

# **CITY & BOROUGH OF WRANGELL**

## **PROPOSITION 1**

### **WHAT?**

The Municipal Election in Wrangell will take place on October 2, 2018. The ballot will include PROPOSITION 1 which asks the community to vote on a healthcare solution for Wrangell. The City & Borough of Wrangell (CBW) has been working with Southeast Alaska Regional Health Consortium (SEARHC) for the past several months to develop a local healthcare solution.

### **WHY A VOTE?**

The value of the transaction exceeds \$1 million. The CBW Charter requires that any transaction valued at \$1 million or more must be ratified by the voters.

### **WHY IS A HEALTHCARE SOLUTION NECESSARY?**

- In the 2019 Fiscal Year (July 2018-June 2019) Wrangell Medical Center (WMC) is projecting an operating loss greater than \$800,000.
- The WMC does not have sufficient cash reserves to make up that operating loss.
- The existing hospital facility is 50 years old. An engineering assessment completed earlier this year identified building deficiencies and estimated that the cost to bring the building up to code is \$24 million.
- Estimated costs of the CBW building a new community hospital range from \$40 million to \$50 million. The financing costs on a 40-year loan for the CBW to build a hospital are estimated to reach an additional \$40 million; bringing the total cost as high as \$90 million.
- Carrying that level of debt would put the CBW and tax payers in a very precarious position financially. Additionally, it would be extremely difficult to obtain bonding or federal loan financing for other municipal capital improvement projects.

### **WHAT ARE SEARHC'S SIGNIFICANT OBLIGATIONS TO WRANGELL IN THIS TRANSACTION?**

- SEARHC will assume operation of WMC on or around November 1, 2018.
- SEARHC will be responsible for all maintenance on the existing hospital facility which will remove the financial burden to the CBW for ongoing hospital maintenance and repairs.
- SEARHC is obligated to retain all WMC employees in good standing for at least one year and employees who remain in good standing after one year may be retained for a far longer period.
- SEARHC will build a brand new critical access hospital and long-term care center estimated to cost \$30 million.
- SEARHC will expand the AICS Advisory Committee to include WMC Board members creating a new local Healthcare Advisory Committee.



Concept Drawing of the New Wrangell Medical Center Campus

#### **WHAT ARE THE CBW's SIGNIFICANT OBLIGATIONS TO SEARHC IN THIS TRANSACTION?**

- The CBW will transfer ownership of the land adjacent to the existing AICS Clinic to SEARHC for construction of the new hospital.
- The CBW will lease the existing hospital building and land to SEARHC at no cost during the interim period as SEARHC operates WMC in its current location while building the new hospital.
- The CBW will transfer ownership of all operational aspects of WMC, including equipment, to SEARHC.
- Once the new hospital is completed, the CBW will retain ownership of the old hospital building. Eventually, the CBW intends to demolish the old hospital building and use the land for another public purpose.

#### **DOES THE ASSEMBLY SUPPORT PROPOSITION 1?**

- On August 14, 2018 the Assembly unanimously approved the first reading of two ordinances authorizing the transaction with SEARHC and approving the ballot language for Proposition 1. The transaction documents can be viewed at [www.wrangell.com](http://www.wrangell.com) or by contacting the Borough Clerk.
- On August 28, 2018 the Assembly held a public hearing on the two ordinances. The Assembly unanimously approved the second reading and adoption of the two ordinances.
- The Assembly has approved the transaction, pending voter approval of Proposition 1.

#### **HOW WILL PROPOSITION 1 READ ON THE BALLOT?**

##### PROPOSITION 1

##### Ratification of Ordinance 948

Section 5-14 of the Borough Charter and Section 5.10.035.A of the Wrangell Municipal Code require that any ordinance which provides for "the sale or lease of any Borough property, real or personal, or the sale or lease or other disposal of any interest therein, the value of which property, lease or interest is more than \$1 million," be ratified by a majority of voters who vote on the question. Ordinance 948, enacted by the Assembly on August 28, 2018, provides authority to the Mayor to enter into an agreement (including a lease and a deed amendment) with Southeast Alaska Regional Health

Consortium (SEARHC) to lease the Wrangell Medical Center and operate it for approximately four years and to build a new hospital adjacent to the AICS Clinic, on the AICS Clinic property and adjacent property conveyed to SEARHC by the Borough. The value of the entire transaction is approximately \$1.618 million. Shall Ordinance 948 be ratified?

Yes

No

**WHAT WILL HAPPEN IF PROPOSITION 1 PASSES?**

- The Assembly will certify the election results on or about October 4, 2018.
- The SEARHC Board of Directors will consider approving the transaction on or about October 26, 2018.
- Assuming approval by its Board, SEARHC will assume operations of WMC on or about November 1, 2018.
- The CBW and SEARHC will host a community event later this year to celebrate the transition to a new community healthcare solution.