



**Total Compensation and Classification Study
Truckee Tahoe Airport District**

March 2, 2016

Proposal by:

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**TOTAL COMPENSATION AND CLASSIFICATION STUDY
TRUCKEE TAHOE AIRPORT DISTRICT**



Transmittal Letter

March 2, 2016

Truckee Tahoe Airport District
Attn: Kevin Smith, General Manager
10356 Truckee Airport Road
Truckee, CA 96161

Hay Group, Inc.
55 Second Street
Suite 550
San Francisco, CA 94105

Dear Mr. Smith,

Thank you for your Request for Proposals (RFP) for the Truckee Tahoe Airport District ("the District") Total Compensation and Classification Study. On behalf of Hay Group, Inc., it is my pleasure to enclose our proposal.

Briefly, Hay Group is a leading worldwide Human Resource Consulting firm, and our diverse line of expert consulting experience in human resources and reward programs will serve as a time-tested and defensible foundation to achieve the goals established for this project. We would welcome the opportunity to meet with you to discuss our approach and experience; it will enable us to mutually agree on any changes or modifications to the project scope to more specifically meet your objectives.

Per the project overview provided in the RFP, we understand that attracting and retaining high quality personnel in a fiscally sound and internally equitable manner is of utmost importance to the District. We are proposing a solution that will help the District achieve its goals through a top-down review of the compensation program, and advice on how to implement recommended changes. This will be achieved through a collaborative approach, whereby Hay and the District will partner to review and update current job descriptions, conduct in-depth and thorough job evaluations, review current FLSA, ADA, & ADAAA status and compliance, and conduct a comprehensive total compensation and benefits study. The results of these analyses and subsequent recommendations will allow the District to ensure the compensation program is meeting its stated goals and ensures equitable administration of the program.

I will be the primary consulting lead on this project and will be supported by our local team in the San Francisco office. Additionally, Hay Group will marshal all of our firm's data and staff resources as necessary to meet all timelines and commitments. I, the undersigned, state that I am an agent authorized to submit proposals on behalf of Hay Group, negotiate with the Truckee Tahoe Airport District on behalf of the firm, and will serve as the District's contact person. Furthermore, we provide our firm commitment to perform the services outlined in the RFP within the time period specified in the proposal, and commit to delivering the final results of our engagement in advance of the stated August 24, 2016 deadline.

Please contact me at the San Francisco office address: Hay Group, Attn: Stephen McGillivray, 55 Second Street, Suite 550, San Francisco, CA 94105, (415) 644-3700. This is a firm and irrevocable offer good for sixty (60) days from the date of this letter.

Stephen McGillivray

A handwritten signature in black ink, appearing to read "S. McGillivray", is positioned above the typed name.

Senior Consultant

415-644-3739

Stephen.McGillivray@haygroup.com

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EXPERIENCE

The following are selected public sector clients for whom we have successfully completed compensation studies similar in scope and size as described in your RFP.

Washoe County, Nevada

Hay Group has worked with Washoe County over the past 15 years on the design and implementation of a comprehensive classification and compensation plan, including requests for re-classifications and compensation market updates. Upcoming work will include a benefits plan diagnostic and a comprehensive job evaluation refresh and comparator market survey.

University of Utah

We recently delivered a comprehensive study to inform the University's salary and benefit design decisions. In particular, we studied the University's competitive market position on a total compensation basis and how the mix of pay (salary and benefits) compares to the market. We also included specific employee attitude questions in the University's engagement survey to identify how different demographics of their workforce value each of the elements of the total reward deal.

State of Utah

Hay Group recently delivered our second comprehensive total remuneration survey covering all State of Utah employees. A custom market survey of compensation and benefits was supplemented by Hay Group proprietary data to support the State's strategy of changing mix of reward.

State of Idaho, Administrative Office of the Courts

In 2012, Hay Group worked with the Judicial Branch to develop and deliver a comprehensive classification and compensation study. We also completed a compensation study for State Judges.

State of California, Administrative Office of the Courts

Hay Group has worked with the AOC on two significant assignments: A State-wide total remuneration study (compensation and the value of the benefits plans) for the Appellate Court System; and a classification and compensation study for the AOC's 111-employee Information Services Department. Both of these assignments included comprehensive analysis of jobs and market data to develop reward plans consistent with the organization's strategies.

State of Wyoming

Hay Group delivered a comprehensive classification and total remuneration study for all 8,000 State employees, including the framework for and implementation of a pay-for-performance system.

California ISO

Hay Group has provided a broad range of consulting support since 1999, including a comprehensive organization review and compensation and benefits design. We annually prepare for the ISO a comprehensive market compensation study for all of its positions.

New Mexico Highlands University

Hay Group completed a comprehensive classification and compensation study for the University.

Foothill-De Anza Community College District

Hay Group completed an administrative salary survey, Job Evaluation Training and also provides ongoing training and services to the District.

Saint Mary's College of California

Hay Group developed a comprehensive compensation plan for all staff members at the College and also worked with a cross-functional team to develop a performance-based reward system with supporting tools and communication.

Foothill-De Anza Community College District

Hay Group completed an administrative salary survey, Job Evaluation Training and also provides ongoing training and services to the District.

Contra Costa Community College District

Hay Group is completing a comprehensive classification and compensation study for the District.

San Mateo County Transit District (SamTrans)

Hay Group completed a comprehensive Total Reward study for SamTrans, including classification, compensation, a custom survey of other local agency's compensation and benefits plans, and a new, market-driven salary structure.

REFERENCES

Washoe County, Nevada

Ms. Karen Jeffers
Human Resources

775.328.2078
1001 E. Ninth Street
Reno, NV 89520

Hay Group has worked with Washoe County over the past 15 years on the design and implementation of a comprehensive classification and compensation plan, including requests for re-classifications and compensation market updates. Upcoming work will include a benefits plan diagnostic and a comprehensive job evaluation refresh and comparator market survey.

State of Utah

Ms. Debbie Cragun
Executive Director,
Department of Human
Resource Management

801.538.3185
Utah Department of Human
Resource Management
State Office Building, Suite 2120
Salt Lake Airport, UT 84114

Hay Group recently delivered our second comprehensive total remuneration survey covering all State of Utah employees. A custom market survey of compensation and benefits was supplemented by Hay Group proprietary data to support the State's strategy of changing mix of reward.

State of Wyoming

Dean Fausset
Director, Department of
Administration and
Information

307.777.6414
2001 Capital Avenue
Cheyenne, WY 82002

Hay Group delivered a comprehensive classification and total remuneration study for all 8,000 State employees, including the framework for and implementation of a pay-for-performance system.

COST PROPOSAL

In accordance with instructions within the RFP, our Cost Proposal has been submitted in a separate, sealed envelope as confidential information.

QUALIFICATIONS

Background of the firm

Hay Group is an international human resources consulting firm with offices in 87 cities and 49 countries around the world (including 10 offices in the US), staffed by more than 2,800 consultants. Hay Group, founded and headquartered in Philadelphia in 1943 and incorporated in the State of Delaware in 1990, has been in business for over 70 years and has no subsidiaries. On September 24, 2015, Korn Ferry, a publicly traded company, announced that it has entered into a definitive agreement to acquire Hay Group; on December 1, 2015 the transaction was complete, subject to Hay Group shareholder approval, receipt of antitrust clearance and other customary conditions. For the purpose of this proposal, Korn Ferry Hay Group will simply be referred to as Hay Group from this point forward.

While we may draw on “best practices” research, the solutions we provide are not cut from a single, “one-size-fits-all” pattern. In every engagement, we first understand the strategic directions and situation of the client. We then place rewards in their proper integrated context along with values and vision; leadership; management processes; work processes and business systems; organization, team, and specific job design; and individual and team competence. This unifying perspective assures that each client’s total rewards drive achievement of essential objectives.

Hay Group serves more than 9,000 clients throughout the world, ranging from start-ups to over \$300 billion in revenue, and from 10 to over 1,000,000 employees. Hay Group consults with clients in both the private and public sectors, including government, cities, counties and educational institutions.

The compensation and benefits programs we have developed for clients range from rigorous job evaluation to streamlined whole job slotting, and the compensation plans from traditional pay grades to broad bands, depending on the organizations’ desires and needs.

Hay Group has always been a proponent of balancing internal equity and market competitiveness when managing compensation and benefits. In virtually every project that we are involved in, we assess both internal pay equity and external market competitiveness to help determine what the pay philosophy of the organization should be relative to these considerations.

Our proprietary Hay Group Job Evaluation Methodology is the most widely-used system of its kind in the world and has always been upheld as legally

defensible by Federal and State courts. In many cases, the classification and compensation plans we develop are still in use after 20+ years.

Qualifications in this type of work

Job evaluation and compensation program design are Hay Group's core competencies. Having worked with many organizations of comparable size facing similar challenges, we are confident that we can deliver a compensation program that will have a significant impact on your operations.

Our consultants help clients by providing systematic methods and innovative ideas from the objective viewpoint of an outside authority. We assist clients in a variety of human resources areas including the following:

- **Compensation Design:** Establishing classification, job evaluation, compensation and benefits programs and policies that are economically sound, internally equitable, externally competitive, and motivating to employees. Reward programs may include team-based pay, pay for competencies, pay for quality, broad banding, small group incentives, and gainsharing, as well as more traditional merit increase and salary administration programs as appropriate for the organization.
- **Organization Effectiveness:** Organizing jobs, people and resources to increase efficiency and meet the demands of emerging technologies and the changing marketplace. Hay Group helps clients to ensure that strategies and objectives are reflected in the organizational structure, communicated effectively throughout the organization, embraced by management, and supported by the organization's internal culture through programs that are flexible enough to adapt to change.
- **Performance Management:** Introducing methods to analyze and measure both organization and individual performance including the results achieved, as well as how the results were achieved and how closely those results tie into the organization's overall strategy and objectives.

We do extensive work in the transportation sector, and we understand the roles in these organizations, the challenges faced, and what it takes to gain consensus about important issues like job evaluation and compensation program design. What sets Hay Group apart is our ability to partner with our clients and develop innovative, yet practical solutions that will help them solve their business problems and achieve their goals.

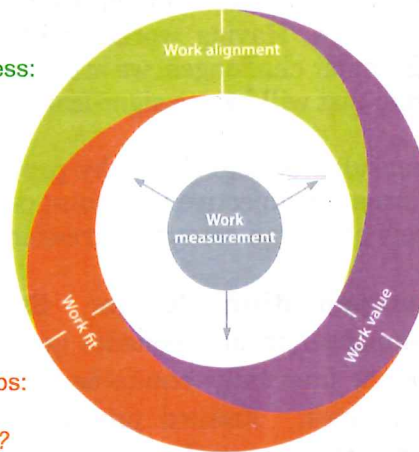
Our support for our processes is borne from the true value of Hay Group's work measurement (or job evaluation) tools, giving us the ability to leverage all components of your human resources system.

Work alignment

Organization effectiveness:
*does your structure
fit with your strategy?*

Work fit

Matching people and jobs:
*do you have the right
people in the right roles?*



Work value

Knowing what work is
worth: *what is the value
that each role/ person
brings to your
organization?*

All enabled by
Work measurement

Understanding, analyzing work
and creating order from chaos by creating frameworks
for reward, talent management and organization effectiveness

Work Measurement is a central process that feeds many applications, and these applications are also inter-related and flow into each other. The strength of our approach lies not just in the pre-eminent capability in the central work measurement circle – although that is what we are known for and we are certainly proud of -- but also in our ability to exploit our capability and analyze and describe work in a way that supports multiple strategic work measurement applications.

By retaining Hay Group, the District will have at its disposal one of the world's largest human resources management consulting firms. We have offices in 85 cities and 48 countries around the world (including 10 offices in the US), staffed by more than 2,000 consultants. The firm, founded and headquartered in Philadelphia and incorporated in Delaware, has been in business for more than 60 years, the longest among major human resources consulting firms. *One of the key advantages of retaining Hay Group is that you will not be dependent on one consultant. While we will staff this project primarily out of our Western Region offices, we will utilize whatever resources are appropriate to ensure that the District gets the highest value-added expertise and highest quality deliverables.*

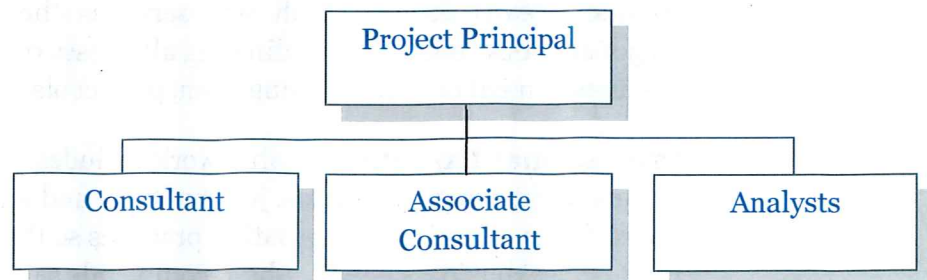
Merits of Hay Group's Approach

The following sections of this proposal will enable you to assess the merits of Hay Group's approach in comparison with approaches offered by other consultants. We believe Hay Group can provide the District with the best methodology, highest return on investment, and implementable results as measured by the following criteria:

- The approach chosen should be one that has been successfully applied in organizations similar to the District. Hay Group has extensive experience in consulting on these types of projects with agencies, cities, states, and other public sector organizations.
- The approach chosen should be methodologically and technically sound, and flexible enough to meet your changing needs.
- The approach chosen should have a track record which demonstrates that it is easily understood and accepted by stakeholders, management, employees, and officials at all levels in the organization.
- The approach chosen should be capable of being transferred to the District's internal resources so that it does not become "consultant dependent" in order to implement and maintain the processes adopted.

Project team and experience

Hay Group organizes our company to best serve our clients as shown on the following chart. This project will be organized in the same manner.



Key Personnel: Hay Group will staff this project with consultants who have expertise in large-scale classification and compensation projects, including job evaluation, data collection, internal and external market analysis, classification re-organization and project management.

Biographies of qualifications for the project team, including relevant background and experience, follows. Please note that Hay Group will not use any subcontractors for this project.

Stephen McGillivray

Project Team Role: Stephen McGillivray will serve as project leader for this assignment and will provide technical expertise on all components of the project.

Professional Expertise: Stephen McGillivray is a Senior Consultant in the San Francisco Metro office of Hay Group. Over his 10+ year career, he has performed consulting services and held project management responsibilities for a wide variety of public and private sector clients, across a variety of industries.

Throughout his career, Stephen has acted as the primary consultant to organizations such as: AARP, Alameda Health Systems, The American Red Cross, The National Fish and Wildlife Fund, the National Association of Homebuilders, American University, Georgetown University, and Washoe County, Nevada, amongst many others. Stephen has significant experience in compensation planning and implementation (base, variable, and total remuneration), job evaluation, program communication, organization design, change, and effectiveness, and compensation and benefits survey marketing and analysis.

Education: Stephen holds Bachelor's degrees in Economics and History, and received an MBA from The College of William and Mary.

Leah Springer

Project Team Role: Leah will serve as the project manager, whose responsibilities consist of coordinating all phases of project delivery, including the management of the consulting team, project planning and communications.

Professional Expertise: Leah's work includes job evaluation and market pricing, compensation analysis, job modeling and job family structuring. Leah helps clients optimize compensation practices so that resources are in place to meet critical business needs. She recommends salary administration systems and tools that recognizes and rewards top performers. Leah also has a background in project management and technology, allowing her to offer an integrated approach to compensation and performance management within an organization.

Leah has recently contributed to clients such as the University of Utah, Salt Lake County, Santa Clara VTA, BART, AC Transit, and Port of Long Beach. She

has conducted job evaluations for numerous community colleges and is currently involved in classification and compensation projects with San Diego and Contra Costa Community College Districts.

Education: Leah received her Master's in Human Resource Management from Golden Gate University. Leah also holds a Bachelor of Arts Degree from Roger Williams University.

Project approach

Your RFP details that you would like to partner with an experienced consulting firm to conduct a comprehensive classification and compensation review, to place the District's jobs with the appropriate classification and align the classifications with the appropriate compensation.

Hay Group will examine the District's present classification system, salary structure, and job descriptions and provide research, analysis, and recommendations for its job classifications. We commend the District for recognizing that having an independent contractor to conduct this project will enhance the credibility of results. Compensation is a sensitive issue, and using an independent contractor can minimize the subjectivity and maximize the objectivity of the process and the outcomes.

The project will address the following objectives:

1. Review of current position description to determine that they are in line with current changes and requirements in the law, updating as needed in order to comply with the ADA, ADA, and FLSA;
2. Position evaluation to ensure internal alignment and equity between groups;
3. Review of current compensation policy and plan design to determine if adjusting pay structure horizontally and/or vertically will provide better equity as well as flexibility and mobility;
4. Total compensation/benefit survey to determine pay equity based on comparable industry and region labor markets;
5. Review of current performance-based review system;
6. Review, update, and standardize District job descriptions to assure relativity, compliance and efficiency.

Job levels and compensation competitiveness usually signal other, broader issues that impact the District's entire approach to human resource management (e.g., employee engagement, performance management, recruiting, retention, etc.). We are prepared to assist the District in developing

solutions, especially ensuring consistency around the job levels and base pay structure for its classifications - the core “backbone” elements of the human resources and compensation management system at any organization.

In line with our understanding of the District’s current needs and priorities, we will work with you to ensure the classification, market data, and competitive salary structure for your jobs is carefully linked to your business strategy and talent requirements.

The subsequent section discusses in further detail our approach for the project involving the following steps. *Please note that some steps overlap in time.*

PROJECT APPROACH

Each relevant phase of the engagement aligns to work items identified in the “Scope of Services” section of the RFP. Relevant items will be identified in purple, although they may not be presented in the order contained within the “Scope of Services”. Also included in purple is the estimated hours (in days) to complete this portion of the engagement.

Phase I – Project Management and Program Assessment (Scope items 1, 2, 3)

Step 1: Project Planning, Communication and Management (Approximately 2-4 consultant days)

Hay Group believes planning is a crucial element in conducting projects that are optimally useful to our clients. Our project team will meet with the designated Project Manager, and anyone else you determine should participate in the initial step of the project, to accomplish the following:

- **Clarify Scope of the Project:** Agree on the project scope, including defining roles and responsibilities; clarifying project expectations and anticipated outcomes; and determining the specific timetable of events
- **Agree on the Project Management Process:** Hay Group will provide status updates to allow both parties to ensure the project is conducted on time and within budget, and provide the District with the necessary deliverables. In addition, we will meet with relevant stakeholders at appropriate milestones for the dual purpose of gaining their input to project process decisions and keeping them informed on project progress

Step 2: Data Gathering (Approximately 3-4 consultant days)

In this step, we will gather information to increase our knowledge of your existing compensation and human resources processes so that the project outcomes can be aligned with your culture and tailored to your specific needs. Data gathered will include:

- Detailed understanding of the District’s current compensation and classification structure
- Organization charts
- District policies regarding total compensation, pay, overtime, and other relevant information

- Current employee census (including by-incumbent information on job title, grade or level, length of time with the District, salary range minimum, midpoint, and maximum, current salary, most recent actual total cash including overtime, and most recent salary increase). We will provide a template.

We will also meet with the District management to discuss the District's pay philosophy, competitors, and other factors impacting current pay structure. Rewards are one of the largest investments in an organization and a major differentiator for effective organizations. As such, we believe it is critical to start any project of this type with discussions regarding the District's philosophy on compensation, with particular focus on the balance between salaries and benefits. We will work with you to ensure the compensation strategy is carefully linked to your business strategy and talent requirements, ultimately allowing the District to attract, retain, develop and motivate appropriately talented employees and leaders who can embody your goals and objectives.

Once Hay Group has gathered all the relevant data from the District, we will interview key stakeholders to get a better understanding of the District and its workings. We will work jointly with you to identify up to 5 key stakeholders who will be interviewed by Hay Group.

Phase II – Position Evaluation, FLSA Review and Updated Descriptions

(Scope items 3, 4, 5, 11)

Step 1: Capturing Current Job Content

(Approximately 8 – 10 consultant days)

In order to get buy-in by the employees to the project outcomes, we suggest that each employee and his/her immediate supervisor/manager review, amend if necessary, agree, and sign off on the Classification Specification that describes the incumbent's work.

Hay Group will facilitate this effort by using a process that we call "Option A, B, or C." As part of the Communication element, we recommend that we make a Hay Group-led presentation on the study to the employees, explaining their involvement and taking questions. We would then distribute the current Classification Specification (Class Spec) to each.

- If the current Class Spec is an accurate description of the work, the incumbent and the supervisor/manager both sign it (electronically or paper-based). (This is Option A)
- If with minor modifications the Class Spec can be made current, the incumbent makes those changes on an attached pre-designed form

(electronically or paper-based), signs it, and the supervisor/manager approves and signs it. (This is Option B)

- If the current Class Spec varies significantly from the incumbent's current duties, a Position Description Questionnaire (PDQ) is completed (electronically or paper-based) and signed by the incumbent and the supervisor/manager. (This is Option C)

In all cases, Hay Group will analyze the responses and use that data to evaluate the job as it is described. In the event that the "A, B, or C" responses are insufficient for analysis, we can conduct interviews (in-person or by telephone). These interviews will provide us with the information required to write/update job descriptions, which cannot otherwise be captured through the questionnaire approach. In the current scope, we have budgeted for up to 20 positions to write fresh job descriptions.

Step 2: Analyzing and Measuring Job Content

(Approximately 8 – 10 consultant days)

We will then move to the core step in this phase, reviewing the classification allocation of each employee based on his/her current job content. We define "classification" as:

Classification is a generic description of the major duties/tasks, knowledge, skills and abilities, and qualification requirements for a position or series of positions (in a job family). The focus of classification/reclassification is on whether the Class Spec to which an incumbent is assigned is an accurate description of approximately 80% of the major duties/tasks and accountabilities of that employee's job and the relevant knowledge, skills, and abilities (KSAs) and qualification statements as required by the job in today's work environment.

The positions involved in this study will fall into two categories:

- We will take each Option A, B or C form and compare it with an existing Class Spec. Where the current content meets the 80% threshold, the employee will be allocated to that Class Spec.
- For those that do not meet the 80% threshold, we will use the approach of measuring the job content to then determine the appropriate allocation of the employee. This methodology will give Hay Group and the District the means by which to analyze and measure job content and how to apply job measurement principles to recognize different levels of work in different job families. It is this process which will form the basis of your classification plan.

To do this, we will utilize the Hay Group Guide Chart-Profile MethodSM of Job Evaluation, the most widely used (and imitated) job measurement system in the world. Many of those from whom you will receive proposals use a "Hay Group look-a-like" classification process. Our proprietary methodology has

been successfully applied across all business sectors and is being successfully utilized in the public sector and private sector organizations referenced in this proposal. One of the reasons that it is the most widely used method of job measurement is that it is a successful enabler in overcoming internal issues such as artificial “glass ceilings.” The fundamental factors that contribute to the success of this methodology is that this method measures job-related factors exclusively, independent of incumbent characteristics, current salary, or other non-job content factors.

The Hay Group Guide Chart-Profile MethodSM of Job Evaluation:

The key work factors measured by our process are Know-How, Problem Solving, and Accountability.

Know-How – The total of every kind of knowledge and skill required for acceptable job performance, measured in three dimensions:

1. Practical, technical, specialized knowledge
2. Managerial, supervisory skills
3. Communicating and Influencing skills

Problem Solving – The intensity of the mental process which employs Know-How to identify, define and resolve problems measured in two dimensions:

1. Thinking environment
2. Thinking challenge

Accountability – The effect of the job on end results, measured in three dimensions:

1. Freedom to act
2. Type of job impact on end results
3. Magnitude of job impact on end results

We recommend this job evaluation approach because when making comparisons to other organizations, it is unrealistic to assume that two positions with the same job title necessarily have the same scope of responsibilities. Because job evaluation serves to level the playing field and ensures we are comparing jobs of similar size, it is particularly appropriate for unique organizations such as yours.

In our experience, in order to have a motivating reward system, ranking jobs consistently and fairly is as important as paying incumbents at market level. Employees can often accept low pay more readily than they can accept feeling that their job size is inappropriate relative to their coworkers.

To maintain independence and to rely on the credibility that the expertise of Hay Group will bring to this process, we will conduct the initial

classification and job evaluation process. However, it is very important that there be organization buy-in to the results. We will provide an overview of the process to the District and will then ask that you validate our work.

Step 3: FLSA, ADA, ADAA Audit

(Approximately 10 – 12 consultant days)

In particular, your RFP calls out the need for the District to ensure that its jobs are appropriately classified under the **Fair Labor Standards Act (FLSA)**. This testing, we believe, is made more reliable by referencing the job content levels; we will use any and all job descriptions, our analysis findings, and job evaluations and rationales stowed to JEM. We will review all of the jobs, however, our focus in this FLSA analysis will be on the jobs “on the edge,” that is, they may be currently classified as exempt but appear by their duties to be nonexempt, and vice versa.

We will prepare our observations in a report that lists each position and our exempt/nonexempt designation recommendation. Our clients have found this to be supportable guidance going forward.

Please note that whether an employee is exempt or nonexempt under the Fair Labor Standards Act is a legal question. Hay Group is not authorized to practice law, and Hay Group is not able to provide legal opinions on FLSA exemption issues. Because there has been considerable litigation in recent years over FLSA issues, Hay Group recommends that you seek the assistance of counsel to help you make these final determinations. Hay Group would be pleased to work together with your legal counsel in finalizing these determinations by providing guidance on the questions of job content that are inherent to the legal opinions rendered

Phase III – Compensation and Benefits Study

(Scope Items 7, 8, 10)

This phase will examine the current compensation policies and practices relative to selected external labor markets.

Step 1: Identify Comparator Markets and Survey Jobs

(Approximately 3 – 5 consultant days)

Hay Group recommends that the District take this opportunity to review the definition and constituency of its existing comparator markets. This will be done through a workshop, “*Definition of our External Market – Issues to be Considered.*” We have found this to be a very powerful way in which to get buy-

in to the definition of “market” at the front-end of the process, rather than at the back-end when the data has already been collected. Concurrent with this session, we will also discuss and agree on the benchmark positions to be used for survey purposes.

In addition to articulating the District’s compensation philosophy, in this workshop we will also discuss which organizations are currently used by the District as its comparator market as compared to those that should be included as comparator markets. We will examine the pros and cons of various organizations being considered relative to the District’s recruitment and retention strategies and total compensation (i.e., salaries and benefits) philosophies.

This discussion will include the steering committee and will achieve the following goals:

- Complete list of comparators to be used in the study
- A list of benchmark classifications
- Total Compensation components of the survey
- The survey instrument

Step 2: Collect and Analyze Current Salaries

(Approximately 2 – 3 consultant days)

We will collect current base salary information from the District for each incumbent. Based on the outputs from Phase I, we will statistically analyze the following:

- Relationship between pay and job content
- Relationship between actual pay and stated current policies
- Relationship between pay and other factors, such as tenure
- Within the District and inter-department pay practice for the same jobs

Step 3: Collect and Analyze Market Data

(Approximately 6 – 8 consultant days)

Concurrent with the above we will gather compensation and benefits data. This will be done by utilizing two sources: data already held by the District and data already held by Hay Group of the identified comparator organizations.

Hay Group will compile and analyze the market data against the District’s current compensation policies and practices to determine the level of

competitiveness against external markets. This will be done using a combination of trend lines and tabular analysis. Hay Group will then prepare compensation recommendations, grade allocations, and salary structure, taking into consideration the District's stated compensation philosophy, internal equity, and external competitiveness objectives.

Hay Group will then conduct a benefits plan review, preparing a report that contains a prevalence table comparing your organization's benefits plans with those of the selected comparator group in text format. Data are presented by individual plan area (such as vacation, holiday, educational, etc.). Each benefit plan area is compared to a comparator group with prevalence that compares major plan design features and illustrates the prevalence.

The results of the market analysis will be combined to determine the overall total competitiveness of remuneration for the District. The District's remuneration program will then be compared to the target market identified by Hay and the steering committee and will be analyzed based on the agreed-upon metrics.

Phase IV: Recommendations and Reporting **(Scope items 9, 12, 13, 14, 15)**

Step 1: Recommendations *(Approximately 6 – 8 consultant days)*

Hay Group will prepare a comprehensive review summarizing all project steps, findings, and recommendations for the District. Specifically, we will cover:

- The results of the job analysis and job evaluation process
- Analysis of internal equity
- Updated job/classification descriptions
- FLSA audit findings and recommendations
- Analysis of external competitiveness
- A listing of the comparator markets used for the survey
- A recommended salary structure
- Costing analysis of recommendations and alternatives
- Determination of an individual's salary placement and movement in the new salary structure
- Guidelines on how to communicate the new structure and plan to managers and employees and other stakeholders

TIME REQUIREMENTS

The following table reflects our proposed project plan, which coincides with our proposed methodology. Our experience indicates that an approximate three month timetable is appropriate for studies of the scope and size described in your RFP. Please note that this work plan is the first step in the process of reaching an agreement on the nature and scope of our work, the process for completing it, and the expected outcomes. We would appreciate the opportunity to further discuss our approaches and modify or amplify our proposal accordingly. This way we can be sure at the outset that the results of the work will fully meet your expectations. Please note that some project work-steps have been condensed for clarity and assumes a target start date of March 24, 2016, and final reporting completed no later than August 24, 2016.

	April	May	June	July	Aug
Planning, interviews, and data gathering					
Job evaluation and FLSA Study					
Compensation Study					
Draft recommendations					
Final presentation and recommendations					

DISPUTES OR EXCEPTIONS

Hay Group takes exception to the items below per the Professional Services Agreement included with the RFP (Attachment A).

1. Opening paragraph: Contractor is Hay Group, Inc., a Delaware corporation, with a principal place of business at 1650 Arch Street, Suite 2300, Philadelphia, PA 19103.
2. Article 4.06. Contractor will maintain Commercial General Liability insurance in an amount of \$1,000,000. Contractor will name Client an additional insured, but not an additional named insured.
3. Article 4.08. Contractor will indemnify Client for third-party claims only.
4. Article 4.09. Contractor may assign the agreement without consent if the assignment: (a) results from Hay Group's merger, consolidation, spin-off, split-off or acquisition but the assignment must be limited to the assignor's survivor, subsidiary or successor; or (b) is to an Affiliate capable of performing the assignor's duties and obligations under this Agreement.
5. Article 6.01. If terminated by either party, Client shall remain liable for payment of all fees and expenses incurred by Hay Group up to the effective date of termination.
6. Article 6.02. Delete (b), (c), and (d).
7. Article 7.01. Replace with the following:
8. Client retains ownership of all materials, and the intellectual property rights in those materials, provided to Hay Group by or on behalf of Client ("**Client Materials**"). Subject to Section 8.b., Client will also own copies of reports and analyses Hay Group delivers to Client under this Agreement ("**New Materials**"). Client may use the New Materials in the form provided for its internal purposes only; Client may not use the New Materials for any other purpose or permit any other person, firm or entity to use the New Materials.
9. The performance of the Services and creation of the New Materials will require the use of Hay Group's materials or methodologies that are considered proprietary, copyright, patent, and trade secret materials ("**Hay Group Materials**"). Hay Group Materials include methodologies, preexisting programs, instruments, models, proprietary information, patents, registered and unregistered trademarks, trade names, trade secrets, copyrights, prototypes, inventions, algorithms, designs, compilations, computer software programs, tools, databases, evaluation guides, report forms, scoring guides, scoring algorithms, scoring instructions, scoring software and norms. Hay Group may customize, modify, translate, or expand Hay Group Materials to apply to Client's unique requirements (collectively, a "**Customization**"). Any Customization will be Hay Group Materials. If a Customization includes Client Materials, Client grants to Hay Group a non-exclusive, limited, non-transferable license to use the Client Materials solely in connection with the Customization. Client

represents and warrants that it has all the necessary rights to include the Client Materials in the Customization. Hay Group owns Hay Group Materials at all times. Hay Group reserves all rights not expressly granted under this Agreement. Licenses to Hay Group Materials must be procured through a separate license agreement. This Agreement will not be construed as a license to copy, modify, create derivative works from, publish, disclose or otherwise use Hay Group Materials. Client will not download, copy, publish, disclose, create derivative works of, disassemble, decompile or otherwise attempt to reverse engineer Hay Group Materials, nor will Client permit any other person to do so. Client will be liable for all violations of these restrictions by its employees, subcontractors, or agents.

10. Article 8.01. Replace with the following:

- a. One Party ("**Discloser**") may disclose Confidential Information to the other Party ("**Recipient**") in connection with this Agreement. "Confidential Information" means all oral or written information concerning a Party, including the Party's business and business activities (past, present and future), financial information, technical information, customer information, intellectual property, methodologies, strategies, plans, documents, drawings, designs, tools, models, inventions, and patent disclosures, whether or not marked or identified as "confidential," that may be obtained from any source as a result of this Agreement. Confidential Information does not include information, technical data, or know-how that: (i) is or becomes a matter of public knowledge through no fault of Recipient; (ii) was lawfully in Recipient's possession or known by it prior to its receipt from Discloser; (iii) was rightfully disclosed to Recipient by another person without restriction; (iv) Recipient independently develops without use of Discloser's Confidential Information, or (v) Discloser approves in writing for release.
- b. Recipient will not use any Confidential Information it receives from Discloser for any purpose other than to perform its obligations under this Agreement. Recipient will not disclose any Discloser Confidential Information to third parties or to its employees, other than employees or third parties who are required to have the Confidential Information to perform obligations under this Agreement and who are bound by confidentiality terms substantially similar to those in this Agreement. Recipient and Discloser will each be responsible for any breach of this Agreement by its representatives. Recipient will protect Confidential Information from disclosure to others using the same degree of care it uses to protect its own confidential information, but in any case no less than a commercially reasonable degree of care. If Recipient is required by law, regulations, or court order to disclose any of Discloser's Confidential Information, Recipient, where legally allowed, will promptly notify Discloser in writing prior to making any

disclosure. Discloser may, at its sole expense, seek a protective order or other appropriate remedy from the proper authority.

- c. Upon request, Recipient will destroy Discloser's Confidential Information in its possession, but Recipient may: (i) retain copies of Confidential Information that it is required to retain by law or regulation; (ii) retain copies of its work product that contain Confidential Information for archival purposes or to defend its work product; and (iii) store copies made as part of routine back up of its information technology systems but the Confidential Information must continue to be handled in accordance with this Section.

11. The following language is to be included:

Limitations of Liability. NEITHER PARTY WILL BE LIABLE TO ANY PARTY FOR ANY INDIRECT, SPECIAL, EXEMPLARY, CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES OF ANY TYPE, INCLUDING LOST PROFITS OR BUSINESS INTERRUPTION, RELATING TO THIS AGREEMENT. HAY GROUP'S MAXIMUM TOTAL LIABILITY FOR ANY CLAIMS RELATING TO THIS AGREEMENT IS LIMITED TO THE FEES PAID OR PAYABLE BY CLIENT TO HAY GROUP UNDER THE SOW GIVING RISE TO THE LIABILITY. THIS SECTION APPLIES REGARDLESS OF THE LEGAL THEORY ASSERTED AND EVEN IF THE PARTY KNOWS THAT THESE DAMAGES MIGHT OCCUR.

12. The following language is to be included:

Client will indemnify and defend Hay Group, its parent, Affiliates, and their respective directors, officers, partners, employees, shareholders and agents and their respective successors and permitted assigns, from and against all third party suits, claims, actions, and proceedings and all related liabilities, losses, judgments, damages, costs and expenses (including interest, penalties, fines, legal fees and other expenses of litigation) that are or are alleged to arise from: (a) Client's decision to take any employment action with regard to any individual identified, evaluated, assessed, or coached by Hay Group or Client's use of New Materials; or (b) Hay Group's use of Client Materials

SIGNATURE PAGE

Per the provision within the RFP, our signature and submission of this proposal represents our intention to adhere to the provisions described within the RFP with the exception of our Disputes outlined above or subject to a mutually agreed to change in terms or scope of services with Truckee Tahoe Airport District.

A handwritten signature in black ink, appearing to read 'S. McGillivray', with a stylized flourish at the end.

Stephen McGillivray on behalf of Hay Group

Senior Consultant

415-644-3739

Stephen.McGillivray@haygroup.com

Proposal by:
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**Total Compensation and Classification Study
Truckee Tahoe Airport District**

March 2, 2016

Proposal by:

Stephen McGillivray

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San Francisco, CA 94105

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Cost Proposal

Material contained in this section is confidential and non-public.

Our total professional fees are a function of the time and level of consulting staff required to develop quality results in keeping with the project plan and its deliverables. Based on the work as outlined, total professional fees are estimated not to exceed \$55,000, including all data fees. Of course, there are other ways to approach this work, and we are happy to discuss alternative approaches with you, which could result in reduced fees.

All out-of-pocket or project related direct expenses, which we expect will be minimal, will be charged at cost or standard rate. In keeping with our policies and practices and in light of the timing and scope of the proposed engagement, we will invoice you 50% upon your acceptance of our proposal, the second 50% upon project completion, which will reconcile all remaining fees and expenses. Payments are due within 30 days of receipt.

Project Phase	Total Consulting Hours	Estimated Fee
I. Project Management and Program Assessment	80 – 120 hours	\$10,000
II. Position Evaluation, FLSA Review, and Updated Descriptions	250 – 300 hours	\$20,000
III. Compensation and Benefits Study	150 – 200 hours	\$15,000
IV. Recommendations and Reporting <i>(includes in person presentation(s))</i>	100 – 120 hours	\$10,000
Total	580 – 740 hours	\$55,000

Indeed, it's important to consider this project an investment, not a cost. Investments are designed to be maximized. At times organizations have chosen to go with the low-cost bid and an inappropriate methodology, only to then find that the recommendations were not accepted and the plan not implemented. They then have to go through the cost of having another project done a few years later, with the additional barrier of a past bad experience to overcome.

**TOTAL COMPENSATION AND CLASSIFICATION STUDY
TRUCKEE TAHOE AIRPORT DISTRICT**



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