

MEMORANDUM

TO: Grace Merkes, Assembly President
Members, Kenai Peninsula Borough Assembly

FROM: Grace Merkes, Assembly President
John J. Williams, Borough Mayor

DATE: July 24, 2008

SUBJECT: Ordinance 2008-17 (Substitute), amendment to exclude expenditures from the Hospital Plant, Expansion, and Replacement funds from the voter approval requirement

The Kenai Peninsula Borough has two hospital services areas: the South Kenai Peninsula Hospital Service Area and the Central Kenai Peninsula Hospital Service Area. These service areas were approved by the voters and each service area has one hospital. It is common knowledge that in order to provide adequate medical service the hospitals undergo capital improvements and obtain and utilize medical equipment, the cost of which has sharply risen over the years. Spending the money and time to obtain voter approval for the purchase of every piece of medical equipment that is a capital improvement project or for a modification to the hospital that would cost over \$1 million could significantly impair the operations of these hospitals.

Hospital funds are treated differently from the rest of the borough government in that they are considered enterprise funds. Also, they are run by nonprofit corporations pursuant to contracts with the borough. These contracts contain limitations on the allowed use of the Plant Expansion and Replacement Fund.

As the voters have repeatedly supported both hospitals and the services they provide, it seems appropriate to exempt the Plant, Expansion, and Replacement funds of each hospital service area from the voter approval requirement in order to allow the hospitals to operate with the flexibility needed to respond to community needs, remain competitive, and take advantage of purchasing opportunities as they become available. The Plant Expansion and Replacement Funds are funded with money earned from operating the hospitals and expenditures from these funds must be appropriated by the assembly when used for capital improvement projects.

The Mayor and I proposes that the ordinance be amended as follows:

➤ Amend the title as follows:

AN ORDINANCE AMENDING KPB 5.04.110 AND KPB 16.16.085 TO EXCLUDE GRANT FUNDS **AND HOSPITAL PLANT EXPANSION AND REPLACEMENT FUNDS** FROM THE AMOUNTS CONSIDERED IN DETERMINING WHETHER A BOROUGH OR NORTH PENINSULA RECREATION SERVICE AREA CAPITAL IMPROVEMENT PROJECT MUST BE SUBMITTED TO THE VOTERS, AND AMENDING KPB 16.16.085 TO INCREASE THE AMOUNT THAT MAY BE SPENT WITHOUT VOTER APPROVAL ON CAPITAL IMPROVEMENT PROJECTS IN THE NORTH PENINSULA RECREATION SERVICE AREA FROM \$500,000 TO \$1,000,000

➤ Amend Section 1 as follows:

5.04.110. Major capital improvement projects—Referendum required.

A. All capital improvement projects to be constructed or acquired by the Borough must be approved by the voters of the borough at a regular or special election, before the project is constructed or acquired if the total project cost is more than \$1,000,000.00, including architectural, engineering, inspection, design, administration or any other cost. This section applies to all proposed capital improvement projects to be financed with borough funds which are not the proceeds of a bond issue approved by voters. This section does not apply to ~~either~~ insurance covering the repair or replacement of damaged Borough capital improvements, **[OR] to grants for capital improvement projects, or to expenditures from the Plant, Expansion, and Replacement funds of the Central Peninsula Hospital and the South Peninsula Hospital.** A capital improvement project that is proposed to be built in phases shall include the projected cost of all phases as the total project cost for purposes of this ordinance.

B. When the total projected cost of a capital improvement project as defined in this section is more than \$1,000,000.00 it must receive an affirmative vote by no less than 60 percent of the affected voters at a Borough election for such a project to be approved.

Your consideration of this amendment would be appreciated.