

**PROPOSITION NO. 2**  
**Hospital Capital Improvement Bonds**

Shall the Kenai Peninsula Borough incur indebtedness and issue up to \$49,900,000 of bonds for capital improvements related to the Central Peninsula General Hospital?

The bond proceeds of \$49,900,000 will be used to pay the costs of planning, designing, acquiring property for, site preparation, constructing, acquiring, renovating, installing and equipping the Central Peninsula General Hospital located within the Central Kenai Peninsula Hospital Service Area.

The indebtedness will be repaid from ad valorem taxes levied on all taxable property located within the Central Kenai Peninsula Hospital Service Area. The Central Kenai Peninsula Hospital Service Area will pledge its full faith and credit for repayment of the indebtedness; however, it is expected that a portion of the indebtedness may be repaid from revenues generated by the Central Peninsula Hospital.

Voter approval for this proposition authorizes an annual tax on real and personal property in the Central Kenai Peninsula Hospital Service Area in an amount sufficient to pay principal and interest on the proposed indebtedness when and as due. Based on the revenues that the Central Kenai Peninsula Hospital Service Area expects to receive from the Central Peninsula General Hospital, the amount of the annual tax would be approximately \$50 for each \$100,000 of assessed real and personal property in the Central Kenai Peninsula Hospital Service Area (based on the estimated 2003 tax year assessed valuation). Without those revenues, the amount of the annual tax would be approximately \$121 for each \$100,000 of taxable assessed value.

(Ordinance 2003-27)

YES *[A Yes vote approves the sale of the bonds and construction of the hospital improvements.]*

NO *[A No vote prohibits the issuance of the bonds and construction of the hospital improvements.]*

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The original Central Peninsula General Hospital (CPGH) facility was constructed in 1971 to serve a community of 5,000 people. The last major expansion of the facility was completed in 1986. The service area population has increased to 35,000 and CPGH patient visits have grown from 3,185 in 1972 to 51,944 in 2001, with annual growth averaging 7%. This growth, coupled with the aging of the population within the service area and federally mandated privacy standards, has resulted in the need to expand the facility.

Following completion of a facility master plan, the service area funded a programmatic study and schematic design for a facility expansion project. This study confirmed that facility improvements were needed to keep pace with the growing and maturing population. The final design, approved by CPGH Inc. and endorsed by the service area board, calls for renovation of approximately 46% of the existing building, plus the construction of an additional 74,000 sf of new space. This expansion will increase both inpatient and outpatient services and will add new services currently unavailable in the community.

Based on expected revenues from hospital operations, it is anticipated that issuance of the bonds will result in a tax increase of 0.5 mills. This equates to an annual tax increase of \$50 per \$100,000 of assessed value. If these revenues are not forthcoming, the amount of the annual tax increase would be 1.21 mills, or \$121 for each \$100,000 of assessed value.