

Kenai Peninsula Borough

Legal Department

MEMORANDUM

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

THRU: Mike Navarre, Mayor *MN*
Brandi Harbaugh, Finance Director *BH*

FROM: Sean Kelley, Borough Attorney *SK*

DATE: February 9, 2023

RE: Resolution 2023-019, Approving an Increase to the Limitation on the Total Cumulative Annual Cost of Real Property Leases in which SPH, Inc. is the Sole Lessee and Approving a Third Amendment to the Operating Agreement Regarding Leases for Contract Labor Housing (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.

Under the Operating Agreement, Section 14, Paragraph (b), the total cumulative annual cost of such leases cannot not exceed \$400,000 without prior approval by the Assembly, or Assembly approval of an increase, by resolution, above that limitation. The current total cumulative annual costs for leases where SPHI is the sole lessee is \$358,000. SPHI intends to enter into a new lease for approximately \$40,000 per year to meet current SPH needs.

SPHI administration has recommended that an increase of \$550,000 to the limitation on the total cumulative annual cost of real property leases, in which SPHI is the sole lessee, to the revised limitation of \$550,000 under the Operating Agreement, Section 14, Paragraph (b), is in the best interest of the Borough's Service Area and the residents that SPHI serves.

SPHI also enters into temporary leases not to exceed one year to assist with traveling and new hire employee housing, and SPHI considers these leases separate from conducting standard operations. SPHI and the Borough want to clarify that contract labor leases are excluded from the aggregate lease total in the operating agreement.

On January 25, 2023, the SPHI's Board of Directors recommend approval of this Resolution. This will go before the South Kenai Peninsula Hospital Service Area Board on February 9, 2023 and the recommendation of the Service Area Board will be provided to the Assembly prior to the public hearing on February 21, 2023.

Your consideration is appreciated.