

Kenai Peninsula Borough

Finance Department

MEMORANDUM

TO: Members, Kenai Peninsula Borough Assembly

THRU: Peter A. Micciche, Mayor *PM*
Brent Johnson, Assembly President *BJ*
Lane Chesley, Assembly Member *LC*

FROM: Brandi Harbaugh, Finance Director *BH*

DATE: July 20, 2023

RE: Ordinance 2023-19-11, Authorizing and Appropriating a \$7,000,000 Interfund Loan from the General Fund to the South Kenai Peninsula Hospital Service Area for Capital Improvement Purposes (Mayor, Johnson, Chesley)

The Kenai Peninsula Borough ("Borough") has entered into an Operating Agreement with South Peninsula Hospital, Inc. ("SPHI") for operation of the South Peninsula Hospital and other medical facilities, and to provide other healthcare programs and services, on a nonprofit basis in order to ensure the continued availability to the South Kenai Peninsula Hospital Service Area ("SKPHSA") residents.

South Peninsula Hospital's ("SPH") current Electronic Medical Record ("EMR") Software is 20+ years old and has reached end-of-life. Replacement of the EMR software will increase patient access and transferability to medical records as well as provide hospital employees with additional tools for better serving patients. Exhausting the existing Plant Replacement and Expansion Fund ("PREF") for this expenditure is not in the best interests of the service area because it would put the hospital in a vulnerable financial position and could inhibit the hospital's ability to respond to unforeseen capital needs over the next year.

Pursuant to KPB 5.08.025 and the terms established by this Ordinance, the Borough's General Fund will provide a 5-year loan with a fixed interest rate of 4.81% that compounds daily based on the current Alaska Industrial Development and Export Authority ("AIDEA") 5-year lending rate, interest will begin accruing on the date of the first draw and payments will be due quarterly starting 90 days after the first draw. Providing the interfund loan to SKPHSA will have no external overhead and no long-term cost to the Borough General Fund as it is an internally handled process.

Your consideration is appreciated.

FINANCE DEPARTMENT FUNDS/ACCOUNT VERIFIED	
Acc. No. <u>100.27910</u>	Amount: <u>\$7,000,000</u>
By: <u><i>CJ</i></u>	Date: <u>7/24/2023</u>