



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Human Resources
Department No.: 064
For Agenda Of: 07/17/2018
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Lori Gentles, Human Resources Director, 805-568-2817
Director(s)
Contact Info: Don Nguyen, Human Resources, 805-568-6805

SUBJECT: Centralization and Consolidation of Core Human Resources Functions

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Authorize the Human Resources Director to convene a Human Resources (HR) Executive Advisory Committee (HREAC) to help guide and provide input regarding the best organizational structure to improve Countywide operations and reduce overall costs;
- b) Authorize the Human Resources Director to report on the findings from Mercer Consulting regarding the current state of HR across all departments and opportunities for improvement and staff optimization;
- c) Authorize the Human Resources Director to develop appropriate working titles for department HR staff performing personnel work to better align with industry standards and to clarify the distinguishing roles between central HR and departmental staff;
- d) Direct the HR Director to work with the CEO Budget Office, Auditor Controller and department fiscal officers to develop an effective and sustainable funding model that would support a consolidated and or centralized HR service model;
- e) Determine that the above action is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), because it consists of government funding mechanisms and or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Summary Text:

The CEO and Human Resources Director have received direction from the Board of Supervisors to centralize and consolidate core HR functions. This effort is driven by concerns regarding inconsistent application of HR policies, procedures and best practices across all county departments. The current structure is subject to a lack of quality control mechanisms and protocols and duplication and redundancy of effort, and costs associated with a decentralized HR model, including personnel complaints, grievances, litigation and settlement payouts.

The County of Santa Barbara's HR function is an essential and strategic part of the organization's infrastructure, supporting every aspect of its operation and contributing to the rebalancing and structural alignment of major employee programs and benefits to ensure organizational resiliency.

In alignment with Renew 22, the County's multi-year strategic initiative to transform the way we do business, this Board letter provides the HR Director the necessary authority and direction to take initial steps towards:

- Working with stakeholders to initiate an HR centralization feasibility review;
- Clarifying existing roles and titles of central HR staff versus department personnel staff;
- Assembling the HREAC to provide feedback and organizational perspective on designing an enhanced HR structure that achieves cost savings, efficiency, and quality improvement goals; and
- Working with CEO/Budget, Auditor Controller, and Departmental Fiscal Officers to develop an effective and legally compliant funding mechanism to ensure centralized and or consolidated HR services are supported by sustainable resources.

In addition, the HR Director will provide periodic progress reports to the Board.

Background:

For at least the last 20 years, the County of Santa Barbara has operated under a decentralized or fragmented HR model which contributes to a lack of uniform practices, policies and procedures.

In addition, the County HR department has gone through numerous structural iterations from a standalone department to an ACEO/HR Director, to a division within a department structure with an Assistant HR Director and back to a standalone model. Over time, these pendulum swings have resulted in blurred HR roles and responsibilities, lack of structure, and knowledge and skill gaps. Additionally, these practices created holes in service delivery and many departments filled the holes to keep their operations running.

To establish department buy in and to ensure inclusivity and transparency in this process, active participation from a select team of department and assistant department heads on the Human Resources Executive Advisory Committee is critical. Part of the role of the HREAC will be to participate in an organization wide assessment. Human Resources has retained Mercer consulting to:

- a) Assess and report on the current state of Human Resources and identify the "pain" areas impacting all employees performing HR or personnel activities county-wide;
- b) Identify cost impact of how HR County-wide spends its FTE and labor costs;
- c) Compare the current state of County-wide HR operations to benchmark data and leading HR practices;

- d) Identify operational gaps including process fragmentations, job level/role responsibility misalignment; service delivery gap analysis etc.; and
- e) Identify potential opportunities for improvement, including where processes can potentially be optimized and or consolidated.

Human Resources is a term of art that pertains to a comprehensive body of work going beyond core activities such as recruiting, training, HR policy administration, benefits, classification and compensation, and includes policy development, cultural and organizational change, workforce sustainability, etc. In the corporate world this would be a function originating from headquarters. In the public sector the demarcation is less clear. However, best practices suggest that clarity around interpretive and strategic policy responsibilities vs. transactional and routine duties, as it pertains to organizational support functions like HR and IT, is critical to an effective service delivery model that provides consistent, high-quality service to the departments.

Currently, the phrase “human resources” is inappropriately used to describe department staff that perform personnel related activities. Personnel activities are a subset of HR work and include duties such as payroll, corrective action, and employee/assignment transactions. The misuse of terms has led to confusion around HR guidance and policy instruction and interpretation. Both Section 27 of the County Code and the County Civil Service Rules vest authority for the development, interpretation and guidance in the area of HR policies with the HR Director. Working with the HREAC, we will develop appropriate naming conventions or working titles for employees performing personnel functions in County departments to better reflect the scope and level of work being performed and to avoid confusion.

Performance Measure:

N/A

Contract Renewals and Performance Outcomes:

N/A

Fiscal and Facilities Impacts:

Budgeted: N/A

There are no Fiscal impacts for recommended actions.

The cost of the Mercer contract was approved as part of the FY 18/19 budget process.

Due to the unique nature by which the County funds its operations (general fund revenue, non-general fund revenue and special funds) a sustainable and legally compliant long-term funding structure is required. CEO Budget, Departmental Fiscal Officers, the Auditor-Controller’s office and HR need to research and develop a methodology through which HR consolidation and or centralization can be fully implemented and which meets the requirements of State and Federal authorities.

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized</u>	<u>Total One-Time</u>
		<u>On-going Cost:</u>	<u>Project Cost</u>
General Fund			
State			
Federal			
Fees			
Other:			
Total	\$	- \$	- \$

Key Contract Risks:

N/A

Staffing Impacts:

Legal Positions:

FTEs:

Special Instructions:

Attachments:

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cc: