

Fee Proposal for City and Borough of Sitka, Alaska:

Consultative Services in support of City and Borough of Sitka's (CBS) Affiliation Strategy

October 15, 2018

Scope of Work:

City and Borough of Sitka (CBS or the Client)—and Steve Huebner of Huebner Advisory (Consultant)—are referenced in this agreement. Consultant has entered into a subcontract with Sarah Cave of Sarah Cave Consulting and Sarah's participation under the terms of that subcontract is an integral part of this engagement. Steve Huebner and Sarah Cave are jointly referred to as "Consultants."

This fee proposal is for the Consultants to provide overall project management—as well as financial and healthcare expertise—for Phase 3b of the CBS/SCH-SEARHC Affiliation process. It encompasses the following scope of work:

- Work closely with the City Administrator and legal counsel to develop and execute a schedule and timeline for Negotiations and Due Diligence process
- Serve as the conduit for information among, and ensure coordination between, team members and parties (CBS staff, CBS Negotiating Team, SEARHC Negotiating Team, Joint Negotiating Team)
- Ensure appropriate level of engagement and input from the CBS Assembly
- Facilitate and actively participate in negotiation sessions with CBS Negotiating Team and Joint Negotiating Team
- Work closely with legal counsel, SEARHC, and SCH Management to ensure coordination and responsiveness throughout the due diligence process
- Work with legal counsel to ensure that Assembly goals, SEARHC commitments, and critical issues are addressed and reflected in terms of Definitive Agreements
- Facilitate affiliation discussions at Assembly meetings and Special Sessions
- Other activities:
 - Develop a communication plan for both internal and external stakeholders
 - Assist CBS and SCH management teams and legal counsel in assessing related federal and state regulatory requirements
 - Assist management in assessing the accounting and financial implications of potential liabilities and commitments
 - Identify other contracted professional services requirements, as necessary

Success Factors:

The following are success factors the consultants have identified to be successful in this phase of the project:

- Commitment to public access to the greatest extent possible.
- Regular access to CBS staff and Internal Team.
- Regular interaction (email, phone, and F2F) with CBS Assembly members.
- Semi-monthly (or monthly at a minimum) F2F visits with key project stakeholders and collaborators (CBS staff and Internal Team, SCH Management, SCH Board, CBS Assembly) for purposes of relationship-/trust-building, work sessions with key collaborators, and negotiation sessions.
- Adherence to defined team approach, project roles, and communication protocol: Keith (Administrator); Sarah (Project Manager/Content Expert); Steve (Finance/Transaction Expert); Sandy (Primary Legal Resource); Brian (Legal Oversight); Coral (Project Coordinator/Data-Sharing); Sara (Assembly Interface). *Refer to Communication Protocol.*

- Desire and motivation of CBS staff, SCH Management, and CBS Assembly to embrace concepts set forth in the Letter of Intent entered into with SEARHC and engage in due diligence activities and support good faith negotiations of transaction agreements.

Consultant Deliverables and Fees:

The following table outlines the estimated fees and expenses for Phase 3b of the engagement. Scope and fees assume conclusion of Phase 3b by the end of the CBS fiscal year (June 30, 2019).

Scope of Activities/Deliverables (from previous page):		Hourly Rates:	
<ul style="list-style-type: none"> • Develop, implement, and manage to schedule and timeline for Negotiations and Due Diligence process • “Air Traffic Control” for overall project components (negotiations, due diligence, coordination of project stakeholders and collaborators) • Ensure appropriate level of engagement and input from the CBS Assembly • Facilitate and actively participate in negotiation sessions with CBS Negotiating Team and Joint Negotiating Team • Work closely with legal counsel, SEARHC, and SCH Management to ensure coordination and responsiveness throughout the due diligence process • Ensure that Assembly goals, SEARHC commitments, and critical issues are addressed and reflected in terms of Definitive Agreements • Facilitate affiliation discussions at Assembly meetings and Special Sessions • Other activities as outlined on previous page 		Sarah Cave	\$175
		Steve Huebner	\$250
Anticipated Hours (Phase 3.b):			
		Sarah Cave	225 hours
		Steve Huebner	144 hours
		Proposed Fees (Phase 3b.)	\$75,375
		Est. Out-of-Pocket Expenses	\$14,625
		Proposed Fees and Expenses	\$90,000*
		Fees Previously Appropriated	\$23,035
		Balance of New Engagement	\$66,965

The above table outlines anticipated hours for this phase of the project, including roughly \$23,000 previously appropriated for our original RFP process engagement. We will monitor progress against these estimates and communicate with management to the extent that actual effort is greater or less than estimated. Fees will be adjusted accordingly. Should the scope expand beyond that outlined above or the timeframe extend beyond June of 2019, Consultants will discuss the potential of extending the engagement via an addendum.

Fees do not include legal services rendered by any third-party law firm nor any consultation necessary by other consulting firms to perform specialty services or due diligence activities. Consultants will bill monthly for project fees and expenses, with expenses related to travel, per diems, meals or other costs directly associated with the project outlined separately. Out-of-pocket expenses for Phase 3b. are estimated to be \$14,600 to ensure adequate face-to-face

engagement with project stakeholders.

Additional Terms:

As previously agreed, the laws of the State of Alaska will govern this agreement and that, in the event a dispute arises between the Client and Consultants, the matter will be submitted to the Superior Court for the State of Alaska, First Judicial District of Sitka, which shall be the sole and exclusive venue for any such dispute. Consultants agree to and will submit to the personal jurisdiction of those courts.

In addition, the following terms are incorporated into this agreement:

1. Consultants anticipate that CBS management and (as necessary) the SCH Board and management, will actively participate in this engagement, providing the data/information necessary for the consultants to complete an organizational, financial, and market assessment, and making themselves available to answer questions, test assumptions, and validate information with Consultants.
2. Consultants will rely on the accuracy and reliability of information provided by CBS and SCH management.
3. Consultants will complete the scope of work outlined in the proposal. The CBS Assembly and management will be responsible for ownership and implementation of adopted plans.
4. Consultants will invoice monthly, with payment due within 15 days of receipt.
5. To the extent that additional work outside the scope of this proposal is necessary, Consultants will proceed with addendum based on mutual agreement with Client.
6. Confidentiality Consultants shall not, during the term of this Agreement and any time after its expiration, disclose any proprietary or confidential information relating to the services, this Agreement, or Consultant's business or operations without the prior written consent of the Client.
7. Ownership of Material. Any data, information, documents, reports, or other material, graphic, software or otherwise, prepared by Consultants for the Client under this Agreement, shall belong to and remain the property of Client. The data, information, documents, reports, etc., shall not be disclosed by Consultants to anyone other than Client without prior written consent of Client.
8. Insurance. Before the execution of the Agreement, Consultants shall obtain all insurance required under this section. Consultants shall maintain insurance throughout the term of this Agreement. Proof of the required insurance shall be provided to the Client in the form of a Certificate of Insurance, showing the type and the amounts of insurance, the policy number, expiration date and signed by an authorized representative of the insurance company. Each Certificate of Insurance shall state that the policy or policies have been endorsed whereby the insurance company will provide not less than thirty (30) days written notice to the Client of any material change, cancellation, or non-renewal of the insurance policies. The Commercial General Liability insurance required under this section shall name Client as an additional insured for the purposes of this Agreement. Consultants shall provide the following types of insurance: Professional Liability insurance, single limit of \$1M, general aggregate limit of \$1M; Worker's Compensation insurance, if applicable, including Employer's Liability and Worker's Compensation, at minimum limits required by Alaska law; Commercial General Liability, single limit of \$1M, general aggregate limit if \$1M; All other types of coverage are exempt.
9. Indemnification. Consultants shall defend, indemnify, and save Client harmless for any loss, injury or damage to Client arising out of the performance by Consultants of the services provided under this Agreement insofar as such loss, damage or injury results solely from Consultants negligence, or reckless or willful act or omission of Consultants

as judicially determined. This indemnity does not include claims that arise from any negligence, or willful or reckless act or omission of Client as judicially determined.

In accordance with the terms and conditions of this Agreement, Client shall be responsible for the accuracy and completeness of all data, information and representations provided to Consultants for purposes of this engagement. Because of the importance of oral and written management representations to the effective performance of Consultants services, Client releases and indemnifies Consultants and its personnel from any and all claims, liabilities, costs and expenses attributable to any misrepresentation by management and its representatives.

10. Consultants agree to perform the Services hereunder solely as independent contractors. The Parties agree that nothing in this Agreement shall be construed as creating a joint venture, partnership, franchise, agency, employer/employee, or similar relationship between the Parties, or as authorizing either Party to act as the agent of the other. Consultants are and will remain independent contractors in its relationship to the Client. Client shall not be responsible for withholding taxes with respect to the Consultants compensation hereunder. Consultants shall have no claim against the CBS hereunder or otherwise for vacation pay, sick leave, retirement benefits, social security, worker’s compensation, health or disability benefits, unemployment insurance benefits, or employee benefits of any kind. Nothing in this Agreement shall create any obligation between either Party and a third party. Consultants shall not assign this Agreement or sub-contract any portion of it without Client’s prior written consent. This Agreement cannot be amended or modified except by agreement in writing executed by both Parties. This Agreement constitutes the entire agreement between the Parties.
11. This Agreement shall become effective when fully executed and will continue for a period of (12) twelve months or until the services have been satisfactorily completed and Consultants have been paid in full for such services. This Agreement may be terminated by either Party on provision of thirty (30) days written notice to the other Party, with or without cause.

Signatures:

By signing below, both Parties agree to the terms of this Agreement.

City and Borough of Sitka, Alaska

P. Keith Brady
Municipal Administrator

Date

Huebner Advisory, LLC:

Signature

Date