

■ **NEWBERRY COUNTY HONORED FOR FINANCIAL RESTRUCTURING OF RETIREMENT COMMUNITY**

The financial restructuring of the J. F. Hawkins Nursing Home and Springfield Place Retirement Community in Newberry, South Carolina, was recognized by *The Bond Buyer* as one of 2005's top 10 deals out of more than 13,900 public offerings nationwide that year. The first South Carolina bond offering to receive this distinction, the J. F. Hawkins–Springfield transaction placed second in the southeast region, behind a \$226.7 million State of Louisiana toll project.

“Deal of the Year” awards recognize innovation in the public finance industry, and winners and honorable mentions are chosen by bureau chiefs and editors of *The Bond Buyer*. At

\$11.5 million, this was not the largest transaction among those recognized by *The Bond Buyer*, but the positive impact of this restructuring on the facilities and the community was immeasurable.

THE CHALLENGE

Under the sponsorship of Newberry County, the J. F. Hawkins Nursing Home was established in 1965, and with the passage of time it has become a valued community institution. To encourage the facility's four decades of growth and expansion—including the addition of an Alzheimer's unit in 1996 and the Springfield Place Retirement Community in 2000—the county provided financial support in the form of general obligation bonds issued under the county's 8 percent constitutional debt limit (series 1965, 1980, 1995, and 1996) as well as periodic contributions of cash.

With operations struggling by the late 1990s and the facilities teetering on the brink of bankruptcy by 2001, the county took an unprecedented step in 2002 and assumed direct control of the facilities, incorporating them into county government as an enterprise fund to ensure continuity in the high level of care for which the facilities had become known.

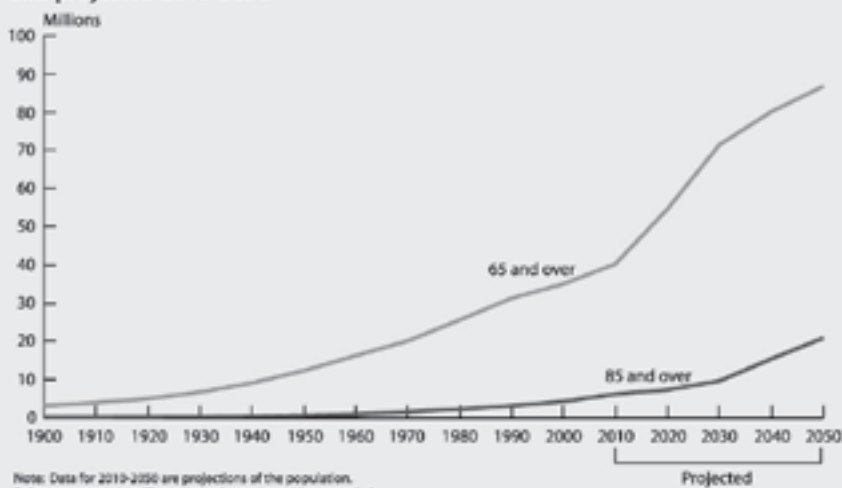
By so doing, however, the county also introduced an enterprise fund burdened by five privately placed loans with rates as high as 8.875 percent and resulting debt service coverage levels (annual revenues expressed as a percentage of annual principal and interest requirements) from 2000 and 2001 of 22 percent and 97 percent, respectively.

THE MOTIVATION

According to the Federal Interagency Forum on Aging Related Statistics,¹ during the 20th century the older population (65 years of age and older) grew from 3 million to 35 million with this sector referred to as the oldest-old (those aged 85 and over), growing from just more than 100,000 in 1900 to 4.2 million in 2000.

Estimates for the 21st century suggest continued and considerable growth in the nation's aging community as baby boomers born between 1946 and 1964 begin turning 65 in 2011. The

Number of people age 65 and over, by age group, selected years 1900-2000 and projected 2010-2050



Note: Data for 2010-2050 are projections of the population. Reference population: These data refer to the resident population. Source: U.S. Census Bureau, Decennial Census and Projections.

65-and-older population in 2030 is projected to be twice as large as the older population was in 2000, growing from 35 million to 71.5 million and representing nearly 20 percent of the total United States population.

Even more compelling for us than national trends on aging are those trends specific to Newberry County. In 2003, where just more than 12 percent of the nation's population was age 65 or over, but Newberry County's 65-plus community in 2004 constituted nearly 24 percent of total county population. According to records at the U.S. Department of Health and Human Services Administration on Aging, this percentage placed the county seventh out of 46 counties in the state for the highest density of elderly (see the table on p. 34).

With 53 independent living units, 40 assisted living units, and 118 skilled nursing beds, J. F. Hawkins-Springfield has grown to play a dominant role in serving Newberry County's aging population. The skilled and unskilled personnel needs of the facilities account for approximately 150 jobs in the county.

And behind the individual residents and patients of these county-owned and -operated facilities are the extended families that are not required to transport their parents, grandparents, great-grandparents, and other loved ones over long distances to receive specialized medical treatment or care.

The county's more than 40-year

history of supporting J. F. Hawkins-Springfield Place clearly demonstrates a time-honored community belief that affordable and accessible health care for seniors plays a critical role in building and sustaining both families and communities within the county.

THE SOLUTION

To right the financial ship, the county retained the South Carolina Jobs-Economic Development Authority and the investment bank Merchant Capital, LLC, of Atlanta, Georgia, to devise a restructuring of the facilities' high interest rate debt portfolio.

Under the guidance of the county

administrator's office, the Newberry County Council approved a financing and legal structure that enables the county, at its option, to use general fund support for the facilities, which on their own were considered noninvestment grade by the rating agencies and bond insurers, without threatening the county's 8 percent constitutional debt limit in the process.

This unique approach enabled the county to receive underlying investment grade ratings (Baa2 and BBB+) on the nursing home from Moody's and Standard & Poor's, respectively. (At the time, the ratings for a nursing home were commensurate with the underlying general obligation ratings of 11 other cities or counties throughout South Carolina.) The county was also able to secure bond insurance, thereby allowing the offering to carry enhanced ratings of Aa3 and AA from Moody's and S&P.

The bonds were offered for public sale on April 5, 2005, with priority given to Newberry County investors. As a direct consequence of the enthusiastic reception by investors to the bonds, the county secured on behalf of the facilities a blended cost of funds of 4.8 percent, which translates to \$300,000 in estimated annual savings and initial estimated debt service coverage levels of less than 160 percent.

The structure of the bond issue was subsequently reproduced by the county only two months later and used on



Newberry, South Carolina, was recognized by *The Bond Buyer* for its work with the J. F. Hawkins Nursing Home.

behalf of Newberry County Memorial Hospital for refinancing purposes, resulting in a 25-year fixed rate of 4.54 percent and estimated debt service savings of \$1.94 million. The ability of the J. F. Hawkins–Springfield debt structure to be duplicated was among the factors considered by the editors and bureau chiefs of *The Bond Buyer* when they recognized the Newberry offering.

Other issuers recognized by *The Bond Buyer* in 2005 included Nassau County, New York, Health Care Corporation; Central Texas Regional Mobility Authority; Detroit Retirement System Funding Trust; Louisiana Transportation Authority; San Jose Redevelopment Agency; Massachusetts School Building Authority; Colorado Health Financing Authority for Poudre Valley Health System, Medical System of the Rockies; issuers for a \$612 million Ascension Health offering, including Alabama Special Care Facilities Financing Authority, Indiana Health Facility Financing Authority, and Michigan State Hospital Finance Authority; and Orange County and the Orange County Public Financing Authority.

Postscript: After being named one of the top 10 deals of 2005 by *The Bond Buyer*, the financial restructuring of the J. F. Hawkins Nursing Home/Springfield Place Retirement Community played a key role in Newberry

SC Counties with Highest Density of Population Age 65 or Over in 2004		
Rank	County	65+ Population as % of Total Population
1	McCormick County	29.8%
2	Union County	26.2%
3	Georgetown County	25.7%
4	Beaufort County	25.5%
5	Oconee County	25.1%
6	Horry County	23.6%
7	Newberry County	23.5%
8	Abbeville County	23.0%
9	Bamberg County	22.8%
10	Saluda County	22.7%

Newberry County 65+ population for 2004		
Sector	Population	% of Total
Total	37,209	—
65+	5,324	14.31%
75+	2,612	7.02%
85+	807	2.17%

County's receipt of the J. Mitchell Graham Award, which was presented at the South Carolina Association of Counties 2006 Annual Conference in August 2006.

The J. Mitchell Graham Award recognizes progress, achievement, and outstanding accomplishment by county governments in the state. The award is presented in tribute to the late J. Mitchell Graham, who served as a member of the Charleston County Council for 18 years and president of the South Carolina Association of Counties. This is the first win for Newberry County in the 34-year history of the award. Criteria on which all candidates are judged include benefit and importance of the

project, effort and difficulty of execution, originality, and innovation.

¹The Federal Interagency Forum on Aging-Related Statistics (see <http://www.agingstats.gov/>) was established in 1986 with the goal of bringing together federal agencies that share a common interest in improving aging-related data. The forum has played a key role by critically evaluating existing data resources and limitations, stimulating new database development, encouraging cooperation and data sharing among federal agencies, and preparing collaborative statistical reports.

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The Springfield Place Retirement Community also won recognition for Newberry, South Carolina, by *The Bond Buyer*.