

MEMO

To: Mayor Charlie Pierce and Kenai Peninsula Borough Assembly Members
From: Ryan Smith, CEO
Date: April 2, 2020
CC: Angela Hinnegan, CFO
Re: Request for Approval to Participate in the Paycheck Protection Program

SUMMARY: The Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted in late March 2020, approved \$350 billion in spending to help small businesses keep workers employed amid the pandemic and economic downturn. This funding, called the Paycheck Protection Program, provides 100% federally guaranteed loans to small businesses who maintain their payroll during this emergency. The loan will be forgiven if the borrower maintains their payroll during the crisis or restores their payroll by June 30, 2020. South Peninsula Hospital, a non-profit corporation with fewer than 500 employees is eligible to apply.

DETAILS: South Peninsula Hospital (SPH) is projecting an \$11.4 million dollar operating loss for the months March 2020 through June 2020. This operating loss is the result of diminished volumes and revenues due to the discontinuation of elective procedures, reduction in non-emergent patient visits, and a disruption to normal healthcare operations.

Participation in the Paycheck Protection Program would enable SPH to apply for \$5.6 million dollars in immediate relief to support payroll and other operating costs during this pandemic. The loan amount is equal 2.5 times our estimated monthly payroll (with a cap on salaries over \$100,000). The federal government has guaranteed a full loan forgiveness for business that maintain their current payroll levels. SPH has committed to its staff that it will not reduce staffing during this pandemic or will return to normal staffing by the June 30th deadline. If for some reason SPH is unable to restore its payroll and receive full loan forgiveness, partial forgiveness is also provided. Any unforgiven portion will become due and payable within 24 months of origination at a rate of 0.50%. SPH commits to timely repayment of any loan balance.

Program applications are being accepted on Friday, April 3rd, 2020 and are first come, first serve. Time is of the essence for SPH to request this loan from the Small Business Association (SBA) before funding is gone. Financial institutions have recommended that businesses who wish to apply, do so as early as possible to ensure their inclusion in the program.

REQUEST: SPH respectfully requests the approval of the Kenai Peninsula Borough Mayor and Assembly to submit an application to the SBA for the Paycheck Protection Program Loan in the amount of \$5.6 million to pay for operating costs incurred during to the COVID-19 pandemic.