like to have some of their meals served in an attractive central dining room.

Many prospective residents now feel lonely and isolated. Perhaps their children and/or grandchildren do not live near by. Some of their closest friends have died.

The purpose of the Berea Continuing Care Center will be to create an upbeat, cheerful, friendly place to live. A Resident's Association will elect officers who will plan activities and programs. The Director of Resident Services will serve as staff for the Resident's Association and arrange its activities and programs. This person will also be available for consultation and help if a resident needs help with paper work, governmental forms, etc.

Two officers of the Resident's Association will serve as members of the Management Advisory Board of the Center to help insure that the residents have a strong say so about the management of the Center.

LOCATION - the site is near the Berea College campus in the city of

Berea in Madison County, Kentucky on college owned property which will be leased to Berea Continuing Care Associates (hereinafter the "partnership").

SITE DESCRIPTION

12.19 acres, located on the north side of Elipse Street, the east side of Rash Road, and the west side of Laurel Drive in Berea, Madison County, Kentucky.

OPTION

*needs revision*

The partnership is obtaining an option from the College to lease the aforementioned property. The option may be exercised at any time within a three year term. The cost of the option will be \$5,000.00 per year payable in advance. The first option payment will be due and payable within 48 hours of the closing of the bond sale. The option can only be exercised if the land is used as planned for a continuing care center and apartments for the elderly.

LAND LEASE

The term of the lease will be for 50 years commencing on January 1, 1986. Lessee will have first refusal if lessor decides to lease the property again. Lessee will make two lump sum payments, namely, a payment of two hundred ninety-four thousand dollars (\$294,000.00) payable 120 days after the option to lease is exercised, and a second lump sum payment of one hundred thirty-two thousand six hundred fifty dollars (\$132,650.00), due on or before December 31, 1988.

MARKET POTENTIAL

The partnership has retained QRC Research Corporation to perform an analysis of the potential market for "continuing care" apartment units for middle income elderly and very elderly households in Berea, Madison County, Kentucky. A copy of the QRC Research Corporation report dated November 11, 1985 is attached.

LETTER FROM PRESIDENT OF BEREA COLLEGE

A letter about the Continuing Care Center from John B. Stephenson President of Berea College is attached.

The partnership is convinced that the location of this Center on college owned land near the campus and a cooperative relationship with college officials, faculty, students, alums, and benefactors will be of mutual benefit to the College and to the Center.

Officers of Berea Continuing Care Center Corporation the corporate General Partner of the partnership are:

President	Joe Graves (J Graves Corp)
Vice President/Secretary	David L. McIntosh
Treasurer	William B. Moore

DEVELOPMENT TEAM

JOE GRAVES, age 55, served as organizer and President (1971-1978) of the non-profit Christ Church Apartments, Inc. during the initial planning and development stages, the construction phase and the initial operating years of this highrise apartment for moderate income elderly in Lexington, Kentucky. He continues to serve on the board which operates the apartments.

He serves on the Board of Directors of the Bank of Lexington which he helped organize and formerly served as Board Chairman.

He is General Partner of a limited partnership which developed, constructed and owns a four story, 32,000 s.f. office building in downtown Lexington, Kentucky. Resume and Financial Statement attached.

DAVID L. McINTOSH, age 40, is President of McIntosh Companies, a group of specialized companies relating to Real Estate Development, specializing in hotels, motels, office buildings, and commercial properties.

His work includes:

Completed Projects:

\$12,000,000.00 Ashland Quality Hotel  
Architect-Owner  
130,000 s.f. Shopping Center - Somerset, KY  
Architect-Owner

Under Development:

\$50,000,000/75 Acre Development - Elizabethtown, KY  
Architect-Owner  
\$3,000,000/100 Unit Motel - Berea, KY  
Architect-Owner

Resume and Financial Statement attached.

WILLIAM B. MOORE, age 43. Since 1971 when he began real estate development the companies in which he has been General Partner or principal officer have developed and managed over \$100 million worth of development activity. These projects have included duplexes, single family rehabilitation and rental, townhouse development, condominium rental, development and sales, multi-family apartment development/rentals and energy related projects.

During the last several years, particular emphasis has been placed on the development of housing for the elderly and handicapped individual.

Resume and Financial Statement attached.



1 First Security Plaza  
Lexington, Kentucky 40507  
606/231-1000

UNDERWRITERS' COUNSEL:

Edward K. Strauss, Esq. (For Matthews & Wright)  
Megan E. Harmon, Esq.  
Berkman, Ruslander, Pohl, Lieberman and Engle  
One Oxford Centre  
Pittsburgh, Pennsylvania 15219  
412/392-2000

OWNERSHIP

Berea Continuing Care Center Corporation, the corporate General Partner, will own 4% of the limited partnership. The corporation will be owned 49% by William K. Cummins and his associates and 25.5% by William B. Moore and 25.5% by Joe Graves.

The remaining 96% of Berea Continuing Care Center Associates, the limited partnership, will be owned 48% by William K. Cummins and his associates and 24% by Joe Graves and 24% by William B. Moore.

ISSUER

Madison County Fiscal Court.

BOND ISSUE AMOUNT

\$15,000,000.00

J.G.  
Revised - 11/16/85

TRUSTEE:

R.C. Cranfill, First Vice President and TRUST OFFICER  
First Security National Bank & Trust

# State refuses Pike request that it issue school bonds

By LIVINGSTON TAYLOR  
Courier-Journal Staff Writer

FRANKFORT, Ky. — The Kentucky School Building Authority yesterday declined to immediately issue \$4.1 million in Pike County school bonds in the authority's name.

But the authority left the door open to issuing the bonds in the future if county officials cannot get a favorable interest rate.

The authority voted 4-1 for Pike County to take bids on the bonds and, if the interest rate appears too high, to apply again for authority issuance.

The Pike County school board wants to borrow the \$4.1 million to build a new high school in Phelps.

Under normal procedure, the bonds would be issued in the name of Pike Fiscal Court and would be repaid from school-tax revenue.

But Pike County currently has a bad name in the bond market because its fiscal court has declined to appropriate the full amount needed to make debt payments on a controversial \$5.175 million nursing home bond issue sold by the previous county administration.

Unless more money becomes available for debt payments, a default will occur.

The school board's fiscal agent, Ralph Nall, estimated yesterday that the interest rate on bonds issued in Pike County's name would be three-quarters to 1 percent higher than if the bonds bore the authority's name.

A 1 percent difference would cost the school system about \$400,000 over the life of the bonds, he added.

However, the authority voted in 1980 not to issue bonds for local school districts unless it participates in the debt payments, which it

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would not be doing in the proposed Pike County bonds.

The 1980 vote was in line with a legislative resolution directing the authority to limit its actions concerning local school bonds.

The resolution is not legally binding today, the authority was told. But some members were concerned about setting a precedent that might displease legislators and would likely lead to similar requests from other school districts seeking lower interest rates.

The authority did vote 4-1 to rescind that 1980 policy. But at the suggestion of its chairman, state Superintendent of Public Instruction Raymond Barber, it asked Pike officials to secure the bond bids in their own name.

"We need some firm ground to stand on if we are to reverse what we've done in the past," Barber said.

Nall voiced strong objections to the suggested procedure.

It could delay the bond sale past Oct. 12, when a contractor's low bid on high school construction expires, he said. Nall also doubted that bond buyers would bid much lower if there is a second round of bidding.

But Nall said he would proceed to seek bond bids in the name of Pike County, perhaps in two to three weeks.

The school board must also find a new bond counsel since Louisville attorney Henry M. Reed III recently withdrew in a seven-page letter explaining the difficulties that Pike County currently faces in the bond market.

"I do not feel I could lead your board in an exercise in futility," Reed wrote.

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THE KENTUCKY STATE HEALTH PLAN

1983-1986

As Adopted by  
The State Health Planning Council  
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the medical staff composition would be unbalanced and the cost per patient day would be unacceptably high. Consequently, tertiary care must be delivered along with basic and secondary care in order to assure reasonable case mix and patient costs. Examples of highly specialized services would be bone marrow transplant, burn care, neonatal intensive care, cardiac catheterization, open heart surgery, kidney transplant, and nuclear magnetic resonance.

Tertiary level services shall be available to 90% of the state's population within 180 minutes.

In order to implement the hospital regionalization system, the State Health Planning Council will identify in each new State Health Plan, a configuration of hospitals as either area hospitals, medical service centers, or tertiary centers. Once made, these designations will serve as a basis for the Local Health Councils' planning efforts, as well as the prioritization of upcoming capital expenditures during the next planning cycle. The State Health Planning Council will complete the first designations of all hospitals before September 1, 1983, using the criteria contained in this Plan.

No hospital will have to discontinue any current services simply because it is designated as an area hospital, medical service center, or tertiary center.

#### LONG TERM CARE POLICIES

The 1983 needs assessment, based on the projected 1985 population, suggests that if in-home services are developed, if new procedures are instituted to assure more appropriate placement, and if the marketing of in-home services is pursued aggressively, Kentucky now has more than sufficient long term care beds to meet the projected needs of the population. On the basis of these assumptions, the current bed capacity exceeds the projected need as follows: 3,278 "surplus" skilled nursing and nursing home beds, 47 "surplus" intermediate care beds and 3,477 "surplus" personal care beds. Need and surplus vary by District. Based on the needs assessment, in six Districts, supply exceeds need in all categories of beds; one District shows a need for an additional six skilled nursing beds, eight Districts show a need for an additional 1,078 intermediate care beds, and three Districts appear to have a need for 133 additional personal care beds.

Table 6 illustrates the number of long term care facilities and beds by level of care in each District. This includes all of the licensed beds and beds approved by the Certificate of Need and Licensure Board. Bed categories are skilled nursing (SN), nursing home (NH), intermediate care (IC), and personal care (PC). Of the total 28,777 beds, slightly over half (51.9%) are intermediate care, 29.1% are personal care, 15.1% are skilled nursing, and the remaining 3.9% are nursing home beds.

The occupancy rates in these facilities vary by type of facility and geographic location. Intermediate care has the highest occupancy (95.7%) compared to skilled nursing (88.4%), nursing home (86.6%) and personal care (88.4%).

As of February 1983, there were 50 agencies providing home health care, 19 of which were based in local health departments, 16 hospital based, 8 free-standing non-profit agencies, and 7 proprietary agencies. Combined, these agencies had 277 nurses and 169 aides. Home services were also delivered in each ADD through the In-home Services project sponsored by the Department for Social Services. While the availability of in-home services has been increasing, there remains a large unmet need for selected types of personnel (unmet need for nurses -- 1222, for home health aides -- 2464, for personal care/homemaker aides -- 11,242) and for other programs such as adult day care and nutrition services.

The needs assessment indicates that large numbers of persons can be served cost effectively in non-institutional settings if the supply of these services is increased and the supply of institutional services is held generally constant in order to preserve limited dollars for the continued expansion of non-institutional services. The policy below reflects the activities necessary to bring this more rational service configuration into existence. It does not reflect current service availability, demand, placement, or utilization. These are problems which must be addressed concurrently with service development for the new system to develop.

IT IS THE POLICY OF STATE GOVERNMENT THAT THE DEVELOPMENT OF LONG TERM CARE INSTITUTIONAL SERVICES WILL BE LIMITED WHILE THE DEVELOPMENT OF IN-HOME SERVICES WILL BE THE HIGHEST PRIORITY FOR LONG TERM CARE.

It is recognized that until sufficient home services and more stringent placement mechanisms are developed, some individuals who may be appropriately served in an institution may not be able to access institutional services. However, given the great need for additional in-home services, the high cost of institutional care, the relatively permanent drain on available resources which investment in beds constitutes, and the projected statewide surplus if alternatives are developed, it is recommended that:

1. There should be no new construction of skilled nursing, nursing home, intermediate care, or personal care beds during the period July 1, 1983 - June 30, 1984. This policy shall also apply to institutional care for the mentally retarded (ICF-MR). This policy shall be reviewed prior to its stated expiration date to evaluate progress in the development and coordination of in-home services and the impact of conversions referenced in Long Term Care Policy 2.

The only exception to the new construction prohibition shall be for the purpose of replacing facilities which fail to meet life safety codes. Such replacements shall be limited to their current bed complements except when conversions may be available as defined in Long Term Care Policy 2.

2. In areas with unmet need for intermediate or personal care beds, surplus skilled, nursing home, or intermediate care beds may be converted to a less intensive level of care to meet the indicated unmet need. However, the conversions shall not result in an unmet need in the category of beds from which they are drawn. Standards governing these conversions are found in Review Standards, page 59 of this Plan.
3. By January, 1984, each existing agency providing in-home services should develop and submit a three year plan for service development. To be considered responsive to this policy, each plan must specify at a minimum: precise geographic service area, plans for adding staff, projected staff capacity, means of identifying and serving previously unserved populations - specifically those at greatest risk of institutionalization, and marketing strategies.
4. The Cabinet for Human Resources, through the Medicaid program, should require a mandatory pre-assessment for home care services, for all clients who are supported by public funds other than Medicare prior to admission to a skilled nursing, nursing home, intermediate care or personal care facility. The assessment should be available to all other persons who wish an opinion on appropriate placement on a fee-for-service basis.

TABLE 6 LONG TERM CARE FACILITIES - DECEMBER 1982

DISTRICT	TOTAL FAC.	SN BEDS	NH BEDS	IC BEDS	PC BEDS	ADD TOTAL	POPULATION AGE 65+	BEDS/1000 AGE 65+
1. PURCHASE	25	326	0	1,177	536	2,039	28,196	72.3
2. PENNYRILE	29	342	0	1,227	998	2,567	26,069	98.5
3. GREEN RIVER	25	168	44	1,022	872	2,106	23,544	89.5
4. BARREN RIVER	27	316	0	1,145	681	2,142	27,515	77.9
5. LINCOLN TRAIL	16	115	38	847	309	1,309	19,749	66.3
6. KENTUCKIANA	59	1,011	786	2,923	2,119	6,839	85,402	80.1
7. NORTHERN KENTUCKY	25	342	32	1,281	700	2,355	34,655	68.0
8. BUFFALO TRACE	5	34	0	297	72	403	7,322	55.0
9. GATEWAY	9	66	9	279	66	420	7,324	57.4
10. FIVCO	10	90	0	351	210	651	15,455	42.1
11. BIG SANDY	12	212	0	589	205	1,006	16,602	60.6
12. KENTUCKY RIVER	7	102	0	430	157	689	13,738	50.2
13. CUMBERLAND VALLEY	14	231	0	812	296	1,339	25,953	51.6
14. LAKE CUMBERLAND	18	242	0	725	333	1,300	22,638	57.4
15. BLUEGRASS	52	736	224	1,836	816	3,612	55,666	64.9
KENTUCKY	333	4,333	1,133	14,941	8,370	28,777	409,828	70.2

Source: Semi Annual Long Term Care Occupancy Report, 1982.

## NUCLEAR MAGNETIC RESONANCE

Nuclear Magnetic Resonance (NMR) is one of the major new modalities in the diagnostic imaging field. It is a new method for visualizing body tissue in order to detect and diagnose various disease states. Cost of this equipment is high and extensive construction/renovation to house the unit is likely.

NMR technology is presently approved by the Food and Drug Administration for research purposes only. There are no data yet available to establish need. This technology shall be considered a tertiary level service and approval of one unit will be considered for each of the two designated tertiary centers.

### REVIEW CRITERIA FOR LONG TERM CARE

1. There shall be no new construction of skilled nursing, nursing home, intermediate care, or personal care beds during July 1, 1983 - June 30, 1984. This standard shall also apply to institutional care for the mentally retarded (ICF-MR).

The only exception to this standard shall be for the purpose of replacing facilities which fail to meet life safety codes. Such replacement shall be limited to their current bed complements except when conversions may be available as defined in Standards 2-4 below.

2. In areas with unmet need for intermediate or personal care beds, as determined by the methodology (see page 60), surplus skilled, nursing home, or intermediate care beds may be converted to meet the unmet need so long as the conversions do not result in an unmet need in the category of beds from which they are drawn and are conversions to a less intensive level of care.
3. When certificates of need have been revoked or beds have been delicensed or closed, the numbers will be included in the unmet need figures if there is a deficit or will be subtracted if there is a surplus.
4. Certificate of need applications for conversions will first be considered at the March 1984 meeting of the Certificate of Need and Licensure Board and in regular batching cycles thereafter. Priority will be given to applications which document:
  - a) A history devoid of repeated deficiencies in patient care;
  - b) Efforts to improve the appropriateness of placement, e.g., efforts to refer or discharge patients to home and community services when these meet patient needs;
  - c) A commitment to community outreach and involvement.

5. The need for home health services shall be determined in accord with the methodology on pages 60 and 61. Until July 1, 1984, need shall be determined at the Area Development District level. Following that date, need shall be determined at the county level.
6. In order to allow new agencies time to establish referral patterns, no new home health certificates of need shall be granted in a geographic service area until existing agencies in that geographic service area have had a certificate of need for at least six months. No more than two new agencies shall be approved for a given geographic area in a review cycle. This standard shall be evaluated in one year to determine whether it has enhanced orderly development or impeded necessary growth.

#### LONG TERM CARE METHODOLOGY

1. The need for Long Term Care services has been determined as follows:
  - a. The long term care target population (the statewide 18+ population dependent in activities of daily living) was estimated through the use of national, state, and HSA data. Estimates were made of the number of persons with long term care needs based upon age, level of dependency, living arrangement, and presence/absence of sensory disorders. This resulted in a planning matrix of 36 cells. Summing the number of persons across all the cells of the matrix established the statewide target population.
  - b. Long term care planning assumptions regarding appropriate services, the percentage of persons who will access formal services, and service intensities per cell were established by the State Health Planning Council upon advice from a technical advisory committee.
  - c. 1985 population projections were obtained from the Urban Studies Center. The proportion of the adult population in need was applied to the 1985 population, resulting in a target population of 191,206. The cell percentages were applied to this figure, resulting in an estimate of the number of persons in each cell in 1985.
  - d. Using the planning assumptions, the need for each service in each cell was determined by the following general formulae:

Hours:

$$\text{Hours (Service A)} = \text{No. persons in cell} \times \frac{\% \text{ persons accessing service}}{\text{No. of annual hours per person}}$$

Beds:

$$\text{Beds (Level A)} = \text{No. persons in cell} \times \frac{\% \text{ persons accessing level of service}}{\frac{\text{ALOS/365}}{\text{Occ. rate}}}$$

The total need for each service was then determined by summing the needs across all appropriate cells.

- e. The service capacity in terms of the number of hours provided annually per professional was estimated. A figure of 1,000 hours per year was used for purposes of these estimates. Accordingly, the total annual hours required was divided by 1,000 to convert this figure to an estimate of annual full-time equivalents.
- f. The statewide need estimates were apportioned among ADDs by computing the percentage of the statewide 1985 65+ population in each ADD and by multiplying the resulting rates times the statewide estimate. This resulted in an estimate of need for each service in each ADD.
- g. Finally, the ADD needs estimates were compared to the current resources in each ADD to compute the unmet need for each service based on the latest assumptions in the methodology.