



**Watson Wyatt & Company**

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February 10, 2006

Ms. Karen Hudson  
City of Columbus  
90 W. Broad, Suite 311  
Columbus, OH 43215

**Subject: MCP Pay Plan Project Engagement Letter**

Dear Karen:

The purpose of this letter is to summarize our engagement for the development of the MCP pay plan. Watson Wyatt is pleased to work with you and the City of Columbus once again. We have provided an overview of our approach to your project, staffing, timing, and estimated fees.

### **Our Approach to Your Project**

#### ***Project Overview***

To begin our project, we will meet with you and other essential contacts for a one-hour meeting to establish a detailed action plan, including time frames and responsibilities. We expect to conduct this meeting by conference call.

The City will then review and discuss the compensation philosophy and labor market for MCP. Watson Wyatt will provide "over the shoulder" guidance only in this step. For fee purposes, we estimate that no more than one hour of consulting by a senior consultant will be required.

#### ***Market Analysis***

It is our understanding that you wish to include approximately 85 jobs in the market analysis for the MCP pay plan.

To market price the jobs, we will meet with you to gather market matches for the MCP positions. We understand that the City's compensation and classification managers will be actively involved in the process. We estimate that this step will require two days of meetings, preferably in Watson Wyatt's Columbus office.

During the market analysis, we will utilize our extensive salary survey sources as well as surveys in which the City participates. Watson Wyatt will compile the market data (EMVs) and will provide them to the City. After one recycle through the City, we will move forward.

We understand that the present salary structure for MCP will be used in the future with minor changes as needed.

### ***Slotting of Jobs into Salary Structure: Chips and Boards***

In this step, we will analyze the market values of the market-priced jobs compared to the jobs' relative internal values. In addition, we will determine the appropriate grade for those jobs for which we could not find sufficient market data in relationship to those jobs for which we could.

To conduct this internal analysis, we recommend a process we call "chips and boards." Chips and boards is a process whereby jobs are initially slotted (based on their estimated market value) onto a job value matrix, which will visually display the spread of jobs by grade and within each area of the organization. This process is completed by reviewing the slottings with management through an interactive process using movable position tiles (chips) on a matrix (board) with your grade levels. The result of this process will be a hierarchy that reflects the City's values and that management can support.

We will conduct the initial chips and boards process on site during a one-day meeting with the Compensation Manager and other HR staff as preferred. Following the session, the Compensation Manager will review the initial results with each department's management, and the City will finalize the job slotting process.

Once the job slotting has been finalized, the Compensation Manager will provide the final job placements to Watson Wyatt. Watson Wyatt will then develop the final job value matrix capturing the various decisions. After one recycle through Compensation, the job value matrix will be finalized.

Watson Wyatt will develop a series of standard reports, using our Reward software, to capture the City's overall market position for managers in the studied jobs. We will determine your overall market position, any managers below minimum and over maximum, and the related cost impact. We will provide the City with the analyses.

Watson Wyatt will review the analysis with the Compensation Manager and other HR leadership in a one-hour conference call.

Following the call, the City will communicate the results to appropriate senior management and will plan for implementation. Watson Wyatt will not be directly involved in the planning process. For fee purposes, we estimate that no more than one hour of over-the-shoulder guidance by a senior consultant will be required.

### **Project Staffing, Timing and Estimated Fees**

Your project will be managed by Sarah Hutchinson, Senior Compensation Consultant, who will be assisted by analytical staff. We anticipate that your project will require four to six weeks of elapsed time.

Estimated fees for your project are \$40,000. Please note that the estimates are for professional services only. In addition, Watson Wyatt charges for "out-of-pocket" expenses incurred as the result of travel, special mailings, etc. Watson Wyatt also follows the standard practice for our industry and charges an additional Technical and Administrative Services fee of seven percent (7% of the total project fees).

Total consulting fees, added technical and administrative service fees, and "out of pocket" expense will not exceed \$46,000.

Watson Wyatt bills monthly. All invoices are payable upon receipt. A monthly finance charge of one percent (1% of the balance outstanding) will be applied to all invoices remaining unpaid after thirty (30) days.

**Terms and Conditions of Engagement**

The services described above and any other services that Watson Wyatt provides to the City will be provided subject to the Terms and Conditions of Engagement executed between our organizations dated September 3, 2003.

If this letter accurately describes the terms of our engagement, please sign the following page and return one copy to me.

Sincerely,

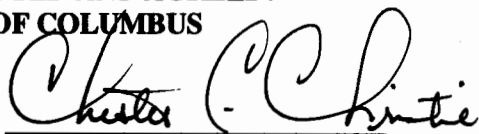
**WATSON WYATT & COMPANY**



Sarah Hutchinson, CCP, SPHR  
Senior Consultant

cc: Victor Dolbin

**ACCEPTED AND AGREED:  
CITY OF COLUMBUS**

By: 

Title: Human Resources Director

Date: 2/16/06