



KENAI PENINSULA BOROUGH

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MIKE NAVARRE
BOROUGH MAYOR

MEMORANDUM

TO: Blaine Gilman, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Mike Navarre, Mayor *MN*

FROM: Craig C. Chapman, Finance Director *CChapman*

COPY: Ralph Broshes, Chair, South Kenai Peninsula Hospital Service Area Board

DATE: July 28, 2016

SUBJECT: Ordinance 2016-19-02, An Ordinance Authorizing a \$2,800,000 Intergovernmental Loan from the General Fund and Appropriating Funds to the South Kenai Peninsula Hospital Service Area to Provide Interim Financing for the Expansion of the Homer Medical Center and Declaring the Official Intent to Issue Bonds (Mayor)

The Kenai Peninsula Borough provides for health and medical services through the South Kenai Peninsula Hospital Service Area (SKPHSA) through a sublease and operating agreement with the nonprofit South Peninsula Hospital, Inc.

The Homer Medical Center was purchased by the borough on behalf of the SKPHSA as authorized by ordinance 2015-19-12 and is the service area's main primary care facility providing family practice, obstetrics/gynecology, midwifery, nurse practitioners and other services. Expansion of the facility is necessary to accommodate these primary care services.

Also, as authorized by ordinance 2015-19-12, \$150,000 was appropriated for the design of a 3,700 square foot addition. During the design process, a steering committee made up of users of the center was formed to establish a project scope based on operational needs. Through this process it was determined that a facility of 5,700 square feet was necessary to address those needs. Rather than constructing an expansion of 3,700 square feet now, followed by a future second expansion of 2,000 square feet, it is more cost effective to complete the entire expansion in one project.

Ordinance 2016-15 authorized a ballot proposition at the October 4, 2016 borough election for the issuance of not-to-exceed \$4,800,000 of General Obligation Bonds for capital improvements at South Peninsula Hospital of which approximately \$2,800,000 is for the proposed addition at the Homer Medical Center.

In order to allow for construction to start this fall, the administration is requesting that an intergovernmental loan of \$2,800,000 be provided to SKPHSA. The intergovernmental loan would be paid off from bond proceeds if the issuance of South Kenai Peninsula Hospital Service Area General Obligation Bonds are approved by the service area voters at the October 4, 2016 election. If the South Kenai Peninsula Hospital Service Area General Obligation Bonds are not approved by the service area voters at the October 4, 2016 election, annual debt service payments to the borough's general fund would be approximately \$333,000.

This ordinance will also satisfy the requirement to declare the official intent to issue the bonds and enable such costs to be included in the cost of the project under the Internal Revenue Code

FINANCE DEPARTMENT ACCOUNT / FUNDS VERIFIED	
Acct. No.	<u>100. 27910</u>
Amount	<u>\$2,800,000</u>
By: <u>ap</u>	Date: <u>7/28/16</u>