DRAFT

September 9, 2008

Honorable Judge J. William McLafferty
Santa Barbara County Superior Court
1100 Anacapa Street, 2^{nd} Floor
P.O. Box 21107
Santa Barbara, CA 93121-1107

Re: Board of Supervisor Response to 2007-2008 Grand Jury Report – Santa Barbara County Leadership Project: A Good Plan in Need of Transparency

Dear Judge McLafferty:

During its regular meeting on Tuesday, September 9, 2008, the Board of Supervisors adopted its response to the 2007-2008 Grand Jury Report – Santa Barbara County Leadership Project: A Good Plan in Need of Transparency.

Attached to this correspondence is the response adopted by this Board. A copy of the response has been forwarded to the 2008-2009 Grand Jury Foreman.

Sincerely,

Salud Carbajal, Chair
Santa Barbara County
Board of Supervisors

cc: Grand Jury Foreman

Board of Supervisors Response
2007-2008 Grand Jury Response
Santa Barbara County Leadership Project:
A Good Plan in Need of Transparency

Finding 1: The Human Resources Department has prepared the financial analysis for the *Leadership Project*, which it has created and implemented.

Response: Agree.

CEO/Human Resources (CEO/HR) prepared the financial analysis for the *Leadership Project* (*Project*), working with CEO/Budget and data provided by the Auditor-Controller. These estimated costs were reviewed with and approved by the Board. The *Project* itself was not designed and implemented solely by CEO/HR as explained below.

The *Leadership Project* was a Board-directed initiative for the purpose of modernizing and integrating human resources business systems, linking pay with performance, and embedding the County's ACE Values within the organization. Although it is certainly within an employer's authority to design and implement classification, compensation, and performance management systems for management employees, the development of the *Project* progressed over approximately 18 months and included extensive outreach and participation from a wide range of managers and executives throughout the organization, as the Grand Jury's Report accurately portrays. The *Project* was designed and implemented with extensive feedback from all County departments and all levels of management throughout the organization.

Recommendation 1: The Board of Supervisors should require that all financial analyses of county payroll systems be prepared and presented by the Auditor-Controller.

Response: The recommendation has already been implemented as described below.

As a point of clarification, the *Leadership Project* is ***not*** a payroll system; it is a compensation system. The Auditor-Controller designed and manages the County's payroll system and does provide analyses or reports regarding the payroll system.

The California State Constitution, Article XI, §1 (b) and the California Government Code, §25300 assign authority to the Board of Supervisors for the number, compensation, tenure, appointment, and conditions of employment for employees of County government. Further, Civil Service Rules 401 and 402 also assign compensation authority to the Board of Supervisors.

While the authority to determine compensation resides with the Board of Supervisors, CEO/HR regularly collaborates with both the Auditor-Controller and the CEO/Budget

Director. Further, the Auditor assists CEO/HR by providing costing data that has been maintained by his office in the past. The Auditor has requested that the responsibility for maintaining the costing data reside in CEO/HR.

Additionally, financial analysis of the cost related to employee compensation is included in the County's budget and in the salary model. Coordination with the Auditor-Controller occurs in both of these processes.

Finding 2: County employees are not universally aware of the impact of being an Enterprise Leader and "at will," as opposed to another leadership classification that remains under civil service protection.

Response: Disagree.

The report offers no factual support for this finding. The Enterprise Leader classification was created for "at will" managers that existed in the organization prior to the implementation of the *Project*. Those managers were already aware of their "at will" status and well-informed of the meaning of that status. The managers who became Enterprise Leaders during the implementation of the *Leadership Project* became Enterprise Leaders at the request of their department heads. Prior to recommending any allocation to Enterprise Leader to the Board of Supervisors, CEO/HR confirmed with department heads and in some cases with individual managers, that managers understood the implications of becoming an "at will" employee.

Recommendation 2: The Human Resources Department should prepare a short summary explaining the advantages and disadvantages of civil service vs. "at will." This summary should be distributed to all leadership employees, including those who are not "at will."

Response: The recommendation will not be implemented as it is unreasonable as described below.

See response to Finding 2.

There are approximately 126 at will managers in the County, 78 of which are Corporate/Departmental Leaders and Assistant Departmental Leaders. Managers are aware of their status.

Finding 3: There is widespread concern that the Leadership Project has not been applied consistently to all departments.

Response: Disagree.

The Grand Jury Report provides no data to support that that *the Leadership Project* has been applied inconsistently Countywide. While the *Project* was designed to provide authority at the department head level, CEO/HR provides oversight and review to ensure that the plan operates within the parameters approved by the Board of Supervisors.

Further, an electronic survey of all managers and executives was launched after the completion of the first full year of experience with the program. Survey results do not support that there is widespread concern. Indeed, the vast majority of respondents to the survey (93%) reported that performance rating and pay decisions were fair, objective, and within *Leadership Project* parameters.

Recommendation 3: As part of its annual review with each department, the Human Resources Department should specifically discuss and review the payroll bands to ensure against inconsistencies between departments.

Response: The recommendation has already been implemented as described below.

The following process has already been implemented to ensure consistent application across the organization:

- Prior to the December 2007 pay decisions, the Auditor-Controller provided a spreadsheet that was distributed to department heads for the purpose of reporting pay decisions. The spreadsheet had automated controls for base-building increases and did not permit department heads to give more or less salary increases than allowed within the Board-approved parameters.

- As pay decisions were transmitted to CEO/HR, decisions were reviewed for consistency between departments in the areas of performance ratings, exceptional performance pay amounts, project pay amounts, and project descriptions accompanying project pay awards.

- As possible inconsistencies were identified, CEO/HR consulted directly with department heads and engaged in a thorough discussion to understand performance ratings and pay decisions and, where necessary, make corrections.

- In a report dated February 15, 2008 the CEO and the Assistant CEO/Human Resources Director provided a summary of the data related to performance ratings and pay decisions to the Board of Supervisors.

- In the spring of 2008, CEO/HR conducted a review of promotional and new hire pay decisions since the inception of the *Project*. This information was provided to the Board of Supervisors in a report dated August 1, 2008.

- Based on the data, process improvements will be made and ongoing review and assessment will continue.

Finding 4: The full financial impact of proposed pay raises and pension contributions has not been provided to the Board of Supervisors. This includes raises for management as well as clerical employees.

Response: Disagree.

Financial parameters are set and adopted by the Board of Supervisors. Board Letters include financial analysis and retirement impacts. The *Leadership Project* Board Letters and the *Clerical Project* Board Letter included financial impacts.

Recommendation 4: The Board of Supervisors should request the Auditor/Controller to prepare payroll analyses showing the fiscal impact for all classes of employees. Financial projections also should include changes in pension contributions.

Response: Partially Agree.

Reporting on fiscal impacts and pension contributions already occurs and uses data provided by the Auditor-Controller. Coordination with the Auditor-Controller will continue.

Finding 5: The Civil Service Commission does not give the appearance of being an independent body, serving both the county administration and county employees.

Response: Disagree.

The budgeting, housing, and supervision of the part-time Civil Service Commission secretary position by CEO/HR is not a new arrangement. The position has been allocated to the CEO/HR budget, has been housed within CEO/HR, and has been supervised by CEO/HR since the position was authorized by the Board of Supervisors in 1989.

Additionally, the Civil Service Commission has historically looked to CEO/HR to provide coverage for its secretarial position during vacations and other absences, and has specifically requested that CEO/HR continue to provide ongoing coverage of the function until a new secretary is hired to replace the employee who retired in March 2008. Though CEO/HR provides backup support to this position to assist the Commission, the Commission's position is solely and completely dedicated to Civil Commission work and does not participate in the work of CEO/HR. There is a separate office and phone line and all files and records are maintained under lock and key by the Commission's secretary.

Recommendation 5: The Civil Service Commission should be given its own budget to pay for a secretary. It should be assigned an office that is separate from the Human Resources Department. In accordance with Section 27-23 of the County Code, it should appoint its own confidential secretary.

Response: The recommendation will not be implemented as it is unwarranted as described below.

This issue has been resolved. In an opinion dated June 18, 2008 the Civil Service Commission's counsel advised the Commission on this matter. Subsequently, the issue was discussed during the Civil Service Commission meeting of June 19, 2008 and Civil Service Commission Chair, Richard Solomon, stated that the matter is resolved.