



Letter of Engagement

PRIVATE AND CONFIDENTIAL

September 14, 2016

Ms. Jill Valdez
City of Sparks, Nevada
431 Prater Way
Sparks, NV 89431

RE: Job Evaluation and Salary Structure Development

Dear Jill:

We appreciate the opportunity to assist the City of Sparks, Nevada with its job evaluation and salary structure update needs. This statement of work sets forth our understanding of your needs and the terms and conditions on which our services will be rendered. Korn Ferry Hay Group may be referred to as "**Hay Group**," "**KFHG**," "**we**," "**our**" or "**us**". The City of Sparks, Nevada may be referred to as "**the City**," "**you**," or "**your**." This letter of engagement, including the Attachments, forms the agreement (the "**Agreement**") under which we will work together.

Hay Group will provide the professional services described in Attachment 1 (the "**Services**"). Stephen McGillivray and Aditya Mahajan will lead the assignment. We will include other consultants, as needed, to assist in the provision of the Services.

If this Agreement accurately describes the terms of our engagement, please have an authorized representative of the City sign and return the entire Agreement to me at Stephen.McGillivray@kornferry.com or 1.877.347.3793. Our receipt of this Agreement signed by you authorizes us to proceed with our Services.

Hay Group appreciates the opportunity to be of service to the City. If you have any questions now or during our engagement, please call me at 415.644.3739.

Sincerely,

Korn Ferry Hay Group

Stephen McGillivray

Accepted by:

The City of Sparks, Nevada

Korn Ferry Hay Group

By:

By: 

Name:

Name: Stephen McGillivray

Title:

Title: Principal

Date:

Date: September 14, 2016

ATTACHMENT 1 SCOPE OF SERVICES

Our Understanding of Your Needs

We understand that the City is looking to partner with Korn Ferry Hay Group to provide consulting services, focusing on:

- Conducting an internal job evaluation for the approximately 130 unique Sparks classifications (including police & fire);
- Conducting an internal equity analysis for incumbents and identifying where there may be gaps or divergent pay practices for similar roles; and
- Using existing market data collected by the City, develop a salary structure to reflect job evaluation results, internal hierarchy, and market pay levels.

Our Response to Your Needs

Hay Group will assist the City with its needs through a collaborative and iterative process and a four-phased project approach:

- I. **Interviews and Data Collection**
- II. **Job Evaluation**
- III. **Internal Equity Analysis & Salary Structure Development**
- IV. **Reporting and Recommendations**

Additional details on the steps included in each phase of the engagement can be located in the section below.

Outline of Project

The items below summarize our proposed approach to this engagement and highlight the critical work steps included in our analysis:

- I. **Interviews and Data Collection**
 - a. Hay Group will lead a project kick-off meeting to align the full scope of work, agree on a project timeline and milestones, and mutually agree on successful outcomes of the engagement. Prior to this meeting, we will submit a detailed data request outlining the materials needed to conduct the analyses outlined in this scope of work.
 - b. During this kick-off meeting we will arrange for one meeting, typically between 3 to 4 hours duration, with the City Manager, as well as other stakeholders (including union leadership) identified by Sparks to understand the City's desired approach to the compensation program. Discussion topics may include, but will not be limited to:
 - i. What do we want the compensation program to look like at Sparks in the future?
 - ii. What position in the marketplace do we want our compensation program to target?
 - iii. Are there any "hot jobs" or roles that are difficult to recruit or retain that you are currently struggling with?
 - iv. Are you/would you consider special pay programs to further incentivize employees to perform at a higher level?
 - c. During this kick-off meeting, we will also lead discussions around the long-term organization strategy and growth opportunities within the city.
- II. **Job Evaluation**
 - a. KFHG will conduct up to 30 hours of interviews with department heads covering the 130 (assumes 5 jobs can be covered in one hour) roles in order to supplement data provided in job descriptions (conducted via skype).
 - i. We will share our Position Description Questionnaire with the HR team, which can be used as a reference document and/or a template to obtain comprehensive role information.
 - ii. Alternatively, we can use the existing job descriptions, and capture notes regarding the required amendments to these descriptions, during the interviews. We will request the presence of a member from the HR team in these interviews, to ensure that the notes captured can be used to update the descriptions by them, post the meeting.
 - b. KFHG will size approximately 130 unique classifications at the City following the context interviews and data provided, such as job descriptions, using the KFHG Guide

Chart Method of Job Evaluation.

- c. KFHG’s approach ensures a consistent, fair and rational leveling process that is driven by the factors that leaders value:
 - i. The job’s responsibilities and “expected outputs” – i.e., the organization’s expectations about a competent jobholder’s responsibilities for handling more or less complex and important work with an appropriate degree of independence.
 - ii. Focusses on the job and not the job holder, thereby providing a baseline view of the roles.
- d. A key output of this step is a job level matrix showing the relative relationships in “job size” for the City roles.
- e. In this phase, we will also help the City understand the differences between a I, II or Sr. level job title, and will provide some guidelines around job titling nomenclature.
- f. All work measurement during this project will be executed in Job Evaluation Manager (JEM) Lite, which is an online tool to conduct and capture job evaluations, and is an essential and required part of the project plan.

III. Internal Equity Analysis & Salary Structure Development

- a. Using the results of the job evaluations conducted in phase 2, KFHG will utilize the market data provided by the City to conduct an internal equity analysis showing the span of pay for similarly positioned roles within the City.
- b. Based on the outcomes of the internal equity analysis, the market data collected by the City, and discussions with leadership, KFHG will develop a comprehensive grade and salary structure which balances simplicity and clarity with the complexities of a public organization comprised of elected officials and various union contracts.
- c. Finally, we will present a costing analysis outlining the cost implications of implementing the proposed salary structure to the City Manager and the HR team, for their presentation to the broader City leadership to obtain approval.

IV. Reporting and Recommendations

- a. Hay Group will conduct and develop a comprehensive draft report covering:
 - i. Themes from the interviews conducted with leadership
 - ii. Methodology undertaken in conducting job evaluations and competitive compensation analyses
 - iii. Detailed findings of job evaluations
 - iv. Job level matrix
 - v. Internal equity analysis
 - vi. Grade and salary structure based on outcomes of market assessments
 - vii. Costing analysis
 - viii. Guidelines on how to communicate the new structure and plan to managers and employees, and other stakeholders
- b. This report will be reviewed with management, and revisions will be conducted according to feedback from the City.
- c. Hay Group will present the results of the report and full analysis to management and City leadership.
- d. If requested, KFHG will also be available for union negotiation sessions, but this will be charged at our standard hourly rates.

Deliverables

Based on each phase outlines above, Hay Group will provide the following deliverables by phase:

Phase	Deliverables
I. Interviews and Data Collection	<ul style="list-style-type: none"> • Detailed project plan • Data request • Kick-off meeting
II. Job Evaluation	<ul style="list-style-type: none"> • Full line job evaluations delivered in JEM Lite • Job Level Matrix • Call/Meeting to review the results of the evaluations
III. Internal Equity Analysis & Salary Structure	<ul style="list-style-type: none"> • Internal equity analysis • Grade and Salary Structures

Development	<ul style="list-style-type: none"> • Costing Analysis
IV. Reporting and Recommendations	<ul style="list-style-type: none"> • Draft report • Final report and presentation to management

THIS AGREEMENT DOES NOT INCLUDE AN INTELLECTUAL PROPERTY LICENSE TO HAY GROUP'S INTELLECTUAL PROPERTY. USE OF HAY GROUP'S INTELLECTUAL PROPERTY REQUIRES THE EXECUTION OF A SEPARATE INTELLECTUAL PROPERTY LICENSE AGREEMENT.

Dates

The engagement is anticipated to be completed no later than April 30, 2017, allowing time for revisions or additional conversations. This Letter of Engagement will remain valid for 60 days following actual delivery of the final report.

Professional Fees and Expenses

- The professional fees for the Services contained within are \$90,000 (represents a 10% discount from standard rates). The breakdown of this fee is as follows:
 - a. Phase I: 20%
 - b. Phase2: 30%
 - c. Phase 3: 40%
 - d. Phase 4: 10%
- All professional fees are non-contingent and non-refundable unless specifically stated otherwise in this Agreement. Professional fees will be billed 50% upon execution of this agreement, 30% upon completion of Phase 2, and 20% upon delivering the final report.
- Direct out-of-pocket expenses including travel, lodging, and video-conferencing, are included in the professional fees listed above.
- Hay Group assesses an administrative charge equal to twelve percent (12%) of professional fees. (included in the total price above)

Note: In the current scope of work, our primary interaction will be with the City Manager, HR team and the City leadership. In case you would like to have employee involvement and/or union interaction, the additional scope of work will be charged at the following fees:

1. Setting up a Job Evaluation Committee (JEC) at the City of Sparks:
 - a. 2 day training delivered by Hay Group for up to 12 participants: \$15,000
 - b. On site presence to facilitate JEC sessions: \$6,000 per day (1 consultant)
 - c. Desktop review of evaluations conducted by JEC, with brief rationale: \$250 per role
2. Conducting evaluations over and above the 130 roles: \$400 per role
3. Licensing the Job Evaluation Manager (JEM) tool: this fee will be discussed, depending on the outcome of the current scope of work, should the City feel it is required for future evaluations.
4. Preparation of any communication material and/or any meetings outside the existing scope of work, such as Union discussions: \$6,000 per day (1 consultant). We will need at least 2 weeks advance notice for any Union discussions, to ensure that we are adequately prepared.
5. Any of the aforementioned fees will be mutually agreed between you and us in writing, before we proceed with the work.
6. The payment for the additional scope of work will be 100% upon agreement, and the direct out-of-pocket expenses including travel, lodging, and video-conferencing, will be billed on a monthly basis as incurred.

Billing Information

Invoices will be sent to the following address:

Company:	
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Address:	
Address:	
Attn (Name, Title):	
Email, Phone:	

Accounts Payable Contact:

Company:	
Address:	
Address:	
Attn (Name, Title):	
Email, Phone:	

Purchase Order Number (Check the appropriate box):

- PO Number required on invoice. PO #
- PO Number *not* required on invoice.

ATTACHMENT 2 GENERAL TERMS AND CONDITIONS

1. **Hay Group's Responsibilities.** Hay Group will perform the Services in a competent and professional manner and in accordance with generally acceptable industry standards. Hay Group may remove and replace any of its resources performing the Services; any resource removed will be replaced by a resource of comparable training and experience.
2. **Client's Responsibilities.** Client will timely provide Hay Group with the documentation, information, access to its personnel and the cooperation Hay Group reasonably requires to provide the Services. Client will not use the Services, New Materials, or Hay Group Materials (defined below) as the sole source for any employment action relating to any of its employees or candidates.
3. **Taxes.**
 - a. Client will be responsible for all applicable taxes (excluding taxes imposed on Hay Group's net income) imposed by any taxing or governmental authority, whether designated as value-added (VAT), sales, use, or other similar taxes, including any penalties or interest thereon (together "**Transaction Taxes**") now in effect or hereafter imposed or based upon or resulting from the fees arising pursuant to this Agreement. If Client is exempt from Transaction Taxes, Client must inform Hay Group of its exemption and provide to Hay Group complete and proper documentation evidencing the exemption.
 - b. If Client is required by applicable law to deduct or withhold taxes from any payment due to Hay Group, Client will: (i) withhold the legally required amount from payment; (ii) remit the withheld tax to the applicable taxing authority; and (iii) within sixty (60) days of payment, deliver to Hay Group original documentation or a certified copy evidencing remittance of withheld tax. If Client does not provide evidence of payment of withheld taxes, Client will reimburse Hay Group for the tax withheld from payment to Hay Group. Client will comply with all applicable law, including income tax treaties and protocols, in determining the amount of tax to withhold.
4. **Representations and Warranties.** Each party represents and warrants that: (a) it is duly organized and validly existing under the laws of the jurisdiction of its incorporation or organization, and has full power and authority to perform all of its obligations under this Agreement; (b) the person executing this Agreement on its behalf is duly authorized and empowered to bind the party to this Agreement; and (c) it will comply with all applicable laws in connection with this Agreement. HAY GROUP DISCLAIMS ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

5. Intellectual Property.

a. 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 5.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.

b. The performance of the Services and creation of the New Materials will require the use of Hay Group’s materials and 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. 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. Consultant understands that City is subject to the provisions of NRS 239.010 and similar federal statutes with respect to “requests for information” made by the general public, as required by law. As such, the City may have the duty to disclose the Consultant’s reports or recommendations. This will occur without notice to the consultant as requests may be made.

c. 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.

6. Confidential Information.

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 Section. 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.

7. Raw Data. Hay Group will not disclose to Client the raw data, including personal information, Hay Group collects in providing the Services, and upon which the New Materials will be based (the “Raw Data”). Hay Group will use Raw Data to provide the Services and as specified in this Agreement. Raw Data will be handled and used in accordance with Hay Group’s Global Privacy Policy, which is available on Hay Group’s website and incorporated into this Agreement by reference. Hay Group may archive and use the Raw Data for research, studies, development, benchmarking, statistics, analytics, and to develop, improve, and enhance Hay Group’s products and services.

8. Indemnification. 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 litigation expenses) 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 (b) Hay Group’s use of Client Materials.

9. 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 BY CLIENT TO HAY GROUP UNDER THIS AGREEMENT. THIS SECTION APPLIES REGARDLESS OF THE LEGAL THEORY ASSERTED AND EVEN IF THE PARTY KNOWS THAT THESE DAMAGES MIGHT OCCUR.

10. Assignment. Neither party may sell, assign, or transfer this Agreement, without the other party’s written consent, except no consent is required if the assignment: (a) results from the assignor’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. Subject to the foregoing, this Agreement will inure to the benefit of and will be binding upon Hay Group, Client and their respective successors and permitted assigns.

11. Governing Law. This Agreement will in all respects be governed by and construed in accordance with the laws of Washoe County, Nevada, excluding any choice of law provisions and without effect to principles of conflicts of law, regardless of the place of making or performance. The parties disclaim the applicability of the United Nations’ Convention on the International Sale of Goods.

12. Non Waiver. Neither party’s failure at any time to enforce any of the provisions of, or any right or remedy available to it under, this Agreement or at law or in equity, or to exercise any option provided, will constitute a waiver of that provision, right, remedy or option or in any way affect the validity of this Agreement. Either party’s waiver of any default by either party will not be deemed a continuing waiver, but will apply solely to the instance to which that waiver is directed.

13. Severability; Interpretation. Every provision of this Agreement will be construed, to the extent possible, to be valid and enforceable. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable, that provision will be deemed severed from this Agreement, and all other provisions will remain in full force and effect.

14. No Third Party Beneficiary Rights. This Agreement is not intended to be for the benefit of any person other than Client and Hay Group. No other person, including any candidates or prospective candidates, will be considered third party beneficiaries of, or otherwise entitled to, any rights or benefits arising in connection with this Agreement.

15. Force Majeure. With the exception of a party’s obligation to make payments properly due to the other party, neither party will be considered in default as a result of its delay or failure to perform its obligations under this Agreement when the delay or failure arises out of causes beyond that party’s reasonable control. Causes may include acts of God or a public enemy, acts of the state or the government in its sovereign or contractual capacity, fires, floods, epidemics, strikes, and unusually severe weather; in every case, delay or failure to perform must be beyond the reasonable control of and without the fault or negligence of the party claiming a force majeure event to excuse its performance.

16. Entire Agreement; Conflicts. This Agreement contains the entire agreement between the parties regarding the subject matter hereof and supersedes any prior representations, advertisements,

statements, proposals, negotiations, discussions, understandings, or agreements regarding the same subject matter. The parties will not be bound by any representation, promise, or condition not expressly set forth in this Agreement, including any provision contained in any Client purchase order. Client has not been induced to enter into this Agreement by any representations or statements, oral or written, not expressly contained in this Agreement. This Agreement may not be modified or amended except by a writing signed by the party against whom the same is sought to be enforced.

17. Miscellaneous. No provision of this Agreement will be construed against or interpreted to the disadvantage of any party because that party has or is deemed to have drafted the provision. All section headings and captions are for the parties' convenience only, are not part of the text, and will not be deemed in any way to limit or affect the meaning of this Agreement. When used in this Agreement, "including" means "including without limitation." This Agreement may be executed in any number of counterpart copies, each of which will be deemed an original, but which taken together constitute a single instrument. Except as expressly provided in this Agreement, all remedies available to either party for breach of this Agreement or at law or in equity are cumulative and may be exercised concurrently or separately. Those sections of this Agreement that are intended by their nature to survive termination or expiration of this Agreement will survive.