

Fee Proposal for City and Borough of Sitka, Alaska: *Consultative Services in support of City and Borough of Sitka's (CBS) Affiliation Strategy*

March 22, 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 encompasses the following scope of work:

- Develop of overall project timeline
- Clarify and further delineate CBS Assembly's priorities and objectives
- Further refine RFP and related process for communication to potential affiliate partners
- Provide input and research on potential candidates and key contacts
- Develop process for proposal review and criteria for assessment
- Actively support the proposal process through communication and interaction with identified respondents, promoting creative and evolving approaches to affiliation
- Participate in proposal evaluation and selection of Phase 2 finalists
- Participate in coordination and arrangement of site visits
- Review of final proposal and selection of potential affiliation partner
- Participation in negotiation sessions with potential affiliate partner
- Work with legal counsel to develop Letter of Intent
- Participate in due diligence, as necessary
- Work with legal counsel to develop term sheet, as well as draft and execute Definitive Agreement
- 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
 - Develop implementation plan (post execution of affiliation agreement)

To address this scope of work, Consultants have outlined a three-phase approach. Due to the variable nature of due diligence activities, Phase 3 has been segregated into sub-phases, 3a. and 3b., with a broader range of fees estimated for Phase 3b.

Consultants will work closely with the CBS Assembly to coordinate their approach with the interests, timing, and priorities of the Assembly. They will keep the CBS Assembly and Executive Team informed and seek input from the Assembly members and Executives throughout the project. Consultants will have pre-established checkpoints with

Assembly Members to involve them in key project-related decisions and provide status reports on findings and observations at regularly scheduled Assembly meetings. There will be a formal checkpoint with the CBS Assembly with each major phase of the project.

Consultant Deliverable and Fees:

Deliverables:

The following table outlines the activities and consultant deliverables for each phase of the engagement, including a description of meetings Consultants will facilitate with the CBS Assembly during each phase. Below the table are the estimated fees for the engagement, broken down by project phase (see pages 4-5).

Phase 1	
Consultant Activities/Deliverables	CBS Assembly Meetings
<ul style="list-style-type: none"> • Further refinement and finalization of RFP • Finalize list of affiliation candidates and contacts • Launch RFP • Interview CBS Assembly members, SCH Board members and management, and other stakeholders, as necessary • 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></p> <p><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></p> <p><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 Letter of Intent Plan and conduct preliminary due diligence efforts Prepare for Phase 3a. meeting with CBS Assembly 	Phase 3a. Meeting Purpose: <ol style="list-style-type: none"> Select final affiliation partner 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 Purpose: <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.)	\$68,100
*Fees exclude purchase of additional market data and/or analyses by third-party vendor or consultant	

210 hours

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. We will monitor progress for each phase against these estimates and communicate with management 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.

Fees do not include legal services rendered by any third-party law firm not 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.

Consultants will bill monthly for project fees, and invoice the Client 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.

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.

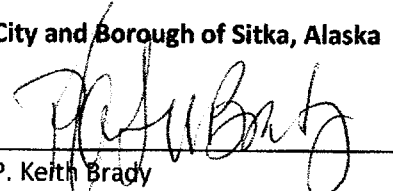
10. Consultants agree to perform the Services hereunder solely as independent contractors. The Parties agree that nothing in this Agreement shall be construed as creating a joint venture, partnership, franchise, agency, employer/employee, or similar relationship between the Parties, or as authorizing 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.

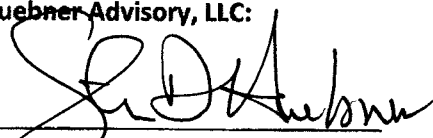
City and Borough of Sitka, Alaska



P. Keith Brady
Municipal Administrator

3/20/18
Date

Huebner Advisory, LLC:



Signature

3/26/18
Date