



CITY AND BOROUGH OF SITKA

ASSEMBLY CHAMBERS
330 Harbor Drive
Sitka, AK
(907)747-1811

Meeting Agenda

City and Borough Assembly

*Mayor Matthew Hunter
Deputy Mayor Steven Eisenbeisz,
Vice Deputy Mayor Bob Potrzuski,
Aaron Bean, Kevin Knox, Dr. Richard Wein,
Benjamin Miyasato*

*Municipal Administrator: Keith Brady
Municipal Attorney: Brian Hanson
Municipal Clerk: Sara Peterson*

Tuesday, December 5, 2017

6:00 PM

Assembly Chambers

SPECIAL MEETING

I. CALL TO ORDER

II. FLAG SALUTE

III. ROLL CALL

IV. PERSONS TO BE HEARD

Public participation on any item off the agenda. All public testimony is not to exceed 3 minutes for any individual, unless the mayor imposes other time constraints at the beginning of the agenda item.

V. NEW BUSINESS:

- A** [17-190](#) Informational Update and Discussion/Direction on the draft Sitka Community Hospital Request for Proposal (possible executive session)

Attachments: [Possible motions draft RFP.pdf](#)

[Additions December 6 - Memo and draft RFP.pdf](#)

VI. PERSONS TO BE HEARD:

Public participation on any item on or off the agenda. Not to exceed 3 minutes for any individual.

VII. ADJOURNMENT

Note: Detailed information on these agenda items can be found on the City website at <https://sitka.legistar.com/Calendar.aspx> or by contacting the Municipal Clerk's Office at City Hall, 100 Lincoln Street or 747-1811. A hard copy of the Assembly packet is available at the Sitka Public Library. To receive Assembly agenda notifications, sign up with GovDelivery on the City website.

*Sara Peterson, CMC, Municipal Clerk
Publish: December 1*



CITY AND BOROUGH OF SITKA

Legislation Details

File #: 17-190 **Version:** 1 **Name:**

Type: Item **Status:** AGENDA READY

File created: 11/30/2017 **In control:** City and Borough Assembly

On agenda: 12/5/2017 **Final action:**

Title: Informational Update and Discussion/Direction on the draft Sitka Community Hospital Request for Proposal (possible executive session)

Sponsors:

Indexes:

Code sections:

Attachments: [Possible motions draft RFP.pdf](#)
[Additions December 6 - Memo and draft RFP.pdf](#)

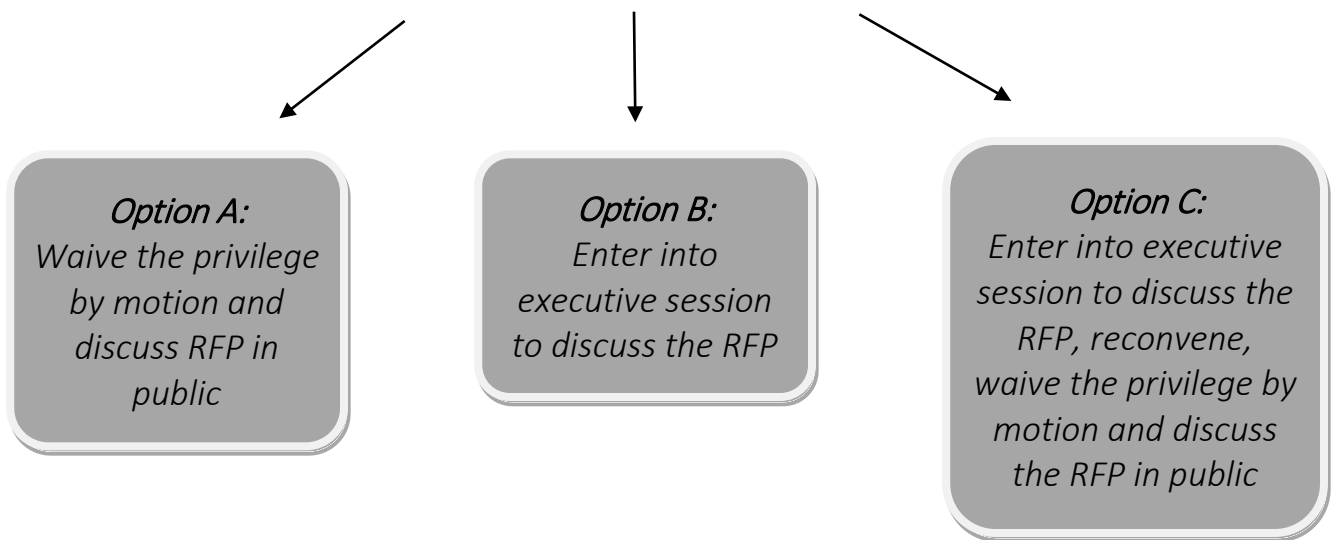
Date	Ver.	Action By	Action	Result
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Informational update and Discussion/Direction on the draft Sitka Community Hospital Request for Proposal

(possible executive session)

Note: The Municipal Attorney has designated the request for proposal and attachments as a “confidential and privileged Attorney-Client Communications and work product.” Only the Assembly, as a body, may waive these privileges.

Possible options:



Possible Motions

- **Option A:**
I MOVE, with respect to the Sitka Community Hospital draft Request for Proposal being discussed at this meeting, to waive any privilege not to discuss the matter in public or disclose the draft Request for Proposal to the public.*

**Note – this motion allows for the draft Request for Proposal to be discussed in public.*



- **Option B:**

Step 1: I MOVE to go into Executive Session with the Municipal Attorney to discuss a matter, the draft Request for Proposal for Sitka Community Hospital, a legal matter affecting the municipality and the immediate knowledge of which would adversely affect the finances of the municipality.

Step 2: I MOVE to reconvene as the Assembly in regular session.

- **Option C:**

Step 1: I MOVE to go into Executive Session with the Municipal Attorney to discuss a matter, the draft Request for Proposal for Sitka Community Hospital, a legal matter affecting the municipality and the immediate knowledge of which would adversely affect the finances of the municipality.

Step 2: I MOVE to reconvene as the Assembly in regular session.

Step 3: I MOVE, with respect to the Sitka Community Hospital draft Request for Proposal being discussed at this meeting, to waive any privilege not to discuss the matter in public or disclose the draft Request for Proposal to the public.*

**Note – this motion allows for the draft Request for Proposal to be discussed in public.*

At the December 5, 2017 Special Assembly Meeting, the Assembly made the following motion in order for discussion of the RFP to occur in public:

I MOVE, with respect to the Sitka Community Hospital draft Request for Proposal being discussed at this meeting, to waive any privilege not to discuss the matter in public or disclose the draft Request for Proposal to the public.*

**Note – this motion allows for the draft Request for Proposal to be discussed in public.*

Additions to the December 5, 2017 Assembly packet on December 6, 2017:

- Memorandum from Municipal Attorney Brian Hanson to the Assembly dated December 1, 2017 with subject line: “Request for Proposal re: Sitka Community Hospital”
- Request for Proposal by City and Borough of Sitka, Alaska for Purchase, Lease, Partnership, Management or Affiliation of/with Sitka Community Hospital



City and Borough of Sitka

LEGAL DEPARTMENT

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

TO: Mayor and Assembly Members

FROM: Brian E. Hanson
Municipal Attorney

DATE: December 1, 2017

SUBJECT: Request for Proposal re: Sitka Community Hospital

**CONFIDENTIAL AND PRIVILEGED ATTORNEY CLIENT COMMUNICATION
AND WORK PRODUCT**

As we move forward in the RFP process, please consider the following “best practices”:

1. **Conduct a preplanning process.** Consider problems and issues before communicating with proposers or undertaking a transaction. Ask yourselves, CBS and SCH administrators, principal employees, other stakeholders, and the community – What do you want to accomplish? – What are your main goals? – and, other important questions. Draft a list of objectives. Consider using some or all of the list of objectives in the introduction of the draft RFP. Form a committee of the Assembly to conduct preplanning. Hold public work session(s) and involve the public. Submit the final RFP for approval by the Assembly.
2. **Be systematic.** Conduct a systematic process to avoid the high emotions surrounding this issue so the administrators of the RFP can pursue the outcomes needed.
3. **Use experienced advisers early.** Engage experienced advisers and consultants as needed. Initially, an experienced attorney consultant to review the draft RFP is recommended. Once a proposer is selected, an experienced transactional attorney and/or financial adviser is recommended to assist in preparing the final documents.
4. **Build a strong team.** Identify a team responsible for administering the RFP. Initially, a specific and small team is advisable. As we progress in the selection process, bring in advisers, consultants, and stakeholders. Involve people with legal, regulatory, and financial expertise.
5. **Slow down, spend time on selection.** While it’s logical to want to keep momentum in the process, nothing can substitute for applying due diligence and a systematic method in the selection process.
6. **Allow decision making to evolve through the process.** Allow the transaction decision making to be gradual and comparative. Look at alternate proposals, refining objectives during the process. This may be accomplished by using the “Phase” approach used in the draft RFP.

7. **Run a competitive process.** A competitive process is the basis for comparison. The hallmark of good decision making is a basis of comparison. Follow the competitive process required by the Charter and Sitka General Code.
8. **Focus on fundamental goals of the transaction.** When there are conflicts, put the issues in perspective by focusing on the fundamental goals of the transaction.
9. **Write a detailed letter of intent.** It is important to emphasize detail in a letter of intent when beginning transaction discussion. The draft RFP currently references a letter of intent.
10. **Do not get distracted by peripheral issues.** Keep the core issues of the transaction in mind instead of letting peripheral issues dominate the discussion. Spend time in preplanning identifying those core issues.
11. **Look to the hospital's mission for inspiration.** See the mission statement in the introduction of the draft RFP.
12. **Keep lines of communication open.** It is important to keep appropriate and clear lines of communication open at all levels so if issues come up during the course of the transaction there is a foundation for productive discussion. Specifically charge a team member with that responsibility.
13. **Keep the interests of stakeholders in mind.** It is important to stay aware of stakeholders' interests when dealing with transaction issues. Develop those stakeholders' interests when identifying the core issues.
14. **Use competition as leverage to negotiate price and terms.** Competition during a deal becomes beneficial when negotiating the best price and terms during a transaction.
15. **Expect to give and receive full disclosure during due diligence.** The process will be streamlined by cooperation with respect to disclosure by both sides. Specifically charge a team member with that responsibility.
16. **Document transaction steps so the deal is defensible.** You can never predict the reaction of the community when you propose a transaction. The length of any regulatory and Assembly review is unpredictable. In order to have a strong defense for the rationale behind the transaction, the team needs to document its strategic goals and objectives, as well as the extent to which the team conducted a competitive process. Specifically charge a team member with that responsibility.
17. **Manage confidentiality.** One of the most important objectives is to manage confidentiality of transaction discussions. You should charge me with that responsibility, including informing and notifying all team members and participants.
18. **Design an integration strategy.** Once due diligence is completed, design an integration strategy which helps to capture the positive synergies identified early in the process. The ultimate goal is to accomplish strategic objectives as well as reach a financially stronger position post-transaction. Specifically charge a team member with that responsibility.
19. **Prepare for questions from regulators.** Normally, regulatory review cannot be avoided in a healthcare transaction. Be prepared for this review. Answer these four questions: (1) Why is the Assembly considering the transaction?, (2) Why did the Assembly pick the particular proposer and structure?, (3) Is the value to be received "fair market value?", and (4) If the hospital is tax-exempt and if there will be proceeds from the transaction retained by CBS, how will it be used? Specifically charge a team member with that responsibility.
20. **Craft transaction message carefully, have proper documentation.** Proper documentation will not only help with regulatory review, but it will help with community and stakeholder communications. You should tightly control messaging and clearly present the transaction to the

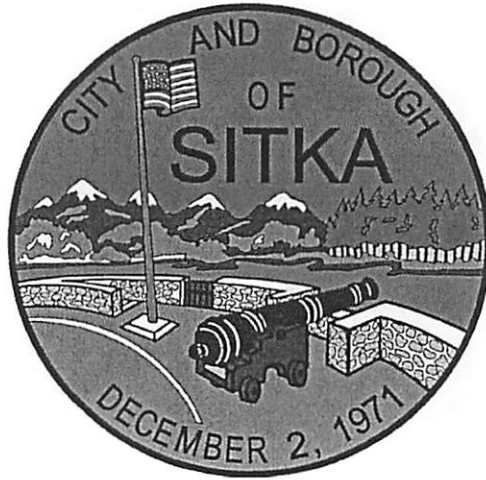
community and stakeholders as a solution or path forward. In order to document properly, you should follow these three steps to arrange documentation: (1) ensure Assembly and committee and other meeting minutes are complete; (2) ensure all policies and procedures are up to date, and (3) gather anticipated diligence materials and governance documents. Specifically charge a team member with that responsibility.

I recommend you apply the above list of best practices for a successful search, negotiation, due diligence, and final agreement. You can apply these best practices by charging your appointed team with administration and implementation.

Summary of recommended actions:

- Form a committee of the Assembly for preplanning and implementation of RFP
- Identify team responsible for administering and implementing the RFP
- Engage/hire advisers, designate team member responsible or charge team to do so:
 - Experienced attorney/consultant to review draft of RFP
 - Experienced transactional attorney and/or financial advisor to assist in preparing final documents
- Designate team members responsible for communications, disclosures, documentation, confidentiality, and preparation for questions from regulators. Or, charge team to do so.
- Charge team with conducting due diligence
- Charge team with designating a integration strategy
- Charge team with following “best practices” as outlined in the memorandum.

I have provided with this memorandum a draft RFP for your consideration. I have prepared this draft RFP after consultation with several outside attorneys and consultants, research and investigation from related online sites, review and use of language from comparable RFPs from other transactions, and personal analysis of the all of those sources. Before submitting this memorandum and draft RFP, I shared them with the Municipal Administrator and core staff members for their comment. I encourage you to critically review the draft RFP and offer your comments, concerns, criticisms, and recommended changes. I await the same and your direction.



REQUEST FOR PROPOSAL

By

CITY AND BOROUGH OF SITKA, ALASKA

For

**PURCHASE, LEASE, PARTNERSHIP, MANAGEMENT
OR AFFILIATION**

Of / With

SITKA COMMUNITY HOSPITAL



SITKA COMMUNITY HOSPITAL
Creating a healthier tomorrow today.

INTRODUCTION

Sitka Community Hospital ("SCH") is owned and operated by the City and Borough of Sitka, Alaska ("CBS"). SCH is one of two providers of healthcare services located in Sitka. SCH is an acute care, swing bed, and long term care facility that provides general medical and surgical care for inpatients, outpatients and emergency room patients. Its services include a 24-hour emergency care unit, acute care and swing bed admissions, cardiac rehabilitation, radiology/diagnostic imaging, home health including nursing and therapy services, infusion center, laboratory, FASD assessment services, long term care unit, obstetrics [AND BIRTHING?], surgical and specialty clinic for visiting expert physicians, daily appointments and walk in hours at the Mountainside Family Health Care Clinic, as well as rehabilitation services, physical, occupational and speech therapy through Oceanside Therapy Center. SCH serves a community of approximately 9,000 individuals and a population of thousands from the surrounding area, as well as visitors from a vibrant tourism industry. Currently, SCH employs 243 persons (including ___ full time physicians, ___ part time physicians, administrative and support staff), of which approximately 200 are residents of Sitka.

Since opening its doors in 1956, SCH has been dedicated to improving the health and well-being of the citizens of and visitors to Sitka, and the surrounding area. **SCH's mission is to "restore, maintain, and improve the health of those in our community through competent and compassionate delivery of care."**

After careful thought and deliberation, the CBS Assembly has determined that it is appropriate to seek options regarding a potential sale, lease, partnership, management, or affiliation of or with SCH. The Assembly is committed to finding the right purchaser, lessee, partner, manager, or affiliate to ensure that the exceptional local healthcare provided by SCH continues to be delivered in Sitka.

The purpose of this Request for Proposal ("RFP") is to provide a structure which allows the Assembly to differentiate between potential purchasers, lessees, partners, managers, and affiliates and to give each responding organization ("proposer" or, collectively, "proposers") an opportunity to articulate what makes them an attractive option for CBS. In considering proposals, the Assembly is interested in identifying a purchaser, lessee, partner, manager, or affiliate having the following characteristics:

- A commitment to the continued provision of quality healthcare services to the residents of Sitka, Alaska, and the surrounding area
- A shared strategic vision for the future of SCH
- A demonstrated culture of quality and accountability
- A proven track record of operational success to ensure the ongoing vitality of SCH, as a stable and professionally rewarding organization for its employees and medical staff
- Sufficient capital to allow SCH to maintain high-quality care for its patients and improve its physical facilities
- A system reputation that will add value to SCH's existing brand and reputation within our community and among physicians, consumers, and insurance plans
- Capabilities, facilities, clinical integration, leadership, and strategies necessary to be well positioned for success in an era of healthcare reform
- A commitment to transparency in dealing with its constituencies
- A demonstrated history of following through on its promises and commitments

Information concerning SCH is available in the attached Confidential Information Memorandum ("CIM"), which provides sufficient strategic, financial, and operational information to enable you to respond to this RFP. As a condition to your receiving the CIM, you will have previously executed a Nondisclosure Agreement with CBS. CBS reserves the right to amend any written material furnished, or information orally or electronically transmitted to any of the recipients. Additionally, representatives of CBS will be available for questions or to provide additional information whenever necessary.

Please be assured that all organizations submitting a response will be accorded fair and equal treatment in the review of their respective proposals. At the same time, CBS intends to accomplish its stated objectives in a manner that will minimize disruption to the patients, medical staff professionals, employees, and the ongoing business at SCH.

The RFP process will be in three stages. The first phase will consist of interested organizations providing the information in the "Phase 1" section below. The proposers whose proposals most closely match the objectives sought by CBS will be invited to participate in Phase 2, which will involve the exchange of more information, site visits, and result in a more detailed proposal. Phase 3 will involve the selection of a proposer and negotiation of a final written agreement.

PHASE 1

The information provided during Phase 1 will include the CIM and any supplemental information provided by CBS. Proposers are asked to submit their indication of interest in the form of a response to this RFP by mailing the original and _____ (____) copies of the proposal and supplemental information by [MONTH] [DAY] [YEAR] at [TIME] to [NAME] [ADDRESS].

The written proposal should include the following:

1. The **identity** of the proposer (legal name, address, contacts, telephone numbers, emails).
2. A description of the **nature and structure** of the proposed purchase, lease, partnership, management, or affiliation including:
 - a. Proposed **property** (CBS owns the underlying real property of the main hospital) and **financial terms**
 - b. A description of the proposer's **mission, vision, and values**
 - c. Proposer's **history** with and **reputation** among **physicians, consumers, and third-party payers**
 - d. Proposed **organization of board, administration, and medical staff**
 - e. **Experience** with and proposed strategies for **improving patient experience and outcomes**
 - f. **Affiliation process and timeline**
3. A description of the **financial strength** of the proposer including:
 - a. Ability to **provide** consideration in the form of **cash and/or assumed liabilities**
 - b. Ability to operate SCH
 - c. Ability to find **routine** as well as **strategic capital expenditure** requirements, including **capital to fund construction** in progress, if any, and implementation of any **capital improvement plan**
 - d. Financial statements: **audited** financial statements for the past **three years**
4. Proposer's **position** with respect to the following issues:
 - a. **Access to Capital/Strategic Plan:**

- i. SCH intends to expand and enhance the medical services available to area residents, and to support future capital projects, as appropriate. Proposer should be willing to commit to support future projects and initiatives.
 - ii. Proposer should describe its approach to capital funding.
- b. Physician Recruitment and Retention:**
 - i. Medical staff support and development is a critical component of the SCH's plans. Proposer should describe its strategies for medical staff developments, and commit to investing the appropriate resources (capital and professional assistance) to achieve their medical staff objectives. Ideally, the successful proposer will have an established record of success in the use of various strategies and means of support for both existing and new physician practices.
- c. Guild, Foundation and Community Benefit:**
 - i. Commitment from the proposer that a strong relationship with the existing Hospital Guild will be maintained.
 - ii. Commitment from the proposer that existing and future donor contributions remain with the existing, local Foundation for local health care use.
 - iii. Commitment to community benefit programs. Please provide evidence of your community benefit programs and expenditures, along with an explanation of the scope of such programs.
- d. Governance of the Hospital:**
 - i. CBS' Assembly wants to retain ongoing, meaningful participation in the governance of SCH under any structure proposed. Proposer should identify how this may best be accomplished under the proposed structure.
 - ii. Proposer should describe the breakdown of its proposed board structure and membership at both the local and system levels, as applicable, describe what representation SCH constituents would receive at each, and the minimum time period for such representation.
 - iii. Describe existing governance accountability with hospitals within your system.
- e. Continuing Employment to all Existing Employees:**
 - i. Proposer should describe its plans and intentions regarding the continued employment of the SCH's existing employees, including management.
 - ii. Proposer should describe its plans and intentions with regard to onboarding, outplacement, and pension issues, as applicable.
- f. Description of the SCH's Potential "Fit" in Proposer's System:**
 - i. Proposer should describe what current services and facilities, if any, it has in SCH's geographic area.
 - ii. Proposer should describe how SCH will fit with the proposer's other facilities, physicians, and programs, with an emphasis on coordination of care and transfer capabilities.
- g. Service Complement/ Growth Strategies/ Competition:**
 - i. Proposer will commit to maintain all existing services except obstetrics, 24-7 surgery and emergency care, for a period of at least ____ years.
 - ii. Proposer should describe whether it would continue obstetric services and/or 24-7 surgery and/or emergency care and the form and period of commitment for those services.
 - iii. Proposer will help fund and develop growth strategies for primary and secondary services.
 - iv. Proposer should describe how it would improve healthcare competition in Sitka and the surrounding area.
- h. Medical Staff and Referral Arrangements:**
 - i. Proposer should describe its plans to maintain and support the current medical staff, including local medical staff self-governance.
 - ii. Proposer should describe its plans to provide physician services for the Emergency Department and [OTHER?].

- iii. Proposer shall agree not to take any actions that mandate SCH staff physicians to refer patients to hospitals owned by proposer.
 - i. **Existing Affiliations:**
 - i. Proposer should provide a five year history of recent affiliations, disaffiliations, and closures.
 - ii. Proposer should provide references from recent affiliates, with an emphasis on Alaska and western states.
 - j. **Electronic Health Record/IT Platform:**
 - i. Proposer should be prepared to develop and implement an enhanced electronic health record within a reasonable period of time after the date the transaction closes.
 - ii. Adoption of more enhanced systems to integrate with the proposer and enhance transfer of information.
 - iii. Provide examples of the development of this capability in the proposer's business.
 - k. **Quality and Safety:**
 - i. Agreement to provide and support quality and safety expertise and protocols to assure that SCH is exceeding quality and safety standards.
 - ii. Provide examples of a track record with automated and /or electronic technologies that enhance quality and safety.
 - iii. Provide examples of ability to improve clinical outcomes/services, as well as providing clinical and administrative support, either locally or regional, to assure standards of excellence.
 - l. **Mitigation of Financial Risks:**
 - i. CBS is currently responsible for negative financial impacts of SCH. Proposer should describe how it would remove or mitigate those impacts.
 - ii. CBS currently has significant financial risks for unfunded liabilities with the State of Alaska Public Employees Retirement System ("PERS"). Proposer should describe how it would remove or mitigate those risks.
5. A list of any necessary regulatory, corporate, or other approvals required to consummate an affiliation, along with a statement indicating your ability to secure such approvals in a timely manner. Describe any federal or state limitations that might prohibit you from entering into an arrangement with CBS.
6. Your acknowledgement that CBS will not be liable to you for any damages or expenses of any kind or type, unless you are the successful proposer, and even then only to the extent set forth in the definitive agreement between CBS and the successful proposer.
7. Shortly after receipt of the written proposals, CBS will notify the proposers as to whether or not they are selected to participate in Phase 2. In light of CBS's objectives as stated earlier, CBS may limit the number of proposers that are selected to participate in Phase 2.

PHASE 2

Proposers who are selected to participate in Phase 2 will be afforded the opportunity to conduct an in-depth evaluation of SCH's operations, assets, and liabilities. This opportunity will be afforded by providing access to detailed business, financial, and legal information. In addition, CBS will invite and arrange for those proposers selected for Phase 2 to visit the hospital. These visits will include meetings with SCH management concerning the business operations, facilities, and construction in progress, if any. During this phase, CBS will also conduct preliminary due diligence procedures on the proposers selected for Phase 2 in order to better understand their mission, vision, values, and business operations, and will require access to appropriate information regarding the proposer.

At the conclusion of Phase 2, each proposer selected for Phase 2 will be required to refine its proposal into a final form.

CBS will be available throughout the course of Phase 2 to respond to reasonable requests for additional information. CBS intends to complete Phase 2 in an expedient manner.

PHASE 3

Subsequent to the receipt of refined proposals from proposers selected for Phase 2, the CBS Assembly, with the advice and assistance of its financial and legal advisors, will evaluate the final proposals submitted and select a proposer as promptly as is reasonably practicable.

CBS will notify the selected proposer and work with the selected proposer to put in place a letter of intent or other form of written agreement by and between CBS and the selected proposer that details certain mutually agreed upon agreements to be developed and implemented on an interim basis by and between CBS and the selected proposer.

Subsequently, CBS and the selected proposer will work towards completion of due diligence with the objective of drafting and entering into an exclusive agreement that best satisfies the objectives of CBS and the selected proposer.

MISCELLANEOUS

Each proposer responding to this RFP will bear all costs of its own investigation and evaluation, including the fees and disbursements of its own counsel and advisors.

CBS's interpretation of any written material furnished, or information orally or electronically transmitted, to any party shall be final and binding to all parties. CBS reserves the right, at any time, to (a) discontinue or modify the process as outlined in this RFP, or (b) expedite the process by entering into negotiations with any proposer, and/or (c) decline consideration of any proposer. CBS will not be obligated to state any reason for actions taken in accordance with the prior sentence. Submission of materials in response to this RFP shall confirm your agreement that (a) CBS shall have the right, in its sole discretion, to accept or reject any proposal or offer or to terminate any discussions and negotiations at any time and for any or no reason, and (b) your release and waiver of any and all claims whatsoever against CBS arising out of or relating to this RFP process.

Please note that as an Alaska home rule municipality subject to the review of any proposal by the CBS Assembly will occur in an open public meeting **[EXCEPT IF THE ASSEMBLY DECIDES TO EXERCISE ANY AVAILABLE PRIVILEGE]**. Any information you consider to be a trade secret and/or privileged must be marked as such, otherwise it may be publicly disclosed. Moreover, approval of a definitive agreement involving the sale, of more than \$500,000, or lease, of more than \$750,000, of CBS's real property must be ratified by a majority of qualified voters under Sitka General Code 18.12.010.B **[OR AS OTHERWISE PROVIDED BY ORDINANCE OF THE ASSEMBLY]**.

Under no circumstances should any Assembly member, officer, employee, physician, board member or affiliate of CBS or SCH be contacted directly, except with prior approval of CBS Administrator, P. Keith Brady, or CBS Municipal Attorney, Brian E. Hanson.

PROPOSED TIMELINE

- Anticipated RFP release date: _____
- Phase 1 due date for proposals: _____
- Phase 2 notice date of selected proposers: _____
- Phase 2 due date for expanded proposals: _____
- Phase 2 oral presentation date (if any): _____
- Phase 3 selection date of preferred proposer: _____

Thank you for your consideration.