

RESOLUTION # 101-2024

Resolution to Affirm and Ratify Previous Official Action Of The Board Of Supervisors Authorizing The Sale Of The Sauk County Health Care Center And Matters Related Thereto

Resolution offered by the Executive & Legislative Committee

Resolved by the Board of Supervisors of Sauk County, Wisconsin:

BACKGROUND:

WHEREAS, the County, by and through its various committees, the Board of Supervisors and Administration, has discussed various options related to the future of the Sauk County Health Care Center ("SCHCC") including the potential sale of the SCHCC; and

WHEREAS, on September 19, 2023, at a duly-noticed meeting of the Board of Supervisors, the Board adopted Resolution # 64-2023, which authorized the replacement of certain elements of the HVAC system at the SCHCC in order to maintain the health and quality of conditions for the residents at the SCHCC at a cost of approximately \$1,367,000. As indicated in Resolution # 64-2023, the funds for this HVAC project were budgeted in part in the County's 2023 budget and the balance was part of the County's 2024 budget utilizing ARPA funds. The work for this HVAC project was necessary both in the short- and long-term and was unrelated to the potential sale of the SCHCC. A copy of Resolution # 64-2023 is provided with this Resolution and labeled Exhibit A; and

WHEREAS, on October 17, 2023, at a duly-noticed meeting of the Board of Supervisors, representatives of Evans Senior Investments ("ESI"), a senior housing and skilled nursing brokerage firm, provided the Board of Supervisors with its analysis of the SCHCC and advised the Board of Supervisors that its calculation of the SCHCC's asset value was \$5,000,000 based upon its review of the SCHCC's net operating income and capitalization rate. A copy of ESI's presentation is provided with this Resolution and labeled Exhibit B; and

WHEREAS, on December 19, 2023, the Board of Supervisors adopted Resolution 98-2023, which provided a summary of part of the studies the County had undertaken related to the future of the SCHCC and authorized the County to market the SCHCC for sale consistent with certain conditions set forth in Resolution 98-2023. A copy of Resolution 98-2023 is provided with this Resolution and labeled Exhibit C; and

WHEREAS, on January 9, 2024, the Property Committee directed the County Administrator to create a Request for Proposal for a Broker to market the SCHCC and affiliated properties, and/or explore other options in marketing the SCHCC and affiliated properties. A copy of the minutes of the January 9, 2024, Property Committee meeting is provided with this Resolution and labeled Exhibit D; and

WHEREAS, based upon the direction from the Property Committee at its January 9, 2024, meeting, the County Administrator solicited proposals from qualified brokerage agencies; and

WHEREAS, on February 1, 2024, the County Administrator reported to the Property Committee the five (5) brokerage agencies that responded to the County Administrator's request for proposals; and

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53 **WHEREAS**, on February 20, 2024, the Property Committee approved Resolution 10-2024
54 to be recommended for adoption by the Board of Supervisors, which authorized the County to
55 engage Marcus & Millchap Real Estate Investment Services to market the SCHCC for sale for a
56 fee of 3% of the purchase price for SCHCC. A copy of Resolution # 10-2024 is provided with this
57 Resolution and labeled Exhibit E; and

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59 **WHEREAS**, on February 20, 2024, at a duly-noticed meeting of the Board of Supervisors,
60 the Board adopted Resolution 10-2024; and

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62 **WHEREAS**, on March 28, 2024, at a duly-noticed meeting of the Board of Supervisors,
63 Marcus & Millchap presented to the Board the three (3) proposals received to purchase the
64 SCHCC and the Board approved entering into negotiations with the proposer offering the highest
65 purchase price and report back to the Board the definitive agreement(s) relating to the sale of the
66 SCHCC for final Board approval; and

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68 **WHEREAS**, following a period of negotiations with the proposed purchaser of the SCHCC,
69 on July 22, 2024, at a duly-noticed meeting of the Board of Supervisors, the Board lawfully
70 convened in closed session to discuss the status of negotiations with the proposed purchaser
71 with the County's outside counsel and County Administrator. A copy of the minutes of the July
72 22, 2024, Board meeting is provided with this Resolution and labeled Exhibit F; and

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74 **WHEREAS**, at the July 22, 2024, Board meeting the County Administrator provided the
75 Board with a report related to the SCHCC's financial status, census and personnel status. A copy
76 of the power point slides accompanying the report is provided with this Resolution and labeled
77 Exhibit G; and

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79 **WHEREAS**, also at the July 22, 2024, Board meeting, the Board directed outside counsel
80 to continue with negotiations related to the sale of the SCHCC with the proposed purchase; and

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82 **WHEREAS**, on September 10, 2024, at a duly-noticed meeting of the Board of
83 Supervisors, the Board approved the terms of the Operations Transfer Agreement between Sauk
84 County and Aria of Sauk County LLC and approved the terms of the Purchase and Sale
85 Agreement between Sauk County and Aria Sauk County Realty LLC, each relating to the sale of
86 the SCHCC. As set forth in the minutes of the September 10, 2024, Board meeting, the Board's
87 action superseded any prior acts of the Board of Supervisors that may be inconsistent with the
88 terms and conditions of such approved agreements and superseded Resolution 98-2023. The
89 Board authorized the Board Chair, Clerk, Administrator and outside counsel to prepare, finalize
90 and sign any and all such further documents or agreements necessary to complete the sale of
91 the SCHCC. A copy of the minutes of the September 10, 2024, Board meeting is provided with
92 this Resolution and labeled Exhibit H. A copy of the Board-approved Operations Transfer
93 Agreement is provided with this Resolution and labeled Exhibit I. A copy of the Board-approved
94 Purchase and Sale Agreement is provided with this Resolution and labeled Exhibit J; and

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96 **WHEREAS**, as set forth in the Board-approved Purchase and Sale Agreement, the
97 purchase price for the SCHCC is \$5,100,000. As further set forth in the Board-approved Purchase
98 and Sale Agreement, the unimproved 31.7-acre parcel adjacent to the SCHCC campus is not part
99 of the Real Property included in the purchase; and

100
101 **WHEREAS**, the County's 2024 adopted Budget provides that the County would contribute
102 over \$1,000,000 to the SCHCC's operations in order to sustain the facility, which contribution was

budgeted to be comprised of property tax levy, from sales tax revenues and fund balance. A copy of the portions of the County's 2024 Budget related to the SCHCC is provided with this Resolution and labeled Exhibit K; and

WHEREAS, WHEREAS, the SCHCC has historically run at an operating loss requiring contribution from other sources within the County. According to the County's Finance Director and the County audited Annual Comprehensive Financial Reports, but for the transfers from the County's General Fund and allocated tax levy, the SCHCC's operating loss was \$1,134,741 in 2019, \$1,265,371 in 2020, \$796,452 in 2021, \$797,501 in 2022, and \$1,265,990 in 2023; and

WHEREAS, upon closing of the sale of the SCHCC, any and all revenues from the sale accruing to the County would need to be appropriated consistent with the terms of Wis. Stat. § 65.90 and any and all relevant County financial policies. However, until the time of closing, there are no proceeds or revenues associated with the proposed sale of the SCHCC and, therefore, the Board is unable to offer any sort of budgetary amendment related to appropriation of the anticipated proceeds because any such revenues are not yet recognized or capable of recognition.

NOW THEREFORE, BE IT RESOLVED that:

1. The Board finds and determines the Recitals set forth in this Resolution No. 101-2024 to be true and correct in all material respects.
2. The Board ratifies, confirms and restates in all material respects its prior actions authorizing the sale of the SCHCC including, without limitation, its official action at the Board's September 10, 2024, meeting.
3. The Board's decision to sell, or attempt to sell, the SCHCC is based upon consideration of all of the factors set forth in the above Recitals including, without limitation, the third-party analysis of the SCHCC's value, the competitive proposal process undertaken by the Marcus & Millchap firm, the historical levy and sales tax revenue support the County has provided the SCHCC and the anticipated future support the County would need to provide the SCHCC for the SCHCC to continue operations.
4. The Board finds and determines that its actions authorizing the sale of the SCHCC are in the public interest and that the Board has received adequate consideration for the sale of SCHCC insofar as: (1) the purchase price of \$5,100,000 represents the highest proposed purchase price for the SCHCC that the Board received; (2) the purchase price of \$5,100,000 exceeds the \$5,000,000 valuation of SCHCC's assets that ESI provided the Board; (3) the sale of SCHCC will free up for other County priorities that are in the public interest the future levy and sales tax revenue that would otherwise have been used to sustain the operations of the SCHCC; (4) SCHCC is being sold to a buyer that the Board understands intends to maintain the facility as a nursing home; and (5) the County has a right to repurchase the SCHCC in the event that the buyer subsequently receives a bona fide offer to purchase the SCHCC by a third party in the next ten years.

Approved for presentation to the County Board by the Executive & Legislative Committee, this

17th day of December, 2024

Consent Agenda Item: [] YES [X] NO

Fiscal Impact: [X] None [] Budgeted Expenditure [] Not Budgeted

Vote Required: Majority = X 2/3 Majority = _____ 3/4 Majority = _____

The County Board has the legal authority to adopt: Yes X No _____ as reviewed by the Corporation Counsel, _____, Date: December 17th, 2024.

Offered and passage moved by:

Chair, Timothy McCumber

☐ Aye ☐ Nay ☐ Abstain ☐ Absent

Vice-Chair, John Deitrich

☐ Aye ☐ Nay ☐ Abstain ☐ Absent

Supervisor Dennis Polivka

☐ Aye ☐ Nay ☐ Abstain ☐ Absent

Supervisor Mark "Smooth" Detter

☐ Aye ☐ Nay ☐ Abstain ☐ Absent

Supervisor Lynn Eberl

☐ Aye ☐ Nay ☐ Abstain ☐ Absent

Supervisor Patricia Rego

☐ Aye ☐ Nay ☐ Abstain ☐ Absent

Supervisor Marty Krueger

☐ Aye ☐ Nay ☐ Abstain ☐ Absent

Supervisor Sheila Carver

☐ Aye ☐ Nay ☐ Abstain ☐ Absent

Supervisor Brian Peper

☐ Aye ☐ Nay ☐ Abstain ☐ Absent

Fiscal Note: The Sauk County Health Care Center enterprise fund will need to be closed to include: outstanding debt, receivables, payables, fixed assets, fund balance, Medicaid cost reporting. The costs are not able to be determined without a closing date and the closing entries prepared.

MIS Note: Sale of the Health Care Center will require reconfiguration of County IT systems and removal of County-owned network facilities from the building.