

D R A F T

December 11, 2013

Hugh Hallgren, CEO
Sitka Community Hospital
200 Moller Ave
Sitka, AK 99

Dear Mr. Hallgren:

At last night's regular Assembly meeting the Assembly of the City & Borough of Sitka reviewed your proposed project budget for the construction of a second modular building needed to expand the Mountainside Family Clinic. As a part of that review they took into consideration the commitment to be initiated by you, Sitka Community Hospital (SCH) Board and Sitka Community Hospital Foundation to raise funds.

Additionally they took into consideration the positive responses you have received from the Rasmuson Foundation and the Murdock Charitable Trust to initial inquiries, as well as the SCH Foundation's willingness to mount a capital campaign. In light of these developments the City & Borough of Sitka will accept a proposal for project funding in the amount of approximately \$650,000. Although this is not a funding commitment, your efforts and commitment to date suggest that the project is feasible, and a final proposal could be formally acted upon at the **April 8, 2014** meeting of the City and Borough of Sitka Assembly.


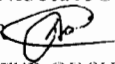
We wish you success and applaud your efforts to proactively seek support to enhance primary care for all in Sitka.

Sincerely,

Mark Gorman
Municipal Administrator

C: Mayor and Assemblymembers
Michael Harmon, Public Works Director
John "Jay" Sweeney, Finance Director

INTEROFFICE MEMORANDUM

TO: MARK GORMAN, MUNICIPAL ADMINISTRATOR 
FROM: JAY SWEENEY, FINANCE DIRECTOR 
SUBJECT: SITKA COMMUNITY HOSPITAL LETTER OF SUPPORT
DATE: DECEMBER 5, 2013

Mark,

After conversations with Hugh Hallgren and Lee Bennett from the Sitka Community Hospital this morning, I am now reassured, and of the opinion, that the facility expansion being contemplated by SCH will at least be cost neutral, if not profit and cash flow accretive.

From a due diligence stand point, I wanted to be assured that the project would generate increased positive cash flow from new operations equal to the potential increased debt service. Lee has discussed this with me and assured me that even under the most conservative assumptions as to additional business, this will be the case.

Given these conversations, I now believe it to be in the best interest of the City and Borough of Sitka to support this project.

Regards,

Jay

Request for Medical Office Building Letter of Support for \$650,000.00

Organizational History – In the summer of 1949, the City of Sitka successfully lobbied the Territorial Legislature for funding to support construction of a medical facility that would serve the non-Native population of Baranof Island. At that time, non-Native Sitkans could only access emergency care at the local Indian Health Services facility, and the Sheldon Jackson School Infirmary served as the inpatient facility for non-Native population. The Legislature funded construction of the first Sitka Community Hospital (SCH), which opened in April 1956. Although SCH was initially managed by the Pacific Lutheran Synod, the City of Sitka established a board of directors and assumed responsibility for hospital operations in 1957.

In 1979, Sitkans approved a \$5.6 million bond issue for construction of a new 12-bed acute care hospital with matching funds from the State of Alaska. During the 1980s, services expanded to include a long-term care unit and the Mountainside Family Health Care (MFHC) clinic. Originally housed in the hospital basement, MFHC was relocated to leased space in 2008. By 2010, the lease had become so expensive that purchase/installation of a modular building became a viable, cost-saving alternative. SCH purchased a custom-designed structure from M Space (a modular construction company in Oregon) that was shipped to Sitka and installed on the hospital campus. Just three years later, the increasing demand for outpatient care and the need to accommodate visiting specialists requires additional space.

Services – SCH is a 12-bed acute-care hospital with 15 long-term care beds that has served Sitkans for over 50 years. The hospital provides a robust set of programs and services that includes acute and trauma care, Diabetes Self-Management Education, Home Health, inpatient/outpatient laboratory, OB/GYN, 15 long-term care beds, general surgery, radiology (i.e., CT, ultrasound, mammography), and the Oceanside Therapy Center. MFHC represents SCH’s emphasis on primary care as a mechanism to improve population health in response to the changes occurring in health care.

Geographical Area Served – SCH’s primary service area is the City & Borough of Sitka, and the secondary service area encompasses the entirety of Baranof Island. The City & Borough of Sitka is the largest city-borough in the United States with a total land area of 2,870.3 sq. mi. and a population of 9,046 that is 17 percent Alaska Native and 83 percent non-Native.

Patients Served – SCH services the population of Baranof Island, which represents approximately 8,881 Alaskans. Although SCH does not measure the number of people served annually due to the overlapping nature of inpatient/outpatient care and hospital readmissions, the following table shows historical data for care services provided since 2010:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Acute Patient Days	1,390	1,360	1,263
Ancillary Outpatient Services	13,574	12,719	13,915
Primary Care Visits	4,490	5,381	7,381
Home Health Visits	497	655	691
	19,951	20,115	23,250

Project Description – The project consists of purchasing and installing a 3,800 sq. ft. modular clinic facility that would alleviate overcrowding in the current MFHC building and relocate additional outpatient services still housed in the hospital basement. The new building will provide eight exam rooms, three offices, consultation and procedure rooms, and provide the space required for a fully-staffed clinic with nurses, physicians, and nurse practitioners. Office space will be provided for the numerous specialists who visit Sitka on a rotating schedule. The new building would be installed on an existing concrete pad left intact upon demolition of the original 1950s hospital. The pad's size is adequate to accommodate the structure, but it must be repaired and stabilized to serve as a foundation. The project also includes renovating a portion of the original hospital basement beneath the pad for storage space.

Need for project - Demand for SCH's services is growing rapidly, and in the past three years rates are up 18 percent for admissions, 42 percent for outpatient procedures, and 13 percent for emergency room visits. In 2013, 21 babies have been delivered and 23 more are on the way as of last count.

Current Status – SCH's architect, B. John Crane, has completed 100 percent of the facility design work in conjunction with M Space staff who built and assembled the first Medical Office Building.

Project Implementation/Completion Timeline – As soon as funding commitments are in place, M Space will begin construction of modules and simultaneously commence site work in Sitka. Modules would be transported by barge from Seattle to Sitka, and the shorter construction time associated with modular construction reduces site disruption and waste, and achieves financial savings. The new facility would be completed within approximately three months of the order date and will serve patients far more quickly than traditional construction. It is anticipated that the funding commitments will be finalized by Summer of 2014.

Project total cost – The total cost of the project is estimated at \$1,300,000, which includes purchase/installation of the building, rehab work on the foundation, basement renovations, 10 percent contingency, and FF&E.

Request to Assembly – An allocation of approximately \$650,000 is anticipated from the City & Borough of Sitka for the project. This is 50% of the total cost of the project.

Sources of Funding – SCH requests a grant in the range of \$250,000 from the Rasmuson Foundation toward the purchase of the modular building. SCH is in the planning phase of an 18-month capital campaign to be launched publicly on January 1, 2014, with a goal of \$50,000 to be raised from local donors, vendors and SCH Foundation events. A letter of inquiry seeking a grant of approximately \$300,000 from the M.J. Murdock Charitable Trust has been submitted and has been permitted for submission. An additional \$50,000 from other private foundations in the Northwest would bring the project to completion.

Colleen Ingman

From: Mari-Margaret Tydingco <sitkaot@gmail.com>
Sent: Tuesday, December 03, 2013 8:39 PM
To: assembly
Subject: Letter of support for the new Medical Office Building at Sitka Community Hospital

Hello to all,
Hope you had a good Thanksgiving. We are excited about the growth of our hospital!

Please consider the following facts:

- 1) We are asking the Assembly for \$650,000.00 for a project (including renovation of the old hospital basement) that will cost \$1.3 M. We are asking for the letter of support so that we can get the remainder of the money from the Rasmussen Foundation (\$250K) and the Murdock Trust (\$300K), plus our own Sitka Community Hospital Foundation for \$50K (thanks Ann!!). We will raise the additional needed \$50K from other foundations or self-fund it. The point is that the City gets the building for half price, they save 50%. And, they own the building!
- 2) We need the new Medical Office Building because our Mountain Side Family Health Clinic patient visits have increased over 100% in the past three years. Last year, we saw over 10,000 patient visits. Because of our success, at times we have only one exam room available per physician to see patients. This is very inefficient and not a good management of our physicians time.
- 3) We need additional space for visiting physicians and their patients, because currently we can only have two visiting physicians at a time because of space constraints in the Specialty Clinic. That means that on occasion, specialists cancel their visit because they can only come to Sitka at certain times. This is inconvenient for patients and can result in patient care problems.
- 4) Patients coming to see the General Surgeon or visiting Specialists in the basement have a long distance to travel via wheelchair, walker, cane, or just walking. They should be closer to parking, the lab, and radiology. They have to compete with traffic for the laundry, maintenance, and the warehouse. They all have to share the same hallway. It will improve their quality of care and the convenience of their visit if they have a building on the same floor as the rest of our patient care.
- 5) The return on investment for the money is that it is matched by other funding agencies, it improves the quality of care of our patients, and it improves the access to care for patients in our community. We can easily pay the City fund back for the money by using our Tobacco Tax funds like we are currently doing for the first office building.

Thank you so very much. Please feel free to contact me at the above email address or by telephone 747-3621 or our CEO, Hugh Hallgren at the hospital with any questions or comments.

Sincerely,
M. Celeste Tydingco, OTR/L, MOT
President
Sitka Community Hospital Board

Sara Peterson

From: Ann Wilkinson <wilkinson99835@gmail.com>
Sent: Wednesday, December 04, 2013 1:10 PM
To: Sara Peterson
Cc: Phyllis Hackett
Subject: Oops, more info needed

Sara,

On my last email, I failed to tell you what the documents are. The grant update from Linda is a recap of our current status on grants for funding the new building. Linda Soriano is our grant writer. The other document is a flier I've created for the upcoming capital campaign. The reason I've included it is because it has a graphic that shows the growth of Mountainside Family Healthcare.

Thanks again,

Ann

747-2707



A Foundation of caring . . .

Helping to build Sitka's health care for the future.

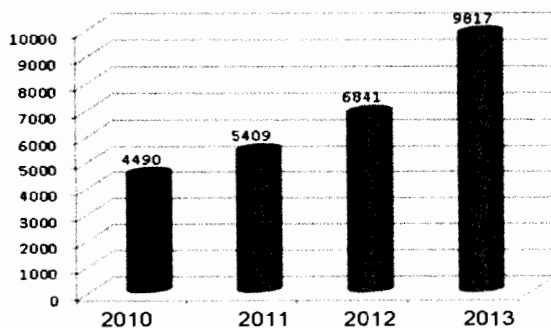
Sitka Community Hospital Foundation is embarking on a capital campaign to add a new building to Mountainside Family Healthcare, an outpatient clinic of Sitka Community Hospital.

Facts:

Mountainside Family Healthcare has experienced tremendous growth over the last three years, averaging more than 30% a year. Last year alone the growth was 44%.

The current building will quickly run out of room. We need to expand our clinic capacities to keep up with the demand.

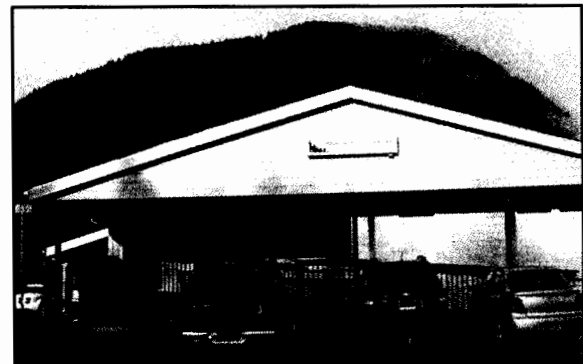
The new building will sit next to the current clinic building on the site of the old Sitka Community Hospital.



Clinic growth as number of patient visits per year.

Cost:

The cost of the new building will be \$1,300,000. The current financial plan includes grants totaling up to \$650,000 and the rest coming from the City of Sitka and the Foundation's capital campaign fund.



What it means to you:

Sitka Community Hospital and Mountainside Family Healthcare strive to provide health care services right here in Sitka, reducing the amount of travel required to obtain health care out of town. We've added cardiac rehabilitation services, ear, nose and throat services, gynecology services and orthopedic services. Our specialty clinic continues to expand. We need your help to continue this growth and ensure thriving health care services in Sitka for future generations of Sitkans.

How to give:

Tax deductible donations may be made at our web site:

SitkaHospitalFoundation.org

Or by check mailed to Sitka Community Hospital Foundation at 209 Moller Ave., Sitka, AK 99835.

For more info, contact Foundation President, Ann Wilkinson, at 907-747-2707.

Here's the skinny (on the Mountainside Family Healthcare grant process):

- 1) **Rasmuson Foundation/\$250K** – We have verbal approval from Aleesha Towns-Bain to move toward a decision at the June 2014 Board meeting. Before we receive the letter inviting a full proposal, Rasmuson needs a letter from the City saying they know about the project and will consider allocating about \$650K. All other Rasmuson requirements (i.e., 100% board giving, starting the capital campaign, etc.) have been met. But they need a preliminary indication that the City is aware of and considering funding for the project. The City's final commitment won't be necessary until shortly before the June 2014 Rasmuson board meeting. So the City needs to write their letter to demonstrate local involvement, but it's not a funding commitment. As soon as they do that, we'll receive an invitation letter from Rasmuson.
- 2) **Murdock Trust/\$300K** – The Senior Program Officer at the Trust suggested I ask for this amount, and he has received your letter. The Trust has a 3-week turnaround time, so we will have a written response before the end of December. I fully expect an invitation to submit a full proposal, because Trust staff has been very positive about the project and are impressed with your local progress to date. So you'll have a letter to show the City by about mid-Dec. To be clear, we need BOTH Rasmuson and Murdock on board because they frequently do funding partnerships for capital projects.
- 3) **Other Grants/\$100K** – We will get other foundations/funders in Alaska to give as soon as Rasmuson/Murdock invite full proposals. Invitations from those two always bring in more players, plus we'll go to a bunch of corporate giving programs for gifts of about \$10K each.
- 4) **Capital Campaign** – The Campaign is critical to Rasmuson's participation, and they wouldn't ask us to mount it unless they were serious about supporting SCH. The Campaign goal is reasonable and achievable, and the participants are thoroughly committed.

Foundations get thousands of applications and fund only the best projects. Rasmuson acknowledges that we've done incredibly well in clearing the hurdles, because local support for SCH is so strong. The "soft" funding letter from the City is the last one.

Tenacity is the name of the game in successful grant seeking. Maybe that's why I like it so much. ;)

Linda Soriano