**COMPETITIVE**

# Grant Agreement
## State of Alaska Department of Health & Social Services (DHSS)
### Denali Commission Funds

### Federal Fiscal Year 2004

| **Financial Assistance Award:** | **Grant #:** 06-4-C- 5015 | **Period of Performance: December 31, 2007** |
|---|---|---|
| 0136-DC-2004-I22 | **Award Amount:** $927,151 | **Location of Project: Homer, Alaska** |

| **GRANTEE** (Name & Address) | **DEPARTMENT** |
|---|---|
| Kenai Peninsula Borough<br>144 N Binkley St.<br>Soldotna, AK 99669 | Department of Health and Social Services<br>Finance and Management Services/Facilities Section<br>PO Box 110650<br>Juneau, Alaska 99811-0650 |
| Contact Person: Ms. Bonnie Golden, Grants Manager<br><br>Telephone: (907)-714-2153 | DHSS Contact Person:<br><br>Michael Frawley, Grant Administrator II<br>Telephone: (907) 465-3942 |

Grant Award:
The Department of Health and Social Services, hereafter referred to as the GRANTOR, has awarded $927,151 from the grant funds appropriated through the Denali Commission in FY04, as described in RPL 064-0245, to Kenai Peninsula Borough, thereafter referred to as GRANTEE, for new construction and renovation of the South Peninsula Hospital.

Brief Description of Project:
The Project consists of new construction and renovation of the South Peninsula Hospital, and is located in Homer, Alaska. This Project is in accordance with this grant agreement and the provisions of proposal documentation submitted to the Department of Health and Social Services. A copy of the proposal is attached. All documents named here are hereby incorporated by reference as part of this grant agreement.

| **GRANTEE** | **DEPARTMENT OF HEALTH AND SOCIAL SERVICES** |
|---|---|
| Authorized Signature: Dale L Bagley Date: 2/16/05 | Authorized Signature: Larry J Streuber Date: 2/22/05 |
| Print Name and Title:<br><br>Dale Bagley<br>Mayor | Print Name and Title:<br>Larry J. Streuber, Facilities Section Chief<br>Finance and Management Services |
| | Authorized Signature: Janet Clarke Date: 2/22/05 |
| | Print Name and Title:<br>Janet Clarke, Assistant Commissioner<br>Finance and Management Services |

## ATTACHMENT A

# STANDARD PROVISIONS

### ARTICLE 1. DEFINITIONS

*"Grantor"* means the State of Alaska Department of Health and Social Services.
*"Grantee"* means the Kenai peninsula Borough

### ARTICLE 2. GRANTEE STATUS

GRANTEE and any agents, employees or officers of GRANTEE act in an independent capacity and are not employees or agents of the GRANTOR in the performance of this Grant Agreement. No joint venture or partnership is formed as a result of this Grant Agreement. This Grant Agreement is solely for the benefit of the parties to the Grant Agreement and gives no right to any other party.

### ARTICLE 3. INDEMNIFICATION

The GRANTEE shall indemnify, hold harmless and defend the GRANTOR, their officers, agents, and employees from all liability, including costs and expenses, for all actions or claims resulting from injuries or damages sustained by any person or property arising directly or indirectly as a result of any error, omission, or negligent act of the GRANTEE, its contractors, or anyone directly or indirectly employed by GRANTEE in the performance of this Agreement.

All actions or claims, including costs and expenses, resulting from injuries or damage sustained by any person or property arising directly or indirectly from GRANTEE's performance under this Agreement which are caused by the GRANTOR, by the GRANTEE, or by the State and the GRANTEE shall be apportioned on a comparative-fault bases. Any such joint negligence on the part of the GRANTOR or the GRANTEE must be a direct result of active involvement by the GRANTOR or the GRANTEE.



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## ARTICLE 4. LEGAL AUTHORITY

The GRANTEE certifies that it possesses legal authority to accept grant funds from the GRANTOR and to execute the activities described in this Grant Agreement.

## ARTICLE 5. WAIVER

No provision of this Grant Agreement may be waived unless agreed to in advance by the GRANTOR in writing. The GRANTOR's failure to insist upon strict performance of any provision of the Grant Agreement, or to exercise any right based upon a breach thereof, or the acceptance of any performance during such a breach, shall not constitute a waiver of any right under this Grant Agreement.

## ARTICLE 6. RECORDS

All records related to this Agreement, including, but not limited to, documents, books, photographs, inspection reports, computerized data files, and other papers of whatever kind or description (hereinafter called "records") whether or not developed or originated by GRANTEE, which are reasonably required in the performance of, or to document the performance of this Agreement, are the sole property of the GRANTOR. GRANTEE, upon the GRANTOR's' written request, shall deliver immediately all records to the GRANTOR or as the GRANTOR otherwise dictates in writing. The delivery of records to the GRANTOR shall be at the GRANTEE's expense. GRANTEE may not condition in any manner whatsoever the delivery of records. Any records that GRANTEE has retained on microfilm or otherwise condensed, GRANTEE must reproduce promptly, at no cost, upon the GRANTOR's written request.

GRANTEE shall permit any employee of the GRANTOR or any person designated by the GRANTOR, at any reasonable time during regular business hours, to examine and make audits of any and all of the records. Such persons will safeguard the confidentiality of all client records, and will not disclose financial, clinical or other personal client data to the public, or to others within the GRANTOR except as on a documented need to know basis. Such persons may, at the request of the GRANTEE, sign an affidavit to this effect.

Unless all records have been delivered to the GRANTOR, the GRANTEE shall retain all records in its possession relating to the performance of this Grant Agreement for a period of 3 years from the completion of the project or until final resolution of any audit findings, claims, or litigation related to the grant, whichever is later.

## ARTICLE 7. REPORTS

The GRANTEE shall furnish the GRANTOR with such periodic reports as it may request on such forms and at such times as it may require. Such periodic reports shall pertain to the activities undertaken pursuant to this Grant Agreement, including the Quarterly Report and



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the final closeout report, the costs and obligations incurred in connection therewith, and any other matters covered by this Grant Agreement.

## ARTICLE 8. ASSIGNABILITY

The GRANTEE may not assign or delegate this Grant Agreement or any part of it, or any right to any compensation or reimbursement paid under it without the express written consent of the GRANTOR.

## ARTICLE 9. FINANCIAL MANAGEMENT AND ACCOUNTING

The GRANTEE shall spend funds awarded under this grant only for the purposes specified in this Grant Agreement. The GRANTEE shall establish and maintain a financial management and accounting system that conforms to generally accepted accounting principles and complies with applicable state and federal requirements. GRANTEE shall keep such other records as the GRANTOR may require. Such records shall include information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays and income. The GRANTEE shall also maintain records pertaining to project performance and efforts to comply with the provisions of the Grant Agreement.

The GRANTEE shall comply with the audit requirements established by 02 AAC 45.010. The Grantee agrees to be immediately subject to the audit requirements set forth in Attachment D. The GRANTEE shall provide the GRANTOR with a copy of any audit report(s) conducted of the GRANTEE's administration of these grant funds. An audit report, provided in accordance with this article, will be submitted to the GRANTOR within 30 days of its receipt by the GRANTEE.

The GRANTEE shall maintain appropriate systems, procedures and documentation to assure its compliance with respect to audits, as specified above. The GRANTEE will take appropriate action to assure that any audits required are completed.

The GRANTEE shall repay to the GRANTOR any costs pertaining to this grant determined not to be allowable as a result of the resolution of any findings or questioned costs identified in the audits required by this article. Upon demand, the GRANTEE shall repay to the GRANTOR any disallowed costs related to a sub-grant of funds under this agreement resulting from the resolution of any audit findings. Recovery of funds from the GRANTEE shall occur within thirty (30) days of demand. Failure of the GRANTEE to repay any disallowed amounts is a breach of this grant agreement and may result in action taken by the GRANTOR as provided for under Article 18 (Noncompliance by GRANTEE).

## ARTICLE 10. AMENDMENTS AND MODIFICATIONS

This Agreement, including all attachments and documents, which by reference are incorporated herein, contains the entire Agreement between the GRANTOR and the



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GRANTEE. This Agreement may not be modified or amended except in writing signed by both parties and any purported amendment or modification shall be without legal effect until reduced to writing and signed by both parties.

## ARTICLE 11. THIRD-PARTY RELATIONSHIPS

None of the work specified in the Grant Agreement may be contracted by the GRANTEE to a third party without the prior approval of the GRANTOR. GRANTOR's approval of GRANTEE's contracting shall not create any contractual relationship between the GRANTOR and the third party. The GRANTEE shall remain fully obligated under the provisions of this Grant Agreement notwithstanding its contracting to any third party the performance of all or any part of the work described herein.

In the event that the GRANTEE contracts for third party services, the GRANTEE will require that the third party certify that it is authorized to do business in the State of Alaska and that it has obtained the necessary bonding in an amount approved by the GRANTOR or required by applicable federal regulations.

The GRANTEE shall bind all third party contractors to each and every applicable Grant Agreement provision. Each contract with third parties for work to be performed under this Grant Agreement shall specifically include a provision indemnifying the GRANTOR against damages or claims for damages arising from the third-party's performance or activities under its contract with GRANTEE.

## ARTICLE 12. CONFLICT OF INTEREST

No officer or employee of the GRANTOR; no member, officer, or employee of the GRANTEE or its designees or agents; no member of the governing body of the jurisdiction in which the project is undertaken or located; and no other official of such locality or localities who exercises any functions or responsibilities with respect to the project during his or her tenure, shall have any personal or pecuniary gain or interest, direct or indirect, in any contract, subcontract, or the proceeds thereof, for work to be performed in connection with the activities assisted under this Grant Agreement.

The GRANTEE shall incorporate a provision prohibiting such interest pursuant to the purpose of this provision in all contracts or subcontracts funded through this grant.

## ARTICLE 13. POLITICAL ACTIVITY

No portion of the funds provided herein under shall be used for any partisan political activity or to further the election or defeat of any candidate for public office or to influence the approval or defeat of any ballot issue or to lobby any State agency or member or employee of the legislature.



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This grant is subject to the provisions of AS 37.05.321, which is titled: "Restrictions of Use." A grant or earnings from a grant made under AS 37.05.315—37.05.317 may not be used for the purpose of influencing legislative action. In this section influencing legislative action means promoting, advocating, supporting, modifying, opposing, or delaying or seeking to do the same with respect to the legislative action but does not include the provision of information, statistics, studies or analyses in written or oral form or format. A grant or earnings from a grant made under AS 37.05.315—37.05.317 may not be used for purposes of travel in connection with influencing legislative action unless pursuant to a specific request from a legislator or legislative committee.

GRANTEE shall incorporate in all contracts with third parties, a provision prohibiting such expenditure of funds and shall require certification by such parties of compliance with such provision.

## ARTICLE 14. NOTICES

The GRANTEE shall comply with all public notices or notices to individuals required by applicable State and Federal laws and shall maintain a record of this compliance.

## ARTICLE 15. PROHIBITION AGAINST PAYMENT OF BONUS OR COMMISSION

The assistance provided under this Grant Agreement shall not be used in payment of any bonus or commission for the purpose of obtaining approval or concurrence under this Agreement provided, however, that reasonable fees of a bona fide technical consultant, managerial, or other such services, other than actual solicitation, are not hereby prohibited if otherwise eligible as project costs.

## ARTICLE 16. TERMINATION BY MUTUAL AGREEMENT

This Grant Agreement may be terminated, in whole or in part, at any time that both parties agree in writing that continuation of the agreement is not feasible or would not produce beneficial results commensurate with the further expenditure of funds. The termination shall not be valid unless both parties agree in writing, in advance, regarding all conditions of termination.

The GRANTEE shall not incur new obligations for the terminated portion after the effective date, and shall cancel as many outstanding obligations as possible. The GRANTOR shall make funds available to the GRANTEE to pay for allowable expenses incurred before the effective date of termination.

## ARTICLE 17. TERMINATION BY GRANTOR

The GRANTOR may terminate this Agreement for any reason upon 30 days written notice to GRANTEE.



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Upon receipt of notice of termination, GRANTEE shall not incur new obligations and shall cancel as many outstanding obligations as possible. The GRANTOR shall make funds available to the GRANTEE to pay for allowable expenses incurred before the effective date of termination.

## ARTICLE 18. NONCOMPLIANCE BY GRANTEE

If the GRANTOR determines that the GRANTEE has failed to comply with the terms of this Grant Agreement, or failed to use the grant for only those purposes set forth herein, the GRANTOR may, at its complete discretion, take any of the following actions:

A. **Probation** - If the GRANTOR determines the noncompliance to be of a minor nature and that the GRANTEE's work can be improved or corrected, the GRANTEE may be placed on probation. The GRANTOR will notify GRANTEE in writing by certified mail of the reason for the probation, the corrective action required for removal from probation status, and the time by which such corrective action must be taken. GRANTEE will be on probation until its performance is in compliance with the terms of the Agreement. If GRANTEE does not correct its noncompliance, the GRANTOR may suspend the GRANT or terminate the Agreement.

B. **Suspension** - After written notice to the GRANTEE sent by certified mail, the GRANTOR may suspend the grant and withhold any further payment or prohibit the GRANTEE from incurring additional obligations of grant funds, pending corrective action by the GRANTEE or a decision to terminate. Such written notice shall state the reason for the suspension, the effective date of the suspension and the necessary corrective action. The GRANTEE must receive the response by the GRANTOR to the notice within fifteen (15) days of receipt of the written notice.

C. **Termination**—The GRANTOR may terminate the grant, in whole or in part, at any time before the final grant payment is made. The GRANTOR shall promptly notify the GRANTEE in writing by certified mail of its determination to terminate, the reason for such termination, and the effective date of the termination. Payments made to the GRANTEE or recoveries by the GRANTOR shall be in accordance with the legal rights and liabilities of the parties.

## ARTICLE 19. WITHDRAWAL OR REDUCTION OF FUNDING

In the event funding from State, Federal, or other sources is withdrawn, reduced, or limited in any way after the effective date of this Grant Agreement and prior to normal completion, the GRANTOR may terminate the Agreement, reduce funding, or, re-negotiate subject to those new funding limitations and conditions. A termination under this Article shall be implemented pursuant to the same conditions as a termination under Article 17 (Termination by the GRANTOR) of this Attachment.



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## ARTICLE 20. RECOVERY OF FUNDS

In the event of a default or violation of the terms of the Grant Agreement by the GRANTEE, the GRANTOR may institute actions to recover all or part of the project funds paid to the GRANTEE. Repayment by the GRANTEE of grant funds under this recovery provision shall occur within (30) thirty days of demand.

All remedies conferred on the GRANTOR by this Agreement, State law or any other instrument or Agreement are cumulative, not exclusive, and may be exercised concurrently or consecutively at the GRANTOR's option.

## ARTICLE 21. DISPUTES

Any dispute arising under this Agreement that is not resolved by mutual consent shall be resolved in accordance with regulations adopted by the GRANTOR for contract disputes or controversies. The regulations may be found under Alaska Statute 7 AAC 78

## ARTICLE 22. INSURANCE

Without limiting GRANTEE's indemnification, it is agreed that the GRANTEE shall purchase at its own expense and maintain in force at all times during the performance of services under this Agreement the following policies of insurance. Insurance policies required to be maintained by GRANTEE shall name the GRANTOR, an additional insured, for all coverage except Worker's Compensation and Professional Liability Insurance. GRANTEE and its contractors agree to obtain a waiver, where applicable, of all subrogation rights against the GRANTOR, its officers, officials, employees, and volunteers for losses arising from work performed by the GRANTEE and its contractors for the GRANTORS. Where specific limits are shown, it is understood that they will be the minimum acceptable limits. If the GRANTEE's policy contains higher limits, the GRANTOR and the State will be entitled to coverage to the extent of such higher limits. Certificates of Insurance stating the insurance company, type of coverage, limits, effective date, expiration date, additional insured, and waiver of subrogation must be furnished to the GRANTOR prior to execution of this agreement by the GRANTOR and must provide for a thirty (30) day prior notice of cancellation, non-renewal or material change. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach and ground for termination of the grant pursuant to Article 17 (Termination by the GRANTOR) of this Grant Agreement.

A. **Workers' Compensation Insurance:** The GRANTEE shall provide and maintain, for all employees of the GRANTEE engaged in work under the Agreement, Workers' Compensation Insurance as required by AS 23.30.045. The GRANTEE shall be responsible for ensuring that any contractor who directly or indirectly provides services under this Agreement has adequate Workers' Compensation Insurance for its employees. Where applicable, coverage for all federal acts (i.e., United States Long Shore and Harbors and Jones Acts) must also be included.



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**B. Comprehensive (Commercial) General Liability Insurance:** The GRANTEE shall provide and maintain Comprehensive (Commercial) General Liability Insurance with coverage limits not less than $1,000,000 combined single limit per occurrence and annual aggregates where generally applicable and shall include premises-operations, products/completed operations, broad form property damage, blanket contractual and personal injury endorsements.

**C. Comprehensive Automobile Liability Insurance:** The GRANTEE shall provide and maintain Comprehensive Automobile Liability Insurance covering all owned, hired, and non-owned vehicles with coverage limits not less than $100,000 per person/$500,000 per occurrence bodily injury and $50,000 property damage, or $500,000 combined single limit per accident.

**D. Professional Liability Insurance:** If applicable, the GRANTEE shall provide and maintain Professional Liability Insurance covering all errors, omissions or negligent acts of the GRANTEE, its contractors or anyone directly or indirectly employed by them, made in the performance of this Agreement which result in financial loss to the Grantor. Limits required are per the following schedule:

| Grant Amount | Minimum Required Limits |
|---|---|
| Under $100,000 | $100,000 per occurrence/annual aggregate |
| $100,000 - $499,999 | $250,000 per occurrence/annual aggregate |
| $500,000 - $999,999 | $500,000 per occurrence/annual aggregate |
| $1,000,000 or over | Negotiable |

The professional liability insurance requirement may be substituted or waived at the sole discretion of the GRANTOR.

**E. Bond Requirements:** Before the GRANTEE enters into a contractual arrangement with a contractor to provide any tasks in connection with this agreement, the GRANTEE shall require the Contractor to comply, at a minimum, with the bond provisions specified in AS 36.25.010 (a) and (b), and Article 3 (Indemnification).

## ARTICLE 23. GOVERNING LAW

Any civil action arising from this grant agreement shall be brought before the Superior Court for the Judicial District of the State of Alaska in Juneau. The laws of the State of Alaska shall govern the rights and obligations of the parties under this grant agreement.

## ARTICLE 24. COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The GRANTEE shall perform its work in compliance with all appropriate laws and regulations including the Americans with Disabilities Act of 1990. It is the responsibility of



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the GRANTEE to ensure that any required Federal, State or local permits are obtained. GRANTEE shall also provide a copy of a current Alaska Business License if required by law to have a business license. The GRANTEE shall report, or cause a report to be submitted, to the Alaska Department of Labor as required by AS 36.05 Wages and Hours of Labor, AS 36.10 Employment Preference and Title 8, Chapter 30 Public Contracts, of the Alaska Administrative Code.

The GRANTEE shall establish uniform purchasing practices and procedures for the procurement of goods and services as defined in 07 AAC 078.270. The practices and procedures must be acceptable to the grant agency. The practices and procedures shall provide that:

**A.** For purchases of non-expendable personal property with a value of $5000 or more, or for the award of a contract with a value of $5000 or more, the grantee will require three competitive price quotations from potential suppliers; and

**B.** The grantee will retain written records of price quotations in accordance with 7 AAC78.250 and will include in the written records; specifications, suppliers' names and addresses, and the prices quoted.

**C.** The DEPARTMENT also requires that if criteria other than lowest cost bid is used for contract award, the criteria and the rating system must be fully described in the request for proposals.

## ARTICLE 25. BUDGET FLEXIBILITY

Notwithstanding the provisions of Article 10 (Amendments and Modifications) of this Agreement, the GRANTEE may revise the project budget in Attachment C without a formal amendment to this Agreement. Revisions that increase a line item by 20% or $50,000, whichever is less, require prior approval by the GRANTOR (7AAC 78.260). Such budget revisions shall be limited to changes to existing budget line items. GRANTEE shall notify GRANTOR of revisions prior to next payment request. Budget revisions may not be used to increase any budget item for project administrative expenses.

Changes to the budget beyond the limits authorized by this provision may only be made by a formal amendment to this Agreement.

## ARTICLE 26. EQUAL EMPLOYMENT OPPORTUNITY (EEO)

The GRANTEE may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, age, physical handicap, sex, marital status, changes in martial status, pregnancy or parenthood. The GRANTEE shall post in a conspicuous place, available to employees and applicants for employment, a notice setting out the provisions of this paragraph.



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The GRANTEE shall state, in all solicitations or advertisements for employees to work on State funded projects, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood, as set forth in Attachment E.

The GRANTEE shall include the provision of this EEO Article in every contract relating to this Grant Agreement and shall require the inclusion of these provisions in every Agreement entered into by any of its contractors, so that those provisions will be binding upon each contractor and subcontractor.

## ARTICLE 27. PUBLIC PURPOSES

The GRANTEE agrees that the benefits of the project activities to which this Grant Agreement relates shall be made available without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.

## ARTICLE 28. SEVERABILITY

If any court of rightful jurisdiction holds any provision under this Grant Agreement or its application to any person or circumstance invalid, this invalidity does not affect other provisions of the Agreement, which can be given effect without the invalid provision.

## ARTICLE 29. CLOSE-OUT

The GRANTOR will advise the GRANTEE to initiate close-out procedures when the GRANTOR determines, in consultation with the GRANTEE, that there are no impediments to close-out and that the following criteria have been met or soon will be met:

**A.** All costs to be paid with grant funds have been incurred with the exception of closeout costs and any unsettled third-party claims against the GRANTEE. Costs are incurred when goods and services are received or contract work is performed.

**B.** The last required performance report has been submitted. The GRANTEE's failure to submit a report will not preclude the GRANTOR from effecting closeout if it is deemed to be in the GRANTOR's interest. Any excess grant amount that may be in the GRANTEE's possession shall be returned by the GRANTEE in the event of the GRANTEE's failure to furnish or update the report.

**C.** Other responsibilities of the GRANTEE under this Grant Agreement and any closeout Agreement and applicable laws and regulations appear to have been carried out satisfactorily or there is no further GRANTOR interest in keeping the grant open for the purpose of securing performance.



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ATTACHMENT B

# SCOPE OF WORK

## ARTICLE 1. PURPOSE

The purpose of this grant is to provide funds to the GRANTEE for the following project: New construction and renovation of the South Peninsula Hospital. Grant funds may only be used for eligible project activities identified below and in accordance with the costs identified in Attachment C of this grant agreement, or as otherwise approved in writing by the GRANTOR.

As identified by the GRANTEE in the grant proposal, new construction and renovation of the South Peninsula Hospital is proposed to be funded as part of this grant agreement:

Attachment C to this grant agreement provides a budget for the construction project.

## ARTICLE 2. PROJECT DESCRIPTION

Grant funds provided as part of this grant award are intended to fund the development activities indicated in Article 1 (Purpose) associated with the new construction and renovation of the South Peninsula Hospital

The project is to be located in Homer, Alaska, and is commonly referred to as:

South Peninsula Hospital
4300 Bartlett Street
Homer, AK 99603

## ARTICLE 3. TASKS REQUIRED PRIOR TO FIRST DISBURSEMENT (WORK PLAN)

The GRANTEE shall provide a work plan to the GRANTOR for approval prior to disbursement of any grant funds. The work plan shall contain the following:

**A.** A detailed projected budget by line item showing the proposed use of all funds for the project, including the required minimum 50% of project cost share match from other sources other than this grant.

**B.** Written description of the work to be completed with these grant funds.

**C.** A project schedule, which may be amended from that submitted as part of the grant proposal, proposed for the completion of the project.



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## ARTICLE 4. PROJECT START-UP AND COMPLETION TIME FRAMES

A. **Site Control.** When applicable, the GRANTEE shall acquire the legal right to occupy and use the subject property for the purposes of this grant, and further assure that there is legal access to such property prior to the first disbursement of funds under this grant.

In the event grant funds are to be utilized for the purchase or acquisition of the subject property, an option to purchase or an earnest money agreement will satisfy the requirement for site control for the purpose of disbursement of funds for the purchase or acquisition of the property.

B. **Project Start-Up.** If the Scope of Work includes renovation or new construction activities, the renovation or new construction activities shall begin within six (6) months of the date on which this Agreement is executed by the GRANTOR

C. **Period of Performance.** The POP for this project is December 31, 2007. All work must be 100% complete by this date. The POP date can be extended if the GRANTEE requests an extension and can show good cause to do so.

Project completion for this purpose shall be defined as the issuance of:

(1) For projects involving renovation activities, a final unconditional Certificate of Occupancy issued by the appropriate municipal, city, or borough authority, or, if in an area where a Certificate of Occupancy is not issued, a copy of a final inspection report completed by the project architect.

In the event that the scope of work was such that a project architect was not employed in the project's development, the GRANTEE shall provide a written certification, signed by the Project Manager and/or GRANTEE's Executive Director or designated grant signor which certifies that all rehabilitation activities were completed in accordance with the original scope of work proposed, or amendments approved by the GRANTOR, and that the Project is 100% complete;

(2) A satisfactory final inspection by the GRANTOR, or its designee, which evidences that the project has been 100% completed in accordance with the GRANTEE's proposal and Scope of Work proposed in this grant agreement.

(3) Final draw down disbursement and close out documents for the project.

(4) For Planning and Design only projects, a complete set of approved drawings that are stamped and signed by the appropriate discipline provided to the GRANTEE along with all other documents necessary to bid the project accordingly.



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## ARTICLE 5. REPORT REQUIREMENTS

The GRANTEE shall establish and maintain a record of all financial transactions associated with the grant activities.

The use of grant funds in any manner contrary to the terms and conditions of this Agreement may result in the subsequent revocation of the grant and any balance of funds under the grant. In addition, the GRANTEE may be required to return any, or all, grant funds provided to the GRANTEE by the GRANTOR.

In addition to any reports and data required by other parts of this Grant Agreement, the GRANTEE shall submit the following reports to GRANTOR:

**A. Quarterly Project Reporting.**

Within 30 days of the close of the first full calendar quarter following execution of this agreement and at quarterly intervals thereafter (due 15 days after the close of each quarter) reports must be forwarded to the Department of Health and Social Services utilizing the attached forms Project Narrative Report form 642, attachment F , Quarterly Project Financial Report form 641A and 641B (Project Performance Analysis (PPA)) Attachment G provided by the DEPARTMENT which contain the following:

1. The disposition of grant funds and analysis by budget category as outlined this grant agreement and defined in the PPA form.
2. Total interest earned, if any, on grant funds provided during the reporting period;
3. Summary of project schedule;
4. Summary of problems encountered;
5. Summary of conclusions and recommendations.

In the event this project entails general construction labor, an Annual Labor Type, Residence, & Wage Report form 640, attachment H must be submitted to the GRANTOR annually. This must be completed prior to November 1st each year.

In conjunction with 1 through 5, the GRANTEE shall provide project photographs which evidence the work completed to date. Specifically, the Grantee will provide a minimum of three dated photographs per reporting period such that a complete record of the construction is maintained over time, from "before", showing the situation before the start of construction , to "during", showing work proceeding on the project, and "after", to show the finished project. Photos shall be provided in a digital format. A short description of the activity and names of those in the photos shall be provided.

**B.** **Award Closeout**. The Award Closeout must be completed within 60 days of the end of the grant performance period, or within 60 days of the completion of the project, whichever is earlier. The project closeout process includes the



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submission of both a final narrative report and financial status report as well as a Labor Type Residence and Wage Report form 640 in the event general construction was completed on this project. The GRANTEE must also request any remaining funds for expenditures under this award during this 60-day period. Please refer to the GRANTOR for guidance on additional project closeout details.

## ARTICLE 6. PERMITS AND INSPECTIONS

The GRANTEE shall be responsible for obtaining the necessary permits, inspections and written reports during construction or renovation of subject property. The GRANTOR reserves the right to review the adequacy of the inspection reports provided by the GRANTEE and to monitor all activities undertaken by this grant. The GRANTOR will notify the GRANTEE of any inadequacies which are detected during the GRANTOR's review of the inspection reports or during monitoring visits. The GRANTEE will have the responsibility to make any necessary corrections to resolve any findings.

## ARTICLE 7. FAILURE TO COMPLETE THE PROJECT

Failure to complete the project in accordance with this Grant Agreement or to show evidence of completion may result in, at the GRANTOR's discretion, the GRANTOR's filing a lien on the project and/or obtaining title to the property to protect the GRANTOR's interest, or in the GRANTOR withholding the balance of the grant amount.

## ARTICLE 8. OPERATION, MAINTENANCE AND SECURITY OF PROJECT

The GRANTOR shall not be responsible for the operation, maintenance and/or security of the project during or after its completion.



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ATTACHMENT C

# FINANCIAL PROVISIONS

## ARTICLE 1. TOTAL GRANT AMOUNT

In full consideration of the GRANTEE's satisfactory performance of the tasks stated in Attachment B, and in accordance with other conditions of this grant agreement, the GRANTOR shall pay the GRANTEE a sum not to exceed nine hundred twenty seven thousand one hundred fifty one dollars $927,151, based on the schedule identified below in Article 3 (Budget Schedule).

## ARTICLE 2. TASKS REQUIRED PRIOR TO INITIAL DISBURSEMENTS

Prior to any payments being made under this Agreement, the GRANTEE shall provide the following:

A. Evidence of all applicable licenses, including a current business license, if required by law to have a business license;

B. When requesting a funds disbursement, verifiable paid invoices for goods or services must be submitted at least equal to the amount requested.

C. Bonding and insurance requirements as specified in Attachment A, Article 22 (Insurance);

D. A Work Plan as specified in Attachment B, Article 3 (Tasks Required Prior to First Disbursement);

E. Evidence of the commitment (approval) of at least 50% cost share match of project cost from a source or sources besides the grant provided in this agreement.

## ARTICLE 3. BUDGET SCHEDULE

The GRANTEE shall use grant funds only for direct costs associated with eligible budget categories as identified in the approved work plan based on Attachment B, Article 1 (Purpose and Special Conditions). The budgeted costs associated with the work items to be completed with grant funds, as identified in the approved work plan, are as follows:



Grantee Initials DLB

**Work Activity**

New Construction

| | Denali Commission | Other Funds | Total Project Cost |
|---|---|---|---|
| Construction Cost: | $927,151 | $16,117,262 | $17,076,896 |

The GRANTOR shall not be obligated to disburse grant funds in excess of the Budgeted Cost for each activity identified above. Grant funds which are not needed to satisfy obligations associated with an above identified budgeted activity may be used to pay for the cost associated with other above identified activities, or for other eligible activities, as approved in writing by the GRANTOR.

## ARTICLE 4. PAYMENTS

Payment requests should be sent to the attention of the Department of Health and Social Services Program Administrator identified in the Grant Agreement, utilizing the Project Narrative & Funds Disbursement Form, Attachment F.

## ARTICLE 5. RETAINAGE AMOUNT

The GRANTOR will retain an amount equal to approximately ten percent (5%) of the total grant amount pending receipt and approval by GRANTOR of the Final Cost Certification and any other final reports required under Attachment B, Article 5 (Report Requirements). In addition, the retainage amount may be increased by the GRANTOR. Upon approval of the Final Cost Certification and other final reports required under Attachment B, Article 5 (Report Requirements), GRANTOR will disburse the retainage amount, in accordance with Attachment C, Article 4 (Payments). Any unexpended grant funds which remain undisbursed upon completion of the project, approval of the Final Cost Certification, and payment of all eligible costs, shall be retained by the GRANTOR.



Grantee Initials DLB

## ARTICLE 6. DEPOSITS AND INTEREST INCOME

Payments resulting from this agreement shall be used by the GRANTEE for the project and for no other purpose without prior written approval of the GRANTOR.

Any interest income that may be earned by the GRANTEE from grant funds provided to the GRANTEE by the GRANTOR remains the property of the GRANTOR. Interest income earned, if any, shall be deducted from the final ten percent (10%) retainage fee. The retainage amount shall be increased commensurate with any interest earned exceeding ten percent (10%) of the total grant amount, as evidenced by data supplied as part of the quarterly reports required under Attachment B, Article 5 (Report Requirements).

## ARTICLE 7. FUNDING SOURCE RESTRICTION

Funds provided to the GRANTEE by the GRANTOR under this Grant Agreement may only be used for eligible activities as identified in Attachment B, Scope of Work, or other eligible expenses, as approved in writing by the GRANTOR.



Grantee Initials DLB

**Attachment D**

## AUDIT REQUIREMENTS

FEDERAL REQUIREMENTS

For fiscal years ending after December 31, 2003, if you expend $500,000 or more total Federal Financial Assistance in your fiscal year, you may be required to comply with conditions of the Single Audit Act of 1984, P.L. 98-502, as amended by the Single Audit Act Amendments of 1996, P.L. 104-156, and defined in OMB Circular A-133.

STATE REQUIREMENTS -- CHAPTER 045 GRANT ADMINISTRATION

If you expend $300,000 or more total State Financial Assistance in your fiscal year, you are required to comply with the conditions of Alaska Administrative Code, 2 AAC 45.010-090. The current regulations may be viewed at the State of Alaska, Department of Law website, http://www.law.state.ak.us/, or copies may be obtained from the State agency issuing the solicitation to which this statement is attached.

Information on compliance with the State and Federal Single Audit Acts may be obtained from, and audits completed in compliance with the Acts must be submitted to:

State Single Audit Coordinator
Office of the Governor
Office of Management and Budget
P.O. Box 110020
Juneau, AK 99811-0020
Telephone: (907) 465-4660
Fax: (907) 465-2090

Attachment E

## CIVIL RIGHTS OF CLIENTS AND STAFF

(a) The Grantee shall comply with Titles VI and VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, Section 504 of the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990 (PL 101-336); Civil Rights Act of 1991; Administrative Order No. 129; the Food Stamp Act of 1977, Alaska Statutes, Sections 18.80.280, pertinent portions of the Code of Federal Regulations (CFR), and the Department's Policy and Procedure 190-6 for implementation of the foregoing.

The Grantee shall make no distinction or discrimination against the client, recipient, applicant or beneficiary of the Department's federally and state assisted programs on the basis of race, color, age, national origin, sex, political belief, religious creed, or disability. No client, recipient, applicant or beneficiary of these federally assisted programs shall be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which the Department has responsibility.

(b) Distinction on the grounds of race, color, age, national origin, sex, political belief, religious creed, or disability includes:

1. Any type of segregation, separate or different treatment, or other discrimination on that ground; other than as provided under (a) above.

2. The imposition of any admission, enrollment, quota eligibility, or other requirement or condition which individuals must meet in order to be provided any service or other benefit under the program or to be afforded an opportunity to participate in the program if the race, color, age, national origin, sex, political belief, religious creed, or disability of individuals is considered in determining whether they meet any such requirement or condition;

3. The use of membership in a group as basis for the selection of individuals for any purpose if, in selecting members of the group there is discrimination on the grounds of race, color, age, national origin, sex, political belief, religious creed, or disability.

4. The assignment of personnel to provide services, or the assignment of times or places for the provision of services, on the basis of the race, color, age, national origin, sex, political belief, religious creed, or disability of the individual to be served.

(c) The Grantee shall set up and operate internal information collection systems to provide necessary racial statistics for staff, clients, beneficiaries and/or participants. Records and reports shall be available for review by the Department, U.S.

Department of Health and Human Services and the U.S. Department of Agriculture, upon request.

(d) The Grantee shall make available to beneficiaries, participants, and other interested persons information regarding the provisions of Titles VI and VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, Section 504 of the Rehabilitation Act of 1973, the Food Stamp Act of 1977, Alaska Statutes, Sections 18.80.200 -18.80.280, pertinent CFR, and the Department's Policy and Procedure 190-6 as well as its compliance with the Americans with Disabilities Act of 1990.

(e) The Grantee shall inform and instruct staff members concerning obligations under Titles VI and VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, Section 504 of the Rehabilitation Act of 1973, the Food Stamp Act of 1977, the Americans with Disabilities Act of 1990, Alaska Statutes, Sections 18.80.200 - 18.80.280, pertinent CFR, and the Department's Policy and Procedure 190-6.

(f) The Grantee shall comply with procedures furnished by the Department for processing of complaints alleging discrimination on the basis of race, color, age, national origin, sex, political belief, religious creed, or disability.

In determination of whether a Grantee is illegally discriminating in the provision of benefits or services, consideration shall be given to the purpose of the service as expressly stated in any Federal statute, State statute, or local statute or ordinance adopted by an elected general purpose legislative body. In making such determination it shall be acknowledged that certain Federal, State or local funding is legally designated for specific groups, by age, sex, disability, income, or other specific and legal eligibility criteria. For example, programs for the aging, blind, disabled and youth provide services legally only for those groups. Also, institutions may legally serve a special age, sex, or disability group depending upon their protective, treatment, or rehabilitative needs and funding sources to provide the services.

Attachment F

# Denali Commission Quarterly
# Project Narrative and Funds Disbursement Request

Project Name: _____

Agency: _____ Reporting Period: _____

Grant #: _____ Amount of Funds Requested $_____

1. What is the status of the project; include portions completed?

2. Is the project on schedule; if not, how will this be dealt with?

3. Is the project on budget; if not, how will this be dealt with?

4. Other comments/problems and solutions:

Attachment G

# Denali Commission
# Quarterly Project Financial Report

**Project Name:** _____

Agency: _____ Reporting Period: _____

Grant #: _____

**Please include the following information:**
*(Use additional pages as necessary)*

Budget Information:

1. The total project budget—Denali Commission and other funds combined
2. The total project expenditures as of the end of the most recent quarter
3. The total amount of Denali Commission funds committed to the project
4. The total expenditure of Denali Commission funds for the project as of the end of this reporting period
5. The percentage of expenditures to the total budget
6. Project Performance Analysis (use PPA form on page2 of 641)

Project Schedule:

Show the project schedule with milestone dates for design and construction.

Form 641A

Attachment G

# Denali Commission
## Quarterly Project Financial Report
# Project Performance Analysis (PPA) Form

Project Name: _____

Agency: _____ Reporting Period: _____

Grant #: _____

**NOTE: Include Denali Commission Grant Funds Only on this form.**

| Line Items: | Approved Budget: | Actual Cost to Date: | Scheduled Completion Date: | Actual Work Performed: |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| **Totals:** | | | | |

_____ _____

Signature: Date:

_____

Print Name and Title:

Form 641B

Attachment H

# Denali Commission
## Annual Labor Type, Residence, & Wage Report
Reporting Period: 11/1 – 10/31

Project Name: _____

Agency: _____ Grant #: _____

| Position | Place of Primary Residence | Date of First Check | Date of Last Check | Rate of Pay Per Hour | Total Earnings from the Project to date: |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

_____ _____
Signature: Date:

_____
Print Name and Title:

# South Peninsula Hospital
# Emergency Room Construction Project

# Proposal

## South Peninsula Hospital Emergency Room Construction Project

## Denali Commission Grant Funding

### Project Funding – Revised September 13, 2004

SPH provided $4 million to the project from reserves. In August, 2004 an additional $833,333 was transferred from the hospital's operating cash account into the construction project account. With Denali Commission grant funding of $882,738 for a portion of the cost of the new emergency department, the hospital will be able to fully fund the project for the remaining $783,929 after the completion of the current fiscal year in June 2005. The following shows the funding sources:

| | |
|---|---|
| Total non-debt funding needed | $6,500,000 |
| SPH funding from reserves | 4,000,000 |
| SPH Operating funds transferred August 2004 | 833,333 |
| Denali Commission grant | 882,738 |
| Sub Total | $5,716,071 |
| Balance due from SPH Operating funds August 2005 | 783,929 |
| Total Project Funding | $6,500,000 |

Sent to Tess - 0934 / 3/22/04

# Executive Summary

The South Peninsula Hospital (SPH) has been the focal point for primary care on the southern Kenai Peninsula since1956. This project will correct many long-standing deficiencies by building a new Emergency Department (ED). The ED frequently serves as the primary entry point into the healthcare system.

The new ED is part of a $17 million hospital expansion. We need your help by funding $1,720,800 for half the cost of the ED to complete construction and continue serving our communities. SPH has already provided $4 million and the Kenai Peninsula Borough issued $10.5 million of general obligation bonds to partially fund the project.

We are currently in the A&E design services phase of this construction project. The Borough Capital Projects Division assigned a team of Project Managers and site preparation work is underway.

The new ED both expands and improves access to health care in our region. It offers greater operational and functional efficiencies. The new design consolidates services and eliminates the confusion the public experiences accessing these services.

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## Request for Specific Information

We are requesting Denali Commission grant funds to help us finance a new Emergency Department as this is far more central to our core mission than a new MRI.

The original funding of the expansion project is discussed in detail on page 6 and the effect of Denali Commission funds on project funding is shown on page 8.

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## Background and Overview

The South Peninsula Hospital (SPH) has been the focal point for primary care on the southern Kenai Peninsula since it was established in 1956. In these early years, the hospital was financially supported by the Public Utility District. In 1964 a local group of citizens formed an independent, "not for profit" corporation, Homer Hospitals, Inc. to operate the hospital and the City of Homer incorporated in 1964 assuming financial responsibility for supporting the hospital until 1970.

By the late 1960s it was obvious the hospital was serving all of the residents of the region so the name of the corporation was changed from Homer Hospitals, Inc. to South Peninsula Hospital, Inc. The Kenai Peninsula Borough formed the South Peninsula Hospital Service Area and appointed a Hospital Service Area Board, and the City of Homer leased the hospital property and building to the Kenai Peninsula Borough.



Enclosure 1

A "Sublease and Operating Agreement" governing the relationship between the parties was developed in 1970. This document has been modified over the years, but continues to serve as the basis for the relationship between South Peninsula Hospital, Inc., the Kenai Peninsula Borough and the City of Homer. The current Sublease and Operating Agreement continues through March 2008, with an option to renew the agreement for another 5 years.

The Sublease and Operating Agreement clearly identifies that South Peninsula Hospital, Inc. is responsible for operating the hospital; the Service Area Board is responsible for establishing the level of services to be provided and recommending to the Borough the amount of taxes necessary to support those services; and the Kenai Peninsula Borough is responsible for major capital improvements to the facility and the purchase of major capital equipment.

## Target Population and Critical Service Need

SPH is the only hospital for residents in an area of over 8,900 square miles. The next closest hospital is the Central Peninsula General Hospital, located in Soldotna more than 75 miles away. SPH serves the communities of Homer, Fritz Creek, Diamond Ridge, Anchor Point, Halibut Cove, Jackalof Bay, Happy Valley, Miller Landing, Clam Gulch, Nanwalek, Nikolaevsk, Ninilchik, Razdolna, Seldovia, Port Graham and Voznesenka.

SPH operated in the original hospital building from 1956 to 1975. In 1975, as a result of increasing population and need, the hospital moved to its current location on the same campus. In 1984 several small renovations and a large addition to the 1975 construction resulted in a larger building and the ability to treat more patients with a wider variety of medical conditions. Unfortunately, the expansion also resulted in an inefficient use of the space and a site layout that is not optimal.

This proposed project will correct many long-standing deficiencies, including a new Emergency Department (ED). The project is the result of a lengthy planning process involving a great deal of input from the local physicians, mid-level practitioners, the SPH Board of Directors, the Service Area Board, and community members at large. In addition to the very inclusive planning process, the expansion of SPH has been approved by the voters of the South Kenai Peninsula on two separate occasions. Once when the initial project began in 1998 and again when bonds were issued in 2003. A brief description of the project's development follows:

> SPH commissioned a Master Plan in 1994 which identified many improvements that were needed for the facility, additions, interior renovations and changes in services. Due to financial difficulties and a moratorium on the expansion of skilled nursing beds, the plans to address these needs were put on hold. In 1996 the planning process was renewed and culminated with voter approval in 1998 of a three phase construction project that was to be paid for with tax revenues and hospital earnings. A Certificate of Need was obtained for additional beds and expanded space in Long Term Care, a new Rehabilitation Services area, a new Emergency Department, expanded Diagnostic Imaging and renovated Surgery department.

The Long-Term Care (LTC) facility and Rehabilitation Services Department were completed in 1999 as Phase I of the project. At that time, the SPH had developed bid documents for Phase 2; which included the Emergency Department. However, in consultation with Kenai Peninsula Borough staff, both boards, and local healthcare professionals, the leadership of SPH felt that an update to the Master Plan was necessary before committing additional capital to SPH's growth.

In early 2000, Lari Ward and Associates was engaged to help SPH update its strategic plan. Interviews with community leaders, extensive research on community needs, demographic trends, historical data on workload and the hospital's shortcomings provided the basis for SPH's Planning Committee revising the strategic plan. The top goal in the revised strategic plan called for the development of a campus master plan to prepare the hospital for the next 10 to 20 years.

The architect firm of Livingston Slone teamed up with Frank Zilm, a nationally known healthcare planner, to help SPH develop the campus master plan. When it was completed, the new plan called for a significant improvement in the space provided for inpatient nursing, a centralized registration, and relocation of all patient care activities to the second floor of the hospital in addition to the other changes that were included in the original plan. The size of the total project then exceeded the funds available. Consequently, the hospital sought and received approval of the voters to issue $10,500,000 in bonds to supplement the construction budget.

## Key Demographic Trends

While each of the diverse communities that make up the South Peninsula area has experienced unique population shifts, there are some overall key demographic trends worthy of note:

- There was a strong growth trend in the region through the 1990s. Although some communities have declined or experienced slowing growth, as a region, the population of the South Peninsula area grew 47 percent overall between 1990 and 2000, with an annual average growth rate of 3.9 percent.
- Much like the rest of Alaska and the US population as a whole, there is a significant aging trend occurring on the South Peninsula. The average age of South Peninsula residents in 1990 was 31 years. By 2000, the average age had increased to 37 years. This aging trend is expected to continue into the foreseeable future.
- Examining age group distribution patterns reveals that the South Peninsula area is experiencing faster growth in its over-50 age group than compared to the rest of the borough, and the state as a whole. The increase in population age historically has triggered an increase in need for medical care.
- Although the population of the area is predominately white, there are two distinct ethnic or cultural groups in the region: Alaska Natives in the villages of Seldovia, Port Graham and Nanwalek; and Russian Old Believers in the villages of Nikolaevsk, Razdolna and Voznesenka. These groups challenge the healthcare community to be culturally sensitive and have interpreter

services available for patients for whom English is not their primary language.

## Relationship to Primary Care

SPH is the key component of the primary care system on the South Kenai Peninsula providing the only 24 hour a day, 7 day a week access to primary care other than EMS, which is provided by two volunteer organizations. The existing Emergency Department is located on the second floor of the hospital in space bisected by the major public circulation corridor. Public waiting is small and shared with Diagnostic Imaging and other services. The primary treatment area is a multi-bay room on one side of the main corridor. There are two individual exam rooms across the corridor, providing a total of four treatment spaces.

Total Emergency Department visits grew from 3,909 visits in 1998 to 5,283 in 2003. The department experiences seasonal variations in activity as a result of the summer tourist population. Analysis of five years of historical data shows that the peak month of activity (July) averages 33% more patient visits than during an average month. Space needs for the department are projected based on estimated peak period volumes and average duration of treatment time.

The proposed plan includes one two-bed trauma room, four emergency examination rooms, two examination rooms and support space for visiting physician clinics and a shared procedure room. One of the examination rooms in the ED will be designed as a safe room for temporarily holding patients who are out of control due to substance abuse or mental illness. Another examination room will be designed as a negative pressure room to isolate individuals with contagious diseases and could be used for isolation and decontamination for patients contaminated with hazardous substances. Locating the Emergency Department and the visiting physician clinic in close proximity will provide the flexibility for the ED to utilize clinic exam rooms during off-hours; to provide surge capability for mass casualty-disaster situations; and for potential future expansion of the ED if workload exceeds forecasted needs.

SPH is the only access point for emergency care; the most visible entry point for primary care in the community; and the only source of primary healthcare outside of normal business hours. SPH is also the only source for laboratory, pharmacy, radiology, language interpretation services for foreign tourists (through a contractual arrangement providing access to over 150 languages), emergency dental services, emergency mental health services, substance abuse detoxification and protective services for victims of domestic violence and sexual assault.

In addition to the traditional primary care services already identified, SPH provides a wide variety of other services to improve the health and well-being of residents of the Kenai Peninsula including: diabetes education through a program certified by the American Diabetes Association; an annual community health fair to provide screening tests and health education on a variety of topics; nutrition counseling by our registered

dietitian; well baby and pre-natal classes; a meeting place for the LaLeche League for breast feeding mothers; an annual "Safe Kids" fair in cooperation with many other community service agencies; Safe Sitter training for new babysitters; HIV testing through the local family planning clinic; and a volunteer visitor and medical equipment loan program through a contractual arrangement with Hospice of Homer.

## Integration

There are two physician-owned family practice clinics in Homer which have provided primary care to residents of the area for many years. Another physician has practiced in Seldovia for approximately 20 years. About one year ago, the Seldovia Native Association received a grant for a Public Health (Section 330) clinic, located in Homer. This clinic provides primary care to both native and non-native beneficiaries. The Homer Community Mental Health Center provides services for the residents of Homer and the surrounding communities with active outreach programs in the native villages on the south side of Kachemak Bay. The Cook Inlet Council on Alcohol and Drug Abuse provides preventive and outpatient substance abuse services for area residents. The Ninilchik Native Association operates a community clinic in the village of Ninilchik. The Kachemak Bay Family Planning Clinic offers family planning services, treatment of sexually transmitted diseases and breast and cervical cancer screening.

SPH provides after hours telephone answering service for the local clinics and the Community Mental Health Center. All patients who are sent to Alaska Psychiatric Institute for involuntary commitment are provided medical screening by our ED physician prior to transport. SPH has a contractual arrangement with a local psychiatrist to provide consultation to the ED physicians for better management of patients with mental illness. The Homer Police Department and Alaska State Troopers frequently bring individuals who are under the influence of drugs and/or alcohol to the ED for medical clearance prior to incarceration or these individuals are managed medically until sober enough to be discharged to the jail for incarceration. The social services and nursing staff of SPH provide referral to primary care providers and/or substance abuse programs for follow up services after initial treatment in the ED.

## Alternatives for Service Delivery

Although Homer is fortunate to have a variety of healthcare and social service agencies, there are actually very limited treatment alternatives and options in a small rural community. The community hospital is expected to fill service gaps and take care of anyone in need regardless of their condition or ability to pay.

## Financial Overview

While financial self-sufficiency is a long term goal, we do not now have the population or the utilization needed to achieve economies of scale. We are obligated to staff around the clock without regard to low patient volumes. As a result, our average operating loss for the four fiscal years 2000, 2001, 2002, and 2003 was $419,000.

To bridge this gap we receive supplemental tax revenue appropriations from the Kenai Peninsula Borough (Borough) based currently upon 1.75 mils. This has provided approximately $1.5 million annually, primarily for capital equipment, capital repairs, and as a mechanism for accumulating funds for large capital projects. For the next 20 years, 1.01 mils of our tax levy, approximately $800,000 per year, is earmarked for debt service to retire the project's $10,500,000 bond debt.

## Financial Capacity

The people we serve are committed to having a modern hospital in Homer, as evidenced by the 65% margin by which the bond measure passed. Both our Service Area Board and the Borough are committed to providing financial support to provide quality health care services to our area residents through SPH. While we are now wrestling with our finances, this is something we will overcome and we will be more viable for the long run. We feel certain that once the expansion and renovation project is fully funded and complete, we will have even greater ability to sustain the services and facility than we do now. The flip side of this concept is this: if we do not complete the project, it will be increasingly difficult to attract physicians and skilled nursing and technical staff, and our ability to serve our communities will be diminished both in the range and quality of services.

## Project Funding Structure

Project funding was structured to use as little debt financing as possible. SPH was to provide $6.5 million from reserves and operations, with $10.5 million provided through debt financing. The original funding plan is shown below:

| | |
|---|---|
| Bond debt financing | $10,500,000 |
| SPH reserves designated for construction | 4,000,000 |
| Due from SPH operations | 2,500,000 |
| Total project cost | $17,000,000 |

The bond debt financing process is complete and the Borough has deposited the $10,500,000 pending the start of the project.

The hospital's funds designated for construction represents money which was appropriated by the Borough and was saved and set aside this project. The $4,000,000 in hospital reserves designated for construction has been transferred to the Borough's capital projects fund for this project.

With regard to the $2,500,000 still due from SPH operations, the Borough and the hospital administration planned to have SPH pay this in three equal installments of $833,333 from operating funds in fiscal years 2003, 2004, and 2005. The 2003 payment was not made and now, because SPH is projected to lose $2.4 million for fiscal year, the Borough has given us the latitude to delay payment, so long as the entire $2.5 million is transferred to the Borough before the funds are needed to make project payments.

## The Need for Denali Commission Grant Funds

When we submitted our letter of interest to the Denali Commission, our focus was on adding back improvements to the construction project which had been eliminated to make the project fit into the $17 million budget. Now we are requesting funding just to be able to complete the project at its reduced scope.

South Peninsula Hospital is having an unusually poor year financially after enjoying a history of steadily increasing revenues. Fiscal year 2004 will be the first year since 1996 in which our revenue is lower than the preceding year. This is due primarily to lower patient volumes and is attributable to changes in some key physicians' practices. Given our current financial situation, it is going to be extremely difficult to pay $2.5 million before it is due without grant funds.

We are currently on an austerity diet which unfortunately is going to burn off some muscle as well as the little fat we have. The following outlines our plan to address our current financial situation:

- The service area has $1.3 million remaining after the $4 million transfer to the Borough. We have asked our Service Area Board to request of the Borough Assembly an operating subsidy of $585,000 from this reserve, which they have tentatively agreed to do. Once appropriated, we will transfer these funds to the Borough as part of our $2.5 million local share. We are required by the Borough to maintain a minimum of approximately $700,000 in this reserve account so the remainder is not available for additional operating subsidies.
- We are trying to replace the money we are going to take out of the service area reserve by being as spartan as possible in our capital equipment purchases from current Borough appropriations. We have deferred approximately $400,000 in approved capital spending from our 2004 capital budget. To the extent we do not have to use this money to replace critical equipment or effect major repairs, it will roll into the service area fund after June 30, 2004. For fiscal 2005 we again intend to restrict our capital purchases as much as possible to further increase our reserve.
- We are operating as frugally as we can with our current structure and are considering organizational changes to allow us to economize even more. We are reducing staff by attrition and reducing paid hours through voluntary leave without pay. We are examining our entire operations in detail to identify areas in which we can be more efficient or can cut outright. We are actively recruiting a new general surgeon to fill the gaps left by the changes in physician practices noted above. We have prepared a tight but attainable budget for 2005 which will return us to our previous financial profile of funding approximately 75% of our depreciation. This should allow us to pay the Borough some money from 2005 operations as intended.

Please note that in these plans there is a great deal of uncertainty as to our ability to accumulate $2.5 million by the time the funds are needed to pay for construction. We

very much need the Denali Commission grant funds. To try to generate this money on our own, we would have to put off two more years of needed equipment purchases and facility repairs and we would have to cut our staffing and services significantly. With the $800,000 debt service payment deducted from our Borough revenue for each of the next 20 years, it would take us years to recover from deferring equipment replacement for so long. We very much need the Denali Commission grant funds so we don't have to cannibalize our organization more than absolutely necessary to see this project through.

## Cost Share Match

SPH has already provided $4 million to the project from reserves and is in the process of obtaining $585,000 as an operating subsidy from the Borough. With Denali Commission grant funding of $1,720,800 for half of the cost of the new emergency department, the hospital would be able to satisfy its obligation to the Borough for the remaining $194,199. The following shows the proposed match:

| | |
|---|---|
| SPH portion specific to the Emergency Department | $1,720,801 |
| SPH portion for the remainder of the project | 3,058,398 |
| Total SPH funding | 4,779,199 |
| Denali Commission funding | 1,720,801 |
| Total non-debt funding | $6,500,000 |

## Additional Considerations

We have given a great deal of thought to the possibility of completing as much of the project as possible up to the point of committing bond funds and then shelving the project unless we have the necessary local funds. After weighing the inevitable loss of momentum, the increase in cost due to stopping and restarting, and the possibility of having to collapse the bond issue and having to request another, we are determined to press on if at all possible.

## Construction Readiness

SPH is currently in the A&E design services phase of this construction project.

Site control issues have been addressed with the April 8th, 2003 renewal of the South Peninsula Hospital, Inc. Sub-lease and Operating Agreement.

The Master Plan, the conceptual designs, and the independent preliminary cost estimates were completed in May 2003.

An RFP for Architectural Design Services was competitively bid and on November 7th, 2003 a contract to complete the design package was awarded to the partnership of RIM Architects of Anchorage and Kaplan-McLaughlin-Diaz of Seattle. This partnership brought together a unique blend of Alaska construction savvy and hospital design

excellence. The design package integrates identified community needs with operational and staffing efficiencies.

The Kenai Peninsula Borough Capital Projects Division assigned a team of Project Managers to this construction project.

In preparation for completion of the construction plans, the Architects, the Mechanical and Electrical Engineers, and the Civil Engineers have made several site visits.

Site preparation work is underway. A Site Survey has been completed. Demolition of the original hospital building has begun.

For your consideration, we would like to point out that the highway to Homer and the Port of Homer are open year-round. Construction of the current hospital and the two subsequent additions were year-round projects. Although winter can be challenging in our location, it will not stop construction of our expansion project.

After reviewing the commission's construction readiness criteria with our architectural team, we were assured this project would be construction ready this fall.

Copies of the above mentioned completed documents are available upon request.

**Expansion of Health Care Access**

Over a period of many years, SPH has endeavored to keep pace with a growing population and with advances in healthcare services and technologies. Our past additions and renovations addressed healthcare service improvement needs at that time. As we added space and services, we were left with a facility layout where way-finding is confusing, where maintaining patient and physician confidentiality is challenged, and where new services have been located inconveniently, in some cases off campus. With our region's growing population and ever increasing tourist business, easy public access to our healthcare services has been compromised. The primary goals of our expansion and renovation projects are these:

- Accessibility and patient "way-finding" will be improved with the new ED because all patient care services will be consolidated on the second floor of the hospital.
- The main entrance shifted from the first floor to the second floor with immediate access to registration and patient financial counseling.
- A triage area is included in the ED directly across from the reception area so that patients can be quickly assessed and prioritized for treatment.
- Separate waiting areas for ED patients and other patients to increase patient comfort and privacy.

- The majority of the patient examination rooms will be private rooms off an interior corridor of the ED rather than the main public access corridor as is the current situation.
- There will be separate entrances for ambulatory patients seeking outpatient services and emergency patients brought to the ED by ambulance, which will significantly improve patient privacy by reducing the spectator effect of moving emergency patients through the main public corridor.
- The helipad will be relocated to the roof of the hospital which will improve both accessibility and privacy by not having to move patients through the main corridors of the hospital and across the public parking lot to the current helipad.
- The increased number of rooms will provide a functional layout of the space improving patient flow and enhance the efficiency of staff by allowing the nursing staff and ED physicians to stage patients and treat additional patients while waiting for diagnostic test results.
- A safe room for patients who are under the influence of alcohol or drugs or who are suffering from mental illness. This addition will allow these patients to be safely managed at the hospital rather than being held at the local jail as is currently done.
- The dental clinic for Medicaid and other patients without resources can be reopened in the visiting physician clinic space adjacent to the ED. This clinic closed when the old hospital building was scheduled for demolition.
- The new ED will include a "meditation" or quiet room for families of patients who have suffered a severe injury or who have died so they do not have to remain in the public waiting room.
- The negative pressure examination room will allow patients with contagious diseases to be managed and treated wile minimizing the risk of exposure of others.
- The new ED will include a decontamination room to deal with patients contaminated with hazardous substances from industrial or other sources.
- The clinic space adjacent to the ED will provide a comfortable place for outpatient antibiotic infusions and/or chemotherapy and allow more patients to receive these services locally rather than having to travel to Anchorage.