

April, 2012

Proposal:

Marina Coast Water District
Classification and Compensation Study

HayGroup[®]



Prepared by:

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Appendix



1. Executive Summary

Thank you for your Request for Proposal (RFP). Hay Group is pleased to respond with this proposal to conduct a classification and compensation study for the Marina Coast Water District (“the District”).

As detailed in your RFP, there are 33 incumbents across 22 positions. It has likely been some time since the last comprehensive review. Indeed, it’s very likely that over time, the markets for talent may have changed and that the District’s cash compensation may be lagging the market.

Issues to Address

We agree that it’s time to take a fresh look at the organization’s jobs, compensation philosophy, and market position. And we commend the District for recognizing that engaging an independent consultant will enhance the credibility of the project’s results.

For the project to be successful, there are a number of issues that must be addressed with sensitivity. For example:

- The project must recognize the District’s *organization and work climate*. It is vital that your mission and the study outcomes are aligned with your human resources objectives (for example, internally equitable and externally competitive compensation levels).
- *Communications* with the employees and stakeholders must be thoroughly prepared and carefully managed to avoid misunderstanding or false expectations that could negatively impact implementation.
- *The end results* must be explainable and defensible to everyone involved in the project and/or in decision-making regarding its outcomes.

Viewed through this lens, it is clear that the District should not accept a standard, packaged approach, and should *partner* with a consulting firm that brings a sound understanding of utilities and public-sector roles and a sound methodology to create a custom-tooled project with a high likelihood of implementation.

The key deliverable will be a comprehensive salary (cash compensation) program for all employees.



2. Company Background and Experience

Your consulting partner must have a strong reputation in the public and private sectors. Hay Group has extensive experience working with a wide range of both public and private sector entities throughout the US. Notable client references include:

- **California ISO** - Ms. Brenda Thomas, Vice President, Human Resources. Hay Group has provided a broad range of consulting support since 1999, including a comprehensive organization review and compensation and benefits design.
- **San Mateo County Transit District** – Ms. Monica Colondres, Director of Human Resources. Our recent work included a very similar set of deliverables as what you are asking for, including a new salary structure based on competitive market data.
- **City of Walnut Creek, California** - Ms. Sally Rice, Assistant Director, Administrative Services Department. Hay Group completed a comprehensive classification study, including FLSA analysis.
- **Monterey Bay Aquarium** – Ms. Teresa Merry, Vice President, Human Resources. Since 2006, Hay Group has partnered with the Aquarium on salary structure design and a regular custom compensation survey (Executives and Staff). We also provide regular market compensation updates.
- **Washoe County, Nevada** – Mr. Jim German, Human Resources Manager. Hay Group has worked over the past ten years on the design and implementation of a classification and compensation plan for the County.
- **State of California, Administrative Office of the Courts** - Ms. Nancy Riddell, Senior Compensation Analyst. Over the last two years, we have worked with the AOC on two significant assignments: a state-wide classification and total remuneration study for the Appellate Court system; and a classification and compensation study for their 111-employee Information Services Department.
- **County of Orange, California** - Ms. Patty Cahill, Assistant Director, Human Resources. Hay Group has worked since 1999 on a variety of classification, compensation and human resources effectiveness projects.
- **State of New Mexico** - Ms. Lorri Hatcher, Director, Human Resources, Administrative Office of the Courts. Over the past 10+ years, Hay Group has partnered with the Judicial Branch of the State of New Mexico in the



design, implementation and administration of their classification and compensation plan.

- **Kootenai County, Idaho** - Ms. Angela Shanklin, Director, Human Resources. Hay Group continues to work with the County on its comprehensive classification and compensation program, a project which began in August, 2003 (including both represented and non-represented employees).

Each can testify to the expertise Hay Group brought to addressing their classification and compensation issues, and the success with which Hay Group has helped them implement practical solutions.

Additional references and contact information are provided in *Appendix A*.



3. Hay Group Qualifications

Hay Group is a leader in the development and management of human resources, compensation, and benefits. 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.

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 88 cities and 49 countries around the world (including 10 offices in the US), staffed by more than 2,600 employees. 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 or any sub-contractors. 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 other utility and 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.



4. Project Understanding

Hay Group has been successful over its 60+ year history by partnering with our clients to develop and implement successful solutions. As noted, we have a strong history of overcoming obstacles because of our communicative, engaged approach. We have the best understanding of work, roles, and culture of any firm, and our tools and methods have stood the test of time.

By the conclusion of this project, the District will have:

- An understanding of how the *compensation* package in your market for talent compare to the District
- An appropriate *internally equitable* alignment of your positions based on sound principles of job evaluation and through the application of the world's most widely used method of measuring and classifying work
- Recommendations to update and administer the compensation plan
- Appropriate externally competitive base pay program for all positions based on a market study of benchmark positions
- A high degree of acceptance of the project process and results through participative partnership and regular communication



5. Staffing and Project Organization

Our project team is a blended mix of professionals who have both a deep and broad understanding of compensation and classification issues and an understanding of the nature of roles in public sector organizations. Our team includes:

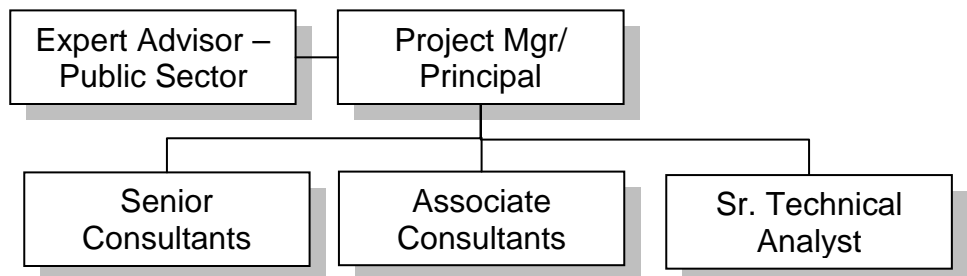
Neville Kenning ^{*1} Project Advisor

Ron Keimach ^{*1} Principal and Project Manager

Priya Padmanabhan Senior Analyst

^{*1}*Authorized to execute a contract*

As noted, Hay Group will not use any sub-contractors for this assignment. We are prepared to use other West Region and North America consultants as necessary to meet your project goals, timelines, and objectives.



Biographies of qualifications for selected team members, including relevant background and experience, follow.



Consultant Biographies

Neville B. Kenning

Project Team Role. Neville Kenning is a Vice President and Hay Group's National Director, Public Sector Consulting and he will serve as Project Expert Advisor on this assignment. He will be involved in all aspects of the project.

Professional Expertise. Neville has over 20 years of consulting experience and has consulted to companies in a wide range of industries, including the Public Sector, Insurance, Utilities, Oil & Gas, Building Services, Food and Beverage, Airlines and Transportation. Currently, he has National responsibility for leading the delivery of consulting services to State Governments, State Workers' Compensation Funds and is Regional Director, Public Sector Consulting. Fields of expertise include work measurement, base salary design and implementation, management, executive, workforce and sales incentive design and implementation, job family and career path design, and organization analysis and design. In addition to his time in the Metro Los Angeles office, Neville worked for Hay Group New Zealand where he held the position of Senior Principal and Director of the compensation practice. He was responsible for the delivery of consulting services to the Public Sector, the Financial Services Sector (including Banks and Insurance Companies) and a variety of other industries.

Previous Experience. Prior to joining Hay Group, Mr. Kenning's key executive management experience included heading the Compensation and Benefits function for Air New Zealand (8,000 employees) with responsibility for compensation and benefits company-wide, and Corporate Services Manager with Power New Zealand, New Zealand's second largest electrical utility. This position had responsibility for the functions of personnel, training, employee welfare and work methods and systems.

Education/Professional Affiliations. Mr. Kenning holds a Bachelor's Degree in Commerce and Business Administration from the Victoria University of Wellington, New Zealand.

Mr. Kenning is a frequent speaker at National Conventions, including the National Association of State Personnel Executives, National Rural Electric Cooperative Human Resources Managers Conference, AASCIF Human Resources and Information Technology Managers Conferences, and IPMA International Conference.



Ron Keimach

Project Team Role. Ron Keimach will serve as project manager for this assignment. He will lead all components of the project.

Professional Expertise. Ron Keimach is a Principal in the San Francisco Metro office of Hay Group. Over his 20+ year career, he has performed consulting services and held project management responsibilities for a wide variety of public and private sector clients, including the State of California, the University of California, the Administrative Office of the Courts, SamTrans, the City of Walnut Creek, Contra Costa County, California ISO, CalPERS, CalSTRS, the Monterey Bay Aquarium, the Fine Arts Museums of San Francisco, Asante Health System, St. Joseph Health System, Washoe County, Toyota Motor Sales, the Port of Oakland, Wal-Mart, BloodSource, Foothill-DeAnza Community College District, Santa Rosa Junior College, Contra Costa Community College District, and Alexander & Baldwin. He has helped implement job measurement, compensation planning, and cultural change initiatives for public sector clients (government and education organizations), for technology clients (NCR, BAE Systems, Walmart.com), for food industry clients (Nancy's Specialty Foods, Foster Farms), and for manufacturing, financial services organizations and law firms. Ron 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.

Previous Experience. Prior to re-joining Hay Group, Ron was Director, Schwab Global Incentives at Charles Schwab & Company in San Francisco. Previously, Ron has held senior consultant and project manager roles at Watson Wyatt Worldwide and was with Matson Navigation Company in marketing, sales, operations, and finance roles. He has also held marketing and operations positions with Well Fargo Bank, the Santa Fe Railway, and with the State of California.

Education/Professional Affiliations. Ron holds a master's degree from Northwestern University (the Kellogg School) with emphases in management policy and marketing, and a bachelor's degree from the University of California at Berkeley with emphases in econometrics and public policy. Ron is a member of WorldatWork and holds the Certified Compensation Professional (CCP) designation. He is also on the teaching faculty at the University of California.



Priya Padmanabhan

Project Team Role. Priya will assist in all phases of the project, including the job evaluation, and market benchmarking, and custom compensation survey components.

Professional Expertise. Priya is a Senior Analyst at Hay Group in San Francisco. Priya works with a broad range of organizations, including privately owned companies, public/government organizations, publicly traded organizations and not-for-profits.

Priya's work spans across most of Hay group practices especially compensation analysis, competency development, identifying key performance indicators and performance management. Priya also has a background in providing technology solutions to clients with experience in data analysis and project implementation.

She has recently contributed to clients such as Sacramento Municipal Utility District, Sealaska Corporation, Central Peninsula General Hospital, and State of Utah.

Previous Experience. Prior to joining Hay Group Priya was an Analyst at one of the leading public agencies in San Diego implementing a pay-for-performance project. In this role she helped the agency develop an objective evaluation model with competencies that directly relate to the agency's mission which also has an impact to the compensation.

Education/Professional Affiliations. Priya received her Master in Human Resource Management from Purdue University with emphasis in Compensation and Strategy. Priya also holds a Bachelor of Engineering degree from Anna University, India. She is a Member of Society of Human Resource Managers and Net Impact.



6. Detailed Work Plan and Schedule

The objective of this assignment is to provide a clear assessment of the adequacy of the District's reward philosophy including its compensation program compared to the market. In this context, we will provide analyses and recommendations to support a consistent, stable reward strategy.

Deliverables of this project include:

- Evaluation and competitive benchmarking of the District's *cash compensation* levels to the appropriate market(s) for talent and market levels
- Review and recommendation for re-design of the organization's reward program to ensure internal equity (including, for example, career ladders) and external competitiveness
- Recommendation for an ongoing reward strategy for the organization

The following work plan reflects our proposed study scope. Estimated time is shown for each step. *Note:* Some steps overlap in time; estimated days may be combined. Also please note that this workplan and deliverables are the first step in the process of reaching 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.

Phase I: Job Analysis and Job Evaluation

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

Hay Group believes that planning and communication is a crucial element in conducting projects that are optimally useful to our clients. We will meet on-site with whomever you designate as the Project Manager and anyone else you determine should participate in the initial step of the project to accomplish the following:

- **Clarify the Scope of the Project.** Agree on the scope of the project, including defining the roles and responsibilities of the consultants and the District; clarifying project expectations and anticipated outcomes; and determining the specific timetable of events, including timing of status meetings.



- **Develop Communication Strategies.** Employees need to fully understand the intentions of this project and will need open communication channels to ask questions. Hay Group will assist you in determining an effective communication strategy. Based on our experience we believe that in most cases the critical initial communications about the project should be made using a combination of live group presentations, written communications and, if available, electronic communications. In addition, it is very important that we work with your team to manage employee expectations about the outcome of the project. Too often, as soon as employees learn that their employer is conducting a reward project, there is a one-way expectation that, “My pay will increase.”
- **Agree on the Project Management Process.** Hay Group will provide status updates to ensure that Hay Group and the District assume a partnership responsibility for running the project on time and within budget while providing you the deliverables needed. In addition, we will meet with relevant stakeholders at appropriate milestones during the project for the dual purpose of gaining their input to project process decisions and keeping them informed on project progress.

Step 2: Management Interviews and Data Gathering
(Estimated 1-2 consultant days)

Rewards are one of the largest investments in an organization and a major differentiator for effective organizations. We have found, however, that most organizations do not do an adequate job understanding the landscape and perceptions around their current reward programs; we believe it is critical to start any project of this type with interviews of key leaders to help develop a shared understanding of issues and opportunities.

Hay Group will conduct interviews with District leadership to gain a better understanding of the jobs in each area, the overall organization, the current human resources practices and philosophies, organizational culture, and the organization’s reward program needs. The Reward Strategy will also begin to take shape here. We expect that these interviews will take one hour each and will be conducted in person. The agenda for these meetings will include at least the following topics:

- Discuss the positions that work with you/report to you: what is their scope of responsibility? For what do you hold them accountable? How do you measure their success?
- What is your competitive market for talent?



- Discuss the degree to which the current reward programs promote retention.
- What are the constraints around your current reward programs?

In this step, we will also gather information to increase our knowledge of your existing classification, compensation, and human resources processes so that the project outcomes can be aligned with the strategy and culture of the District and tailored to your specific needs. Data gathered will include existing job and classification documentation, the current classification methodology and process, human resources policies and procedures, etc.

***Step 3: Capturing and Analyzing Current Job Content
(Estimated 2-4 consultant days)***

In order to get buy-in by the employees (and stakeholders) to the outcomes of the project, each employee and his/her immediate supervisor/manager must review, amend if necessary, agree, and sign off on the Classification Specification that describes the incumbent's work. This can also support future performance management programs. Hay Group will facilitate this effort by using a process that we call "Option A, B, or C." This involves presenting the project to all staff and distributing the current Classification Specification (Class Spec) electronically to each employee with the following instructions:

- If the current Class Spec is an accurate description of the work, the incumbent and the supervisor/manager both (electronically) sign it. (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) signs it, and the supervisor/manager approves and (electronically) 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 and signed (electronically) 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*.

This all-electronic step will efficiently provide the information needed to revise existing and/or prepare new Class Specifications. Note that we do not need new Class Specs to be completed to do the job analysis/job evaluation



process; the “Options” are designed to give us the data that we need. This means that we can proceed with the classification component of the project and the District can choose its timing for the completion of new/revised Class Specs (as necessary, see *Step 5* below).

Going forward, the Option C PDQ form can be further customized and adopted to be used as a “re-class request” document. Collecting consistent job content information is an important input in any re-class request and will create consistency.

Step 4: Job Measurement
(Estimated 2-3 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 follows:

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.

- 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 measure the job content to determine the appropriate employee allocation. This methodology will give the District the means and method 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 and career ladders. As described below, our content-based process will form the basis of the District’s classification plan.

In this key step, 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 for over 60 years 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.” Indeed, the fundamental factors that contribute to the success of this methodology is that it measures **job-related factors exclusively**, independent of incumbent characteristics, current salary, or other non-job content factors.

Hay Group Guide Chart-Profile MethodSM of Job Evaluation:

The job factors measured 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; and
 - 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; and
 - 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; and
 - 3) Magnitude of job impact on end results.

In addition, the Hay Group methodology can consider the following job *context* factors:

- **Physical Effort:** Handling of light, medium or heavy weight materials in normal to difficult work positions or unusual circumstances which results in physical exertion.
- **Environment:** Exposure to objectionable or noxious conditions such as dirt, dust, fumes/gases, extreme temperatures or wide fluctuations in temperature, moisture, odors, noise which results in physical discomfort.



- **Hazards:** Exposure to mechanical, electrical, chemical, biological, or physical factors which involve risks of accident, personal injury, health impairment or death.
- **Sensory Attention:** Requirements for concentrated levels of sensory attention, including seeing, hearing, smelling, testing, touching which may vary in intensity, duration or frequency.

To maintain independence and to rely on the credibility that the expertise of Hay Group will bring to this process, Hay Group will conduct the classification and job evaluation process. However, it is very important that there be buy-in to the results from the District. We will provide an overview of and training in the job evaluation process to your leadership and will then ask that you validate the work done by Hay Group. This can be done either by leadership, the HR team, or a Classification Committee. We will discuss these options in the project planning meeting.

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.

This step will rank the overall value of each role in the study. We will then share the evaluations and rankings with you to obtain your feedback, and make any revisions based on our discussions.

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. We will make observations about internal equity and consult with you on how to address any outliers or inequitable situations.

***Step 5: Developing a Classification Plan
(Estimated 2-4 consultant days)***

In this step we will bring together all the work completed in the previous steps by preparing a Classification Plan, including exempt/non-exempt (FLSA) guidelines.

By the conclusion of this step, the District will have jobs described and documented based on current job content; jobs evaluated, classified, and ranked based on measured job content; and employees classified exempt or



non-exempt based on current job duties. Job families and career tracks are a natural by-product of our comprehensive analysis. Based on census data and the District's defined organization reporting relationships, we will also identify where opportunities exist to combine and/or collapse classifications to support recruiting goals and enable staffing flexibility.

This step includes the Fair Labor Standards Act (FLSA) classifications (as called out in your RFP). For this analysis, we will use the completed position description questionnaires, job classification specifications, and job evaluations performed using the *Hay Group Guide Chart-Profile MethodSM of Job Evaluation*, developed as part of the classification structure review.

We will prepare our observations in a report that lists each position and our exempt/non-exempt designation recommendation.

Please note that whether an employee is exempt or non-exempt under the Fair Labor Standards Act (FLSA) 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 California in recent years over FLSA issues, Hay Group recommends that you seek the assistance of California counsel to help you make these 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.

Also during this step we will determine the extent to which current class specs, if any, will need to be rewritten. We will work with you to create updated, consistent job documentation and discuss with you the most economic and expeditious ways to do this.

An interim report will be prepared setting out the results of this Phase I process, which will be submitted to the District and whomever else you deem appropriate for feedback and approval.



Phase II: Benchmarking to the Market

We will benchmark your reward program to a selection of appropriate, relevant, organizations.

Step 1: Developing a Reward Philosophy (Estimated 1-2 consultant days)

A reward philosophy sets the framework within which all compensation decisions will be made, and is the link between the District's mission, vision, values, and goals and its human resources goals. This includes policy issues such as whether to lead, match, or lag the market. We will meet with project leadership to articulate a philosophy and then identify consistencies and/or gaps to current practice to ensure the classification (and reward) project results are supportive.

Step 2: Identifying Comparator Markets (Estimated 1-2 consultant days)

Hay Group recommends that you take this opportunity to review the definition and constituency of your current comparator market (i.e., the last time a survey was done) and consider refining it to include or exclude other sectors and organizations if appropriate. 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 at the *front-end* of the process, rather than at the back-end when the data has already been collected.

We will discuss which organizations are *currently used* by the District as its comparators as compared to those that *should be included* as comparators. We will examine the pros and cons of various organizations being considered (e.g., should any private-sector employers be included since they constitute a source of talent), and relate that to your recruitment and retention strategies.

In our experience, we find that combining *Steps 1* and *2* in a facilitated session with leadership generates positive acceptance of the study and enables more efficient implementation of results.

Step 3: Collect and Analyze Market Compensation Data

We will gather compensation data for selected benchmark jobs. This will be done by utilizing three sources: data already held by the District, data already held by Hay Group, and a *custom compensation survey* of the identified comparator organizations (driven by *Step 2* above). The Hay Group-administered custom survey will include unique data collection instruments



sent to selected organizations followed by a specialized analysis of all the data.

Using these results, Hay Group will then prepare recommendations and a model salary structure, taking into consideration the District's stated compensation philosophy, internal equity, and external competitiveness objectives.



Phase III: Recommendations, Reporting, and Implementation

Step 1: Recommendations and Reporting (Estimated 2-4 consultant days)

Hay Group will prepare a preliminary review summarizing all project steps, findings, and recommendations. Specifically, we will cover:

- The results of the job analysis and job evaluation process
- Analysis of internal equity
- Analysis of external competitiveness
- A custom comparator market compensation survey and supporting analysis
- A recommended grade structure
- A recommended salary structure
- Determination of an individual's salary placement and movement in the new salary structure
- Costing analysis and alternatives
- Guidelines for plan administration and keeping the plan current and dynamic
- Guidelines on how to communicate the new structure and plan to managers and employees and other stakeholders.

This preliminary report will be presented to the District for review and feedback. All comments and inputs will be combined into a final written report. The final written report will communicate relevant findings and implementation issues, review project objectives, methodology, and discuss recommendations and ongoing program maintenance.

Step 2: Transition and Implementation Planning (Estimated 1-2 consultant days)

Following Step 1 of this Phase, we will map out with you an implementation plan and timetable to enable the adopted recommendations to be communicated to employees and implemented. Included in this step will be:

- Guidelines for plan administration and keeping the plan current and flexible to meet your changing business needs
- The process by which employees will be communicated the results, both collectively and individually



We will also discuss next steps, for example:

Performance Management. The job measurement process will help highlight principal accountabilities for each job. These can then be used to help set performance goals. Hay Group can assist you in developing a performance management program, including goals, metrics, forms, reward delivery matrices, and manager training to ensure consistent delivery.

Succession and Development. Job “shape” and “size” should be matched to the incumbent, and in turn should support the organizations’ operating model and business strategy. As you know, our job evaluation methods can articulate the role, and combined with our abilities to assess and develop employee talent, we can help Chemoil ensure that the right roles are staffed by the right incumbents to support your growth and move the organization forward.

Rewards Communication. According to recent studies, employers spend (on average) anywhere from 25% to 40% of payroll on employee benefits. These same studies show that most employees do not know what these benefits include or how much they are worth. Recognizing that personalized statements are an ideal means for communicating an understanding of the content and value of *total* rewards program, including benefits, we can help the District develop and communicate the value of the reward package to all employees, all on-line.

Benefits. A review of the prevalence and *value* (as opposed to the *cost*) of the non-cash benefits offering can provide important insights into the “Total Remuneration” package offered to employees and the balance of each component.



Project Timetable

An estimated timeline for the three Phases of this project is shown below. In our experience, projects of this scope can be completed in approximately three months; per your RFP, a May, 2012 start is assumed. We will discuss the project timetable with you and refine it at the initial planning meeting.

	May			June			July			August		
Phase I: Job Analysis and Job Evaluation												
Step 1:	Project Planning, Communication & Management											
Step 2:	Management Interviews & Data Gathering											
Step 3:	Capturing and Analyzing Current Job Content											
Step 4:	Job Measurement											
Step 5:	Developing a Classification Plan											
Phase II: Benchmarking to the Market												
Step 1:	Developing a Reward Philosophy											
Step 2:	Identifying Comparator Markets											
Step 3:	Collect and Analyze Market Data											
Phase III: Recommendations, Reporting and Implementation												
Step 1:	Recommendations and Reporting											
Step 2:	Transition and Implementation Planning											



7. Investment

Terms and Professional fees

Consulting fees are based on our best estimate of the time and level of consultant required to deliver the high quality, value-added results you should expect from a consulting firm with the reputation of Hay Group. It is our experience in working with Public Sector organizations that it is mutually beneficial to provide a total, all-inclusive, not-to-exceed fee and expense quote. That way, both parties know in advance that this estimate is the absolute upper limit for the District unless there is a mutually agreed change to the scope. Based on the proposed work plan, the total fees for this project will be \$49,200 (all-inclusive of professional fees and our estimate of project related expenses such as travel, ground expenses and report production).

Your RFP asked for the price of each component of the workplan and for hourly rates. Because our assignments are integrated solutions, we do not quote that way, nor would we recommend doing only part (or parts) of the project. However, to help show where Hay Group's value investments are, the *approximate* total fees by major component are:

- | | |
|--|----------|
| ▪ Job measurement and classification plan | \$14,000 |
| ▪ Custom compensation survey | \$21,200 |
| ▪ Data analysis, reviews, reporting, and recommendations | \$14,000 |

Engagement Agreement and Terms. We will work with you to develop full engagement terms/contract and an invoicing schedule that meets your needs. Hay Group maintains the levels of insurance coverage stipulated in Section IX of your RFP and we agree to the other terms in that section. We will submit full documentation as necessary.

Fee level guarantee. The investment levels stated in this proposal are a firm and irrevocable offer good until July 1, 2012.

Investment Analysis

In assessing this level of investment needed for the recommended comprehensive study, we stress the *value* that this project will add. Clearly leveling jobs and understanding and aligning the District's reward strategy relative to the competitive market will pay long-term dividends.

To understand the value of the investment, please consider the following analysis:



1. Number of employees in this study: 33
2. Estimated *Salary Only*/employee: \$85,000*
3. Estimated *Salary Only* Payroll: \$2,805,000
4. Assumed misalignment of compensation that is likely to exist due to time lapse since the last review:
15% of employees with a 15% market difference.*
5. Estimated misallocation of *just salary* each year, which then gets compounded annually (for just the employees in this study):
\$63,113 (\$2.805 million x 15% x 15%)

* Hay Group assumptions

All told, the District's investment in this project is *less than 1.8%* of just the annual salary cost (based on the employees in the study) and the salary alignment component will *pay for itself* in about a month. Under our total proposed investment, you will get not only a new compensation plan, but also the skills to manage and administer the plan internally on an ongoing basis.

Hay Group recognizes it is likely that you will receive proposals with lower fees. If that is the case, we ask that you not to compare price but to assess the value added, experience, and methodology which only Hay Group can provide.

Unfortunately, too many public sector organizations have chosen to go with the low bid and an inappropriate methodology, 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.

Appendix A: Public Sector Qualifications and Client References

In this Appendix we describe our experience with classification (and compensation) studies of similar scope and character, and specifically with public sector clients. Hay Group is familiar with the constraints public sector organizations face when structuring classification plans and compensation packages for their employees. Also, Hay Group's methodologies enable us to evaluate jobs even where there is no readily available sector peer.

Following are selected public sector clients for whom we have recently performed or are currently performing classification and reward projects. A brief summary of the assignment is included.

State of California, Administrative Office of the Courts

Ms. Nancy Riddell
Senior Compensation Analyst
(415) 865-4299

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.

California ISO

Ms. Brenda Thomas
Vice President, Human Resources
(916) 768-4208

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.

Monterey Bay Aquarium

Ms. Teresa Merry
Vice President, Human Resources
(831) 648-4805

Since 2006, Hay Group has partnered with the Aquarium on a custom compensation survey (Executives and Staff), salary structure design, and regular market updates.

City of Walnut Creek, California

Ms. Sally Rice

Assistant Director, Administrative Services Department

(925) 943-5814

Hay Group completed a comprehensive classification study for the City, using the same approach as we are proposing for the District.

San Mateo County Transit District

Ms. Monica Colondres

Director of Human Resources

(650) 508-6233

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

Washoe County, Nevada

Mr. Jim German

Human Resources Manager

(775) 328-2082

Hay Group has worked with Washoe County over the 8 years on the design and implementation of a comprehensive classification and compensation plan.

Kootenai County, Idaho

Ms. Angela Shanklin

Director, Human Resources

(208) 446-1642

Hay Group works with the County on its comprehensive classification and compensation program, a project which began in August, 2003 (including both represented and non-represented employees).

DuPage County, Illinois

Ms. Cara Perrone

Director, Human Resources

(630) 407-6225

For over 10 years, Hay Group has worked closely with the County on classification and compensation projects. The most recent compensation study was conducted in late 2008 through early 2009. The County uses the Hay Group job evaluation to administer compensation.

Yellowstone County

Mr. Dwight Vignes
Director of Human Resources
(406) 256-2705

Since 2004, Hay Group has partnered with Yellowstone County on a comprehensive classification and compensation study.

Coconino County

Ms. Jane Emberty
Director of Human Resources
(520) 779-6701

The initial classification and compensation study for this County was done in the early 1990's by Hay Group. Since then, Hay Group has partnered with the County in conducting comprehensive reviews of the plan in 1998 and again in 2006.

State of New Mexico – Judicial Branch

Ms. Lorri Hatcher
Director of Human Resources
(505) 827-4937

The initial classification and compensation project was done in the early 1990's. In 2001-2002, Hay Group conducted a major review of the entire plan and since then has partnered with the Judicial Branch in the administration of its plan by being a member of its classification and compensation committee.

City of Santa Monica, California

Ms. Karen Bancroft
Personnel Director
(310) 458-8940

Since 2006, Hay Group has assisted the City on a number of classification and compensation projects such as the top 55 positions, all Information Technology positions, and all nonexempt positions.

Public sector clients for whom we have performed classification and compensation studies include:

Cities/Counties

City of Long Beach
City of Los Angeles
City of Santa Monica
City of Sunnyvale
City of Walnut Creek
Arlington County
Coconino County
Cook County
County of Los Angeles
County of Midland
County of Orange
County of Saginaw
County of Santa Clara
City of Walnut Creek
DuPage County
Gila County
Johnson County
Kootenai County
Maricopa County
Navajo County
Pinal County
Washoe County
Yellowstone County
Yuma County

States

State of Alabama
State of Delaware
State of Idaho
State of Louisiana
State of Maine
State of Minnesota
State of Mississippi
State of Missouri
State of New Hampshire
State of New Mexico
State of Oklahoma
State of Oregon
State of South Carolina
State of Utah
State of Wyoming

Community College Districts

Albuquerque Technical Vocational Institute
Cerritos Community College District
Contra Costa Community College District
Chaffey College
El Camino College
Foothill DeAnza Community College District
Kern Community College District
MiraCosta Community College District
Mount San Antonio Community College
North Orange County Community College District
Rancho Santiago Community College District
San Diego Community College District
Santa Fe Community College
Santa Monica College
Santa Rosa Junior College
South Orange County Community College District
Victor Valley Community College District

Others

Alameda Corridor Transportation Authority
Arizona Superior Court in Pima County
ATC Transit
Board of Podiatric Surgery
California Academy of Sciences
Long Beach Water Department
Los Angeles County Metropolitan Transit Authority
Metropolitan Water District
Monterey Bay Aquarium
Northwest Regional Educational Laboratory
Port of Long Beach
San Diego County Employees Retirement Assn.
San Mateo County Transit District
Southeastern Pennsylvania Transportation Authority
Southern California Regional Rail Authority
State of California, Administrative Office of the Courts