

COUNCIL ON DEVELOPMENT FINANCE

**October 25, 2010
PUBLIC HEARING 365**

THOSE PRESENT:

Mr. Andy Lubin, Chairperson
Steve Biener, Esquire
Honorable Nancy Cook
Mr. Tom Gilligan
Representative Greg Lavelle
Mr. Jack Riddle
Mr. Fred Sears

Director Alan Levin
Mr. Gary Smith
Mr. Stephen Bach
Mr. Rachel Onorato
Mrs. Lee Porter
Ms. Nikki Lavoie
Ann Marie Johnson, Deputy
Attorney General

ALSO PRESENT: Mr. Michael Morton, Controller General's Office, Ms. Andrea Godfrey – Office of Management and Budget; Representing Projects: **Delaware Hospice Inc.** – Ms. Susan Lloyd, Ms. Anne Priester; and Emilie Ninan, Esquire, Ballard Spahr; **St. Andrew's School of Delaware, Inc.** – Ms. Diane L. Winizrczk and Emilie Ninan, Esquire, Ballard Spahr

LOCATION: Smyrna Rest Area, Route 13, Smyrna, Delaware 19977

TIME: 9:00 A.M.

CALL TO ORDER

The meeting was called to order at 9:00 A.M. by Mr. Lubin, Chairperson, on Monday, October 25, 2010.

OLD BUSINESS:

Mr. Gilligan made a motion that the minutes of the September 20, 2010 Council on Development Finance meeting be approved as presented. Mr. Riddle seconded the motion which was then adopted by unanimous vote.

NEW BUSINESS:

Delaware Hospice Inc. (“Delaware Hospice” or the “Applicant”) – The Applicant has applied for the issuance of revenue bonds in an amount not to exceed \$30,000,000 to be issued in one or more series (the “Bonds”) which will be applied to make a loan to the

Applicant to fund, or to reimburse the Applicant for one or more of the following undertakings (collectively, the "Project"): (1) the refinancing of the outstanding The Delaware Economic Development Authority Variable Rate Demand Revenue Bonds (Delaware Hospice Inc. Project) Series 2007 in the principal amount of approx. \$6,900,000 which originally financed the acquisition of 11.8 acres of land at 100 Patriot's Way in Milford, Delaware and the design and construction of a new single story, approximately 35,000 sq. ft. wood frame building, including but not limited to sixteen private patient and family suites, a community resource center, and family support and counseling center; (2) the acquisition of approx. 17.9 acres of land and the design, construction and equipping thereon of a new approx. 64,750 sq. ft. hospice facility located at 273 Poly Drummond Hill Road in Newark, Delaware which will include sixteen private patient and family suites, a community resource center, and family support and (3) the costs of issuance of the bonds (the "Project"). The Project will be owned and operated by the Applicant.

Ms. Onorato presented this request to the Council. She stated there were actually two parts to this financing. Part one is for the refunding of the bonds previously issued for the Milford, Delaware facility. Part two is for the construction of a second, state-of-the-art, hospice center in Newark, Delaware.

Emilie Ninan, Esquire stated that because of the market disruption, the Credit Facility Bank was downgraded and because of that, Hospice had to get a "wrap" for the letter of credit. She stated the 2010 bonds will not be issued publically, but will rather be sold directly to Citizens Bank.

Ms. Lloyd stated she would be glad to answer any questions. Mr. Riddle asked if the Newark facility was basically the same as the Milford facility such as size and concept. She stated that it basically would be, also having two patient wings, each with eight patient/family suites and other supporting wings. However, it will be a little larger.

Mr. Riddle asked about the status of the Citizens Bank loan. Ms. Lloyd stated that Citizens Bank had approved \$23.9 million, comprised of the \$17 million of new money and the additional \$6.9 million of the refinancing of the Series 2007 bonds. She stated the remaining funds will derive from a bridge loan to support the project pending the completion of the capital campaign. There will also be a short term line of credit to fill the gap.

Mr. Riddle asked if the pending legislation regarding healthcare reform would impact reimbursements for Delaware Hospice. Ms. Lloyd stated that they expect to see some revenue changes for all providers as a result of healthcare reform. Anticipating this, Delaware Hospice has been very conservative with its projections. However, they believe that the demographics demonstrate the need for their services.

Mr. Biener asked what their market share was for these services within the State. Ms. Lloyd stated Delaware Hospice had fifty-four percent of the market. Mr. Gilligan asked about the benefit resulting from the change in the interest rate. Ms. Ninan stated that the primary benefit from refinancing was from the eliminating of the cost of the letter of credit. She stated the interest rate for the new money is 2.9 percent and the rate for the old money will be a percentage of LIBOR. She stated Citizens Bank will hold the entire amount and will match it exactly.

Mr. Levin stated that he had visited the facility and even though it is an end of life facility, it focuses on the patients and the family. He stated the Delaware Hospice facility in Milford was impressive.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following finding: financing the Project will meet a need for assistance in financing the facilities and activities of the Applicant, as an exempt person within the meaning of 29 *Del. C.* §5052(8), in order to contribute to the prosperity, health and general welfare of the citizens of Delaware. Senator Cook made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson of The Delaware Economic Development Authority, approval of an amount not to exceed Thirty Million Dollars (\$30,000,000.00), of revenue bonds, not guaranteed by the State, to be used for the Project; and that such approval will remain in effect through and including October 24, 2011. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

St. Andrew's School of Delaware, Inc. ("St. Andrew's" or the "Applicant") - The Applicant has applied for an issuance of revenue bonds in an amount not to exceed at any time outstanding \$32,000,000. The proceeds of the revenue bonds (the "Series 2010 Bonds") will be applied to make a loan to the Applicant to (a) refinance all or a portion of The Delaware Economic Development Authority, Variable Rate Demand Revenue Bonds (St. Andrew's School Project) Series 2004 (the "Series 2004 Bonds"), which originally financed or refinanced a project consisting of: (i) certain renovations to Amos Hall, a classroom building, (ii) the reshaping and re-landscaping of central areas of the Borrower's campus, (iii) the demolition of the existing Arts Building and the construction of a new Arts Center, (iv) deferred maintenance facilities work and designated programmatic enhancements to certain buildings on the Borrower's campus, (v) other planned capital expenditures; and (vi) the costs of issuing the Series 2004 Bonds; (b) refinance all or a portion of the New Castle County, Delaware Revenue Bond (St. Andrew's School Project), Series 2008 (the "Series 2008 Bond"), which originally financed or refinanced a project consisting of: (i) the installation of a fire sprinkler system in a 137,000 square foot building located at 200 Founders Drive, Townsend, DE (the "Building") which is on the Borrower's campus, 350 Noxontown Road, Middletown, New Castle County, Delaware; (ii) the upgrading or replacement of the infrastructure of the Building including, but not limited to, the electric, plumbing, HVAC, fire notification

and security systems; (iii) the removal of asbestos from the Building; (iv) the replacement of the roof at the Building including valleys, flashing and gutter system; (v) repairs to chimneys and masonry on the Building; and (vi) the costs of issuing the Series 2008 Bond; (c) finance a portion of the cost of the field house; and (d) pay the costs of issuance of the Series 2010 Bonds (the "Project"). The Project is owned and operated by the Applicant.

Mrs. Ninan stated that because these bonds will be publically offered, they will not be limited to the \$30,000,000 federal restriction. She stated that the 2008 bonds were placed with Brown Brothers. She pointed out that because of favorable interest rate conditions, most lenders now are moving away from variable interest rate deals in favor of fixed rate. The proposed refinancing enables St. Andrews to take advantage of the fixed rate, and to eliminate the costs of a liquidity provider. Mrs. Ninan stated that there are some ongoing projects at the school which would require new money. However, at this point, they may not be able to do all of the new projects but will have the funding in case they can proceed.

Mr. Sears asked how the economy, etc. was affecting private schools. Ms. Winizrczk stated that historically their enrollment was around 290, but in 2009-2010 they were actually over enrolled at 305. She stated they have fewer female students than male. Currently, there is a waiting list for admission, and the school has a good control over admissions. Ms. Winizrczk stated that 100% of attending students boards at the school. She stated that the field house is under construction and has been financed by gifts to the school. There is a "buffer" in the funding request to fill any gap that might occur.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following finding: financing the Project will meet a need for assistance in financing the facilities and activities of the Applicant, as an exempt person within the meaning of 29 *Del. C.* §5052(8), in order to contribute to the prosperity, health and general welfare of the citizens of Delaware. Mr. Sears made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson of The Delaware Economic Development Authority, approval of an amount not to exceed Thirty-Two Million Dollars (\$32,000,000.00), of revenue bonds, not guaranteed by the State, to be used for the Project; and that such approval will remain in effect through and including October 24, 2011. Representative Lavelle seconded the motion, which was then adopted by unanimous vote.

The Independence School ("Independence" or the Applicant) – In October 2009, the Council recommended approval for the Applicant for the issuance of an amount not to exceed \$8,250,000 in qualified 501(c)(3) bonds; at this time, the Applicant is requesting an extension of the approval time for the issuance of these bonds (the "Request").

Mrs. Ninan stated that typically the approval lasts for one year which in this case, ends on October 26, 2010. Independence is asking for an extension until the end of the year which is the cutoff date to qualify for these bonds. She stated this will be a variable rate letter of credit deal. She stated that they had experienced some disruption of high interest rates but over time the rates have stabilized. Mrs. Ninan stated the Letter of Credit has another year or so, so they were trying to determine whether it was feasible to do this project. It has now been decided that they will proceed because it will take the funding out of the public market and will put it in the hands of the bank that holds the letter of credit.

Today's request is just to extend the date of approval.

After considering the Request, Mr. Sears made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson of The Delaware Economic Development Authority, approval of extending the approval deadline from October 26, 2010 to December 31, 2010. Representative Lavelle seconded the motion, which was then adopted by unanimous vote.

The Delaware Economic Development Authority Financial Statements – Ms. Onorato presented the prepared financial statements for The Delaware Economic Development Authority FY 09 to the Council.

After review, Mr. Sears made a motion that the submitted The Delaware Economic Development Authority Financial Statements for the year ending June 30, 2009, be adopted as submitted. Mr. Gilligan seconded that motion, which was then adopted by unanimous vote.

ADJOURNMENT

The meeting adjourned at 9:30 a.m.

Respectfully submitted,

Lee Porter, Secretary

LKP

cc: Members of the Council on Development Finance
Director Alan Levin
Ann Marie Johnson, Esquire

The next CDF meeting is scheduled for Monday, November 29, 2010 at 9:00 A.M. in the large conference room at DEDO's Dover office.