

# ULSTER COUNTY EXECUTIVE

244 Fair St., P.O. Box 1800, Kingston, New York 12402

Telephone: 845-340-3800

Fax: 845-334-5724

MICHAEL P. HEIN  
*County Executive*

ADELE B. REITER  
*Chief of Staff*



MARSHALL BECKMAN  
*Deputy County Executive*

ROBERT SUDLOW  
*Deputy County Executive*

ARTHUR J. SMITH  
*Budget Director*

October 5, 2011

## GOLDEN HILL FACT SHEET BACKGROUND OF THE TRANSACTION

### **Golden Hill Ownership Restructuring and Finance through a Local Development Corporation**

The purpose of the Golden Hill ownership restructuring and financing through a Local Development Corporation is to transfer the ownership of the land, buildings and equipment which comprise Golden Hill Health Care Center (the "facility"), from Ulster County (the "County"), as owner and operator of the Facility, to a newly created not-for-profit local development corporation ("LDC"), subject to a retained leasehold interest by the County, which would continue to operate the Facility (collectively, the "Transfer").

This Transfer would allow the LDC to undertake secured financing for the benefit of the County and to address current County operating deficits (the "Purchase Financing"). In addition, LDC ownership of the Facility would assist the County in structuring eventual transfer of the Facility and potentially the development of County property adjacent to the facility. This process requires several steps including: (i) create the LDC; (ii) authorize the Transfer of the Facility by the County to the LDC; and (iii) authorize the LDC to issue tax exempt bonds on behalf of the County, the proceeds of which would be paid to the County by the LDC as a portion of the total purchase price for the Facility.

### **LDC Function**

The LDC is a not-for-profit corporation formed by filing a certificate of incorporation with the New York Department of State, specifically pursuant to Section 1411(a) of the Not-for Profit Corporation Law for the purpose of lessening the burdens of government and acting in the public interest. As owner of the facility the LDC will seek to sell GHHCC. Upon sale, when the LDC is dissolved, following payment of all debts and obligations of the LDC, the assets of the LDC would be distributed to the County.

### **Legislative Authority**

Section 1411(d) of the NPCL specifically authorizes the legislative body of a county, by resolution, to determine that certain real property of the County not required for use by the County may be sold or leased to a local development corporation. It further provides that the sale or lease may be on such terms

as may be agreed upon by the County and local development corporation, without appraisal or public bidding, except that a lease cannot be longer than ninety-nine years. A public hearing on ten days notice is required to be conducted by the County Legislature prior to the adoption of a resolution authorizing any such sale or lease, which would include the Transfer. The specific language of Section 1411(d) allows the Transfer to proceed by resolution, without the complexity of having to adopt a local law, and the budget resolution can incorporate the required authorizations.

### **Financing**

The Purchase Financing would require the County Legislature to adopt a resolution to authorize the LDC to issue tax exempt bonds. This authorization has been incorporated in the budget resolution. The powers contained within the LDC Act include the power to issue tax exempt and taxable bonds, notes, or other instruments on behalf of the County in furtherance of its purposes; provided, however, that any obligations issued by the LDC shall never be a debt of the State of New York, the County, or any other political subdivision thereof (other than the corporation) and neither the State of New York, the County or any political subdivision thereof (except the corporation) shall be liable.

The proceeds of the Purchase Financing would be used to pay an agreed upon purchase price to the County in consideration of the Transfer, and to pay any necessary transaction costs of the County and the LDC. The County and the LDC would enter into a lease simultaneously with the Transfer whereby the County would pay annual rentals to the LDC in the amount of debt service on the bonds issued by the LDC to fund the purchase price of the Facility and other costs associated therewith. During the County's leasehold interest, the County would continue to be the operator of the Facility, would continue to collect the revenues of the Facility, including Medicaid, Medicare and intergovernmental transfers, and the Transfer would have no impact on the operations of the Facility, its employees, or collective bargaining agreements. The purchase price can be structured in multiple payments, to offset the annual operating deficit of the Facility and then, when the Facility is sold to private interests, the proceeds of such a sale would pay off the LDC bonds and return the balance of the sale proceeds to the County.

### **Continued Operation**

The Transfer of the ownership of the Facility to the LDC and the contract with the County for continued operation of the nursing home will not affect the operating status of the nursing home. It will continue to be operated under the license issued to the County. For reimbursements purposes, the County will continue to be reimbursed as if it owned the Facility.

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## FREQUENTLY ASKED QUESTIONS

### **How can we ensure that Golden Hill Health Care Center will remain open in Ulster County?**

- The GHHCC will be transferred through a Local Development Corporation (LDC).
- The LDC will lease the facility back to the County which will operate the GHHCC until such time as the LDC sells GHHCC.
- During this process, nothing will change at the GHHCC.
- **THIS PLAN WILL ENSURE THAT THE 280 NURSING HOME BEDS OF THE GHHCC REMAIN IN ULSTER COUNTY.**

### **What are the reasons for selling the GHHCC?**

- **TO KEEP GHHCC OPEN.**
- The annual operating deficit for the GHHCC is increasing due to growing employee costs (salaries, FICA, pension contributions, health insurance), diminishing revenues (Medicaid rates, Medicare), and required infrastructure improvements.
- The county tax levy for the GHHCC is projected to increase by \$14 Million to \$38 Million over the next five years, costs our taxpayers can not afford.
- The facility is 40 years old, at the end of its useful life, and will require millions of dollars in necessary life/safety infrastructure improvements within the next five years.
- Building a new facility or conducting comprehensive renovations will cost between \$60 million and \$90 million (NOT including financing expenses), and would not eliminate the center's operating deficits. Either of these actions would, however, add to the county's annual operating deficit.
- If the LDC option is not implemented, it will necessitate the closure of the nursing home and eliminate other optional services.
- Many counties have been forced to sell or close municipally-run nursing homes due to unsustainable finances.

**What is the timetable?**

- The LDC is being incorporated concurrent with the delivery of the budget.
- After the passage of the 2012 budget, “the asset” (the GHHCC) will transfer to the LDC.
- The LDC will then lease the facility back to the county which will operate the nursing home.
- As the owner of the facility, the LDC will seek to sell it.
- According to the New York State Department of Health, the average amount of time it takes to complete the sale of a nursing home in New York State is approximately 20 to 24 months; which means the transaction could be completed by the end of 2013.

**What is the plan for maintaining services in the community?**

- The only financially viable way to ensure that the 280 beds within the GHHCC remain in Ulster County is to transfer it and, as a condition of the transaction, require that the beds remain here in Ulster County.
- Pursuant to New York State law, the buyer must acknowledge that no resident will lose his/her bed at any time against his/her wishes as a result of this transaction.
- The County Executive supports a proposal to add additional nursing home beds in the Ellenville area.

**What will be the impact on residents?**

- No resident will lose his/her bed as a result of this transaction.
- Access for Medicaid-eligible individuals will not be diminished.
- Residents will continue to receive the same quality of care they currently enjoy.
- The nursing home will continue to be routinely reviewed and monitored by the New York State Department of Health just as it has always been.

**What will the impact be on employment after the LDC sells GHHCC?**

- The buyer of the nursing home will need a competent workforce.
- As a result, loss of employment should be minimized.

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## GOLDEN HILL MYTHS VS. FACTS

**Myth:** If the County nursing home is sold our current residents will be displaced.

**Fact:** Not one resident will be displaced.

**Myth:** Any sale would result in the employees being out of work and the local unemployment skyrocketing.

**Fact:** Golden Hill will require staff to operate and therefore, employment opportunities for current staff will exist.

**Myth:** People on Medicaid won't be able to get into a non-government run facility.

**Fact:** It is, in fact, illegal for nursing homes to discriminate based upon source of payment, and the other 5 nursing homes currently in Ulster County have numerous residents who utilize Medicaid to pay for their care.

**Myth:** Residents would somehow receive lower quality care at a non-government facility.

**Fact:** Both public and private nursing homes must meet the same high standards of care.

**Myth:** Golden Hill Health Care Center is used by all County Residents. Without it, residents will not have a place to go.

**Fact:** Golden Hill is actually used by an extremely small proportion of County residents. Over the course of 2010, there were 441 residents who occupied the 280 beds at Golden Hill Health Care Center. This is only .2% of Ulster County's 182,000 residents. Additionally, approximately 8% of the residents at Golden Hill in 2010 were from outside of Ulster County.

**Myth:** Most of the infrastructure problems at Golden Hill have been exaggerated. There is not actually that much to be done.

**Fact:** The infrastructure problems at Golden Hill are real; the complex was built in 1967. Multiple experts have estimated the repairs to cost as much as \$90 million plus financing costs.