

DECISION PAPER



May 13, 2017

Issue:

Approval of Pricing and Scope of Work for Phase II of the 2017 Compensation Study

Background:

With the completion of Phase I of the 2017 Compensation Study for the Tahoe Donner Association, it was concluded by the Tahoe Donner Board of Directors and Romanoff Consulting that the published compensation surveys originally provided were not satisfactory for this project, since none contained data from comparable organizations. To address this issue, the Board of Directors authorized Romanoff Consulting to conduct a custom compensation survey to determine pay practices among a select group of comparable organizations. Phase II of this Compensation Study will address the processes required to create, conduct and complete a custom compensation survey. Phase II will include participation from Board members, Tahoe Donner's General Manager, current executives, and Association members. The steps involved in Phase II include:

- Step 1 – Define the criteria we will use to determine what constitutes comparable organizations. These criteria will include items such as:
 - Organization Size (revenues, # employees)
 - Geographic Location
 - Industry Sector
 - Mission
 - Complexity
 - For-Profit vs. Not-for-Profit Status
 - Services Provided
 - Number of Visitors
- Step 2 – Apply these criteria to develop a list of comparable organizations Romanoff Consulting will contact to participate in a custom survey of executive pay.
- Step 3 – Develop a questionnaire which will be sent to participating companies.
- Step 4 – Analyze results of survey.
- Step 5 – Develop new compensation packages, including pay ranges for Tahoe Donner Association executives.

The actual survey will be conducted by Romanoff Consulting. Results will be available in the fall and help establish executive salary ranges needed for the next 5 to 7 years. During this process, because Tahoe Donner's internal decision-making process can involve an unspecified number of calls and meetings, it is impossible to determine in advance how many hours will be required to complete certain steps in this proposal. Other steps are more predictable and can be accurately estimated. Therefore, Romanoff's pricing proposals are included in the following supporting documents, and are both hourly and fixed. The consulting fees, including travel expenses,

DECISION PAPER



associated with Phase II scope of work shall not exceed a budget of \$28,000. Any increase in the Phase II fees must be approved in writing in advance by the Tahoe Donner Board of Directors.

Options:

1. Approve the Second Amendment to the Professional Services Agreement between Tahoe Donner Association and Romanoff Consulting, to provide for a Phase II to the Compensation Study consulting services Romanoff Consulting has already provided under the Agreement. As stated in this Second Amendment, the consulting fees, including travel expenses, associated with the Phase II scope of work shall not exceed \$28,000.
2. Not approve the Second Amendment to the Professional Services Agreement between Tahoe Donner Association and Romanoff Consulting.
3. Research available pricing and scope of work alternatives for the completion of Phase II of the Compensation Study project.

Recommendation:

It is recommended that the Board of Directors approve Option 1: Approve the Second Amendment to the Professional Services Agreement between Tahoe Donner Association and Romanoff Consulting, to provide for a Phase II to the Compensation Study consulting services Romanoff Consulting has already provided under the Agreement. As stated in this Second Amendment, the consulting fees, including travel expenses, associated with the Phase II scope of work shall not exceed \$28,000.

Prepared By: Megan Rodman, Executive Assistant

Reviewed By: Jeff Bonzon, Board of Directors President

Board Meeting Date: May 13, 2017

SECOND AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT

THIS SECOND AMENDMENT (“**Amendment**”) TO THE PROFESSIONAL SERVICES AGREEMENT (“**Agreement**”) dated as of February 21, 2017, by and between Romanoff Consulting (“**Consultant**”) and Tahoe Donner Association (“**Company**”) is entered into as of May __, 2017 (“**Execution Date**”).

RECITALS

The Company and Consultant wish to amend the Agreement to provide for a “**Phase II**” to the compensation study consulting services Consultant has already provided under the Agreement (“**Phase I**”). The Phase II services are described in the Consultant’s Proposal to Company dated April 24, 2017, and attached hereto as Exhibit A (“**Phase II Scope of Work**”). Unless otherwise stated in this Amendment, all other terms and conditions of the original Agreement, as amended, remain in place and unchanged.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which is by all parties duly acknowledged, the parties hereto do hereby agree as follows.

1. **Consultant Services.**

1.1 **Expansion of Consulting Services to Phase II Scope of Work.** The definition of “Consulting Services” as set forth in Section 1.2 of the Agreement shall be amended to include the services set forth in the Phase II Scope of Work. Consultant shall provide these Phase II Consulting Services as set forth in the Phase II Scope of Work and consistent with the terms and conditions set forth in the Agreement, as amended. The term “Proposal” in the Agreement shall be amended to include the Phase II Scope of Work.

2. **Consulting Fees.** The Consulting fees, including travel expenses, associated with the Phase II Scope of Work shall not exceed \$28,000 (“**Phase II Fees**”). A breakdown of the Phase II Fees are set forth in Section XII (Pricing) of the Phase II Scope of Work. Any increase in the Phase II Fees must be approved in writing in advance by Company.

3. **Full Force and Effect of Agreement.** Except as expressly modified by this Second Amendment, the Agreement, as amended by the First Amendment, shall remain in full force and effect as presently written and the rights, duties, liabilities, and obligations of the parties thereto, as presently constituted, will continue in full effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the Execution Date.

THE COMPANY:

TAHOE DONNER ASSOCIATION

By: _____
Jeff Bonzon
President, Board of Directors

CONSULTANT:

ROMANOFF CONSULTING

By: _____
Kent Romanoff

EXHIBIT A

PHASE II SCOPE OF WORK



Romanoff Consulting

A Professional Services Firm

April 24, 2017

Mr. Jeff Bonzon
Chairman of the Board
Tahoe Donner Association
11509 Northwoods Boulevard
Truckee, CA 96161

Dear Jeff,

Thanks for considering Romanoff Consulting to assist Tahoe Donner Association (TDA) with a custom market survey. This letter describes our methodology, timeline and cost.

BACKGROUND

Romanoff Consulting recently completed Phase I of an executive compensation study for TDA. Findings from this study were based on several published compensation surveys available in the public domain:

- [2016 GuideStar Nonprofit Compensation Report](#)
- [2015 Northern California Fair Pay Survey for Nonprofits](#)
- [2013 Community Association Manager Compensation Survey](#)

Unfortunately, none of these surveys were found satisfactory since none contained data from comparable organizations. To address this issue, the TDA Board authorized Romanoff Consulting to conduct a custom compensation survey to determine pay practices among a select group of comparable organizations. This proposal describes our recommended approach for conducting this survey.

I. Participation Criteria

We believe it is essential to the ultimate acceptance of survey findings to involve all interested parties in defining the criteria used to determine which organizations to survey. Without initial buy-in, it is likely some people will challenge the results. Therefore, we recommend including Board members, TDA's General Manager, current executives, and Association members in the process of developing criteria for survey participation. We anticipate criteria will include items such as:

- Organization Size (Revenues, # employees)
- Geographic Location
- Industry Sector
- Mission
- Complexity
- For-Profit vs. Not-for-Profit
- Services Provided
- Number of Visitors

ROMANOFF CONSULTING

250 H Street #770 • Blaine, WA 98230 • (510) 410-0076 • kent@romanoffconsulting.com

In conjunction with this effort (and perhaps prior to defining the criteria) we will work with the same individuals mentioned above to define categories of organizations TDA wishes to include. Examples include:

- Home Owners' Associations (HOAs)
- Attractions (ski resorts, country clubs, etc.)
- Municipalities
- Large local employers (in Truckee & Reno)
- Public entities (counties, school districts, park & recreations districts, etc.)

II. Survey Prospects

During this phase, we will work with the individuals included above and use the criteria and categories developed in the first step to create a list of prospects to invite to participate in the survey. For the survey to produce valid, reliable results, we should have balanced representation in each category and no fewer than 10 final participants. Because not all the organizations invited will agree to participate, we typically invite twice as many as we need. That means we must identify 20 to 40 organizations (at least five per category).

NOTE: Because TDA is so unique, we are likely to create an eclectic list of prospects. This may make it difficult to attract participants since they may not consider the survey results useful to them. If that occurs, we may not be able to attract a sufficient number of participants to produce a valid survey.

III. Survey Benchmark Jobs

During this phase, we will work with TDA to identify the list of jobs to be surveyed. At a minimum, we will include the following nine executive positions:

TITLE
General Manager
Director Finance and Accounting
Director Capital Projects
Director Information Technology
Director Operations
Director Risk Management & Real Property
Director Human Resources
Director Food & Beverage
Director Marketing & Member Relations

Since the cost of the survey is not materially affected by the number of jobs surveyed, TDA may wish to supplement the above list with other full-time positions. We will work with you to determine which jobs to include.

IV. Compensation Elements

During this phase, we will work with TDA to identify specific compensation elements to include in the survey. We anticipate including the following elements:

- Base salary
- Annual Bonus
- Total Cash Compensation
- Deferred Compensation
- Benefits
- Perquisites
- Salary Administration Practices

V. Capsule Job Descriptions

We will create capsule job descriptions for each benchmark job included in the survey. These brief descriptions must be specific enough to reflect TDA's unique job content but generic enough to permit other organizations to match their jobs to the survey benchmarks. This is a delicate process which normally begins with content from your current position descriptions. This content is then edited by us and confirmed by TDA to ensure accuracy and relevance.

VI. Survey Questionnaire

As was pointed out during a recent Board meeting, it is essential to build a thorough questionnaire. This requires careful up-front thought to ensure we collect everything we need. Once the questionnaire goes out, it is very difficult to gather missing information later. During this phase, we will develop the questionnaire and submit it to TDA for review and comment. Once you are confident it includes all the information you require, we will begin contacting prospects. *NOTE: We typically wait until the questionnaire is finalized before contacting prospects to avoid lengthy delays – it is best to send the questionnaire immediately after a company agrees to participate.*

VII. Prospecting

During this phase, we will contact the organizations identified and request their participation. As mentioned earlier, our typical success rate is 50% to 60%. That is, roughly half or slightly more than half the organizations we contact usually agree to participate. This percentage improves when TDA leaders leverage their personal relationships with selected prospects to jump-start the conversation. The primary inducement for organizations to participate is the opportunity to receive free results. For this survey, the success rate may be lower since we are uncertain how many participants will find the data useful to them.

VIII. Data Collection & Analysis

During this phase, we will gather the data, build the database, and analyze the information. A large part of this effort involves following-up with prospects to encourage them to submit their data.

IX. Report Generation

During this phase, we will generate two versions of the final report:

- **TDA Edition** – This report compares TDA’s pay practices to the survey database of all participants *except TDA*. This avoids TDA comparing to itself. The TDA report includes exhibits not offered to other participants. Data in this report is presented in a manner which carefully protects the confidentiality of all participants.
- **Participant Edition** – This report is provided free of charge to all participants as an inducement to participate in the survey. It is considerably less detailed than the TDA edition but includes all relevant information. Data in this report is presented in a manner which carefully protects the confidentiality of all participants.

X. Recommend Executive Salary Ranges

During this phase, we will use custom survey results to recommend new executive salary ranges.

XI. Revise Executive Compensation Program

During this phase, we will work with you to revise other elements of TDA’s executive compensation program based on survey results. These elements include annual incentives, deferred compensation, benefits, and perquisites. In addition, this phase may also include a format executive total compensation philosophy.

TIMING

The table below summarizes the timeline for completing the custom market survey:

STEP	ESTIMATED COMPLETION
Establish Criteria & Select Prospects	May
Develop Capsule Descriptions & Questionnaire	June
Contact Prospects & Distribute Questionnaires	July
Data Submission Deadline	August
Analyze Data	September
Publish Reports	October
Recommend New TDA Executive Salary Ranges	November
Recommend Other Changes ¹ to TDA Exec Pay Program	November
Final Board Approval of New TDA Exec Pay Program	December
Implement New TDA Executive Pay Program	January 2018
Executive Salary Adjustments (if necessary)	January 2018

¹ E.G., annual incentives, deferred compensation, benefits and perquisites.

XII. PRICING

Because TDA's internal decision-making processes can involve an unspecified number of calls and meetings, it is impossible to determine in advance how many hours will be required to complete certain phases in this proposal. Other phases are much more within our control and can be accurately estimated. Therefore, we are pricing some phases hourly and others as a fixed rate.

PHASE	PRICING
Participant Criteria	Hourly
Survey Prospects	Hourly
Survey Benchmark Jobs	Hourly
Compensation Elements	Hourly
Capsule Job Descriptions	\$100 per job
Survey Questionnaire	\$1,000
Prospecting	\$100 per company contacted
Data Collection & Analysis	\$1,000 per company participating
Survey Report Generation	\$1,500
New Executive Base Salary Ranges	\$900
Recommend changes to executive incentive plans, deferred compensation plans, benefits program or perquisites.	Hourly
Additional Meetings as Required	Hourly

TDA has budgeted \$24,000 to complete this effort (including work already completed). I will do everything possible to complete this effort within that budget. If it appears likely we will exceed that budget, I will contact you in writing immediately. My normal rate is \$400/hr. As a professional courtesy to TDA, I'm reducing that to \$300/hour. In addition, I will involve my associate, Andrea Romanoff, as much as possible to further control costs. Her rate is \$150/hour.

There would be an additional \$1,000 per day (plus expenses) per meeting per person for us to travel to Tahoe Donner for on-site meetings. Other direct project-related expenses (i.e., copying, binding, etc.) are additional and billed at cost. We anticipate these costs will be negligible. Invoices will be issued monthly and are due and payable at the end of each month.

Jeff, I believe this covers the scope of our discussion. I look forward to speaking with you further about this important project.

Warmest regards,



Kent E. Romanoff
Romanoff Consulting

Accepted on behalf of TDA:

Jeff Bonzon, Board Chairman

Date