

Introduced by: Mayor for South  
Kenai Peninsula  
Hospital Board

Date: August 5, 1980

Hearing: September 2, 1980

Action: Not set/refer. to Hosp. Board

Vote:

Final Action:

## KENAI PENINSULA BOROUGH

### ORDINANCE 80-50

AUTHORIZING INDEBTEDNESS BY THE ISSUANCE OF GENERAL OBLIGATION SERVICE AREA BONDS IN AN AMOUNT NOT TO EXCEED \$6,700,000 FOR THE PURPOSE OF EXPANDING, RENOVATING, IMPROVING, AND EQUIPPING THE SOUTH PENINSULA HOSPITAL FACILITIES, AND PLEDGING THE FULL FAITH AND CREDIT OF THE SOUTH KENAI PENINSULA HOSPITAL SERVICE AREA FOR AN ANNUAL LEVY OF TAXES WITHIN THE SOUTH KENAI PENINSULA HOSPITAL SERVICE AREA, IN AN AMOUNT SUFFICIENT TO PAY THE PRINCIPAL AND INTEREST ON SAID BONDS; SUBJECT TO APPROVAL BY THE VOTERS IN THE SOUTH KENAI PENINSULA HOSPITAL SERVICE AREA AT THE BOROUGH ELECTION ON OCTOBER 7, 1980.

WHEREAS, the continuing demands placed upon the South Peninsula Hospital for the provision of medical care have outstripped the ability of the existing facilities to meet these needs; and

WHEREAS, the provision of adequate medical care to residents of the South Kenai Peninsula Hospital Service Area requires certain additions and improvements to be made to the existing facilities; and

WHEREAS, the South Kenai Peninsula Hospital Board has approved the project and has requested the Assembly to place the question on the ballot; and

WHEREAS, the Assembly finds that it is desirable that necessary improvements be constructed at the earliest possible time through the issuance of certain general obligation bonds on behalf of the Service Area;

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

Section 1. Indebtedness shall be incurred in the form of bonds in an amount not to exceed \$6,700,000 to be used for the purpose of expanding, renovating, improving, and equipping the South Peninsula Hospital, including expansion of acute care, long term care, laboratory and medical office facilities.

Section 2. For the purpose of providing monies necessary to carry out these improvements, the Borough shall issue and sell its South Kenai Peninsula Hospital Service Area general obligation bonds in a principal sum of not more than \$6,700,000 as authorized by this ordinance and approved by the qualified electors of the South Kenai Peninsula Hospital Service Area. Payment of the indebtedness shall be derived from taxes levied within the South Kenai Peninsula Hospital Service Area and such other revenues as may be properly pledged for such payment. The full faith and credit of the South Kenai Peninsula Hospital Service Area shall be pledged to the repayment of the indebtedness.

Section 3. The bonds shall be issued upon such terms and conditions and in such form as the Mayor finds to be in the best interests of the Borough.

Section 4. The following proposition shall be placed upon the ballot in the next regular Borough election, October 7, 1980, to be voted on in the South Kenai Peninsula Hospital Service Area:

Proposition

Shall Ordinance 80-50 be approved to authorize the Kenai Peninsula Borough to incur indebtedness and issue bonds in an amount not to exceed \$6,700,000 to be used for capital improvements at the South Peninsula Hospital with payment of such indebtedness to be made from taxes levied within the South Kenai Peninsula Hospital Service Area, and from such other revenues of the Service Area as may be properly pledged for such payment; with the full faith and credit of the South Kenai Peninsula Hospital Service Area pledged for the repayment of the indebtedness?

Yes                    [ ]

No                     [ ]

Section 5. This ordinance takes effect at 12:01 a.m. of the day following its enactment, subject to approval of the majority of those

voting on the question at the regular Borough election to be held in the South Kenai Peninsula Hospital Service Area on October 7, 1980.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA  
BOROUGH ON THE \_\_\_\_ DAY OF \_\_\_\_\_, 1980.

\_\_\_\_\_  
JoAnn Elson, Assembly President

A T T E S T:

\_\_\_\_\_  
Borough Clerk

Approved by the Voters: \_\_\_\_\_



SOUTH KENAI PENINSULA HOSPITAL SERVICE AREA  
Special Board Meeting

7:00 a.m.

April 3, 1980  
Hospital Conference Room

The meeting was called to order by Chairman, Gene Williams at 7:20 a.m.

PRESENT: Hansen, Gannaway, Hillas, Myhill, Rhode, Cooper, Williams  
Ex Officio: Mike Herring, Administrator

EXCUSED ABSENT: Jacobs, Schwartz

VISITORS: Paul Mar, Howard Partch, Tom Smith, Mary Kwochka, Bob Plymire

Mr. Williams called the meeting to order and introduced the guests. Mr. Mar was then asked to present the results of the study regarding the facility needs of the South Peninsula Hospital.

Using the overhead projector, Mr. Mar presented the Expansion Project which had been recommended by the Operating Board of Directors. (See the attached "South Peninsula Hospital Expansion Project" Service Area Board Presentation, April 3, 1980 - NBBJ).

Discussion regarding the timing of the project followed.

The Certificate of Need application for approval of this expansion project will first be submitted to the South Central Health Planning and Development HSA Agency and the State Department of Health & Social Services. By mid summer, we should have a decision by the HSA and the State. Next, we will need to go to the voters for approval of a Bond. The Board agreed that a Bond proposal would be more likely to succeed if it were voted on in October rather than in the spring.

MOTION: HILLAS/MYHILL MOVED WE APPROVE THE PROPOSED EXPANSION PLANS, AND WE REQUEST THAT THE KENAI PENINSULA BOROUGH INCLUDE A BOND REFERENDUM ON A SERVICE AREA BALLOT THIS FALL.

Three firms could then be chosen and fees could be negotiated. Then a final decision could be made.

Mr. Mar recommended that we have the architect selected by the time approval is received on the Certificate of Need. In selecting an architect, Mr. Partch suggested that the first step is to advertise for proposals. These would be reviewed and narrowed down to 6 or 8. These firms would then be interviewed. If we have our Certificate of Need application submitted by the end of April, we should have the HSA decision, at the latest, by the end of July.

Mr. Mar stated that if the HSA comes forth with a strong recommendation for the project, he felt the State would approve it also.

Members of the Board suggested that additional consideration be given to the placement of the helipad. It needs to be as near as possible to the emergency room doors so as to facilitate transportation of patients during bad weather.

THE MEETING WAS ADJOURNED AT 9:20 a.m.

APPROVED BY \_\_\_\_\_



# SOUTH PENINSULA HOSPITAL

P.O. BOX 275 • HOMER, ALASKA 99603 • [907] 235-8101

A special meeting of the SPH Board of Directors held March 5, 1980, was called to order by President Mike Hough at 7:00 a.m. The purpose of the meeting was to review the report "Expansion Project Feasibility."

PRESENT: Julie Clutts, Vic Varrick, Mike Kammermyer, Gene Williams, John Jones, and Sid Martinez.

MEMBERS ABSENT: John Cooper. Due to a prior commitment he was unable to attend this meeting. It was moved his absence be excused. Motion passed. Unanimous.

VISITORS: NBBJ representatives: Paul Mar, Statistician and Fred Wert, Economist; Maynard & Partch representative Tom Smith, Architect.

President Hough turned the meeting over to Mr. Mar who presented the NBBJ report on the feasibility of expansion.

Mr. Mar opened his presentation by informing the Board that NBBJ has done a statistical analysis, workload forecast and looked at the economics. The results of these studies led to the concepts which he presented as follows:

NEEDS FORECAST: The process used to forecast acute care bed needs included examining the past two years' activity, developing a forecast model and talking to the HSA. The forecast model was based primarily on the anticipated population growth. Mr. Mar said that they have prepared this study to meet our needs in 1985. However, he added, the study includes enough flexibility to plan ahead to 1990.

	<u>Current</u>	<u>1985</u>	<u>1990*</u>
Acute Care Beds	13	23-28	25-35
Long Term Care	4	12-16	25
Physician Needs:			
General Practitioners	2		
Internist	1		
General Surgeon	1		
O.B./Gyn.	1		
Pediatrician	1		
	<u>6</u>	<u>7-10</u>	<u>10-12</u>

We now have two general practitioners, a doctor in Seldovia, Dr. Sayer, general surgeon, and visiting teams from Anchorage to cover our needs.

Looking at physician space needs, we will need office space for 7 physicians by 1985, expandable to 10 by 1990. Offices would also be desired for the Public Health Nurse and Social Worker. The forecast at which Mr. Mar has arrived would show the following on our Certificate of Need application:

Acute Care Beds - between 23-27  
Long Term Care Beds - 15 beds  
Seven physician offices

### PHYSICAL SOLUTION

Mr. Mar presented diagrams which showed that when the original plan was created for this hospital, it was designed to hold a maximum of 41 beds. Now the high end of the forecast for 1990 would be 59 beds.

The Physical Solution planned by Mr. Mar would include:

Expansion to meet 1985 needs  
Provide for 1990 Growth  
Retain existing buildings  
Provide protected connection between buildings  
Provide added parking  
Provide space for new physicians  
Relocate helipad

In order to meet 1985 facility needs, nearly 20,000 square feet would be added to the hospital and an additional 7500 square feet to the medical office building. These additions would nearly double our total square foot area.

Two different propositions for 2nd floor expansion were presented. Plan "B" includes plans for a dedicated O.B. unit which would make for better patient care. The alternative plan would simply extend the long term care unit on the 2nd floor leaving the O.B. unit in its present location. Plan "B" would increase construction costs by \$485,400 but is much more desirable from the infection control standpoint.

### IMPLEMENTATION

Hopefully, we could receive Certificate of Need approval from the State early this summer. If this is received, we could seek voter/lender approval on a bond issue in October. The architectural process would require 5-6 months for preparation of design and to have contractor documents prepared. There would be approximately a 2 year construction process which could mean occupancy in late 1983 if everything goes as planned.

### FEASIBILITY - Construction Cost Assumptions

May 1981 has been projected as a bid date for the hospital expansion and the Medical office building. Bid date for lab remodeling could be as early as Oct. 1980. Cost escalations right now are 1.25% per month and could continue to escalate.



Related cost estimates include construction contingency, moveable furnishings, architectural and engineering fees and administrative/legal fees.

Total required funds would be as follows:

Construction	\$4,509,400
Hospital	\$2,971.1
MOB	1,418.5
Lab	119.8
Related	1,452,700
Parking/Site	386,300
Special Studies (including seismic risk analysis)	120,000
Interim Financing	1,317,000
Long Term Financing	<u>233,600</u>
	\$8,019,000

Total Capital cost would be \$8.02M.

State Grant at 80% would be \$6.40M.

This would leave a Service Area cost of \$1.62 million which would create an additional annual burden on the taxpayers of \$149,950. This is about three times what we now have.

#### OPERATIONS

Mr. Mar presented figures showing our cash flow trends. Our projected 1985 cash receipts would be \$3,883,000 with cash expenses at \$3,923,700 leaving a deficit of \$60,700. The greatest positive cash flow comes from non inpatients which are referred by doctors to the hospital for X-ray or lab work. If the Service Area did not support medical office expansion and the doctors were to build a clinic off campus, much of this non inpatient revenue would be lost. Thus our capital cost savings would result in an increased operational deficit.

Comparison of the operating cash flow for 1985 with the medical building would be a deficit of \$60,000 as compared to a deficit of \$507,800 without the Medical Office Building due to lost revenue. If the taxpayers did not vote to construct the medical office building, this would save \$2.29 million on the total cost. It would save service area cost of \$460,000 and save an annual burden of \$42,850. However, we would lose an additional \$449,000 in annual (1985) operational cash flow.

President Hough informed the Board that action was required on expansion of the medical office building, relocation of the C.B. unit, Certificate of Need, and acceptance of feasibility study.

Action was taken as follows:

MOTION: WILLIAMS/JONES MOVED THAT WE GO AHEAD ON THE MEDICAL OFFICE BUILDING EXPANSION. MOTION PASSED UNANIMOUSLY.

MOTION: JONES/WILLIAMS MOVED TO APPROVE PLAN "B" WHICH WOULD RELOCATE THE O.B. UNIT. MOTION PASSED UNANIMOUSLY.

MOTION: WILLIAMS/JONES MOVED WE PRESENT THIS FEASIBILITY STUDY TO THE SERVICE AREA BOARD. MOTION PASSED UNANIMOUSLY.

MOTION: KAMMERMYER/JONES MOVED WE PROCEED WITH THE CERTIFICATE OF NEED. MOTION PASSED UNANIMOUSLY.

MOTION: JONES/KAMMERMYER MOVED WE RECOMMEND TO THE SERVICE AREA BOARD THAT THEY PROCEED WITH A TARGET DATE OF NEXT FALL FOR BRINGING THE HOSPITAL EXPANSION PLAN BEFORE THE VOTERS. MOTION PASSED UNANIMOUSLY.

Mr. Herring mentioned that the budget is ready for distribution. The Operating Board will meet March 13 at 7 a.m. to review the budget.

ADJOURNMENT: MOTION: VARRICK/KAMMERMYER MOVED THAT THE MEETING BE ADJOURNED. The meeting was adjourned at 9:00 a.m.

Respectfully submitted,

Jean Schroeder  
Recording Secretary