

**EXHIBIT 1**  
**LAKE HAVASU CITY PROFESSIONAL SERVICES CONTRACT**  
**CONTRACT NO.: 20-3162**  
**STATEMENT OF WORK**

1. Contractor will conduct a comprehensive classification and compensation study and analysis for the City's approximately 154 job titles (approximately 451 employees). Contractor will assist the City in the review and analysis of the current job classification and compensation system, conducting a comprehensive market survey, evaluating internal equity and recommendations for improvements to the existing system or development of a new system which meets the goals established by the City. The proposed system will be understandable and explainable to administration, elected officials, employees and citizens and can be maintained by the City. The system will allow the City to recruit and retain quality, qualified employees and will be competitive with comparable organizations. The system developed by Contractor will:
  - a. Establish fair and equitable compensation relationships between positions within the City.
  - b. Reflect relevant market conditions outside the organization.
  - c. Apply to all City positions professionally, consistently and objectively.
  - d. Include employee input and participation as an integral part of the study process.
  - e. Provide a strategic plan for implementation and ongoing maintenance in accordance with best practices.
2. **The services or work to be provided by Contractor include:**
  - a. Meetings conducted with administration, department directors and other relevant staff to gain an understanding of the needs and expectations of the City and to collect information on the City and department structure, operations and staffing.
  - b. Conduct employee orientation meetings; employees and supervisors complete Position Analysis Questionnaires (PAQs).
  - c. Analyze and develop/update job descriptions.
  - d. Evaluate positions to determine internal comparability of City positions.
  - e. Determine FLSA status of City positions.
  - f. Develop and conduct a comprehensive salary and benefits survey of comparable organizations selected in conjunction with the City. Contractor shall request survey information directly from the selected participants. Contractor shall not rely on published survey information for public sector participants; this information may be used to supplement information collected directly from the selected survey participants. Contractor shall use a variety of resources to collect relevant private sector information. Summaries of City positions shall be included in the survey instrument to ensure comparability of positions.
  - g. Recommendations for revisions to the City's current compensation plan, including options for implementation based on the City's financial resources that will enable the City to recruit and retain qualified employees, is competitive in the established market, eliminates compression and ensures fair and equitable internal compensation of City positions
  - h. A manual and training of key City employees on maintaining the classification and job evaluation system and the compensation plan, how to place new positions within the classification, evaluation and compensation system and how to ensure the system remains internally equitable and competitive with the City's established market.
  - i. Presentation of study findings and final report to the City.
  - j. Develop a customized performance management and evaluation system including performance evaluation forms (electronic) for each position, manual and training for supervisory and non-supervisory personnel.
3. **Contractor's guiding principle approach:**

- a. Contractor's manner in which to approach this project shall take into consideration two key variables: process credibility and outcome credibility. Process credibility is the realization to all involved, in particular City staff, that the methodology used is credible, reasonable and fair to all concerned. In addition, the information and communication must be transparent, honest and timely. Outcome credibility is the realization that the information and data used to develop the findings and conclusions is comprehensive, complete and applied consistently and appropriately without bias or preference to any particular person, persons or individual agenda. If these two objectives are realized, the recommendations, outcomes and future implementation are based on a strong foundation.
  - b. Classification and compensation studies should include employee involvement and promote transparency to ensure that, at the commencement of the project, ambassadors are created who will build confidence in the process at all levels in the organization.
  - c. As the classification and compensation systems are the foundation of all other human resources (HR) programs, they must be strategically structured to achieve City HR and operational goals.
  - d. Position classification should be a defensible process. The assignment of positions into pay grades should be based on a quantifiable system of job evaluation.
  - e. Compensation surveys should include relevant benchmark organizations. Who does the City compete with for talent? Are the demographic characteristics similar? Is there consistency in the services provided? What is the appropriate competitive position?
  - f. Adhering to these principles will ensure the Positional Analysis and Compensation Study meets its stated goals and best practices, is objective and has the most support during and after implementation.
4. **Contractor's project approach** shall be developed to include employee and management involvement and communication as directed by Lake Havasu City.
- a. **Project initiation**
    - i. The Contractor Project Director shall meet with the designated City staff and appropriate officials to establish working relationships and to finalize a comprehensive work plan and timetable. At these meetings Contractor will request that the designated project representative provide Contractor with the background materials necessary to conduct this study, including current job descriptions, classification and compensation documents, a copy of each labor agreement currently in effect (if applicable), the City's personnel policies, fringe benefit information and other relevant data. This information will be evaluated to determine the status of existing human resource management programs and to identify apparent issues and opportunities. The purpose of the meeting(s) is to:
      - 1. Introduce the Project Director and the consulting team
      - 2. Discuss the background and experience of Contractor and the consulting team
      - 3. Discuss, in detail, the methodology to be used in conducting the study, the role of the consulting team, management and the employees, and the amount and type of employee participation
      - 4. Ascertain the major issues the City wants the study to address
      - 5. Review the project schedule and determine significant milestones
      - 6. Determine the frequency and content of status reports
      - 7. Discuss methods of communicating the status of the study to employees
    - ii. Contractor will also meet with department directors to discuss their responsibilities throughout the study and answer questions. In order to become familiar with department structure and service levels, hiring and retention issues, any concerns with the current compensation plan and any other issues that may need to be addressed during the study, each department director will be asked to complete a questionnaire.
  - b. **Data collection**
    - i. Success in a classification and compensation review requires meaningful employee involvement and transparency, employees play a major role in providing the data needed for this study. Therefore, it is imperative that employees receive information about the study and why it is being conducted, be given opportunities for employee involvement

throughout the process, learn the expected outcomes, as well as have the opportunity to ask questions and express concerns.

- ii. Contractor will conduct employee informational meetings to introduce the study, explain study procedures and answer any questions employees may have about the process. These meetings will be scheduled and conducted to ensure that all employees have the opportunity to attend and so as not to disrupt operations.
- iii. Contractor will introduce the Position Analysis Questionnaire (PAQ) at this time. The questionnaire provides an opportunity for each employee to provide input on essential job functions, education, training, certifications, licenses and experience requirements of the position and provide input on the various job factors which apply to their position. Employees will also identify the specific physical requirements and working conditions of their position to assist in the Contractor's review for compliance with the Americans with Disabilities Act (ADA). Contractor will spend time at the meeting reviewing the PAQ and responding to employee questions. The information gathered from the PAQs will provide the information to be used to assist in updating the City's job descriptions, during the job evaluation process and to assist in the collection and analysis of wage data from comparable organizations. Contractor will also review each position's designation under the Federal Fair Labor Standards Act (FLSA).
- iv. The Contractor's user-friendly and online PAQ shall be provided to any employee who is comfortable using a smartphone, tablet or computer. Contractor shall accommodate a subsection of employees with handwritten hardcopies when necessary. During the informational meeting(s), Contractor shall explain the supervisors' roles in completing and signing off on the PAQs. The questionnaire shall be designed to allow supervisors to comment on employee responses without altering employee responses. This is to allow the Contractor to review complete, unedited responses from employees and supervisors. In instances where the employee and supervisor view the position requirements differently, Contractor will conduct job audits (as necessary) to obtain more information. Audits will be scheduled to minimize disruption to City operations. If necessary, meetings can be scheduled at the beginning or end of a shift to facilitate employee attendance.
- v. The Contractor's PAQ shall be the same as or similar to the documentation provided in Contractor's proposal designated as Appendix I.

**c. Job evaluation and development of pay plan**

- i. In order to determine appropriate salary levels of positions in the workforce and address the issue of comparable compensation, Contractor will conduct an extensive salary and benefits survey to compare City positions with analogous positions in other comparable agencies in the area labor market. By gathering and analyzing information on wages, wage equivalents and benefits, a comparison of total compensation can be reviewed in comparison to the City's established market area. External market comparisons for positions will be based on similar organizational structure, population, geographic location, job responsibilities, scope of authority, financial, socio-economic, growth and other relevant factors. The Contractor's study team shall consult with the City management and designated staff in identifying the appropriate sources of survey data, which will include public and private sector organizations. Contractor will develop the salary survey in conjunction with the City.
- ii. The Contractor's consulting team will work closely with the City staff in determining the appropriate labor market for positions.
- iii. As proposed in the Contractor's proposal, a job evaluation system known as Systematic Analysis and Factor Evaluation (SAFE®) system shall be the method used to measure job factors which apply specifically to local government. As proposed, the nine (9) elements considered in determining the relative value of classifications are:
  - 1. Training and Ability – Supervision Exercised
  - 2. Level of Work – Human Relations Skills
  - 3. Physical Demands – Working Conditions/Hazards
  - 4. Experience Required – Impact on End Results
  - 5. Independence of Actions
- iv. If the City decides to maintain this system. Contractor shall provide training to individuals assigned by the City to this task on utilizing the SAFE® system to evaluate newly created positions and re-evaluate revised positions.
- v. Based on the wage and benefits data analysis and the job evaluation system, Contractor will develop a recommended compensation plan. The plan will be developed in accordance with information obtained from the City regarding its pay philosophy as well as

goals and objectives established for its compensation program, including the option for a performance based component. In the development of the proposed compensation plan, Contractor will attempt to equal the market rate for all positions and identify any deviations from the market rate in writing in the Final Report prepared for the City. Contractor will review options with the City to address compensation plan structure, the spread for pay ranges, the relationship between ranges and adjustments needed to ensure that the City remains competitive with the labor market.

**d. Development of the City's compensation policy**

- i. Contractor, with input from key City staff, shall design a compensation system that answers key questions regarding pay strategy, explains the compensation program's goals and how the program supports the City's long-range strategic goals.
- ii. The Contractor's pay philosophy recommendation shall address market competitiveness and internal equity. Internal equity shall express the City's desire to provide comparable pay to positions with comparable duties and responsibilities. The Contractor shall address the City's desired market position, defining the market and identifying where the City wants to be positioned within that market. Market position should balance what it takes to attract new employees and retain skilled employees (in other words, eliminate higher pay as the reason employees leave the organization) with the organization's financial resources.
- iii. Contractor shall develop a pay philosophy that establishes a compensation program based on individual employee performance as a key feature of the pay philosophy. Therefore, references to performance in the pay philosophy shall be discussed. As part of the study, the City may consider these concepts in the adoption of a formal pay philosophy:
  1. Providing fair and equitable rates of pay to employees
  2. Defining the City's market area
  3. Developing a system that establishes a "market rate" for each position and states the minimum wage and maximum rates that the City will pay individuals within a position
  4. Establishing rates of pay that allows the City to compete successfully for new employees within its market area
  5. Establishing a market position that is fiscally responsible with public resources
  6. Ensuring that pay rates for existing employees are based on individual performance that meets or exceeds expectations and reflects changing economic conditions
  7. Developing a compensation system that allows employees to progress through the pay range as long as their performance consistently meets expectations
  8. Developing pay administration policies and procedures that ensure their consistent application between departments
  9. Ensuring that the compensation program is understandable to employees, supervisors, managers, the City officials and the public

**e. Employee communications**

- i. Contractor will develop a communications strategy to inform employees of job evaluation and pay grade assignments. Employee communications shall be developed explaining the study methodology, employee input opportunities, study recommendations and the process used for reviewing requests for reconsideration by employees who do not agree with the assigned classification. The Contractor will participate in the review of employee requests for reconsideration.

**f. Implementation strategy**

- i. At the conclusion of the study, Contractor will work with the staff in developing a plan for implementing the study recommendations. The plan will coincide with the needs of the City and the employees while maintaining the City's financial integrity. An estimate of the cost of implementation shall be provided.

**g. Staff training**

- i. At the conclusion of the study, Contractor will train members of the City staff in the methodology used to develop, maintain and update all aspects of the classification and compensation plan and how to determine the validity of requests for reclassification. The training program will include the rating, ranking and salary grade assignments of positions. Instruction manuals pertaining to the job evaluation system will be prepared and presented. The Contractor team will remain available to the City staff for additional consultation after the study has been completed.

**h. Final report**

- i. The final report shall be a document that contains the following:
    - 1. Detailed study methodology
    - 2. Discussion of the consulting team's findings, conclusions and recommendations regarding employee classification, salary structure, compensation philosophy, fringe benefits, compensation plan, estimated cost and implementation plan
    - 3. List of positions and the assignment of each to the compensation plan
    - 4. FLSA Status recommendations for all positions
    - 5. Salary and benefits survey results
    - 6. Job evaluation factor analysis for each position
- i. **Post contract maintenance**
  - i. The City may request Contractor provide ongoing assistance after completion of a classification and compensation study. Post-contract maintenance services include assisting the City with assignment of positions to the classification plan, determining the FLSA status of a new or revised position and conducting job evaluations for reclassification requests and new positions created by the City.
- j. **Performance management system**
  - i. Contractor will develop a performance management system to evaluate annual performance of individual employees. The instrument will incorporate a grading or "point" system for supervisors to evaluate each employee's annual performance. The instrument will focus upon each employee's performance in areas such as: essential job responsibilities, other performance factors including professionalism, efficiency, productivity, public/customer relations, etc., mutually established goals, which can include individual, department or organization wide goals, as well as training and development goals for individual employees. The evaluation may include other factors/categories as determined in discussions with the City. The evaluation system will be customized for the City based on specific criteria and for each position within the organization. The form to be completed electronically, with points calculated automatically.
  - ii. Contractor will conduct training for supervisors and employees on the merits of performance evaluations, employee participation in the process and how to conduct the performance evaluations. Instruction manuals will be developed for use by supervisors.
  - iii. A merit pay system will be developed to determine employee movement through the wage schedule based on individual employee performance.
- k. **Timeline**
  - i. Contractor shall initiate the study within three (3) weeks after receiving the official notice to proceed and shall complete the study within six (6) months. The proposed detailed project schedule is provided in Figure 1 below.
  - ii. The Contractor's proposed time frame is contingent upon timely decisions, the receipt of requested data, and the timely receipt of feedback and comments on the submitted preliminary data.
  - iii. All reference to Baker Tilly in the proposed time schedule, Figure 1, herein shall represent the same meaning as Contractor.

**Figure 1**

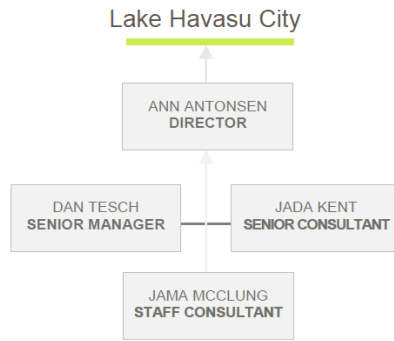
Lake Havasu City Positional Analysis and Compensation Study	
Activity	Target Date
– Authorization to proceed	July 9 2019
– THE CITY completes initial data request	July 23, 2019
– Initial planning meeting ( <i>onsite</i> ), executive briefing, and employee communications	Week of July 29
– Electronic PAQ distributed	Week of July 29
– PAQ due to next-level supervisor for review	August 16, 2019
– Completed PAQs due to Baker Tilly	August 30, 2019
– Baker Tilly submits salary, benefits and pay practices survey for the City approval	September 20, 2019
– The City approval of salary, benefits and pay practices survey	September 27, 2019
– Baker Tilly distributes salary, benefits and pay practices survey to benchmark organizations	October 4, 2019
– Total compensation survey deadline	October 25, 2019
– Baker Tilly prepares draft salary structures and compiled salary survey results	November 15, 2019
– Baker Tilly prepares modified salary structures (as necessary) and approximate implementation costs	November 29, 2019
– Baker Tilly submits final report and works with the City to schedule final report presentation	December 13, 2019
– Baker Tilly prepares performance management system and forms	First part of January, 2020
– Baker Tilly conducts training for employees and supervisors on new performance system	End of January, 2020

**I. Key Personnel**

- i. Contractor appoints the following individuals identified in Figure 2, Organizational Chart, as its consulting project team in charge of Contractor's performance and execution of the above Statement of Work. Contractor has these individuals identified within their proposal and City evaluated Contractor's proposal based on the qualifications and experience of this consulting project team. Therefore, the City considers this consulting project team to be essential to the successful performance of the work herein.
- ii. If one or more of the key personnel, for whatever reason, becomes, or is expected to become, unavailable for work under this Contract for a continuous period exceeding 30 work days, or is expected to devote substantially less effort to the work than indicated in the proposal or initially anticipated, the Contractor shall immediately notify the City's project representative and shall promptly replace the personnel with personnel of at least substantially equal ability and qualifications.
- iii. Each request for approval of substitutions must be in writing and contain a detailed explanation of the circumstances necessitating the proposed substitutions. The request must also contain a complete resume for the proposed substitute and other information requested or needed by the City to evaluate the proposed substitution. The City shall evaluate the Contractor's request and the City shall promptly notify the Contractor of the City's in writing.
- i. If the City determines that suitable and timely replacement of key personnel who have been reassigned, terminated, or have otherwise become unavailable for the work is not reasonably forthcoming, or that the resultant reduction of productive effort would be so substantial as to impair the successful completion of the Contract work, the Contract may be terminated by the City for default or for the convenience of the City, as appropriate. If the City finds the Contractor at fault for the condition, the Contract price or fixed fee may be equitably adjusted downward to compensate the City for any resultant delay, loss, or damage.

**Figure 2**

#### Organizational chart



## 5. Price

### a. Professional fee

- i. Contractor will perform all the tasks delineated as described in this Exhibit 1, Statement of Work, for a professional not to exceed fee of \$75,000 for the Position Analysis and Compensation study and \$16,500 for the performance management and evaluation system, including expenses for a total amount of \$91,500.
- ii. This fee is based on 154 positions (encompassing 451 employees), up to five employee orientation sessions, one meeting with the City Council (for final presentation), development of the performance management and evaluation system and training for staff, as well as required meetings with administration and three implementation options and associated Work outlined in this Exhibit 1, Statement of Work.
- iii. This includes a maximum of four (4) on-site visits.

### b. City shall pay Contractor on the following basis:

- i. City shall make payment to Contractor within thirty (30) days from the time of invoice, provided the Contractor submits an invoice that meets the City's accounting level standards pursuant to City requirements.
- ii. Contractor will invoice the City for work completed based on the following schedule in Figure 3:

Figure 3

Time of Invoice	Percentage Invoiced	Cumulative Percentage
Completion of Project Initiation (or Employee Orientation)	25%	25%
Completion of Position Analysis Questionnaires	25%	50%
Completion of Draft Pay Structure(s) or Pay Structure Updates	40%	90%
Completion of Final Report	10%	100%

- iii. Invoice process will continue until project is completed and accepted. Combined invoice amounts shall not exceed the maximum payment pursuant to Professional fee, paragraph 5.a.i. listed above.
- iv. Invoices for all deliverables shall be submitted to:

Lake Havasu City  
[AccountsPayable@lhcaz.gov](mailto:AccountsPayable@lhcaz.gov)  
or  
Accounts Payable  
2330 McCulloch Boulevard N.  
Lake Havasu City, AZ 86403

## 6. Additional work

- a. Should Lake Havasu City request and authorize additional work, Consultant would invoice the City at an agreed upon fee or Consultant's standard hourly fees, Figure 4. Additional Implementation Plans will be billed at a cost of \$750/plan. In addition, Consultant would charge, at cost with no mark-up, for any related out-of-pocket expenses.

**Figure 4**

Title	Hourly Rate
Principal & Senior Officer	\$260
Senior Professional Staff	\$215
Professional Staff	\$160
HR Analyst/Project Coordinator	\$100
Associates	\$75

- b. Additional work would include work outside the Statement of Work as agreed to including, but not limited to:
  - i. Additional position descriptions
  - ii. Additional job audits
  - iii. Additional on-site meetings
  - iv. Additional reports
  - v. Work related to a special request
- 7. **Additional Expenses:** City will pay expenses for additional work on the following terms and conditions:
  - a. All Contract-related travel plans and arrangements shall be prior-approved by the City.
  - b. Lodging, per diem and incidental expense incurred in performance of City subsequent statement of work shall be reimbursed based on current H.S. General Services Administration (GSA) domestic per diem rates for Phoenix, Arizona. Contractor must access the following internet site to determine rates (no exceptions): [www.gsa.gov](http://www.gsa.gov)
  - c. Commercial air travel shall be reimbursed as follows:
    - i. Coach airfare will be reimbursed by the City. Business class airfare may be allowed only when preapproved in writing by the City's project representative as a result of the business need of the City when there is no lower fare available.
    - ii. The lowest direct flight airfare rate from the Contractor's assigned duty post (pre-defined at the time of finalizing the subsequent statement of work) will be reimbursed.
    - iii. The City will not (under no circumstances) reimburse for Contractor guest commercial air travel.
  - d. Contractor is responsible for all costs not directly related to the travel except those that have been pre-approved by the City's project representative. These costs include (but not limited to) the following: in-room movies, valet service, valet parking, laundry service, costs associated with storing luggage at a hotel, fuel costs associated with non-City activities, tips that exceed the per diem allowance, health club fees, and entertainment costs. Claims for unauthorized travel expenses will not be honored and are not reimbursable.
- 8. **Notice of intent to renew or extend** will be given to the Contractor in writing by a purchasing representative approximately fifteen (15) days prior to expiration of the current Contract. (This notice shall not be deemed to commit the City to a Contract renewal.)

**END OF EXHIBIT 1, STATEMENT OF WORK**