

Fee Proposal for City and Borough of Sitka, Alaska:

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

May 5, 2019

Scope of Work:

The City and Borough of Sitka (CBS or the Client)—and Steve Huebner of Huebner Advisory (Consultant)—are referenced in this agreement. The 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. To the extent that Sarah Cave cannot fulfill all the consulting requirements outlined in this agreement, other consulting resource or internal CBS resources will be identified, and fees will be adjusted accordingly. Steve Huebner, Sarah Cave and other consultant resources 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 4 of the CBS/SCH-SEARHC Affiliation process. It encompasses the following scope of work:

- Develop and execute a schedule and timeline through project closing and wind-down
- Ensure information-sharing and coordination/responsiveness among and between team members, SCH personnel, SEARHC, consultants and other parties
- Provide necessary healthcare and financial expertise and coordination and oversight with SCH personnel to ensure that key tasks are completed on schedule and on budget
- Provide oversight in the wind-down of SCH financial activities and track the realization of cashflow to CBS to track financial benefit or exposure
- Transaction closing activities:
 - Coordination and communication with SEARHC and transaction legal counsel
 - Provide oversight and administration of final transaction checklist as provided by transaction attorneys
 - Coordination of activities between SCH personnel, CBS, SEARHC
 - Continued communication with Assembly to ensure effective transaction completion
 - Finalize transaction options related to assumption of provider numbers
 - Finalize escrow funding options
 - Final review of APA and Lease with refined language, and Schedules and Exhibits
- Oversight of key audit and regulatory activities:
 - Regulatory compliance and self-reporting
 - Financial impact of prior year cost report settlement activities
 - PERS termination reporting
 - Filing of and financial impact of final termination cost report
 - Financial statement audit of FY 2019
- Coordination of transition accounting issues
 - Collection of accounts receivable balances
 - Settlement of other asset and liability accounts
 - Update and reporting of balance sheet liquidation schedule to CBS management
 - Coordination and communication of transition accounting to CBS personnel
- Identify key issues for communication to CBS Assembly
- Continue adherence to defined team approach, project roles, and communication protocol

Success Factors:

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

- Dedicated attention to project management, oversight and administration
- Special healthcare expertise to understand industry, regulatory, accounting and financial reporting issues
- Regularly scheduled working sessions among key stakeholders
- Adherence to defined team approach, project roles, and communication protocol
- Desire and motivation of CBS staff, SCH Management, and CBS Assembly to embrace good faith efforts to wrap-up and completion of transaction

Consultant Deliverables and Fees:

The following table outlines the estimated fees and expenses for Phase 4 of the engagement. Scope and fees assume conclusion of Phase 4 by September 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 project scope described above, including key project milestones and outcomes • "Air Traffic Control" for overall project components (communications, collaborations, coordination of project stakeholders) • Ensure appropriate level of engagement and input from the CBS Assembly • Oversight and coordination of all project wrap up activities as delineated in transaction "final checklist" document • Work closely with legal counsel, SEARHC, CBS and SCH Management to ensure coordination and responsiveness throughout the wrap-up and wind-down phase • Other activities as identified by CBS management team and/or other stakeholders 		Sarah Cave (or other consulting resource assumed to be in the same hourly fee range)	\$175
		Steve Huebner	\$250
Anticipated Hours (Phase 4):			
		Sarah Cave	150-200
		Steve Huebner	hours
			80-100 hours
		<i>Proposed Fees (Phase 4)</i>	\$46,000-
		<i>Est. Out-of-Pocket</i>	60,000
		<i>Expenses</i>	\$6,000
		<i>Proposed Fees and</i>	<u>\$52,000-</u>
		<i>Expenses</i>	<u>66,000</u>

The above table outlines anticipated hours for this phase of the project and is based upon levels of effort expended over the course of the project. It is anticipated that Sarah Cave (or alternate project management resource) would spend 30-40 hours per month providing project management and coordination activities and

that Steve Huebner would spend 16-20 hours per month providing technical support, as required. Fees are estimated through transaction completion and winddown which is expected to extend through September 2019. 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 September 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 not any consultation necessary by other consulting firms to perform specialty services. 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 4 are estimated to be \$6,000 but are dependent upon whether circumstances require onsite participation.

Roles and Responsibilities:

Consultants will provide project oversight and special industry and technical expertise to management, attorneys, and/or other consultants, but will not have direct responsibility for completion of transaction- or wind-down related tasks by SCH or CBS staff, nor CBS Assembly decisions beyond the consultants' control. Sarah Cave (or alternate resources) will have primary project management oversight responsibilities and will coordinate communication, collaboration and issue resolution among parties. Steve Huebner will provide technical, healthcare industry, transactional, regulatory, financial and accounting support as necessary. He will coordinate with the lead project manager to ensure that other parties are fulfilling necessary support activities appropriately and timely and in the best interest of CBS.

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) SCH management (including designated consultants), will actively participate in this engagement, providing the data/information necessary to complete transaction wrap-up and winddown, 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 and its consultants.
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