



KENAI PENINSULA BOROUGH

Finance Department

144 North Binkley Street • Soldotna, Alaska 99669-7520

Toll-free within the Borough: 1-800-478-4441, Ext. 2304

PHONE: (907) 714-2304 • FAX: (907) 714-2376

www.kpb.us

TO: Mike Navarre, Borough Mayor
THRU: Valentina Sustaita, Acting Purchasing & Contracting Director *V. Sustaita*
FROM: Craig Chapman, Finance Director *C Chapman*
DATE: May 18, 2016
SUBJECT: Sole source request

This is a request to allow for a sole source purchase from Western Financial Group for an analysis of the current outstanding debt of Central Peninsula Hospital, the financial position of Central Peninsula Hospital and potential options available for potential financing of a new two story structure.

Western Financial Group is uniquely qualified to provide this analysis for the Borough. Pat Clancy from this firm assisted the Borough with the original debt issuance for both Central Peninsula Hospital and South Peninsula Hospital and continues to provide financial analysis for municipalities throughout the Pacific Northwest. In addition, Western Financial Group currently provides financial analysis to the Alaska Municipal Bond Bank.

The estimated cost for this analysis is not to exceed \$15,000. Attached is a copy of the proposed scope of work.

Approved: *Mike Navarre* Date: *5/18/16*

Mike Navarre, Mayor

FINANCE DEPARTMENT FUNDS VERIFIED	
ACT #	<u><i>600.81110.00000.43011</i></u>
BY: <u><i>pp</i></u>	DATE: <u><i>5/18/16</i></u>



May 16, 2016

Craig Chapman
Kenai Peninsula Borough
144 N Binkley
Soldotna, AK 99669

RE: Engagement Letter

Dear Craig:

This letter specifies the terms of the engagement (the "Agreement") between Western Financial Group ("WFG"), located in Portland, Oregon and Kenai Peninsula Borough (the "Borough").

Scope of Municipal Advisory Activities to be Performed:

The Borough wishes to engage WFG to review the feasibility and financing options for an expansion of the Kenai Peninsula Hospital. WFG will:

- examine current debt paid by the hospital;
- examine current revenues and revenue forecasts for the hospital;
- review current debt for restructuring or refunding for savings;
- review financing options, noting costs and benefits of a variety of approaches; and
- analyze the capacity of the hospital to issue and pay for additional debt.

WFG's analysis will be summarized in a report to the Borough.

Term of Engagement Agreement:

This Agreement covers this report only. It is anticipated by both parties that any additional work related to a potential bond sale will be covered under either a modification of this agreement or a separate engagement. Either the Borough or WFG may terminate this Agreement at any time upon written notice to the other party. If the Agreement is terminated by the Borough without cause, WFG will be compensated for its time to the date of termination on an hourly basis with the hourly fee to be calculated at \$275 and not to exceed \$15,000. Such fee shall be payable within 30 days of receipt by the Borough of a detailed accounting of the basis of such fee. During the term of our engagement, WFG will be acting as the Borough's IRMA. As such, the Borough agrees to provide copies of all communications

Kenai Borough Engagement Letter

between any third parties and the Borough that may be material to the performance of our duties to the Borough as IRMA.

Compensation and Out-of-Pocket Expenses:

WFG will charge an hourly rate of \$275 per hour. Based on the discussed scope of work, WFG anticipates the work will be completed in no more than 50 hours. Should additional work beyond 50 hours be necessary to complete the analysis due to a change in scope, that change will be discussed and WFG will receive written approval for additional hours before exceeding 50 hours. No out of pocket expenses are currently anticipated for this sale but in the instance that third party or travel expenses are incurred by WFG, they will be reimbursed at cost.

Record Retention:

Effective July 1, 2014, pursuant to the Securities and Exchange Commission (SEC) record retention regulations, WFG is required to maintain in writing, all communication and documentation between WFG and the Borough for 5 years. WFG shall comply with this provision and provide such documentation to the Borough upon request.

Fiduciary Duty:

WFG is registered as a Municipal Advisor with the SEC and Municipal Securities Rulemaking Board (MSRB). As such, WFG has a fiduciary duty to the Borough and hereby agrees with the Borough to comply with both the Duty of Care and Loyalty that entails the following:

- a) exercise due care in performing its municipal advisory activities;
- b) possess the degree of knowledge and expertise needed to provide the Borough with informed advice;
- c) make a reasonable inquiry as to the facts that are relevant to the Borough's determination as to whether to proceed with a course of action or that form the basis for any advice provided to the Borough; and
- d) undertake a reasonable investigation to determine that we are not forming any recommendation on materially inaccurate or incomplete information; WFG must have a reasonable basis for:
 - i. any advice provided to or on behalf of the Borough, and
 - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the Borough any other party involved in the municipal securities transaction or municipal financial product, or investors in the Borough securities; and any information provided to the Borough or other parties involved in the municipal securities transaction when participating in the preparation of an official statement. WFG also agrees to deal honestly and with the utmost good faith with the Borough and act in the Borough's best interests without regard to the financial or other interests of WFG.

Disclosures:

- As of the date of this Agreement, it is understood that WFG acts as advisor to the Alaska Municipal Bond Bank Authority (AMBBA). Should WFG find that capacity exists for additional debt for the hospital and should the Borough pursue a bond sale, and should the Borough use the AMBBA for financing, WFG will receive additional fees through our contact with AMBBA related to bond issuance. Additionally, should the Borough decide to separately sell bonds, WFG may seek to act as the Borough's MA on such sale and would receive additional funds due to the additional work. WFG does not believe these engagements impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Borough. If WFG becomes aware of any potential conflict of interest that arises after this disclosure, WFG will disclose the detailed information in writing to the Borough in a timely manner.
- WFG possesses the knowledge and expertise and will make a reasonable inquiry as to the facts that are relevant in determining the basis of advice provided and a reasonable investigation to determine that WFG is not forming a recommendation on materially inaccurate information. WFG acts in the Borough's best interest without regard to financial interest to WFG.
- WFG will perform reasonable diligence that will allow us to form a reasonable basis for believing that any recommendations will be suitable for the Borough. WFG will discuss the material risks, potential benefits, structure and other characteristics of the recommendation with the Borough. WFG will consider other reasonably feasible alternatives that might also or alternatively serve the Borough's objectives.
- If the Borough requests WFG to review and evaluate a recommendation made by another party, WFG will discuss with the Borough:
 - i. the evaluation of the material risks, potential benefits, structure and other characteristics of the recommendation;
 - ii. whether WFG reasonably believes that the recommendation is suitable and the basis for the belief;
 - iii. whether WFG has investigated or considered other reasonably feasible alternatives to the recommendation.
- As of the date of this Agreement, WFG does not have any legal or disciplinary disclosures that are material to the Borough's evaluation of WFG. If WFG becomes aware of any legal or disciplinary actions that arise after this disclosure, WFG will disclose the detailed information in writing to the Borough in a timely manner.
- WFG currently carries professional liability insurance.

If there are any questions regarding the above, please do not hesitate to contact WFG. If the foregoing terms meet with your approval, please indicate your acceptance by executing this Agreement and returning it to us.

Sincerely,
Western Financial Group




By: _____

Patrick Clancy

Agreed to and Accepted as of May 18, 2016

Kenai Peninsula Borough

By:  _____
Craig Chapman