



# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## Board Communication

**Date:** November 1, 2012

**To:** Executive Personnel and Compensation Committee Members

**From:** Jeff Lindeman; Senior Director, Organizational Performance & Development

**Copy:** Thella F. Bowens, Jeffrey A. Woodson; Board Members

**Subject:** Firms engaged

The solicitation to engage a consulting firm to work with the designated Board ad hoc committee as a resource during the renegotiation of the President/CEO's contract resulted in three proposals from interested firms. Four proposals were sought, with one firm declining to bid. Out of the responding firms, each offer comparable approaches. This includes: understanding stakeholder expectations, conducting research & analysis, and culminating in recommendations to achieve a mutually agreeable outcome. The firms understand their role is as a resource and facilitator utilizing their expertise to assist the Board and President/CEO in this important project. Each firm is qualified. Based on solely on the firm's extensive experience in the non-profit arena, I would recommend that the submittal from Quatt Associates be considered most aligned with the Airport Authority's needs. Below is a summary of the proposals received while details of each proposal can be viewed through the attached original proposals submitted by each respondent.

At the Special Executive Personnel & Compensation Committee meeting on October 11, 2012, the commitment was made to provide the members of the Committee plus Chair Gleason with this information by today's date in preparation for the November 1, 2012 Special Executive Personnel and Compensation Committee meeting at which time I look forward to receiving your direction as to how to proceed.

Firm	Firm's Qualifications	Approximate Cost	Additional Information
Barney & Barney, LLC	<ul style="list-style-type: none"> <li>Local consulting firm with ties to San Diego community</li> <li>Experience with Authority at staff levels</li> </ul>	\$10,000 – fixed fee	<ul style="list-style-type: none"> <li>Estimates project duration at 3-4 weeks</li> <li>Project principal has 15+ years</li> </ul>



SAN DIEGO  
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			experience in executive compensation and broad based rewards
LTC performance strategies	<ul style="list-style-type: none"> <li>Boutique executive compensation and performance development consulting firm with over 20 years experience</li> </ul>	\$10,000 estimate based on hourly rate	<ul style="list-style-type: none"> <li>Project principal has taught Compensation for UCLA and has authored over 50 articles</li> <li>Offices located in Santa Clarita; travel billed at 50% of principal's rate (\$250) plus expenses</li> </ul>
Mercer	Declined to participate	N/A	N/A
Quatt Associates	<ul style="list-style-type: none"> <li>Management consulting firm founded in 1996 specializing in:               <ul style="list-style-type: none"> <li>executive as well as organizational compensation and performance systems;</li> <li>research;</li> <li>strategic planning and board effectiveness;</li> <li>organizational development and succession planning.</li> </ul> </li> </ul>	\$10,000 - \$15,000 in consulting fees estimated based on hourly rate	<ul style="list-style-type: none"> <li>Specialize in non-profit sector</li> <li>Project principal co-authored, with firm founder, <b>Non-profit Executive Compensation: Planning, Performance, and Pay</b>, published by BoardSource (National Center for Non-profit Boards), second edition published in 2009</li> <li>Project cost estimate range offered due to not having worked with San Diego's Airport Authority</li> <li>Firm based in Washington, DC; proposed rate does not include travel</li> </ul>





*Via Email*

October 24, 2012

Mr. Michael R. Ellington  
 Manager, Human Resources  
 San Diego County Regional Airport Authority  
 PO Box 82776  
 San Diego, CA 92138-2776

Dear Mike:

This engagement letter is based on our recent discussion regarding the San Diego Regional Airport Authority's ("SDRAA") compensation consulting project. In this letter, we:

- Summarize the project background and objectives;
- Outline suggested work step and key deliverables;
- Describe professional arrangements and project timing; and,
- Present background information about the consultants with whom you will be working.

We look forward to discussing this with you at your earliest convenience and adjusting our approach as necessary to ensure we meet The SDRAA's needs.

### **BACKGROUND AND OBJECTIVES**

The San Diego County Regional Airport Authority was created on January 1, 2003, as an independent agency to manage the day-to-day operations of San Diego International Airport and address the region's long-term air transportation needs. The Airport Authority's operating revenues for Fiscal Year 2010 were \$133.7 million. In addition, there were \$45.9 million in non-operating revenues, net (primarily Passenger Facility Charges) and \$27.4 million in capital grant contributions in Fiscal Year 2010.

Based on our discussion, The SDRAA would like assistance from Barney & Barney to:

- Assemble stakeholder interests in the development of the next CEO contract
- Identify an appropriate peer group and competitive markets for assessment
- Conduct a total compensation benchmarking for the Chief Executive Officer position
- Based on findings, recommend strategies for designing the employment contract

### **PROJECT WORKSTEPS AND DELIVERABLES**

#### **1. Collect Background Information and Conduct Initial Meetings**

As part of this assignment, we will need to gather all relevant information pertaining to the position and issues that will be the focus of the engagement. A list of the background information needed for the competitive review is provided at the end of this letter.

Simultaneous with gathering the background information, we will meet with you and anyone else who is key to the successful outcome of the engagement (including Board members and members of the Compensation Committee). During the meeting, we will gather views on company strategy, labor markets, the strengths/weaknesses of the current compensation programs, and targeted compensation positioning. The information gathered will serve as the foundation for our work going forward.

## **PROJECT WORKSTEPS AND DELIVERABLES (CONT'D)**

### **2. Confirm Market Data Sources**

We will work with you to identify published survey sources containing appropriate peer companies (i.e., either business and/or labor market competitors) and seek validation of the sources from you. Sources will include surveys in which The SDRAA participates. We will also use survey data which is available to us in our proprietary database. These approved sources will be utilized to assess competitive practices in the marketplace.

### **3. Benchmark Total Compensation for Chief Executive Officer Position**

For The SDRAA's Chief Executive Officer position, we will review all available elements of total compensation, including:

- Base salary
- Short-term incentives
- Total cash compensation
- Health & welfare
- Perquisites
- Vacation
- Retirement benefits
- Other compensation
- Total compensation

For each element of compensation, we will identify areas where the incumbent falls outside of competitive practices.

### **4. Reports and Meetings with the Board of Directors**

We will prepare a preliminary report outlining our analysis, findings, and initial recommendations. We will meet with the Compensation Committee and others deemed appropriate to review and discuss the preliminary report. This will allow us to discuss the findings and recommendations, obtain feedback, and incorporate any comments and suggestions prior to delivery of a final report.

We will meet with the Compensation Committee, and/or Board of Directors, as necessary to successfully design the employment agreement.

## **PROFESSIONAL ARRANGEMENTS AND PROJECT TIMING**

For each project, we determine a fixed fee based upon the project scope. Our project fees assume that we will be available for all meetings, prepare a preliminary report, gather input from you regarding the preliminary report, and prepare a final report incorporating any comments and suggestions. If we determine that you will need additional support to prepare variations and/or iterations beyond the final report, we will bill by the hour using our hourly rates. If the project significantly changes from the original scope, we will notify you in a timely manner and discuss the scope changes and potential fee changes.

Based on the work steps outlined above, our professional fees are presented in the following table. Once we receive your approval, we will begin work immediately.

Key Deliverables	Professional "Fixed" Fees	Timing
1. Assessment of Stakeholder Interests	\$10,000	3 to 4 weeks
2. Market Data Sources and Peer Group Development		
3. Benchmarking Total Compensation Assessment		
4. Recommendations for Structure of Employment Agreement		

It is our practice to request 25% of anticipated professional fees upon initiation of the engagement. This amount will be credited against actual professional fees incurred. Out-of-pocket expenses such as report production, data acquisition and business-related travel are billed separately. It is our normal practice to bill monthly and invoices are due upon receipt.

## **PROJECT STAFFING**

I will be fully responsible for this engagement, serve as your primary contact. I will be accountable for ensuring that the deliverables meet your objectives and Barney & Barney's quality standards. I will be personally involved in the market research, report preparation, and will participate in all key meetings related to the engagement. I will team with other Barney & Barney consultants to complete the engagement on a comprehensive and timely basis.

For reference, our biographies of key team members are presented at the end of the engagement letter.

\* \* \*

Thank you for providing us the opportunity to submit this proposal. Please call me at 858.875.3069 if you have any questions or if you would like to see it modified in any way.

Sincerely,



Jeremy Anderson  
Principal, Compensation Consulting Practice

*accepts the terms of this proposal on behalf of The SDRAA.*

Mr. Michael R. Ellington  
Manager, Human Resources  
San Diego County Regional Airport Authority

## **DATA REQUEST**

### **Benchmarking Cash Compensation Assessment**

- CEO current total compensation details (an Excel compatible format, if possible)
- Job description
- List of “labor market” peer organizations (we will work with The SDRAA to develop the appropriate peer groups)
- Any other information that would be deemed pertinent or helpful to our review

## **BIOGRAPHIES**

### **Jeremy Anderson Principal, Compensation Consulting**

Jeremy has 15+ years of experience in the areas of executive compensation, sales pay, equity compensation and broad-based rewards. Jeremy works with senior management and Board of Directors to ensure the direct link between pay and business priorities. Jeremy has also worked with nonprofit organizations to evaluate the appropriateness of their executive and staff compensation packages.

Prior to joining Barney & Barney, Jeremy was a consulting principal at both Remedy Compensation Consulting and Top Five Data Services, Inc., a consultant with iQuantic in their San Francisco office, and a senior consultant in Arthur Andersen's Human Capital Services practice.

Jeremy serves on the Board of Directors for Volunteers of America of Southwest California. He holds a B.B.A in both Finance and Organizational Behavior & Business Policy from Edwin L. Cox School of Business, Southern Methodist University.

He is based in San Diego, CA and can be reached at [jeremy.anderson@barneyandbarney.com](mailto:jeremy.anderson@barneyandbarney.com) or 858.875.3069.

### **Annette Winn Director of Operations, Compensation Consulting**

Annette has 20+ years of experience providing advice and assistance to clients regarding a range of compensation issues including total compensation strategy, senior management compensation, short-term incentive compensation, long-term incentive compensation, and salary management programs. Annette also has experience designing compensation programs for companies facing private equity transactions, mergers, acquisitions, reorganizations, and initial public offerings. Annette has also worked with nonprofit organizations to evaluate the appropriateness of their executive and staff compensation packages.

Before joining Barney & Barney, Annette was an Assistant Vice President at Radford, an Aon Hewitt Company, where she assisted clients in both the technology and life sciences industry sectors with a range of compensation consulting projects. Prior to joining Radford, Annette was a Principal and Senior Compensation Consultant for WestWard Pay Strategies, Inc. She also worked at The Wyatt Company, specializing in executive and general compensation programs.

Annette received a bachelor's degree in economics from the University of California at Berkeley. She is a Certified Compensation Professional (CCP), a member of WorldatWork, and the National Association of Stock Plan Professionals.

She is based in San Diego, CA and can be reached at [annette.winn@barneyandbarney.com](mailto:annette.winn@barneyandbarney.com) or 858.875.6589.



# Facilitation of Possible Contract Renewal/ Extension for The Airport Authority's President-CEO

Presented to:

M.R. (Mike) Ellington, Manager, Human Resources  
**San Diego County Regional Airport Authority**

By:



28001 Smyth Dr. Suite 103  
Valencia, CA 91355  
(661) 294-2929



## Opening

In response to a request from the Organization's Manager, Human Resources, we are pleased to present the following proposal to work closely with the Board and President/ CEO in effort to arrive at a mutually satisfactory executive compensation package for the Airport's President/ CEO.

We appreciate the introduction from long-term colleague, Pete Tzavalas, Vice President, Challenger Gray & Christmas.

LTC Performance Strategies, Inc. is a "boutique" executive compensation and performance development practice. Our extensive depth/ breadth of experience, resource capabilities and independence, and ability to seamlessly customize our approach to the unique requirements of each client has contributed to our growth and success over the last 20+ years.

## Background

The San Diego Regional Airport Authority is an independent agency governed by an appointed board, and tasked with managing the day-to-day operations of the San Diego International Airport, while addressing the region's longer-term air transportation needs and services. The Airport Authority also serves as San Diego County's land-use Commission, working to protect public health and safety surrounding the airport.

Headquartered at San Diego International Airport, the Authority is funded by user fees as opposed to taxpayer dollars or City or County funds. The agency prides itself in fiscal prudence and responsibility, while insuring operations at the peak of safety, security, and efficiency for passengers. The Authority has an annual operating budget of \$145 million, as well as a \$335 million capital budget, and more than 350 employees.

The contract for the current President/CEO, Thella F. Bowens, was executed in March, 2003 and effective through March 31, 2007 with automatic annual renewal during that period. It has since been extended twice, and is now effective through March 31, 2013. With the current contract ending in March, the Board is poised to enter into conversation with Ms. Bowens to extend or re-negotiate the contract beyond the March 31, 2013 ending date. LTC's role in this assignment would be to: understand the interests of both the Board and Ms. Bowens; research and report market trends and benchmarks; develop specific recommendations for the compensation package; and serve as an intermediary to facilitate an agreement that is in keeping with expectations of the Board and the President/CEO.

## Objectives

The objectives of the study are to:

1. Gather specific data from the Airport Authority's Board Team tasked with managing the project about their specific goals and objectives for the contract re-negotiation process.
2. Meet with Ms. Bowen and gather data about her interests in the process.
3. Clarify the competitive landscape for the incumbent's role.
4. Clarify incumbent scope, role, background and compensation history to insure an accurate comparison to benchmark data.
5. Objectively evaluate the value of each component of the Agency's total compensation "mix."
  - a. Base Salary
  - b. Incentive Pay
  - c. Executive Benefits/ Perquisites
6. Understand the current workings of any existing Incentive Compensation Plan(s) to provide considerations/ recommendations as part of the Incumbent's Total Compensation Package.
7. Present preliminary findings to the Board Team, and work with the Board as required to develop specific recommendations for all aspects of the package.
8. Facilitate ongoing conversations between the Board Team and Ms. Bowens as deemed appropriate in an effort to arrive at a mutually beneficial agreement.

## Methodology

A sample methodology for achieving the above objectives is as follows:

1. Review pertinent data related to the organization, its goals and financial performance.
2. Review relevant information pertaining to the role, scope, experience/ background, compensation history and performance of the President/ CEO.
3. Interview members of the Board Team to gain a clearer understanding of their frame of reference and the organization's existing compensation practices. Facilitate a brief educational forum to clarify pertinent executive compensation trends/ applicable best practices to provide a foundation for the negotiating process.
4. Meet with the President/ CEO to better understand her perspectives and goals for a successful outcome of the negotiations.
5. Develop clear benchmarking parameters to facilitate objective review of survey benchmark data.
6. Draft executive compensation positioning philosophy and associated objectives to serve as a foundation for subsequent total compensation recommendations. Submit to Board Team for their comments/ feedback.

7. Develop incumbent profile document including title, position scope, educational background/ experience and compensation history. Submit to Board Team for their feedback/ concurrence.
8. Develop comprehensive Survey Benchmarking Reports to clarify relative competitiveness of organization's pay levels:
  - Base Salary
  - Incentive Pay
  - Executive Benefits/ Perquisites
9. Revisit current trends pertaining to Total Compensation practices. Determine how to optimize in meeting the needs of the key stakeholders.
10. Review recent and anticipated executive compensation-related legislation and any associated considerations in formulating a "win-win" total compensation package.
11. Provide complete report, including analysis and recommendations for program effectiveness.
12. Present recommendations, as appropriate, for Board consideration.
13. Facilitate discussions, as appropriate with both parties throughout process in an effort to arrive at a mutually satisfactory outcome.

## **Project Deliverables**

Proposed deliverables include:

- Interviews with Board team and President/ CEO
- Overview of pertinent Executive Compensation trends and evolving legislation
- Written Compensation Positioning Philosophy and associated Program Objectives
- Total Compensation History Document for President/ CEO
- Incumbent Background Sketch
  - Scope/ Role
  - Educational Background/ Experience
- Comprehensive Survey Benchmarking Reports
- Summary of Incumbent's objectives for a competitive/ equitable compensation package
- Summary of Board Team's objectives and any related concerns
- Recommendations for leveraging the compensation package for short and long-term effectiveness
- Follow-up meetings with Board Team & President/ CEO as appropriate
- Associated presentation materials/ back-up documentation

## About LTC Performance Strategies

LTC Performance Strategies, Inc. is a highly successful, “boutique,” Executive Compensation & Performance Development practice that has supported 250+ prominent organizations across 50+ industry segments (see attached Sample Client List).

Larry Comp, Sr. Executive Compensation Consultant & the Firm’s President (see attached Biographical Sketch) will serve as the project leader and client liaison for this executive compensation study. Below is a brief sketch of Larry’s related background for this critical initiative:

- Larry has led over 150 client executive compensation projects. Below is a list of current/ recent Client Assignments:
  - Interfacing with the Compensation Committee and CEO to finalize and re-negotiate CEO’s total compensation package
  - Serving as Expert Witness on several disputed CEO Compensation packages
  - Determining Reasonable Compensation for CEO/Officers of numerous prominent organizations, in both the for-profit and non-profit realms
  - Realigning Sr. Executive Salary and Incentive Plans for a Real Estate Development firm
  - Restructuring Base/ Short and Long-Term Incentive/ Executive Compensation/Benefits Plans for Software, Industrial Services, Manufacturing, and Distribution firms
  - Supporting efforts of Private Equity Firm and Sr. Officers to solidify roles/ compensation
  - Developing/Transitioning Executive Benefits Plans for Prominent High Tech Firm, global Japanese Manufacturing Company, major Energy Services Company, global Agricultural company
  - Developing Long-Term Retention Plan for Sr. Management Team of service organization

Larry has taught Compensation for UCLA, co-authored over 50 articles, and is a prominent speaker to CEO and Sr. HR Executive forums on trends and best practices pertaining to Executive and Incentive Compensation practices.

Prior to joining LTC, Larry held progressively responsible leadership roles with Baxter Healthcare and Nissan; such roles involved establishing and negotiating compensation packages for executives. His additional experience in executive search, managing outplacement/ career transition for a \$1B (revenue) company shutdown, and serving as an agent helping C-Level executives negotiate their compensation packages has helped him to gain a better understanding of divergent perspectives surrounding executive compensation.

He holds a Masters Degree in Human Resources Management, has been accredited as a Senior Professional in Human Resources (SPHR), and is recognized as a Certified Management Consultant (CMC).

In addition, Larry serves as Chair/Co-Founder of a large non-profit organization, has served on the Compensation Committees of three major national organizations, and recently joined the Board of Directors of a rapidly growing private corporation.

### **Project Compensation Schedule**

LTC's President and Sr. Executive Compensation Consultant, Larry Comp, will serve as the project leader and liaison to the Board Team and the Airport's President/ CEO.

The methodology outlined in this proposal addresses one possible way of approaching this study. We customize our approaches to meet the specific needs of each client. Therefore, we are pleased to discuss alternative approaches to conducting this study to best meet the needs of the Compensation Committee.

Larry will provide these services at the rate of \$250 per hour. Our best estimate as to the labor involved in achieving the deliverables outlined above is in the 32-40 hour range. Additional time needed in meeting with the respective parties can be billed at \$250 per hour.

We look forward to helping the Organization meet its goals with respect to this critical initiative.

### **Acceptance of Proposal**

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LTC Performance Strategies, Inc.  
Larry B. Comp, President

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San Diego County Regional Airport Authority  
Executive Personnel & Compensation Committee

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Date

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Date





Building Healthy, High-Performance Companies

# Sample Clients by Industry



28001 Smyth Drive, Suite 103 - Valencia CA 91355

661.294.2929

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## Biotech/Health Care







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THE SOLAR EVOLUTION



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A division of Capri Homes, Corp.

**Castle & Cooke**



**Henry**



WE'RE OBSESSED WITH ASPHALT



**Heil**  
CONTRACTORS-MANAGERS



**Goldrich & Kest Industries, LLC**  
A Division of Kest Industries, Inc.



**COMET ELECTRIC**



**AMCAL**



**HARTMAN**  
the POWER of  
PROVEN RESULTS







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## Distribution



**RR DONNELLEY**



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A Carrix Enterprise



**mesoesthetic®**

**Juice Harvest**



**TOTAL TERMINALS INTERNATIONAL, LLC**



**VIDENT™**  
A VITA Company



**Global Paper Solutions**  
The World's Paper Source



**Destination Rx™**



**RoadLink®**  
Intermodal Logistics

*Solutions That Connect.*



**LEE'S POTTERY, Inc.**  
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## Entertainment



The *Walt Disney* Company

**Kodak**

**Panasonic.**



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Delivering customers. Driving results.



Los Angeles Times



**SALEM**  
COMMUNICATIONS

**genius**  
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GEMSTAR-TV GUIDE  
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*Commerce Casino*  
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## Financial



**CAPPELLO**  
CAPITAL CORP.  
INVESTMENT BANKERS



**GUARDIAN**

**WESTERN**  
INTERNATIONAL SECURITIES INC.



**PHOENIX**



**Metrocities**  
MORTGAGE







**BOYD**



Clean Diesel Technologies



ZODIAC POOL SYSTEMS, INC.



Innovative Materials Manufacturing & Automation





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## Non Profit/Associations Educational Institutions

**LMU|LA**  
Loyola Marymount  
University



**CALARTS**  
CALIFORNIA INSTITUTE OF THE ARTS

**UCLA**

mud

GOLDEN GATE UNIVERSITY

**PIHRA**  
Professionals in Human Resources Association



**OpenDoors**  
Serving persecuted Christians worldwide



**OTIS**

Ortis College of Art and Design



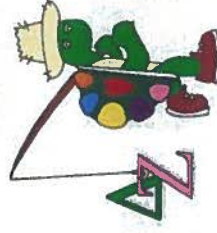
● Art Center College of Design

**COTTONWOOD** CHRISTIAN CENTER

Henry L Guenther Foundation



Union Rescue Mission®  
*the way home*



**The Painted Turtle**  
• Held in the Wall Camp



Los Angeles  
Regional Family  
Planning Council

ASSOCIATION OF INDEPENDENT COLLEGES OF ART AND DESIGN  
**AICAD**

## Retail/Restaurants







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## Professional Services

FAMILY LAW LAWYERS  
**silberberg & cross**  
LLP  
A Limited Liability Partnership of Professional Corporations

**m&r**  
MICHELMAN & ROBINSON, LLP

**POOLE & SHAFFERY, LLP**  
ATTORNEYS AT LAW

**SEYFARTH**  
ATTORNEYS  
**SHAW**



Lindsey & Company Inc

**manatt**

**The Reape-Rickett Law  
Firm**

**Fisher & Wolfe LLP**



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## Services







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## Technology



**Kodak** EasyShare  
software

**KODAK**  
Inkjet



**3 Phases**  
Renewables



**SEMTECH**



**OKI**



**amatel**

**VITESSE**



**tactel**



TRINE AEROSPACE, LLC



THE DOCUMENT COMPANY  
**XEROX**

LTC Performance Strategies, Inc. is a 25-year old Los Angeles-based "boutique" organization specializing in Total Compensation & Performance Development. Serving hundreds of prominent public, private, and non-profit brand leaders, across industry, the LTC Consulting team delivers exceptional value by providing timely, cost-effective and practical solutions that serve to attract, motivate and retain talented performers, while yielding a strong Return on Investment (ROI).



**Larry B. Comp, Principal  
LTC Performance Strategies, Inc.**

**Phone:**  
661.294.2929 - Extension 11

**Email:**  
[lcomp@ltpperformance.com](mailto:lcomp@ltpperformance.com)

**Website:**  
[www.ltpperformance.com](http://www.ltpperformance.com)

**LinkedIn Profile:**  
[www.linkedin.com/pub/larry-comp/1/264/431](http://www.linkedin.com/pub/larry-comp/1/264/431)

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[www.ltpperformance.com/register-enews.html](http://www.ltpperformance.com/register-enews.html)

Larry Comp serves as the LTC Performance Practice Leader for *Total Rewards Solutions*. Larry is a nationally recognized authority in the field, having led hundreds of related initiatives with over 250 leading organizations across 50+ industry segments. Areas of focus include:

- Executive Compensation/Benefits
- Salary Management
- Incentive Plans
- Reasonable Compensation for Non-Profits

Larry's passion is leveraging compensation to create healthy, "high performance" cultures. Client organizations frequently report increased productivity and financial performance, as well as improved teamwork.

Prior to joining LTC, Larry held progressively responsible leadership roles with Baxter Healthcare and Nissan. He holds a Masters Degree in Human Resources Management, has been accredited as a Senior Professional in Human Resources (SPHR), and is recognized as a Certified Management Consultant (CMC). In addition, Larry has co-authored over 50 publications and taught undergraduate/ graduate coursework for several universities. He is Chair/Co-Founder of a large non-profit organization, has served on the Compensation Committees of three major national organizations, and recently joined the BOD of a rapidly growing private corporation.





October 19, 2012

Mr. Michael Ellington  
Manager, Human Resources  
San Diego County Regional Airport Authority  
P.O. Box 82776  
San Diego, CA 92138-2776

Dear Mr. Ellington:

Quatt Associates is pleased to present the following proposal to assist the San Diego County Regional Airport Authority by conducting an executive compensation analysis of the Authority's President and CEO, and assisting the Executive Personnel & Compensation Committee (the "Committee") in the contract negotiation process with the President/CEO.

The scope of the project will include the following items:

- A review of the current compensation plan and contract
- A marketplace assessment of the current compensation plan, in which we will compare all elements of the President/CEO's compensation to the appropriate marketplace
- Findings and recommendations about the current compensation plan relative to both its effectiveness and market competitiveness
- Compensation plan examples based on feedback obtained from interviews with the President/CEO and two to three members of the Committee
- Develop a preliminary draft report, which we will send to the Committee for review and comment
- A final report and presentation outlining our findings, recommendations, and compensation plan examples
- After facilitating conversations with the President/CEO and Committee members regarding the compensation examples, a contract term sheet outlining the final agreed upon compensation plan

To conduct the study, we suggest the following process:

- Develop a project plan and timeline
- Collect and review relevant and available information including the organization's strategy, direction, and performance objectives, organizational charts, the current governance process, the President/CEO's contract, current compensation and benefits(including the annual cost of each benefit), and any other relevant information

- Discuss the marketplace for the position and the desired objectives and elements of the compensation plan with the involved individuals (the President/CEO and two to three Committee Members)
- Conduct a market pricing analysis of the comparator group as well as any other survey data we consider to be relevant (we understand that the Authority will provide compensation survey information specific to airport authorities located throughout the nation)
- Compare the current compensation in the marketplace. This analysis will enable us to assess both the reasonableness and the competitiveness of your current compensation practices
- Develop a draft report summarizing our methodology, findings, recommendations, and potential compensation plan examples
- Present our draft report to our designated Board contact(s)
- Amend the report as needed
- Present our final findings and recommendations
- Act as an intermediary to facilitate discussion and agreement on the ultimate compensation plan principles
- Develop a contract term sheet specifying the agreed upon compensation plan.

### **Consulting Fees**

We estimate that the compensation analysis as detailed above will cost, in consulting fees, between \$10,000 and \$15,000. Our estimate is somewhat broad given that this is the first time we have worked with the organization, and the cost is likely to vary depending on the amount of process and level of engagement among the key stakeholders.

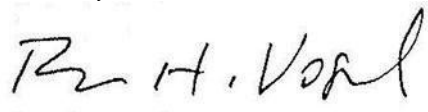
The firm will bill you monthly for work performed in the previous month. Payment is expected within 30 days. We charge our fees by the hour and provide a monthly summary for each consultant of the hours spent on a task, a description of the task, and the hourly as well as total fees. In addition we add a 5% administrative fee that includes report production, data collection, and other incidental expenses. We charge at cost for expenses related to travel.

The above estimate does not include consulting time and expenses to attend any meetings outside of the Washington, D.C. metropolitan area (if required).

This estimate is subject to change should the firm undertake additional work or travel at your request. We will be happy to discuss any changes with you throughout the course of this project, and will inform you if we become aware that our original estimate no longer appears to be accurate.

We are looking forward to the opportunity of working with you on this analysis.

Sincerely,

A handwritten signature in black ink, reading "B. H. Vogel". The signature is written in a cursive, flowing style. The first letter "B" is large and loops around. The "H" and "V" are also prominent, with the "V" ending in a long, sweeping tail.

Brian H. Vogel  
Senior Principal



## About Quatt Associates

Quatt Associates is a management consulting firm, established in April of 1996, and dedicated to serving the association sector. Our practice includes:

### **Executive Compensation Systems.**

We develop executive compensation systems, including performance-based award plans and deferred compensation plans. We also conduct intermediate sanctions reviews, including analysis of compensation and benefits practices. We have a book in publication on executive compensation for not-for-profit organizations.

### **Executive Performance Systems.**

We develop executive performance systems. We assist organizations in establishing institutional and executive performance objectives and measures, including development of leadership assessment processes and tools. We also develop guidelines and processes for boards of directors to assess and manage executive performance.

### **Compensation.**

We develop job classification, salary administration, and compensation systems, including career pathing systems, customized reward systems, and performance-based compensation systems. We conduct annual compensation surveys of not-for-profit organizations.

### **Performance Management Programs.**

We assist organizations in establishing staff performance objectives measures and systems. We provide training on performance management and coaching to ensure effective program implementation.

### **Organizational Research.**

We conduct focus groups, employee opinion surveys, and organization needs analyses to support organizational change.

### **Strategic Planning and Board Effectiveness.**

We conduct strategic and business process planning, and work with boards on effective board management and development.

### **Organization Development and Succession Planning.**

We work with both individual executives and leadership teams to improve their effectiveness in managing the organization. We develop succession planning programs to support effective institutional development and management succession.

## Biographies

### Brian H. Vogel

Brian Vogel is a senior principal with Quatt Associates. Mr. Vogel has broad experience in nonprofit compensation, strategic planning, organization development, performance management, and research. Mr. Vogel co-authored with Mr. Quatt *Nonprofit Executive Compensation: Planning, Performance, and Pay*, published by BoardSource. Mr. Vogel and Mr. Quatt completed the second edition, which was published in October 2009.

Mr. Vogel's recent client work has included:

- ❑ Developing executive compensation plans
- ❑ Designing non-profit compensation and job classification systems
- ❑ Developing performance management systems
- ❑ Conducting benchmarking studies of organization structure and effectiveness for organizations undertaking a major organization change
- ❑ Strategic planning
- ❑ Developing annual operating business plans
- ❑ Conducting opinion research design and analysis, including focus groups and polling

Mr. Vogel is a graduate of Harvard Law School and a graduate of Harvard College.

### James F. Wynn

James Wynn is a Senior Consultant specializing in compensation and employee benefit plans. Mr. Wynn works with a number of foundations, media organization, advocacy groups, professional societies, and educational institutions in the areas of executive compensation, deferred compensation arrangements, staff compensation systems and structures, and employee benefit plan design.

Prior to joining Quatt Associates, Mr. Wynn was an Associate in the employee benefits and executive compensation practice group of Morgan, Lewis & Bockius LLP. As a lawyer with the firm, Mr. Wynn assisted numerous for-profit and not-for-profit clients in finding and implementing creative solutions to their compensation and employee-benefit-related business problems. Mr. Wynn's experience ranged from qualified retirement plans and deferred compensation arrangements to employment agreements and severance pay agreements.

Mr. Wynn is a graduate of the University of Virginia School of Law and a graduate of Cornell University's School of Industrial and Labor Relations, where he studied human resource management and organizational behavior. Mr. Wynn is a member of both the Virginia State Bar and the District of Columbia Bar.



## Representative Client List

Quatt Associates specializes in providing consulting services to foundations and not-for-profit organizations. Below is a partial listing of our recent clients.

*References Available Upon Request*

American Association for the Advancement of Science  
American Cancer Society  
American Council on Education  
The Annie E. Casey Foundation  
Association of American Universities  
Association of Governing Boards of Colleges and Universities  
Blue Moon Foundation  
BoardSource (National Center for Non-Profit Boards)  
Carl B. & Florence E. King Foundation  
Children's National Medical Center  
Chronicle of Higher Education/Chronicle of Philanthropy  
Colonial Williamsburg Foundation  
Conservation International  
Cooperative Housing Foundation  
Council on Foundations  
Edgerton Foundation  
Eisenhower Fellowships  
Enterprise Foundation  
Environmental Defense  
F.B. Heron Foundation  
Foellinger Foundation  
Gallaudet University  
Greater Texas Foundation  
Guidestar  
Habitat for Humanity  
Heifer Foundation  
Helios Education Foundation  
Hitachi Foundation

Humane Society  
International Center for Research on Women  
Jefferson Scholars Fund  
John D. & Catherine T. MacArthur Foundation  
Libra Foundation  
Lincoln Land Institute  
Los Angeles County Museum of Art  
MacArthur  
Monticello  
National Association of Independent Colleges and Universities  
National Audubon Society  
National Merit Scholarship Corporation  
National Public Radio  
Natural Resources Defense Council  
Nina Mason Pulliam Charitable Trust  
Pew Charitable Trust  
Pew Research Center  
Prevent Cancer Foundation  
Public Broadcasting Services  
Public Radio International  
Rockefeller Foundation  
Scripps College  
Susan G. Komen Foundation  
Sesame Workshop  
Thomas J. Watson Foundation  
Virginia Piper Charitable Trust  
White House Historical Association  
Williamsburg Foundation  
World Wildlife Fund  
University of Alaska  
University of Michigan  
University of Missouri  
YMCA of the USA