

Kenai Peninsula Borough
Finance Department

MEMORANDUM

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

THRU: Peter A. Micciche, Mayor *PAM*

FROM: Brandi Harbaugh, Finance Director *BH*

DATE: May 25, 2023

RE: Resolution 2023-*013*, Approving a Portion of the Issuance of the Public Finance Authority Revenue Bonds, Series 2023 (Aurora Integrated Oncology Foundation) in a Maximum Aggregate Par Amount not to Exceed \$250,000,000 (Mayor)

Request from Aurora Integrated Oncology Foundation:

The Peninsula Radiation Oncology Center is requesting the Kenai Peninsula Borough to approve a "TEFRA" (Tax Equity and Fiscal Responsibility Act of 1982) resolution related to an upcoming tax-exempt bond issuance by the Public Finance Authority (the "Bonds") that will finance the contribution of Peninsula Radiation Oncology Center into the non-profit 501(c)(3) corporation, Aurora Integrated Oncology Foundation.

These Bonds, will not be issued by the Kenai Peninsula Borough, and ***the Kenai Peninsula Borough will have no repayment obligation or any liability associated with the Bonds.*** Rather, the bonds are being issued by the Public Finance Authority and will be repaid solely with funds provided by the Borrower. As a requirement for issuance of certain types of federally tax-exempt debt, Congress requires the elected representatives of the governmental unit with jurisdiction over the area in which the assets being financed by such tax-exempt debt is located to hold a public hearing at which members of the public may comment on the proposed issuance and the projects to be financed, and following the public hearing, for the elected representatives of the jurisdiction to approve the issuance of such bonds. These requirements are described in Section 147(f) of the Internal Revenue Code of 1986 (the "Code"), and were imposed pursuant to the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"). These public hearing and approval requirements—often referred to as a "TEFRA Hearing" and "TEFRA Approval"—must be met for any issuance of applicable tax-exempt debt for new money purposes. Specifically, the bond issuance will be used to purchase the existing membership interest in Peninsula Radiation Oncology Center.

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Aurora Integrated Oncology Foundation ("Foundation") was formed to improve the quality of and access to oncology care to residents of Alaska. Due to Alaska's geography, accessing necessary oncology services can be difficult. In order to achieve its purposes, the Foundation plans to acquire the assets of existing oncology centers, including Peninsula Radiation Oncology Center in Soldotna ("PROC"), and to operate these centers as a not-for-profit, tax-exempt venture. The Foundation will continue to operate the oncology centers as non-hospital based centers that provides oncology services to the general public. In addition, the Foundation will adopt a written policy to provide services to individuals, regardless of their ability to pay such services. The Foundation will employ the physicians who provide services at the oncology centers. All compensation paid to physicians and health care professionals will be negotiated at arm's length in accordance with the Foundation's Compensation and Conflict of Interest Policies as well as being supported by independent compensation surveys to ensure compensation paid is fair and reasonable for the services being provided, consistent with the requirements of Internal Revenue Code Sections 501(c)(3) and 4958.

The introduction of PROC as the anchor tenant of the River Specialty Pavilion at CPH, tremendously elevated the local oncology ecosystem on the Kenai Peninsula because patients are no longer required to travel out of town for cancer care. In addition, oncology care drives the need for other local hospital care, which is provided by Central Peninsula Hospital (Borough-owned). The Foundation, through PROC, will also continue its' long term lease of a patient house – a house which is available to patients and their families who travel to Soldotna for cancer treatment. This house is very often the difference between people seeking life-saving cancer care, or not. The patient house has maintained nearly 100% capacity since it opened, and patients routinely say it is a gift to be able to stay with their loved ones during treatments.

The Foundation is eager to be part of the solution in managing the cost of oncology care in Alaska, and the issuance of tax-exempt bonds to finance the acquisition of the oncology centers is an important part of that solution.

Staff discussion:

Aurora Integrated Oncology Foundation, a Delaware not-for-profit corporation, is requesting Assembly approval of the Kenai Peninsula Borough portion of its request to the Wisconsin Public Finance Authority to issue one or more series of bonds in an amount not to exceed \$250,000,000 (the "Bonds"). The Bonds are to be used for the acquisition of various existing radiation oncology centers located in the State of Alaska, including the Kenai Peninsula Borough ("Borough"), Matanuska-Susitna Borough, Municipality of Anchorage and the City and Borough of Juneau.

The facility within the Borough ("Kenai Facility") will be located at 240 Hospital Place, Soldotna. This facility is located on the Borough's CPH campus. The bonds will not be used to purchase the

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brick-and-mortar facility and the Foundation will not own any portion of the CPH campus. As described above the Bonds for the Kenai Facility will be used by RBS Evolution of Alaska, LLC,

("Borrower") to obtain funds, in an amount not to exceed \$45,000,000, will be used to acquire the membership shares and business assets of the Peninsula Radiation Oncology Center.

Under no circumstances will the Borough be obligated, in any way, to repay any portion of the Bonds or in any other way incur any liability related to the Bonds.

The remaining proceeds of the Bonds will be used to finance the acquisition of existing radiation oncology centers in the Matanuska-Susitna Borough, the Municipality of Anchorage, and the City and Borough of Juneau, Alaska.

The Borrower has requested that the Assembly approve the financing of the Kenai Peninsula Facility and the issuance of the KPB Portion of the Bonds in order to satisfy the requirements of Section 147(f) of the Wisconsin Code.

This process began earlier this year when Central Peninsula General Hospital, Inc. requested the Borough consent to a sublease with Aurora Integrated Oncology Foundation and amend the operating agreement between Borough and CPGH, Inc. accordingly. This TEFRA request has been reviewed by CPH's Administration and counsel, as well as the Borough's Administration, Legal Department, Finance Department, and Bond Counsel. Following that review process, neither the Borough's Administration nor CPH's Administration have concerns with the request and have found it to comply with the standard process required under federal law.

Your consideration is appreciated.