

Kenai Peninsula Borough

Purchasing & Contracting Department

MEMORANDUM

TO: Brent Johnson, Assembly President
Members, KPB Assembly

THRU: Peter A. Micciche, Mayor *PM*
Brandi Harbaugh, Finance Director *BH*

FROM: John Hedges, Purchasing & Contracting Director *JH*

DATE: May 22, 2024

RE: Ordinance 2024-12, Providing for the Submission to the Qualified Voters of the South Kenai Peninsula Hospital Service Area the Question of the Issuance of Not-to-Exceed Thirty-Eight Million Five Hundred Thousand Dollars (\$38,500,000.00) of General Obligation Bonds of the South Kenai Peninsula Hospital Service Area to Pay the Costs of Planning, Designing, Acquiring Property for Renovating, Constructing and Equipping of Facilities at the South Peninsula Hospital and Campus Located in the South Kenai Peninsula Hospital Service Area at the Regular Election in and for the Kenai Peninsula Borough on October 1, 2024 (Mayor)

The Kenai Peninsula Borough ("KPB") has entered into a management and operating agreement with South Peninsula Hospital, Inc. ("SPHI") for operation of the South Peninsula Hospital and other medical facilities (collectively, referred to as "South Peninsula Hospital" or "Hospital"), 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 ("Service Area") residents.

In 2022 KPB, the Service Area, SPHI, and the City of Homer collaborated to form a stakeholder steering committee and engaged in a master planning process that documented the Hospital's current program, inventoried its existing assets and lease holdings, identified current deficiencies in operations and physical assets. Based on that data, the steering committee prioritized areas of focus for capital improvements, renovation, and land acquisition. Since the completion of the master plan the KPB administration and SPHI moved forward project development, property acquisition negotiations, and other information gathering processes aimed at addressing the highest priorities established in the master plan. The prioritized areas of focus include, but are limited to: renovation and improvements to the existing facilities' aging and dilapidated infrastructure; consolidation of services currently located off hospital campus allowing for more effective operations and higher quality of service; site and parking improvements; campus expansion to allow for improved hospital access; emergency power plant replacement and improvements; and, other capital improvements identified in the hospital master plan.

There is a public purpose and it is in the public interest of the KPB that the Service Area incur general obligation bonded indebtedness in an amount not-to-exceed Thirty-Eight Million Five

Page -2-
May 22, 2024
RE: O2024- 12

Hundred Thousand Dollars (“\$38,500,000”), for the purpose of paying the costs of planning, designing, acquiring property for, renovating, constructing, and equipping capital improvements to, and for, the South Peninsula Hospital and campus, as identified in the master plan.

Financial Impact

The issuance of not-to-exceed \$38,500,000 of Service Area general obligation bonds for the Project is expected to have annual debt service requirements of approximately \$2,605,000. The resulting impact on the annual tax levy would be an increase of approximately \$67 per \$100,000 of assessed taxable property value (based on the total FY2025 assessed valuation, a 3.5% average rate of interest and a 20-year payback period). Completion of the Project is expected to result in expansion of services, lower operating and maintenance costs for the Hospital addition, to reducing energy consumption.

Seeking voter authorization from the Service Area to issue a not-to-exceed general obligation bond in the amount not-to-exceed \$38,500,000 to finance the Project is in the best interests of the KPB, the Service Area, and its residents.

Your consideration is appreciated.