Vadnais Lake Area Water Management Organization

Compensation Refresh

October 10, 2023

Mr. Ronnie Charles, SPHR, GPHR, IPMA-SCP

National Managing Director & Practice Leader | Public Sector & Higher Education

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Gallagher

Insurance | Risk Management | Consulting

Cover Letter

October 10, 2023

PERSONAL & CONFIDENTIAL

Phil Belfiori
Executive Administrator
Vadnais Lake Area Water Management Organization
800 East Co. Rd. E
Vadnais Heights, MN 55127

Dear Phil:

We appreciate the opportunity to present this proposal regarding services Gallagher's Human Resources & Compensation Consulting practice (Gallagher) is able to offer the Vadnais Lake Area Water Management Organization (VLAWMO). Gallagher is highly capable and qualified to work with VLAWMO based on our extensive experience with Public Sector organizations in Minnesota and throughout the country. We would consider it a privilege to serve VLAWMO in this capacity.

We understand that VLAWMO is requesting a Compensation Refresh. We will provide VLAWMO with the most diversely experienced project team of any consulting practice in the country, which enhances the solutions and recommendations we will provide on this engagement. The questions and perspective provided by our team ensure we anticipate any issues VLAWMO may face throughout this project, as well as the ongoing management of the new compensation system.

We appreciate the opportunity to submit this proposal and look forward to assisting VLAWMO the opportunity to submit this proposal and assist VLAWMO.

Sincerely,

Ronnie Charles, SPHR, GPHR, IPMA-SCP
National Managing Director & Practice Leader
651.234.0848
Ronnie_Charles@ajg.com

Mr. Erik Smetana, MBA, SPHR, SHRM-SCP
Managing Director & Operations Leader
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Organizational Overview

Value Proposition

The ability to deliver comprehensively structured human capital solutions to clients is Gallagher's signature in the marketplace. At Gallagher, we want to know what makes your organization unique. We listen intently to learn about your culture and priorities and delve deeply into all the details that matter when balancing human capital needs with your bottom line. This single-minded focus on excellence — characterized by innovation and creativity — drives every Gallagher engagement.

Company History

Arthur J. Gallagher & Co. opened its doors for business in 1927 and is still "growing strong" because of a practiced ability to help clients think ahead. Founded by its namesake, previously the leading producer for Chicago's largest insurance brokerage, Gallagher is now one of the world's largest human capital, insurance brokerage, and risk management services firms. Headquartered in Rolling Meadows, IL, we have operations in 33 countries and extend our client-service capabilities to more than 90 countries through a global network of correspondent brokers and consultants.

Since 1961, we've been helping clients overcome business barriers and create new opportunities to cost-effectively attract, retain, and productively engage the best performers in their field. Gallagher started trading on the NYSE under the symbol AJG in 1984.

Founded in **1927**

1,200+ Offices Globally

$8.4B Total Adjusted Brokerage & Risk Management Revenues (2022)

43,000+ Employees Worldwide

130+ Countries Served

Global Reach Local Presence
Shared values
Passion of excellence
Promises delivered

2023 WORLD'S MOST ETHICAL COMPANIES® ETHISPHERE 13·TIME HONOREE

World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC. Arthur J. Gallagher & Co. has been recognized as one of the World's Most Ethical Companies" in 2010, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023.

Company Culture and Philosophy

The ideals, principles, and values embodied by the founder whose name still appears on our door are part of our corporate DNA. Gallagher's approach to business, cultivated through three generations of family leadership, has always centered on creating relationship value as true partners to our clients. Gallagher's interactions with you will be straightforward and candid. By earning the trust of our clients, we've sustained a reputation for ethics and a commitment to transparency that continue to contribute to our growth. Gallagher was the first insurance broker named to the Ethisphere® Institute's annual list of the World's Most Ethical Companies in 2012 — and has earned this recognition for thirteen years, through 2023. This is a tremendous achievement: annually, less than 150 companies based in 24 countries and representing 57 industry categories received this honor. Gallagher is the only insurance broker to have ever been recognized.

The high standards of conduct we've set for our external professional relationships are the same rules we follow internally. The Gallagher Way, a one-page document that outlines our 25 shared values, was written in 1984 but is just as culturally relevant today. It speaks to the value of relationships, and several tenets set guidelines for ethical behavior. Gallagher combines innovative solutions, thoughtful advice, and honest business practices to minimize risk and help fuel your success.

#3 OUR TENET
We push for professional excellence.
The Gallagher Way. Since 1927.

Human Resource and Compensation Consulting Practice

Gallagher's Human Resources & Compensation Consulting practice empowers clients to **attract talent, manage staff, develop leaders**, and **reward success**—leveraging the power of Gallagher and wisdom of experience to produce an engaged and productive workforce. Tapping into expertise that spans the spectrum of human resources at every level, we can assemble flexible compensation and consulting solutions that improve efficiency and build bottom lines. Our practice combines some of the most respected names in human resources and compensation consulting. Bringing together experts from compensation, performance, search, survey, and leadership fields, Gallagher empowers clients with tools for the entire lifecycle of employment management.

With an experienced team of consultants in offices across the United States and Canada, our services include: *Physician and APP Services, Executive Search, Engagement Surveys, Human Resources Technology, Leadership Advisors, Research and Insights, Human Resources Consulting, Executive Compensation, Total Compensation and Rewards.*

Public Sector Consulting Practice

Gallagher's public sector & higher education consulting practice includes extensive experience in developing and communicating a compensation philosophy, designing and implementing market-aligned pay structures, and developing job evaluation methods to maintain internal equity. We conduct benchmark analyses, including custom tailored salary surveys (if needed), and recommend appropriate administrative and procedural guidelines to maintain the compensation system. We ensure that our clients are in compliance with applicable laws and regulations, such as the Fair Labor Standards Act (FLSA), the Americans with Disabilities Act (ADA), and Equal Employment Opportunity (EEO) standards and have pay systems that are appropriate for their organization and market strategy.

While we have a broad understanding of human resource systems, our practice primarily **specializes in classification and compensation studies**.

We have a strategic alliance with the Public Sector Human Resources Association (PSHRA), the National Public Employers Labor Relations Association (NPELRA), and the Colleges and Universities Professional Association for Human Resources (CUPA - HR) and have conducted a series of training seminars/workshops on compensation, classification, job evaluation, and employee benefits management throughout the nation in conjunction with these organizations. Gallagher Benefit Services also focuses on the higher education market. Our consultants have demonstrated leadership in the compensation field by serving as instructors and presenters for *WorldatWork* and the PSHRA and attaining the following certifications: Certified Compensation Professional (CCP), SHRM Senior Certified Professional (SHRM-CP/SCP), Professional in Human Resources (PHR) and Senior Professional in Human Resources (SPHR), Human Capital Strategist (HCS), and Strategic Workforce Planning (SWP).

LEADERSHIP

Strategic alliances with industry associations

Industry leadership in training, research, publications, and presentation

Featured PSHRA speakers for over 25 years

Numerous published articles

Our managing directors have decades of experience assisting organizations in classification and compensation issues. Our staff members have experience ranging from 2 to 32 years of similar experience.

In a survey of Gallagher clients served, the independent firm Dun & Bradstreet found that the quality of client services Gallagher delivered exceeded services delivered by 90 other competing firms, including many large national firms. (The factors rated included cost, timeliness, quality, responsiveness to problems, technical support, quantity delivered verses quantity requested, and the attitude of personnel).. We have published articles in the American City and County, Public Management, Corporate Report Ventures, Corporate Board Member, TalentCulture, PSHRA News, and Benefits Planner focused on compensation, classification, and strategic HR.

Key Personnel

Gallagher fosters a commitment to excellence, professionalism, integrity, collaboration, and urgency to each of our clients. With each unique client, Gallagher combines these principles to deliver client services customized, specifically to meet your needs. Your Gallagher consulting team has years of experience consulting with public sector clients, including public employers, with a significantly diverse employee workforce. Each member of Gallagher's public sector compensation consulting practice has achieved one or more of the following certifications and degrees, and more:

- Certified Compensation Professional from *WorldatWork*
- IPMA-SCP from the Public Sector Human Resources Association
- SPHR from the Human Resources Certification Institute
- SHRM-SCP from the Society for Human Resource Management
- Master's degree or above, in Human Resources, Business Administration, and Organizational Psychology

PROJECT ADVISORS

RONNIE CHARLES, SPHR, GPHR, IPMA-SCP - National Managing Director - *30 years of experience*
Ronnie leads Gallagher's public sector Human Resources & Compensation Consulting practice. Ronnie has over 30 years of Public Sector HR experience, including Chief Human Resources Officer (CHRO) experience, most recently in the City of Baltimore, with additional professional stints in the District of Columbia, the State of Virginia, and the City of Suffolk, Virginia. Ronnie has a Bachelor's Degree in Management from Saint Paul's College. Ronnie is a member of several professional organizations, including the International Public Management Association for Human Resources (IPMA-HR), and is a past chair of the International IPMA-HR Professional Development Committee. In addition, Ronnie is a past Chair of the Human Resources Institute (HRCI). He brings vast experience in domestic U.S. and Global HR compensation practices.

ERIK HENRY-SMETANA, MBA, SHRM-SCP, SPHR, Managing Director - *20 years of experience*
Erik's 20-plus-year work history has led him to serve in various diverse roles across human resource management, particularly in compensation and benefits, talent management and organizational development, people analytics, and employee relations and policy development. Erik has extensive experience in private and public sectors, working with an eclectic mix of dynamic organizations, including Fortune 500 companies across multiple industries, international not-for-profit organizations, membership associations, media outlets (e.g., NPR and NBC affiliates), institutions of higher education and research, and others. Before joining Gallagher, he served as the enterprise-wide Deputy CHRO with the University of Missouri System and Vanderbilt University as the Executive Director of People & Engagement, leading, designing, and implementing compensation and people-focused programs and initiatives.

PROJECT LEADERSHIP SUPPORT

BEVERLY MOULTRIE, SPHR, IMPA-SCP - Principal Consultant - *25 years of experience*
Beverly has over 25 years of professional human resources experience in all facets of HR Operations including Talent Acquisition, Compensation, Benefits, Employee & Labor Relations, Diversity Equity & Inclusion, Talent Development and Safety & Health. Beverly also brings a wide range of expertise working with large, mid-sized, and start-up organizations (both public and private) in government, higher education, healthcare, manufacturing, non-profit and service environments. Beverly is particularly adept at managing complex projects and has led the adoption of employee relation strategies and human resource systems where no prior system existed. Her experience also includes a progressive career in HR leadership roles as a Senior HR Leader and Corporate Diversity & Inclusion Manager for Fortune 500 companies. Additionally, Beverly has served as the CHRO for the City of Chattanooga, where she launched the strategic development of the City's equity & inclusion work with the Government Alliance on Race and Equity. Beverley has a master's degree in business with an emphasis on organization development and is a certified senior human resource professional.

TED JAEGER, Senior Consultant - *25 years of experience*
Ted has more than 25 years of leadership, consulting and HR Outsourcing experience in compensation program management at large, publicly traded corporations (Coca-Cola, Accenture, E*TRADE Financial, ADP) and in higher education (Clemson & Emory Universities). Areas of specialty include job architecture/design, job evaluation, market pricing, internal/external equity reviews, project management, stock plan/executive compensation, and compensation systems implementations. He holds an MBA from Georgia State University, a BBA from The University of Georgia.

DEREK SMITH, PhD, Senior Consultant - *15 years of experience*

Prior to joining Gallagher, Derek served as the National Executive Director of the Higher Education Recruitment Consortium and as a part-time consultant with Sawgrass Consulting, following more than 15+ years in higher education leadership roles at places like UNLV, Kansas State University, the University of Missouri System and the University of Pittsburgh. Derek has a Bachelor's degree in History, a Master's of Science, a Master's of Business Administration, and a PhD in Public Policy and Leadership. He has earned professional certifications with the Human Resources Certification Institute (PHR), the Society for Human Resource Management (SHRM-CP), and the Korn Ferry Leadership Architect.

LARRY ROBERTSON, Senior Consultant - *26 years of experience*

Larry's 27-plus-year work history includes a variety of roles that included compensation, human resources information systems, and recruiting as well as serving in a primary leadership role as acting vice president for human resources for several months. Larry has experience in both private and public sectors, working in a manufacturing environment before moving to higher education for the 21 years prior to coming to Gallagher. He has previously earned professional certifications with the Human Resources Certification Institute (PHR and SPHR). He has been actively involved in CUPA-HR on chapter, regional, and national boards. He is a 2022 CUPA-HR Distinguished Service Award Recipient.

SHARI FALLON, PHR, SHRM-CP - Senior Consultant - *24 years of experience*

Prior to joining Gallagher, Shari worked for Cornell University as a Senior Compensation & Workforce Analytics Consultant for 24 years. In her role at Cornell University, Shari was responsible for providing expertise and consultation to campus constituents and resolving conflicts among functional areas to support best practice standards. She developed and designed the institutional foundation for assessing, delivering, and applying workforce planning analytics, advancing HR interests and shared responsibility in the consistency of practice across recruiting, compensation, staffing patterns, performance management, training, and transaction processing. Prior to Cornell, she worked in Human Resources for Retail and Health organizations. Shari has a Bachelor's Degree in Political Science/History from the College of St. Rose in Albany, NY, and is certified as a Professional in Human Resources from the Society of Human Resource Management.

ALLEN JOHANNING, Senior Consultant - *15 years of experience*

Allen has nearly 15 years of experience, working in compensation, people analytics, and workforce development and assessment within various healthcare organizations and higher education university systems. Allen began his career focusing on HR Information Systems, Workforce Development, Compensation and Process Improvement in the healthcare industry, working for a large university hospital health system as well as a standalone hospital that was part of one of the state's largest health system. He then transitioned to the University of Missouri System, which is comprised of four Universities and a health system, spread across the state. In his almost 10 years with the University of Missouri System, he held various individual contributor and leadership roles, spending the final 6 years as the Director of Compensation and HR Analytics. Allen received his Bachelor's degree in Business Administration from the University of Missouri-Columbia. He also has previously earned certifications with the Human Resources Certification Institute (Professional in Human Resources) and the Human Capital Institute (Strategic Workforce Planning).

PROJECT STAFF SUPPORT

AMINA SHAH, PHR, MPA, Consultant - *6 years of experience*

Amina provides job classification and evaluation, pay equity, market research analysis, and related consulting and advisory services on a wide range of compensation projects. Prior to joining Gallagher, Amina worked in the public sector as Compensation Consultant. She has experience in comprehensive classification and compensation studies based on market benchmarks and trends. She has also served a key role in implementing innovative solutions including career ladder programs and supplemental incentive pay plans.

JAIME PARKER, Consultant - *15 years of experience*

Jaime has 15 years of experience in Higher Education with 7.5 of those years in compensation and organizational effectiveness. Prior to joining Gallagher, she worked at Kansas State University in Human Capital Services, and also in the Office of Institutional Effectiveness. Before her career in Higher Education, Jaime worked in the Banking Industry as a Banking Center Manager and Customer Service Manager. Jaime is a graduate of Kansas State University with a bachelor's degree in Accounting.

LUCILLE ZHANG, Consultant - *2 years of experience*
Lucille has experience in the areas of compensation, talent management, training, and people analytics. Prior to joining Gallagher, Lucille served as a Compensation Analyst at Novelis, where she provided expertise in the administration and implementation of compensation programs. She also has worked at Willis Towers Watson to support clients across industries on executive compensation. Lucille earned a Bachelor's Degree in Psychology from Lafayette College and a Master's Degree in Industrial and Organizational Psychology from New York University.

CHARMAIN KOHLER – Consultant - *10 years of experience*
Charmain has over 25 years of human resources experience in a variety of roles and industries. She has a Bachelor's degree in Business Administration with a concentration in Management from Saginaw Valley State University. Prior to joining Gallagher, she was the Senior Compensation Analyst at Numotion and at Saginaw Chippewa Indian Tribe of Michigan. Her professional experience also includes 10 years as a Human Resources Consultant in higher education.

TRACY MORRIS – Consultant - *7 years of experience*
Tracy has 7 years of experience working in public sector HR and compensation consulting. Tracy holds a bachelor's degree in applied economics and a Master of Business Administration, both from Texas Tech University, and she is a SHRM Certified Professional (SHRM-CP).

DEE SMITH, Associate Consultant - *18 years of experience*
Dee is an established Human Resources professional that brings 18 years of comprehensive HR experience in several vertical industries in both the private and public sectors. Dee earned a Bachelor of Science degree in Human Resources Management and General Management from the University of Tennessee at Chattanooga and also holds an MBA. Dee is experienced in the areas of operations, recruitment, employee relations and benefits administration.

MARY GAUTHE, SHRM-CP, Associate Consultant - *5 years of experience*
Mary has 5 years of experience from Louisiana State University, where she's worked within the University's Central HR unit as a Compensation Consultant. Mary has a Bachelor's degree in Management with a concentration in Human Resources from Nicholls State University and is currently set to graduate from Louisiana State University in August with her Master's in Leadership and Human Resource Development.

AMBER SHANG, MA in I/O Psychology – Associate Consultant - *2 years of experience*
Amber holds a BS with honors in Psychology from the University of Washington and an MA in Industrial & Organizational Psychology from New York University. Before joining Gallagher, Amber has applied her knowledge of people analytics in roles ranging from Talent Acquisition at VNS Health to Compensation Analysis at Willis Towers Watson, and Selection & Assessment at DCI Consulting Group. At WTW and DCI, she helped clients from various sectors to tackle challenges and identify strategic solutions.

PRISCILA CANDAL, MA – Associate Consultant - *8 years of experience*
Priscila has experience in employee relations, compensation and classification and talent acquisition. She worked at the City of Gainesville as a Talent Acquisition Representative and at Iowa State University as a Human Resources Generalist, giving her first-hand experience in the public sector and higher education. She also worked for a global agricultural and forestry machinery manufacturer in Germany. Priscila has a Bachelor of Arts in Psychology and a Master of Business Administration in Human Resources. She is located in Gainesville, Florida.

YUMI ZHU, MA, Senior Analyst - *2 years of experience*
Prior to joining Gallagher, Yumi worked at WTW as a compensation analyst and interned at PwC and KPMG China where she gained experience working in consulting. Yumi recently graduated from University of Pennsylvania with a master's degree in Organizational Dynamics and held a bachelor's degree in Finance from DePaul University.

TERESA NGUYEN, MS, Senior Analyst - *2 years of experience*
Teresa has a Bachelor's degree in Organizational Psychology from Spalding University and a Master's degree in Industrial Organizational Psychology from Western Kentucky University. Her most recent role was with Louisville Metro Government, as a Compensation & Classification Analyst. Her role focused on job descriptions, job evaluations, reclassifications, market analysis, and compensation projects focused on internal equity.

KEVIN GRANGER, Senior Analyst - *12 years of experience*
Kevin received his Bachelor's Degree in Mathematics from Texas Southern University in 2020. Prior to joining this team, Kevin worked at Gallagher as an Associate Account Manager for 2 years. Kevin is a Houston native and loves his city.

CARISSA MARTO, MA in I/O Psychology, Analyst - *2 years of experience*
Carissa has a Bachelor's Degree in Psychology from Anderson University (SC) and a Master's Degree in Industrial & Organizational Psychology from Middle Tennessee State University. Prior to joining Gallagher, she held project based roles working in performance and promotional assessments related to test design.

JOY PHILLIPS, MA, Analyst - *2 years of experience*
Joy has 2 years of experience from Louisiana State University, where she's worked within the University's Central HR unit as an HRIS data analyst. Joy has a Master's degree in Human Resources & Leadership Development from Louisiana State University.

References

We have included a sampling of references that demonstrates our experience in conducting engagements for public sector clients. Contact names and phone numbers are listed for each project. These projects are relevant to demonstrating our ability to meet the needs of VLAWMO and show considerable experience in developing compensation systems for a variety of public sector organizations. Our references can attest to the timeliness, quality, and responsiveness of the services we provide, our understanding of job classification and pay equity, and our knowledge of legal issues, such as the ADA and FLSA, and our expertise in working with public organizations and sensitive personnel issues. The projects listed below were completed by members of your project team and within similar timeframes to what VLAWMO is requesting. Many of the clients listed below have recommended our services to other organizations that we are working with currently.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY, VA
FCWSA partnered with Gallagher to develop and administer a custom survey of 30 FCWSA jobs to comparable jurisdictions. The primary objectives of the study were to: (1) Analyze and adjust the survey data to make comparisons to FCWSA's salaries in those same jobs, (2) Conduct a market study using published data for the same 30 benchmark job classes and provide analysis combining both the custom survey data and published survey data, (3) Perform high level benefits study by comparing FCWSA benefits to defined comparators in terms of benefits offered, cost sharing and overall benefits costs as a percentage of payroll, (4) Provide a written report on findings. Ben Shoemaker, Executive Director, Bshoemaker@fcws.org. 7172 Kennedy Rd, Warrenton, VA 20187.

COMFORT LAKE FOREST LAKE WATERSHED DISTRICT, MN
In 2020, we completed a comprehensive Job Evaluation and Compensation Study. Additionally, we completed a Performance Management Study with CLFLWD in 2021. Currently, we are working with CLFLWD on a comprehensive Compensation Benchmarking Study. Mike Kinney, District Administrator, 651.395.5855, michael.kinney@clflwd.org. 44 Lake Street South, Suite A, Forest Lake, MN 55025.
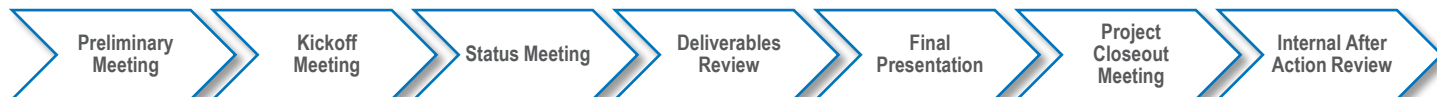
DENVER WATER, CO
Gallagher conducted a comprehensive review of pay equity for this public water utility to determine if pay was systematically or statistically impacted by gender or race as opposed to other permissible factors such as performance, experience, qualifications etc. In addition, we conducted a compensation study by collecting market data from existing published survey sources to develop salary structure recommendations. Kris Bates, Attorney, kris.bates@denverwater.org. 1600 W 12th Ave, Denver, CO 80204.

RAMSEY COUNTY, MN
We are currently working with the County on a comprehensive classification and compensation project encompassing all County operations of approximately 4,000 employees in 600 classifications. We are over 70% complete with the project and anticipate full project completion this summer, however the COVID-19 impact may stall these final steps. Johanna M. Berg, Deputy County Manager, 651.266.2762, johanna.berg@co.ramsey.mn.us, 4000 Metro Square, St. Paul, MN 55101.

Project Approach & Work Plan

Our practice takes a thoughtful and collaborative approach to all of our client engagements, where we work to ensure our efforts are ones which demonstrate how the Public Sector & Higher Education practice **C.A.R.E.S.** - collaborate/consult, advise/assess, recommend/resource, engage/endorse, and strategize/serve - about our clients and their needs. To that end our project approach starts with our process and client communications.

| Preliminary Meeting | Kickoff Meeting | Status Meeting | Deliverables Review | Final Presentation | Project Closeout Meeting | Internal After Action Review |

Our significant experience has resulted in a comprehensive understanding of the scope of work described by VLAWMO. Additionally, we understand the importance of this study as one of many strategies to address current human resources issues and appreciate the delicate nature of public sector & higher education spending. Below are some key considerations we have in this type of project, our methodology, followed by our approach to the areas identified by VLAWMO, our detailed work plan, and project timeline.

Key Considerations

- **Employee Involvement**. The study should be introduced to employees so they know what will happen and can ask questions, and then we suggest summarizing the study findings at the end of the project in an open session so they can see the results. Updates throughout the process will go a long way toward acceptance of the results. We believe that if employees know how and why they are compensated the way they are, they will accept the results better than if the system was created without their involvement.

- **Leadership Sponsorship**. Change is complicated! Updating classification and compensation systems requires strong and visible support of an organization's management and governance.

- **Internal Equity**. While market parity is important, most employees want to make sure that they are paid fairly in relation to other employees. We have extensive experience with designing pay systems that take into consideration internal equity and mitigate compression.

- **Project Timing**. Doing it right produces a better study outcome than trying to meet unrealistic deadlines.

- **Data/Exceptions**. Rely on data, but make decisions based on humans. It has been our philosophy that the results and recommendations should be based on verifiable, auditable and valid data. Once the basic structure is in place, adjustments may be needed for special conditions or other factors. However, the classification and compensation systems should be based on verifiable facts and solid professional standards.

- **Communication**. These systems need to be understood. They need to be simple, straightforward and transparent.

- **Pay Compression**. Give adequate attention to implementation costs when employees are placed in the pay ranges and there is potential for creating or increasing pay compression

Methodology

Following industry standards and best practices, a customized survey process will be undertaken to collect market pay comparison information related to all VLAWMO classifications. Private sector information, if desired by VLAWMO, can be collected using valid and credible published survey sources and the data integrated with the customized survey data to arrive at the market information.

Gallagher will collect market data through a custom survey and published survey sources in the full study years for base and other cash compensation, benefits plans, and retirement contributions and calculations to ensure a full total compensation analysis of VLAWMO benchmark jobs.

Include a listing of these elements:

- Average Base Salary
- Average Incentive Pay
- Medical Insurance
- Dental
- Vision
- Retirement
- Long Term Disability
- Life and AD&D Insurance

We follow professionally accepted compensation principles and practices as outlined by *WorldatWork*, SHRM, and the Department of Labor. Some of these guidelines are listed below. We have also authored many articles on various aspects of conducting salary surveys; please refer to our website www.ajg.com/compensation for these specific articles.

We utilize the following guidelines for benchmark selection:

- Representation of all job families and levels throughout the organization
- Highly populated jobs
- Jobs found in most organizations
- Jobs with recruitment or retention problems

We will review job descriptions and other job documentation to ensure we understand the duties and responsibilities, level in which the job is functioning, and the reporting relationships so that participating organizations can match their classifications to the benchmark jobs. We will draw on our 30 years of salary and benefits survey experience to determine if a comparable job can be found in the labor market. We will ask VLAWMO to clarify any questionable jobs and answer any questions we may have about a particular job.

We follow guidelines for job matching (match only those jobs that match at least 80% of the duties, responsibilities and functions as outlined in the benchmark job summary). While some firms may claim to use a higher percentage, anything over 80% may exclude data that are good, valid matches. We do not ask participants to rate the quality of the match, as this introduces additional subjectivity to the process that cannot be controlled.

We follow professionally accepted guidelines for defining labor markets and selecting organizations to survey. We factor in that different jobs will have different recruiting markets, by:

- Type of organization (e.g. Public vs. Private sector)
- Size of organization
- Geographic location
- Services provided

It is important to define an organization's labor market prior to the survey rather than after the data have been collected so that it does not appear that the labor market data are being manipulated to support a certain conclusion. This could cause significant issues from an employee perception standpoint as well as potentially violate Federal Trade Commission and the U.S. Department of Labor's Sherman Antitrust Act guidelines in regard to the analysis of salary data.

Any published sources utilized must meet the following criteria:

- Be conducted by a reputable salary survey firm
- Survey data is not self-reported
- Survey is conducted on a continual basis instead of a one-time event
- Survey reports its data sources, the effective date of the data, and was tested to ensure accurate matches and data

We will develop a data collection form that poses questions in a fashion that is easy for participants to answer, as well as being easy to quantify and analyze.

We follow-up with participants to ensure data quality and validity of matches and data being reported. If there are any questions, we ask question and we seek job descriptions, organizational charts, and other information.

We perform several reviews of the data as well as statistical tests to identify any extreme data and to ensure the validity of the data.

We utilize trend factors for aging data so that all data is consistent to a current point in time. The trend factors are derived from either the U.S. Department of Labor data or *WorldatWork* Surveys.

We apply geographic differentials as appropriate and necessary to ensure that the data are reflective of VLAWMO's labor market and economic conditions. We use third party resources (ERI) to identify the appropriate geographic differences.

We calculate various statistics for summarizing the data (means, medians, highs, lows, percentiles). We follow the Federal Trade Commission and the U.S. Department of Labor guidelines that 5 matches should exist per job in order to draw reliable conclusions. Therefore, we only calculate statistics (means, medians, etc.) on jobs with at least 5 job matches.

VLAWMO would like the development of salary structure options so that compensation is equitable and competitive. In order to develop a reliable salary structure, we integrate market data and custom survey results with the internal equity ratings from job evaluation if applicable, so that the structure is internally equitable and externally competitive. In this step, we assign all jobs to the right pay grade and all employees to the right place in the range based on agreed upon criteria. During this phase, we also discuss how pay progression is integrated in a sustainable system that grows with VLAWMO and allows for employee development and contribution to goal achievement. We will also review the resulting structure for pay compression and pay equity issues. Up to three implementation scenarios will be provided to VLAWMO.

Gallagher will review and update VLAWMO's current policies and procedures related to classification and compensation.

Our Approach

Market Comparison - We will work with VLAWMO to identify benchmark job classes for the purposes of competitive market analysis. We will work to, as feasible, collect both current rates of pay, minimum and maximum rates of pay, in addition to the relevant benefits and the employer and employee cost. We will also integrate private sector salary information in the market comparison process from survey sources that represent the local area market. Leverage other Gallagher administered custom surveys within the industry and across the region as a primary source, as appropriate.

Salary Structure Development & Implementation Analysis - To develop a reliable salary structure, we integrate market data and custom survey results with the internal equity ratings from job evaluation, so that the structure is internally equitable and externally competitive. In this step, we assign all jobs to the right pay grade and all employees to the right place in the range based on agreed upon criteria. During this phase, we also discuss how pay progression is integrated in a sustainable system that grows with VLAWMO and allows for employee development and contribution to goal achievement. Up to three implementation scenarios will be provided to VLAWMO. These resulting pay structures and implementation scenarios will be reviewed to ensure a gender and race neutral system.

Final Report - Our final report will be prepared which outlines the process, methods, techniques and findings and recommendations of the study. It will include a financial impact analysis and recommended ways to implement and maintain the system in the future. We will provide the data in a format that can be used to update your HRIS system based on your implementation approach. Finally, we will train the HR staff in the proper procedure and methods to manage and maintain the system. Additionally, we will provide the necessary documentation and other materials so VLAWMO will be able to maintain the system independent of the consultant following implementation.

Work Plan

The work plan proposed is designed to provide the flexibility necessary to attract, retain, and motivate employees to provide quality services and ensure the system is not an administrative and costly burden to VLAWMO now or in the future. Gallagher has integrated the Scope of Services into our phased approach and deliverables to address VLAWMO's requests. All phases will require that designated VLAWMO - team members and Gallagher have ongoing status meetings to explain the process, review the project's progress, review draft materials, address questions, and discuss next steps.

The phased work plan is as follows:

PHASE 1: STUDY ADMINISTRATION
Meeting via telephone/online platform to initiate project and discuss timelines and key deliverables.
Organization and salary materials collected and project kickoff initiated following provision of data.
Discussion/review of the strengths and weaknesses of VLAWMO's current compensation system. Discussion of VLAWMO's current philosophy and supporting strategies.
The project timetable developed and confirmed.
Virtual Meetings are included. On-site visits are available at an additional charge to VLAWMO.

PHASE 2: COMPENSATION STUDY
Conduct of meetings with HR/leadership/project team at critical intervals to discuss deliverables.
Labor market confirmed (includes one [1] round of revision), and survey participants identified to gather data from local, state, and regional sources.
Benchmark jobs identified and summarized (includes one [1] round of revision).
Leverage other Gallagher administered custom surveys within the industry and across the region as a primary source, as appropriate.
Identify appropriate published survey sources from Gallagher's library to incorporate.
Collect market data from published survey sources using data cuts from public, private, local, state and regional sources.
Integrate Gallagher NBS total rewards data as a primary data source.
The following activities will be performed on all data:
Comprehensive internal salary relationship analysis of data to ensure the structure is internally equitable and externally competitive.
Competitive analysis of market data performed.
Diagnostic review of current salary structures conducted to identify opportunities for simplification, reduction in pay compression.
Recommended pay structure developed or existing structures updated (includes 1 revision requested).

PHASE 3: PROJECT FINALIZATION, DRAFT & FINAL REPORTS
Consultant shall make presentations to the HR/leadership prior to completion and at the time of completion, at times and in a manner agreed upon with VLAWMO.
Conduct of meetings with HR/leadership/project team at critical intervals to discuss deliverables.
Draft and final report and presentations developed
Quality assurance reviews conducted.

Estimated Project Timeline

The following is an estimate to complete each phase by month. We will discuss the details of each phase during Phase 1 and identify specific deadlines for the project at that time. We will conduct frequent conference calls with VLAWMO to ensure the schedule is monitored throughout the project. In today's world, speed is very important. However, given the significance of this project, it is just as important for VLAWMO officials, department heads, and employees to have sufficient time to review and approve Gallagher's recommendations and ensure proper communications occur. We have prepared a timeline to ensure VLAWMO has the work products in an expeditious manner. Our phases run concurrently, in that we do not wait until the full completion of a phase to begin another phase. **We anticipate the project taking approximately 90 days.** We are prepared to commence the work within two weeks of receiving your authorization to proceed.

Month	PHASE 1 Study Administration	PHASE 2 Compensation Refresh	PHASE 3 Project Finalization, Draft & Final Reports
1			
2			

3

Cost Proposal

Our fees to conduct the study outlined above (including out-of-pocket expenses) will be $10,250. The table below outlines the price.

Phase
PHASE 1: Study Administration * *Includes virtual meeting and ongoing project management meetings throughout.* *On-site meetings are available at an additional cost**
PHASE 2: Compensation Refresh**
PHASE 4: Project Finalization, Draft & Final Reports *Includes virtual meeting; On-site meetings are available at an additional cost ***
TOTAL COST (inclusive of all Tasks) will not exceed: $10,250

On-site meetings are available at an additional cost.

***Should VLAWMO request Gallagher to update/write job descriptions, those services will be priced separately since we are unable to determine the number that will be required. Pricing would be $550 per job description and is in addition to the "Total Cost" identified above.*

Our study costs are directly derived from estimating the number of hours needed to perform the work and the level of the consultant charged with performing the work. Gallagher typically bills on a monthly basis. All expenses are included in this quote. Should VLAWMO wish to have additional on-site presentation days or meetings, the estimated cost would be $5,000 per day per resources.

Any change to the scope of the assignment (beyond what is described above) as well as other work requested beyond this assignment will be billed based on our hourly rates, unless we mutually agree on a fixed fee for the additional work.

*   *   *   *   *

Thank you for this opportunity to offer our services. Please feel free to contact us at any time if you have any questions or require additional information. We look forward to hearing from you soon.

Sincerely,

Ronnie Charles, SPHR, GPHR, IPMA-SCP
National Managing Director & Practice Leader
651.234.0848
Ronnie_Charles@ajg.com

Mr. Erik Smetana, MBA, SPHR, SHRM-SCP
Managing Director & Operations Leader
314.494.4849
Erik_HenrySmetana@ajg.com

Agreement

After having reviewed the proposal prepared by Gallagher for Consultant Services for

Vadnais Lake Area Water Management Organization
Vadnais Heights, MN

We, the undersigned, being the authorized officers of our respective organizations, do hereby indicate our acceptance in principle and our general intent to proceed with the following project(s):

☐   Compensation Study: $10,250

We both understand that the total price is firm for all project components outlined in this proposal. Gallagher will invoice the organization as indicated in the Professional Fees section included in this proposal, and a schedule of payments is outlined. Upon execution, this proposal becomes a Project Assignment.

Being duly authorized officers of our respective corporations, we agree to the terms specified in this proposal.

Gallagher Benefit Services, Inc.

By: _____   Date: October 10, 2023_____
        Ronnie Charles, National Managing Director & Practice Leader

By: _____   Date: October 10, 2023_____
        Erik Smetana, Managing Director & Operations Leader

Vadnais Lake Area Water Management Organization
Vadnais Heights, MN

By: _____   Date: _____
        Authorized Signee

Gallagher is pleased to submit this proposal to you. While this proposal is not meant to constitute a formal offer, acceptance, or contract, notwithstanding anything to the contrary contained in the proposal, Gallagher is submitting this proposal with the understanding the parties would negotiate and sign a contract containing terms and conditions that are mutually acceptable to both parties.

This material was created to provide accurate and reliable information on the subjects covered by should not be regarded as a complete analysis of these subjects. It is not to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation.

Consulting and insurance brokerage services to be provided by Gallagher Benefit Services, Inc. and/or its affiliate Gallagher Benefit Services (Canada) Group Inc. Gallagher Benefit Services, Inc., a non-investment firm and subsidiary of Arthur J. Gallagher & Co., is a licensed insurance agency that does business in California as "Gallagher Benefit Services of California Insurance Services" and in Massachusetts as "Gallagher Benefit Insurance Services.