



AFROC Board of Directors Meeting
14 June 2017

General Plummer called the meeting to order at 4:00pm and led the Board in the Pledge of Allegiance.

A. Attendance:

1. The following members were present: Steve Plummer, George Eichert, Kevin Green, Mike Rossi, Ed Rodriguez, Scott Custer, Steve Lepper, Mary Pat Couig, Mary Lowe Mayhugh, and Ted Bowlds via teleconference.
2. Members absent: Lauren Lloyd
3. Others present: Barbara Brannon, President/CEO; H.T. Johnson, President of the Residents' Council; Hardy Lister, CFO; Leah Daily, Marketing & Sales Director; Ande Burke Assistant Secretary to the AFROC Board; Gunther Brand Jr., CPA, Hertzbach and Bryan Hines, Audit Manager, Hertzbach.

B. Minutes from 10 May Board meeting:

1. Mary Pat Couig moved to approve the minutes from the May 10 Board meeting. Kevin Green seconded the motion and the minutes were unanimously approved.

MOTION 06/14/17- 01: Mary Pat Couig moved to approved Board minutes from May 10 Board meeting. Seconded by Kevin Green. Motion Passed.

C. Chairman's Report: Steve Plummer for Bill Timme

1. The Capital Improvement project is now in the hands of the AFROC Board. We will discuss this during the Capital Projects Committee Report.
2. If the September Open House is approved by the Board, I would like to encourage all Board members to attend this event. It will give you an opportunity to mingle with residents and to understand the culture of Falcons Landing.
3. Today we will vote on the committee assignments and officer positions for 2017-2018.

D. Report from the Falcons Landing Residents' Council: H.T. Johnson

1. All the members of the Council and myself are pleased to find ways to work with the AFROC Board and support the residents.

2. The residents participate in HEARings and in late May we had a wonderful Town Hall meeting. We had residents that spoke up on every subject. Those affected by the zoning approval are eager to hear of the next steps.
3. We are eager to participate in the changes ahead and pleased to invite the committee members to speak to the residents.
4. There are continued opportunities for improvement especially on the resident portal. I recommend that members of the Board gain access to the resident portal.
5. If you need access to the portal, simply contact the Executive Assistant to Barb for details.
6. Our Council member Hazel Plummer is working closely with The Johnson Center and West Falls staff to make improvements to healthcare. The residents have some financial concerns regarding additional costs in healthcare. This often comes up in HEARings.

E. Senior Management Report

1. President's Update: Barbara Brannon
 - i. I normally give a spring report to residents at the May Town Hall Meeting but did not due to the new format of the meeting. I provided the Spring Report the following week at my At Ease.
 - ii. Social Accountability Report 2016. Some key points from the report:
 1. In 2016, Falcons Landing provided services and goods to our local community that had an estimated value of \$743,535.73, based on the current Virginia value of a volunteer hour which is \$26.09.
 2. Resident volunteers support many local charitable and nonprofit organizations. Last year, 121 volunteers donated 14,296 hours of service which, at the 2016 Virginia valuation of \$26.09 per volunteer hour, equated to \$372,983 worth of support to our local community. In addition, 83 residents volunteered approximately 8,503 hours at our health centers, conducting/assisting with activity programs, administrative services, mail delivery and entertainment.
 - iii. Dining Survey Results: The Dining Room is currently underutilized; it is only at full capacity 3-4 times a year for specific occasions, i.e. Holiday Buffett, Mother's Day Brunch and Easter Brunch. We are looking at the potential to use sections of it to provide a casual dining area and/or restaurant, particularly the upper and lower sections on the right side of the dining room. This was part of the 2008 Master Plan, but at that time, residents weren't in favor of changing the dining room in any way. With the opening of the Woodburn Café, the interest in a casual dining

restaurant setting has grown and there is often a wait for seating. Residents are asking for a larger casual dining restaurant, so it is a perfect time to re-evaluate the utilization of the Grand Dining Room. A recent survey on preferences in dress code and use of different dining options showed there is a shift of resident preference toward more casual dress. We have added Monday a casual dress night in the Grand Dining Room for a 90 day test period. So, far, no negative comments or concerns.

- iv. AFROC Open House: Told residents we were considering a fall open house and they seem to be in favor. The Open House would provide many of the benefits of an Annual Meeting. We will offer tours of the community and residences, and provide an opportunity for resident and non-resident AFROC members to socialize and interact with Board Members and senior managers. September would be the best month and Sunday the best day. Details TBD.
- v. RLPS will tentatively be here next month to review the layout of the Grand Dining Room and evaluate lowering elevated section of Dining Room and opening it to the Woodburn Café to expand the seating area. The elevation is solid concrete so it is not an easy renovation. We got one cost estimate for leveling that area of the Dining Room from Whiting Turner; it was \$207,000. We will get additional estimates. RLPS will also look at the first floor of The Johnson Center to identify options for enhancing the resident rooms and common areas. Currently the rooms are dark and not appealing and we have had a lot of vacancies this year. They will also give us recommendations on renovating a portion of the unit to create an interim secure memory care area.
- vi. Health Services: The iN2L Interactive Technology system is now in place at West Falls and staff and family training will begin soon. So far residents, family members and staff have given very positive feedback about the system.
- vii. Facilities: The exterior of the community center has been patched and painted for the first time in 21 years. The cost was \$168,000. We also wanted to paint the apartment buildings and the Johnson Center this year, but the cost for the entire project is \$1.25M. We are planning to paint 2 apartment buildings next year, and finish the project in 2019, completing the remaining two apartment buildings and the Health Center.
 - 1. Window Replacement Project: The resident representative on Finance Committee, Peter Scott, proposed that the window replacement project should be accelerated to complete it next year, rather than extending the multiyear project any longer. Peter Plante is getting three estimates to see what the cost would be and we will include it in the draft budget.

The first estimate was \$841,025.00 which may be more than we can allocate for that in 2018. To date, we have replaced 58% of the windows in residences; 141 Independent Living units remain and also hallways/office areas. Windows in Founders Hall have all been replaced.

- viii. Strategic Planning: The draft of the 2018-2022 plan is not yet completed; Senior Staff and residents representatives have an off-site scheduled June 27. The target is to submit the draft plan to the Strategic Planning Committee in August, and then to the Board in September.
 - ix. Masonry Structure in the middle of the circle is deteriorating. It is an iconic feature of our community, often depicted in advertising and other pictures. We are looking for a company that could do a quality restoration. We are also looking at possibly creating a patio and seating area around this structure.
2. Marketing Report: Leah Daily
- i. Independent Living Occupancy: Current occupancy 93.93%; projection at end of June 94.25%; goal projection by September 96%. There are 6 apartments and one Alexandria cottage current available for reservation.
3. Financial Report: Hardy Lister
- i. (Report is as of 30 April 2017. The financial reports are as of 30 April and the Census is as of 31 May.)
 - ii. Independent living Occupancy:
 - 1. Increased from 92.8% in April to 93.2% in May. This is the first time since August 2015 that occupancy has been above 93%. We have six external move-ins scheduled in the next two months.
 - iii. Nursing Occupancy:
 - 1. Increased from 87.3% in April to 91.5% in May, with an increase in Medicare occupancy.
 - 2. Assisted Living Occupancy: increased from 76.2% in April to 76.9% in May.
 - 3. Cash Entry Fees (YTD):
 - i. Cash entrance fees through the end of April were \$4.1 million which was twice the projected amount. There will be 8 external move-ins during May, June and July; by the end of July cash entrance fees will exceed \$5.9 million, which matches the projection for the entire year.
 - ii. Operating Revenue (YTD): Operating revenue for the first 4 months was \$8.3 million, \$149,000 less than the budget.

- iii. Operating Expenses: Operating expenses for the first quarter were \$7.8M, \$344K (4.0%) under budget. Largest variances were salaries, benefits, utilities and Medicare costs.
- iv. Days Cash On Hand (DCOH): 307 days as of the end of March versus the Board required minimum of 225 days. With the expected move-ins, DCOH should exceed 325 days by the end of June.
- v. Debt Service Coverage Ratio (DSCR): Increased from 2.17 in December to 4.74 in March due to the \$2.9M of entrance fees and the decrease in the annual debt service from \$3.8M to \$2.6M due to the debt refinancing.
- vi. Operating Ratio: Moved from 1.00 in December to 1.06 in March. The driving factor was how under budget in operating expenses for the first quarter.
- vii. Benevolence Fund Donations (YTD): \$184,000 YTD, versus \$88,000 in the same timeframe last year.
 - 1. The Barr's donated \$18,000 which brings their donations to the level of Grand Benefactor and The Store also reached the Grand Benefactor. These are the 4th and 5th to ever achieve this level. Financial Assistance Provided (YTD):
 - 2. We had one resident who received financial assistance in the first quarter of 2017 in the amount of \$11K. The resident since passed away, so currently no one is receiving financial assistance.
 - 3. Financial Assistance Fund Balance:
 - a. The financial assistance fund has a total of \$1.355M as of April 30; \$1.342M is comprised of Board-Designated funds, which the Board of Directors has specifically set aside for financial assistance and the remainder if from Donations

that are restricted to resident financial support.

4. Development Fund Balance:
 - a. Development is a term we use for anything not designated or restricted for financial assistance. Board-Designated Development funds totaled \$779K as of 30 April 2016 and \$762K as of 30 April 2017. Other Restricted development funds totaled \$380K as of 30 April 2016 and \$435K as of 30 April 2017. Over \$200K of those Restricted funds are in a scholarship/education fund for employees and children of employees.

F. Committee Reports:

1. Finance and Audit: Lauren Lloyd
 - i. Not present
2. Benevolence Committee: Ed Rodriguez
 - i. No report at this time
3. Continuum of Care: Mary Pat Couig
 - i. No report at this time
4. Membership & Admissions: Kevin Green, on behalf of Chairman Rob Worley,
 - i. AFROC Membership Special Exception received: decision delayed until further consideration by the committee.
 - ii. Discussed instituting a relocation/refurbishment fee (\$5,000) for all internal moves (except those requested by AFROC) in Independent Living. Other communities surveyed also charge for refurbishment, either flat fee or fee per square foot. \$5,000 + \$5/sq. ft.
 - iii. Rob Worley proposed a instituting a \$5,000 relocation fee for all internal moves within Independent Living, with the exception of those requested by AFROC. Seconded by Mike Rossi. Motion passed.

MOTION 06/14/17 - 02: XX moved to approve a \$5,000 relocation fee for all internal moves within Independent Living, with the exception of those requested by AFROC. Seconded by Mike Rossi. Motion passed.

- iv. The committee considered presentations by three potential advertising partners and selected Five19 Creative, a small firm based in Midlothian VA. The committee was impressed by their presentation, particularly by the two sample direct mail pieces developed for Falcons Landing. At our request, Five19 Creative also added copy for the direct mail pieces; it was very well done.
- 5. Nominating Committee: Kevin Green
 - i. We interviewed Mary Lowe Mayhugh as a potential Board member; she was approved by the Board earlier in the meeting.
- 6. Strategic Planning: Ted Bowlds
 - i. Committee met on June 2nd. We fine-tuned wording and updated draft plan. Discussion focused on dining room, dress code and windows.
- 7. Capital Projects Committee: Mike Rossi
 - i. Master Plan was approved unanimously by the Loudoun County Board of Supervisors, with one supervisor absent.
 - ii. Next step: provide client with a better understanding of what they're getting, cost and how long it will take (schematic drawings, "SDs") & engage residents in process.
 - iii. First step in moving forward is a Charrette. (interactive process between client and architect, architect draws what you want)
 - iv. Question was raised, if residents don't have to move and some residents choose not to, we can't proceed with the project. Why go forward now with SDs? Mike's responded that the SDs would show building elevation and floorplans enabling residents to better understand what the interiors and exteriors would look like and feature.
 - v. Phase 1 could be broken up into three separate projects but it would create a financial challenge. According to Hardy's initial projections, completing the Memory House without completing the Terrace homes would result in about \$1M a year more in operating costs than the revenue it would generate. If done in conjunction with the Terrace Homes, that deficit would be partially offset because revenue generated from the Terrace Homes would exceed operating costs by approximately \$400K.
 - vi. The AFROC Board approved \$850,000 in this year's budget to cover cost of zoning process and the schematic design for the project. Only \$70K has been expended to date. I propose that AFROC Board authorize the expenditure of a maximum of \$400,000 for RLPS to develop the schematic design, to include \$50K for the first phase, resident engagement in the design through the Focus Group/Charrette process.
 - vii. A lengthy discussion followed in which the Board considered two options: approving \$400,000 be spent on developing SDs or suspend activities on the project at this time.

1. The discussion centered on AFROCs inability to proceed with the project unless all residents in Phase 1 agreed to relocate. A small number of those residents have said they will not, and cite their right to stay in their house for life under their continuing care contract.
2. Board members weighed the consequences and implications of putting the plan on hold until all relocated, which might not be for many, many years.
3. Board members who favored taking no action said since residents of two cottages indicated they would not agree to move so the Terrace Homes could be built, the project could not move forward.
4. In the opinion of the Board members in favor of proceeding with design, referred to the fact that the Board had made a strategic decision to undertake the project, believing it was critical to the continued success and viability of the community. Further, a significant amount of money and 18 months of effort had been spent in the process to gain the county's approval. Therefore, the Board should proceed at least through the schematic design process. They believed engaging residents in the early stages of design would increase interest and commitment to moving forward, and Board members who favored waiting were concerned that AFROC would be unable to persuade those who refused to move and the project would not be able to proceed. And, resident support for the project would be strengthened if they had a better idea of what the new facilities would look like, the features they would include and the costs.
 - i. Mike Rossi proposed that the AFROC Board authorize the expenditure of a maximum of \$400,000 for schematic design development to include the first phase, resident engagement in the design charrette process. Motion seconded by Kevin Green and approved by the members.

MOTION 06/14/17 - 03: Mike Rossi moved that the AFROC Board authorize the expenditure of a maximum of \$400,000 for schematic design development to include the first phase, resident engagement in the design charrette process. Motion seconded by Kevin Green and approved by the members. Passed.

G. Old Business

1. Ed Rodriguez moved that RADM Bill Timme be elected Chairman of the AFROC Board. Maj Gen Scott Custer be approved as Vice Chairman of

the AFROC Board, Ms. Lauren Lloyd be approved as Treasurer and RADM Mary Pat Couig approved as secretary.

MOTION 06/14/17 - 04: Ed Rodriguez proposed RADM Bill Timme be elected Chairman of the AFROC Board. Maj Gen Scott Custer be approved as Vice Chairman of the AFROC Board, Ms. Lauren Lloyd be approved as Treasurer and RADM Mary Pat Couig approved as secretary Approved by

H. New Business

1. Ed Rodriguez moved that RADM Timme's committee assignments for AFROC Board year 2017-2018, as reflected on the handout dated June 14, 2017, be approved. Mary Pat seconded the nomination. Motion passed.

MOTION 06/14/17 - 05: Ed Rodriguez moved that RADM Timme's committee assignments for 2017-2018 be approved. Motion seconded by Mary Pat Couig. Passed.

I. Next Meeting:

1. The next AFROC Board Meeting will be held on September 13, 2017 at 3:00 p.m.

J. Adjournment: The Board adjourned at 6:26PM

Respectfully,

Mary Pat Couig
AFROC Secretary