



SANTA BARBARA COUNTY HUMAN RESOURCES COMMITTED TO PEOPLE





Management Classification and Salary Plan Changes

Board of Supervisors Presentation

December 6, 2016



Project Scope

In collaboration with key stakeholders and consultants, HR will establish a fiscally responsible salary and classification structure that

- Attracts and retains talent
- Enables the County to be competitive with the labor market
- Addresses internal equity
- Enables flexibility and movement through the salary band
- Reinforces performance management and accountability

HR will update the County's Compensation Philosophy to include

- Total Compensation
- Relevant Labor Market

HR will update the 2015 salary survey based on the identified Relevant Labor Market



Guiding Principles

- ❑ Establish Clear Parameters and Accountability for Hiring Managers
- ❑ Create Movement Through Salary Band
- ❑ Establish Market Based Management Approach
- ❑ Introduce Total Compensation Philosophy
- ❑ Establish Clarity, Ease and Consistency of Policy Administration
- ❑ Incorporate Appropriate Fiscal Controls



Outcome

A Transparent Market Driven Management Classification and Salary Plan...

Conducive to Attracting and Retaining
High Quality, Diverse Employees

Emphasizing Total Compensation and Reward
as the Value Proposition

Inclusive of Succession, Equity and
Performance Provisions



Management Compensation Project Bifurcated Approach

Internal Policy

- Cross Departmental Advisory Team
- Total Compensation Philosophy and Strategy
- Salary Provision Changes
- Multi-Year Implementation

External Compensation

- Segal Waters Consulting Firm
- Salary Survey - Benchmark Positions
- Market Identification
- Relevant Comparative Agencies
- County Competitiveness



Internal Policy Changes - Non-Monetary

- ❑ Defined Total Compensation and Established Strategy (Appendix A, Pg. 4-7)
- ❑ Changed Designated Control Point on Salary Range – Quartile System (Appendix A, Pg. 8-10)
- ❑ Identified Relevant Comparative Counties (Appendix A, Pg. 7)
- ❑ Added City/Private Sector Agencies for Hard to Fill Positions (Appendix A, Pg. 7)
- ❑ Included Non Base-Building Pay (Appendix A, Pg. 8,15-16)
- ❑ Added Promotion Within Leadership Classification Provision (Appendix A, Pg. 8,10)
- ❑ Added Assistant Department Leader – Specialized Classification (Appendix A, Pg. 2)



Internal Policy Changes - Monetary

- ❑ General Salary Increase (GSI)
 - ❑ Mirror With Largest Bargaining Unit (Appendix A, Pg. 12)
 - ❑ May include Equity and Merit Increase (ESI/MSI) at CEO Discretion
- ❑ Equity Salary Increase & Merit Salary Increase based on available funding (Appendix A, Pg. 13)
- ❑ Market Adjustment
 - ❑ Variable – Multi-Year (Appendix A, Pg. 13-14)
- ❑ Retention – Longevity
 - ❑ Yearly – Approximately \$100K Total/Year (Appendix A, Pg. 15-16)



Internal Policy Changes – Monetary Cont.

- ❑ Succession Incentive Pay
 - ❑ Variable – Subject to CEO Criteria (Appendix A, Pg. 16)

- ❑ Temporary Promotion
 - ❑ Increased Maximum from 18 Months to 24 Months (Appendix A, Pg. 11)
 - ❑ Increased Maximum from 10% to 15%



Fiscal Controls

Market Base (+/- 10% of mean)
of Comparable Agencies

Designated Control Point
for Hire/Promotion – Quartile System



Market Base +/- 10% of Market Average

Example:

Management Employee “Mary Ellen”

- Annual Salary \$90,000
- Mid Market Annual Average \$100,000
- +/- 10% of Mid Market Average \$90,000 - \$110,000
- Mary Ellen is within market – No adjustment required

Management Employee “Michael Foghorn”

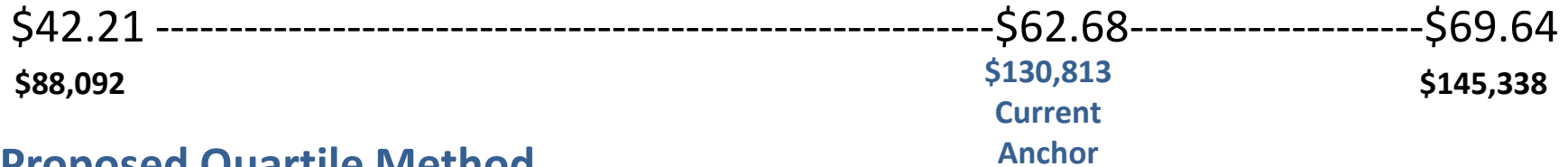
- Annual Salary \$85,000
- Mid Market Annual Average \$100,000
- +/- 10% of Mid Market Average \$90,000 - \$110,000
- Michael Foghorn is below market – Recommend adjustment of 5.88% to bring to 90% of mid market average



Designated Control Point: Anchor vs. Quartile

Example (Enterprise Leader):

Current Anchor Point Method



Proposed Quartile Method

Job Title	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
Enterprise Leader	\$ 42.21-\$49.07 \$88,092 – \$102,409	\$ 49.08-\$55.93 \$102,421 - \$116,725	\$ 55.94-\$62.79 \$116,746 - \$131,042	\$ 62.80-\$69.64 \$131,063 - \$145,338

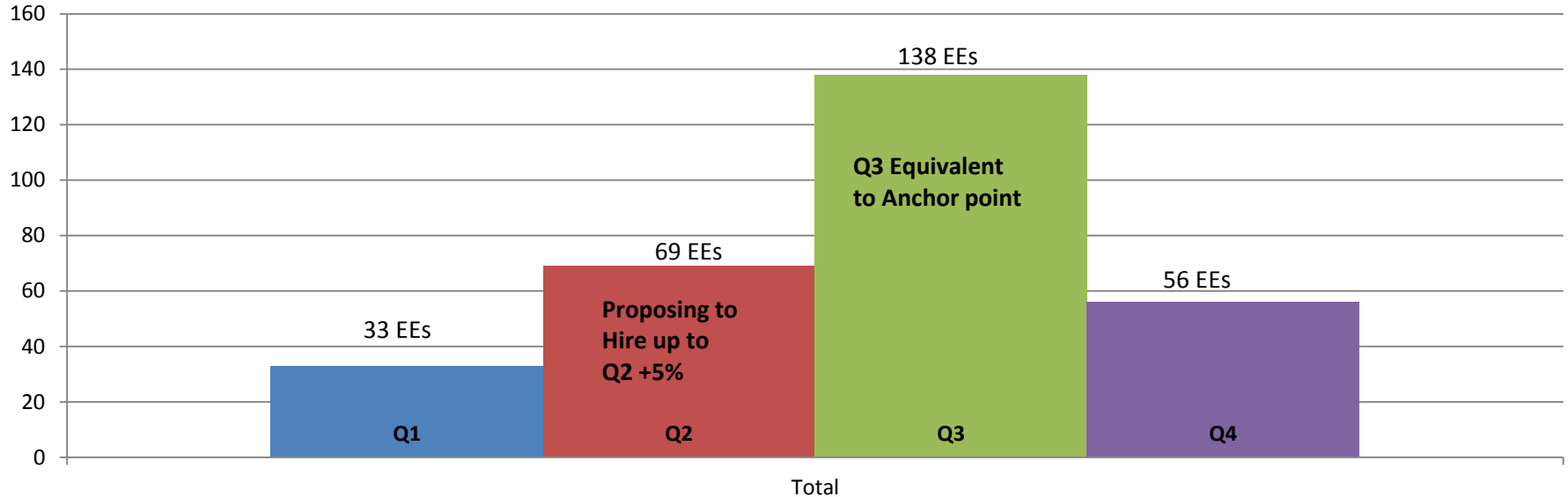
**External Market Falls
Within 2Q**



**Proposed 2Q+5%
Control Point = \$58.73
\$122,569**



Management Compensation Distribution Skewed

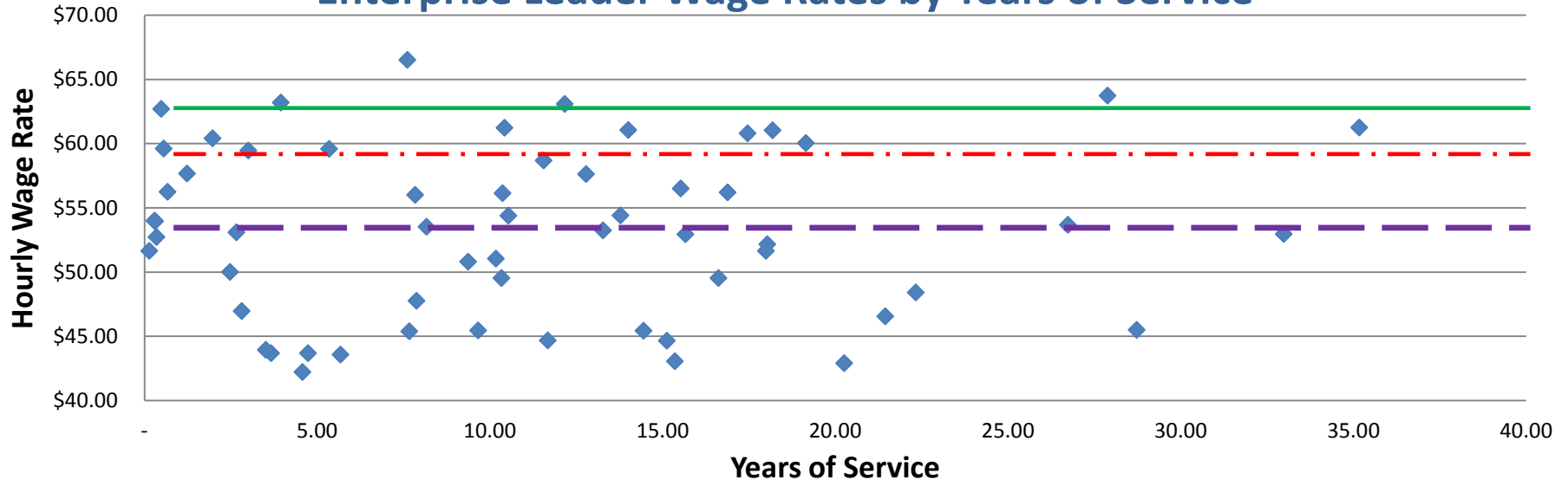


Many New Management Employees are Hired at Q3 Which Creates Internal Disparity – Quartile Method Will Correct



Skewed Distribution by Classification

Enterprise Leader Wage Rates by Years of Service

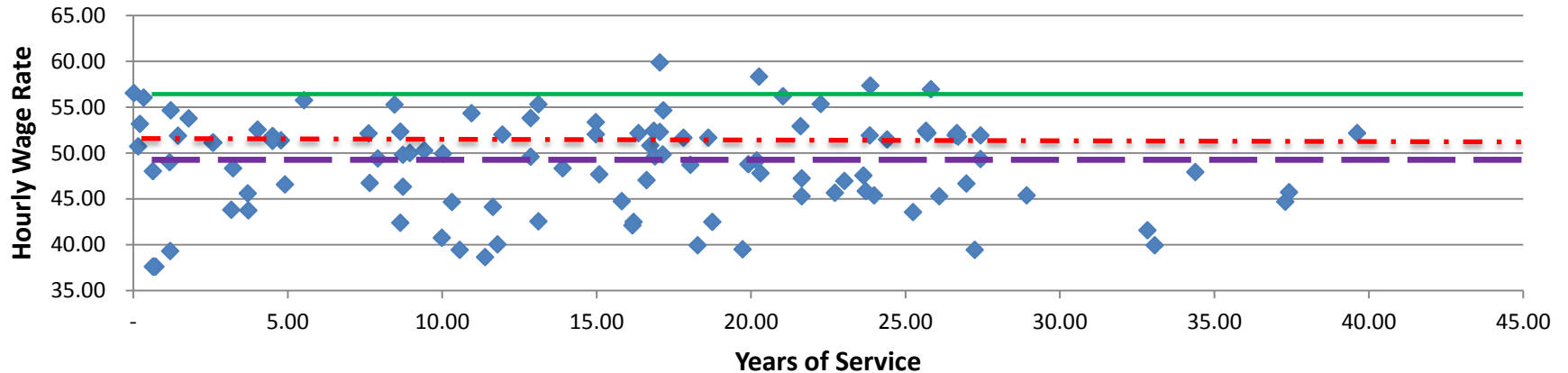


- Green** = Current Anchor Point
- Purple** = External Market Midpoint
- Red** = 2Q+5 Proposed Control Point



Skewed Distribution by Classification

Program Business Leader Wage Rates by Years of Service



- Green** = Current Anchor Point
- Purple** = External Market Midpoint
- Red** = 2Q+5 Proposed Control Point



What Do The Scatter Charts Tell Us

- ❑ Historically Random Compensation System – No Linear Progression/Correlation Between Years of Service and Salary
- ❑ Too Many Job Titles in Broad Band Classification (not Comparing Apples to Apples)
- ❑ New Employees Being Compensated at Higher Salary
- ❑ Possible Performance Management Issues Not Being Addressed

Further Exploration Required of Those Below The Market Line to Determine If Adjustment Is Required

Why Move To 2Q+5% (Quartile Method)

Classification	MARKET MIDPOINT AVERAGE*	2nd QUARTILE	3rd QUARTILE	2nd QUARTILE TO MARKET VARIANCE	3rd QUARTILE TO MARKET VARIANCE
Program Business Leader - General	\$ 100,240.57	\$ 100,225.84	\$ 112,518.12	-0.01%	10.91%
Program Business Leader - Eng	\$ 115,223.58	\$ 110,964.88	\$ 124,573.80	-3.84%	7.51%
Enterprise Leaders	\$ 111,352.32	\$ 116,334.40	\$ 130,602.16	4.28%	14.74%
Department Corporate Leader	\$ 171,882.43	\$ 166,445.76	\$ 186,858.88	-3.27%	8.01%

Note

Market Midpoint Average is based on external salary data

Data as of August 2016 pertains to salary range/bands not individual employees

Proposed Control Point 2nd Quartile plus 5% - Anything above requires CEO Approval

The Recommended Control Point (2Q+5%) Aligns Better with Market Mid Point Average



Fiscal Controls Cont.

- Compaction Adjustments Not Triggered by Retention Adjustment for a Subordinate
- Multi-Year Implementation – Equity and Market Adjustments
- Retention Adjustments Require Written Bona-Fide Offer Letter – CEO & HR Director Approval



External Compensation Approach

- ❑ Surveyed 22 Peer Employers – Data from 15 (Appendix B, Pg. 1)
- ❑ Included 4 Published Private Sector Data Sources (Appendix B, Pg. 6)
- ❑ Evaluated 59 Benchmark Jobs (Appendix B, Pg. 2)
- ❑ Made Geographic Adjustments to Account for Cost-of-Labor (Appendix B, Pg. 7)
- ❑ *Collected and Compared Total Compensation Elements (Appendix B, Pg. 11)

*Note: Further Analysis Required To Determine Total Compensation Competitiveness



External Compensation Salary Survey

Three Main Findings - Summary

❑ Pay Structure – Salary Band Range Not Managers

SBC's pay structure for the 59 Benchmark Positions competitive with the market average at midpoint and maximum pay range - (Appendix B, Pg. 8-9)

- ❑ 11 Benchmark Classification Salary Bands Are Below Market (less than 90%)
- ❑ 41 Benchmark Classification Salary Bands At Market (Between 90 to 110%)
- ❑ 7 Benchmark Classification Salary Bands Are Above Market (Above 110%)

❑ Individual Pay – Managers

- ❑ Overall Managers In The Benchmark Positions Are Within Market
- ❑ Nine (9) Managers In Benchmark Positions Are Between 2% To 42.8% Below Market

❑ Pay Supplements

- ❑ In general, the types of County pay supplements are consistent with peer employers but frequently lower (Appendix B, Pg. 11)



Recommendation FY 16/17

Based on the Salary Survey Data and Recommended Policy/Plan Changes...

- ❑ Adjust 9 Managers that are below 90% of the market midpoint average = \$64,047
- ❑ Adjust 9 Identified Enterprise Leaders and Program Business Leaders that have 15+ years and are below 90% of the market midpoint average = \$74,210

Total Cost With Benefits:

\$64,047

\$74,210

\$138,257

*Note: 25 more Enterprise Leaders and Program Business Leaders are potentially below market and will need evaluation to determine if adjustment is needed.



Recommendation – Ongoing FY 17/18

<input type="checkbox"/> Market Adjustment	\$75,000 per year
<input type="checkbox"/> Equity & Merit Salary Adjustment	Variable Based on Funding
<input type="checkbox"/> Succession Pay	*\$30,000 per year
<input type="checkbox"/> Longevity Pay (1st payout July 2018)	*\$115,000 per year
Total	\$220,000

Note: Longevity and Succession are one time costs – non base building pay
Market Adjustment, Equity/Merit is ongoing plus roll up



Summary of Recommendations

- Adopt Revised Classification and Salary Plan for Executive and Management Employees as Presented
- Approve Alignment of General Salary Increases with Largest Bargaining Unit Effective January 2017
- Approve Market Adjustments for 18 Managers and Executives Effective January 2017
- Approve Multi-Year Budget for Market, Equity, Succession and Longevity Effective 2018



Management Compensation Project '16

Does

- Establish a clear approach and strategy to compensation
- Define “market”
- Establish provisions to adjust salary and create movement along salary band
- Identify ways to compensate employees at various career stages
- Identify relevant comparable agencies for regular and hard to fill positions
- Eliminate artificial barriers to salary upon promotion
- Mirror General Salary Increases awarded to largest employees union
- Introduce Total Compensation as a Value Proposition
- Validate adequacy of benchmark pay ranges



Management Compensation Project '16

Does Not...

- Fix ALL issues of a long standing compensation and classification system
- Revert to a step system
- *Calculate Total Compensation for every single management employee
- Narrow salary band spread
- Reduce number of positions within salary band classification
- **Validate adequacy of all 300 management individuals within pay range

Note: *this will require more intricate and detailed analysis work. Cost prohibitive within the scope and timeframe of this project, **this will be an ongoing process