



DASNY


ANDREW M. CUOMO
Governor

ALFONSO L. CARNEY, JR.
Chair

GERRARD P. BUSHELL
President & CEO

Memorandum

TO: Jack D. Homkow, Director, Office of Environmental Affairs

FROM: Sara E. Stein, AICP, Environmental Manager 

DATE: April 10, 2017

RE: *State Environmental Quality Review (SEQR) Type II Determination for The Silvercrest Center for Nursing and Rehabilitation 2017 Revenue Bond Financing (Other Independent Institutions Program)*

DASNY (“Dormitory Authority State of New York”) has received a funding request from The Silvercrest Center for Nursing and Rehabilitation (the “Institution” or “Silvercrest”) pursuant to DASNY’s Other Independent Institutions Program for its *2017 Revenue Bond Financing* (the “Proposed Project”). Accordingly, the Proposed Project is subject to environmental review pursuant to the *State Environmental Quality Review Act (“SEQRA”)*. Based on a review of the attached *Credit Summary* dated January 27, 2017, and *Credit Summary Update* dated March 31, 2017, it has been determined that for purposes of SEQRA, the Proposed Action would consist of DASNY’s authorization of the issuance of up to \$18,500,000 in one or more series of 19-year, taxable and/or tax-exempt, fixed- and/or variable-rate, Series 2017 Bonds, to be sold through a private placement on behalf of the Institution pursuant to DASNY’s Other Independent Institutions Program. The proceeds of the bond issuance would be used to refinance the Institution’s existing mortgage loan and a capital lease, which have current outstanding balances of approximately \$9.8 million and \$2.1 million, respectively, and to finance the purchase of furnishings and equipment and building renovations and upgrades at the Institution’s nursing facility building located at 144-45 87th Avenue, Briarwood, Queens County, New York (the “Proposed Project”).

More specifically, in addition to the refinancing of existing debt, the Institution would finance the following \$4.5 million of improvements at the 5-story, approximately 137,778-gross-square-foot (“gsf”) nursing facility building:¹

- Structural renovations to the building’s façade, upgrades to the electrical, telephone and wireless networking systems and the heating, ventilating and air conditioning (“HVAC”) system, repairs to the rooftop, replacement of interior flooring, and redesign of the nursing units and utility rooms (\$2.1 million); and
- Various furnishings and equipment purchases, including new oxygen and medical vacuum piping systems, patient lifts, infusion pumps, computers, patient monitoring systems, ventilators, rehabilitation equipment and patient beds and mattresses (\$2.4 million).

¹ An earlier estimate of the square footage of the nursing facility building (138,271-gsf) was referenced in the Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”) notice.

Silvercrest is a not-for-profit corporation that operates a 320-bed, skilled nursing facility in the borough of Queens, Queens County, New York. With 80 of its beds dedicated to ventilator patients, the Institution has New York's largest Ventilator Unit. The Institution opened in 1989 under the sponsorship of the Salvation Army. In 1991, the sponsorship of the Institution was transferred to The Society of the New York Hospital. Silvercrest is now part of the New York Presbyterian Health Care System (the "System"). The Institution receives education and guidance to promote healthcare quality improvement and enhanced medical education and research as a member of the System. In addition, the System is a major source of patient referrals for the Institution. The Institution provides nursing, medical and dental services as well as physical therapy, occupational therapy, speech therapy, audiology, podiatry and ophthalmology services. In addition, the Institution provides short-term and long-term rehabilitation, ventilator-respiratory care, diabetic care, wound care, Alzheimer's and dementia care and hospice care.

SEQR Determination. DASNY completed this environmental review in accordance with SEQR, codified at Article 8 of the New York *Environmental Conservation Law* ("ECL"), and its implementing regulations, promulgated at Part 617 of Title 6 of the *New York Codes, Rules and Regulations* ("N.Y.C.R.R."), which collectively contain the requirements for the *State Environmental Quality Review* ("SEQR") process. The Proposed Project would involve the refinancing of existing debt, which is a Type II action as specifically designated by 6 N.Y.C.R.R. § 617.5(c)(23) of SEQR. The Proposed Project would also involve the rehabilitation of a structure or facility, in kind, on the same site, including upgrading buildings to meet building or fire codes, and the purchase of furnishings and equipment, which are Type II actions as specifically designated by 6 N.Y.C.R.R. § 617.5(c)(2) and 6 N.Y.C.R.R. § 617.5(c)(25). Type II "actions have been determined not to have significant impact on the environment or are otherwise precluded from environmental review under Environmental Conservation Law, article 8."² Therefore, no further SEQR determination or procedure is required for any component of the proposed project identified as Type II.

SHPA Determination. The Proposed Project was also reviewed in conformance with the *New York State Historic Preservation Act of 1980* ("SHPA"), especially the implementing regulations of Section 14.09 of the *Parks, Recreation and Historic Preservation Law* ("PRHPL"), as well as with the requirements of the Memorandum of Understanding ("MOU"), dated March 18, 1998, between the DASNY and the New York State Office of Parks, Recreation and Historic Preservation ("OPRHP"). In compliance with Article III, Section 3.0 of the MOU, OPRHP would be notified of the Proposed Project being funded with bond proceeds. It is the opinion of DASNY that the Proposed Project would have no impact on historical or cultural resources in or eligible for inclusion in the National and State Registers of Historic Places.

Attachments

cc: Deborah J. Paden, Esq.
Matthew T. Bergin
SEQR File
OPRHP File

² 6 N.Y.C.R.R. § 617.5(a).

Credit Summary Update

The Silvercrest Center for Nursing and Rehabilitation
Queens, New York

March 31, 2017

Program: Other Independent Institutions Purpose: Private Placement/New Money/Refinancing

New Issue Details

One or more series of 19-year fixed and/or variable rate, tax-exempt and/or taxable Series 2017 Bonds in an amount not to exceed \$18,500,000 are to be sold through a private placement.

Co-Bond Counsel – Squire Patton Boggs LLP
D. Seaton and Associates

Purpose

- Refinancing of The Silvercrest Center for Nursing and Rehabilitation's mortgage loan (\$9.8 million).
- Refinancing of The Silvercrest Center for Nursing and Rehabilitation's capital lease (\$2.1 million).
- Equipment purchases, renovations and upgrades to the facility (\$4.5 million).

Security

- Mortgage on certain property acceptable to TD Bank, N.A.
- Pledge of gross receipts.
- Security interest in furniture, fixtures and equipment.

Expected Rating: NR/NR/NR

Overview

The Silvercrest Center for Nursing and Rehabilitation (the "Institution") is a not-for-profit corporation that operates a 320-bed skilled nursing facility in Queens, New York. With 80 of its beds dedicated to ventilator patients, the Institution has New York's largest Ventilator Unit. The Institution opened in 1989 under the sponsorship of the Salvation Army. In 1991, the sponsorship of the Institution was transferred to The Society of the New York Hospital. Silvercrest is now part of the New York Presbyterian Health Care System (the "System"). The Institution receives education and guidance to promote healthcare quality improvement and enhanced medical education and research as a member of the System. In addition, the System is a major source of patient referrals for the Institution. Historically, the System has not provided any direct financial support to the Institution and the System will not be liable for debt service on the proposed bond issue.

The Institution provides nursing, medical and dental services as well as physical therapy, occupational therapy, speech therapy, audiology, podiatry and ophthalmology services. In addition, the Institution provides short-term and long-term rehabilitation, ventilator-respiratory care, diabetic care, wound care, Alzheimer's and dementia care and hospice care.

Description of the Series 2017 Bonds

- The Bonds are special obligations of DASNY and are expected to be directly purchased by TD Bank, N.A.
- The Loan Agreement is a general obligation of the Institution.
- The Bonds are payable from payments made under the Loan Agreement and certain funds and accounts established under the Resolution.

Approvals

- Resolution to Proceed – February 8, 2017
- PACB Approval – March 16, 2017
- SEQR Filing – April 10, 2017*
- TEFRA Hearing – April 11, 2017*

*Anticipated date.

Recent Information

The Series 2017 Bonds will mature no later than March 1, 2036. The Bank has issued a commitment to purchase the Bonds. Upon the 10th year anniversary of the Bonds, the Bank may exercise a tender whereby all principal and any unpaid interest shall be due or the Bank can renew its commitment. The Series 2017 Bonds are anticipated to be issued in a term mode with a fixed rate of interest for the initial 10 years.



DASNY

DIVISION OF PUBLIC FINANCE AND PORTFOLIO MONITORING
PORTIA LEE, MANAGING DIRECTOR
PREPARED BY: MATTHEW T. BERGIN (518) 257-3140

Credit Summary

The Silvercrest Center for Nursing and Rehabilitation
Queens, New York

January 27, 2017

Program: Other Independent Institutions Purpose: Private Placement/New Money/Refinancing

New Issue Details

Approximately \$16,830,000 in one or more series of 19-year fixed and/or variable rate, taxable and/or tax-exempt, Series 2017 Bonds are expected to be sold through a private placement.

Purpose

- Refinancing of The Silvercrest Center for Nursing and Rehabilitation's mortgage loan (\$9.8 million).
- Refinancing of The Silvercrest Center for Nursing and Rehabilitation's capital lease (\$2.1 million).
- Equipment purchases, renovations and upgrades to the facility (\$4.5 million).

Security

- Mortgage on certain property acceptable to TD Bank, N.A.
- Pledge of gross receipts.
- Security interest in furniture, fixtures and equipment.

Expected Rating: NR/NR/NR

Overview

The Silvercrest Center for Nursing and Rehabilitation (the "Institution") is a not-for-profit corporation that operates a 320-bed skilled nursing facility in Queens, New York. With 80 of its beds dedicated to ventilator patients, the Institution has New York's largest Ventilator Unit. The Institution opened in 1989 under the sponsorship of the Salvation Army. In 1991, the sponsorship of the Institution was transferred to The Society of the New York Hospital. Silvercrest is now part of the New York Presbyterian Health Care System (the "System"). The Institution receives education and guidance to promote healthcare quality improvement and enhanced medical education and research as a member of the System. In addition, the System is a major source of patient referrals for the Institution. Historically, the System has not provided any direct financial support to the Institution and the System will not be liable for debt service on the proposed bond issue.

The Institution provides nursing, medical and dental services as well as physical therapy, occupational therapy, speech therapy, audiology, podiatry and

ophthalmology services. In addition, the Institution provides short-term and long-term rehabilitation, ventilator-respiratory care, diabetic care, wound care, Alzheimer's and dementia care and hospice care.

Strengths

- High Occupancy Rates: The Institution's occupancy rate has historically averaged over 97% due to the demand for its services.
- The New York Presbyterian Health Care System: As a member of the System, the Institution receives education and guidance to promote healthcare quality improvement. In addition, the System is a major source of patient referrals for the Institution.
- Large Specialty Service: With 80 dedicated beds, the Institution has the largest Ventilator Unit in the greater New York area.
- Upgrades to the Facility: The upgrades and renovations to the facility will help assure competitiveness in the future.
- Quality of Care: The Institution has a 5-star overall rating from The Centers for Medicare & Medicaid Services (CMS).

Risks

- Medicaid Reimbursement: The Institution receives a majority of its reimbursement for patient care services through Medicaid. Accordingly, the Institution is highly dependent on the Medicaid reimbursement system.
- Liquidity: The Institution has limited liquidity as noted in their financial ratios.

Recommendation

The proposed refinancings will extend the existing maturities of both the mortgage loan and the capital lease as further described herein, thereby enhancing the Institution's liquidity. The new money portion of the transaction will allow them to upgrade their facility and remain competitive. The Institution has historically maintained a high occupancy rate and has New York's largest ventilator unit. Accordingly, staff recommends the Board adopt a Resolution to Proceed for The Silvercrest Center for Nursing and Rehabilitation in an amount not to exceed \$18,500,000.



DASNY

The Silvercrest Center for Nursing and Rehabilitation

THE INSTITUTION: The Silvercrest Center for Nursing and Rehabilitation (the “Institution” or “Silvercrest”) is a not-for-profit corporation that operates a 320-bed skilled nursing facility in Queens, New York. With 80 of its beds dedicated to ventilator patients, the Institution has New York’s largest Ventilator Unit. The Institution opened in 1989 under the sponsorship of the Salvation Army. In 1991, the sponsorship of the Institution was transferred to The Society of the New York Hospital. Silvercrest is now part of the New York Presbyterian Health Care System (the “System”). The Institution receives education and guidance to promote healthcare quality improvement and enhanced medical education and research as a member of the System. In addition, the System is a major source of patient referrals for the Institution. Historically, the System has not provided any direct financial support to the Institution and the System will not be liable for debt service on the proposed bond issue. The Institution provides nursing, medical and dental services as well as physical therapy, occupational therapy, speech therapy, audiology, podiatry and ophthalmology services. In addition, the Institution provides short-term and long-term rehabilitation, ventilator-respiratory care, diabetic care, wound care, Alzheimer’s and dementia care and hospice care.

The Institution is in the process of joining the New York State Rehabilitation Association (“NYSRA”). The 1998 amendments to Sections 1676 and 1680 of the Public Authorities Law empower the Authority to issue bonds for the benefit of not-for-profit members of the NYSRA. The primary purpose of these member organizations is to provide services to, and on behalf of, persons with disabilities. The bonds may be issued for the purposes of financing and/or refinancing the acquisition, construction, renovation, and/or equipping of educational, administrative, residential, clinical and day programming facilities throughout the State.

Services: The Institution is committed to providing services to those unable to live independently, as well as needed medical therapy for those patients who require sophisticated medical and nursing treatments. Recreational activities exist for residents as well as venues for family gatherings for those who make the Institution their permanent home. The Institution provides an outpatient type care setting in its Wellness Center. Medical evaluations and treatments are provided in a setting that is much like a well-equipped private physician’s

office to which residents come for comprehensive outpatient care. Under the direction of a Medical Service Coordinator, specialists from a variety of disciplines are brought in to see patients depending on their needs. Rehabilitation services include both short and long-term in-patient programs, as well as out-patient services. The Institution has a 40-bed, sub-acute unit that is home to a variety of patient groups. Post-operative orthopaedic patients, stroke recovery patients and people needing cardiac rehab are treated. Rehabilitation team members also see the long term care residents. The long term care residents are evaluated at admission and at regular intervals thereafter. The Institution is home to the largest chronic ventilator unit in the greater New York area. Begun as a 5-bed unit more than 15 years ago, today, Silvercrest maintains an 80-bed Ventilator Service Unit. The Ventilator Service Unit treats patients who have underlying lung diseases, may be nutritionally depleted, may have developed pneumonia or have other complications that lead to respiratory failure. Due to the complexity of cases seen, the length of stay for these patients is approximately 2 years.

Governance: Silvercrest is governed by a Board of Trustees (the “Board”), which is currently comprised of 8 individuals. The Board presently has Executive, Finance and Operational Oversight, Audit and Compliance, Executive Compensation, Quality and Safety Committees.

DASNY Financing History: This will be the first time that the Institution has issued bonds through DASNY. In 1989, the Institution issued bonds secured by an FHA-insured mortgage loan through the New York State Medical Care Facilities Finance Agency (“MCFFA”) to finance Silvercrest’s new skilled nursing facility. These bonds were subsequently refinanced with a taxable mortgage loan with TD Bank, N.A. (the “Bank”) in 2008. It is this taxable mortgage loan that is the subject of one of the components of their overall refinancing plan.

Service Area and Competition: Nursing Home occupancy rates in the area are consistently high as the population continues to age. The majority of Silvercrest’s patients come from Queens with approximately one-half coming from the surrounding neighborhoods of Flushing, Fresh Meadows, Jamaica and southwest Queens. The following table presents the bed count of the five nursing homes the Institution considers to be its major competitors.

<u>Facility</u>	<u>Beds</u>
Isabella Geriatric Center Inc.	705
Hebrew Home-Riverdale	555
Gurwin Jewish Nuring and Rehab Center	460
The New Jewish Home	816
Parker Jewish Institute for Health Care and Rehab	527
Total Beds	3,063

THE REFINANCING: The Institution is proposing to refinance a taxable mortgage loan from TD Bank, N.A. which has a current outstanding balance of approximately \$9.8 million. The TD Bank loan was obtained in 2008 and its proceeds were used to refinance Silvercrest’s 1989 FHA-insured mortgage loan secured bonds which were issued through the New York State Medical Care Facilities Finance Agency. The 1989 FHA-insured mortgage loan financed through MCFFA had a maturity date of March, 2031. When the Institution refinanced the 1989 FHA-insured loan with TD Bank in 2008 it shortened the maturity to November, 2023. The Institution is now proposing to refinance the TD Bank loan and is proposing to have a final maturity of 2036, subject to tax law constraints. As such, this refinancing will extend the maturity by five years to 2036 from the original financing which had a final maturity of 2031. (It will extend the final maturity by thirteen years based on the current loan.) A savings analysis is provided in Attachment I. Separately, the Institution entered into a capital lease with California First National Bank to finance the installation of a sprinkler system at the facility. The capital lease has a maturity date of March, 2029 and an outstanding balance of approximately \$2.1 million. The Institution is also proposing to refinance this lease with a final maturity of 2036, subject to tax law constraints.

THE PROJECT: In addition to the refinancings, the Institution is proposing to finance the following \$4.5 million of improvements at the facility.

- Upgrades and renovations to the electrical system, the telephone system and wireless networking, the outside building facade, the nursing unit, the roof, the flooring and the utility room (\$2.1 million).
- Various equipment purchases including medical vacuum systems and piping, patient lifts, infusion pumps, computers, patient monitoring systems, ventilators, rehabilitation equipment and patient beds (\$2.4 million).

FINANCING DETAILS: The Institution proposes a 19-year, fixed and/or variable rate, privately placed, tax-exempt bond issue. The refinancing of the existing taxable TD Bank mortgage loan will require approximately \$9.8 million. The refinancing of the existing capital lease will require approximately \$2.1 million. In addition, the Institution is proposing \$4.5 million of improvements to the facility. Issuance expenses, including DASNY’s fee, the bank’s fee and the various legal fees are estimated at approximately \$560,000. The Project will require a bond issue of approximately \$16.8 million. Attachment II presents the estimated sources and uses of funds.

Security Provisions: It is anticipated that the Series 2017 Bonds will be sold through a private placement to TD Bank, N.A. It is expected that the Bank will require a pledge of the Institution’s gross receipts and a first mortgage lien on the facility. In addition, the Bank will require a security interest in the furniture, fixtures and equipment. As this is a private placement, the Bonds will not be rated.

FEASIBILITY – DEMAND ANALYSIS: The Institution provides short-term and long-term rehabilitation, ventilator-respiratory care, diabetic care, wound care, Alzheimer’s and dementia care and hospice care. Medical evaluations are given to determine an individualized comprehensive care plan and treatments are provided to patients depending on their requirements. Under the direction of a Medical Service Coordinator, specialists from a variety of disciplines are available to see patients depending on their needs.

The Institution benefits from being part of the New York Presbyterian Health Care System (the “System”). This allows the Institution access to the System’s physicians and consultants. In addition, over 60% of the Institution’s admissions come from the System’s network facilities. The System benefits from the Institution’s diverse clinical services which allows for efficient transition of care which can reduce the overall length of a patient’s stay.

The Institution has 320 certified beds, of which 40 are dedicated to sub-acute care/short-term rehabilitation/sub-acute care and 80 beds are dedicated to ventilator-respiratory care. The sub-

acute unit is home to a variety of patient groups. Post-operative orthopaedic patients/joint replacement patients, stroke recovery patients, people needing cardiac rehab and individuals with exacerbations of multiple sclerosis are among those treated. Rehabilitation team members also see and help long term care residents at regular intervals especially if any residents develop changes in their capacities.

Silvercrest maintains an 80-bed Ventilator Service Unit with a 50% ventilator market share in Queens. The Ventilator Service Unit treats patients who have underlying lung diseases, may be nutritionally depleted, may have developed pneumonia or have other complications that lead to respiratory failure. Due to the complexity of cases seen, the length of stay for these patients can be up to approximately 2 years.

The Institution has maintained high occupancy rates throughout the period shown on Table 2. The occupancy rates have consistently exceeded the 2014 Statewide and DASNY Medians. The Institution has also had a higher amount of total operating revenue per bed and FTEs per bed as compared to its peer group.

Table 2
The Silvercrest Center for Nursing and Rehabilitation
Years Ended December 31,

Utilization Analysis	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	2014 Statewide Median	2014 DASNY Median
Total Beds	320	320	320	320	320		
Occupancy Rate (%)	97.17%	97.61%	97.32%	97.61%	96.52%	95.43%	95.65%
Total Operating Revenue per Bed	\$162,497	\$165,635	\$162,762	\$160,767	\$175,324	\$111,272	\$121,574
Total FTEs	434.2	451.9	452.9	437.0	425.2		
FTE per Bed	1.36	1.41	1.41	1.37	1.33	1.28	1.19

Payor Mix: The following is the historical breakdown of the payor mix as a percentage of net revenue for the Institution over the past three years. The Institution has consistently generated its greatest source of net revenue from Medicaid.

Payor Mix			
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Medicare	12%	11%	13%
Medicaid	78	79	78
Commercial	3	3	2
Other	7	7	7
Total	100%	100%	100%

FEASIBILITY – INCOME STATEMENT ANALYSIS:

The following table presents a summary of the Institution's income statements for the last five years. Operationally, the Institution's results have fluctuated with positive margins in 2011, 2012 and 2015 and losses from operations in 2013 and 2014. In 2015, recognition of \$2.0 million in Vital Access Provider grant monies bolstered the operating gain. However, this is not expected to be a recurring source of funds. Driven by this non-recurring revenue, the 2015 operating margin, excess margin and net profit margin of the Institution were all positive and compared favorably to the 2014 Statewide and DASNY Medians. The Institution's 2011 and 2012 operating margin, excess margin and net profit margin compared favorably as well. However, it should be noted that the 2014 Statewide and DASNY Medians are all negative with regard to operating margins, excess margins and net profit margins. In addition, the Institution's 2015 debt service coverage ratio exceeded the 2014 Statewide and DASNY Medians. In 2013 and 2014 the Institution posted negative operating, excess and net profit margins. During this time period, net patient service revenue decreased and operating expenses increased over 2012 levels. The decrease in net patient service revenue was attributed to Medicaid's shift to managed care from fee-for-service. The increase in operating expenses was attributed to the Institution increasing the number of ventilator beds from 48 to 80. This change resulted in higher wages

and salaries and additional supply and other expenses.

For the fiscal year end, December 31, 2016, the Institution is anticipating an approximate \$250,000 loss from operations when a gain of approximately \$500,000 was budgeted. The Institution anticipates total operating revenue to be under budget by approximately \$350,000 and total operating expenses to come in approximately \$400,000 higher than budgeted. Although volume has remained steady in the sub-acute/short-term rehabilitation unit and the ventilator unit, volume has declined in the skilled nursing facility. In an effort to capture more patients and provide better service, the Institution has recently opened an inpatient hospice unit and plans on opening an inpatient home based dialysis unit in the near future. For the fiscal year ending December 31, 2017, the Institution budgeted an approximate \$500,000 gain from operations. The budget does not take into account the debt service associated with the proposed financing. Based on the anticipated debt service associated with the new maturity of 2036 for the mortgage loan, the Institution anticipates gross savings of approximately \$1.3 million in the first year. Gross savings of approximately \$1.1 million would have been anticipated in the first year, if the original 2031 maturity was assumed.

Table 3
The Silvercrest Center for Nursing and Rehabilitation
Years Ended December 31,

Income Statement Analysis (in \$000's)	2011	2012	2013	2014	2015	2014 Statewide Median	2014 DASNY Median
Net patient service revenue	\$50,869	\$ 51,889	\$51,277	\$ 50,401	\$ 53,290		
Other operating revenue	<u>1,130</u>	<u>1,114</u>	<u>807</u>	<u>1,044</u>	<u>2,813</u>		
Total operating revenue	\$51,999	\$ 53,003	\$52,084	\$ 51,445	\$ 56,104		
Total operating expense	<u>51,555</u>	<u>52,298</u>	<u>53,679</u>	<u>52,914</u>	<u>54,091</u>		
Operating gain (loss)	\$ 444	\$ 705	\$ (1,595)	\$ (1,469)	\$ 2,012		
Total non-operating	<u>(72)</u>	<u>(25)</u>	<u>(32)</u>	<u>126</u>	<u>73</u>		
Excess revenues over expenses	\$ 372	\$ 680	\$ (1,627)	\$ (1,343)	\$ 2,086		
Total other changes in unrestricted net assets	<u>(959)</u>	<u>26</u>	<u>1,051</u>	<u>86</u>	<u>256</u>		
Increase in unrestricted net assets	\$ (587)	\$ 707	\$ (577)	\$ (1,256)	\$ 2,342		
Depreciation and amortization expense	1,590	1,387	1,372	1,466	1,455		
Interest expense	<u>1,002</u>	<u>930</u>	<u>858</u>	<u>836</u>	<u>814</u>		
Excess revenues over Expenses before interest, depreciation and amortization (EBIDA)	<u>\$ 2,964</u>	<u>\$ 2,997</u>	<u>\$ 603</u>	<u>\$ 959</u>	<u>\$ 4,295</u>		
Total annual debt service	\$ 2,352	\$ 2,379	\$ 2,319	\$ 2,398	\$ 2,309		
EBIDA debt service coverage ratio	1.26	1.26	0.26	0.40	1.86	1.49	1.31
Operating margin	0.85%	1.33%	-3.06%	-2.86%	3.59%	-1.74%	-4.32%
Excess Margin	0.89%	1.30%	-3.10%	-2.64%	3.71%	-1.56%	-0.18%
Net Profit Margin	-1.13%	1.33%	-1.11%	-2.44%	4.17%	-1.90%	-3.16%

FEASIBILITY – BALANCE SHEET ANALYSIS:

Although there has been some fluctuation, overall, the Institution does not compare favorably to its peers in the balance sheet ratios shown below for the period 2011 – 2015. The current ratio has been above, below and between the 2014 Medians during this period. The cushion ratio, days cash on hand and cash to debt were all above the 2014 Medians from 2011 – 2013 but have recently been lower than the Medians as the Institution’s funded depreciation has decreased. The Institution witnessed a significant decrease in its funded depreciation in 2014 as it was required to post \$2.0 million in collateral to California First National Bank for its capital lease and \$1.5 million in collateral to TD Bank for its bank loan. It is anticipated that these monies will be available to the Institution upon the closing of the proposed transaction. In addition, the Institution has spent nearly \$2.0 million recently

on such capital items as an emergency generator, IT upgrades, heating and cooling upgrades, renovations to the newly created inpatient hospice unit as well as upgrades to its nurse call system, signage, awnings, doors and its fire suppression system.

As for other financial ratios, the Institution’s days in accounts receivable has been higher than the 2014 Medians, however, their days in current liabilities has been typically lower than the 2014 Medians. The Institution’s debt to capitalization has typically been higher than the 2014 Medians. Despite many of the financial ratios not comparing well to their peers, as noted in Table 4, in 2015, the Institution’s total net assets and unrestricted net assets are at their highest levels during the five-year period shown.

Table 4
The Silvercrest Center for Nursing and Rehabilitation
Years Ended December 31,

Balance Sheet Analysis (in \$000's)	2011	2012	2013	2014	2015	2014 Statewide Median	2014 DASNY Median
Assets:							
Current	\$ 13,771	\$ 14,175	\$ 11,459	\$ 12,884	\$ 14,865		
Limited Use	7,004	7,021	6,557	4,393	4,064		
Long-Term	14,760	14,387	16,685	16,137	14,591		
Total Assets	<u>\$ 35,535</u>	<u>\$ 35,583</u>	<u>\$ 34,700</u>	<u>\$ 33,414</u>	<u>\$ 33,519</u>		
Liabilities:							
Total Current Liabilities	\$ 9,768	\$ 10,155	\$ 11,030	\$ 12,424	\$ 11,975		
Long-Term	18,071	17,026	15,845	14,421	12,633		
Total Liabilities	<u>\$ 27,839</u>	<u>\$ 27,181</u>	<u>\$ 26,875</u>	<u>\$ 26,845</u>	<u>\$ 24,608</u>		
Total Net Assets	\$ 7,695	\$ 8,402	\$ 7,825	\$ 6,569	\$ 8,911		
Total Liabilities and Net Assets	<u>\$ 35,535</u>	<u>\$ 35,583</u>	<u>\$ 34,700</u>	<u>\$ 33,414</u>	<u>\$ 33,519</u>		
Detail							
Cash and Short-Term Investments	\$ 1,814	\$ 1,423	\$ 1,416	\$ 1,540	\$ 1,980		
Current Portion of Long-Term Debt	1,426	1,426	1,426	1,426	1,426		
Long-Term Debt	15,444	14,019	12,593	11,168	9,742		
Unrestricted Net Assets	\$ 7,656	\$ 8,377	\$ 7,674	\$ 6,516	\$ 8,847		
Current Ratio	1.41	1.40	1.04	1.04	1.24	1.26	1.07
Cushion Ratio	3.63	3.32	2.37	0.81	0.85	1.59	0.93
Days in Accounts Receivable	65.03	65.79	58.58	67.89	60.68	47.14	45.19
Days in Current Liabilities	69.38	70.97	74.83	85.60	80.69	83.13	101.50
Days Cash on Hand	62.63	55.52	37.81	13.15	13.44	20.76	22.26
Cash to Debt	52.27%	49.90%	35.22%	13.15%	15.35%	17.29%	25.16%
Debt to Capitalization	68.78%	65.52%	67.34%	69.02%	59.49%	38.90%	64.62%

SUMMARY: The proposed refinancings will extend the existing maturities of both the mortgage loan and capital lease by approximately thirteen years and seven years, respectively, enhancing the Institution's liquidity. The new money portion of the transaction will allow them to upgrade their facility and remain competitive. The Institution has historically maintained a high occupancy rate and has New York's largest ventilator unit. Accordingly, staff recommends the Board adopt a Resolution to Proceed with a 19-year bond issue for The Silvercrest Center for Nursing and Rehabilitation in an amount not to exceed \$18,500,000.