

MEMORANDUM

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

THRU: John J. Williams, Mayor

FROM: Craig Chapman, Finance Director
Rob Robson, Major Projects Director

DATE: November 16, 2006

SUBJECT: Ordinance 2006-19-36, an ordinance appropriating \$1,700,000 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 (“CKPHSA”) bonds to pay the cost of capital improvements related to the Central Peninsula Hospital. Phase I of this project has been completed, and Phase II is nearing completion. Phase III is scheduled to start in January 2007 and includes electrical, mechanical, and architectural renovation of approximately 24,670 square feet and construction of 8,080 square feet of new area. With the rising cost of energy and materials, bids on Phase III have exceeded funding by approximately \$1,200,000 not including project contingency.

Interest income of approximately \$1,700,000 has been earned on this project that is available to support these increased costs. The CKPHSA board is scheduled to consider the use of the interest earnings to support this project at its meeting of December 11, 2006. The administration requests that these funds be appropriated to cover expenditures associated with Phase III and project contingency.