

Kenai Peninsula Borough

Purchasing & Contracting Department

MEMORANDUM

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

THRU: Peter Micciche, Mayor *PAM*
Brandi Harbaugh, Finance Director *BH*

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

DATE: March 2, 2023

RE: Ordinance 2022-19-51, Appropriating Funds from the South Peninsula Hospital Plant Replacement and Expansion Fund and the South Kenai Peninsula Hospital Service Area Fund for Improvements to the Long-Term Care and Rehabilitation Heating, Ventilation, and Air Conditioning System (Mayor)

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 service area residents.

Through enactment of Fiscal Year 2022 budget, the Borough appropriated \$450,000.00, at the request of the South Kenai Peninsula Hospital Service Area Board and South Peninsula Hospital, Inc. to address Heating, Ventilation, and Air Conditioning (HVAC) issues in the Long-Term Care and Rehabilitation areas.

In addition to Rehabilitation services, South Peninsula Hospital's long-term care provides services for up to 28 residents all housed in the portion of the facility supported by the HVAC system in need of improvements.

The Heating, Ventilation, and Air Conditioning (HVAC) System that supports long term care is dilapidated and cannot maintain sufficient cooling capacity. As a result of the deficiencies the system fails to meet the regulatory requirements for environmental controls established by the Center for Medicare and Medicaid Services.

In response to the deficiencies, SPHI and the Borough's Purchasing and Contracting Department contracted with a mechanical engineering consultant to identify the options for corrective action and provide bid ready design documents. The bid ready documents will be used in the procurement of contract services to complete the improvements necessary to bring the system back into compliance. In the design development process, it was discovered that the improvements necessary to address the issue exceeded the original scope of work. Based on that discovery, it was decided

Page -2-
March 2, 2023
O2022-19- 51

to complete the design and seek a construction cost estimate based on the complete and detailed scope of work provided by the mechanical consultant. Since that time the design has been completed and the estimated cost of the project is \$1,801,065.00.

In addition to the HVAC scope of work, Ordinance 2021-19-60 authorized the use of \$90,000.00 from the original budget to complete a design of the improvements needed to the facilities domestic hot water system.

The project (22SHB) account currently has a remaining \$173,897 available for use. The additional funding is available from unobligated service area fund balance and the SPH Plant Replacement and Expansion Fund ("PREF"). Current balance of the unobligated PREF and South Peninsula Hospital Service Area Fund balance are \$7.4 million and \$2.1 million respectively.

Per the SPHI Board's adopted resolution, South Peninsula Hospital's average age of plant, decrease in net fixed-assets, and increase in patient volumes services requires that South Peninsula Hospital invest in capital infrastructure in order to continue to meet patient needs and organizational goals.

Your consideration is appreciated

FINANCE DEPARTMENT FUNDS VERIFIED	
Acct. No. <u>602.27910</u>	Amount: <u>\$1,000,000.00</u>
Acct. No. <u>491.20602</u>	Amount: <u>\$ 627,416.00</u>
By: <u><i>cg</i></u>	Date: <u>3/2/2023</u>