Meeting Date: JANUARY 13, 2015 Agenda Item 10

REQUESTED COMMISSION ACTION:

X Consent ___ Ordinance X Resolution ___ Consideration/Discussion ___ Workshop

SHORT TITLE A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF POMPANO BEACH, FLORIDA, APPROVING THE FORM OF A PRELIMINARY AGREEMENT FOR ISSUANCE OF REVENUE BONDS BY AND BETWEEN THE CITY AND JOHN KNOX VILLAGE OF FLORIDA, INC. AND AUTHORIZING EXECUTION THEREOF; PROVIDING FOR CERTAIN OTHER MATTERS WITH RESPECT THERETO; PROVIDING FOR CONFLICT; PROVIDING AN EFFECTIVE DATE. (NO COST)

Summary of Purpose and Why:

THE CITY RECEIVED A LETTER FROM JOHN KNOX VILLAGE OF FLORIDA, INC. (AS ATTACHED) REQUESTING THAT THE CITY SERVE AS A CONDUIT (LEND ITS TAX EXEMPT STATUS) FOR THE ISSUANCE OF REVENUE BONDS, SERIES 2015 (NOT TO EXCEED $40,000,000). PASSAGE OF THIS RESOLUTION, AS WELL AS THE EXECUTION OF THE ATTACHED AGREEMENT WILL OUTLINE THE ROLES AND RESPONSIBILITIES OF BOTH THE CITY AND JOHN KNOX VILLAGE WITH REGARD TO THE PROPOSED CONDUIT BOND ISSUE. APPROVAL OF THIS ITEM DOES NOT CONSTITUTE AN APPROVAL OF FORMAL BOND ISSUANCE OR THE APPROVAL OF OFFICIAL FINANCING DOCUMENTS. SUCH FINANCING DOCUMENTS SHALL BE PRESENTED TO THE CITY COMMISSION AS A SEPARATE AGENDA ITEM ON JANUARY 13, 2015 FOR FORMAL COMMISSION ACTION. PLEASE REFER TO FINANCE DEPRATMENT MEMORANDUM #15-13 FOR ADDITIONAL INFORMATION.

(1) Origin of request for this action: Finance Department
(2) Primary staff contact: Suzette Sibble, Finance Director 954 786-4680
(3) Expiration of contract, if applicable: April 1, 2015.
(4) Fiscal impact and source of funding: NA. ALL ASSOCIATED COSTS FOR THIS TRANSACTION WILL BE THE SOLE RESPONSIBILITY OF JOHN KNOX VILLAGE OF FLORIDA, INC. CITY WILL YIELD APPROXIMATELY $40K FOR ADMINISTRATIVE AND CONDUIT CLOSING FEES.

DEPARTMENTAL COORDINATION	DATE	DEPARTMENTAL RECOMMENDATION	DEPARTMENTAL HEAD SIGNATURE
Finance	12/29/14	approval	S. Sibble
City Attorney	12/29/14		Gordon B. Linn
Budget	12-30-14	Approval	[signature]

Advisory Board

X City Manager [initials] Dennis W. Beach

ACTION TAKEN BY COMMISSION:

Ordinance Workshop		Resolution		Consideration	
1st Reading	___	1st Reading	___	Results:	Results:
2nd Reading	___				

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FINANCE DEPARTMENT
MEMORANDUM 15-13

Date: January 2, 2015

To: Mayor and City Commission

From: Suzette Sibble, Finance Director
Via: Dennis Beach, City Manager

Re: Consideration of a Preliminary Agreement for the Issuance of Revenue Bonds (John Knox Village Project), Series 2015 (the "Bonds")

The City of Pompano Beach (the City) is in receipt of a letter from John Knox Village of Florida, Inc. (**See Attachment 1**) requesting that the City issue Revenue Bonds (John Knox Village Project), Series 2015 (aggregate principal not to exceed $40 million, with a maturity of not later than September 1, 2049) for the principal purpose loaning the proceeds of such issuance to John Knox Village (the "Village") to provide for the financing or reimbursing the Village for the cost of certain capital improvements for or to its Facilities, including, without limitation, the purchase of new audio visual equipment, information technology wiring and upgrades, replacement of any elevator, installation of a visitor management system, construction and equipping of a new health care center, implementation of electronic health records in the health center and miscellaneous renovations, equipment and other improvements. This agenda item requests approval of a Preliminary Agreement with the Village outlining Roles and Responsibilities governing the proposed Bond issue, inclusive of delineating the Village's responsibility for all costs incurred by the City relative to the proposed Bond issue, as well as a closing fee to be afforded the City equal to .1% of the Par value (not to exceed $40 million) of bonds issued. Please note that approval of this Preliminary Agreement does not authorize nor approve issuance of the Bonds by the City. Such approval will be contemplated with the presentation of official financing documents as a separate agenda item on January 13, 2015.

If the Bonds are approved, the City would serve as the "Issuer" and the Village would serve as the "Borrower" with regard to the proposed Bond issue. This arrangement would in essence require the City to serve as a "Conduit" on behalf of the Village. Conduit debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party on a **tax exempt basis**. These third parties are not otherwise authorized under Internal Revenue Service (IRS) regulations to issue tax exempt obligations directly, which result in a lower cost of borrowing than taxable obligations. Although conduit debt obligations bear the name of the City as the governmental issuer, the City has no financial obligation for the repayment of principal/interest related to the bonds. **Relevant financing documents governing the proposed Bond issue includes the following language to make it explicitly clear as to the City's limited liability as it relates to the proposed Bond**

issue:

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF PLEDGED REVENUES AND FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE, THE ISSUER OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE STATE, THE ISSUER NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS, OTHER THAN FROM PLEDGED REVENUES, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE ISSUER OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

The City would enter into a loan agreement with the Village whereby the City as the "Issuer" would be loaning the proceeds of the proposed Bond issue to the Village, the "Borrower". The only security for repayment of the bonds is the gross revenues derived by the City **solely from the Village** as generated from its facilities. Documents governing the Bond issue are inclusive of the following:

- The Bond Resolution;
- Loan Agreement – Between the City and Village;
- Bond Purchase Agreement – Among the City, the Village and PNC Capital Markets LLC (the "Underwriter"), who will purchase and market the bonds for sale;
- Bond Indenture – Between the City and U.S. Bank National Association, who will serve as Bond Trustee whereby the City approves payment of all resulting Bond obligations by the Village directly to the Bond Trustee; and
- Preliminary Official Statement (POS) & Final Official Stmt. – POS issued to gauge market interest governing a proposed bond issue and incorporates information on the Issuer/Borrower.

Considerations of the City in Serving as a Conduit Issuer

Background of the Village & Economic Impact on the City --As Disclosed in Proposed Financing Documents

The Village was incorporated in 1978 as a Florida, not-for-profit corporation to provide housing, health care and other related services to the senior population and is qualified as an exempt organization under the Internal Revenue Service pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Village provides services to approximately 900 residents and estimates that the total assessed value for state tax purposes of its real property is approximately $63,500,000. The Village is one of the largest single site continuing care retirement communities (each a "CCRC") in the country and operates on approximately 65 acres in Pompano Beach in Broward County, Florida. It currently consists of 729 Independent Living Units, 62 Assisted Living Units and a 177-bed skilled nursing facility (the "Health Center"). The Village and its affiliates (the "JKV Companies") employ approximately 700 employees with annual salary and benefits in excess of $22 million as of December 31, 2013. The JKV Companies are one of the five largest employers in the City. Annual operating expenses, excluding payroll of the JKV Companies, totaled an additional $20 million in 2013. The Village continually upgrades units as new residents move in and make ongoing improvements to the campus. Over the last three years, the Village spent over $18 million on capital improvements.

As of October 31, 2014, 86.1% of the Independent Living Units, 93.8% of the Assisted Living Units, and 93.9% of the skilled nursing beds were occupied. The CCRC includes independent living, assisted living and nursing care and has been granted a certificate of authority from the Florida Department of Financial Services to offer continuing care contracts.

The Village has a long history as a leader in the long-term care industry and has received the following awards over the past few years:

- 2014 LeadingAge – National Joan Anne McHugh Nurse Leadership Award
- 2013 LeadingAge Florida – Best Practice – Sharing & Caring
- 2012 LeadingAge Florida – Quality First
- 2011 LeadingAge – National Excellence in the Workplace
- 2010 LeadingAge Florida – Trustee of the Year
- 2010 LeadingAge Florida – Resident Council of the Year
- 2010 Pompano Beach Chamber of Commerce – Founder's Award
- 2010 South Florida Business Journal – Finalist – Best Healthcare Company

Please refer to Appendix A of the Preliminary Official Statement for additional information governing the corporate structure of the Village, additional operating characteristics and additional financial information.

<u>The Project</u>

Woodlands - The primary purpose of the Bonds is to finance and refinance the acquisition, construction and equipping of the Woodlands, a 144-bed skilled nursing facility to be owned and operated by the Borrower and located on its campus, to replace a portion of the existing Health Center and add additional capacity to serve members of the local community (the "Woodlands"). The Village has estimated the net creation of approximately 42 new permanent jobs as a result of the construction of the facility.

Reimbursements - Any available proceeds of the Bonds remaining after financing the Woodlands will be applied to finance capital improvements for or to the Facilities including, without limitation, new audio visual equipment, upgrades to information technology wiring and computers, replacement of the elevator in the Village's East Lake facility, installation of a visitor management system, implementation of electronic health records in the current Health Center and other miscellaneous renovations, equipment and capital improvements.

<u>Financial and Operational Capacity for Repayment of the Bonds</u>

Long Term Rating - Fitch Ratings, Inc. ("Fitch"), a nationally recognized rating agency has assigned the Bonds a long-term rating of "A-." Fitch's definition for an "A" rating denote expectations of low default risk and that the capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. Although not the highest rating issued by Fitch, an "A-" rating is still a strong, investment grade rating on the Fitch rating scale.

Regulatory Reserve & Reporting Requirements - The Village is subject to Chapter 651, Florida Statutes, and has represented in the proposed financing documents that it is in full compliance with all applicable statutory reserve and reporting requirements contained therein. Chapter 651 requires that each continuing care provider maintain: (a) a debt service reserve in an amount equal to the principal and interest payments becoming due during the current fiscal year (12 months' interest on the financing if no principal payments are currently due) on any mortgage loan or other long term financing, including taxes and insurance; (b) an operating reserve in an amount equal to 15% of the facility's average total annual operating expenses set forth in the annual reports filed pursuant to Chapter 651 for the immediate preceding 3-year period, subject to adjustment in the event there is a change in the number of facilities owned; and (c) a renewal and replacement reserve in an amount equal to 15% of the total accumulated depreciation based on the audited financial statements included in the facility's annual report filed pursuant to Chapter 651, not to exceed 15% of the facility's average operating expenses for the past 3 fiscal years based on the audited financial statements for each of such years. These reserves are required to be held in a segregated escrow account maintained with a Florida bank, savings and loan association or trust company acceptable to the Office of Insurance Regulation (OIR) and, in the case of the operating reserve, must be in an unencumbered account held in escrow for the benefit of the residents. The Reserve Account established with the Bond Trustee pursuant to the Bond Indenture and the escrow account established with U.S. Bank National Association, as escrow agent, are intended to meet the requirements of Chapter 651 for those reserves (the "Required Reserves").

In addition, Chapter 651 requires the escrow agent holding the Required Reserves to deliver to the OIR quarterly reports on the status of the escrow funds, including balances, deposits and disbursements. Chapter 651 provides that withdrawals can be made from the Required Reserves only after 10 days' prior written notice to the OIR, except that in an emergency the provider may petition for a waiver of such 10-day notice requirement (a waiver being deemed granted if not denied by the OIR within three working days). Fines may be imposed for failure to deliver the quarterly reports or notices of withdrawal within the required time periods.

Ongoing Debt Covenants - Debt covenants for the proposed bond issue will mandate the following:
Creation and maintenance of Debt Service Reserve and Sinking Fund accounts;
Maintenance of a long-term Debt Service Ratio of at least 1.10;
Maintenance of at least 100 days cash on hand; and
Not incurring additional indebtedness unless certain conditions are met.

These covenants further bolsters the Village's ability to repay its obligations related to the proposed Bond issue

No History of Defaults

The Village has represented in proposed financing documents that in its history of operations it has not defaulted on any outstanding obligations.

City's Past History with Village as a Conduit Issuer

In 2010 the City authorized and issued Revenue Bonds on behalf of the Village. The Village utilized the proceeds to refund its 2002 Bonds that had been issued through the Broward County Health Facilities Authority (2002 Bonds). With the City's assistance, the Village was able to refund the 2002 Bonds and issue the "City of Pompano Beach, Florida Health Facilities Revenue Refunding Bonds (John Knox Village of Florida, Inc. Project), Series 2010" (2010 Bonds). The 2010 Bonds were issued in the amount of $29,045,000 as a direct placement with PNC Bank, National Association (PNC). The 2010 Bonds are variable interest rate bonds that are secured through a mortgage on the Village's property as well as a gross revenue pledge. The outstanding balance on the 2010 Bonds is approximately $25 million.

To date, the City has not been notified of any default on the 2010 Bonds or any non-compliance issues governing this outstanding bond issue.

In September 2014, the City authorized the refinancing of more favorable terms for the Village with the bondholder, PNC Bank. These bonds have a mandatory redemption date of December 31, 2024.

Risk

As stated earlier, the City has no legal obligation to repay the obligation resulting from the proposed Bond issue. However, should the Village default on the bonds in the future, the City would be required to disclose this default in any future bond issues undertaken by the City. This association could potentially affect the marketability of bonds to be issued by the City in the future. That being said, the City would ensure that the marketing of any new bonds to be issued by the City and any such required disclosures make it explicitly clear that the City had no legal or moral obligations governing its conduit bond issues in an effort to minimize any potential negative market impacts. Given the Village's footprint in the City and Broward County, its current financial capacity as outlined in the preliminary official statement, its operating characteristics (management's experience, philosophy and operating style and regulatory reserve requirements), no past default history, long term rating assigned the proposed Bond issue and required bond covenants governing reserve and sinking fund accounts, it is unlikely that the Village would ever default on its obligation.

Conclusion

As stated earlier, the Village would be responsible for all costs incurred by the City related to the proposed Bond issue initially and for any costs incurred by the City related to said Bond issue, through maturity of the Bonds. In addition, the Village would be responsible for continuing disclosure requirements, inclusive of financial and budgetary reporting and any arbitrage requirements.

The City will be paid a non-refundable administrative charge by the Village of $3,500, regardless of closing on the transaction and a closing fee of .1% of the aggregate principal amount issued (approximately $40k).

All financing documents have been reviewed by myself, the City's Bond Counsel and City Attorney.

Attachment 1

John Knox Village of Florida, Inc.

Request for Issuance of Tax-Exempt Bonds

John Knox Village of Florida, Inc. (the Village) is pleased to present this request to issue bonds through the City of Pompano Beach. The Village has been a member of the Pompano Beach community since 1967. In the last 47 years, the Village has grown from a small retirement community consisting of a three-story building and 24 villa triplexes surrounding a lake to become the second largest Continuing Care Retirement Community (CCRC) in the State of Florida and one of the largest single site CCRCs in the country. The requested modifications are the first step in a plan of finance that will allow the Village to construct a state-of-the-art health center on its campus, replacing a portion of the current health center and adding 17 long-term care beds.

Background on the Village

The Village was incorporated in 1978 as a Florida, not-for-profit corporation to provide housing, health care and other related services to the senior population. The Village is qualified as an exempt organization by the Internal Revenue Service pursuant to Section 501(c)(3) of the Internal Revenue Code. The Village mission is shown below.

> *John Knox Village of Florida, Inc. is dedicated to providing a protective, supportive environment in which our Residents may thrive as their physical, social, emotional and spiritual well being is addressed.*
>
> *John Knox Village of Florida, Inc. is committed to its employees by providing a stable, secure, fair and rewarding work place.*
>
> *John Knox Village of Florida, Inc. is committed to being an active, valuable partner in the civic community.*

John Knox Home Health Agency, Inc. is a wholly owned subsidiary which is a Florida for-profit corporation and provides home health care services for Village residents and residents of the local community. John Knox Village of Florida Foundation, Inc. is a Florida, not-for-profit corporation controlled by the Village which serves as the fundraising arm of the Village. These three organizations are governed by volunteer Boards of Directors consisting of Village residents and members of the local business community.

The Village is located on approximately 65 acres and consists of 730 independent living units, 64 assisted living units and 177 bed health center. The Village provides services to its residents under a life care contract. Residents occupy an independent living unit and have unlimited use of the assisted living facility and the health center as needs change. The life care contract assures life-long care for the remainder of the residents' lives.

The financial viability of the Village has always been a top priority for the Board of Directors as shown in the following Statement of Purpose:

> *To operate a financially responsible not-for-profit continuing care retirement community that complies with legislative, professional and regulatory guidelines.*

The combined corporations employ approximately 700 active employees with annual salary and benefits in excess of $22,000,000 for the year ended December 31, 2013. Over 91% of the active employees live in Broward County and 142 of these employees live in Pompano Beach. These employees provide services to the almost 900 residents who currently reside at the Village. Despite difficult economic times over the past few years, the Village has been able to maintain its workforce without layoffs and is still able to provide raises and benefits to its employees.

The Village is one of the largest property tax payers in Broward County and paid in excess of $900,000 in property taxes in 2014. Annual operating expenses, excluding payroll, totaled an additional $20,000,000. The Village is continually upgrading units as new residents move in and makes ongoing improvements to the campus. Over the last three years, the Village spent over $18,000,000 on capital improvements. The Village makes a concerted effort to purchase its supplies from local businesses in an effort to support the community.

As a retirement community, the Village is more than just a purchaser and consumer of goods and services. It is a home to senior residents who also desire a wide selection of ancillary goods and services. The residents of the Village have as their "suppliers" the local grocery stores, shopping malls, restaurants, hospitals, doctors and other businesses.

As mentioned above, part of the Village mission is to be an active, valuable partner in the civic community. This commitment is accomplished through the Sharing and Caring program. Over the last six years, the Village has been able to reach into the community to give back to others and to help fill the needs of the underserved and uninsured in the Pompano Beach community and has donated over $760,000 to charities in the local and international communities. Whether it be clothing and toiletries for the clients of St. Laurence Chapel, toiletries and blankets for the homeless through Broward Outreach, food for the local food banks or a dance with the clients of Northeast Focal Point, the Village residents and employees are eager to give back to the community. With healthcare as one of the most important services provided by the Village, the Village has long been a sponsor and contributor to the American Heart Association through the Heart Walk, the Alzheimer's Association through the Alzheimer's Walk and the American Cancer Society through the Relay for Life.

Background on the Financing

In 2010, the Village took advantage of temporary changes in bond regulations enacted by the American Recovery and Reinvestment Act of 2009 allowing tax-exempt entities to borrow up to $30,000,000 as Bank Qualified. Bank Qualified bonds bear a more favorable interest rate than non-Bank Qualified bonds. The Village refunded the 2002 Bonds that had been issued through the Broward County Health Facilities Authority (2002 Bonds). At that time, the 2002 Bonds had been secured through a letter of credit that wrapped around a bond insurance policy with Radian Asset Assurance. Due to the various economic crises occurring at that time, the insurance policy and the letter of credit were no longer viable means to secure the debt. With the City's assistance, the Village was able to refund the 2002 Bonds and issue the "City of Pompano Beach, Florida Health Facilities Revenue Refunding Bonds (John Knox Village of Florida, Inc. Project), Series 2010" (2010 Bonds). The 2010 Bonds were issued in the amount of $29,045,000 as a direct placement with PNC Bank, National Association (PNC). The 2010 Bonds are variable interest rate bonds that are secured through a mortgage on the Village's property as well as a gross revenue pledge. The outstanding balance on the 2010 Bonds as of November 30, 2014 is $25,285,000.

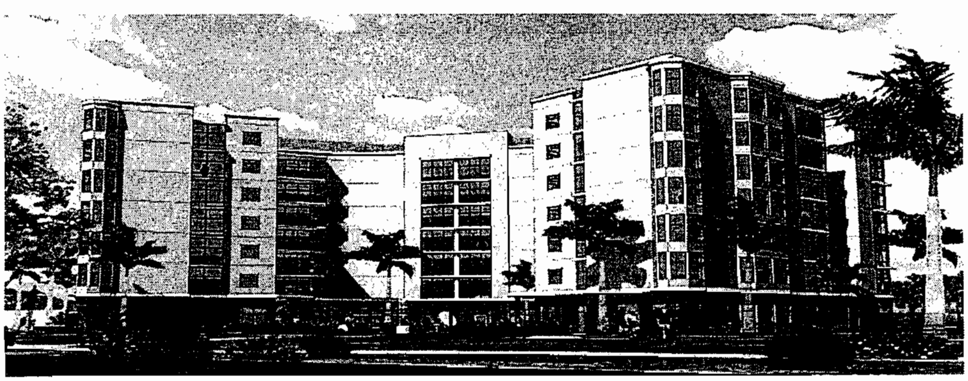
At the time the 2010 Bonds were issued, PNC executed its option to automatically call the bonds on December 31, 2017. With the assistance of the City, in September the Village and PNC successfully extended the term of the mandatory redemption for 10 years, to December 31, 2024.

The Project

The Village is planning to construct the Woodlands, a 144 bed skilled nursing facility, on its current campus to replace a portion of the existing health center and add additional capacity to serve members of the local community. The Woodlands will be utilizing the Green House ® model which emphasizes the following core values:

- Meaningful Life
- Empowered Staff
- Real Home

The building will consist of 12 homes designed to accommodate 12 elders in private rooms and private bathrooms surrounding a common area complete with kitchen, dining room and hearth room. There will also be a first floor common area that includes a convocation room, therapy space and a bistro.



The Village has received the building permit and has started to clear the site for the new building. At this time, the Village is planning to issue new fixed-rate bonds in the approximate amount of $35,000,000, using PNC as underwriter, to provide the funds for the construction of the Woodlands.

The Village has received a preliminary rating of A- with a stable outlook on the new bonds and affirmation of the rating on the 2010 bonds from Fitch.

Summary

The Village is excited to have an opportunity to continue its relationship with the City of Pompano Beach. The City can provide the means for the Village to issue new fixed rate bonds as the Village works to realize its plan of providing state of the art services to both the residents of the Village as well as the residents of Pompano Beach. We look forward to working with the City on this project.

John Knox Village of Florida, Inc.
GreenHouse Project
Staffing Impact
H:\2014 Bonds\FDFC\[VI. Project Employment Schedule.xlsx]Summary for Board

	Existing Health Center			Green House			Total			Average Wages			
Department	Current Staffing	Projected Staffing	Increase (Decrease)	Current Staffing	Projected Staffing	Increase (Decrease)	Current Staffing	Projected Staffing	Increase (Decrease)	Current Staffing	Projected Staffing	Current Payroll	Projected Payroll
Modification of Existing Positions:													
Administration	3.00	0.40	(2.60)	-	2.18	2.18	3.00	2.58	(0.42)	40.83	40.83	254,779	219,110
Recreational Therapy	7.25	1.25	(6.00)	-	2.34	2.34	7.25	3.59	(3.66)	14.82	14.82	223,486	110,664
Dietary (Centralized)	3.40	4.60	1.20	-	3.79	3.79	3.40	8.39	4.99	10.03	10.03	70,932	175,036
Admissions	1.00	0.47	(0.53)	-	1.53	1.53	1.00	2.00	1.00	32.26	36.57	67,101	152,110
Central Supply	1.00	0.25	(0.75)	-	0.75	0.75	1.00	1.00	-	12.73	12.73	26,478	26,478
Medical Records	1.00	0.28	(0.72)	-	0.72	0.72	1.00	1.00	-	20.60	20.60	42,848	42,848
Environmental Services	16.20	2.80	(13.40)	-	3.04	3.04	16.20	5.84	(10.36)	9.61	9.61	323,819	116,735
Laundry	7.00	2.00	(5.00)	-	-	-	7.00	2.00	(5.00)	9.88	9.88	143,853	41,101
Maintenance	2.00	0.20	(1.80)	-	1.80	1.80	2.00	2.00	-	21.38	21.38	88,941	88,941
Nursing Administration	9.00	2.56	(6.44)	-	1.44	1.44	9.00	4.00	(5.00)	29.22	29.22	546,998	243,110
Minimum Data Set (MDS)	3.00	0.71	(2.29)	-	2.04	2.04	3.00	2.75	(0.25)	29.22	29.22	182,333	167,138
Staff Development	2.00	0.76	(1.24)	-	1.44	1.44	2.00	2.20	0.20	29.22	29.22	121,555	133,711
Social Services	3.00	0.68	(2.33)	-	2.33	2.33	3.00	3.00	-	24.91	24.91	155,438	155,438
Guide	-	-	-	-	1.25	1.25	-	1.25	1.25	29.22	29.22	-	75,972
Educator	-	-	-	-	0.80	0.80	-	0.80	0.80	29.22	29.22	-	48,622
CNA/Shahbaz	81.00	28.40	(52.60)	-	100.80	100.80	81.00	129.20	48.20	11.22	12.90	1,890,346	3,467,501
Direct Care Nursing	30.20	8.80	(21.40)	-	23.55	23.55	30.20	32.35	2.15	25.44	25.44	1,598,039	1,711,962
Subtotal	170.05	54.15	(115.90)	-	149.80	149.80	170.05	203.95	33.90			5,736,946	6,976,478
New Positions:													
Common Area	-	-	-	-	2.80	2.80	-	2.80	2.80		9.61	-	55,969
Concierge/Security	-	-	-	-	4.20	4.20	-	4.20	4.20		11.80	-	103,085
LEED Maintenance	-	-	-	-	1.00	1.00	-	1.00	1.00		25.00	-	52,000
Subtotal	-	-	-	-	8.00	8.00	-	8.00	8.00	-	8.00	-	211,053
Grand Total	**170.05**	**54.15**	**(115.90)**	**-**	**157.80**	**157.80**	**170.05**	**211.95**	**41.90**	**170.05**	**211.95**	**5,736,946**	**7,187,531**
								-			-	**Increase**	**1,450,585**

RESOLUTION NO. _______

CITY OF POMPANO BEACH, FLORIDA

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF POMPANO BEACH, FLORIDA APPROVING THE FORM OF A PRELIMINARY AGREEMENT FOR ISSUANCE OF REVENUE BONDS BY AND BETWEEN THE CITY AND JOHN KNOX VILLAGE OF FLORIDA, INC. AND AUTHORIZING EXECUTION THEREOF; PROVIDING FOR CERTAIN OTHER MATTERS WITH RESPECT THERETO; PROVIDING FOR CONFLICT; PROVIDING AN EFFECTIVE DATE.

WHEREAS, John Knox Village of Florida, Inc., a Florida not-for-profit corporation (the "Company") currently provides independent living, assisted living and health care facilities within the City (the "Facilities") to senior citizens and has requested the City of Pompano Beach, Florida (the "City") to (i) issue its revenue bonds in an aggregate principal amount not exceeding $40,000,000 (the "Bonds") for the principal purpose of financing or reimbursing the Company for, the cost of certain capital improvements for or to the Facilities, including, without limitation, the purchase of new audio visual equipment, information technology wiring and upgrades, replacement of any elevator, installation of a visitor management system, construction and equipping of a new health care center, implementation of electronic health records in the health center and miscellaneous renovations, equipment and other improvements (as such capital improvements will be finally described in the hereinafter defined Loan Agreement) (collectively, the "Project"), and (ii) loan the proceeds of the Bonds to the Company pursuant to a loan agreement (the "Loan Agreement") to be entered into between the City and the Company under the authority of the Florida Constitution, the

City Charter of the City, Chapter 166, Florida Statutes, as amended, and Section 159.25 et seq., Florida Statutes, as amended and other applicable provisions of law (collectively, the "Act"); and

WHEREAS, the resolution authorizing the issuance of the Bonds will be considered by the City Commission of the City (the "City Commission") on the date of adoption hereof by the City; and

WHEREAS, the Company has agreed to enter into the herein described Preliminary Agreement between the Company and the City setting forth certain preliminary matters relating to the Bonds.

NOW THEREFORE, BE IT RESOLVED by the City Commission of the City of Pompano Beach, Florida:

SECTION 1. The Project and the financing and refinancing thereof by the City through the issuance of the Bonds, if subsequently approved by the City, will promote the economic development and welfare of the citizens of the City, will provide gainful employment to the residents of the City, will promote the general economic structure of the City, and will thereby serve the public purposes of the Act.

SECTION 2. The Preliminary Agreement between the City and the Company providing for the preliminary agreements of the parties with respect to the Bonds, substantially in the form attached hereto as Exhibit "A" (the "Preliminary Agreement"), is hereby approved.

SECTION 3. The Mayor of the City or his designee is hereby authorized and directed to execute the Preliminary Agreement, with such modifications to the form thereof presented at this meeting as may be approved by the Mayor, in consultation with the City Attorney, and the City Clerk of the City or her designee is hereby authorized and directed to attest such signature. The execution of the Preliminary Agreement by the Mayor or his designee shall constitute conclusive evidence of the approval of the final form thereof.

SECTION 4. The officials and employees of the City, the City Attorney and the City's Bond Counsel are hereby further authorized to proceed, upon execution of the Preliminary Agreement, with the undertakings provided for therein on the part of the City, subject to the terms and conditions set forth in the Preliminary Agreement.

SECTION 5. All covenants, stipulations, obligations and agreements of the City contained in this Resolution shall be deemed to be covenants, stipulations, obligations and agreements of the City to the full extent authorized by the Act and provided by the Constitution and laws of the State of Florida. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member of the City Commission or any officer, agent or employee of the City in his or her individual capacity, and neither the members of the City Commission nor any official or employee of the City with other responsibilities hereunder shall be liable personally under this Resolution or shall be subject to any personal liability or accountability by reason hereof.

SECTION 6. All resolutions or parts thereof in conflict herewith are to the extent of such conflict superseded and repealed.

SECTION 7. This Resolution shall become effective upon passage.

PASSED AND ADOPTED this 13th day of January, 2015.

LAMAR FISHER, MAYOR

ATTEST:

MARY L. CHAMBERS, CITY CLERK

RM:7619691:2

EXHIBIT A

FORM OF PRELIMINARY AGREEMENT

PRELIMINARY AGREEMENT FOR ISSUANCE OF REVENUE BONDS

This Agreement is made and entered into as of the ___ day of January, 2015 (the "Commencement Date") between the City of Pompano Beach, Florida (the "City"), a Florida municipal corporation, and John Knox Village of Florida, Inc., a Florida not-for-profit corporation (the "Company").

WITNESSETH:

1. Preliminary Statement. Among the matters of mutual understanding which have resulted in the execution of this Agreement are the following:

a. The Florida Constitution, the City Charter of the City, Chapter 166, Florida Statutes, as amended, the Florida Industrial Development Financing Act (Section 159.25 et seq., Florida Statutes), as amended and other applicable law (collectively, the "Act") provide that the City may issue revenue bonds and loan the proceeds thereof to one or more persons, firms or private corporations, to finance and refinance the costs of certain qualifying facilities and improvements.

b. The Company currently provides independent living, assisted living and health care facilities within the City (the "Facilities") to senior citizens. The Company has requested that the City issue its revenue bonds to be designated as "Revenue Bonds (John Knox Village Project), Series 2015" (or such other designation as provided in the hereinafter defined Loan Agreement) on a tax-exempt basis, in one or more series, in an aggregate principal amount of not exceeding $40 million (the "Bonds"), for the principal purpose of financing and refinancing, or reimbursing the Company for, the cost of certain capital improvements for or to the Facilities, including, without limitation, the purchase of new audio visual equipment, information technology wiring and upgrades, replacement of any elevator, installation of a visitor management system, construction and equipping of a new health care center, implementation of electronic health records in the health center and miscellaneous renovations, equipment and other improvements (as such capital improvements will be finally described in the Loan Agreement) (collectively, the "Project"). Proceeds of the Bonds will also be used to fund any necessary reserves for the Bonds and pay costs associated with the issuance of the Bonds. The City will make a loan of the proceeds of the Bonds to the Company in accordance with the Act (the "Loan") pursuant to a written loan agreement to be entered into by the City and the Company contemporaneously with the issuance of the Bonds (the "Loan Agreement").

c. The City and the Company now desire to enter into this Agreement to set forth the basis on which the Bonds are contemplated to be issued by the City and as an inducement to the City to issue the Bonds.

2. Undertakings on the Part of the City. Subject to the terms and conditions hereof, the City agrees as follows:

a. Subject to subsequent action of the City required by the Act and the Internal Revenue Code of 1986, as amended (the "Code"), including the enactment of a resolution authorizing the Bonds and the holding of a public hearing with respect to the same for purposes of the Code, the City will cause the City Commission of the City (the "City Commission") to consider the authorization of the issuance of the Bonds in an aggregate principal amount necessary and sufficient to finance the cost of the Project, but not in excess of $40 million. The final aggregate principal amount of the Bonds shall be agreed upon by the City and the Company and set forth in the Loan Agreement.

b. Assuming the City Commission authorizes the issuance of the Bonds, the City will cooperate with the Company and with the underwriters or purchasers of the Bonds and the Company's Bond Counsel, to the extent reasonably necessary and without requiring the expenditure of its funds except as contemplated herein, with respect to the issuance and sale of the Bonds and will take such further action and authorize the execution of such documents as shall be mutually satisfactory to the City and the Company for the authorization, issuance and sale of such Bonds and the use of the proceeds thereof to finance and refinance the Project and for the other purposes related to the Bonds mentioned herein.

3. Undertakings on the Part of the Company. The Company represents and warrants to the City, and subject to the terms and conditions hereof the Company agrees, as follows:

a. The Company represents that (i) it is financially capable and willing (1) to fulfill its obligations to repay the Loan in the amounts and at the times to be required by the Loan Agreement, (2) to operate, repair and maintain the Facilities and the Project at its own expense, and (3) to fulfill any other obligations and responsibilities imposed on it under any agreements between the Company and the City relating to the Loan, at its own expense, and (ii) the Project shall make a significant contribution to economic growth of the City, including the provision of gainful employment, and advances the public health and general welfare of the City and its residents. The Company represents that each component of the Project is permitted by the Act.

b. The Company will use reasonable efforts to ensure that the Bonds in an aggregate principal amount not exceeding $40 million are sold; provided, however, that the terms of such Bonds and of the sale and delivery thereof shall be in compliance with the Act and this Agreement.

c. Prior to the issuance of the Bonds, the Company will enter into the Loan Agreement with the City, the terms of which shall be mutually agreeable to the City and Company, providing for the Loan and the use of the proceeds of the Bonds to finance and refinance the Project and for the other purposes related to the Bonds mentioned herein.

d. The Company shall, in addition to paying the amounts set forth in the Loan Agreement, pay all costs of operation, maintenance, taxes, governmental and other charges which may be assessed or levied against or with respect to the Project.

e. The Company holds the City, the members of the City Commission of the City, and the City's officers, agents and employees free and harmless from any loss or damage and from any taxes or other charges levied or assessed by reason of any mortgaging or other disposition of the Project. The Company further holds the City, the members of the City Commission of the City, and the City's officers, agents and employees, harmless from any and all cost, expense, charges or liability, including payment of all applicable costs and reasonable attorneys' fees, arising out of or attributable to the City's execution of this Agreement and the authorization and/or issuance of the Bonds, including but not limited to the repayment of principal of and interest or penalty on the Bonds and payment or reimbursement of any costs, fees, charges or other amounts that may become payable in any manner whatsoever relating to the Bonds, or relating to or arising on account of the City's execution of this Agreement and the authorization and/or issuance of the Bonds.

f. The Company shall be responsible for all fees and expenses associated with the issuance of the Bonds, including, without limitation, underwriter's discount, fees of agencies rating the Bonds and the fees and expenses of any trustee. The Company will pay to the City (or cause to be paid to the City from the proceeds of the Bonds to the extent available therefor) the following: (i) an administrative expense fee of $3,500 (the "Administrative Expense Fee"), (ii) a closing fee equal to .1% of the original aggregate principal amount of the Bonds (the "Closing Fee"), (iii) the fees and expenses of Greenspoon Marder, P.A., the City's Bond Counsel (including the fees and expenses of McCarter & English, LLP, special tax counsel to the City's Bond Counsel) (the "City Bond Counsel Fees"), based on hourly rates in effect from time to time and actual out of pocket expenses incurred in connection with rendering services to the City in connection with the Bonds; and (iv) all other reasonable fees and expenses of the City incurred in connection with the issuance of the Bonds, including costs of publishing necessary notices of public hearings required by the Code (the "Out-of-Pocket Expenses"). The Administrative Expense Fee shall be due and payable in full within ten (10) business days following the date on which the City adopts the resolution authorizing the issuance of the Bonds and shall be owed regardless of whether the Bonds are issued. The Closing Fee shall be due and payable in full on the date of issuance of the Bonds, and shall be owed only in the event that the Bonds are issued and sold. The City Bond Counsel Fees and the Out-Of-Pocket Expenses shall be due and payable in full on the date of issuance of the Bonds; provided that if the Bonds are not issued by

March 31, 2015 for any reason, the City Bond Counsel Fees and Out-Of-Pocket Expenses incurred through that date shall be due and payable in full by April 15, 2015.

4. General Provisions

a. The City's execution of this Agreement and the approval by the City Commission of the authorization of the Bonds and/or the issuance of the Bonds shall not be construed as an approval of any zoning application, nor approval or acquiescence to the alteration of existing zoning or land use or approval of any regulatory permits in connection with the Project or as creating any vested rights with respect to any land use regulations, and the City shall not be construed by virtue of its execution of this Agreement or authorization and/or issuance of the Bonds to have waived, or be estopped from asserting, any authority or responsibilities it may have in that regard.

b. The Company understands that the City has not done any due diligence on the Project or the Bonds; and the Company shall make no representations to the contrary. The City makes no representation as to (i) the exclusion from gross income for federal income tax purposes of interest on the Bonds, (ii) the creditworthiness of the Company or the financial viability of the Project, or (iii) the likelihood of the repayment of the debt service on the Bonds and shall make no representation regarding these matters in Loan Agreement or any documentation relating to the Bonds to which it is a party. Additionally, the City's execution of this Agreement and the approval by the City Commission of the authorization of the Bonds and/or the issuance of the Bonds shall not be construed as a recommendation to any prospective purchaser of the Bonds, or approval by the City of the financial feasibility of the Project or of any financial matters with respect to the Project, the Company or the Bonds; and the Company shall make no representation to the contrary.

c. The City's execution of this Agreement and the approval by the City Commission of the authorization of the Bonds shall not be deemed to create any obligation or liability, pecuniary or otherwise, of the City in any respect whatsoever, including with respect to the issuance or sale of the Bonds or the financing, acquisition, construction or operation of the Project.

d. The City shall not undertake any continuing disclosure obligations with respect to the Bonds for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The City's representations and warranties in any federal tax certificate to be executed by the City in connection with the Bonds will reflect that the same are based solely on the representations and warranties made by the Company to the City with respect to the Project and the Bonds. Any filings relating to rebate required by the Code to be made by the City with respect to the Bonds will be at the Company's sole expense, and will indicate that the information therein is provided by the Company and that the City makes no representation or warranty with respect thereto.

e. Either (i) the Bonds shall have an investment grade rating at the time of issuance thereof, with or without credit enhancement, or (ii) the Bonds shall be offered for sale and sold only to "qualified institutional buyers" within the meaning of the Federal securities laws.

5. Additional Matters Relating to the Loan Agreement and Other Financing Instruments and Documents.

a. The Loan Agreement between the City and the Company shall, under terms agreed upon by the parties, provide for payments to be made by the Company in such sums as shall be necessary to pay the amounts required under the Act, including the principal of and interest and redemption premium, if any, on the Bonds, as and when the same shall become due and payable and all other expenses related to the issuance and delivery of the Bonds.

b. In the Loan Agreement and other financing instruments and documents related to the Bonds to which the City is a party, the City will make no warranty, either expressed or implied, that the proceeds of the Bonds will be sufficient to pay all costs of the Project or that those facilities encompassed by the Project will be suitable for the Company's purposes or needs. The Company will agree in the Loan Agreement that if the cost of the Project exceeds the amounts allocated therefor, it shall be responsible for the payment of such excess costs and shall not be entitled to any reimbursement for any such excess either from the City, the bondholders or the trustees for the bondholders.

c. The Bonds, the Loan Agreement and the other financing documents and instruments relating to the Bonds will affirmatively state that the Bonds (i) do not constitute and will not be construed as a debt, liability, or obligation of the City, the State, or any subdivision thereof; (ii) do not constitute and will not be construed as a pledge of the faith and credit or any taxing power of the City or the State or any subdivision thereof; and (iii) will be limited obligations of the City payable solely from and secured by a pledge of payments made by the City and other funds provided therefore. No covenant or agreement contained in this Agreement, the Loan Agreement or other financing instruments and documents relating to the Bonds to which the City is a party shall be deemed to be a covenant or agreement of any member of the City Commission of the City or any officer, agent or employee of the City in his or her individual capacity and no member of the City Commission of the City and no officer, agent or employee of the City shall be personally liable with respect thereto or be subject to any personal liability or accountability by reason of the execution on behalf of the City thereof.

d. The Company shall agree in the Loan Agreement to pay all periodically recurring or on-going administrative and other expenses, and any extraordinary fee or expense, incurred by the City with respect to the Bonds or the Project for so long as any of the Bonds remains unpaid.

e. Any offering document, official statement, prospectus or similar document used in marketing the Bonds will include a statement to the effect that owners of the Bonds may not look to the City for payment of the Bonds and interest or premium thereon or other payments in respect thereto and will not otherwise reference the City in any context, except as approved by the City Attorney of the City, in consultation with the City's bond counsel.

f. Any bond purchase agreement among the City, the Company and the underwriter(s) of the Bonds shall contain customary indemnification of the City by the Company and such underwriter(s), including with respect to any claims or liabilities arising in connection with the public offering of the Bonds.

6. Term; Termination. The term of this Agreement (the "Term") shall commence on the Commencement Date and continue until April 1, 2015, subject to extension in writing by the mutual agreement of the parties hereto. The obligations of the Company set forth herein shall survive the termination of the Term of this Agreement.

7. Third Party Beneficiaries; Binding Effect; Superseder.

a. All covenants and agreements herein contained by or on behalf of the City and the Company shall bind and inure to the benefit of the respective successors and assigns of the City and the Company whether so expressed or not. Notwithstanding the foregoing or anything to the contrary herein, the City's Bond Counsel shall be an express third party beneficiary of the provisions of this Agreement relating to the payment of the fees and expenses of such party and of McCarter & English, LLP and shall be entitled to seek enforcement of such provisions. Except as provided in this subsection, this Agreement is not intended to create any right of a third party beneficiary.

b. The City and the Company intend for this Agreement to supersede the subject matter of that certain Interlocal Agreement (the "Interlocal Agreement") previously executed by the City and the Florida Development Finance Corporation ("FDFC") and joined in by the Company, and for such Interlocal Agreement to be of no force and effect following the City's authorization of the Bonds, as evidenced by its adoption of a resolution accomplishing such authorization (the "Authorizing Resolution"). Promptly following the adoption of the Authorizing Resolution, the Company will notify FDFC in writing of the foregoing and the Company (at no expense to the City) shall take such other actions as necessary to cause the Interlocal Agreement to be terminated prior to the issuance of the Bonds. The Company agrees that it will not request or cause FDFC to issue bonds or other obligations to finance the Project or any portion thereof unless the Bonds are not issued on or before March 31, 2015.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the Commencement Date.

CITY OF POMPANO BEACH, FLORIDA

____
By: Mayor

ATTEST:

____
By: City Clerk

APPROVED AS TO FORM AND LEGAL SUFFICIENCY

By:____________________
City Attorney

JOHN KNOX VILLAGE OF FLORIDA, INC.

By: ____________________
Name: ROBERT SCHARMANN
Title: PRESIDENT

"CITY":

Witnesses: **CITY OF POMPANO BEACH**

_________________________ By:_________________________
LAMAR FISHER, MAYOR

_________________________ By:_________________________
DENNIS W. BEACH
CITY MANAGER

Attest:

_________________________ (SEAL)
MARY L. CHAMBERS
CITY CLERK

Approved As To Form:

____
GORDON B. LINN
CITY ATTORNEY

STATE OF FLORIDA
COUNTY OF BROWARD

The foregoing instrument was acknowledged before me this _______ day of _______________, 2015 by **LAMAR FISHER**, as Mayor, **DENNIS W. BEACH** as City Manager and **MARY L. CHAMBERS**, as City Clerk of the City of Pompano Beach, Florida, a municipal corporation, on behalf of the municipal corporation, who are personally known to me.

NOTARY'S SEAL:

____
NOTARY PUBLIC, STATE OF FLORIDA

____
(Name of Acknowledger Typed, Printed or Stamped)

____
Commission Number