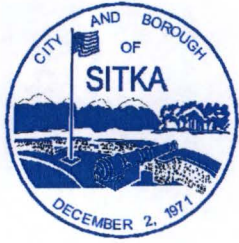


POSSIBLE MOTION

I MOVE TO approve Ordinance 2018-53
on second and final reading.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members

From: Keith Brady, Municipal Administrator

Date: 11-2-18

Subject: Approval the appropriation for due diligence and continued work of the consultants

Summary

Phase 3 of the RFP process of the SCH affiliation with SEARHC requires an appropriation for costs associated with due diligence and the additional services of the consultants. The consultants have been instrumental with their experience, expertise, and insight in the healthcare industry. A recommendation to continue to use them through Phase 3 comes very highly. Their continued service is crucial for a positive outcome. The city is receiving great value for the services the consultants are providing.

Fiscal Note

\$150,000 from the General Fund Balance.

Recommendation

Approval \$150,000 appropriation for due diligence cost of the SCH RFP affiliation with SEARHC and continued work of the consultants.

Details

There are costs associated for our part of due diligence. Generally, the buyer's primary question is "How much risk am I taking on?" and the sellers question is "Can the Buyer carry out the arrangement described in the RFP Response?" Part of the due diligence cost is going to cover the PERS termination valuation, additional financial audits for transaction date audit requirements and possible regulatory and appraisal services.

The original appropriation requested was \$100,000 to cover the consultant costs. It was mentioned then that if we went into Phase 3 we would need another appropriation for continued services. They have been very conservative in their time and billing of the city. From the initial engagement through to the selection process on August 28, they have billed the city \$72,349.60. The work through the Letter of Intent was an additional 8,615.78. During Phase 2 they also took on additional duties that were outside their scope of work of the original agreement with the town hall and additional reports to the Assembly. (With this memo is an updated proposal for Phase 3 consultant services.)

The consultants have estimated the proposed fees and expenses for these services to be \$90,000, of which \$20,000 is left from the previous appropriation. The remainder is \$70,000 for additional services from the consultants and \$80,000 for the due diligence. The identified costs are estimated at \$55,000 for the PERS termination valuation, additional financial audits for transaction date audit requirements and possible regulatory and appraisal services, as stated above. The request for an additional \$25,000 are for the unidentified due diligence needs that are likely to occur. The aim is not to come back for an additional appropriation.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2018-53
AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA
MAKING SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 2019
(SITKA COMMUNITY HOSPITAL SALE)

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 make a supplemental capital appropriation for Fiscal Year 2019.

4. **ENACTMENT.** In accordance with Section 11.10(a) of the Charter of the City and Borough of Sitka, Alaska, the Assembly hereby makes the following supplemental appropriations for the budget period beginning July 1, 2018 and ending June 30, 2019.

<u>FISCAL YEAR 2019 EXPENDITURE BUDGETS</u>
GENERAL FUND
Administration – Operations: Increase appropriations in the amount of \$150,000 in contracted/purchased services for additional consulting services regarding negotiation/due diligence on the sale of Sitka Community Hospital.

EXPLANATION

Necessary revisions in the FY2019 budget were identified. These changes involve the increase of expenditure accounts. A short explanation 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 November, 2018.

ATTEST:

Gary L Paxton, Mayor

Sara Peterson, MMC
Municipal Clerk

1st reading 11/8/18
2nd and final reading 11/27/18