

# KENAI PENINSULA BOROUGH

Office of the Borough Clerk

144 North Binkley Street  
Soldotna, AK 99669  
Phone 907-714-2160  
Fax 907-714-2388

Johni Blankenship, CMC  
Borough Clerk

**REVISED**

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## MEMORANDUM

**TO:** Gary Knopp, Assembly President  
Kenai Peninsula Borough Assembly Members

**THRU:** Johni Blankenship, Borough Clerk

**FROM:** Michele Turner, Borough Clerk Assistant

**DATE:** May 17, 2011

**RE:** Resolution 2011-056; Authorizing the Acquisition of Real Property at 166 W. Corral Avenue, Soldotna, Alaska on behalf of the Central Peninsula Hospital

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The Central Kenai Peninsula Hospital Service Area Board reviewed the subject resolution at its April 18, 2011 meeting.

Please amend the 12<sup>th</sup> Whereas of Resolution 2011-056 to read as follows:

**WHEREAS,** the Central Kenai Peninsula Hospital Service Area Board at its meeting of April 18, 2011 recommended defeat of the Resolution by a 3 yes, 3 no vote; and

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Gene Dyson asked why the Board is continuing to meet if it has no functions. Neal DuPerron noted that whether the Board continues to exist depends on what the task force decides in October.

Chairman Peterson suggested that Gene Dyson go to the Assembly member elected from his district and talk to that Assembly member about what the expectation of the Assembly would be about guidelines. Once a draft of guidelines is brought before the Hospital Service Area Board, the Board will work with it, but the Board doesn't want to create them. The assembly may have pre-existing guidelines from other boards. Chairman Peterson assigned Gene Dyson to complete that task.

Margaret Gilman noted that one of the reasons the Board is meeting less often is that the hospital no longer needs the taxpayer subsidy. Another reason is that there is a whole other discussion going on about ownership of the hospital. She stated that she would not ever speak for the people on the Assembly but right now there are so many other factors at play that need to be settled first that she doesn't believe anyone would be willing to take up that issue.

Gene Dyson noted that there's more to the Hospital Service Area Board than just money. The hospital is supposed to be working on behalf of the Board, and the Board should be monitoring the hospital, which the Board hasn't been doing. It's not just money, the Board is supposed to oversee. Chairman Peterson again asked that Mr. Dyson check with an assembly member about guidelines already existing, what the Assembly's expectations would be, and then bring it back to the Hospital Service Area Board.

Gene Dyson stated again that he thought that creating guidelines was a responsibility of the Board which had not been met. Marion Nelson stated that the Board was not interested in creating those guidelines at this time.

Neal DuPerron reviewed the history of attempting to create these guidelines in response to past requests from funding, particularly a request from CICADA for \$150,000 to fill a funding gap between their grants from one fiscal year to the next. There was also \$50,000 granted to Cottonwood Clinic in order to provide a match to make other funds available.

- B. Assembly Action Item** – As outlined in Ryan Smith's letter of February 23, 2011, CPGH, Inc. has the opportunity to acquire property at 166 Corral from Michelle Medley. A Memorandum from Gary Knopp to Mayor Carey explains the details of the transaction as previously negotiated. The Hospital Service Area Board has been requested to indicate whether it supports KPB Resolution 2011-XXX.

Neal DuPerron made a MOTION to approve the Resolution for purpose of discussion. Margaret Gilman seconded the MOTION and discussion followed.

Neal DuPerron questioned the negotiated price and why it was in excess of the appraised value. He asked what the Borough assessed value. Bruce Richards of CPH responded that he didn't have the exact figure but his estimate was mid to high

put criteria together, but Mayor Williams did not support them and did not take them to the Assembly.

Chairman Peterson noted that Resolution 2000-004 was passed by the Assembly, together with its associated Attachment A, so that Attachment A was passed. There was some discussion about exactly what it was that was not passed. Gene Dyson clarified that while that is true, he was saying that the criteria for who would qualify and the procedures to process their requests were never approved by the Assembly.

Margaret Gilman stated that she was serving on the Assembly at that time, and she remembers that the ByLaws and Attachment A were approved. When the Hospital Service Area Board created their criteria and guidelines and presented them to the Assembly, they went no further because neither the administration nor any Assembly members wanted to introduce or support it. She stated that in her opinion if there was extra money it should be returned to the taxpayers rather than distributed to nonprofits. For that reason, she doesn't support spending time developing guidelines.

Gene Dyson stated that the ByLaws allow the Hospital Service Area Board to fund these things. Chairman Peterson read the relevant portions of Attachment A into the record and noted that it allowed the Board to ask the Assembly to allocate the funds.

Neal DuPerron read the authorized functions of the Hospital Service Area Board into the record from KPB 16.08.015 "The Central Kenai Peninsula Hospital Service Area is authorized to construct, maintain, and operate a hospital or hospitals, to establish and to operate, or to participate in the expense of operating, a center for the treatment of alcoholism and chemical dependency, and to provide other health services or health facilities within the service area, including but not limited to: primary health care, health promotion and chronic disease services (including psychiatric treatment, mental health and rehabilitation services), outpatient services, health education, preventive medical care and wellness programs, home health services, personal care services, long term care, and hospice care, subject to such conditions as may be established by ordinance of the Kenai Peninsula Borough". The types of agencies are specifically mentioned and we can fund them.

Gene Dyson noted that Ordinance 97-70 was voted in by people to give the Hospital Service Area Board that authorization. Margaret Gilman stated that the Board may be authorized to do so but the Board may decide not to. Gene Dyson said he understood that, but he believed that it was necessary to establish the procedure in case it was needed. He stated that if he wanted to ask the Assembly to use some money for LeeShore, there was no process established by which he could do so.

Neal DuPerron noted that LeeShore is not a health care organization, and probably wouldn't qualify for service area funds. He further said that agencies seeking the funds are being handled on a case by case basis.

\$150,000. Neal DuPerron, asked why the price is \$40,000 in excess of the assessed value? Mr. Richards stated that there were negotiations between the owner of the property, Ms. Medley, and Jason Paret, and they arrived at a price of \$200,000. Bruce Richards noted that although the Borough will make the purchase on behalf of the hospital, the money will come from the hospital's plant expansion fund.

The process will be similar to the prior purchase on Corral a few years ago.

Margaret Gilman referenced the prior purchase of the Mundell building. Bruce Richards emphasized that the process is at the Borough at this point. Ms. Gilman asked what the use plan is for the building. Mr. Richards said the hospital is interested in buying properties as they become available in the surrounding four block area for future expansion of the campus.

Margaret Gilman asked whether the building would be kept and used or torn down. Mr. Richards said the plan for now was to keep the building as is. He described the home as recently updated and modernized and very nice inside. Ms. Gilman asked if it would be remodeled into offices. Mr. Richards said it could be used for visiting physicians or locum tenens. At this point, they have not yet determined a use.

Neal DuPerron stated again his objection to paying more than assessed value. Mr. DuPerron suggested amending the recommendation so that it limited the payment to no more than \$185,000, the assessed value on June 25<sup>th</sup>. Margaret Gilman said she agreed about the price, but didn't believe the amendment was appropriate. It would be better to vote against the recommendation and let the Assembly ask that same question tomorrow night. Mr. DuPerron withdrew his amendment.

Chair Peterson was concerned that this purchase might be used by the hospital as part of a rental business, impacting someone else's livelihood and taking business away from the community. Chair Peterson also had questions about how this purchase would impact the task force and the question of selling the hospital. He questioned whether this purchase would muddy the waters in any way. Bruce Richards replied that it would not, since purchasers also had concerns about the small campus footprint.

Marion Nelson commented, the deal has been done and finalized by the Borough. She agrees a ripple effect taking business from the private sector would be unfortunate, however she believes this is just another piece to round out the whole campus.

Jane Stein stated she agreed with Marion, and that it was wise to pick up properties as they became available. She asked if the hospital owned more than the one property on Corral at this time. Bruce Richards explained that the hospital owns only the one on the corner.

Gene Dyson stated that this resolution, everything is up in the air still until after the task force. That's what bothered him with buying the Mundell building. Chair

Peterson said it would make a difference either way: if we keep the hospital, the footprint is increased. If the hospital is sold, the asset has been increased. As of right now, all deals are off, and the decision hasn't been made on any of the stuff, so the price would be renegotiated as well. There is no set price now for selling the hospital.

Gene Dyson was unhappy that the decision had to be made in such a hurry.

Neal DuPerron Called for the Question

A roll call vote was taken:

Do you want to approve Ordinance 2011-XXX and forward it to the Mayor and the Assembly for their review?

Yes: Marion Nelson, Jane Stein, Tim Peterson

No: Gene Dyson, Neal DuPerron, Margaret Gilman

MOTION failed: 3/3

Chair Peterson asked Joan Crow-Epps to notify the Borough Clerk that the motion failed. She will do so by e-mail.

#### C. Budget

Chair Peterson presented the FY 2012 Budget. He went over the figures, showing very little change, and the biggest expense still being the audit. Neal DuPerron asked whether the audit review had been delivered to CPH yet. Matt Dammeyer replied that the preliminary report had been received. Mr. DuPerron clarified that he was asking about Mr. Coghill's presentation in January or February. Matt Dammeyer replied that was what he meant. Neal DuPerron didn't remember being invited. Matt Dammeyer explained that the meeting in which the presentation was made was a public forum. Mr. DuPerron emphasized that in prior years the members of the Hospital Service Area Board were individually and formally invited. Matt Dammeyer wasn't sure what had happened, and Jason Paret isn't here today. Margaret Gilman asked that they please check and clear up whatever problem kept the Hospital Service Area Board from being notified. Marion Nelson recalled there was a discussion about this last year that since the Hospital Service Area Board is paying the bill; the audit should be presented here.

Margaret Gilman questioned the big changes in the budget item contractual services, which changed from \$120,000 to \$6,000. Chair Tim Peterson explained that although \$120,000 was allocated, only \$11,000 was spent, and the number of meetings has decreased. He wasn't sure what the \$100,000 was for.

Neal DuPerron said he believed that was the allocation for the Mayor's experts to evaluate the joint venture. Matt Dammeyer agreed.