


Kenai Peninsula Borough
Office of the Borough Clerk

MEMORANDUM

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

FROM: Michele Turner, Borough Clerk 

DATE: August 11, 2023

RE: Ordinance 2023-19-11: Authorizing and Appropriating a \$7,000,000 Interfund Loan from the General Fund to the South Kenai Peninsula Hospital Service Area for Capital Improvement Purposes (Mayor, Johnson, Chesley)

Per KPB 22.40.050(F), the borough clerk, or the clerk's designee in his or her absence, has the authority to revise pending resolutions and ordinances prior to assembly action, by filling in any blanks in the legislation stating advisory board recommendations made concerning the legislation. This serves as our memorandum to advise the assembly of same.

Conforming to the advisory boards' actions, the last Whereas clause has been updated to read:

"WHEREAS, the South Kenai Peninsula Hospital Service Area Board, at its August 10, 2023 meeting, recommended approval through the adoption of SKPHSA Resolution 2023-09;

Thank you.

**SOUTH KENAI PENINSULA HOSPITAL
SERVICE AREA BOARD**

RESOLUTION 2023-09

**A RESOLUTION OF THE SOUTH KENAI PENINSULA HOSPITAL
SERVICE AREA BOARD TO SUPPORT A \$7,000,000 INTERFUND LOAN FROM
THE KENAI PENINSULA BOROUGH GENERAL FUND TO THE SOUTH KENAI
PENINSULA HOSPITAL SERVICE AREA FOR THE ACQUISITION OF NEW
ELECTRONIC MEDICAL RECORD SOFTWARE AND AUTHORIZING
REPAYMENT OF THE LOAN FROM THE SOUTH PENINSULA HOSPITAL,
INC. OPERATING FUND**

WHEREAS, the Kenai Peninsula Borough (Borough) owns and provides for the operation of the South Peninsula Hospital, Inc. (SPHI) through the South Kenai Peninsula Hospital Service Area (SKPHSA); and

WHEREAS, the South Peninsula Hospital (SPH) is a non-profit entity founded in 1956 that serves those who live in the southern communities of the Kenai Peninsula from Ninilchik to Nanwalek, Port Graham, and Seldovia; and

WHEREAS, the SPH is a 22-bed acute care critical access hospital, with an attached 28-bed skilled nursing/long-term care facility, that provides healthcare services, including acute care, cancer care, home health, family birthing, imaging, sleep center, rehabilitation, surgery, trauma level IV emergency care, and other services utilized by residents of the SKPH Service Area; and

WHEREAS, the Borough has entered into an Operating Agreement (OA) with the SPHI for operation of the SPH and other medical facilities, and to provide other healthcare programs and services, on a nonprofit basis, in order to ensure the continued availability of medical services to SKPHSA residents; and

WHEREAS, KPB 5.08.025 authorizes the General Fund to provide loans to service areas on terms and conditions set in the code unless otherwise approved by ordinance; and

WHEREAS, the SPH relies on multiple electronic medical records (EMR) software to operate its many service departments; and

WHEREAS, the current EMR software is not integrated and this lack of integration impacts the ability of the SPH and SPH Long-term Care, Home Health, and outpatient clinics to provide the highest quality care and patient experience. An upgraded EMR will greatly improve physician access to patient medical records, as well as staff efficiency and satisfaction, while improving reporting capabilities for internal and external stakeholders, including hospitals elsewhere in Alaska and the nation; and

WHEREAS, the current EMR software is 20+ years old, is out dated, and has reached its end-of-life;

WHEREAS, the replacement of the EMR software will increase patient access and transferability to medical records as well as provide hospital employees with additional tools for better serving patients; and

WHEREAS, exhausting the existing Plant Replacement and Expansion Fund (PREF) for this expenditure is not in the best interests of the service area because it would put the hospital in a vulnerable financial position and could inhibit the hospital's ability to respond to unforeseen capital needs over the next year; and

WHEREAS, the Borough's General Fund will provide a five-year loan with a fixed interest rate of 4.81 percent that compounds daily based on the current Alaska Industrial Development and Export Authority (AIDEA) five-year lending rate, interest will begin accruing on the date of the first reimbursement draw and payments will be due quarterly starting 90 days after the first draw; and

WHEREAS, providing the interfund loan to the SKPHSA will allow the SPH to purchase the much needed EMR software and retain adequate funding in operations and PREF to provide operations and capital needs in the immediate future; and

WHEREAS, pursuant to KPB 5.08.025, it is in the best interests of the Borough and the South Kenai Peninsula Hospital Service Area taxpayers to approve a loan to the Service Area from the General Fund. The loan will not require an increase in the mill levy for repayment purposes due to the fact that the SPHI will repay the loan from operating funds. The loan would have the following terms and conditions:

1. Loan amount: \$7,000,000
2. Purpose: purchase of electronic medical records software and project implementation costs for capital improvement purposes.
3. Term of the loan: 60 months from each date of reimbursement draw, no draws beyond 5 years from date of first draw;
4. Rate of interest: 4.81%; and
5. Installment payment frequency: Quarterly, starting 90 days after the first draw.

WHEREAS, providing the interfund loan to the SKPHSA will have no external overhead and no long-term cost to the Borough General Fund as it is an internally handled process; and

WHEREAS, the SPHI Board Resolution 2023-21 to move forward with a note payable from the Borough was discussed at the SPHI Board of Director's Finance Committee on June 22, 2023; and

WHEREAS, the SPHI Board, at its June 28, 2023 meeting, adopted Resolution 2023-21, which approved an interfund loan from Kenai Peninsula Borough General Fund to the South Kenai Peninsula Hospital Service Area for up to \$7,000,000 for the purchase of an electronic medical record software and project implementation costs for capital improvement purposes; and

WHEREAS, on August 1, 2023, the Borough introduced Ordinance 2023-19-11, an ordinance authorizing and appropriating a \$7,000,000 interfund loan from the General Fund to the SKPHSA for the acquisition of new electronic medical record software and authorizing repayment of the loan from the SPHI Operating Fund. The Kenai Peninsula Borough Assembly will vote on Ordinance 2023-19-11 on August 15, 2023 and seeks a recommendation from the SKPHSA Board.

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

SECTION 1. The South Kenai Peninsula Service Area Board hereby respectfully recommends the approval of Resolution 2023-09 supporting the Kenai Peninsula Borough Ordinance 2023-19-11, an ordinance authorizing and appropriating a \$7,000,000 interfund loan from the General Fund to the South Kenai Peninsula Hospital Service Area for the acquisition of new electronic medical record software and related costs and authorizing repayment of the loan from the South Peninsula Hospital, Inc. Operating Fund.

SECTION 2. That pursuant to KPB 5.08.025 it is in the best interest of the Borough and the South Kenai Peninsula Hospital Service Area taxpayers to approve a loan to the Service Area from the General Fund. The loan will not require an increase in the mill levy for repayment purposes due to the fact that the South Peninsula Hospital, Inc. will repay the loan from operating funds. The loan would have following terms and conditions:

1. Loan amount: \$7,000,000
2. Purpose: purchase of electronic medical records software and project implementation costs for capital improvement purposes.
3. Term of the loan: 60 months from each date of reimbursement draw, no draws beyond 5 years from date of first draw;
4. Rate of interest: 4.81%; and
5. Installment payment frequency: Quarterly, starting 90 days after the first draw.

SECTION 3. The South Kenai Peninsula Service Area Board will forward Resolution 2023-09 to the Kenai Peninsula Borough Administration in support of Kenai Peninsula Borough Ordinance 2023-19-11 for consideration at its August 15, 2023 meeting.

PASSED AND ADOPTED BY THE SOUTH KENAI PENINSULA HOSPITAL SERVICE AREA BOARD AT ITS MEETING HELD ON THIS 10TH DAY OF AUGUST 2023.

ATTEST:



Helen Armstrong, Chair

South Kenai Peninsula Hospital Service Area Board