

MEMORANDUM

TO: Ron Long, Assembly President
Kenai Peninsula Borough Assembly Members

THRU: John J. Williams, Mayor
Craig Chapman, Finance Director

FROM: Kevin Lyon, Major Projects Director

DATE: September 6, 2007

SUBJECT: Ordinance 2007-19-23, an ordinance appropriating \$1,400,000 in interest income from the 2003 Central Kenai Peninsula Hospital Service Area bonds.

Kenai Peninsula Borough Ordinance 2003-19-33 appropriated \$49,900,000 in Central Kenai Peninsula Hospital Service Area bonds to pay the cost of capital improvements related to the Central Peninsula Hospital. Phase I and II of this project have been completed. Phase III was awarded in Resolution 2006-104 and is currently under construction.

Ordinance 2006-19-36 appropriated \$1,700,000 in interest to offset the \$1,200,000 that bids on Phase III exceeded the previously appropriated funding and allowed Additive Alternate #1 to be included in the project.

During the Phase III construction process, building deficiencies were identified: the Emergency Power upgrade (\$447,000) and the Emergency Room (ER) Roof Replacement (\$250,000).

In addition, the following additive alternate items have not been included in the project: #2 Blood Draw area (\$355,000), #3 ER Canopy (\$175,000), and #4 ER Air intake relocation (\$100,000). These items are required to meet the American Institute of Architects guidelines for hospitals but were postponed due to budget restraints.

Interest income of approximately \$1,400,000 has been earned on this project that is available to support the items listed above.

The administration requests that these funds be appropriated to cover expenditures associated with Phase III and to provide additional project contingency.