



Semiannual Meeting

March 12, 2025

10:00 AM to 12:00 PM

RETIREMENT LIVING SAN FRANCISCO STYLE

3400 Laguna Street, San Francisco, CA 94123 | P: 415.202.0300 | F: 415.292.7080 | heritageonthemarina.org

Zoom Info

Via Zoom:

Join Zoom Meeting:

<https://us06web.zoom.us/j/83760247802?pwd=a2VzTjBvSXZiMXFCVlVlVQ5V09kdz09>

Meeting ID: 837 6024 7802

Passcode: 331256

Agenda & Introductions

1. Opening Remarks & Introductions Mary Linde
2. Community Updates
 - 1) Julia Morgan 100th Celebration Mary Linde
 - 2) Strategic Plan Mary Linde
 - 3) Follow up to RC Mary Linde
 - 4) Affiliation Randy Gridley
3. 2025 Budget
 - 1) Intro to budget process Mary Linde
 - 2) Budget detail Jon Casey
4. Questions All

Opening Remarks

Semiannual Meeting:

- Required by the Contract Statutes
 - “Free discussion of subjects including, but not limited to, income, expenditures, and financial trends and issues as they apply to the continuing care retirement community and proposed changes in policies, programs, and services.”
- Our Fiscal Year is the same as the Calendar Year – January to December.
- February: Budget process/new budget approved by BOD
- August: Review of audited financials/investment portfolio

Julia Morgan 100th Anniversary Celebration

- Thursday, March 27th from 2-4pm
- Morgan Lobby
 - Wine & hors de oeuvres
 - Program
 - Mayor Daniel Lurie
 - Supervisor Stephen Sherrell
 - Julia Morgan history
 - Fund Raising & Friend Raising

Strategic Plan Update

1. Historic Preservation
 - a. Morgan landmarking went into effect January 10th
2. Land Use Approval
 - a. City published Draft Environmental Impact Report (DEIR)
 - b. DEIR was reviewed by the SF Planning Commission on Sept 26th
 - c. City is drafting formal responses to all questions submitted re: the DEIR (this formally addresses all questions raised by commissioners as well as comments from the community).
 - d. City is currently targeting April 17 for Planning Commission hearing on the development application
3. Community Engagement
 - a. Continuing to publish update letters and revised FAQ to community re: status of project
 - b. Recently provided tour of campus to Stephen Sherrill, the new SF BOS representing District 2
4. Project Management / General
 - a. Key attributes of proposed project remain unchanged
 - b. Remain on budget and on schedule

Follow Up to RC Questions

Q: With Aging in Place (AIP), we were told we never have to leave our apartment. Why, then, do some people have to move to Assisted Living?

A: We do our best to provide care and services in your Independent apartments; however, there are times when the level of care/acuity require a resident to move so they have quicker access to staff and can have paired care as needed.

Q: Why don't we have more in-house physical therapists?

A: Without a SNF, we no longer can provide Medicare part A services. We can see Residents for outpatient physical therapy under Part B. We use a contracted therapy company, and if our acuity or needs require more therapists, they send them to us.

Affiliation Update

- Working on our list of potential candidates
- We are only considering other Non-profits
- Prefer they have California experience
- We are very focused on culture and reputation
- To date we have not yet contacted any specific candidates
- Expect to begin that process soon but likely will not be deeply engaged with final candidate(s),if any, until late this year

Budget Process

Residents are part of our budget process throughout the year:

- Resident Financial Study Group (FSG): meets quarterly with administration to review the quarterly financials and variance report
- Quarterly Variance Report is posted on Resident BB in lower level
- Resident Council Survey is done to understand Resident priorities for the upcoming budget
- Monthly Resident Council meetings
- Complaints/issues brought up throughout the year
- Resident Satisfaction Surveys

Budget Process

Formation:

- Revenue projections
- Wage/Staffing projections
- Departmental Expense projections
- Capital Expense projections
- Ancillary Charge changes

Ideal Outcome: $\text{Revenue} > \text{Expenses}$ = Contribution to cash reserves

Our Reality: $\text{Expenses} > \text{Revenue}$ = Portfolio supplements operations

2025 Budget Review

High level snapshot (*budget 2024 to budget 2025*):

- Revenue Decreased by \$31k (0.4% decrease)
 - In line with our current revenue streams as shift happens from Type A to Type C
 - Continued Aggressive Marketing Plan
 - Impacts to Entry Fee Amortization
- Expenses Increased by \$168k (1.4% increase)
 - Reduction in Admin/Marketing/Activities/Maintenance/Utilities
 - Increases in Dining/Housekeeping/Health Care/Finance-Accounting
 - Dining related to labor and food costs
 - Realign functions in Housekeeping
 - Increase to keep HC services robust-Direct Hires over Contract Staffing
 - Insurance Costs moved to Finance-Accounting
 - FTEs overall will increase by 1
 - Housekeeping to add weekend support
 - Other positions moving from Contract to Direct Hires
 - Additional Clinic Hours to answer Resident Call
 - Additional Security Hours under Contract
- Projected operating loss \$4.5M (4.7% increase)
- Budgeted Operating Ratio 2024 1.57 2025 1.60
- Capital budget is \$2.5M (Plus approved 2024 carry over)
- Monthly fee increase for all contract types is 5.0%
- Staff Increase is based on 3% COLA with a 4% Pool (1% to support any required increases)

Historical Increases and Information

HotM Six Year Monthly Fee Increase History:

- 2020: 4%
- 2021: 4%
- 2022: 5%
- 2023: 6.5%
- 2024: 8%
- 2025: 5%

Nearby Life Plan Communities Comparison:

Community	3 Yr Average
Front Porch	6.78%
Sequoia Senior Living	7.29%
Channing House	6.73%
Heritage on the Marina	6.93%

• Other Information

- 2024 National Fee Increase Average 5.19%
- 2024 California Fee Increase Average 4.79%
- 2024 Consumer Price Index 2.5% (down from 3.4%)
- 2024 California Inflation stable at 3.1% (3.2% 2023)
- 2024 Unemployment National 4.2% (2023 3.7%)
- 2024 Unemployment California 5.3% (2023 5.1%)

MMI Increase Source: Ziegler CFO HotlineSM (March 2025)

CPI and Unemployment Source: Bureau of Labor Statistics (www.bls.gov) (October 2024) Projected 2025 (12 month look back). The unemployment statistic represents one data point in the overall labor picture.

Budgeted Occupancy

Independent Living	
Occupancy EOY	85% (51 of 60 available apt occupied)
Anticipated Move Outs	-3 - 2 Transfers
Anticipated Move Ins	+11
Projected Occupancy (EOY 2025)	95% (57 of 60 apts occupied)

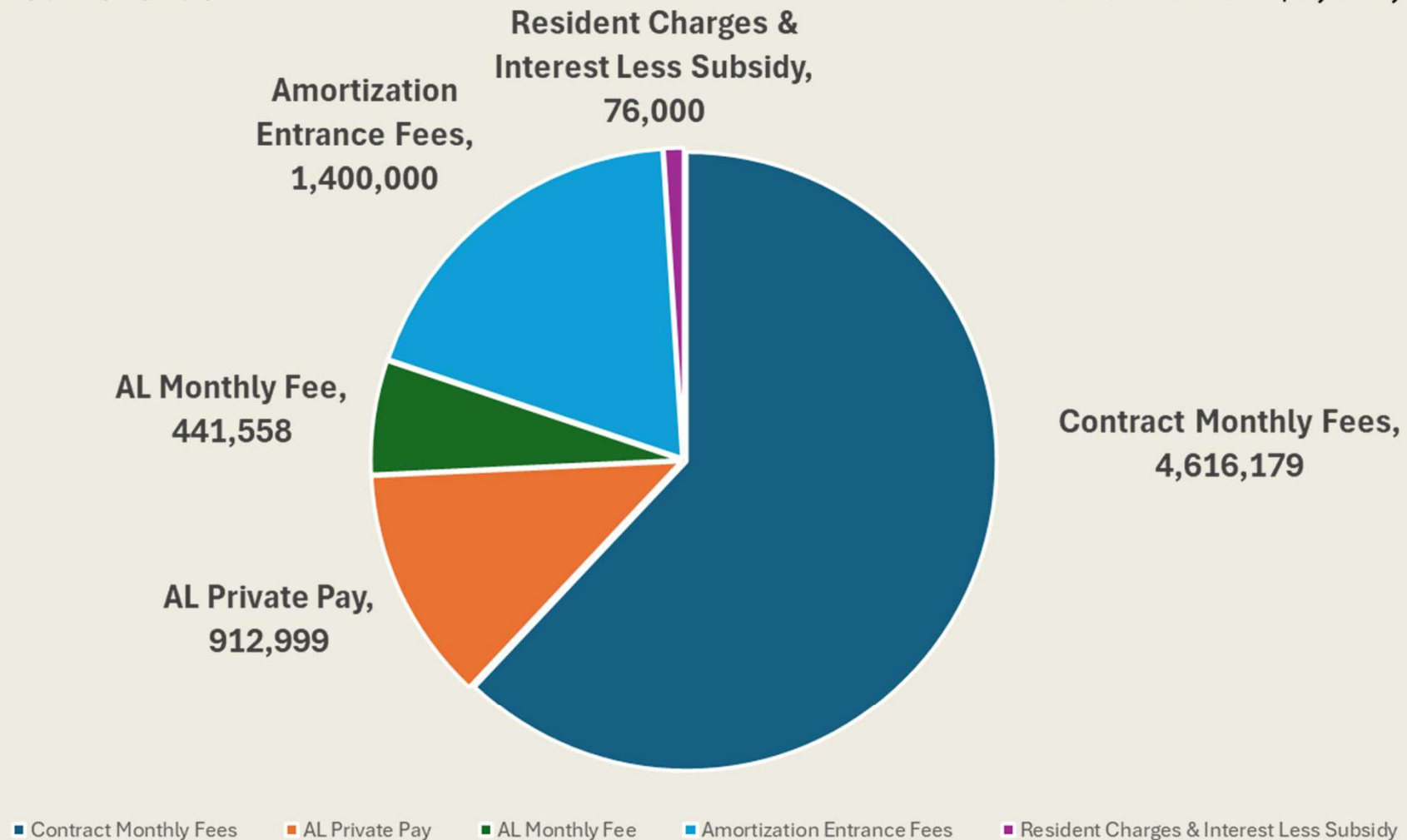
Assisted Living	
Occupancy EOY	72% (13 of 18 available apts occupied)
Anticipated Move Outs	-4
Anticipated Move Ins	+5 + 2 Transfers
Projected Occupancy (EOY 2025)	89% (16 of 18 apts occupied)

Overall	
Current Occupancy (Site)	82% (64 of 78 apts occupied)
Projected Occupancy (Site)	94% (73 of 78 apts occupied)

2025 Budget Review - Revenue

Budgeted Revenue

Total Revenue \$7,446,736

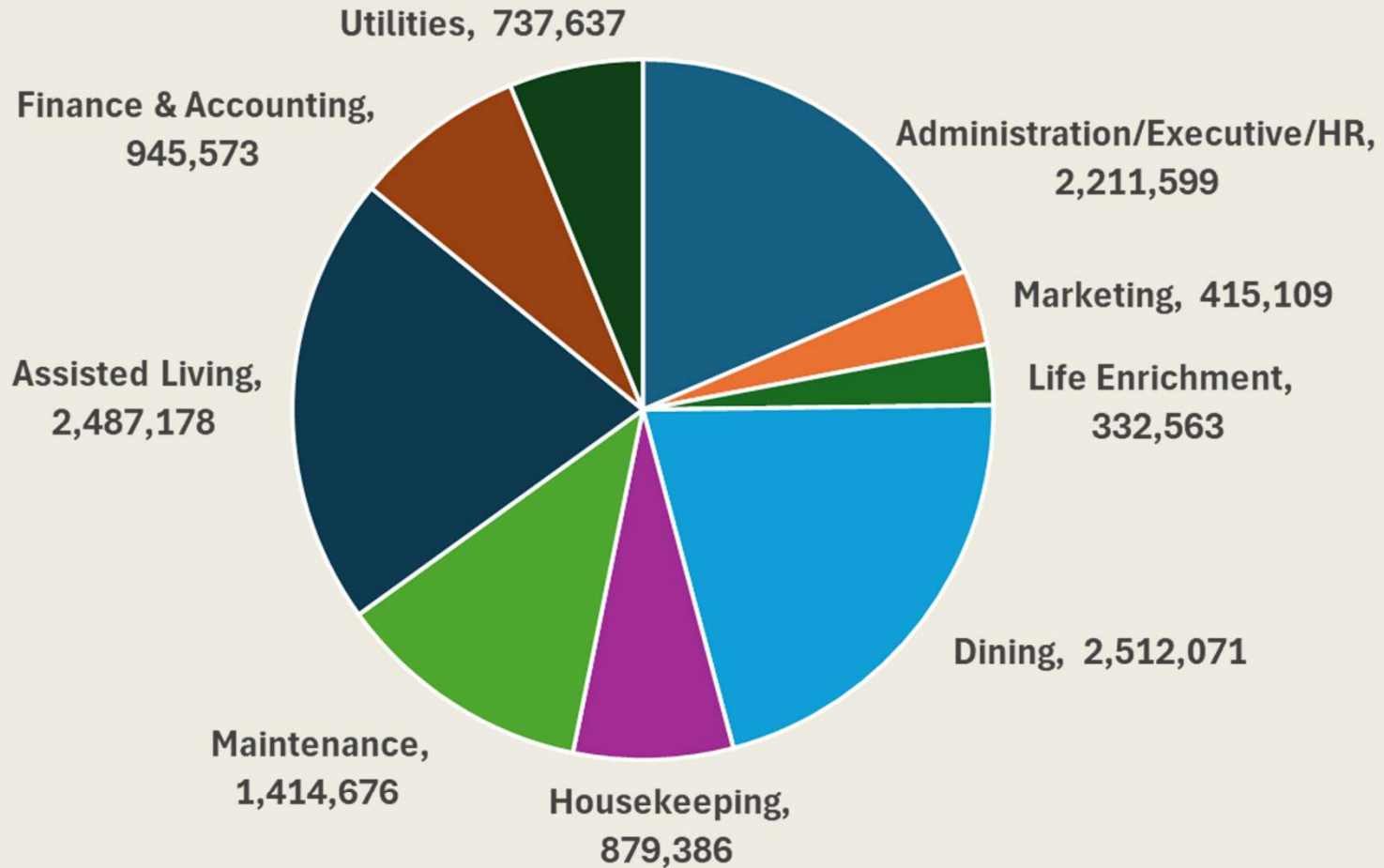


TH

2025 Budget Review - Expenses

Budgeted Department Expenses

Total Budgeted Expenses \$11,935,791



■ Administration/Executive/HR ■ Marketing ■ Life Enrichment ■ Dining ■ Housekeeping ■ Maintenance ■ Assisted Living ■ Finance & Accounting ■ Utilities

TH

Aging-In-Place Level-Of Care (AIP-LOC)

Pricing Update

- The elements of this pricing are based upon your individual assessment to determine the Level of Care (LOC) required to support you in your Apartment (Aging-In-Place or AIP).
 - Type C Residents will continue to pay their monthly fee for their apartment
 - In addition to your monthly fee, if you just need occasional support but you are not at a Level Of Care (less than 40 points in any recent assessment), these fees are based on the Service Fees schedule. The services listed on the Service Fee Schedule list are not all inclusive, so please note that “Like” services will be billed at rates akin to similar services.
 - For example, *escort* service to the doctor will be billed at the same service rate that is charged for *escort* service to dining.
-
- Level 1 fee is \$2,420 Point Range = 41 - 80
 - Level 2 fee is \$3,620 Point Range = 81 - 100
 - Level 3 fee is \$4,420 Point Range = 101 - 120
 - Level 4 fee is \$5,220 Point Range = 121 - 140
 - Level 5 fee is \$8,820 Point Range = 141 - 300
-
- If you require more care over a Level 5, it will be billed at an hourly rate of \$29.00.

AIP-LOC Additional Information

- The Medical Team will go over your individual assessment and explain the points required to provide the care service. Note that there are a lot more points in the new system to better define the service level that is required to serve you.
- Incontinence Care remains at \$1,500 additional at any level of care.
- These fees are based on the Heritage cost to provide these services.
- The fees are subject to change based on the cost to provide the service (typically this will be once a year). These fees are not subject to the 60-day notice requirement, but we will endeavor to let you know as soon as possible of any increase.
- Changes to these fees are not tied to the annual increase for your unit.

AL Additional Information

- If you require respite in the Assisted Living ward in the Perry Building, current residents can stay there up to 30 days.
- After that, you will move back to your unit and pay, if required, the appropriate AIP-LOC fee based on your assessment.
- If you will not be able to return to your unit, you have the option to turn your unit back to the Heritage and move permanently to Assisted Living.
- For couples, where one of them needs to be in Assisted Living, the fees will be your Unit Cost, 2nd person Fee, and the appropriate AIP-LOC.

2025 Capital Budget

Total budget approved: \$2,558,500

- Some carry over dollars from 2024
- Plan not to draw all from the portfolio
 - \$2M draw needed
- As in previous years, prioritized based on need



Capital Budget 2025

Priority Level	Dept.	Estimated Start Date	Estimated End Date	Project Number	Project/Equipment Title	Estimated Cost	Explanation - Why it's Necessary
A	Markt.	Q2	TBD		Apartment Renovations	850,000	Renovation + Combination of 238M/240M into One Bedroom, & any other remodels
A	Maint.	Q3	TBD		Morgan & Perry buildings interior painting	45,000	Apartments & common areas Interior building patch & paint needed
A	Maint.	Q2	TBD		Perry & Morgan Repairs	95,000	Repairs others
A	Maint.	Q3	TBD		Morgan Elevator Mechanical Rebuild	175,000	Repair old mechanical parts and doors
A	Maint.	Q2	TBD		Perry Elevator Rebuild	195,000	Repair old/failing motor and brake system
A	Maint.	Q2	TBD		Building Roof Leaks	50,000	Repair various leaks Perry & Morgan building
A	Contingency					300,000	
B	Maint.	Q2	TBD		New Boiler Units & Plumbing	150,000	Replace old boiler units
B	Maint.	Q3	TBD		Exterior Site Lighting	75,000	Upgraded lighting in central courtyard and exterior of site
B	Maint.	Q2	TBD		Parking lot roots / asphalt repairs	35,000	Repair all broken asphalt areas due to tree roots
C	Maint.	Q1	TBD		Cell Communicator Upgrade	125,000	Cell Communicator upgrade for failing phones
C	Markt.	Q3	TBD		Perry Aesthetic Renovation	400,000	Refresh carpeting, lighting, and equipment on Perry Floors 2,3, and 4
C	Admin	FY 2025	Ongoing		Computer Upgrades	28,500	Upgrade multiple failing/again computer desktop stations throughout the community
C	Maint.	Q3	TBD		Corner Landscaping at Laguna	35,000	Upgrade look & replace plants
C	Maint.	Q3	TBD		Access/Key Control Cleanup	75, 000	Develop and implement a key control program - fix multiple door handles
						2,558,500	

2025 Portfolio Reliance

- Operations
 - (\$4.4M)
- Capital
 - (\$2.5M) 2025
 - (\$1.7M) 2024 CO
- Predevelopment
 - (\$1.0M)
- Entrance Fees
 - \$1.3M
- Portfolio Support
 - ~\$7.4M

Questions



TH