

CITY OF UNALASKA  
UNALASKA, ALASKA

ORDINANCE NO. 2017-14

BUDGET AMENDMENT NO. 2: Creating a Budget Amendment to Transfer \$500,000 from the General Fund Budgeted Surplus to Increase the Grants to Non-Profits to help fund the Iliuliuk Family Health Services (IFHS) Emergency Assistance Support Request

BE IT ENACTED BY THE UNALASKA CITY COUNCIL

Section 1. Classification: This is a non-code ordinance.  
Section 2. Effective Date: This ordinance becomes effective upon adoption.  
Section 3. Content: The City of Unalaska FY18 Budget is amended as follows:

- A. That the following sums of money are hereby accepted and the following sums of money are hereby authorized for expenditure.
- B. The following are the changes by account line item:

**Amendment No. 2 to Ordinance #2017-07**

	<u>Current</u>	<u>Requested</u>	<u>Revised</u>
<b>I. OPERATING BUDGET</b>			
<b>A. General Fund</b>			
Sources			
Budgeted use of Unrestricted Net Assets	4,010,941	500,000	3,510,941
Uses			
Grants to Non-Profits	-	500,000	500,000

PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE UNALASKA CITY COUNCIL THIS 24<sup>th</sup> DAY OF November 2017.

  
MAYOR

ATTEST:

  
CITY CLERK



## RE-EVALUATED CASH NEEDS

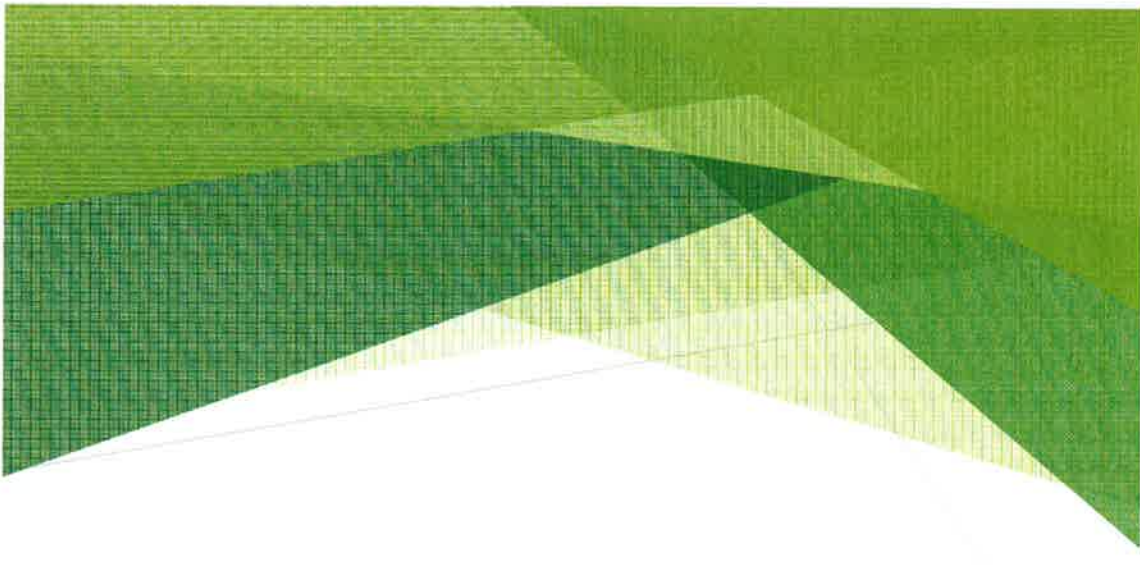
▶ LOWER REV ( VOLUME AND SLIDING FEE SCALE)	(\$489,735.24)
▶ INVESTMENT CASHED IN	\$200,000.00
▶ AWARDED AIMS GRANT/HRSA CARRYOVER	\$190,000.00
▶ ADJUSTMENT TO STAFFING AND SALARIES	(\$65,532.34)
▶ REDUCTION OF EXPENSES	\$77,916.00
▶ REPAIR OF FAN	(\$5,500.00)
▶ BILLS FROM PRIOR PERIOD; NOT BOOKED UNTIL NOVEMBER	(\$116,393.22)
▶ TELEPHARMACY SET-UP AND MAINTENANCE	(\$55,000.00)
▶ INCREASE BILLING FEES/CHANGE IN BILLING COMPANY	(\$6,393.32)
▶ <b>REVISED CASH NEEDS FOR FY 2018</b>	<b>(\$270,638.12)</b>

## CASH PROJECTION FOR REMAINDER OF FY 2018

	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>
CASH CARRYOVER/PREVIOUS MONTH	380,618.83	219,189.36	35,470.52	(178,811.58)	(211,077.78)	(40,028.51)	(93,028.87)	(193,274.83)
Total Revenue	421,461.65	246,217.78	291,026.10	487,691.73	620,596.50	358,218.45	303,419.83	301,576.68
Total Expenses	582,891.12	429,936.61	505,308.21	519,957.92	449,547.23	411,218.81	403,665.80	379,900.87
Cash Available	219,189.36	35,470.52	(178,811.58)	(211,077.78)	(40,028.51)	(93,028.87)	(193,274.83)	(271,599.02)

## IFHS INVESTMENTS

- ▶ HAVE \$430,913.64 IN TOTAL INVESTMENTS
  - ▶ CASH \$243,279.48
  - ▶ EQUITIES \$185,965.50
  - ▶ MUTUAL FUNDS \$1,668.66
- ▶ ESTIMATE 32 DAYS IN RESERVE
- ▶ THE GOAL IS 60 TO 90 DAYS OF OPERATING EXPENSES IN RESERVE (PER FINANCIAL MANAGEMENT INFORMATION BULLETIN #8)



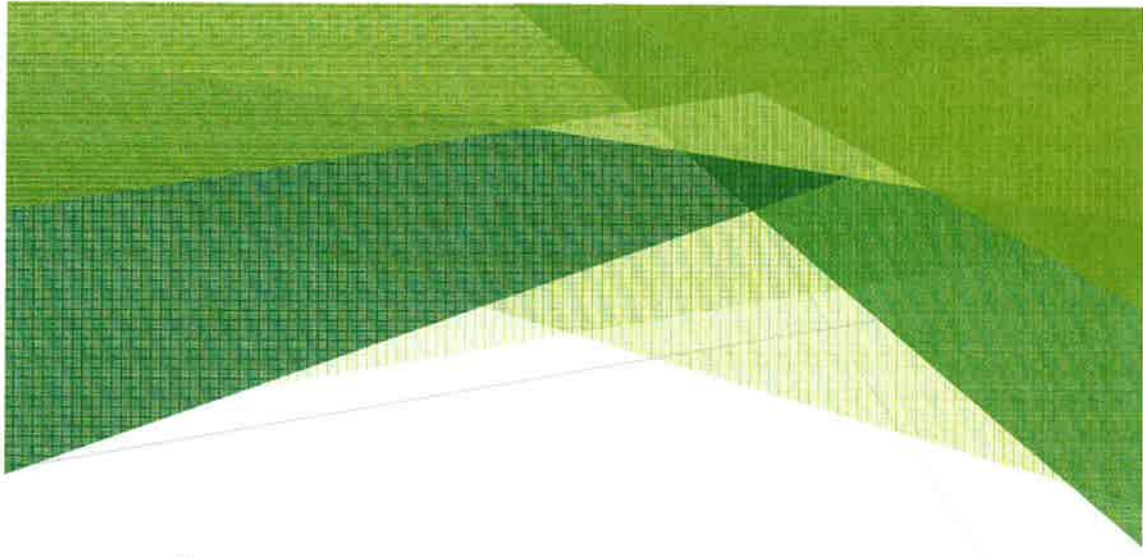
# Iliuliuk Family and Health Services, Inc.

## ▲ Providers that live on Island:

- ▲ Ann Nora Ehret, DO
- ▲ Megan Sarnecki, MD
- ▲ Beatriz Dietrick, ARNP
- ▲ Claire Lattimore, ARNP
- ▲ Joy Richmond, DDS

## ▲ Returning Locum Providers:

- ▲ Keils Kitchen, PA
- ▲ Scott Smith, MD
- ▲ Paul Spencer, PA



# ON GOING IMPROVEMENTS

1. STILL WORKING ON NEW FEE SCHEDULE; ESTIMATE LOWER FEES
2. ADJUSTING LOSSES IN THE DISPENSARY
  - A. NEW DISPENSING FEE IS \$13.50 PER DRUG; WAS \$15.00
  - B. AND ADDED PRICE OF DRUG- \$20.00 MINIMUM - COST OF DRUG WAS NEVER CHARGED
3. OPENING A TELEPHARMACY SO WE CAN REFILLS PRESCRIPTIONS WITHOUT PROVIDER VISIT AND BILL INSURANCE COMPANIES
4. NEW BILLING COMPANY STARTING JANUARY 1<sup>st</sup>, 2018!
5. PROJECTING PATIENTS WILL RETURN TO THE CLINIC

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## MEMORANDUM TO COUNCIL

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**TO:** MAYOR AND CITY COUNCIL MEMBERS  
**FROM:** NANCY PETERSON, INTERIM CITY MANAGER  
**DATE:** NOVEMBER 28, 2017  
**RE:** ORDINANCE 2017-14 BUDGET AMENDMENT NO. 2: CREATING A BUDGET AMENDMENT TO TRANSFER \$500,000 FROM THE GENERAL FUND BUDGETED SURPLUS TO INCREASE THE GRANTS TO NON-PROFITS TO HELP FUND THE ILIULIUK FAMILY HEALTH SERVICES (IFHS) EMERGENCY ASSISTANCE SUPPORT REQUEST

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**SUMMARY:** IFHS originally submitted an emergency assistance request for \$700,000 to help fund personnel related costs associated with salary and benefits. That initial request amount was reduced to \$500,000 after further review by the City and Clinic Staff.

City Administration has been working with the Clinic Staff to collect the necessary information to gain a better understanding of the actual need and develop a formal agreement for disbursement of the Emergency Assistance Funds.

**PREVIOUS COUNCIL ACTION:** Council heard a presentation by IFHS Executive Director at their October 10, 2017 meeting. No formal action was taken, but the general consensus was to have the City Manager explore options for an Emergency Assistance Agreement with the Clinic and to draft a budget amendment that would allow for some level of support to be provided.

The City Council approved the first reading of Ordinance #2017-14, creating a budget amendment to set aside funding in the amount of \$500,000 for the Clinic Emergency Assistance Support Request. The following table provides detail of the City's financial support to the clinic from the General Fund:

1990	\$200,000	Loan for IRS Debt (repaid in 1995)
1992	\$1,600,000	Clinic Startup
1993	\$1,077,000	Clinic Startup
1995	\$15,000	Clinic Startup
1996	\$90,000	Startup costs for mental health & substance abuse program, second floor construction & utilities
1997	\$4,000	Utilities
1998	\$4,000	Utilities
1999	\$4,000	Utilities
2000	\$4,000	Utilities
2001	\$4,000	Utilities
2003	\$23,680	Gurneys, IVACs and software
2005	\$24,999	Clinic renovation
2007	\$88,000	X-Ray Machine

Additionally, in FY2016 IFHS was provided \$50,000 of support through the CMMP for a restoration project that included painting the exterior of the clinic building and repainting the parking lot spaces. IFHS' Behavioral Health Program has receives annual funding through the Community Support Program. In FY2018, the funding about for this program was \$170,000.

**BACKGROUND:** James Kaech, Executive Director of IFHS has requested emergency funding from the City of Unalaska. In order to outline this request in detail, Mr. Kaech submitted his request on the application typically used for the Community Support Program. This application was included in the Council Packet. Since the original request, City Administration has been meeting weekly with Clinic Staff to collect the necessary information to gain a better understanding of the actual need.

**DISCUSSION:** The \$500,000 in the budget amendment would set aside funds in support of emergency assistance requests from IFHS. It appears as though the average monthly expenses of the clinic are approximately \$500,000, and that was the basis for the budget amendment amount.

During the Council meeting on October 10, 2017, there was a brief discussion regarding whether the disbursement of the funds should be in the form of a grant or possibly a loan. After that meeting, City Administration learned that the City had previously issued a \$200,000 loan to the Clinic in 1990 to assist with an IRS debt. Repayment of that loan was completed in 1995.

Staff discussed the loan concept with IFHS and has looked at some possible funding options with the goal in mind to NOT add an additional burden to the Clinic's CURRENT financial challenges. These disbursement options might include:

1. Consider all funds a grant;
2. Consider the first \$250,000 (or other amount) a grant and any additional funds a loan;
3. Consider specific items (i.e. pharmacy start-up costs) a grant and other disbursements a loan.
4. Consider all funds a loan with repayment to begin at a future date when the revenue/expense ratio from their annual audit shows a specific positive percentage (to be determined prior to the agreement) that indicates they have the ability to repay the money.

Included in the packet is the latest cash flow projection from IFHS. This projection does not include use of \$400,000 of investments that IFHS set aside as an operating reserve. The cash flow projection (without tapping into their reserves) shows that a disbursement of Emergency Assistance Support funds will be needed in January 2018.

In order to prepare an Agreement with IFHS for the disbursement of funds, **Administration is looking for guidance from the Council regarding the grant versus a loan concept.** An agreement will be developed for approval at the December 12<sup>th</sup> meeting.

The Agreement would set out the documents and information that would be required to support a request for a disbursement of the Emergency Assistance funds. These items might include:

- 1) A reconciled bank statement prepared or approved by the CFO;
- 2) A detail of revenues and expenses to date for the current month; and
- 3) Expected cash receipts and disbursements for the current month.

If the disbursement is a loan, the agreement will define the repayment terms and conditions.



**ALTERNATIVES:** Council may choose to approve the budget amendment ordinance for \$500,000 as drafted, or to revise the ordinance to increase or decrease the actual dollar amount of the budget amendment.

**FINANCIAL IMPLICATIONS:** This budget amendment ensures up to \$500,000 would be available to IFHS in accordance with an Emergency Assistance Agreement, once finalized. Funding would come from the General Fund's current year budgeted surplus.

**LEGAL:** No legal opinion is required for the budget amendment itself. Staff may request the City Attorney to review the Emergency Assistance Agreement once it is drafted.

**STAFF RECOMMENDATION:** Staff recommends moving forward with the Budget Amendment to reserve necessary emergency funds should they be necessary.

**PROPOSED MOTION:** I move to approve Ordinance 2017-14.

**CITY MANAGER'S COMMENTS:** I support this budget amendment and recommend approval of Ordinance 2017-14. It is important to note that this budget amendment does not guarantee the disbursements of funds to the Clinic, but does allow for the funds to be available once an Emergency Assistance Agreement is finalized and the requirement documentation is provided.

CITY OF UNALASKA  
UNALASKA, ALASKA

ORDINANCE 90-08

AN ORDINANCE GRANTING A LOAN TO ILIULIUK FAMILY AND HEALTH  
SERVICES INCORPORATED

WHEREAS: The Iliuliuk Family and Health Services Incorporated (Community Health Clinic) has requested a loan of \$200,000 from the City of Unalaska. The loan to meet a serious, and financially threatening crisis facing the clinic, and

WHEREAS: The City Council of the City of Unalaska has determined that the loan is in the public interest, to safeguard the health and welfare of community citizens, and

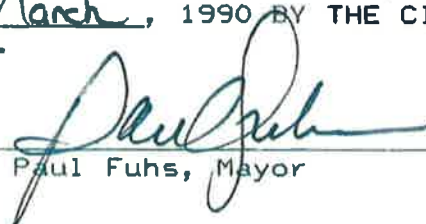
WHEREAS: The attached note spells out the requirements of the clinic in respect to reporting the financial, and other, progress of the clinic to the City Council on a scheduled basis, and guarantees payment of the loan before any other clinic obligations, and

WHEREAS: Said loan will not involve any monetary loss of City revenue during the term of the loan, interest being at the rate of City invested monies, and

NOW THEREFORE BE IT RESOLVED THAT: The City Council of the City of Unalaska, Alaska authorizes the City Manager to sign a note to loan \$200,000 to Iliuliuk Family and Health Services Incorporated, repayment and other considerations to be based on the attached loan document which is incorporated and made a part of this ordinance.

This is a non-code ordinance.

PASSED AND APPROVED THIS 9th DAY OF March, 1990 BY THE CITY COUNCIL OF THE CITY OF UNALASKA, ALASKA.

  
Paul Fuhs, Mayor

ATTEST:

  
Barbara Towne, City Clerk

ORD9008

PROMISSORY NOTE

\$200,000.00

Unalaska, Alaska

MARCH 12, 1990

FOR VALUE RECEIVED, the undersigned, ILIULIUK FAMILY & HEALTH SERVICES, INC. ("Iliuliuk"), a non-profit corporation organized under the laws of the State of Alaska, promises to pay to the City of Unalaska the principal sum of TWO HUNDRED THOUSAND DOLLARS (\$200,000) plus interest on the unpaid balance at a variable rate which is equal to the rate the City of Unalaska receives on its invested Reserve Funds during the six (6) months immediately preceding the due date of each installment payment, until this Note is paid. Said amount will be payable in ten equal semi-annual payments including principal and interest commencing on SEPT. 12, 1990 and semi-annually thereafter. Interest accrued from the date hereof until MARCH 12, 1995 shall be added to the principal and amortized as aforesaid. The above payment schedule may be extended by agreement in writing. The unpaid balance of this Note, including principal and accrued interest, may be paid in full by Iliuliuk before it is due under the terms of this Note without penalty. Should Iliuliuk cease to exist for any reason, the total outstanding balance of this Note shall be immediately due and payable.

PROMISSORY NOTE/1

THIS NOTE is subject to the terms and conditions of a loan agreement between the parties hereto dated MARCH 12, 1990, and a security agreement dated MARCH 12, 1990.

THIS NOTE and the execution, delivery and performance thereof, are governed by the laws of the State of Alaska.

DATED at Unalaska, Alaska, this 12TH day of MARCH, 1990.

ILIULIUK FAMILY & HEALTH SERVICES,  
INC.

By:   
CLINIC ADMINISTRATOR

By: \_\_\_\_\_

LOAN AGREEMENT

The CITY OF UNALASKA ("City") and the ILIULIUK FAMILY & HEALTH SERVICES, INC. ("Iliuliuk") agree as follows as of the 12TH day of MARCH, 1990.

1. The City agrees that the sum of TWO HUNDRED THOUSAND DOLLARS (\$200,000.00) shall be loaned by the City to Iliuliuk.

2. The loan of \$200,000 shall be repayable in accordance with the terms and provisions set forth in the Promissory Note executed on MARCH 12, 1990, and shall be secured by the terms of a Security Agreement between the parties executed on MARCH 12, 1990.

3. Iliuliuk represents that it is a non-profit corporation duly formed and validly existing under the laws of the State of Alaska.

4. Iliuliuk represents that it has taken all necessary action to authorize it to borrow hereunder and to execute, deliver and perform this Loan Agreement and the Promissory Note and Security Agreement referred to in paragraph 2 of this Loan Agreement.

5. Iliuliuk has furnished the City with its latest financial statement which is, to the best of Iliuliuk's knowledge, complete and correct in all material respects and presents fairly in accordance with generally accepted accounting principles the financial position of Iliuliuk.

6. Iliuliuk agrees that it will engage solely in the business of operating a community medical center in Unalaska,

Alaska. Iliuliuk agrees that it will maintain all property useful in its business in good repair and condition during the term of this Loan Agreement.

7. Iliuliuk agrees that it will furnish to the City proof of payment of any delinquent taxes owed by Iliuliuk to the Internal Revenue Service within forty-eight hours (48) of the making of such payments by Iliuliuk.

8. Iliuliuk agrees that it will make the loan payments on the Promissory Note referred to in paragraph 2 of this Loan Agreement as such loan payments become due and that the loan payments shall have a priority over the other financial obligations incurred by Iliuliuk in the operation of the community medical center.

9. Iliuliuk agrees that it will provide quarterly financial statements to the City which are complete and correct in all material respects and which present fairly, in accordance with generally accepted accounting principles, the financial position of Iliuliuk.

10. Iliuliuk agrees that it will maintain a system of accounting established and administered in accordance with generally accepted accounting principles consistently applied, keep adequate records and books of account in which complete entries will be made in accordance with such accounting principles consistently applied and reflecting all transactions required to be reflected by such accounting principles.

11. Iliuliuk will permit representatives of the City to inspect its books and records during normal business hours and upon two business days' prior notice.

12. Iliuliuk agrees that it will indemnify and hold harmless the City and each of its employees and representatives from and against any and all claims, liabilities, damages, actions or demands by any part against the City resulting from any breach or alleged breach by Iliuliuk of any representation made hereunder or otherwise arising out of the making of this loan to Iliuliuk; unless, with respect to the above, the City is finally judicially determined to have acted or failed to act with gross negligence or willful misconduct.

13. Iliuliuk agrees that within one hundred twenty (120) days after the end of each fiscal year of Iliuliuk, the balance sheet of Iliuliuk as at the end of such fiscal year and the related statement of income and retained earnings or deficit and related statement of cash flows of Iliuliuk for such fiscal year and certified by independent certified public accountants, whose opinion shall be in scope and substance reasonably satisfactory to the City, shall be delivered to the City.

14. Each of the following shall constitute an event of default, whatever the reason for such event and whether it shall be voluntary or involuntary:

A. Any material representation or warranty made under this Agreement which is incorrect or misleading in any material respect when made;

B. A default by Iliuliuk in the making of any payment under the Promissory Note when due, provided the default is not cured by payment of such overdue amount in full within five (5) days from the date such payment became due;

15. If an event of default shall have occurred and shall be continuing, the City may exercise all of the post-default rights granted to it under the loan documents or under applicable law, including the right to declare the principal of and interest on the Promissory Note to be forthwith due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.

16. This Agreement may be amended only by an agreement in writing signed by both parties.

17. This Loan Agreement and the Promissory Note and Security Agreement referred to in paragraph 2 of this Agreement embody the entire agreement and understanding between the parties hereto and supercede all prior agreements and understandings relating to the subject matter hereof.

CITY OF UNALASKA

By: Neil Hensley  
Title: CITY MANAGER



ILIULIUK FAMILY & HEALTH SERVICES,  
INC.

By: P.L. Stevenson  
Title: CLINIC ADMINISTRATOR

ACKNOWLEDGEMENTS

STATE OF ALASKA )  
 ) ss:  
THIRD JUDICIAL DISTRICT )

THIS IS TO CERTIFY that on the 12TH day of MARCH, 1990, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared Herv Hensley, to me known and known to me to be the identical individual described in and who executed the within and foregoing document, as City Manager of the CITY OF UNALASKA, and he acknowledged to me that he signed the same in the name of and for and on behalf of said corporation, freely and voluntarily and by authority of its Board of Directors for the uses and purposes therein mentioned.

GIVEN UNDER MY HAND and official seal the day and year last above written.

Barbara Rankin  
NOTARY PUBLIC in and for Alaska  
My commission expires: 10-23-90

STATE OF ALASKA )  
 ) ss:  
THIRD JUDICIAL DISTRICT )

THIS IS TO CERTIFY that on the 12TH day of MARCH, 1990, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared P.L. Stevenson, to me known and known to me to be the identical individual described in and who executed the within and foregoing document, as Administrator of ILIULIUK FAMILY & HEALTH SERVICES, INC., and she acknowledged to me that she signed the same in the name of and for and on behalf of said corporation, freely and voluntarily and by authority

of its Board of Directors for the uses and purposes therein mentioned.

GIVEN UNDER MY HAND and official seal the day and year last above written.

Barbara Rankin  
NOTARY PUBLIC in and for Alaska  
My commission expires: 10-23-90

SECURITY AGREEMENT

AGREEMENT made by and between the City of Unalaska (hereinafter called "Secured Party") and Iliuliuk Family & Health Services, Inc. (hereinafter called "Debtor").

1. Grant of Security Interest: In consideration of financial accommodations being extended by Secured Party to Debtor, Debtor hereby grants to Secured Party a security interest in the Collateral, as defined below, as security for the payment, performance, and observance by the Debtor of the Obligation, also defined below.

2. Definitions: The term "Obligation" shall mean that certain Promissory Note in the principal amount of \$200,000 payable to Secured Party, and executed on the same date as this Agreement. The term "Collateral" shall mean all accounts receivable in which Debtor has an interest, now or hereafter existing or acquired, and wherever located.

3. Title to Collateral: Debtor warrants that it is the owner of the Collateral. Debtor will defend the Collateral against any claims and demands of all persons at any time claiming the same.

4. Performance: Debtor agrees to pay Secured Party all sums payable with respect to the Obligation as and when the same shall be due and payable, whether at maturity, by acceleration or otherwise, and will perform all terms of said Obligation.

5. Filing: Debtor agrees to join with Secured Party in executing a financing statement, notice, affidavit, or similar

instrument in form satisfactory to Secured Party and such other instruments as Secured Party may from time to time request to establish and maintain its security interest in the Collateral. A copy of this Security Agreement may be filed in lieu of a financing statement. Debtor hereby appoints Secured Party as its attorney-in-fact to do all acts and things which Secured Party may deem necessary to perfect and continue perfected the security interest created by this Security Agreement and to protect the Collateral.

6. Assignment: Secured Party may assign all its rights under this Security Agreement only upon Debtor's written consent, which shall not be unreasonably withheld. Debtor shall preserve against such assignee all defenses, counterclaims or set-offs that Debtor may claim from Secured Party.

7. Default: If Debtor defaults on the Obligation, as default is defined in the Loan Agreement executed the same date as this Agreement, Secured Party may, in addition to any other rights and remedies which it may have, immediately and without demand, exercise any and all of the rights and remedies granted to a secured party upon default under the Uniform Commercial Code. Secured Party may notify any or all account debtors of the existence of Secured Party's security interest in Debtor's accounts and may notify the account debtors that they are to pay or remit all sums due or to become due on the accounts to Secured Party; and Secured Party may take any action necessary or desirable to collect the accounts.

Debtor shall pay to Secured Party, upon demand, any and all expenses, including legal expenses and reasonable attorney's fees incurred or paid by Secured Party in protecting or enforcing the Obligation and the rights of Secured Party hereunder. The provisions of this Security Agreement shall be in addition to those of the Promissory Note and the Loan Agreement, all of which shall be construed as one instrument.

8. Deficiency: Debtor shall be liable to pay any deficiency resulting from disposition of the Collateral by Secured Party upon default. Debtor hereby waives any exemption it may claim by virtue of any law, whether state or federal, now in force or hereafter enacted.

9. Choice of Law: The parties hereby agree and designate the law of Alaska as the applicable law for construction of the validity, terms, and performance of this Security Agreement.

10. Severability: The provisions of this Security Agreement are severable, and if a provision is held invalid or unenforceable by a court of competent jurisdiction, such invalidation or unenforceability shall not affect or impair any of the remaining provisions.

11. Successors and Assigns: All of the rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all obligations of Debtor shall bind its successors and assigns.

IN WITNESS WHEREOF, the parties have caused this agreement to be signed this 12TH day of MARCH, 1990.

SECURED PARTY:

CITY OF UNALASKA

DATED: 3/12/90

By: *H.G. Hensley*  
Its: CITY MANAGER

DEBTOR:

ILIULIUK FAMILY & HEALTH SERVICES, INC.

DATED: 3/12/90

By: *J.F. Stevens*  
Its: CLINIC ADMINISTRATOR