

**SOUTH KENAI PENINSULA HOSPITAL
SERVICE AREA BOARD**

RESOLUTION 2023-01

**A Resolution of the South Kenai Peninsula Hospital Service Area Board
Recommending Approval of the
Use of Plant and Replacement Expansion Funds
to Fund the Preliminary Design Project for
Hospital Infrastructure Replacement and Deferred Maintenance**

WHEREAS South Peninsula Hospital, Inc. (SPHI) South Peninsula Hospital receives approximately \$2 million in property tax revenue annually to support capital projects; and

WHEREAS SPHI has generally utilized property tax revenues to improve and replace major movable equipment because such revenues are insufficient to fund major building renovation and replacement projects; and

WHEREAS SPHI's operating margins have not historically been great enough to support investment in critical building infrastructure replacement and upgrades; and

WHEREAS because SPHI has not had sufficient funds to maintain and replace critical capital infrastructure, the average age of plant has grown from 8.11 years in 2004 to 15.44 years in 2022; and

WHEREAS the optimal age of plant for a hospital is 8 years; and

WHEREAS SPHI has lower Net Fixed Assets in 2022 than it did in 2009, and yet offers more services and supports more patient visits in 2022 than ever before; and

WHEREAS the average age of plant, decrease in net fixed assets, and increase in patient volumes services requires that SPHI invests in capital infrastructure in order to continue to meet patient needs and organizational goals; and

WHEREAS the actual cost of necessary infrastructure repairs and deferred maintenance is not known without formal design work; and

WHEREAS it is estimated that \$250,000 is needed to complete high level project planning and design; and

WHEREAS the South Peninsula Hospital (SPH) Board of Directors Finance Committee will not be meeting until January 19, 2023, which is after the SKPHSAB meeting on January 12, 2023 to review this proposal; and

WHEREAS the SPH Board of Director's next meeting will be January 25, 2023 and the SPH Board will not be able to review this resolution until their January meeting.

NOW, THEREFORE, BE IT RESOLVED BY THE SOUTH KENAI PENINSULA HOSPITAL SERVICE AREA BOARD:

That the South Kenai Peninsula Hospital Service Area Board—assuming the above noted SPH Finance Committee and Board of Directors approvals take place as anticipated— hereby respectfully recommends the approval of South Kenai Peninsula Hospital Service Area Board Resolution 2023-01, recommending approval of the use of \$250,000 from the Plant Replacement and Expansion Funds for the preliminary design project for hospital infrastructure replacement and deferred maintenance.

PASSED AND ADOPTED BY THE SOUTH KENAI PENINSULA HOSPITAL SERVICE AREA BOARD AT ITS MEETING HELD ON THIS 12th DAY OF JANUARY 2023.

ATTEST:

A handwritten signature in cursive script, appearing to read "Helen Armstrong", written over a horizontal line.

Helen Armstrong, Chair

South Kenai Peninsula Hospital Service Area Board