

Kenai Peninsula Borough

South Kenai Peninsula Hospital Service Area

MEMORANDUM

TO: Brent Johnson, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Peter A. Micciche, Mayor *PM*

FROM: John Hedges, Purchasing & Contracting Director *JH*
Brandi Harbaugh, Finance Director *BH*

DATE: July 25, 2024

RE: Ordinance 2024-16, Approving the Use of Funds for the Costs of Distributing Promotional Information about Ballot Proposition No. 1 Seeking Voter Approval for the Issuance of Bonds to Pay for the South Peninsula Hospital and Campus Expansion, Renovation, and Acquisition Projects to Ensure Compliance with Legal Restrictions on the Use of Borough Funds and Assets Related to Ballot Propositions (Mayor)

Ordinance 2024-12 approved submitting to the qualified voters of the South Kenai Peninsula Hospital Service Area in the Kenai Peninsula Borough the question of the issuance of not-to-exceed thirty-eight million five hundred fifty thousand dollars (\$38,500,000) of general obligation bonds of the Kenai Peninsula Borough (KPB) to pay costs of planning, designing, acquiring property, renovating, constructing, and equipping capital improvements to, and for, the South Peninsula Hospital and campus, all located in the Service Area at the regular election on October 1, 2024.

KPB has entered into a management and operating agreement with South Peninsula Hospital, Inc., a nonprofit organization organized and existing under the laws of the state of Alaska ("SPHI") for the management and operation of the South Peninsula Hospital. SPHI's administration intends to use its operating funds to cover the costs of informing the public of the needs and impacts associated with the proposition, and promoting the proposition, seeking voter approval for the issuance of bonds to pay the costs of planning, designing, acquiring property, renovating, constructing, and equipping capital improvements to, and for, the South Peninsula Hospital and campus, all located in the Service Area. Per the operating agreement between KPB and SPHI, KPB does not direct SPHI regarding the use of its operating funds nor oversee expenditures. However, since it is unclear under State law and KPB Code whether SPHI's use of operating funds constitute public funds for the purpose of AS 15.13.145 and KPB 4.10.100 this ordinance will specifically authorize a one-time use of operating funds for this purpose.

Shortened hearing is justified because time is of the essence with the upcoming October 1, 2024 election date and SPHI seeks clarity to be able to continue to move forward with its campaign. Due to the nature of the timing of this request, and the fact that the Service Area board does not oversee operating cash expenditures, this ordinance has not gone before the South Kenai Peninsula Hospital Service Area Board but a copy of this ordinance was provided to all Service Area board members.

Your consideration of this ordinance is appreciated.