



November 21, 2007

Ms. Karen Hudson
The City of Columbus, Ohio
90 West Broad, Suite 311
Columbus, Ohio 43215

Re: Union Negotiation Pay Strategy Project

Dear Karen:

We appreciate the opportunity to continue our relationship with you and the City of Columbus. This revised letter briefly describes Watson Wyatt's understanding of the objectives, scope, suggested project steps and the related staffing, timing, and fees for the Union Negotiation Pay Strategy Project.

PROJECT OVERVIEW

The contracts with Locals 2191 and 1632 of the American Federation of State, County and Municipal Employees (AFSCME) will expire in March of 2008. The City of Columbus expects to begin negotiations with the AFSCME in January 2008. In preparation for these negotiations, the City of Columbus has asked Watson Wyatt to assist the City of Columbus in developing new pay strategies.

SCOPE OF WORK

Step 1 – Strategy Development Working Session

Watson Wyatt will meet with you in a four to six hour working session to discuss potential new pay plan design features such as number of grades, number of steps within grades, midpoint differentials, and range widths.

Step 2 – Pay Plan Development and Cost Modeling

The City of Columbus indicated that they have market priced the jobs included in the pay plans being reviewed. Watson Wyatt will use the market values provided by the City of Columbus to develop options for a new pay plan. Watson Wyatt's initial data request for this market pricing and other information is included as Attachment 1. We will consider such "design" issues as range width, midpoint differential, number of grades, and number of steps. We will develop two pay plan alternatives which will vary based on these design issues



PROJECT TEAM

Your project will be managed by Fred Crandall, Midwest Practice Leader, Strategic Rewards. He will be responsible for the overall success of your project. Fred will be assisted by Mary Christof, Compensation Analyst. Other Watson Wyatt personnel may assist with the project as needed.

TIMING

We expect to complete this project within four to six weeks after the Strategy Development Working Session in Step 1 is held.

FEES

Estimated fees for this part of the project are \$40,000. Please note that this estimate is for professional services and travel, and includes the industry standard Technical and Administrative Services fee of seven percent (7% of the total project fees). Any additional work completed by Watson Wyatt that is outside of the project plan above will be billed at time and expense.

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 of Columbus will be provided subject to the Terms and Conditions of Engagement signed by Chester Christie on behalf of the City of Columbus on September 3, 2003. A copy of this document is included as Attachment 2.



If this letter and attachments accurately describe the terms of our engagement, please sign the following page, email the signed page to me, and send the original signed letter to me by mail.

Please feel free to call me direct at 312.525.2210 or Mary Christof at 312.525.2244 or via cell phone at 219.801.2161 if you have any questions.

Sincerely,

WATSON WYATT & COMPANY

Fred Crandall
Midwest Practice Leader, Strategic Rewards

cc: M. Christof, WW
S. Prestine, WW
S. Vance, WW

Attachment

ACCEPTED AND AGREED

The City of Columbus, Ohio

Watson Wyatt & Company

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Attachment 1 – Initial Data Request*

Employee Data:

- Employee number (each employee must have a unique numerical identifier)
- Employee last name
- Employee first name
- Base pay (annualized)
- Bonuses or incentives actual dollars (last fiscal year totals)
- Bonuses or incentives target dollars (projected)
- Bonuses or incentives target percent
- Shift differentials (if applicable)
- Employment status (part time or full time)
- Hours (hours worked per week/month/year - please note time period)
- Job code
- Job title
- Hire Date
- Job seniority date
- Union Local number

Job Data:

- Job code
- Job title
- Job family
- Grade and Step
- FLSA designation

Market Data:**

- 25th, 50th and 75th percentile base salary market values

Pay Plan Data:

- Pay plan name
- Grades
- Steps
- Minimums
- Midpoints
- Maximums

Other Data:

- Current union contracts
- Compensation philosophy

* *Data requirements will be finalized after the Strategy Development Working Session*

** *Additional information may be requested after Watson Wyatt reviews the compensation elements included in the current union contracts.*



July 30, 2003

Ms. Nancy Weidman
Assistant City Attorney
City of Columbus
90 West Broad Street, Suite 200
Columbus, Ohio 43215

Watson Wyatt & Company

Suite 2000
21 East State Street
Columbus, OH 43215-4220
Telephone 614 463 5050
Fax 614 463 5051

Subject: Terms and Conditions of Engagement

Dear Nancy:

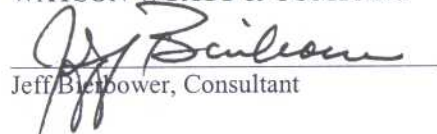
Thank you for your help and patience throughout this process. At Watson Wyatt we place the highest value on our relationships with our clients. Historically, we have not always formalized the terms of our engagement with our clients in writing, but we believe it is good business practice and mutually beneficial for us to do so.

Enclosed are the engagement terms mutually agreed upon from our discussions. These terms and conditions will apply to all the services that Watson Wyatt provides to the City of Columbus. We propose that these terms and conditions become effective August 4, 2003. They will not change the services or consulting that we provide. We will continue to provide you with excellent service and value-added consulting.

Please review the terms and conditions and indicate your acceptance by returning the enclosed copy of this letter, signed by an authorized representative of the City of Columbus in the space provided below. Please contact me if you have questions about this matter.

Sincerely,

WATSON WYATT & COMPANY


Jeff Bleibower, Consultant

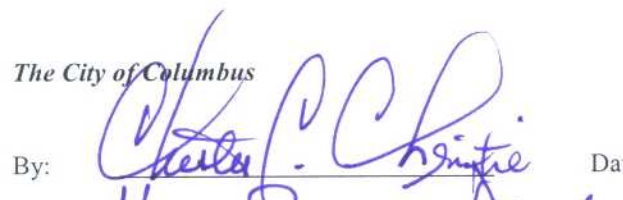
Date: 7/30/03


Nancy Keyser, Office Practice Leader

Date: 10/15/2003

Attachments: Terms and Conditions of Engagement

ACCEPTED AND AGREED:

The City of Columbus

By: Cheryl C. King
Title: Human Resources Director

Date: 9/3/03



The City of Columbus
and Watson Wyatt & Company

Terms and Conditions of Engagement

1. **General.** These general terms and conditions ("general terms") will apply to all engagements for services ("services") provided to you by Watson Wyatt & Company or any entity directly or indirectly owned or controlled by Watson Wyatt & Company (together "Watson Wyatt", "our" or "us") unless the services furnished by such other entity are the subject of a separate written agreement. The terms "You" or "your" means the addressee(s) of an engagement letter or, if no engagement letter is provided, the entities to which Watson Wyatt provides services. These general terms may be changed only by a written amendment signed by the duly authorized representatives of both parties.
2. **Engagement Letters.** From time to time, Watson Wyatt may issue engagement letters for particular projects or assignments. All such engagement letters will be deemed, unless they provide otherwise, to incorporate these general terms (as they may have been amended by mutual written agreement from time to time). Except with respect to the description of specific services and fees for any engagement, these general terms will prevail over any conflicting terms of any engagement letter. Together with such engagement letters, these general terms state the entire understanding between us concerning Watson Wyatt's services and supersede any prior proposals, correspondence or discussions.
3. **Scope of Our Services.** Watson Wyatt will provide the services described in our engagement letters or other communications through which we agree to provide such services. Our undertakings will be limited to advising you concerning those matters on which we have been specifically engaged. Watson Wyatt will perform our services with due care and in accordance with the engagement letters, these general terms and prevailing consulting industry standards for comparable services. Watson Wyatt is not a law firm and we do not provide legal advice. Watson Wyatt is not being engaged to perform any fiduciary functions with respect to you or any employee benefit plan maintained by you or your affiliates. Unless otherwise expressly agreed, we are not assuming the responsibilities of any plan administrator. Except for the warranties expressed in these general terms, Watson Wyatt makes no warranty, either express or implied, with respect to our services.
4. **Fees and Expenses.** Unless we agree otherwise, our fees will be determined taking into account factors which generally include the circumstances relevant to the particular engagement, the time required to perform our services, the novelty and difficulty of the work, the skill required, the experience and seniority of the associates who perform the services, any time limitations or other unusual conditions that may be applicable, and standard hourly rates of our associates in effect at the time services are performed. In addition, we will charge a technical and administrative fee based on a percentage of the consulting fees. You will reimburse us for reasonable out-of-pocket expenses, including travel, incurred in performing the services, unless otherwise agreed. Our invoices for services rendered and expenses incurred are payable 30 days after receipt. A late payment charge is payable on balances outstanding more than 30 days.
5. **Your Responsibilities.** You will provide Watson Wyatt with all necessary documentation and information required in order to enable Watson Wyatt to provide the services. You will also ensure that your employees and any third parties who are otherwise assisting, advising or representing you will co-operate on a timely basis with Watson Wyatt in the provision of our services. Watson Wyatt may rely upon information provided by you or your employees and agents as accurate and complete. If you or your employees and agents are unable to participate in the project as required, or if information provided by you or your employees and agents is inaccurate, incomplete or delayed, the scope of the project may be different, the schedule may be delayed and/or Watson Wyatt may request a modification to the particular engagement to compensate Watson Wyatt for its additional time spent on the engagement.
6. **Resolution of Disputes.** The parties will try to resolve any dispute or claim between the parties arising from or in connection with this agreement or the services provided by Watson Wyatt by appropriate internal means, including referral to each party's senior management. If the parties cannot reach a mutually satisfactory resolution,



then any such dispute or claim will initially be referred to non-binding mediation. If the need for mediation arises, the parties to the dispute shall choose a mutually acceptable mediator, and in the event the parties cannot agree on a mediator, then one will be chosen by the American Arbitration Association ("AAA") and the mediation will be conducted in Houston, Texas or in another mutually agreeable location. The parties agree to share the cost of mediation equally. This clause will not prevent any party from pursuing equitable remedies to the extent required to protect rights or property or to prevent irreparable harm. Should any matter involving our agreement with you or our services be subject to judicial proceedings, the parties expressly waive their right to a jury trial with respect to such proceedings.

7. **Limitation of Liability.** If any of the services do not conform to the requirements of this agreement, you shall notify Watson Wyatt promptly and Watson Wyatt shall reperform such services at no additional charge to you or, at Watson Wyatt's option, shall refund the portion of the fees paid with respect to such services. If reperformance of the services or refund of the applicable fees would not provide you with an adequate remedy for damages arising from the performance, nonperformance, or breach of this agreement, our maximum liability, including that of any employee, affiliate, agent or contractor, relating to the services we are providing, regardless of the cause of action, will be limited to direct damages in an amount not to exceed two hundred fifty thousand dollars (\$250,000) or, if greater, the fees payable with respect to the particular engagement (or one year's fees in the case of annually recurring services) pursuant to which such liability arises.

8. **Termination.** Either party may terminate any engagement upon ten days' prior written notice. You will compensate Watson Wyatt for all services provided through the effective date of termination.

9. **Confidentiality.** Watson Wyatt agrees to take reasonable measures to preserve the confidentiality of any proprietary or confidential information that you provide to us in connection with our services. At the conclusion of any engagement, should you request us to return any materials, data or documents that you have provided to us, we may retain a copy of these materials for our archival purposes, subject to our confidentiality obligations hereunder.

10. **Governing Law.** These general terms will be governed by and construed in accordance with the laws of the jurisdiction where our office which is principally responsible for providing services to you is located.