

Mr. Gilman's question of "why should the Assembly approve the use of bond dollars instead of money out of the Plant Replacement and Expansion Fund to pay for some of the Specialty Clinics equipment" is a great question. There's a simple answer and a complex answer.

So just to recap where we are: Two years ago in October of 2013, the Assembly approved our proposed plan to sell revenue bonds for this project and use the bond proceeds for the costs of engineering, designing, constructing, and purchasing the equipment for the Specialty Clinics Building.

The borough handles the sale of the bonds and they wisely decided not to sell all of the bonds at once in order to save money on interest during the construction period. The final bond sale is in the works right now. The reason for this ordinance is to temporarily use PREF funds for a few short months so that the project can stay on schedule until the final bonds are sold and the bond proceeds become available in November. That is the simple part of this discussion. It merely keeps the already approved project on track for its scheduled completion on February 1.

Using funds other than bond proceeds to go toward this project takes us to a completely different discussion. The hospital is working on a master plan to improve several areas of the facility that are due for upgrades, replacement, and expansion due to growth. Why are we doing these projects? We're doing them because our patients deserve high quality care in a modern up-to-date facility. This is all about patients and quality of care. Some of the projects that you will be seeing here at the borough in the near future include:

- Phase V (final phase) of Imaging Expansion and equipment \$2.9 million
- Obstetrics Renovation \$6.7 million
- Electronic Health Record (federal mandate) \$7 million
- Boiler Replacement \$900k
- Surgical Robot \$2 million

• OR maintenance equip upgrade (next meeting)	\$650k
• Parking Lot upgrade	<u>\$1.9 million</u>
TOTAL Projected Costs	\$22.05 million

Unencumbered balance of the PREF fund today: \$13.8 million

Today we have 42 patients occupying our 49 beds. We are only 7 patients away from needing to transfer patients to Anchorage that should have been cared for here.

Forcing us to pay for any of the Specialty Clinic Building equipment from the PREF was never the plan. If we do that here today, it would delay projects that improve patient safety, quality, and experience. Taking a different path to one that was agreed to nearly two years is something I can't support, simply because it throws our master plan into disarray and impacts patient quality and safety.

Frankly, I would rather pull this ordinance and delay opening that portion of the Specialty Clinics Building project in order to wait for the bond money instead of being forced to make an unplanned expenditure of this magnitude. I don't know the financial consequences of the construction delay and change orders that would come from that, but I assume they would be less than this \$3 million unplanned expenditure. I just don't see a good business case for making a change like this in the eleventh hour of this project that has gone so smoothly right from the very start.

Submitted By:
Rick Davis, CEO
CPH