

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2020-12
AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA MAKING SUPPLEMENTAL
APPROPRIATIONS FOR FISCAL YEAR 2020
(Office of Inspector General Anti-Kickback Liability Settlement)

BE IT ENACTED by the Assembly of the City and Borough of Sitka, Alaska as follows:

1. **CLASSIFICATION.** This ordinance is not of a permanent nature and is not intended to be a part of the Sitka General Code of the City and Borough of Sitka, Alaska.

2. **SEVERABILITY.** If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and application thereof to any person and circumstances shall not be affected thereby.

3. **PURPOSE.** The purpose of this ordinance is to make a supplemental operating appropriation in FY2020 to settle an Office of Inspector General (OIG) Stark Anti-kickback liability stemming from operations of the former Sitka Community Hospital, and, to authorize the advance of funds from the General Fund City Funded Escrow Account to the Sitka Community Hospital Fund to make the associated payment.

4. **ENACTMENT.** In accordance with Section 11.10(a) of the Charter of the City and Borough of Sitka, Alaska, the Assembly hereby makes the following supplemental appropriation for the budget period beginning July 1, 2019 and ending June 30, 2020.

<u>FISCAL YEAR 2020 EXPENDITURE BUDGETS</u>
SPECIAL REVENUE FUND
Fund 190 – Sitka Community Hospital Dedicated Fund – Operations: Increase appropriations in the amount of \$4,125,552 to settle an OIG Stark Anti-kickback liability stemming from operations of the former Sitka Community Hospital.
In conjunction with increasing appropriations in the Sitka Community Hospital Dedicated Fund to settle the liability, an advance of funds in the amount of \$4,125,552 from the General Fund City Funded Escrow Account to the Sitka Community Hospital Dedicated Fund is also approved.

EXPLANATION

The General Fund will advance \$4,125,552 to Fund 190, the Sitka Community Hospital Dedicated Fund, to settle an OIG Stark Anti-kickback liability.

The OIG Stark Anti-kickback liability was recorded in a prior fiscal year in the financial records of the former Sitka Community Hospital component unit and, upon sale of Sitka Community Hospital to the Southeast Alaska Regional Health Consortium (SEARHC), the liability passed to the City and Borough of Sitka (CBS) and was recorded in Fund 190, the Sitka Community Hospital Dedicated Fund. In conjunction with the Asset Purchase Agreement entered into between the CBA and SEARHC relative to the sale, the CBS agreed to place funds into a City Funded Escrow Account with the General Fund to be used to settle future liabilities, including the OIG Stark Anti-kickback liability. The OIG has now proposed settlement terms to the Municipality.

The funds being advanced from the General Fund to Fund 190 will be repaid to the General Fund using any funds remaining after the final wind-down of former Sitka Community Hospital business activities, tobacco tax proceeds, and once released from escrow, proceeds from the sale of Sitka

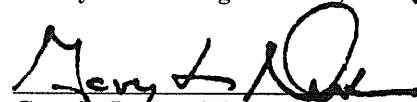
Community Hospital (which are being deposited, per terms of the Asset Purchase Agreement, into a separate Purchase Price Escrow Account).

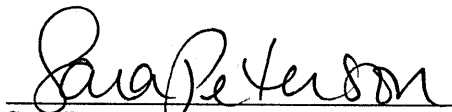
Total supplemental appropriations to date for the General Fund in FY2020 totals \$960,085. Increases of operating budgets in the amount of \$571,924.23, to comply with Charter provisions pertaining to non-lapsing of encumbered funds at the end of a fiscal year ("Year-end soft close"), are not included in this amount.

5. **EFFECTIVE DATE.** This ordinance shall become effective on the day after the date of its passage.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 14th Day of April, 2020.

ATTEST:


Gary L. Paxton, Mayor


Sara Peterson, MMC
Municipal Clerk

1st reading 4/14/2020
2nd and final reading 4/28/2020

Sponsor: Administrator