

POSSIBLE MOTION

I MOVE TO approve Ordinance 2018-05 on
second and final reading.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members

From: Keith Brady, Municipal Administrator *Feb*

Date: February 6, 2018

Subject: Sitka Community Hospital Request for Proposal Consultant Appropriation

Summary

The road to the Request for Proposal (RFP) for the Sitka Community Hospital (SCH) has been long and difficult. In the drafting of the RFP Municipal Attorney Brian Hanson encouraged the Assembly to consider following a list of best practices for a RFP of this scope and nature. One of the recommendations was to use experienced advisers early in the process. We initially hired Sarah Cave and Steve Huebner as advisers/consultants to help put a polished RFP before the Assembly for approval. We hired them at a cost of up to \$10,000. Brian and I felt that they provided excellent expertise and vision into SCH, the RFP and the process. They have billed us at slightly less than \$7,000. We feel they are experienced and will provide good insight for what we are trying to achieve in this process.

After the approval of the RFP from the Assembly we have received unsolicited inquiries from interested parties into when the RFP will officially be released.

Fiscal Note

I am requesting from the Assembly to encumber for the payment of up to \$100,000 from the General Fund working capital to formally engage Cave and Huebner for the remainder of the SCH RFP process.

Recommendation

I recommend the approval of the appropriation of \$100,000 from the General Fund working capital for the services and expertise of the consultants.

Background

Below are the phases with deliverables and estimated timeframe of each phase. I feel the consultants have laid out a very well detailed proposed course of action. This is a best case/worst case scenario for a couple of reasons.

For example, we could only receive one bid and the cost to us from the consultants would be low. Or, we could receive several bids and the use of the consultants would be higher but would be well worth the cost to make sure we have done all that we could to make sure that no stone was left unturned.

The following deliverables were provided by the consultants.

The tables below outline the activities and consultant deliverables for each phase of the engagement, including a description of meetings the consultants will facilitate with the City and Borough of Sitka Assembly during each phase. Below the table are the estimated fees for the engagement, broken down by project phase.

| Phase 1 | |
|---|--|
| Consultant Activities/Deliverables | CBS Assembly Meetings |
| <ul style="list-style-type: none"> • Interview CBS Assembly members, SCH Board members and management, and other stakeholders, as necessary • Further refinement and finalization of RFP • Finalize list of affiliation candidates and contacts • Clarify and further delineate CBS Assembly's objectives and priorities • Explore alternative affiliation models and select preferred model • Summarize objectives, desired outcome(s), and guiding principles for affiliation • Establish parameters/criteria for selecting finalist • Prepare for Phase 1 meeting with CBS Assembly • Further review of internal strategic, financial, and operating data • Review market assessment and evaluate community needs assessment and other information • Participate in research of regulatory, reimbursement, accounting and financial matters that could impact affiliation | <p><u>Phase 1 Meeting</u> <i>Purpose:</i></p> <ol style="list-style-type: none"> 1. Review findings 2. Adopt shared vision and guiding principles 3. Clarify objectives and process 4. Evaluate alternative models 5. Select preferred model(s) to meet CBS Assembly objectives 6. Adopt criteria for selecting finalist |
| Phase 2 | |
| Consultant Activities/Deliverables | CBS Assembly Meetings |
| <ul style="list-style-type: none"> • Facilitate RFP process • Address RFP respondent questions • Assist candidates in responding to RFP • Evaluate proposals and work with CBS Assembly and Executive Team to select finalist(s) • Clarify proposal terms with finalists • Arrange site visits • Prepare for Phase 2 meeting with CBS Assembly | <p><u>Phase 2 Meeting</u> <i>Purpose:</i></p> <ol style="list-style-type: none"> 1. Assembly to evaluate proposals 2. Select Phase 2 finalist(s) 3. Clarify and further evaluate proposal terms |
| Phase 3a. | |
| Consultant Activities/Deliverables | CBS Assembly Meetings |
| <ul style="list-style-type: none"> • Select affiliation partner • Define preliminary terms and conditions • Support Legal Counsel in drafting and executing | <p><u>Phase 3a. Meeting</u> <i>Purpose:</i></p> <ol style="list-style-type: none"> 1. Select final affiliation partner |

| | |
|--|--|
| <ul style="list-style-type: none"> Letter of Intent Plan and conduct preliminary due diligence efforts Prepare for Phase 3a. meeting with CBS Assembly | 2. Agree on terms of Letter of Intent |
| Phase 3b. | |
| Consultant Activities/Deliverables | CBS Assembly Meetings |
| <ul style="list-style-type: none"> Support formal Due Diligence process Support Legal Counsel in drafting Term Sheet and executing Definitive Agreement Develop implementation plan and timeline Finalize transaction Prepare for Phase 3b. meeting with Board and leadership | Phase 3b. Meeting <i>Purpose:</i> <ol style="list-style-type: none"> Agree on terms of Definitive Agreement Complete Due Diligence Finalize transaction |

Project Fees: The following is a summary of estimated hours and fees by project phase.

| | |
|--|--|
| Hourly Rates: | |
| Sarah Cave | \$175 |
| Steve Huebner | \$250 |
| Anticipated Hours (Phase 1): | |
| Sarah Cave | 54 hours |
| Steve Huebner | 41 hours |
| Anticipated Hours (Phases 2): | |
| Sarah Cave | 60 hours |
| Steve Huebner | 44 hours |
| Anticipated Hours (Phases 3.a): | |
| Sarah Cave | 48 hours |
| Steve Huebner | 42 hours |
| Proposed Fees (Phases 1-3a.)* | \$60,100 |
| Estimated Out-of-Pocket Expenses | 8,000 |
| Proposed Fees and Expenses (Phases 1-3a.) | <u>\$68,100</u> |
| | *Fees exclude purchase of additional market data and/or analyses by third-party vendor or consultant |

| | |
|------------------------------------|---|
| Range of Hours (Phase 3b.): | Required due diligence will vary depending on the type of affiliation and sophistication of the affiliate partner. Consultants will provide a more precise consulting fee schedule for Phase 3b. once related facts and circumstances are better known. |
| Sarah Cave | 40-90 hours |
| Steve Huebner | 30-80 hours |
| Proposed Fees (Phase 3b.): | \$16,000-35,000 |

The above hours represent anticipated hours for each phase of the project. I will monitor

progress for each phase against these estimates and communicate with the consultants to the extent that actual effort is greater or less than estimated. Fees will be adjusted accordingly. Phase 3 has been segmented in to two phases since due diligence activities identified in Phase 3b. will vary depending on the type of affiliation and the sophistication of the affiliate partner. Consultants will provide a more precise estimate of fees for Phase 3b. once related facts and circumstances are better known.

Additionally, these fees do not include legal services rendered by any third-party law firm or any consultation necessary by other consulting firms to perform specialty services or due diligence activities. Existing market analysis appears to have been done using Medicare utilization data. To the extent that market analysis needs to be updated for non-Medicare data, another consulting firm that has access to such data may need to be engaged to perform such analyses. This would be done at an incremental cost.

The consultants will bill monthly for project fees, and invoice us separately for expenses related to travel, per diems, meals or other costs directly associated with the project. Out-of-pocket expenses for Phases 1-3a. are estimated to be \$8,000. Any proposed out of pocket expenses related to Phase 3b. will be estimated at the initiation of that phase when facts and circumstances are better known.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2018-05
AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA
ADJUSTING THE FY18 BUDGET (SITKA COMMUNITY HOSPITAL RFP)

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

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

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

3. PURPOSE. The purpose of this ordinance is to adjust the FY18 budgets for known changes.

4. ENACTMENT. The Assembly of the City and Borough of Sitka hereby adjusts the FY18 budget for known changes. In accordance with Section 11.10(a) of the Charter of the City and Borough of Sitka, Alaska, the budget for the fiscal period beginning July 1, 2017 and ending June 30, 2018 is hereby adjusted as follows:

Table with 1 column and 4 rows. Row 1: FISCAL YEAR 2018 EXPENDITURE BUDGETS. Row 2: GENERAL FUND. Row 3: Administration Department – Operations: To increase appropriation in the amount of \$100,000 in the contracted/purchase service account to fund the completion of the Sitka Community Hospital RFP process. These funds will come from the General Fund working capital. Row 4: (Empty)

EXPLANATION

Necessary revisions in the FY 2018 budget were identified. These changes involve the increase of expenditure accounts and causes decreased cash flows to the fund balance of various funds. A short explanation of each budget revision is included.

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

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 27th Day of February, 2018.

ATTEST:

Matthew Hunter, Mayor

Sara Peterson, MMC
Municipal Clerk

1st reading 2/13/18
2nd reading 2/27/18