

MEMORANDUM

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

THRU: John J. Williams, Mayor

FROM: Craig Chapman, Finance Director

DATE: November 20, 2006

SUBJECT: Ordinance 2006-40, Asking South Peninsula Hospital Service Area Voters to Approve \$16,000,000 in Hospital Capital Improvements and Authorize Issuance of Up To \$16,000,000 in General Obligation Bonds To Fund Capital Improvements

In 2003, bonds in the amount of \$10,290,000 were issued as part of a \$17,000,000 hospital expansion project with the balance of the project funded from hospital operations. The 2003 bonds are insufficient to complete the proposed expansion. It is estimated that the expansion project can be completed with additional bond proceeds of \$16,000,000.

The attached ordinance, if approved, would ask service area voters to consider approving \$16,000,000 in capital improvements to the South Peninsula Hospital and authorize issuance of up to \$16,000,000 in general obligation bonds to complete the expansion of the project. It is estimated that the new debt will require an increase in the annual tax on assessed real and personal property value of \$107 per \$100,000, or 1.07 mills.

The hospital has requested that the issue be put before service area voters through a special election. This would be in the form of a mail-out ballot with mailed responses due by the election date.

This ordinance is presented to the assembly now in order to enable the election to be scheduled early enough to allow construction to begin in the 2007 construction season should the proposition pass. However, as this bond is being introduced before year-end financials and the final construction estimate are completed, it provides that the mayor may cancel the election if the project cost estimate is greater than \$16 million or otherwise does not appear financially feasible.