



TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Karl R. Amylon, City Manager

DATE: July 7, 2021

RE: **Ordinance No. 21-1930 – Authorizing A Lease Agreement Between PeaceHealth and City of Ketchikan; Providing For The Filing Of Referendum Petitions; And Establishing An Effective Date**

Ordinance No. 21-1935 – Adding A New Chapter 2.85 Entitled, “Ketchikan Healthcare Advisory Committee” To The Ketchikan Municipal Code; And Establishing An Effective Date

The attached ordinances were prepared by City Attorney Mitch Seaver, who requested they be placed before the City Council at its meeting of July 15, 2021. If adopted by the City Council, Ordinance No. 21-1930 provides for authorizing a new lease agreement between the City and PeaceHealth for the Ketchikan Medical Center. The term of the lease is twenty years and becomes effective October 1, 2021. The lease agreement provides PeaceHealth with the option of exercising two ten-year extensions. Pursuant to Charter Section 5-16, an affirmative vote of at least five Councilmembers is required for final passage of the ordinance authorizing the lease because it exempts the lease from competitive bidding.

If adopted by the City Council, Ordinance No. 21-1935 amends the Ketchikan Municipal Code to establish the Ketchikan Healthcare Advisory Committee (HAC). Its purpose is to provide oversight of the lease agreement and serve as a forum for open communication and collaboration between PeaceHealth, City officials and the public.

Also attached for City Council review is a PowerPoint presentation that was prepared by ECG Management Consultants, which provides a summary of the negotiations with PeaceHealth and an overview of the proposed lease agreement and the Ketchikan Healthcare Advisory Committee (HAC). Representatives of ECG will attend the City Council meeting of July 15, 2021 to provide the overview of the proposed lease agreement and the HAC and to address any questions and/or concerns that Councilmembers and the public may have.

Lastly, I wish to take this opportunity to express my appreciation to Assistant City Manager Lacey Simpson for her oversight of this project. Ms. Simpson was designated as the City's lead point of contact dating back to the selection of ECG and provided direct oversight through negotiations with PeaceHealth and the development of the final lease agreement that is before the City Council for formal review and consideration. Ms. Simpson deserves much of the credit for bringing what has been a long and extended process to a successful conclusion.

Motions have been prepared for City Council consideration.

RECOMMENDATION

It is recommended the City Council adopt Recommended Motions No. 1 and No. 2 approving in first reading Ordinance No. 21-1930 authorizing a lease agreement between PeaceHealth and City of Ketchikan; providing for the filing of referendum petitions; and establishing an effective date; and Ordinance No. 21-1935 adding a new Chapter 2.85 entitled, "Ketchikan Healthcare Advisory Committee" to the Ketchikan Municipal Code; and establishing an effective date.

Recommended Motion No. 1: I move the City Council approve in first reading Ordinance No. 21-1930 authorizing a lease agreement between PeaceHealth and City of Ketchikan; providing for the filing of referendum petitions; and establishing an effective date.

Recommended Motion No. 2: I move the City Council approve in first reading Ordinance No. 21-1935 adding a new Chapter 2.85 entitled, "Ketchikan Healthcare Advisory Committee" to the Ketchikan Municipal Code; and establishing an effective date.

Mitch Seaver
City Attorney

City of Ketchikan, Alaska

334 FRONT STREET
Ketchikan, Alaska 99901
Telephone (907) 228-5611

TO: Karl Amylon
City Manager

FROM: Mitch Seaver
City Attorney

DATE: July 6, 2021

SUBJECT: Hospital Lease and Health Advisory Committee Ordinances

Proposed ordinances authorizing the lease between the City and PeaceHealth and establishing the Health Care Advisory Committee are transmitted herewith. Under Charter Section 5-16 an affirmative vote of at least five council members is required for final passage of the ordinance authorizing the lease because it exempts the lease from competitive bidding.

THE CITY OF KETCHIKAN, ALASKA

ORDINANCE NO. 21-1930

AN ORDINANCE OF THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA; AUTHORIZING A LEASE AGREEMENT BETWEEN PEACEHEALTH AND CITY OF KETCHIKAN; PROVIDING FOR THE FILING OF REFERENDUM PETITIONS; AND ESTABLISHING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA, AS FOLLOWS:

Section 1: Approval. Pursuant to Charter Sections 5-16(a) and 5-17(2) the Lease Agreement between PeaceHealth and the City of, copies of which were available to be reviewed by the City Council at the July 15, 2021 City Council meeting is hereby exempted from all competitive bidding requirements, and authorized in accordance with Charter Section 5-17(a). The City Manager is hereby authorized to enter into said agreement on behalf of the City. Copies of said agreement are available for public inspection in the Offices of the City Clerk, 334 Front Street, Ketchikan Alaska.

Section 2: Effective Date. In accordance with Charter Section 5-17, if one or more referendum petitions with signatures are properly filed within one (1) month after passage and publication of this ordinance, this ordinance shall not go into effect until the petition or petitions are finally found to be illegal and/or insufficient, or, if any such petition is found legal and sufficient, until this ordinance is approved at an election by a majority of the qualified voters voting on the question. If no referendum petition with signatures is filed, this ordinance shall go into effect one (1) month after its passage and publication.

PASSED ON FIRST READING: _____

FINAL PASSAGE: _____

Robert Sivertsen, Mayor

ATTEST:

Kim Stanker
City Clerk

EFFECTIVE		DATE:	
ROLL CALL	YEA	NAY	ABSENT
GAGE			
GASS			
FLORA			
BERGERON			
KIFFER			
BRADBERRY			
ZENGE			
MAYOR			

LEASE AGREEMENT KETCHIKAN MEDICAL CENTER

This Lease Agreement (the "Lease") is entered into as of September __, 2021, by and between the CITY OF KETCHIKAN, a home rule, chartered municipality, State of Alaska ("Landlord" or "City"), and PEACEHEALTH, a nonprofit corporation organized under the laws of the State of Washington, and authorized to conduct business in the State of Alaska with principle offices at 1115 SE 164th Avenue, Vancouver, State of Washington ("Tenant").

RECITALS

On or about October 6, 1981, Landlord and Tenant entered into a lease for the Premises (as defined below), as such then existed, for the purpose of operating the Ketchikan General Hospital, now known as PeaceHealth Ketchikan Medical Center, with an original term of ten (10) years commencing October 9, 1983, subject to one, single option to extend the term for an additional ten (10) year period (the "Prior Original Lease"). The Prior Original Lease was subsequently amended by the First Amendment dated October 10, 1984, and Second Amendment dated March 25, 2002 (the Prior Original Lease as amended by the First Amendment and Second Amendment is collectively referred to as the "Prior Lease"). Pursuant to the Second Amendment, the term of the Prior Lease was extended through October 8, 2023.

The parties acknowledge the need for a high level of transparency in the relationship of the parties, Tenant's extensive expertise in providing health care services, and the unique requirements of providing health care services in the City of Ketchikan and the KMC Service Area (as defined below).

The parties now desire to terminate the Prior Lease and enter into a new lease to provide for and accomplish a continuation of the operation and maintenance of KMC (as defined below), and all related facilities, by the Tenant pursuant to the terms, covenants, and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the mutual terms, covenants, and conditions herein contained, the parties agree as follows:

Section 1. Lease Summary

- a. Premises. The "Premises" means that certain parcel of real property located in the City of Ketchikan, Ketchikan Recording District, First Judicial District, State of Alaska, together with the hospital building and all other buildings, structures, and improvements located thereon or therein, commonly referred to as "Ketchikan Medical Center," 3100 Tongass Avenue, Ketchikan, Alaska 99901 (collectively

“KMC”), as further described in the legal description set forth on Exhibit A, attached hereto and incorporated herein by reference.

- b. Lease Term. The term of this Lease (the “Term”) shall be for two hundred forty (240) months commencing October 1, 2021, (the “Commencement Date”) and terminating September 30, 2041, as more particularly detailed in Section 3 below, subject to extension as provided in this Lease.
- c. Renewal Terms. Two (2), ten (10) year terms as detailed in Section 3, below.
- d. Base Rent. The base rent shall be as follows (the “Base Rent”) payable at Landlord’s address shown in Section 1.g below, or such other place designated in writing by Landlord:

Period	Base Rent (Annually)
Years 1 – 5	\$100,000.00 NNN
Years 6 – 10	\$113,000.00 NNN
Years 11 – 15	\$128,000.00 NNN
Years 16 - 20	\$145,000.00 NNN
Renewal Option 1	TBD
Renewal Option 2	TBD

- e. Security Deposit. N/A.
- f. Permitted Use. The Premises shall be used only for the operation of licensed general acute care hospital, skilled nursing facility, and related clinical and support operations, including but not limited to medical clinic and outpatient treatment centers, in a manner general consistent with prior operations of KMC, and no other purpose without the prior written consent of the Landlord, which consent will not be unreasonably withheld so long as such use is in support of services that promote the health of the population of the greater KMC Service Area (the “Permitted Use”).
- g. Notice and Payment Addresses.

Landlord: City of Ketchikan
334 Front Street
Ketchikan, AK 99901
Attn: City Manager

With a copy to:

City Attorney
City of Ketchikan
334 Front Street
Ketchikan, AK 99901

Tenant: PeaceHealth
Attn: General Counsel
1115 SE 164th Avenue
Vancouver, WA 98683

With copies to:

PeaceHealth
Attn: Manager, Property Management
123 International Way
Springfield, OR 97477

PeaceHealth
Attn: Chief Administrative Officer, Ketchikan Medical Center
3100 Tongass Avenue
Ketchikan, AK 99901

- h. KMC Service Area. Except as otherwise set forth herein, for purposes of this Lease the term “Service Area” or “KMC Service Area” shall mean the City of Ketchikan and the Ketchikan Gateway Borough.

Section 2. Lease of Premises.

- a. Lease of Premises. Landlord hereby leases to Tenant and Tenant hereby leases, rents, and hires from Landlord, on and subject to all of the terms, covenants, and conditions herein set forth the Premises.
- b. Acceptance of Premises. Tenant is currently in possession of the Premises, and as such, Landlord makes no representations or warranties to Tenant regarding the Premises, including the structural condition of the Premises or the condition of all mechanical, electrical, and other systems on the Premises, except as may otherwise be specifically stated herein.
- c. Termination of Prior Lease. The Prior Lease is hereby terminated, effective as of the Commencement Date.

Section 3. Lease Term.

- a. Initial Term. The initial term of this Lease shall commence on the Commencement Date and shall terminate two hundred forty (240) months thereafter, as specified in Section 1.b, subject to the parties' right to extend the term as provided in this Lease.
- b. Extension of Term. So long as Tenant is not in material default under this Lease (i) when exercising such option and (ii) as of the first day of the related extended Term, Tenant shall the option to extend this Lease for two (2) consecutive, additional term(s) of ten (10) years each. Tenant's intent to exercise each option to extend the Term must be provided no later than twelve (12) months prior to the end of the then current Term. Landlord shall provide to Tenant a written courtesy notice of the deadline for exercising Tenant's option to extend the Term at least fourteen (14) months prior to the end of the then current Term; failure to provide such advance notice shall not be a default by Landlord nor shall it extend the time period for exercising the extended term option. As used herein, the "Term" shall mean the initial Term and any period as to which a right to extend has been exercised. The extension options shall be on the same terms and conditions that apply to the initial Term, except for Base Rent, which shall be as agreed to by the parties at the time of the extension. Additionally, Tenant acknowledges that all extensions of the Term are subject to approval the City Council by ordinance.

Section 4. Rent.

- a. Payment of Rent. Tenant shall pay Landlord without notice, demand, deduction, or offset, in lawful money of the United States, the annual Base Rent stated in Section 1.d in advance on or before the Commencement Date and the annual anniversary of the Commencement Date thereafter. Tenant shall also pay any other additional payments due to Landlord ("Additional Rent"), including Operating Costs as defined below (collectively the "Rent") when required under this Lease. All payments due to Landlord under this Lease, including late fees and interest, shall also constitute Additional Rent. Additional Rent, if any, shall be due and payable thirty (30) days after invoice from Landlord. Upon failure of Tenant to pay Additional Rent, Landlord shall have the same rights and remedies as otherwise provided in this Lease for the failure of Tenant to pay Rent. Landlord shall provide to Tenant a written courtesy notice of the deadline for paying the annual Base Rent thirty (30) days prior to the anniversary of the Commencement Date; failure to provide such advance notice shall not be a default by Landlord.
- b. Triple Net Lease. This Lease shall be what is commonly called a "Net, Net, Net" or "triple-net" lease, which means that, except as otherwise expressly provided herein, Landlord shall receive all Base Rent free and clear of any and all other impositions, taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises. In addition to Base

Rent, Tenant shall pay to the parties respectively entitled thereto, or satisfy directly, all Additional Rent and other charges, costs, obligations, liabilities, requirements, and expenses, which arise with regard to the Premises or may be contemplated under any other provision of the Lease during its Term, ("Operating Costs") except for costs and expenses expressly made the obligation of Landlord in whole or in part in this Lease.

- c. Late Charges; Default Interest. If any sums payable by Tenant to Landlord under this Lease are not received within thirty (30) days after their due date, Tenant shall pay Landlord an amount equal to five percent (5%) of the delinquent amount for the cost of collecting and handling such late payment in addition to the amount due as Additional Rent. All delinquent sums payable by Tenant to Landlord and not paid within thirty (30) days after their due date shall, at Landlord's option, bear interest at the rate of twelve percent (12%) per annum, or the highest rate of interest allowable by law, whichever is less (the "Default Rate"). Interest on all delinquent amounts shall be calculated from the original due date to the date of payment. Notwithstanding the foregoing, if Tenant disputes any amounts Landlord deems due and payable, those amounts shall be subject to good faith discussion and review by the parties in an effort to determine mutually acceptable amounts due and timelines for payment.
- d. Less Than Full Payment. Landlord's acceptance of less than the full amount of any payment due from Tenant shall not be deemed an accord and satisfaction or compromise of such payment unless Landlord specifically consents in writing to payment of such lesser sum as an accord and satisfaction or compromise of the amount which Landlord claims is due. Any portion that remains to be paid by Tenant shall be subject to the late charges and default interest provisions of this Section 4.

Section 5. Use. The Premises shall be used only for the Permitted Use specified in Section 1.f above, and for no other business or purpose without the prior written consent of Landlord, which consent will not be unreasonably withheld so long as such use is in support of services that promote the health of the population of the City of Ketchikan and the KMC Service Area. No act shall be done on or around the Premises that is unlawful or that will increase the existing rate of insurance on the Premises, or cause the cancellation of any insurance on the Premises. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance.

Section 6. Compliance with Laws. Tenant shall not cause or permit the Premises to be used in any way which violates any law, ordinance, or governmental regulation or order. Landlord represents to Tenant that, as of the Commencement Date, to Landlord's actual knowledge, but without duty of investigation, the Premises comply with all applicable laws, rules, regulations, or orders. Tenant shall be responsible for complying with all laws applicable to the Premises as a result of the Permitted Use, and Tenant shall be responsible for making any changes or alterations

as may be required by law, rule, regulation, or order for Tenant's Permitted Use at its sole cost and expense.

Section 7. Tenant's Obligations Related to Operation of KMC.

- a. Compliance with Laws and Standards. Tenant shall operate KMC in material compliance with all applicable laws, ordinances, rules, regulations, and standards, including but not limited to Medicare and Medicaid law and environmental law (collectively, "Applicable Laws"). Further, Tenant shall ensure that to the extent advisable, necessary, and reasonably possible, KMC shall be operated in compliance with standards issued by The Joint Commission (or similar accrediting organization), the Alaska Department of Health and Social Services, and other relevant entities. Tenant shall at all times be a participating provider in Medicare and Medicaid. Tenant shall not cause or permit KMC to be used in any way that violates any Applicable Laws. Tenant shall be responsible for complying with all Applicable Laws in effect on the Commencement Date or as may be subsequently enacted.
- b. Clinical Services.
 - i. Core Services and Long Term Care Services. Throughout the Term, Tenant shall provide clinical services at KMC or other appropriate locations in the City of Ketchikan, at appropriate levels for the needs of the KMC Service Area and the requisite infrastructure to support such services, collectively the "Core Services" and "Long Term Care Services", as further defined and set forth on Exhibit E, attached hereto. Subject to material changes in demand from the KMC Service Area, changed legal requirements, or other relevant material changes in circumstance, Tenant shall provide Core Services and Long Term Care Services either directly or through a separate entity. For the avoidance of doubt, and subject to the further provisions of this Lease, Tenant reserves the right to modify any Core Service or Long Term Care Services as business operations may reasonably require. Furthermore, Long Term Care Services are subject to Center for Medicare and Medicaid Services ("CMS") regulations separate from those for licensed acute care hospitals. Any discussion of the provision of Long Term Care Services shall be independent of those pertaining to Core Services.

If Tenant determines that a particular Core Service or Long Term Care Services can no longer be provided at KMC in a manner that is consistent with evolving clinical best practices, clinical availability, CMS coverage decisions or financial viability, Tenant shall present such information to the HAC (defined below) and/or the City Council through the Gateway Review Process (described below in Section 7.j), along with Tenant's proposal to reduce or eliminate such service. If a service requires discussion prior to the next regularly scheduled Gateway Review Process,

Tenant may request a special meeting with the City Council to discuss the issue.

If there is a material disruption in Tenant's provision of Core Services or Long Term Care Services, that extends more than seven (7) consecutive days or more than fifteen (15) days in any thirty (30) day period, Tenant shall promptly deliver notice of the same in writing to Landlord, briefly explaining the cause of the disruption as well as the anticipated date by which the Core Service shall be completely restored.

- ii. Visiting Physician Services. Tenant shall provide visiting physician specialist services ("Visiting Physician Services"), as further defined in Exhibit F attached hereto, at KMC or other appropriate locations in the City of Ketchikan. The provision of Visiting Physician Services shall be subject to Tenant's determination of appropriate service levels to serve the needs of the KMC Service Area and the availability of necessary infrastructure to support the services. If Tenant determines that a particular Visiting Physician Service can no longer be provided at KMC, Tenant shall present such information to the HAC (defined below) and/or the City Council through the Gateway Review Process (described below in Section 7.j), along with Tenant's proposal to eliminate such service. The review process shall be as set out for Core Services and Long Term Care Services in Section 7.b.i above.
- iii. New Clinical Services. Tenant shall implement the following additional clinical services, within the time parameters set forth below. After implementation, the new clinical services shall become Core Services.
 - 1) Within one year of the Commencement Date:
 - a) Actively recruit additional surgeons and specialists to practice at KMC on a full-time basis, where supported by a full-time demand.
 - 2) Within two years of the Commencement Date:
 - a) Provide regular after-hours weekday and weekend care for urgent, non-life-threatening conditions in an alternative physical setting to the Emergency Department, i.e., after-hours/urgent care.
- c. Contracted Physicians and Third-Party Payer Agreements. Tenant shall make reasonable best efforts to include the language regarding contracting with third party payers and compliance with Tenant's financial assistance policies as set forth in Exhibit B or substantially similar language in all agreements for professional

services that it enters into for services to be provided at KMC or in the KMC Service Area, including without limit, agreements for emergency department professional services, pathology professional services, diagnostic imaging professional services, anesthesia professional services, neonatology professional services, hospitalist professional services and intensivist professional services. If Tenant revises the required language or otherwise modifies its Financial Assistance Policy, Tenant shall provide notice of such changes or modifications to the HAC to allow for discussion of whether the revised language continues to meet the goals of the parties to minimize surprise bills and outsized out-of-network charges to patients of KMC.

Additionally, Tenant shall post on the KMC website a list of the third-party payors and governmental payment programs with which Hospital participates (the "Plan List"). Hospital will update the Plan List within thirty (30) days of a change to the Plan List. Tenant shall also post on the KMC website, in a prominent location, a list of all physicians and physician groups who provide services at a KMC facility and who are not contracted with any payor on the Plan List (the "Non-Contracted Provider List"). Tenant shall update the Non-Contract Provider List within thirty (30) days of learning that a provider is not contract with a payor on the Plan List.

- d. Funding Commitments. For purposes of this Lease, "Total Net Income" is defined as Tenant's total annual income from KMC and clinical operations in the KMC Service Area, less all direct and indirect expenses associated with the operation of KMC and the clinical operations located in the KMC area, all as reported in the financial statements, tax returns, and cost reports of KMC. Tenant represents and warrants that Tenant shall reinvest in KMC and the KMC Service Area 100% of Tenant's trailing three year average of Total Net Income. The parties acknowledge and agree that Tenant's required investment will be evaluated on a rolling, multi-year basis and that in any given year it may be less than or greater than the actual then current trailing three year average of Total Net Income. Appropriate use of funds for reinvestment may include capital expenditures for KMC on facilities and equipment, maintenance of KMC, development of new services, and other associated investments that provide direct community benefit. Any indirect expense allocation for Tenant home office/corporate services shall be consistent with industry standard for similarly situated health systems and Tenant's mechanism for allocation across all facilities in its systems. Any material changes to Tenant's indirect expense allocation methodology from that existing as of the Commencement Date shall be disclosed to the HAC for discussion and comment.

PeaceHealth shall prepare an annual budget, including reinvestment items, for review and comment by the HAC. Such budget and accompanying materials shall clearly set out the prior year's Total Net Income and the budget year's plan for financial reinvestment.

- e. Construction of Remodeled Emergency Department. Tenant shall immediately upon the Commencement Date commence design of a redesigned emergency department at KMC (the "ED Project"). Based on a current needs assessments, the ED Project shall include enlarged and distinct intake and waiting area, increased private treatment spaces, space for use in providing involuntary/emergency psychiatric holds as contemplated under Section 7.m, enhanced ventilation to better support infection prevention practices, and improved patient and provider experience. Tenant, Landlord, and the HAC shall jointly discuss design plans for the construction of the ED Project physical space. Tenant shall seek input from Landlord and the HAC to ensure that the needs of the residents of the Service Area will be well served by the ED Project. Tenant shall be responsible for the cost of planning, development, and construction of the ED Project. The parties' goal is to commence construction of the ED Project within two years of the Commencement Date. Excluding equipment determinations and operation plans, final plans for the ED Project shall be subject to approval by Landlord pursuant to Section 12, which must be obtained prior to the start of construction and shall not be unreasonably withheld, conditioned, or delayed.
- f. Charity Care/Community Benefit.
- i. Tenant will provide 100% of the needed "Community Benefit" in the KMC Service Area. For purposes of this Lease, the term "Community Benefit" is defined as assistance under Tenant's financial assistance policy for KMC, as available on Tenant's website and as amended from time to time ("Financial Assistance Policy"), unreimbursed costs from Medicaid and other means-tested government healthcare programs, and shortfalls or gaps in payment from Medicare. Notwithstanding the foregoing, if any material change(s) occurs in federal or state funding and reimbursement programs, including but not limited to Medicaid and Medicare (a "Program Change") resulting in a significant increase in the dollar amount of Community Benefit, Community Benefit for the year in which the Program Change takes effect, as well as for future years, shall equal the dollar value of Community Benefit in the year immediately preceding the year impacted by the Program Change. The parties may elect to negotiate revisions to the Community Benefit definition for the years following a Program Change.
 - ii. Tenant will ensure that all patients are provided with Tenant's Financial Assistance Policy and the opportunity to apply under such policy, including patients with high deductible private insurance.
 - iii. In addition to the requirements above, Tenant shall commit to contributing Fifty Thousand and no/100 Dollars (\$50,000.00) each Lease year to community programs that promote health and wellbeing and address the

unmet health needs of the community. Contributions in Lease years after the initial Lease year shall increase by two percent (2.0%) annually.

Tenant's obligation under this Section 7.f are conditioned upon the availability of sufficient Total Net Income.

- g. Healthcare Advisory Committee. Landlord and Tenant shall form and participate in the Healthcare Advisory Committee or "HAC" for the purposes of overseeing this Lease and Tenant's operations of KMC and obligations under this Section 7, all as further described and set forth in Exhibit C.
- h. Tenant's Community Health Board. Each calendar year during the Term, Tenant's Community Health Board shall conduct at least one of its meetings as a public, townhall style meeting where the public is invited and encouraged to attend and shall have the opportunity to provide comment.
- i. Audit and Financial Records. Tenant shall continue to maintain an adequate accounting system and, as part of Tenant's system-wide audit, cause an annual audit to be made of the KMC accounts each year by a certified public accountant and furnish a copy thereof to the Landlord without charge. Tenant will provide Landlord with periodic financial statements of KMC, not less than quarterly. If Landlord requests or requires any additional audit, such additional audit shall be made at Landlord's expense unless such additional audit is necessitated due to inadequate or improper audit, records, or actions of Tenant.
- j. Gateway Review Process. Periodically throughout the Term, the City Manager and City Council members of Landlord and senior executives of Tenant shall meet and confer in a "Gateway Review Process", which examines the ongoing effectiveness of the Lease, including the following parameters:
 - i. The Gateway Review Process will occur every five (5) years on or near the anniversary of the Commencement Date;
 - ii. Discuss whether the services and obligations under the Lease are being effectively delivered;
 - iii. Discuss the extent to which the parties believe that the Lease is delivering its intended benefits;
 - iv. Provide the parties an opportunity to assess changes in demographics, healthcare delivery, and other market forces, and if circumstances have changed, ensure the service requirements are adapting to the current environment;
 - v. Discuss whether Tenant has the necessary resources to manage the facility and contract successfully.

The gateway reviews are intended to provide a forum for discussion of any existing or potential problems related to the Lease or relationship between the Landlord and Tenant; provided, however this process does not preclude either party from calling a meeting at any time during the Term to discuss concerns or other matters which may result in amendments to the Lease. Any amendments or modifications to the Lease resulting from the Gateway Review Process must be made in writing and mutually agreed upon by both parties.

- k. Local Purchasing. Subject to Tenant's system wide group purchasing arrangements, Tenant shall support local purchasing of non-medical goods and services to the extent practicable and will implement practices designed to give local businesses reasonable notice and opportunity to sell goods and services to Tenant. Tenant shall support specific purchasing of local services if the provider of such service is qualified to perform such services in a clinical setting. From time to time at Landlord's request, the HAC shall review those policies and consider methods by which local purchases might be increased. A business is considered local if it holds a current State of Alaska business license and has maintained a place of business within the Ketchikan Gateway Borough for period of at least one (1) year prior to the date of bid or offer. A local purchase is a purchase directly from a local business.
- l. Custodial Medical Exams. The parties agree that Tenant shall provide medical exams for persons in custody upon request of Landlord's police department. Police officers shall remain present with such person, absent a higher priority call for service (i.e., life threatening), until such persons are admitted to KMC, if admission is appropriate, transferred to another facility, or determined not to need hospitalized medical treatment. Notwithstanding the forgoing, provision of these services shall be consistent with a patient's legal right to decline services. Subject to any applicable law or regulation to the contrary, services that are not medically necessary but purely for Landlord's police purposes (e.g., in furtherance of an investigation) shall be subject to Landlord's obligation to pay for such services.
- m. Involuntary/Emergency Psychiatric Hold Services (Title 47). Tenant, the City of Ketchikan Police Department, and local mental health treatment centers shall work in good faith to establish and follow care policies and procedures regarding involuntary/emergency psychiatric holds in accordance with state and federal regulations. Tenant has provided a copy of its current policy (as of the signature date below) regarding involuntary/emergency psychiatric hold services to Landlord ("Title 47 Policy"). Tenant shall use its reasonable best efforts to maintain its status as a Designated Evaluation and Stabilization Facility (aka a "DES" Facility) under the Alaska Mental Health Treatment Assistance Program.

As of the signature date of this Lease, Tenant has or intends to implement the following regarding its Title 47 Policy, practices, and procedures regarding involuntary/emergency patients:

- Tenant will work with Landlord and the City of Ketchikan Police Department to address patient elopement by: hiring additional, security officers or other qualified personnel to allow for 24/7 security in the ED; assign dedicated caregivers to monitor the camera that observes high flight risk patients; use qualified personnel to assist with high flight risk patients with violent tendencies (as assessed by the clinical team); update attending physician order sets to default to "close observation" for Title 47 patients; require at-risk patients to wear different colored patient gowns to assist in identification; and implement appropriate drills for training regarding Title 47 patients and patient elopement. When security officers are utilized for high flight risk patients with violent tendencies, they will operate within the reasonable limits of security officer's training and capabilities.
- Tenant will notify the appropriate parties (e.g., City of Ketchikan Police Department and the Superior Court) of the release of any Title 47 patient in accordance with AS 47.30.720.
- Tenant shall provide continuing education and training to its Medical Staff and ED and med/surg nursing staff regarding obligations related to Title 47 patients.
- Issues related to Title 47 patients may be addressed by the parties as part of the HAC process. Tenant shall provide the HAC with updated copies of its Title 47 Policy when material updates are made to the same.

Section 8. Tenant's Insurance. Tenant shall carry and maintain, during the entire Term hereof, at Tenant's sole cost and expense, the following types of insurance, in the amounts specified and in the form hereinafter provided for and reasonably satisfactory to the Landlord:

- a. Property Insurance. Tenant shall maintain a commercial property policy including special form causes of loss, or a program of self-insurance that is funded in accordance with actuarial projections, to the extent of at least one hundred percent (100%) of full replacement value, where such "replacement value" is defined as the cost of replacing under the building, fire and other codes and regulations as existing at the time of replacement. Landlord shall be a loss payee under any such policy or program, and Tenant shall provide a certificate of insurance evidencing such coverage upon reasonable request by Landlord.
- b. Liability Insurance. Commercial general liability insurance with limits of not less than Five Million Dollars (\$5,000,000), per occurrence, or such additional amounts

as are sufficient to insure against the probable amounts of potential judgments insuring against any and all liability of Tenant with respect to the Premises or arising out of the maintenance, use or occupancy thereof. The Landlord shall be named as an additional insured on the general liability policy, and the policy shall contain cross-liability coverage.

- c. Property Insurance. Tenant at its cost shall maintain on its fixtures, tenant improvements, alterations, and material personal property in, on, or about the Premises, a commercial property policy including special form causes of loss, to the extent of at least one hundred (100%) percent of their full replacement value, where such "replacement value" is defined as the cost of replacing under the building, fire, and other codes and regulations as existing at the time of replacement. The proceeds of any such policy shall be used by the Tenant for the replacement of personal property and the restoration of Tenant's improvements or alterations.
- d. Workers' Compensation and Employer Liability. Tenant shall maintain workers compensation insurance with a limit of at least the statutory minimum coverage required for participating businesses; provided, however, Tenant's participation shall be mandatory even if elective under applicable law. Tenant shall also maintain employment practices liability insurance with limits of not less than One Million Dollars (\$1,000,000) per claim. Tenant's insurance obligations under this Section 8.d may be satisfied by qualified self-insurance.
- e. Method of Coverage. Tenant may provide the insurance coverage required by this Section 8 through any reasonable method, including self-insurance, programs of captive insurance companies, or other cooperative insurance or risk management programs; provided that the financial protection available under any such program(s) is substantially equivalent to that required by the requirements set forth in Section 8.a, Section 8.b, Section 8.c, and Section 8.d. Further, Tenant's obligation to provide insurance under this Section 8 under this section may be provided by appropriate amendment, rider, or endorsement on any blanket policy or policies carried by Tenant.

Section 9. Other Insurance Matters.

- a. Waiver of Subrogation. Landlord and Tenant hereby waive all rights to recover against each other, for any loss or damage arising from any cause or risk which would be covered in whole or in part, by insurance of the type required to be carried by each of them pursuant to this Lease, or any other insurance actually carried by either of them or reasonably and customarily carried by similarly situated parties to the extent such insurance would cover such loss or damage incurred by such party. Landlord and Tenant shall cause their respective insurers to issue waiver of subrogation rights endorsements to all policies of insurance carried in connection with the Lease, and any cost for the issuance of such

endorsements shall be borne by the original insured under such policies consistent with the terms of this Lease.

b. Additional Insurance Requirements. Subject to Section 8.e above:

- i. All insurance required under this Lease shall be issued through a licensed captive insurance company, commercial insurance companies authorized to do business in the State of Alaska, a risk retention group (who if unlicensed must be approved by Landlord which approval shall not be unreasonably withheld), or by a combination of the above.
- ii. Tenant shall provide thirty (30) days prior written notice to Landlord before cancellation or any change which would modify or alter in such manner as to decrease the types or breadth of insurance coverage, or the amount of insurance coverage relating to the Premise.
- iii. Tenant shall provide Landlord with a certificate of insurance for each required policy within thirty (30) days of the annual renewal of each such policy, and Landlord shall have the right to inspect Tenant's records at reasonable times to confirm the insurance called for herein is in force.
- iv. Notwithstanding anything contained herein to the contrary, Tenant may provide deductible policies for Landlord's and Tenant's insurance so long as Tenant is responsible for paying the deductible.

c. Tenant's Use - Insurance Increase or Cancellation. Tenant shall not use, or permit the Premises, or any part thereof, to be used for any purpose or purposes which will cause a cancellation, reduction, or modification of coverage or types of risks or amounts that may be covered under any of Landlord's or Tenant's insurance policies. Tenant shall, at its sole cost comply with any and all requirements pertaining to the use of said Premises, of any insurance organization or company necessary for maintenance of reasonable commercial property and commercial general liability insurance by the Landlord covering KMC, the Premises, and all improvements and appurtenances thereto, provided however, Tenant shall not be required to make structural changes unless required as a result of the actions of the Tenant, its agents, representatives, contractors, sub-tenants, patients, or invitees.

Section 10. Taxes. Tenant shall pay all Taxes (defined below) applicable to the Premises during the Term. All payments for Taxes shall be made at least ten (10) days prior to their due date. Tenant shall promptly furnish Landlord with satisfactory evidence that Taxes have been paid. If Tenant fails to timely pay any Taxes, Landlord may pay them, and Tenant shall promptly repay such amount to Landlord upon demand. Landlord may also elect to pay all such Taxes directly to the appropriate taxing authority/ies and receive reimbursement thereof from Tenant within

fifteen (15) days after invoice, either of the full amount paid or at Landlord's sole election in equal monthly installments.

The term "Taxes" shall mean: (i) any form of tax or assessment imposed on the Premises by any governmental authority, including any city, county, state, or federal government, or any improvement district, as against any legal or equitable interest of Landlord or Tenant in the Premises or in the real property of which the Premises are a part, or against Rent paid for leasing the Premises; and (ii) any form of personal property tax or assessment imposed on any personal property, fixtures, furniture, tenant improvements, equipment, inventory, or other items, and all replacements, improvements, and additions to them, located on the Premises, whether owned by Landlord or Tenant. "Taxes" shall exclude any net income tax imposed on Landlord for income that Landlord receives under this Lease.

Section 11. Utilities. Landlord shall not be financially responsible for the expense related to the connection to and consumption of utilities by Tenant at the Premises and shall not, by virtue of this Lease, be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption, or failure of utilities due to any cause whatsoever, and Rent shall not abate as a result thereof. Tenant shall be responsible for determining whether available utilities and their capacities will meet Tenant's needs. Tenant shall install and connect, if necessary, and directly pay for all water, sewer, gas, janitorial, electricity, garbage removal, heat, telephone, and other utilities and services used by Tenant on the Premises during the Term, whether or not such services are billed directly to Tenant. Tenant will also procure, or cause to be procured, without cost to Landlord, all necessary permits, licenses, or other authorizations required for the lawful and proper installation, maintenance, replacement, and removal on or from the Premises of wires, pipes, conduits, tubes, and other equipment and appliances for use in supplying all utilities or services to the Premises. Landlord, upon request of Tenant, and at the sole expense and liability of Tenant, shall join with Tenant in any reasonable applications required for obtaining or continuing such utilities or services and shall cooperate with Tenant in connection therewith.

Section 12. Improvements.

- a. Improvements by Tenant. Tenant shall, at its sole cost and expense, and subject to the prior approval and other provisions of Section 12.b hereof with regard to Structural Improvements (defined below), design, construct and install in the Premises any additional partitions, walls, electrical wiring, conduits, ducts, fixtures and equipment, wall and floor coverings, including all special flooring, painting and decor, counters, cabinet work, and equipment as may be required by Tenant.
- b. Conditions Governing Improvements and Alterations.
 - i. For purposes of this Lease, "Structural Improvements" shall be defined as improvements, alterations, additions, or modifications to the Premises' foundations, exterior walls, interior load bearing walls or supports,

subflooring, the roof or any other load bearing elements of the Premises, or any improvements that would exceed or adversely affect the capacity or integrity of the Premises structure or any of its heating, ventilating, air conditioning, plumbing, mechanical, electrical, communications, or other systems. No Structural Improvements shall be made in, on or about the Premises by Tenant without the prior written consent of the City Manager of Landlord, and all such Structural Improvements shall be accomplished in accordance with any conditions relating thereto stated in writing by the City Manager and, provided further, Tenant shall not make any changes therein after such consent without the further approval of the Landlord as herein provided. Prior to the construction of the Structural Improvements, Tenant shall submit to the City Manager, for her/his approval, plans and drawings for such improvements which shall conform to the general architectural scheme and overall plans, if any, adopted by the Landlord for the Premises. Notwithstanding the foregoing, if emergency repairs that meet the definition of a Structural Improvement are deemed necessary by Tenant, Tenant may undertake such Structural Improvements without the prior written consent required by this subsection.

- ii. Upon the written approval by the Landlord's City Manager of Tenant's plans and drawings, Tenant shall cause the construction called for by said plans and drawings to be commenced and completed with reasonable dispatch. Upon completion of any Structural Improvements, Tenant shall furnish to the Landlord at no charge, a complete set of working drawings of the Structural Improvement as constructed in a format agreed to by the parties.
- iii. If Tenant makes any Structural Improvements to the Premises as provided in this section, the Structural Improvements shall not be commenced until thirty (30) days after Landlord has received notice from Tenant stating the date the installation of the alterations is to commence so that Landlord can post and record an appropriate notice of non-responsibility if such protection is deemed necessary by Landlord.
- iv. If the estimated cost of the Structural Improvements exceeds One Hundred Thousand and no/100 Dollars (\$100,000.00), Landlord may require before the commencement of the Structural Improvements, or at any time thereafter, Tenant (or Tenant's contractor) at its cost, furnish to the Landlord, with the Landlord as a named beneficiary, a performance and a payment bond issued by a surety company qualified and authorized to conduct business in the State of Alaska in a sum equal to the full cost of the Structural Improvements (as determined by the construction contract between Tenant and its contractor, and if such work is to be accomplished without a contract, as estimated by the Public Works Director of Landlord),

in form acceptable to the Landlord, guaranteeing the completion of the Structural Improvements free and clear of all liens and other charges, and in accordance with the plans and specifications.

- v. All Structural Improvements constructed by Tenant in the Premises, including the plans, and specifications therefor, shall conform in all respects to the applicable statutes, ordinances, building codes, rules and regulations of such authority as may have jurisdiction thereover. The Landlord's approval given, as provided above, does not constitute a representation or warranty as to such conformity and the same shall remain Tenant's responsibility, at its sole cost and expense, shall procure all permits and licenses necessary for such construction.
- vi. All construction by Tenant pursuant to this Section 12.b shall be at Tenant's sole cost and expense. Tenant shall keep the Premises and the improvements constructed thereon free and clear of all liens and shall pay all costs for labor and material arising out of such construction and shall hold the Landlord harmless from any cost, expense or liability including attorneys' and expert witness fees.
- vii. Tenant shall in no event make any structural alterations to the roof, walls, or floors of any of the structures or buildings located on the Premises without first obtaining the prior written consent of the City Manager.

c. Ownership of Improvements.

- i. If any Structural Improvements are erected or installed by Tenant, they shall at once become part of the realty, building, or land upon or within which they are erected and shall immediately become the property of, and title thereto shall vest in Landlord, and shall be surrendered with the Premises on expiration of the Term or termination of this Lease, except that if Landlord has in writing given Tenant permission to construct such Structural Improvements only upon the condition that they be removed at the termination of this Lease or any extended Term hereof, then such "Conditional Structural Improvements" shall at the termination of this Lease or any extended Term hereof, and in no event later than thirty (30) days after such date of expiration or termination, be removed at Tenant's sole expense and the Premises restored to its former condition.
- ii. Notwithstanding any other provisions herein, the Landlord shall have the right, at any time, to require the immediate removal of any Structural Improvements installed without the prior consent of the Landlord.
- iii. If the removal of any such installation or alterations damages any part or parts of the buildings, pavements, or other portion of the Premises, Tenant

shall immediately repair such damage and restore said damaged part or parts of said building, pavements or Premises to the satisfaction of the Landlord's City Engineer/Public Works Director, which such approval shall not be unreasonably withheld.

Section 13. Repairs and Maintenance; Surrender.

- a. Subject to Section 13.b, Tenant shall, at its sole expense, maintain the entire Premises including without limitation normal repairs and maintenance to all heating, ventilation, and air conditioning ("HVAC") equipment at the Premises, in its existing condition as of the Commencement Date and promptly make all repairs and replacements, whether structural or non-structural, necessary to keep the Premises in safe operating condition, including all utilities and other systems serving the Premises ("Tenant Repairs").
- b. Notwithstanding the foregoing, Landlord and Tenant shall have the joint obligation to repair the roof, roof surface, roof structure, roof membrane and systems, subfloor, building foundation, exterior walls, capital repairs and replacements to the HVAC system (collectively, the "Joint Repair Items"), which the parties shall maintain in good condition and repair at their joint expense. The parties have jointly developed a deferred maintenance plan for the Joint Repair Items (the "Joint Repair Plan") for a rolling ten (10)-year period, prepared by ECG Management Consultants ("ECG"), attached here to as Exhibit G. The parties acknowledge that Landlord's ability to fund Joint Repair Items is expressly limited by available revenue generated by the City of Ketchikan Hospital Sales Tax, after payment has been made for the annual debt service directly related to the 2014 capital improvement project to KMC and funded by newly issued bonds from Landlord. The parties further acknowledge that Tenant's ability fund Joint Repair Items is directly related to available cash flow from Tenant's trailing three-year average Total Net Income. In any year where funding is not fully available to fund Joint Repair Items in the agreed plan, the parties shall meet to discuss appropriate adjustments to the plan and deferral of Joint Repair Items.
- c. Tenant shall not damage the Premises and shall promptly repair any damage or injury done thereto to the extent caused by Tenant or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. Notwithstanding anything in this Section 13 to the contrary, Landlord shall not be responsible for any repairs to the Premises to the extent made necessary by the negligence or misconduct of Tenant or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees therein. If Tenant fails to perform Tenant's obligations under this Section 13, Landlord may at Landlord's option enter upon the Premises after ten (10) days' prior written notice to Tenant (except in cases of emergency, when no notice is required) and put the same in good order, condition and repair and

the cost thereof together with interest thereon at the Default Rate set forth in Section 4.c shall be due and payable as Additional Rent to Landlord upon receipt of invoice from Landlord. Upon expiration or earlier termination of the Lease, Tenant shall promptly and peacefully surrender the Premises to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable wear and tear excepted.

Section 14. Access and Right of Entry. If Tenant is unable or unavailable to make or arrange for repairs, inspections, alterations or improvements in a timely manner, Landlord may elect to take such actions. Only in those circumstances and after twenty-four (24) hours' written notice from Landlord (except in cases of emergency, when no notice shall be required), Tenant shall permit Landlord and its agents, employees and contractors to enter the Premises at all reasonable times to make repairs, inspections, alterations or improvements, provided that Landlord shall use reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises and take all reasonable measures to protect the privacy of patients and the confidentiality of patient medical records. This Section shall not impose any repair or other obligation upon Landlord not expressly stated elsewhere in this Lease.

Section 15. Liens.

- a. Tenant covenants to keep the Premises and all improvements thereon at all times during the Term hereof free of mechanic's liens and any other liens, claims, or encumbrances which may be asserted by reason of any acts or work done by or at the instance or pursuant to the authority of Tenant, its agents or contractors, and to at all times protect fully and indemnify the Landlord against any and all such liens, encumbrances, or claims and against all attorneys' fees and other costs and expenses growing out of or incurred by reason of or on account of any such liens, encumbrances or claims. Should Tenant fail to fully discharge any such liens, encumbrances or claims, Landlord shall be entitled to pay or contest such lien at Tenant's sole cost and expense, including reasonable attorneys' fees and costs incurred by the Landlord, unless Tenant shall within five (5) days from the date of written demand by the Landlord, deposit with the Landlord a sum of money equal to the full amount claimed pursuant to such lien, encumbrance or claim, which sum shall be deposited or invested in accordance with Landlord's normal investment policy. If a lien or other claimant shall obtain a final judgment for all or a portion of his lien or claim, the Landlord shall be entitled to use all or any portion of the funds deposited with the Landlord in payment and satisfaction of such judgment. Any amount remaining unpaid shall be paid by Tenant, and any remaining balance together with the interest actually earned by Landlord, minus any attorneys' fees, costs, or expenses, shall be repaid to Tenant.
- b. All amounts so paid by the Landlord from Landlord's funds, together with interest thereon at the Default Rate provided in Section 4.c hereof from the time of payment by the Landlord until repayment by Tenant, shall be paid by Tenant to the

Landlord not later than ten (10) days after demand therefore and if not so paid shall continue to bear interest at the aforesaid rate.

Section 16. Damage or Destruction. If during the Term of this Lease the Premises are totally or partially destroyed by a risk, whether covered by insurance or not covered by insurance, which risk renders the Premises totally or partially inaccessible or unusable, then the following shall occur:

- a. Landlord and Tenant shall in good faith cooperate with each other so that as quickly as possible Landlord can investigate and analyze the nature and extent of damage.
- b. Tenant shall immediately give notice of the loss to its insurance companies.
- c. Landlord shall furnish a copy of its report on the nature and extent of the damage to Tenant for forwarding to the insurance companies.
- d. Landlord shall determine the cost to repair the damage and provide a copy of its cost studies to Tenant for forwarding to the insurance companies.
- e. Tenant shall determine the cost to repair or replace its trade fixtures, tenant improvements and personal property and forward such information to the insurance companies.
- f. Within sixty (60) days after the date of the occurrence of the loss Landlord shall give notice to Tenant in writing specifying one of the following:
 - i. Landlord will restore the Premises to substantially the same condition as they were in immediately before the destruction, with plans for such restoration to be approved by Tenant, with commencement of construction to begin within a reasonable period of time and to be diligently prosecuted to completion thereafter; or
 - ii. Landlord will close off the damaged or destroyed portions of the Premises and terminate this Lease to the extent that it applies to these portions; or
 - iii. Landlord will elect to terminate this Lease in its entirety because the restoration costs will exceed the insurance proceeds; or
 - iv. Landlord will elect to terminate this Lease because the risk was not covered by insurance.
- g. If Landlord elects to repair pursuant to Section 16.f.i, then this Lease shall remain in full force and effect, with no abatement of Rent or other amounts due under the Lease.

- h. If Landlord elects not to repair pursuant to Section 16.f.ii, Tenant shall have sixty (60) days after receipt of Landlord's notice to give Landlord notice that such failure to repair would have a substantial adverse effect upon Tenant's operation of KMC and that Tenant elects to terminate this Lease in its entirety. If Tenant fails to give such notice, this Lease shall remain in full force and effect as to the remaining portions of the Premises, with no abatement of Rent.
- i. If laws existing at the time of the occurrence do not permit restoration, then either party can terminate this Lease by giving notice to the other party not later than sixty (60) days after the occurrence.

Section 17. Condemnation.

- a. Entire Taking. If the entire Premises are taken by eminent domain for public or quasi-public purposes, including a taking by inverse condemnation, this Lease shall terminate as of the date of such taking and the entire award shall be paid to the Landlord. The date of taking shall be the date actual physical possession is taken by the condemning agency. From this award (but in no event in excess of it, and from no other source) the Landlord shall pay only to Tenant an amount equal to that part, if any, of the award which has been expressly computed and made for fixtures installed upon the Premises and Conditional Structural Improvements which Tenant is expressly entitled to remove upon the termination of this Lease, plus the unamortized cost of any leasehold improvements taken which had been made at Tenant's expense, whether or not Tenant has the right to remove the same upon the termination of this Lease. Tenant agrees to and hereby waives any right to assert or claim any additional part of said total award other than the value of said fixtures and Conditional Structural Improvements taken, including any claim for bonus value of the Lease or leasehold interest taken and expressly agrees the total award other than the value of said fixtures and Conditional Structural Improvements shall be paid to and retained by Landlord without deduction.
- b. Partial Taking. If only a part of the Premises are taken in such eminent domain proceedings, including a taking by inverse condemnation this Lease shall automatically terminate as to the part taken. Further, in the event of such a partial taking, Tenant shall be paid from the award (but in no event in excess of it, or from any other source) an amount equal to that part, if any, of the award which has been expressly computed and made for any fixtures and Conditional Structural Improvements taken which Tenant is expressly entitled to remove upon the termination of this Lease, plus the unamortized cost of any leasehold improvements taken which had been made at Tenant's expense, whether or not Tenant has the right to remove the same upon the termination of this Lease.
- c. For the avoidance of doubt, in no event shall Landlord undertake eminent domain proceedings against the Tenant and Premises.

Section 18. Termination.

- a. Expiration of Term or Mutual Consent. This Lease will terminate upon expiration of the Term or upon the written election of the parties to mutually terminate this Lease prior to the expiration of its Term.
- b. Termination Without Cause. This Lease may not be terminated without cause during the Term absent mutual agreement of the parties.
- c. Termination for Cause. Subject to the requirements of Section 18.d and Section 18.e below regarding Events of Default, this Lease may be terminated prior to the expiration of its Term after a Termination Trigger as set forth below. The following occurrences shall each constitute and be deemed a "Termination Trigger" under this Lease, whether caused by a party, whatever the reason and whether voluntary or involuntary, or whether effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule, or regulation of any administrative or governmental body:
 - i. Material breach of any the following Section 5, Section 7.b.i, Section 7.b.iii, Section 7.e, and Section 13.a;
 - ii. Permanent exclusion or suspension lasting one year or longer of Tenant from any federal health care program or from participating in any federal health care program, including Medicare and Medicaid;
 - iii. Tenant, pursuant to or within the meaning of any Bankruptcy Law, (1) commences a voluntary case, (2) consents to the entry of an order for relief against it in an involuntary case, (3) consents to the appointment of a custodian of it or for all or substantially all of its property, or (4) makes a general assignment for the benefit of its creditors. This Termination Trigger may not be cured;
 - iv. A court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (1) is for relief against Tenant in an involuntary case, (2) appoints a custodian of Tenant or for all or substantially all of its property, or (3) orders the liquidation of Tenant, and the order or decree remains unstayed and in effect for sixty (60) consecutive days;
 - v. The taking of Tenant's interest in this Lease or the Premises, or any part thereof, by execution or other process of law directed against Tenant, or attachment of Tenant's interest in this Lease by any creditor of Tenant, if such attachment is not discharged within fifteen (15) days after being levied;

- vi. By either party, after the sixth (6th) anniversary of the Commencement Date, any time after Tenant sustains a cumulative operating loss of greater than \$10,000,000 on an ongoing basis throughout the Term. For purposes of this Section 18.c.vi, operating losses shall not include expenses incurred by Tenant pursuant to Section 7.d, Section 7.e, or Section 7.f of this Lease, or for capital improvements to KMC;
- vii. By Tenant in the event of catastrophic industry changes or events which make it no longer viable to continue operating KMC as originally intended; or
- viii. Subject to a vacation by Tenant of the Premises (defined as an absence for at least fifteen (15) consecutive days without prior notice to Landlord), or abandonment of the Premises (defined as an absence of five (5) days or more while Tenant is in breach of some other term of this Lease). Tenant's vacation or abandonment of the Premises shall not be subject to any notice by Landlord or right to cure. Notwithstanding anything to the contrary in this Section 18.c.viii, a Force Majeure Event shall not be deemed a Termination Trigger under this Section 18.c.viii.

For purposes of this Agreement, "Bankruptcy Law" means Title 11 of the U.S. Code, or any similar federal or state law for the relief of debtors.

- d. Termination Process. In the event that a party believes that a Termination Trigger has occurred based on the action or inaction of the other party (an "Event of Default"), the parties shall adhere to the following process:
 - i. The party who believes an Event of Default has occurred shall issue a written notice of default to the other party that clearly sets forth the alleged default in reasonable detail and states that the default must be remedied or cured within the Cure Period (as defined in Section 18.d.ii).
 - ii. The "Cure Period" must be of sufficient duration to allow the breaching party a reasonable opportunity to cure. The Cure Period shall be presumed to be not less than one hundred eighty (180) days unless the Lease provides or the context requires a shorter period.
 - 1) If an Event of Default occurs after a party has previously cured the same or a similar Event of Default and continues a pattern of repeatedly and intentionally breaching the Lease in a manner clearly demonstrating that it is not acting in good faith, the terminating party is not obligated to provide the other party with further opportunity to cure.

- 2) If the Event of Default is incurable, no Cure Period need be provided.
- iii. A written notice of termination shall be issued stating that the Event of Default either has not be remedied or cured during the Cure Period or is incurable. The notice shall set forth the effective date of termination. The effective date of termination shall not be less than three hundred sixty five (365) days after the notice of termination has been given, unless the parties jointly consent in writing to an earlier termination date or an earlier date is otherwise required by law.
- e. Disputes Regarding Events of Default. If either party should give a written notice of default to the other, and the recipient of such notice contests the existence of such Event of Default, such recipient may refer the matter for resolution pursuant to the dispute resolution provisions of Section 31. During the period that such matter is being resolved through such mechanisms, the party alleging the Event of Default may not terminate this Lease. Notwithstanding the foregoing, a party may nonetheless seek injunctive or other special relief if, in such party's judgment, such action is necessary to prevent irreparable harm to either party, and such action may be taken without the need of posting bond or other collateral.
- f. Winding-Up Procedures. The following provisions shall apply to the expiration or termination of this Lease, irrespective of whether such occurs upon the expiration of a stated Term or pursuant to any of the termination provisions:
- i. Cooperation. The parties agree to cooperate fully with each other to achieve an orderly transfer of the operation of KMC, with the goal of enabling safe and effective operation of KMC in a manner that ensures continuity of patient care and compliance with all Applicable Laws and licensing, accreditation, and contractual requirements. To the extent permitted by contract or law, all rights under contracts, permits, licenses, certificates of need, and other intangible assets as are necessary to allow the continued operation of KMC shall be conveyed to and vested in Landlord or its assignee.
- ii. Transition Plan. During the period between the date of receipt of any written notice to terminate this Lease and the actual effectiveness of the termination, the parties shall cooperate to develop a plan ("Transition Plan") to effectuate the transfer of the operation of KMC to Landlord or such other person or persons designated by Landlord as a successor operator of KMC. If, for whatever reason, there are delays in implementing the Transition Plan such that total control over KMC cannot be conferred without interruption of patient care, the parties may, but are not obligated to, extend on a temporary basis the Term of the Lease.

Section 19. Material Breach – Non-Termination.

If a party materially breaches its obligations under this Lease, other than for material breaches as described in Section 18, the non-breaching party shall be entitled to exercise all other remedies available at law or in equity, including pursuing money damages or specific performance, except for termination of this Lease. Any dispute between the parties regarding a non-termination material breach, shall be subject to dispute resolution pursuant to Section 31.

Section 20. Surrender of Possession or Abandonment.

- a. At the expiration or termination of the tenancy created hereunder, whether by lapse of time or otherwise, Tenant agrees to surrender the Premises in as good a condition and repair as received and in the condition that Tenant was required to maintain the Premises under the Lease, subject to reasonable wear and tear, and insured perils.
- b. Upon the expiration of the tenancy hereby created, or relinquishment of possession of Tenant for any reason, Tenant shall, subject however to Landlord's option to purchase as provided in Section 22 hereof, promptly remove, and in any event not later than thirty (30) days after relinquishment of possession or demand for removal by the Landlord, whichever first shall occur, all of Tenant's personal property from the Premises and any fixtures or other improvements or alterations placed in or on the Premises by Tenant and which Tenant is under this Lease entitled or required to remove and in addition thereto Tenant shall repair any damage occasioned by such removals, at Tenant's expense, and in default thereof, the Landlord may effect such removal and/or repair and Tenant shall pay the Landlord the cost thereof, with interest at the rate specified in Section 32.j hereof from the date of payment by the Landlord, until paid in full, plus any other damages caused thereby.
- c. If at any time Tenant shall vacate or abandon the Premises during the Term of this Lease title to any personal property, fixtures, or other improvements left on the Premises shall be deemed to be vested in Landlord and Tenant shall be deemed to have abandoned, waived and relinquished all right, title, claim, and interest therein to Landlord.

Section 21. Holding Over. If Tenant with Landlord's consent remains in possession of the Premises after expiration or termination of the Term, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable on thirty (30) days' notice given at any time by either party. During any such month-to-month tenancy Tenant shall pay all Rent pro-rated on a monthly basis, on or before the tenth (10th) day of the month for which such Rent is due. The cost of insurance provided for in Section 8 shall, however, be paid by Tenant in full at the time of billing but can be pro-rated so long as there is no lapse in coverage. All provisions of this Lease, except those above-referenced to and those pertaining to the Term and option to extend, shall apply to the month-to-month tenancy. If Tenant remains in possession without the consent of the

Landlord, Tenant shall be a tenant at sufferance only, and shall be responsible for payment of all the rents, fees, insurance premiums, charges, and compliance with all the terms and conditions of this Lease, in addition to any other damages otherwise suffered by reason thereof by the Landlord.

Section 22. Option to Purchase Furnishings, Equipment, and Personal Property. Tenant grants to Landlord the option to purchase any or all of Tenant's furnishings, equipment, supplies or other personal property located on the Premises upon the termination or expiration of the Lease for any reasons, on the terms and conditions set forth below.

a. Option Period.

- i. Upon the normal expiration of the Term or extended Term of this Lease, Landlord shall, if Landlord desires to purchase the property, at least twelve (12) months but no more than eighteen (18) months before the expiration of the Term or extended Term of this Lease, give Tenant notice in writing indicating that Landlord is considering the purchase of all or certain specified items of Tenant's property and that Landlord requests that Tenant specify a price in accordance with Section 22.b.
- ii. Upon the termination this Lease prior to normal expiration of the Term, Landlord shall, if Landlord desires to purchase the property, at the same time the notice of termination is delivered to Tenant, provide Tenant notice in writing indicating that Landlord desires to purchase of all or certain specified items of Tenant's property and that Landlord requests that Tenant specify a price in accordance with Section 22.b; in such event, notwithstanding anything herein to the contrary, Landlord waives Tenant's duty to remove its property pursuant to Section 20.b, supra, and Tenant shall in lieu thereof have a duty to remove its property within thirty (30) days after Landlord has decided not to purchase that property of Tenant upon which Landlord has requested a price.

- b. Purchase Price. The parties shall have sixty (60) days after Tenant receives the option notice in which to agree on the purchase price. If the parties are unable to agree on the purchase price within that period, then within thirty (30) days after the expiration of that period each party, at its respective cost and by giving notice to the other party, shall appoint a qualified personal property appraiser with at least five (5) years' full-time commercial appraisal experience in the appraisal of hospital and medical equipment to appraise and set the purchase price of the property. If a party does not appoint an appraiser within such thirty (30) day period, the single appraiser appointed shall be the sole appraiser and shall set the purchase price of the property. If the two appraisers are appointed by the parties as stated in this Section 22, they shall meet promptly and attempt to set the purchase price of the property. If they are unable to agree on the purchase price within ninety (90) days after the second appraiser has been appointed, they shall

attempt to elect a third appraiser meeting the qualifications stated in this Section 22 within fifteen (15) business days after the last day the two appraisers are given to set the purchase price. If they are unable to agree on the third appraiser, either of the parties to this Lease by giving five (5) business days' notice to the other party can apply to the presiding judge of the superior court sitting in Ketchikan, Alaska for the selection of a third appraiser who meets the qualifications stated in this Section 22. Each of the parties shall bear one-half of the cost of appointing the third appraiser and of paying the third appraiser's fee. The third appraiser, however selected, shall be a person who has not previously acted in any capacity for either party.

Within forty-five (45) days after the selection of the third appraiser, a majority of the appraisers shall set the purchase price of the property. If a majority of the appraisers are unable to set the purchase price within the stipulated period of time, the three appraisals shall be added together and their total divided by three; the resulting quotient shall be the purchase price of the property.

If, however, the low appraisal and/or the high appraisal are/is more than twenty (20%) percent lower and/or higher than the middle appraisal, the low appraisal and/or the high appraisal shall be disregarded. If only one appraisal is disregarded, the remaining two appraisals shall be added together and their total divided by two; the resulting quotient shall be the purchase price of the property. If both the low appraisal and the high appraisal are disregarded as stated in this paragraph, the middle appraisal shall be the purchase price of the property.

After the purchase price for the property has been set, the appraisers shall immediately notify the parties. If Landlord objects to the purchase price that has been set, Landlord shall have the right to elect not to purchase the property, as long as Landlord pays all the direct fees in connection with the appraisal procedure that set the purchase price. Landlord's election not to purchase the property must be exercised within sixty (60) days after receipt of notice from the appraisers of the purchase price.

- c. Credit on Purchase Price. If Landlord elects to purchase the property, Landlord shall be entitled to deduct from and apply a credit against the purchase price an amount equal to: (i) the then current appraised value of the movable property that the Landlord and KMC Foundation purchased directly for the operation of KMC; or (ii) a percentage of the then current appraised value of movable property that Tenant purchased using grant or other monies, provided by Landlord, the KMC Foundation or a federal, state, or local government agency, specifically designated for the acquisition of movable equipment proportionate to the amount that such monies bore to the original purchase price. As of the Commencement Date the parties acknowledge and agree that the movable property owned by City or purchased by the City or KMC Foundation, are as set forth on Exhibit D.

- d. Method of Payment. If Landlord elects to purchase the property, Landlord shall immediately undertake the steps necessary to obtain funding, prosecute the same diligently to completion thereafter and pay Tenant within ten (10) days after receipt of the funds by Landlord.
- e. Title to Property. Upon purchase, Tenant shall deliver to Landlord a bill of sale and unless otherwise agreed to by Landlord, title to all items shall be free and clear of all security interests or any other liens or encumbrances.

Section 23. Nondiscrimination; Standard of Care. Tenant shall not discriminate in its hiring processes and shall provide prompt and professional medical attention to patients irrespective of sex, sexual orientation, gender identity or expression, race, color, national origin, religion, disability, or other protected class category under Applicable Laws. Such treatment shall be consistent with the facilities, personnel, and equipment available and in conformity with the prevailing professional standard of care in the community.

Section 24. Landlord's Reservation of Rights. The rights and privileges granted to Tenant in this Lease are the only rights and privileges herein granted to Tenant; and Tenant has no easements, rights, or privileges, express or implied, other than those specifically herein granted by the Landlord.

Section 25. Assignment and Subletting.

- a. Tenant shall not assign this Lease or any part thereof, or the option to extend the Term provided for in Section 3.b hereof, without the prior written consent of the Landlord, which may be exercised in its sole and absolute discretion. Any such attempted assignment without the prior written consent of the Landlord shall be void and of no force or effect and may, at the option of the Landlord, be deemed a material breach and default and a basis for termination of this Lease.
- b. Tenant shall not sublet any portion of the Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld provided the proposed activity to be conducted by such sublessee is in furtherance of health care services to the public and the proposed subtenant is fully qualified and capable of providing such services; and provided further, in no event shall in excess of twenty (20%) percent of the total floor area of the Premises be subleased.
- c. Consent given on one occasion shall not be construed as or constitute a waiver of the requirement of consent as to any subsequent or further assignment or subletting. In the event of assignment or subletting, Tenant shall remain liable and responsible for performance of all the terms, covenants, conditions and provisions provided for in this Lease, including payment of Rent and other charges, and Landlord may require any assignee or subtenant to affirmatively agree to perform all the terms and conditions of this Lease.

- d. For purposes of this Section 25, the term “assignment” includes a Change in Control of Tenant. “Change of Control” means (a) a transaction or series of related transactions that results in the transfer of majority control, responsibility or governance of Tenant; (b) a change in the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of Tenant, whether by entrance into a management services agreement or otherwise; or (c) a reorganization or other event that results in Tenant merging or otherwise transferring, exchanging or leasing substantially all of its assets, other than an internal reorganization.

Section 26. Subordination and Attornment. The Tenant acknowledges and agrees this Lease shall be subordinate to the rights and/or claims of any holders of any general obligation, revenue, or other bonds, securities, or encumbrances previously or hereafter issued in regard to the Premises, and Tenant further expressly agrees that this Lease, and all rights hereunder, shall be subject and subordinate to all prior exceptions, reservations, leases, licenses, easements, restrictions, and rights-of-way of record now existing in, onto, over or affecting the Premises and Tenant hereby agrees not to violate any such exceptions, reservations, leases, licenses, easements, restrictions, or rights-of-way. Tenant shall promptly and in no event later than fifteen (15) days after request execute, acknowledge, and deliver documents which any lender to Landlord may reasonably require as further evidence of this subordination and attornment.

Section 27. Indemnification

- a. Tenant shall indemnify and defend Landlord against, and save the Landlord, its elected and appointed officials and employees, harmless from any and all claims, suits, liability, costs, expenses or damage from any alleged or actual infringement or violation of any copyright, patent or patent rights arising in connection with this Lease and performance of this Lease.
- b. Tenant shall indemnify and appear and defend the Landlord against and save the Landlord, its elected and appointed officials and employees, harmless from any and all claims, damages, losses, costs and expenses, including reasonable attorneys' fees incurred, whether or not suit is filed, and for injuries to property, including loss of use and theft, injuries to persons, including death, and from any other claims, suits or liability, relating to the Premises, or caused in whole or in part by any act or omission of the Tenant, or any of its officers, agents, employees, representatives, servants or subcontractors, or anyone employed by them, or for whose acts Tenant may be liable, or by Tenant's customers, invitees or any person on or about the Premises.
- c. Tenant shall pay for all materials furnished, and all work and labor supplied, at the request or instance of Tenant in regard to the Premises, and all sales, excise or other taxes, and to satisfy the Landlord thereupon whenever demand is made, and to indemnify the Landlord against and save it harmless from any and all claims, suits or liens related to such work or materials.

- d. Tenant shall obtain and pay for all permits and licenses, and to comply with all laws, ordinances, and regulations bearing on work and the conduct thereof.
- e. Tenant, its successors and assigns, further agree to, and shall, appear and defend, and shall indemnify and hold the Landlord, its elected and appointed official, employees, agents, successors and assigns harmless against any of the foregoing claims or liabilities and shall pay any and all costs and expenses, including, but not limited to, court costs and attorneys' fees incurred by the Landlord and said persons on account of such liabilities or claims. The failure of the Landlord at any time to enforce the provisions of this Lease concerning insurance coverage shall not constitute a waiver of those provisions nor in any respect reduce the obligation of the Tenant to defend and to hold and save the Landlord and said persons harmless with respect to any claims or items of injury or damage covered by this section.
- f. Exemption of Landlord from Liability. Except to the extent of claims arising out of Landlord's negligence or intentional misconduct, Landlord shall not be liable for injury to Tenant's business or assets or any loss of income therefrom or for damage to any property of Tenant or of its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, or any other person in or about the Premises.

Section 28. Hazardous Material. As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste including biomedical waste which is or becomes regulated by any local governmental authority, the State of Alaska or the United States government, due to its potential harm to the health, safety or welfare of humans or the environment.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about, or disposed of on the Premises by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, except for such Hazardous Materials used in the normal and ordinary course used in the operation of a licensed hospital and medical facilities or with Landlord's prior written consent, and then only upon strict compliance with all applicable federal, state and local laws, regulations, codes and ordinances. If Tenant breaches the obligations stated in the preceding sentence, then Tenant shall indemnify, defend (using counsel of Landlord's choosing) and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including, without limitation, diminution in the value of the Premises; damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, or elsewhere; damages arising from any adverse impact on marketing of space at the Premises; and sums paid in settlement of claims, reasonable attorneys' fees, consultant fees and expert fees incurred or suffered by Landlord either during or after the Term to the extent such losses are incurred as a result of Tenant's activities on the Premises. These indemnifications by Tenant include, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up,

remedial, removal or restoration work, whether or not required by any federal, state or local governmental agency or political subdivision, because of Hazardous Material present in the Premises, or in soil or ground water on or under the Premises, but only to the extent such losses are incurred as a result of Tenant's activities on the Premises. Tenant shall immediately notify Landlord of any inquiry, investigation or notice that Tenant may receive from any third party regarding the actual or suspected presence of Hazardous Material on the Premises.

Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Premises by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, results in any unlawful release of any Hazardous Materials on the Premises or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Premises or any other property to the condition existing prior to the release of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval may be withheld at Landlord's sole discretion. The provisions of this Section shall survive expiration or termination of this Lease.

Section 29. Notices. All notices under this Lease shall be in writing and effective (i) when delivered in person or via overnight courier to the other party; or (ii) three (3) days after being sent by registered or certified mail, return receipt requested, to the other party at the address set forth in Section 1.g. The addresses for notices and payment of Rent set forth in Section 1.g may be modified by either party only by written notice delivered in conformance with this Section.

Section 30. Estoppel Certificates. Tenant shall, from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement specifying the following, subject to any modifications necessary to make such statements true and complete: (i) the total rentable square footage of the Premises; (ii) the date the Term commenced and the date it expires; (iii) the amount of annual Base Rent and the date to which it has been paid; (iv) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way; (v) that this Lease represents the entire agreement between the parties; (vi) that all obligations under this Lease to be performed by either party have been satisfied; (vii) that there are no existing claims, defenses or offsets which the Tenant has against the enforcement of this Lease by Landlord; (viii) the amount of Rent, if any, that Tenant paid in advance; (ix) if Tenant has sublet all or a portion of the Premises or assigned its interest in the Lease and to whom; (x) if Tenant has any option to extend the Lease or option to purchase the Premises; and (xi) such other factual matters concerning the Lease or the Premises as Landlord may reasonably request. Tenant acknowledges and agrees that any statement delivered pursuant to this Section may be relied upon by a prospective purchaser of Landlord's interest or assignee of any secured party or new secured party of Landlord's interest in the Premises. If Tenant shall fail to respond within ten (10) business days to Landlord's request for the statement

required by this Section, Landlord may provide the statement and Tenant shall be deemed to have admitted the accuracy of the information provided by Landlord.

Section 31. Dispute Resolution. Any dispute related to the interpretation, operation, or a claim of breach of this Lease shall be resolved pursuant to the following procedure.

- a. Meet and Confer.
 - i. Landlord and Tenant agree to meet and confer on any issue that is the subject of a dispute (“Meet and Confer”), if initiated by a party. The party seeking to initiate the Meet and Confer procedures (“Initiating Party”) will give written notice to the other party, describing in general terms the nature of the dispute, the Initiating Party’s position, a summary of the evidence and arguments supporting its position, and identifying one (1) or more individuals with authority to settle the dispute on such party’s behalf (the “Authorized Individuals”).
 - ii. The party receiving such notice (the “Responding Party”) will have twenty (20) business days to respond. The response must include the Responding Party’s position and a summary of the evidence and arguments supporting its position and will also identify one (1) or more Authorized Individuals with authority to settle the dispute on such party’s behalf. The Authorized Individuals for the parties will meet at a mutually acceptable time and place within ten (10) business days of the date of receipt of the Responding Party’s response and thereafter as often as they deem reasonably necessary to attempt to resolve the dispute.
 - iii. If the matter has not been resolved within twenty (20) business days after the last date on which the meeting could take place in compliance with this section, then each party will refer the underlying matter to the CEO of Tenant and the City Manager of Landlord for resolution. If such referral fails to resolve the matter within ten (10) business days after such referral, either party may initiate nonbinding mediation as set forth in Section 31.b hereof.
 - iv. All deadlines specified in these Meet and Confer provisions may be extended by mutual written agreement of the affected parties. The parties recognize that any agreement that may be reached during the Meet and Confer process, may be subject to the approval of the respective party’s governing board.
- b. Mediation. If the Meet and Confer process outlined above fails to result in a resolution of a dispute, the parties agree to try in good faith to settle the dispute by mediation administered by the American Health Law Association (“AHLA”) mediation service. The parties will jointly notify AHLA of their intent to use the

mediation service, select a mediator from the AHLA roster, and mediate pursuant to the terms of the AHLA's Agreement to Mediate. In the event the parties cannot agree on a third-party mediator within fourteen (14) days of the notice of intent to mediate, the mediator shall be selected by the AHLA. The mediation will be convened in Ketchikan, Alaska. The parties to the dispute shall share the expenses of the mediator and other costs of mediation on an equal basis.

- c. Failure to Resolve. If the dispute cannot be resolved by nonbinding mediation within sixty (60) days following the end of the Meet and Confer period, either party may exercise any legal or equitable rights and remedies afforded it by law.
- d. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Lease, the unsuccessful party in such litigation or arbitration, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including, without limitation, such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included in, as part of, such judgment.
- e. Equitable Remedies. The parties acknowledge that a breach of this Lease may not be adequately remedied by monetary damages. The nonbreaching party shall have available any and all equitable remedies, including the remedies of injunctive relief and specific performance.

Section 32. Miscellaneous.

- a. Relationship of Parties. Nothing herein contained shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent or of partnership or of joint venture between the parties hereto, it being understood and agreed that neither method of computation of Rent nor any other provision contained herein, nor any acts of the parties hereto, shall be deemed to create any relationship between the parties hereto other than the relationship of landlord and tenant.
- b. Terminology. Whenever herein the singular number is used, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders.
- c. Nonwaiver. No delay or omission of the right to exercise any power by either party shall impair any such right or power, or shall be construed as a waiver of any default or as acquiescence therein. One or more waivers of any covenant, term, or condition of this Lease by either party shall not be construed by the other party as a waiver of a subsequent breach of the same covenant, term or condition. The consent or approval by either party to or any act by the other party of a nature

requiring consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any subsequent similar act.

- d. Governing Law; Venue. The laws of the State of Alaska, without regard to its conflict of law principles, shall govern the construction, validity, performance and enforcement of venue as to any action, claim, or proceeding arising out of, or based upon this Lease, including, but not limited to, any action for declaratory or injunctive relief. Venue shall be the appropriate Court sitting in the City of Ketchikan, First Judicial District, Alaska.
- e. Paragraph Headings. The headings of the sections and subsections contained herein are for convenience only and do not define, limit, or construe the contents of such sections and subsections.
- f. Successors and Assigns. Except as otherwise provided herein, the covenants, agreements and obligations contained in this Lease shall extend to bind and inure to the benefit not only of the parties hereto but their respective personal representatives, heirs, successors, and assigns.
- g. Compliance with Laws and Regulations. Tenant shall not use or occupy KMC or the Premises for any unlawful purpose and shall, at Tenant's sole cost and expense, observe and comply with all of the requirements of all local, State, or Federal laws, ordinances, or regulations now in force, or which may hereafter be in force, pertaining to Tenant or Tenant's use or occupancy of the Premises.
- h. Notice of Claims or Damages. Tenant shall give prompt notice to the Landlord, in case of fire or accidents in or on the Premises, or of any defects therein or in any of Landlord's fixtures or equipment.
- i. Terms Construed as Covenants and Conditions. Every term and each provision of this lease performable by Tenant shall be construed to be both a covenant and a condition.
- j. Interest on Amount Unpaid. Except as otherwise provided herein, any sum not paid when due pursuant to the terms of this lease shall thereafter bear interest at the rate of one percent (1%) per month from the date the same was payable provided, however, that interest shall not exceed the maximum interest rate authorized by law, and in the event the interest rate provided for herein exceeds such maximum, such interest rate shall be deemed to be adjusted downward to conform to the maximum rate so authorized by law.
- k. Time of the Essence. Time is of the essence in the performance of all of Tenant's duties hereunder and such consideration is a material element inducing Landlord to execute this Lease.

- l. Entire Agreement. Tenant acknowledges that it has read this entire lease, has fully understood the provisions thereof, was satisfied therewith, and signed the same of its own free will. Tenant further acknowledges that any prior contracts, promises, representations, or agreements, between Tenant and the Landlord, its officers, councilman, mayor, employees, agents, and servants, relating to the lease of the subject premises, are hereby extinguished; that there are no oral or written promises, representations or agreements between Tenant and the Landlord or the persons above referred to relating to the lease of the Premises other than as set forth in this Lease, and that this Lease constitutes the entire and only agreement between the Landlord and Tenant relating to the lease of the Premises.
- m. Force Majeure. Time periods for either party's performance under any provisions of this Lease (excluding payment of Rent) shall be extended for periods of time during which the party's performance is prevented due to circumstances beyond such party's control, including without limitation, fires, floods, earthquakes, lockouts, strikes, embargoes, governmental regulations, acts of God, public enemy, terrorism, war or other strife, embargoes or blockades in effect on or after the date of this Lease; national or regional emergency; epidemic, pandemic or other regional or national medical emergencies, and (i) other similar events (each, a "Force Majeure Event").
- n. Memorandum of Lease. The parties shall cooperate in executing a Memorandum of Lease, which may be recorded in the real property records of Ketchikan Recording District, First Judicial District, State of Alaska.
- o. Quiet Enjoyment. Subject to the other terms of this Lease, Landlord covenants that Tenant shall, and may peacefully have, hold and enjoy the Premises for the Term free of any claims by any party claiming by, through or under Landlord, provided that Tenant performs all of Tenant's obligations, covenants and agreements herein provided.

Section 33. List of Exhibits. The following exhibits are made a part of this Lease, and the terms thereof shall control over any inconsistent provision in the sections of this Lease:

- Exhibit A: Legal Description of the Premises
- Exhibit B: Third Party Payer/Financial Assistance Language
- Exhibit C: Healthcare Advisory Committee
- Exhibit D: City of Ketchikan Owned Moveable Equipment List
- Exhibit E: Core Services and Long Term Care Services
- Exhibit F: Visiting Physician Services
- Exhibit G: Joint Repair Schedule

IN WITNESS WHEREOF, this Lease has been executed the date and year first above written.

LANDLORD:
CITY OF KETCHIKAN, ALASKA

TENANT:
PEACEHEALTH

By: Karl R. Amylon
Its: City Manager

By: Ron Saxton
Its: Executive Vice President and General
Counsel

Attested by:

By: Kim Stanker
Its: City Clerk

STATE OF ALASKA)
)
FIRST JUDICIAL DISTRICT)

Notary Public in and for Alaska
My Commission expires: _____

Ketchikan Medical Center Lease
{DWB2223729.DOCX;12/13177.000002/ }

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

(Seal or stamp)

(Name legibly printed or stamped)
Notary Public in and for the State of Washington,
residing at _____.
My appointment expires _____

EXHIBIT A

KETCHIKAN MEDICAL CENTER LEASE AREA

An area located within the Ketchikan Gateway Borough, First Judicial District, State of Alaska, comprised a portion of U.S. Survey 1408 and U.S. Survey 1079, more particularly described as follows:

Beginning at the intersection of the westerly boundary of U.S. Survey 1079 and the northerly right-of-way boundary of Tongass Avenue, this point also being the west corner of Lot 2, U.S. Survey 1079;

thence northwesterly along said right-of-way boundary to its point of intersection with the Southwest boundary of lot 6B, block 6, U.S. Survey 1408;

thence N 30° 54' 20" E a distance of 101.76 feet along said boundary to its point of intersection with lot 7, block 6, U.S. Survey 1408;

thence N 49° 46' 41" W a distance of 86.41 feet along the Northwest boundary of lot 7 to its point of intersection with the south boundary of lot 1, block 5, U.S. Survey 1408;

thence northeasterly along the northwest boundary of lot 7, block 6. U.S. Survey 1408 to its point of intersection with the northern right-of-way boundary of First Street;

thence southeasterly to a point on the west boundary of U.S. Survey 1079, this point also being the north corner of Lot 5B1- AA, U.S. Survey 1079;

thence S 24° 10' 40" E a distance of 98.23 feet to the north corner of Lot 2, U.S. Survey 1079;

thence S 65° 5' 13" E a distance of 82.93 feet to the west corner of said Lot 2;

thence S 23° 40' 35" W a distance of 142.15 feet to the north corner of Lot 3, U.S. Survey 1079;

thence S 65° 30' 49" E a distance of 156.26 feet to the east corner of said Lot 3;

thence S 24° 2' 3" W a distance of 185.45 feet to the south corner of said Lot 3, this point being on the northerly boundary of Tongass Avenue;

thence northwesterly along said boundary of Tongass Avenue to the point of beginning

EXHIBIT B

Third Party Payer/Financial Assistance Required Language

Tenant shall require the following, or substantially similar, language in all contracts for professional services with physician groups providing services at KMC, as further described and required in Section 7.c above.

For purposes of the below language, Hospital means KMC.

Managed Care Contracts/Public and Private Third-Party Payor Requirements

[Group] and each of the physicians providing services on behalf of [Group] will be participating providers in Medicare as well as be enrolled as billing providers in Medicaid fee for service plans for the Hospital service area. They shall also become participating providers in any managed care and third-party payor plan(s) with which Hospital contracts that service the Hospital's service area ("Plans"). For purposes of this provision, the Hospital's service area means the state where Hospital is located and any neighboring state that is less than 100 miles from Hospital. For purposes of this provision, a Plan services the Hospital's service area if the Plan is licensed as an insurer in the service area and/or licensed to provide third party administrator services in the Hospital's service area.

Hospital shall post on its website a list of the Plans with which Hospital participates ("Plan List"). Hospital will update the Plan List each July 1 and within thirty (30) days of a change to the Plan List at other times of the year. [Group] shall review the Plan List at least once annually (i.e., within thirty (30) days of the July 1 update) and when Hospital notifies [Group] that the list has changed at other times during the year.

[Group] shall use diligent, good faith efforts to negotiate its own payer contracts with each such Plan. With respect to any Plans with which [Group] is unable to secure satisfactory contracts by the date on which this Agreement specifies as the effective date, it will proceed on a non-participating provider basis until such time as satisfactory contracts are established, subject to the requirements set forth in [Exhibit ____]. Insofar as various Plans often deem it an unnecessary business practice and are therefore reluctant to enter into mutually agreeable contracting arrangements with [Group], the timing of when [Group] will have a contract with a Plan in place is unpredictable and not principally controlled by [Group]. When requested by [Group], Hospital may contact a Plan to assist [Group] in its negotiations with the Plan with which [Group] have entered or may enter into contracts to provide [INSERT TYPE] professional services. Hospital shall not globally bill third party payors for both the professional and technical or facility component of services provided in the Department. If [Group] provides services to a patient receiving services from [Group] under this Agreement and [Group] is

not contracted with the patient's plan on the date of service, [Group] shall make a good faith effort to backdate [Group]'s contract with the Plan to cover the date of service that said patient received services from [Group] so that the services provided to the patient are considered in-network services. Backdating should be limited to services provided by [Group] sixty (60) days prior to the date [Group] and the Plan reach agreement on a participating provider agreement.

In the event [Group] is a participating provider with a Plan and decides to terminate [Group]'s contract with the Plan, [Group] shall notify Hospital ninety (90) days prior to the effective date of the termination. [Group] will begin negotiations with the Plan at least ninety (90) days prior to the effective date of the termination ("negotiation period") to enter a new participating provider agreement with the Plan. If [Group] provides services to a patient under this Agreement during the negotiation period, [Group] shall make a good faith effort to backdate [Group]'s contract with the Plan to cover the date of service that said patient received services from [Group] so that the services provided to the patient are considered to be in-network services.

Except as otherwise set forth herein, [Group]'s failure to become a participating provider in a Plan or termination of a contract to be a participating provider in a Plan may be deemed a breach of this Agreement by Hospital. In the event [Group] cannot become a participating provider with a Plan because the Plan refuses to contract with [Group], [Group] shall notify Hospital as soon as practicable, but in no event longer than thirty (30) days from such refusal or from when [Group] has knowledge that the Plan will not contract with [Group], whichever is first. The notice shall include the name of the Plan and the reason the Plan refuses to contract with [Group] or a [Group] provider. Hospital may not terminate the Agreement for failure to be a participating provider with a Plan while [Group] is negotiating with such Plan during a negotiation period, as described above, or if Hospital receives timely notice from [Group] that such Plan will not contract with [Group].

[Group] further agrees to comply with all applicable requirements of any Plans or other public or private third-party payors with which Hospital may be required to comply. Hospital shall provide notice of such requirements to [Group] within thirty (30) days of Hospital's determination that said requirement impacts [Group].

Financial Assistance Policy Compliance

[Group] shall provide professional services to patients in accordance with the financial assistance policy of Hospital currently available at <https://www.peacehealth.org/patient-financial-assistance> and incorporated herein by reference. [Group] agrees to charge, and at times refrain from charging, for professional services consistent with Hospital's financial assistance policy and

shall provide professional services without charge or at reduced charge to any patients who are eligible for financial assistance in accordance with the financial assistance policy of Hospital. In the event [Group]'s financial assistance policies are more favorable to patients (e.g., higher income limits for when financial assistance becomes available, more financial assistance provided) than Hospital's financial assistance policy, [Group] may follow those portions of its financial assistance policy that are more favorable for the patient.

The parties recognize that despite best efforts there will be patients who have coverage from a health plan that is not contracted with Hospital and/or [Group] (e.g., patients who are not from the Hospital's service area (as defined in Section X of the Agreement)). In the event [Group] is not contracted with a patient's health plan and provides services that are out of network or not covered services by the patient's health plan or the patient is not insured, Medical Group shall apply the professional services uninsured discount amount to its billed charges as outlined in Hospital's Patient Billing and Collections policy, as may be amended. Notwithstanding the above, Medical Group shall reduce any balance owed by patients in accordance with Hospital's financial assistance policy, as described in Section [] below, when applicable.

EXHIBIT C
City of Ketchikan/PeaceHealth Ketchikan Medical Center
Healthcare Advisory Committee
Charter

The Ketchikan Healthcare Advisory Committee (“HAC”) for the lease and operating agreement (“Agreement”) between the City of Ketchikan (the “City”) and PeaceHealth Ketchikan Medical Center (“KMC”) is an advisory committee composed of members from both parties. The HAC is charged with providing oversight of the Agreement and a forum for open communication and collaboration between PeaceHealth, city officials, and the public. This document sets forth the roles, responsibilities, organization and procedures for the HAC and shall be referred to as the “Charter”.

I. Responsibilities

Specific duties of the HAC include:

- » Act in an advisory role to the City and KMC on matters concerning the Agreement.
- » Receive, consider, and evaluate public opinions and recommendations through opportunities for public forum.
- » Confirm that individual complaints regarding KMC reported by community members to the City are properly forwarded to KMC for resolution. KMC will periodically confirm that all for-warded complaints have been appropriately addressed.
- » Proactively and collaboratively work to resolve issues and mitigate risks to the partnership.
- » Review administrative elements of the Agreement (e.g., track rent payments, review lease annually).
- » Measure performance against selected metrics related to clinical and financial requirements of the Agreement.
- » Provide advice and recommendations to the City and KMC supported by tracked measures and community input.
- » Provide input into the development and prioritization of capital projects, community pro-grams, and other projects funded by the reinvestment of KMC’s earnings.
- » Review PeaceHealth’s Capital Investment Plan annually and present to the city council when no longer confidential.

- » Coordinate with KMC's Community Health Board as appropriate.

II. Organization

A. Composition; Terms of Members

- » The HAC shall consist of six (6) members ("Members"), selected as follows:
- » The City shall designate three (3) individuals to serve as members of the HAC ("City Members"). City Members shall be appointed by the mayor with approval of the council and include one council member and two members of city staff (e.g., City Manager, Assistant City Manager) with knowledge of the relationship between KMC and the City. The City Members shall serve at the pleasure of the City, and any or all City Members may be removed by the City at any time within its discretion. The City shall fill any vacancy of a City Member upon the resignation or removal of a City Member.
- » KMC shall designate three (3) individuals to serve as members of the HAC ("KMC Members"). KMC Members shall be appointed by KMC and include one (1) member of its Community Health Board two (2) members from the local KMC executive team, physician leaders, or other organization representatives. The KMC Members shall serve at the pleasure of KMC, and any or all KMC Members may be removed by KMC at any time within its discretion. KMC shall fill any vacancy of a KMC Member upon the resignation or removal of a KMC Member.
- » Each Member is expected to attend at least seventy-five percent (75%) of regular meetings of the HAC. Any Member who fails to attend at least 75% of regular meetings without being excused by the committee shall automatically forfeit membership in the committee.
- » The term of Members shall be three (3) years or until a successor is appointed except that the term of a Member who is a council member shall be for one (1) year. Upon appointment, the first members of the committee shall determine the length of term by lot so that the terms of the two (2) other City Members shall be two (2) years and three (3) years and the terms of the KMC Members shall be one (1) year, two (2) years, and three (3) years resulting in staggered terms for members subsequently appointed. Members of the HAC may serve successive terms. Members of the HAC shall serve at the pleasure of the appointing authority and may be removed at any time in the discretion of that authority. Vacancies in City membership shall be filled by the mayor with consent of the council for the remainder of the unexpired term. Vacancies in KMC member-ship shall be filled by KMC for the unexpired term.
- » The HAC may establish its own rules and procedures so long as they are not inconsistent with this Charter or the Agreement.

- » Members shall not receive compensation for serving on the HAC.
- » No proxy or alternate members will be allowed.

B. Officers

- » The Members of the HAC shall annually elect a Chair and Vice Chair (“Officers”), with one Office to be held by a City Member and the other by a KMC Member. The Chair and Vice Chair positions will alternate between the City and KMC each year.
- » The Chair, in collaboration with the Vice Chair, shall set the agenda for meetings of the HAC. The Chair shall preside at meetings of the HAC; the Vice Chair shall serve in the absence of the Chair.

III. Meetings of the HAC

- » Regular Meeting Frequency: The HAC shall meet at least monthly during the initial year of the Agreement. After the initial year, the HAC shall determine the frequency of regular meetings, but in no event less than once each calendar quarter thereafter. The HAC shall determine whether to select a fixed date and time for HAC meetings. The HAC shall set the time and date of its regular meetings and give reasonable public notice of its meetings.
- » Special Meetings: Any three (3) Members of the HAC, including one (1) Member appointed by each of KMC and the City, may call for a special meeting of the HAC as necessary concerning any topic or topics that should be addressed prior to the date of the next regularly scheduled meeting. Notice of time, place, and purpose of the meeting must be delivered to all HAC Members no less than ten (10) days prior to the meeting and be given reasonable public notice.
- » Additional Attendees: The HAC, at its discretion, may invite other individuals from the City or KMC to attend a HAC meeting or meetings as a guest of the HAC, and provide reports or input to the HAC.
- » Public Records and Meetings: The HAC will comply with the State of Alaska’s Open Meetings Act and Public Records Act.
- » Agendas: The agenda for each regular and special meeting shall be prepared by the Chair, in consultation with the Vice Chair and recommendations that are received from the other Members of the HAC. The agenda will be distributed to the Members in advance of the meeting.
- » Quorum: A quorum for a HAC meeting will require attendance by at least two (2) City Members and two (2) KMC Members.
- » Actions of the HAC: It is the intent of the parties that the HAC will make recommendations on the consensus of the Members.

- » Minutes: The HAC shall keep minutes of its meetings, including the start and end of the meeting and Members in attendance. The Vice Chair shall be responsible for ensuring that a complete and accurate record of all meetings are kept and copies are distributed to HAC Members in a timely manner, but may delegate that responsibility to another Member. Minutes will be approved by the committee at its next meeting.
- » Additional Meeting Requirements: Meetings may be in person, by teleconference, or video conference or any combination thereof so long as all Members can hear each other and members of the public can participate. From time to time, the HAC may adopt additional procedures for meetings so long as the procedures do not conflict with the HAC Charter.

IV. Partnership Report Card

The HAC will track and document the state of the City and KMC's Agreement in a HAC Partnership Report Card ("Report Card").

- » Report Card Metrics: Selected HAC Report Card metrics may be related to:
 - › Adherence to new and established required clinical services included in the Agreement.
 - › Charity care and community benefit expenses as a portion of the reinvested excess KMC revenues committed to the community in the Agreement.
 - › Patient satisfaction and clinical quality.
 - › Billing and collections performance (e.g., in relation to the expectations in the Agreement that 1) contracted providers will be considered in-network for major insurers in Ketchikan; and 2) overall revenue cycle performance be regularly monitored).
 - › Provider recruitment and retention in relation to projected community need for key specialists as stated in the Agreement.
- » Report Card Metric Selection: Metrics tracked on the Report Card will be selected by the inaugural Members of the HAC following their appointment. It will be the responsibility of the HAC to adjust metrics and targets as necessary.
- » Report Card Distribution Frequency: The Report Card shall be made publicly available after the six (6)-month anniversary of the agreement. The report card will be updated on the twelve (12)-month agreement anniversary and annually thereafter.
- » Report Card Executive Summary: The HAC will in good faith prepare Executive Summaries to accompany each updated Report Card that accurately reflects the

state of the Agreement as captured on the regularly updated Report Card. The City and KMC HAC Members will jointly determine the appropriate level of detail to include in each Executive Summary.

V. Amendments to Charter

The HAC, at any time, may recommend changes to this HAC Charter. Changes to the HAC Charter shall be effective upon approval by the City and KMC. The City's participation in the HAC shall be reflected in an ordinance creating a new municipal code chapter for the committee. Any changes to the HAC Charter may necessitate a change to the City's municipal code (and vice versa).

EXHIBIT D
City of Ketchikan Owned
Moveable Equipment List

Exhibit D:
City of Ketchikan Owned Moveable Equipment List

6/28/2021

Invoice	Date	Part No/Description	Ordered	Depr (Yrs)	PBV	End Yr	Unit Price	Extension
351502	18-Mar-15	ST014207 STERIS 5085 SRT BAT/LINE 110V FWLS W/TLT	4	10	\$86,689.59	3/15/2025	\$ 58,336.47	\$ 233,345.88
5557562	27-Mar-15	CR12 CAVIWAVE ULTRASONIC CLEANER 20 GAL 208V/3PH/132kHz	1	10	\$11,724.92	3/24/2025	\$ 31,352.34	\$ 31,352.34
5559966	28-Mar-15	AX082940005 EVOLUTION 54 TRANS.CARRIAGE, CAR. & DOCK	3	0	\$0.00	3/28/2015	\$ 10,764.00	\$ 32,292.00
5559966	28-Mar-15	AX00000300000015 EVOLUTION INTEGRL GENERATOR CNTRL BOX NEC ROT BRKT	2	0	\$0.00	3/28/2015	\$ 910.00	\$ 1,820.00
5559966	28-Mar-15	AX00000300000014 EVO LH 90 DEGREE ROTATION CNTRL BRKT	2	0	\$0.00	3/28/2015	\$ 1,035.00	\$ 2,070.00
5559966	28-Mar-15	UE000000000000001 EVOLUTION ALL 26x37.5 2010 CBC SEISMIC KIT	2	0	\$0.00	3/28/2015	\$ 3,371.00	\$ 6,742.00
5559966	28-Mar-15	VP30002101 V-PRO MAX. SD. CAB. 208/230V ENGLISH	1	10	\$52,394.52	3/25/2025	\$ 140,000.00	\$ 140,000.00
5559966	28-Mar-15	P146669354 V-PRO 1 SEISMIC KIT	1	0	\$0.00	3/28/2015	\$ 1,347.05	\$ 1,347.05
5559966	28-Mar-15	SR0101110311 AMSCO 400 16X16X26 PVAC SD SLIDE CAB ELEC 480V	2	10	\$33,324.86	3/25/2025	\$ 44,522.60	\$ 89,045.20
5559966	28-Mar-15	FS1000000000000001 AMSCO 400/C/CENTURY 16x16x126 2010 CBC SEISMIC KIT	2	0	\$0.00	3/28/2015	\$ 526.71	\$ 1,053.42
5559966	28-Mar-15	UE05062201001 EVOLUTION VAC 54 IN ELEC SD HNG LH REC 480V	1	10	\$50,241.12	3/25/2025	\$ 134,246.03	\$ 134,246.03
5559966	28-Mar-15	UE05052201001 EVOLUTION VAC 54 IN ELEC SD HNG RH REC 480V	1	10	\$50,241.07	3/25/2025	\$ 134,245.91	\$ 134,245.91
5560013	30-Mar-15	LED31 HARMONY LED385 EXAMINATION LIGHTING MOBILE SYSTEM	13	0	\$0.00	3/30/2015	\$ 4,059.70	\$ 52,776.10
5560013	30-Mar-15	RLQ2X3KCMV VGA CONVERTER MODULE W R2 CBL FOR ALL SYTMS	4	0	\$0.00	3/30/2015	\$ 2,236.50	\$ 8,946.00
5560013	30-Mar-15	RLQ2800BUV3 2800 BASE UNIT	3	10	\$27,543.46	3/27/2025	\$ 24,496.50	\$ 73,489.50
5560013	30-Mar-15	RLQ2000SVW DEDICATED PORT VGA WALL KIT 2000 SERIES	3	0	\$0.00	3/30/2015	\$ 2,586.50	\$ 7,759.50
5560013	30-Mar-15	RLQ2000FMC STERIS FIBER MONITOR CONNECTION KIT 2000 SERIES	6	0	\$0.00	3/30/2015	\$ 1,886.50	\$ 11,319.00
5560013	30-Mar-15	RLQ2800PIP PICTURE-IN-PICTURE, REQUIRES 2800 BASE SYSTEM	3	10	\$9,677.01	3/27/2025	\$ 8,606.50	\$ 25,819.50
5560013	30-Mar-15	RLQ2000SLC STERIS SURGICAL LIGHT AND CAMERA CONTROL	3	0	\$0.00	3/30/2015	\$ 1,326.50	\$ 3,979.50
5560013	30-Mar-15	RLQ2000UPK UNIVERSAL PORT R2 KIT FOR 2000 SERIES	9	0	\$0.00	3/30/2015	\$ 1,536.50	\$ 13,828.50
5560013	30-Mar-15	RLQ2X3KCKE TOUCHPANEL CABLE KIT ALL SYSTEMS	3	0	\$0.00	3/30/2015	\$ 626.50	\$ 1,879.50
5560013	30-Mar-15	RLQ2000BUM 2000 SERIES MOUNTING BRACKET	3	0	\$0.00	3/30/2015	\$ 1,396.50	\$ 4,189.50
5560013	30-Mar-15	RLQ2X3KMKC MUSIC CONNECTION	3	0	\$0.00	3/30/2015	\$ 626.50	\$ 1,879.50
5560013	30-Mar-15	RLQ2X3KSPK IN ROOM CEILING SPEAKERS	6	0	\$0.00	3/30/2015	\$ 556.50	\$ 3,339.00
5560013	30-Mar-15	RLQ2800BUV3 2800 BASE UNIT	1	10	\$9,181.15	3/27/2025	\$ 24,496.50	\$ 24,496.50
5560013	30-Mar-15	RLQ2000SVW DEDICATED PORT VGA WALL KIT 2000 SERIES	1	0	\$0.00	3/30/2015	\$ 2,586.50	\$ 2,586.50
5560013	30-Mar-15	RLQ2000FMC STERIS FIBER MONITOR CONNECTION KIT 2000 SERIES	1	0	\$0.00	3/30/2015	\$ 1,886.50	\$ 1,886.50
5560013	30-Mar-15	RLQ2000NFC STERIS NON-FIBER DVI MNTR CNNECTN KIT 2000 SERIES	1	0	\$0.00	3/30/2015	\$ 2,516.50	\$ 2,516.50
5560013	30-Mar-15	RLQ2800PIP PICTURE-IN-PICTURE, REQUIRES 2800 BASE SYSTEM	1	10	\$3,225.67	3/27/2025	\$ 8,606.50	\$ 8,606.50
5560013	30-Mar-15	RLQ2000UPK UNIVERSAL PORT R2 KIT FOR 2000 SERIES	3	0	\$0.00	3/30/2015	\$ 2,195.00	\$ 6,585.00
5560013	30-Mar-15	RLQ2X3KCKE TOUCHPANEL CABLE KIT ALL SYSTEMS	1	0	\$0.00	3/30/2015	\$ 626.50	\$ 626.50
5560013	30-Mar-15	RLQ2000BUM 2000 SERIES MOUNTING BRACKET	1	0	\$0.00	3/30/2015	\$ 1,396.50	\$ 1,396.50
5560013	30-Mar-15	RLM42HD 42" MEDICAL GRADE WALL MONITOR, MOUNT NOT INCLUDED	1	10	\$3,594.28	3/27/2025	\$ 9,590.00	\$ 9,590.00
5560013	30-Mar-15	RLQ2X3KMKC MUSIC CONNECTION	1	0	\$0.00	3/30/2015	\$ 626.50	\$ 626.50
5560013	30-Mar-15	RLQ2X3KSPK IN ROOM CEILING SPEAKERS	2	0	\$0.00	3/30/2015	\$ 556.50	\$ 1,113.00
5562173	31-Mar-15	CCPS3112035 TRIPLE SINK 120IN STAINLESS STEEL	1	10	\$3,898.84	3/28/2025	\$ 10,395.01	\$ 10,395.01
5583886	15-Apr-15	RLQ2000SHE DEDICATED PORT SDI EMS KIT 2000 SERIES	3	0	\$0.00	4/15/2015	\$ 2,586.50	\$ 7,759.50
5583886	15-Apr-15	RLQ2000SHE DEDICATED PORT SDI EMS KIT 2000 SERIES	1	0	\$0.00	4/15/2015	\$ 2,586.50	\$ 2,586.50
5583886	15-Apr-15	FD061 BOTTOM UTILITY CONNECTIONS (FOR ELECTRIC UNIT)	2	0	\$0.00	4/15/2015	\$ 768.00	\$ 1,536.00
5583886	15-Apr-15	FD037 INSTALLATION KIT, FLEXIBLE HOSES FOR UTILITIES (FOR ELECTRIC UNIT)	2	0	\$0.00	4/15/2015	\$ 1,266.00	\$ 2,532.00
5605787	29-Apr-15	RLM27HDNPWR VIVIDIMAGE D27IN HD DISPLAY - POWER NOT INCLUDED	6	10	\$20,901.06	4/26/2025	\$ 9,095.00	\$ 54,570.00
5605787	29-Apr-15	RLM27HDNPWR VIVIDIMAGE D27IN HD DISPLAY - POWER NOT INCLUDED	2	10	\$6,967.02	4/26/2025	\$ 9,095.00	\$ 18,190.00
352316	31-Mar-15	UG0000007701491003 EMS CS DF90 W/SUP COL 40IN	4	10	\$43,318.97	3/28/2025	\$ 28,874.04	\$ 115,496.16
356192	19-Jun-15	PACKAGE LEVEL DISCOUNT FOR PO 300018386-0-CIP	1	0	\$0.00	6/19/2015	\$ (230,000.00)	\$ (230,000.00)
5539468	17-Mar-15	QR00000000000021 HARMONY EMS ABOVE CEILING STRUCTURAL MOUNTING PLATE	1	0	\$0.00	3/17/2015	\$ 1,610.00	\$ 1,610.00
5539468	17-Mar-15	QR00000000000021 HARMONY EMS ABOVE CEILING STRUCTURAL MOUNTING PLATE	1	0	\$0.00	3/17/2015	\$ 1,610.00	\$ 1,610.00
5541760	18-Mar-15	LED31 HARMONY LED385 EXAMINATION LIGHTING MOBILE SYSTEM	20	10	\$30,164.13	3/15/2025	\$ 4,059.70	\$ 81,194.00
5541760	18-Mar-15	DJ06012433111 WAR CAB STD GLASS DUAL24 IN. 120V MOBILE	5	10	\$16,640.01	3/15/2025	\$ 8,958.12	\$ 44,790.60
5541760	18-Mar-15	FD74900 3 LEVEL MANIFOLD RACK (VSC/VMC/SYN/GEN/3052/5052)	2	0	\$0.00	3/18/2015	\$ 3,114.37	\$ 6,228.74
5541760	18-Mar-15	FD61700 UNIVERSAL TRANSFER CART	2	0	\$0.00	3/18/2015	\$ 3,738.90	\$ 7,477.80
5541760	18-Mar-15	FD24100 RACK RETURN	1	0	\$0.00	3/18/2015	\$ 4,869.66	\$ 4,869.66
5541760	18-Mar-15	MB30001 RELIANCE ENDOSCOPE PROCESSOR 208V, 60HZ, 3PH, BASE, AIR COMPRESSOR. COUNTERTOP, PRE-FILTER W/ LEAK TEST	1	10	\$13,557.87	3/15/2025	\$ 36,494.27	\$ 36,494.27
5541760	18-Mar-15	FH14043 AMSCO 5052 460-580V, 60 HZ, DD, ELECTRIC	1	10	\$24,533.35	3/15/2025	\$ 66,037.41	\$ 66,037.41
5543982	18-Mar-15	DJ050124132 WAR CAB STD GLASS SINGLE 18 IN. 120V	1	10	\$1,800.89	3/15/2025	\$ 4,847.54	\$ 4,847.54
5543982	18-Mar-15	CB0421000000000001 36 IN. SDLY CAB S/5 SEIS	4	0	\$0.00	3/18/2015	\$ 2,887.20	\$ 11,548.80
5543982	18-Mar-15	CB0121000000000001 48 IN. ACC CAB S/5 SEIS	4	0	\$0.00	3/18/2015	\$ 5,854.67	\$ 23,418.68
5543982	18-Mar-15	LKH08 VLED SGL LGT W/SFPM, CAMERA	5	10	\$32,282.92	3/15/2025	\$ 17,379.45	\$ 86,897.25
5543982	18-Mar-15	LKH08N VLED VHD CAM RDY SFPM	4	10	\$23,014.18	3/15/2025	\$ 15,487.05	\$ 61,948.20
5546210	20-Mar-15	UG0000007701491020 EMS CS DF60 W/SUP COL 30IN	1	10	\$9,185.49	3/17/2025	\$ 24,688.55	\$ 24,688.55
5549195	23-Mar-15	LB29 HARMONY SGL MNT SURGICAL LIGHTING STRUCTURAL PLATE	9	0	\$0.00	3/23/2015	\$ 1,500.00	\$ 13,500.00
5549195	23-Mar-15	UG19759 HARMONY SGL MT FLUSH CEILG COVR 6.7 IN DIAM	4	0	\$0.00	3/23/2015	\$ 679.91	\$ 2,719.64
5549195	23-Mar-15	DWSC16000 HARMONY EMS FRONT RAIL MOUNTED 21.3 X 18.9 SHELF	12	0	\$0.00	3/23/2015	\$ 587.13	\$ 7,045.56
5549195	23-Mar-15	UG19756 HARMONY SGL MT FLUSH CEILG COVR 5.6 IN DIAM LITE SYM	4	0	\$0.00	3/23/2015	\$ 679.91	\$ 2,719.64
5549195	23-Mar-15	UG19759 HARMONY SGL MT FLUSH CEILG COVR 6.7 IN DIAM	1	0	\$0.00	3/23/2015	\$ 679.91	\$ 679.91
5549195	23-Mar-15	DWSC16000 HARMONY EMS FRONT RAIL MOUNTED 21.3 X 18.9 SHELF	2	0	\$0.00	3/23/2015	\$ 587.13	\$ 1,174.26
5549195	23-Mar-15	UG0000007701491012 EMS CS DF60 W/SUP HEAD 20IN	4	10	\$25,563.62	3/20/2025	\$ 17,139.46	\$ 68,557.84
5549206	23-Mar-15	QR00000000000021 HARMONY EMS ABOVE CEILING STRUCTURAL MOUNTING PLATE	2	0	\$0.00	3/23/2015	\$ 1,610.00	\$ 3,220.00
5549206	23-Mar-15	QR00000000000021 HARMONY EMS ABOVE CEILING STRUCTURAL MOUNTING PLATE	1	0	\$0.00	3/23/2015	\$ 1,610.00	\$ 1,610.00
5551241	24-Mar-15	CG59 ULTRA FRAME DOUBLE PREP/PACK DELUXE	1	10	\$2,925.49	3/21/2025	\$ 7,839.97	\$ 7,839.97
5551245	24-Mar-15	QR00000000000021 HARMONY EMS ABOVE CEILING STRUCTURAL MOUNTING PLATE	4	0	\$0.00	3/24/2015	\$ 1,610.00	\$ 6,440.00
							\$ 736,508.17	\$ 1,639,028.42

EXHIBIT E

Core Services and Long Term Care Services

“Core Services” shall mean the following:

- 1) 24-hour Emergency Department
- 2) Labor and delivery
- 3) Obstetrics
- 4) General inpatient acute services
- 5) Inpatient and outpatient surgical services
- 6) Diagnostic imaging
- 7) Pathology
- 8) Behavioral health services, including psychiatrists
- 9) Home health and hospice services
- 10) Primary care physician services
- 11) Pediatrics
- 12) Orthopedic surgery services
- 13) General surgery services
- 14) Physical and occupational therapy services
- 15) Laboratory services
- 16) Food and inpatient nutritional needs

“Long Term Care Services” means: a variety of services which help meet both the medical and non-medical needs of people with a chronic illness or disability who cannot care for themselves for long periods. Long term care is focused, individualized and coordinated services that promote independence, maximize patients’ quality of life, and meet patients’ needs over a period of time.

EXHIBIT F

Visiting Physician Services

- 1) Cardiology
- 2) Gastroenterology
- 3) Oncology
- 4) Otolaryngology
- 5) Pediatric Neurology
- 6) Pulmonology
- 7) Urology

EXHIBIT G
Joint Repair Plan



PeaceHealth and the City of Ketchikan

PeaceHealth Ketchikan Medical Center Facility Assessment

Joint Repair Projects Detail Report

June 15, 2021

Contents

Overview	1
Joint Repair Phasing and Projects	1
Appendix A	Hospital Infrastructure System Responsibility Matrix
Appendix B	Joint Repair Pricing Detail

Overview

ECG was hired by the City of Ketchikan (hereafter referred to as “City”) and PeaceHealth (PH) to develop the “joint replacement plan” for necessary capital investments in PH Ketchikan Medical Center (PHKMC) over the next 10 years. This document provides a first iteration of the joint repair plan as well as findings and recommendations for facility improvement to mitigate potential infrastructure risks within the facility and to the campus.

The findings outlined are based on ECG’s site visit to PHKMC in March 2021, a detailed review of building drawings, and follow-up conversations with PH stakeholders and outside contractors hired by PH, including representatives from Affiliated Engineers Inc. (AEI). ECG’s review included a walk-through of all clinical and support spaces within the facility, which includes 25 beds, 4 ORs, and approximately 150,000 SF of total space. But because ECG did not operate equipment or test any automated controls sequences as part of this study, the findings list should be supplemented with reports from additional experts or subconsultants as appropriate.

Joint Repair Phasing and Projects

A preliminary joint repair budget has been developed by ECG to spread capital spend as evenly as possible based on observed equipment condition. The joint repair budget was developed in coordination with both City and PH stakeholders, based on the definition of “joint repair” items in the draft PHKMC lease as well as historical practice between the parties. The final responsibility matrix utilized to assign project costs is included in Appendix A and establishes a set of “joint repair projects” that is more expansive than the minimum items identified in the building lease.

ECG has assumed that immediate repairs and replacements will take place over the next few years, followed by the build-out of the expanded ED within the existing building shell space. Following completion of that project, which has been assumed for 2023, the remaining capital priorities have been established to continue hospital improvements, including the relocation of the main boiler plant from the existing mechanical room to KMOB. ECG’s project type definitions are provided below.

- **Major Repair Projects:** These repairs are recommended to correct identified deficiencies, such as water intrusion or high levels of asbestos in areas.
- **System Updates or Additions:** These projects include modifications to existing systems or equipment to meet updated requirements, expand capacity, or otherwise modernize the equipment.
- **Phased Replacements:** Projects were identified based on equipment life and condition.

Tables 1 and 2 provide summary-level estimates for a year-over-year joint repair budget and a summary of each recommended project. Additional detail for each project, including the source of cost estimates, is included in appendix B.

Note that all project cost figures are included as future dollars, assuming a 3% annual inflation rate¹ from the date that the projects were estimated, which for nearly all projects was 2021.

TABLE 1: Preliminary High-Level PHKMC Project Cost Allocation, by Responsible Party (2021–2030)

	Major Repair Projects	System Updates or Additions	Phased Replacements	Total
City Projects				
Ground & Sitework	\$ 1,275,201	\$ 10,609		\$ 1,285,810
Subtotal, City	\$ 1,275,201	\$ 10,609	\$ -	\$ 1,285,810
PH Projects				
Building Shell & Core	\$ 135,960	\$ 5,304,500	\$ -	\$ 5,440,460
HVAC	-	-	24,000	24,000
Other	500,745	-		500,745
Subtotal, PH	\$ 636,705	\$ 5,304,500	\$ 24,000	\$ 5,965,205
Shared Projects				
Building Shell & Core	\$ 1,275,000	\$ 5,373,899	7,690,806	\$ 14,339,705
Domestic Water	-	-	571,975	571,975
Ground & Sitework	-	144,240	-	144,240
HVAC	-	616,000	9,437,841	10,053,841
Other	-	343,248	1,789,672	2,132,920
Subtotal, Shared	\$ 1,275,000	\$ 6,477,387	\$ 19,490,294	\$ 27,242,681
Grand Total	\$ 3,186,906	\$ 11,792,496	\$ 19,514,294	\$ 34,493,696

TABLE 2: Summary Descriptions of Recommended PHKMC Joint Repair Projects and Total Cost Estimates by Year (2021–2030)

Year	Project Title	Project Description	Project Cost Estimate
2021	Main Roof Replacement	Replacement of roof on main hospital, LTCU west wing, and lower roof above shell area	\$1,600,000

¹ 3% inflation is assumed based on construction industry inflation estimates issued by Rider Levett Bucknall in their annual report. The report is available online at <https://www.rlb.com/asia/wp-content/uploads/sites/5/2021/02/RLB-International-Report-Q2-2020.pdf>.

Year	Project Title	Project Description	Project Cost Estimate
2021	Chilled Water System Retro-commissioning	Update of chilled water system sequence to ensure proper operation	\$60,000
2021	LTCU Façade Repair	Repair to LTCU annex windows and façade to resolve water intrusion issue	\$245,000
2022	LTCU HVAC Replacement	Replacement of dated HVAC equipment located in the LTCU penthouse and “short door” mechanical room	\$618,000
2022	LTCU Asbestos Abatement	Asbestos abatement on the third floor of the LTCU (note that floors one and two were completed during the last major renovation)	\$1,030,000
2022	LTCU Window Replacement	Replacement of all original windows in LTCU, except for the LTCU annex	\$875,500
2022	AHU-6 Air Intake Relocation	Relocation of air intake to prevent introduction of flue gas into AHU	\$246,000
2022	LTCU Patient Security System	Addition of a patient security system, which will be integrated into the main building structure and systems	\$87,550
2022	Domestic Water System Upgrades	Replacement of domestic water heaters and installation of mixing valve system to reduce risk of bacteria growth	\$571,975
2022	Medical-Surgical Elevator Upgrade	Modernization of elevator	\$412,000
2023 ²	ED Expansion	Expansion of ED into existing hospital shell space to provide additional services	\$5,304,500
2023	ED Nurse Call	Renovation of nurse call in conjunction with ED expansion	\$491,727
2023	Original Hospital Nurse Call	Renovation of nurse call in conjunction with ED expansion	\$382,454
2023	Lab/ED HVAC Replacements	HVAC replacements in conjunction with ED expansion	\$723,640
2023	Shell Space HVAC Upgrade	Upgrade of HVAC, assuming shell space will be utilized for ED expansion	\$551,350

² ED expansion is assumed to be PH responsibility based on lease obligations to expand services.

Year	Project Title	Project Description	Project Cost Estimate
2023 ³	Parking Lot Light Additions	Addition of parking lot lights at the corner of Carlanna and Tongass to improve safety	\$10,609
2023	Boiler Controls Upgrade	Upgrade of boiler controls to extend equipment life and reduce energy use	\$310,000
2024 ⁴	Patient TV System Upgrade	Upgrade of current TV system, which is outdated and no longer supported for repair	\$229,473
2024	Lab/ED Roof Replacement	Replacement of roof as a first phase of the ED expansion project	\$1,106,886
2024 ⁴	Behavioral Health Room Cameras	Addition of cameras to behavioral health rooms	\$26,225
2024 ⁴	Behavioral Health Room Anti-Ligature Finishes	Renovation of behavioral health rooms to add anti-ligature finishes for improved patient safety	\$174,153
2024	Exterior Parking Security Lighting	Addition of lighting for improved security	\$144,240
2024	Laundry HVAC Upgrades	Replacement of supply and exhaust HVAC for laundry	\$288,261
2024	Medical-Surgical HVAC Upgrades	Replacement of medical-surgical HVAC, including upgrading the main AHU to a multi-fan array	\$1,381,972
2024 ⁴	2 Main Conference Room Renovation	Renovation of conference room that previously flooded, including asbestos abatement	\$135,960
2024	2 Main Windows Replacement	Replacement of windows for original hospital building on the second floor	\$262,254
2024	Sleep Lab Mini-Splits	Replacement of mini-split HVAC units	\$43,053
2025 ⁴	Lab Expansion	Expansion of lab space to accommodate service expansion	\$1,463,161
2025 ⁴	COVID/Respiratory Space Addition	Addition of a respiratory unit for future pandemic response	\$1,463,161

³ Project is assumed to be City responsibility.

⁴ Project responsibility to be determined.

Year	Project Title	Project Description	Project Cost Estimate
2025	LTCU AHU-5 Replacement	Phased replacement of equipment beyond recommended life	\$486,220
2025	LTCU Mini-Splits	Replacement of mini-split HVAC units	\$135,961
2026	AHU-2 Replacement	Phased replacement of equipment beyond recommended life	\$691,159
2026 ⁵	Hoadley Creek Culvert Refurbishment	Addition of a liner to the Hoadley Creek culvert	\$1,275,201
2026	OR Humidifiers Replacement	Phased replacement of components with short life cycle	\$205,887
2027	Miscellaneous exhaust fans replacement	Phased replacement of equipment as a follow-on to ED expansion	\$234,273
2027	Miscellaneous pumps replacement	Phased replacement of equipment as a follow-on to ED expansion	\$118,928
2027	PT HVAC Replacement	Phased replacement of equipment beyond useful life	\$224,004
2028	Medical-Surgical Roof Replacement	Phased replacement following ED expansion expenditure	\$2,123,377
2028	Helicopter Pad Addition	Addition of a helicopter pad to roof of KMOB, including all utility extensions	\$2,273,422
2028	Boiler Plant Upgrades	Relocation of the boiler plant to KMOB, including pumps, tanks, and accessories; existing boilers retired in place	\$3,771,162
2028	Heating Water Pump Replacements	Replacement of heating water distribution pumps in coordination with boiler plant relocation	\$112,410
2029	Imaging Mini-Splits	Replacement of mini-split HVAC units	\$98,175
2029	Medical Air Generator Replacements	Replacement of medical air equipment	\$70,939
2029	Oxygen Generator Refurbishment	Refurbishment of oxygen generation equipment phased to coincide with medical air replacements	\$82,593
2030	Medical-Surgical Window Replacement	Phased replacement based on equipment life	\$587,148

⁵ Project is assumed to be City responsibility.

Year	Project Title	Project Description	Project Cost Estimate
2030	LTCU Nurse Call Upgrade	Phased replacement based on equipment life	\$671,958
2030	Chilled Water Pump Replacements	Phased replacement	\$477,025
TBD ⁶	Fire Alarm Panel Upgrades	Upgrade of fire alarm panels based on the recommendation of the life safety inspector and applicable surveys	\$90,000

⁶ A \$10,000 placeholder for nine total fire alarm panels is included in price estimates. A replacement year has not been assigned since life cycle replacements will be triggered by inspections or testing.



Appendix A Hospital Infrastructure System Responsibility Matrix

APPENDIX A

Hospital Infrastructure System Responsibility Matrix

As noted in the previous section, a draft responsibility matrix was shared and discussed with representatives from PH and the City, and this table reflects updates from that meeting. This matrix assigns “shared” responsibility beyond the minimum responsibility identified in the lease document and has been noted here.

Building System	Subsystem	Equipment Type	Responsible Party
Building Shell & Core	Building Façade	All	Shared
Building Shell & Core	Exterior Windows	All	Shared ⁷
Clinical	Medical Gas	All Except Outlets	Shared ⁷
Clinical	Medical Gas	Outlets	PH
Clinical	RO Water	Water Filtration System	Shared ⁷
Clinical	Other	Nurse Call System	Shared ⁷
Clinical	Other	Patient Security System	Shared ⁷
Clinical	Other	Bed	PH
Clinical	Other	Helicopter Pad	Shared ⁷
Clinical	Other	Refrigerator	PH
Clinical	Other	Other	PH
Domestic Water	Circulation	Circulating Pump	Shared ⁷
Domestic Water	Heating	Domestic Water Heater	Shared ⁷
Domestic Water	Ice	Ice Machine	PH
Domestic Water	Plumbing Outlets	All	PH
Electrical	Electrical Distribution	Electrical Panel	PH
Electrical	Electrical Distribution	Receptacle	PH
Electrical	Generator Sets	ATS	Shared ⁷
Electrical	Generator Sets	Emergency Generator	Shared ⁷

⁷ Shared responsibility beyond minimum requirement in the PHKMC lease.

Building System	Subsystem	Equipment Type	Responsible Party
Electrical	Generator Sets	Fuel Storage Tank	Shared ⁸
Elevators	Elevators	Elevator	Shared ⁸
Elevators	Elevators	Elevator Mechanical Equipment	Shared ⁸
Food Service	Appliances	All	PH
Food Service	Walk-In Units	All	PH
Ground & Sitework	Water Drainage	Culvert	City
Ground & Sitework	Lighting	Light Poles	City
Ground & Sitework	Parking and Access	Parking Lot Surfacing	Shared ⁸
Ground & Sitework	Lighting	Parking Garage Lighting	PH
Ground & Sitework	Parking and Access	Access Roads and Easements	City
Ground & Sitework	Landscaping	All	PH
Ground & Sitework	Signage	Site Signage	PH
Ground & Sitework	Signage	Directional Signage	City
Ground & Sitework	Other	Other	City
HVAC	Air Distribution	Air Handling Unit	Shared
HVAC	Air Distribution	Return Fan	Shared
HVAC	Air Distribution	Supply Fan	Shared
HVAC	Automated Controls	All	PH
HVAC	Chilled Water	All	Shared
HVAC	Cooling Units	Portable AC Unit	PH
HVAC	Cooling Units	Split AC Unit	Shared
HVAC	Exhaust Air	Exhaust Fan	Shared
HVAC	Exhaust Air	Exhaust Fan, Clinical	Shared
HVAC	Heating Water/Steam	All	Shared
HVAC	Humidification	All	Shared
HVAC	Terminal Units	All	PH
Laundry	Laundry	All	PH
Life Safety	Egress	Egress Lighting	PH
Life Safety	Egress	Fire Doors	PH

⁸ Shared responsibility beyond minimum requirement in the PHKMC lease.

Building System	Subsystem	Equipment Type	Responsible Party
Life Safety	Fire Protection	Fire Extinguisher	PH
Life Safety	Fire Protection	Fire Sprinkler Line Isolation Sensor	PH
Life Safety	Fire Protection	Fire Sprinkler Pressure Gauge	PH
Life Safety	Fire Protection	Fire Sprinklers	Shared ⁹
Life Safety	Fire Protection	Fire Wall	PH
Life Safety	Fire Protection	Smoke Barrier	PH
Life Safety	Fire Protection	Valve Caps	PH
Life Safety	Notification	Fire Alarm Panel	Shared ⁹
Other	Appliances	Appliance	PH
Roofing	Roofing	All	Shared

⁹ Shared responsibility beyond minimum requirement in the PHKMC lease.



Appendix B Joint Repair Pricing Detail

THE CITY OF KETCHIKAN, ALASKA

ORDINANCE NO. 21-1935

AN ORDINANCE OF THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA; ADDING A NEW CHAPTER 2.85 ENTITLED, “KETCHIKAN HEALTHCARE ADVISORY COMMITTEE” TO THE KETCHIKAN MUNICIPAL CODE; AND ESTABLISHING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA, AS FOLLOWS:

Section 1: New Chapter. A new chapter, to be numbered 2.85, entitled “Ketchikan Healthcare Advisory Committee,” is hereby added to Title 2 of the Ketchikan Municipal Code, to read as follows:

“Chapter 2.85
Ketchikan Healthcare Advisory Committee.

Sections:

2.85.010 Ketchikan Healthcare Advisory Committee.

2.85.010 Ketchikan Healthcare Advisory Committee.

- (a) There is hereby created a Ketchikan Healthcare Advisory Committee in respect to the lease agreement (Agreement) between the City and PeaceHealth for the PeaceHealth Ketchikan Medical Center (KMC). For the purposes of the chapter, PeaceHealth is referred to as KMC.
- (b) The committee shall be composed of six members, consisting of three City members and three KMC members. City members shall be appointed by the mayor with approval of the council and include one council member and two members of city staff with knowledge of the relationship between the city and KMC. KMC members shall be appointed by KMC and include one member of its Community Health Board and two members from the local KMC executive team, physician leaders or other organization representatives. Members of the committee shall serve without compensation.
- (c) The term of member shall be for three years or until a successor is appointed except that the term of a member who is a council member shall be for one year. Upon appointment, the first members of the committee shall determine the length of term by lot so that the terms of the two other city

members shall be two years and three years and the terms of the KMC members shall be one year, two years and three years resulting in staggered terms for members subsequently appointed. Members of the committee may serve successive terms. Members of the committee shall serve at the pleasure of the appointing authority and may be removed at any time in the discretion of that authority. Vacancies in city membership shall be filled by the mayor with the consent of the council for the remainder of the unexpired term. Vacancies in KMC membership shall be filled by KMC for the unexpired term.

- (d) The committee shall annually elect a chair and vice chair with one such position to be held by a city member and the other by a KMC member. The chair and vice chair positions shall alternate annually between a city member and a KMC member. The chair shall preside at the meetings of the committee. In the absence of the chair, the vice chair will preside at the meetings of the committee.
- (e) The committee shall hold regular meetings at least once a month during the first year of the Agreement and at least once each calendar quarter thereafter. The committee shall set the time and date of its regular meetings and give reasonable public notice of such meetings.
- (f) Any three committee members including one member appointed by each KMC and the City may call a special meeting concerning any topic or topics that should be addressed prior to the next scheduled regular meeting. Notice of the time, place and purpose of the meeting must be delivered to all members of the committee at least 10 days prior to the meeting. The committee shall give reasonable public notice of all special meetings.
- (g) The agenda for committee meetings shall be prepared by the chair in collaboration with the vice chair and recommendations received from other committee members. The agenda will be distributed to committee members in advance of the meeting.
- (h) The committee shall take minutes of its meetings, including the start and end of the meeting and members in attendance. The vice chair shall be responsible for ensuring a complete and accurate record of all meetings are kept and copies distributed to the members in a timely manner, but may delegate that responsibility to another member. Minutes will be approved by the committee at its next meeting.
- (i) Two city member and two KMC members shall constitute a quorum.
- (j) Attendance at and participation in committee meetings may be in person, by teleconference, video conference or any combination thereof.
- (k) Any member who fails to attend at least seventy five percent of regular committee meetings without being excused by the committee shall

automatically forfeit membership in the committee.

- (l) The committee may establish its own rules and procedures so long as they are not inconsistent with this chapter or the Agreement.
- (m) The powers and duties of the committee include to:
 - 1. Act in an advisory role to the city and KMC on matters concerning the Agreement.
 - 2. Receive, consider, and evaluate public opinions and recommendations through opportunities for public forum.
 - 3. Proactively and collaboratively work to resolve issues and mitigate risks to the partnership.
 - 4. Review administrative elements of the Agreement (e.g., track rent payments, review lease annually).
 - 5. Measure performance against selected metrics intended to monitor performance related to clinical and financial requirements of the Agreement.
 - 6. Provide advice and recommendations to the city and KMC supported by tracked measures and community input.
 - 7. Review KMC's capital investment plan annually and present to the city council when no longer confidential.
 - 8. Coordinate with KMC's Community Health Board as appropriate.
 - 9. Perform the duties and responsibilities of the committee as set forth in the Agreement which includes the provisions of the Ketchikan Health Care Advisory Committee Charter."

Section 2: Effective Date. This ordinance is effective one (1) month after its final passage and publication contingent on Ordinance No. 21-1930 authorizing the lease agreement between PeaceHealth and the City of Ketchikan becoming effective.

PASSED ON FIRST READING _____.

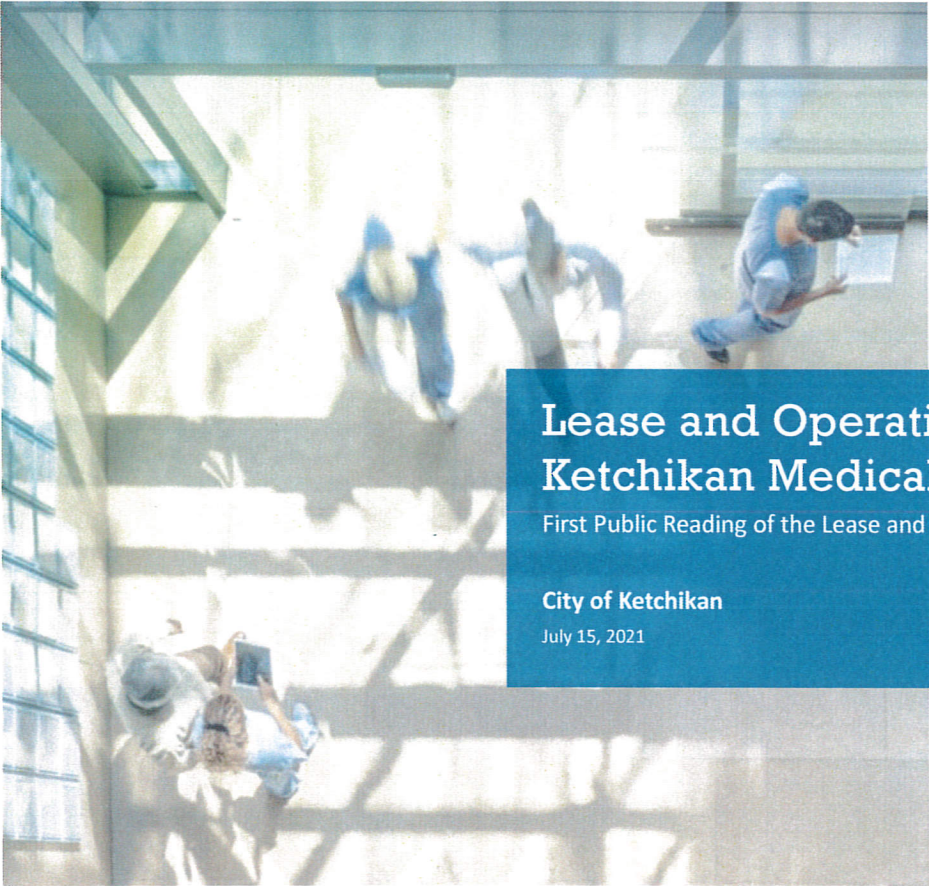
FINAL PASSAGE _____.

Robert Sivertsen, Mayor

ATTEST:

Kim L. Stanker
City Clerk

EFFECTIVE DATE: *			
ROLL CALL	YEA	NAY	ABSENT
BERGERON			
BRADBERRY			
FLORA			
KIFFER			
GAGE			
GASS			
ZENGE			
MAYOR			



Lease and Operating Agreement for Ketchikan Medical Center

First Public Reading of the Lease and Ketchikan Healthcare Advisory Committee Ordinances

City of Ketchikan

July 15, 2021



Today's Presentation

Purpose

To provide relevant background on the negotiations for the lease and operation of the Ketchikan Medical Center (KMC) and summarize the ordinances on today's agenda.

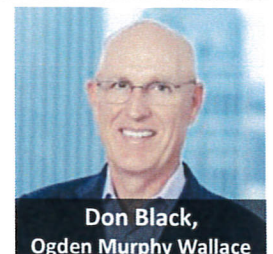
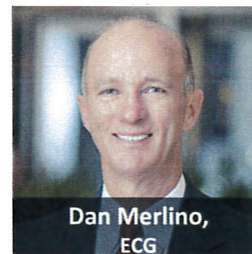
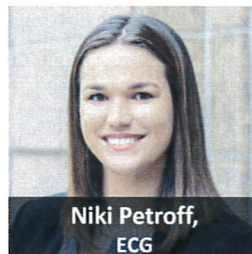
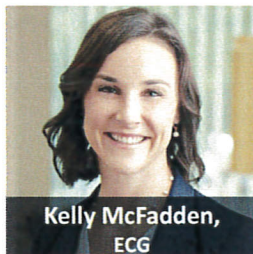
Background

- The City of Ketchikan engaged ECG to identify Ketchikan community healthcare needs and concerns, then negotiate an updated agreement with PeaceHealth that reflects these considerations.
- Following several months of negotiation, a new lease drafted by outside legal counsel has been approved by the City Council for public reading.

Objectives

- Review key activities related to the negotiation of the lease.
- Provide an overview of the proposed lease and Ketchikan Healthcare Advisory Committee (HAC).
- Highlight tangible examples of how the proposed lease compares to the current arrangement.

Presenters



Background

Overview of Key Activities

2019			2020				2021									
Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4						
Phase One: Situational Assessment <ul style="list-style-type: none">Evaluated the current KMC agreement and relationship between the partiesDeveloped a negotiation strategy with agreement priorities			Phase Two: Contract Negotiations <ul style="list-style-type: none">Reviewed and refined a draft term sheet with the City CouncilNegotiated contract terms with PeaceHealthDeveloped the draft lease and HAC charter documents and ordinances				Phase Three: Approval <ul style="list-style-type: none">Finalize the lease.Approve City ordinances.Sign the agreement.									
Completed Key Milestones <ul style="list-style-type: none">Conducted interviews with over 40 key stakeholders from the Ketchikan community and PeaceHealth (Q2 2019)Held a community forum attended by more than 100 residents and KMC leaders (Q2 2019)Compiled a comprehensive situational assessment of the current relationship between the City and PeaceHealth (Q3 2019)Solicited public comment on the situational assessment and new contract goals (Q1 2020)Drafted initial agreement terms for review by the City Council (Q2 2020)Facilitated a series of negotiation sessions with the City and PeaceHealth (Q2 2020–Q1 2021)Completed a detailed facility assessment of KMC and developed a joint repair plan for necessary capital expenditures over the next 10 years (Q1–Q2 2021)Communicated progress to the City Council throughout negotiations (Q3 2020–Q2 2021)Presented the final agreement to the City Council for approval (Q2 2021)							Upcoming Milestones <table><tr><th>August 5</th><th>September 7</th><th>October 1</th></tr><tr><td>Second reading of the KMC lease and HAC charter ordinances</td><td>Lease signing by City and PeaceHealth executives</td><td>Commencement date of the new lease</td></tr></table>				August 5	September 7	October 1	Second reading of the KMC lease and HAC charter ordinances	Lease signing by City and PeaceHealth executives	Commencement date of the new lease
August 5	September 7	October 1														
Second reading of the KMC lease and HAC charter ordinances	Lease signing by City and PeaceHealth executives	Commencement date of the new lease														

A Brief History of KMC

For several decades, the City of Ketchikan has contracted with PeaceHealth to operate KMC.

1922

The Sisters of St. Joseph of Peace opened the Little Flower Hospital on Bawden Street in Ketchikan.

1963

The City of Ketchikan constructed the Ketchikan General Hospital.

1984

The first amendment to the 1981 hospital lease agreement is made.

2013

The 1981 hospital lease agreement is extended for another 10 years, expiring on October 8, 2023.

1961

The City of Ketchikan entered into a 10-year lease agreement with the Sisters of St. Joseph of Peace for the purpose of operating the Ketchikan General Hospital on Mission Street.

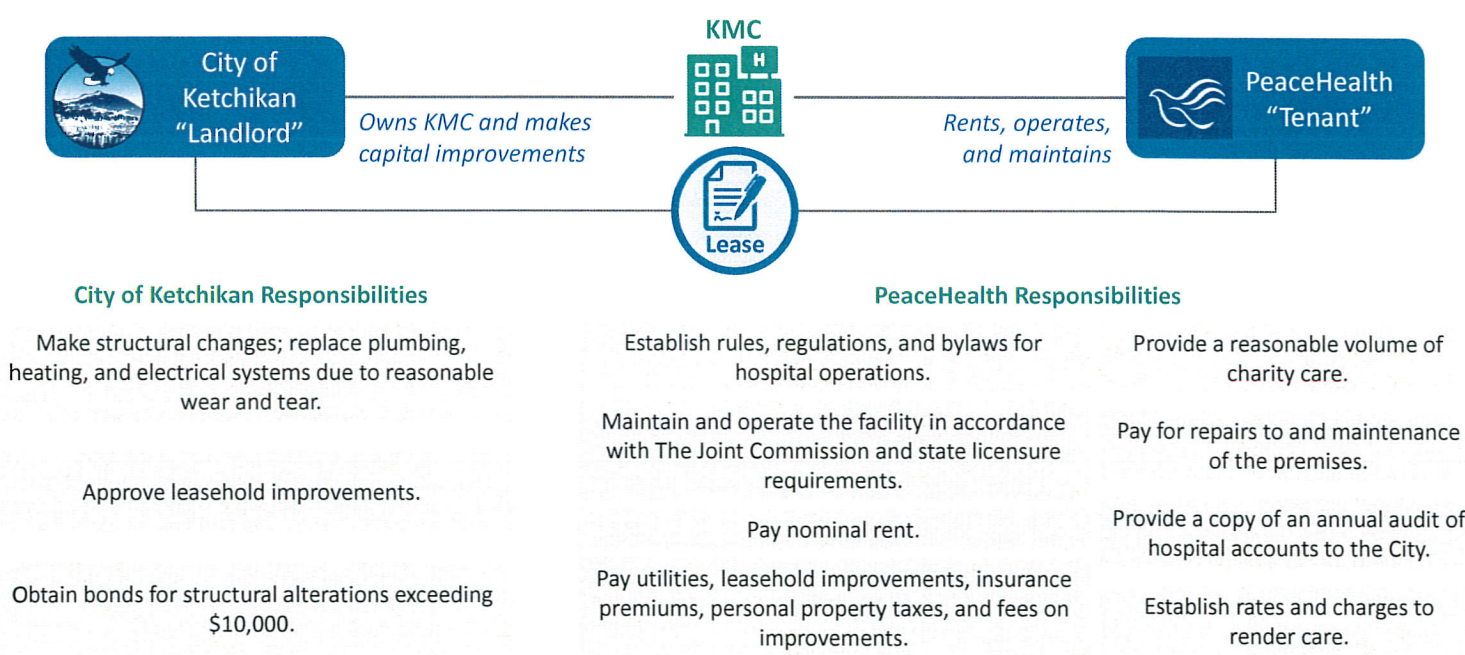
1981

The parties entered a new 10-year lease to continue operation of Ketchikan Hospital.

2002

The second amendment to the 1981 hospital lease agreement is made, updating references to the health system to PeaceHealth and extending the contract until 2013.

The Current Lease with PeaceHealth



Evaluation of the Current Lease

The situational assessment revealed that PeaceHealth provides value to the community, but several gaps would need to be addressed during negotiations.

Key Considerations

Operating a small hospital in an isolated, rural community such as Ketchikan is challenging for any health system.

Considering the Ketchikan community’s size, KMC has a more comprehensive service offering than is typically expected.

In general, the community appreciates the breadth of service—including primary, emergency, specialty, and diagnostic care—PeaceHealth brings to the community.

At the time of the study, KMC performed reasonably well on key quality, efficiency, financial, and patient satisfaction indicators.

However, the lease was fairly general in terms of addressing financial, operational, and clinical standards, as is depicted in the graphic.



Negotiation Strategy for the New Lease

Evolve the current lease into a more defined and transparent arrangement that best serves Ketchikan and the surrounding communities.

Expand PeaceHealth's role in addressing the challenges patients face, improving patient experience, and contributing to community health.

Hold both parties accountable for greater coordination and collaboration.

OBJECTIVE: Establish a new agreement with PeaceHealth that reflects the healthcare needs and expectations of the community.

Contracting Priorities



- ✓ Structure the arrangement to enhance accountability.
- ✓ Improve collaboration and set performance goals.
- ✓ Establish annual rent and formal commitment to charity care.
- ✓ Develop an after-hours and weekend care option within two years.
- ✓ Require in-network participation for contracted providers.
- ✓ Increase transparency of provider recruitment plans.
- ✓ Address issues related to Title 47 involuntary psychiatric holds.
- ✓ Continue billing process improvements and implement reporting.
- ✓ Define more clearly each party's responsibilities for the facility.

Overview of the Proposed Lease

Summary of Key Terms



1 General

- **Term:** 20 years with two subsequent renewals of 10 years each (section 3)
- **Gateway Reviews** (section 7.j)
 - A formal review process to assess the effectiveness of the agreement every five years
 - An opportunity to adjust the service requirements if circumstances have changed



2 Financial

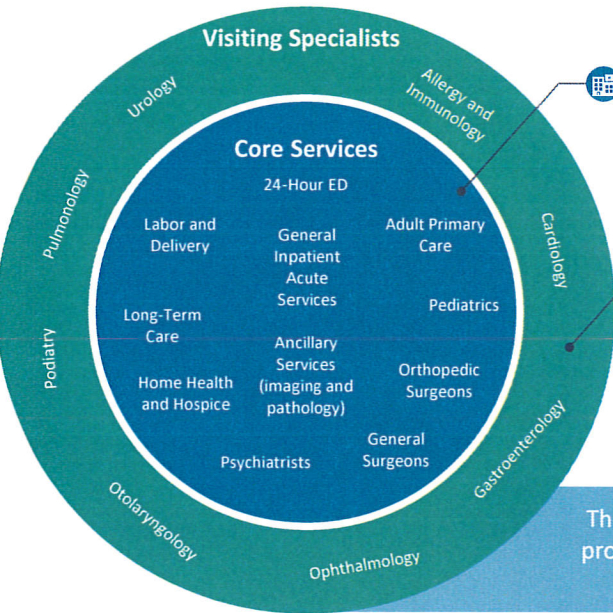
- **Base Rent** (section 4)
 - \$100,000 per year (years 1 to 5)
 - \$113,000 per year (years 6 to 10)
 - \$128,000 per year (years 11 to 15)
 - \$145,000 per year (years 16 to 20)
- **Charity Care/Community Benefit:** 100% of the needed service area charity care and \$50,000 per year from PeaceHealth to fund community programs that promote health and well-being (section 7.f)
- **Reinvestment:** PeaceHealth's earnings from KMC to be reinvested back into Ketchikan and fund projects such as the ED remodel (section 7.c)




3 Operational

- **HAC:** The HAC will include City and PeaceHealth representatives and serve as a consistent, public forum for addressing performance and contract obligations. (section 7.g)
- **Community Health Board Meetings:** At least one meeting per year of the PeaceHealth Community Health Board will be open to the public and conducted in a town hall style. (section 7.h)

Clinical Services



 PeaceHealth will provide core services, which are subject to material changes in demand.

 PeaceHealth will provide visiting specialists at the appropriate service levels to serve the needs of the KMC service area.

New Clinical Services



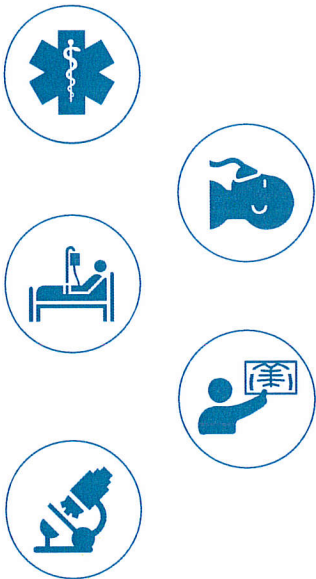
Physician Recruitment: Within one year, Peace Health will actively recruit additional surgeons and specialists to practice at KMC on a full-time basis, where supported by a full-time demand.



Urgent Care: Within two years, Peace Health will provide regular after-hours weekday and weekend care for urgent, non-life-threatening conditions in an alternative setting to the ED.

The HAC will develop a Partnership Report Card to monitor KMC’s adherence to providing these clinical services and performance on patient satisfaction, quality, and provider recruitment and retention.

In-Network Provisions with Contracted Providers



- PeaceHealth will make reasonable best efforts to mitigate the potential that KMC patients receive high, out-of-network bills for physician services.
- PeaceHealth's contracts for hospital-based physician services will require medical groups to:
 - Participate in the same managed care and third-party payer plan(s) as PeaceHealth for the service area.
 - Charge, or refrain from charging, for professional services consistent with PeaceHealth's financial assistance policy.

Title 47 Involuntary/Emergency Psychiatric Holds

Section 7.m establishes PeaceHealth's obligations related to KMC's treatment of mental health patients. This passage identifies the intent, while the new policy (see next page) describes how the current staffing and operational coordination will be bolstered.

Section 7.m. Involuntary/Emergency Psychiatric Hold Services (Title 47)

Tenant, the City of Ketchikan Police Department and local mental health treatment centers shall **work in good faith to establish and follow care policies and procedures regarding involuntary/emergency psychiatric holds** in accordance with state and federal regulations. Tenant has provided a copy of its current policy (as of the signature date below) regarding involuntary/emergency psychiatric hold services to Landlord ("**Title 47 Policy**"). Tenant shall use its reasonable best efforts to maintain its status as a Designated Evaluation and Stabilization Facility (aka a "DES" Facility) under the Alaska Mental Health Treatment Assistance Program.

Section 7.m

As of the signature date of this Lease, Tenant has or intends to implement the following regarding its Title 47 Policy, practices, and procedures regarding involuntary/emergency patients:

- Tenant will work with Landlord and the City of Ketchikan Police Department to address **patient elopement** by: hiring additional, security officers or other qualified personnel to allow for 24/7 security in the ED; assign dedicated caregivers to monitor the camera that observes high flight risk patients; use qualified personnel to assist with high flight risk patients with violent tendencies (as assessed by the clinical team); update attending physician order sets to default to “close observation” for Title 47 patients; require at-risk patients to wear different colored patient gowns to assist in identification; and implement appropriate drills for training regarding Title 47 patients and patient elopement. When security officers are utilized for high flight risk patients with violent tendencies, they will operate within the reasonable limits of security officer’s training and capabilities.
- Tenant will notify the appropriate parties (e.g., City of Ketchikan Police Department and the Superior Court) of the **release of any Title 47 patient** in accordance with AS 47.30.720.
- Tenant shall provide **continuing education and training** to its Medical Staff, ED and med/surg nursing staff regarding obligations related to Title 47 patients.
- **Issues related to Title 47 patients** may be addressed by the Parties as part of the HAC process. Tenant shall provide the HAC with updated copies of its Title 47 Policy when material updates are made to the same.

Joint Repair Items

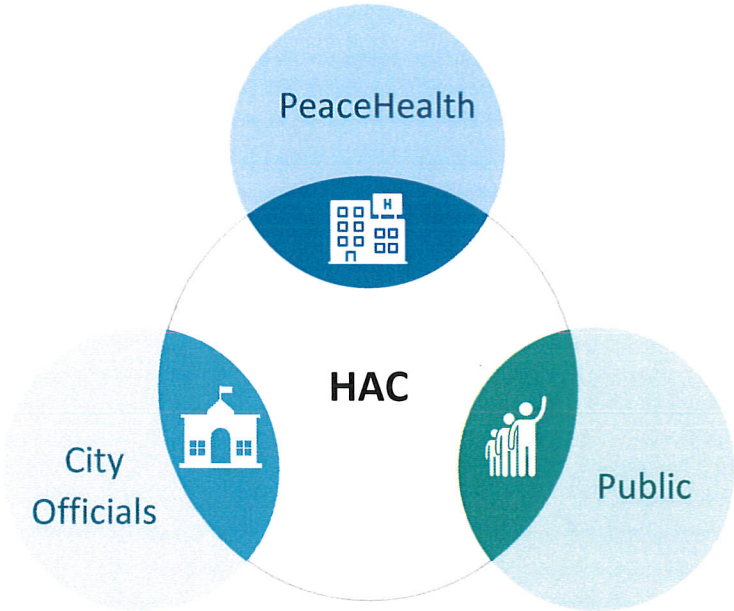
While certain repairs will be funded by both the City and PeaceHealth over a rolling 10-year period, as identified in ECG's facility assessment, the lease does not establish required levels of expenditure for the City and recognizes that its ability to fund joint repairs is expressly limited to the availability of hospital sales tax revenue.

	Major Repair Projects	System Updates or Additions	Phased Replacements	Total
City Projects				
Ground and Site Work	\$ 1,275,201	\$ 10,609	-	\$ 1,285,810
Subtotal, City	\$ 1,275,201	\$ 10,609	\$ -	\$ 1,285,810
PH Projects				
Building Shell and Core	\$ 135,960	\$ 5,304,500	\$ -	\$ 5,440,460
HVAC	-	-	24,000	24,000
Other	<u>500,745</u>	-	-	500,745
Subtotal, PH	\$ 636,705	\$ 5,304,500	\$ 24,000	\$ 5,965,205
Shared Projects				
Building Shell and Core	\$ 1,275,000	\$ 5,373,899	7,690,806	\$ 14,339,705
Domestic Water	-	-	571,975	571,975
Ground and Site Work	-	144,240	-	144,240
HVAC	-	616,000	9,437,841	10,053,841
Other	-	343,248	1,789,672	2,132,920
Subtotal, Shared	\$ 1,275,000	\$ 6,477,387	\$ 19,490,294	\$ 27,242,681
Grand Total	\$ 3,186,906	\$ 11,792,496	\$ 19,514,294	\$ 34,493,696

► The City and PeaceHealth will discuss appropriate adjustments to the joint repair plan as needed.





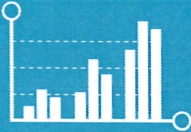
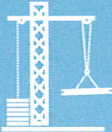


Overview of the HAC

The Ketchikan HAC is charged with providing oversight of the lease and a forum for communication and collaboration.



The HAC will act in an advisory role to the City and PeaceHealth on matters concerning the lease.

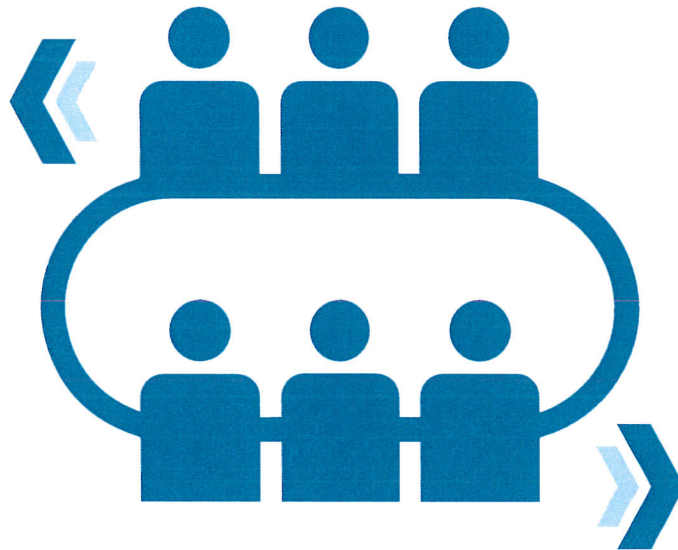
Duties of the HAC

<p>Hear public opinions</p> 	<p>Follow up on complaints</p> 	<p>Proactively work to resolve issues</p> 	<p>Review administration of the lease</p> 	<p>Measure clinical and financial performance</p> 
<p>Provide input into capital projects, community programs, and other projects</p> 		<p>Review KMC's capital investment plan annually</p> 	<p>Advise the City and KMC based on community input</p> 	

The HAC will consist of six members, including three from the City and three from KMC.

City Members

- One council member
- Two members of the City staff



KMC Members

- One Community Health Board member
- Two KMC representatives

Officers of the HAC will include a chair and a vice chair.



Chair



Vice Chair

- One officer will be a City member and the other a KMC member.
- The chair, in collaboration with the vice chair, will set meeting agendas.
- The chair will preside at meetings of the HAC.

The HAC will meet monthly during the initial year of the lease and hold regular meetings at least quarterly thereafter.

Contract Year One

October	November	December	January
February	March	April	May
June	July	August	September

Contract Year Two and After¹

October	November	December	January
February	March	April	May
June	July	August	September





HAC meetings will be open to the public.



¹ Actual months of the HAC meetings may differ from the graphic shown.

The HAC will track and document the state of the relationship between the City and KMC in a Partnership Report Card.

Potential Partnership Report Card Metrics

-  Adherence to new and established clinical services
-  Charity care and community benefit expenses as a portion of the reinvested excess KMC revenues
-  Patient satisfaction and clinical quality
-  Billing and collections—purchased services, including in-network provider contracting status and overall revenue cycle performance

Key Takeaways


Key Takeaways




The current lease is very general and does not include typical elements found in similar arrangements.




The proposed lease clarifies the relationship between the City and PeaceHealth while meeting all of the City's goals for renegotiation.



The structure of the proposed lease allows for increased collaboration, more open communication, and enhanced partnership between PeaceHealth and the Ketchikan community.



Compared to the current lease, the proposed lease strengthens PeaceHealth's financial, operational, and clinical obligations to the Ketchikan community.



The proposed lease allows PeaceHealth to build on its legacy of serving the Ketchikan community for the next 20 years and beyond.

Questions & Discussion

