

June 3, 2008

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Leadership Project:
Creating an Organization
Committed to Excellent
Customer Service and
ACE



Agenda: Leadership Project Report

- **Project Background and Development**
- **Compensation and Funding**
- **Outcomes**
- **Project Updates and Reports**
- **Lessons Learned and Recap**





Project Background and Development



Project Background and Development

- **Great Organizations Have:**
 - A clear vision for the future
 - Strong, consistent values that support the vision and are understood and reflected by the workforce
 - Business systems that support achievement of the vision and organizational business objectives
 - Strong mechanisms for holding individuals accountable for contributing to the achievement of the organization
 - A workforce aligned with and committed to achieving the vision



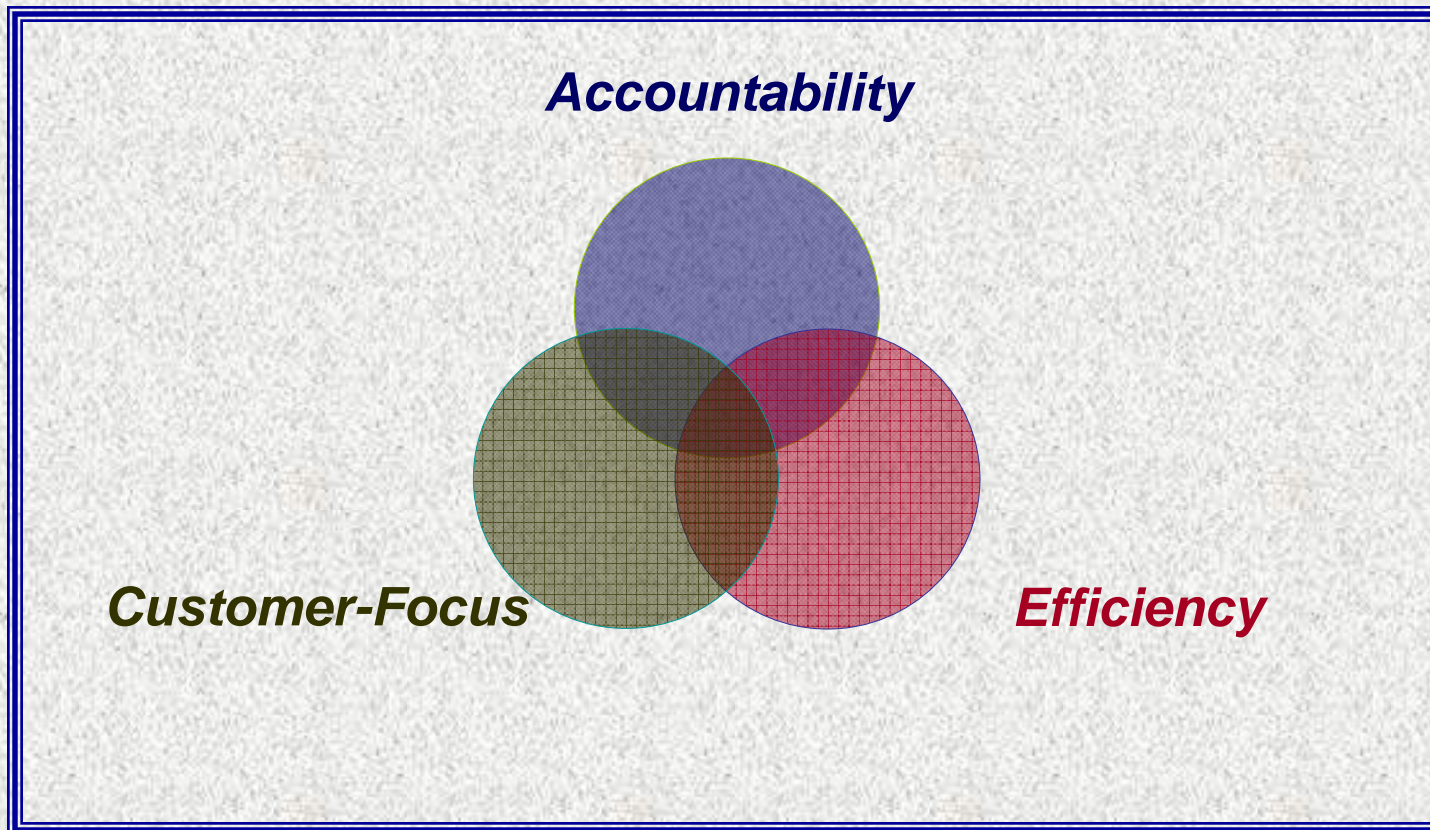
Project Background and Development

- **In the Public Sector, service delivery and quality of services provided are paramount to organizational effectiveness**
- **In 2005, the Board of Supervisors identified its vision to provide excellent customer service throughout the organization and directed the CEO to make changes to accomplish and implement this vision**
- **Vision becomes reality when the workforce is aligned with the organizations' vision and when individual performance, behavior, and attitudes reflect the values of the organization**



Project Background and Development

- The Board identified three core organizational ACE Values:





Project Background and Development

Being personally and organizationally responsible for providing quality service to the community and achieving measurable outcomes in meeting customer needs

Accountability

ACE =
Excellent
Customer
Service

Efficiency

Putting the best interests of the customer in the forefront and acting accordingly

Customer-focus

Using flexibility and creativity with limited available resources to provide quality services, ultimately exceeding expectations

Leadership Project



Project Background and Development

- **Recognizing that it is the organization's leadership who:**
 - **Set the tone,**
 - **Establish expectations, and**
 - **Create an environment that supports customer-focus and service delivery improvements**

the Project was initiated at the top of the organization with County executives and managers



Project Background and Development

- **The development of the Leadership Project was approximately an 18-month collaborative process that included:**
 - **One-on-one interviews with department heads**
 - **Focus groups with approximately 20% of managers and executives**
 - **An online survey to all managers and executives**
 - **Ongoing outreach including correspondence, brown bag events, special meetings, and an interactive web site**
 - **Working with management and assistant department head working groups**



Project Background and Development

Throughout its design and implementation, the Leadership Project was intended to:

- **Advance the Board's vision to provide the highest quality customer service to the Santa Barbara community**
- **Soundly embed ACE Values within the organization and its business systems**
- **Modernize and standardize core human resources business systems to support workforce dedication to excellent service delivery – to meet new demands**



Project Background and Development

- **Align employee performance with the County's business objectives, including commitment to quality customer service**
- **Link individual performance and pay connecting achievement of business objectives and improved service delivery**

Project Background and Development – System Changes





Project Background and Development Changes

- The systems used by the County to classify positions, pay employees, and evaluate performance were more than 30 years old
- The world has significantly changed from the 60's and 70's and the business needs of the County and the community have changed dramatically since that time
- Today's business world demands:
 - A foundation to drive desired results – ACE
 - Improved customer service delivery from employees



Project Background and Development

- **Alignment of management with organizational goals**
- **Rewarding and recognizing superior performance**
- **Deciding on the skills, knowledge, attitudes, behaviors, and competencies important to service delivery**
- **Key Human Resource business system reforms were required to make the change:**



Project Background and Development

- **Streamlining an archaic classification and compensation structure:**
 - **Reducing nearly 200 classifications (for approximately 375 managers) to 20 broad classifications**
 - **Eliminating approximately 77 five-step pay ranges and replacing them with 20 broad pay bands**



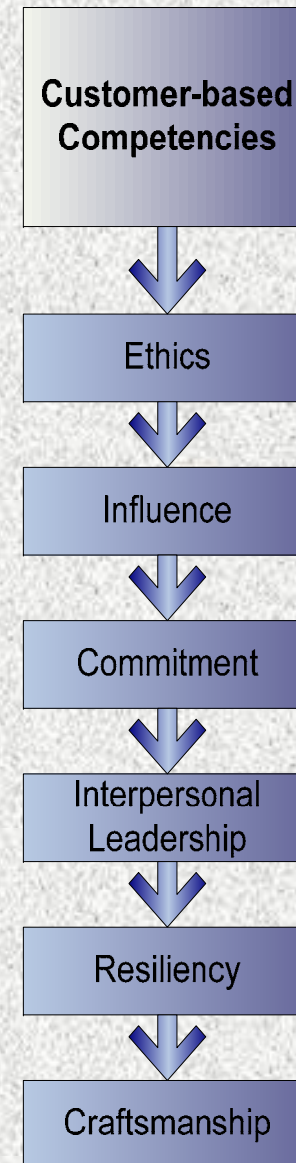
Project Background and Development

- **Implementing performance based pay**
- **Using a combination of variable base building increases, and lump sum re-earnable pay components to recognize performance and service delivery improvements**
- **Recognizing levels of performance and providing rewards for exceptional performance and completion of projects that drive service delivery outcomes**



Project Background and Development

- **Creating and institutionalizing Core Leadership Competencies to support management in:**
 - **acquiring;**
 - **developing; and**
 - **demonstrating the:****skills, abilities, knowledge, and attributes required to successfully achieve service results**

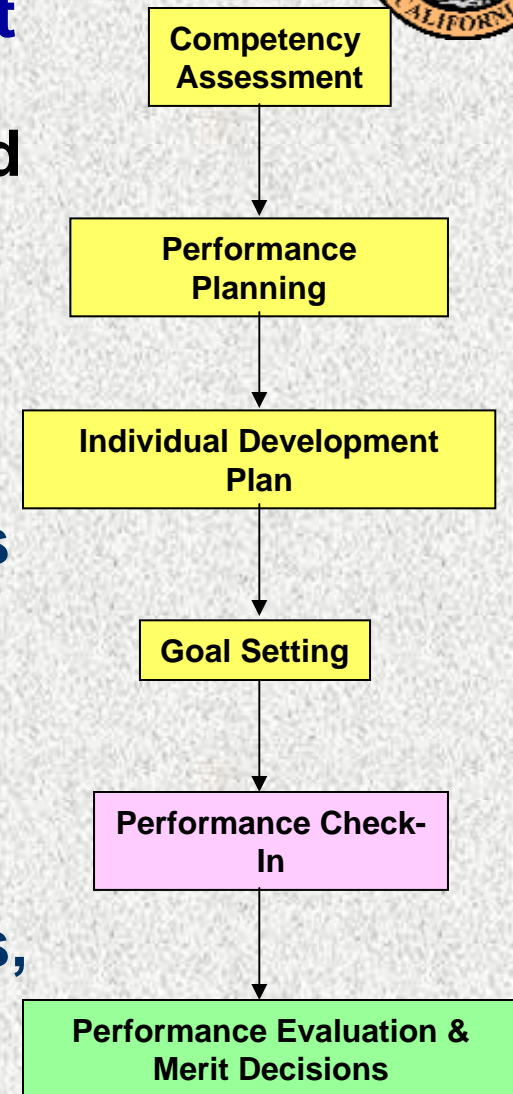




Project Background and Development

Implementing a consistent and improved approach to performance management including:

- A collaborative process
- Performance planning and check-ins
- Goal setting with a customer service focus
- Individual development plans
- Meaningful performance evaluations, ratings, and pay decisions





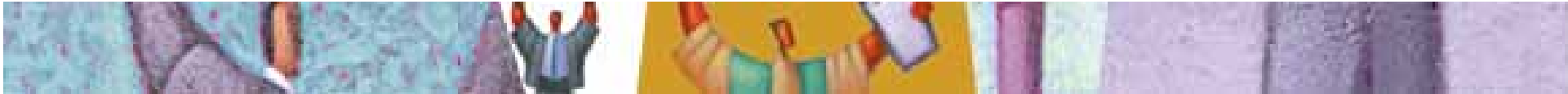
Project Background and Development

- **System changes were designed to:**
 - **Create individual and organizational accountability**
 - **Provide greater flexibility for Department Heads in organizing their operations**
 - **Create greater flexibility for employees to move to other positions in the organization**
 - **Create mechanisms for ensuring continual professional skill development**



Project Background and Development

- **Improve career opportunities for the County's executive and management workforce**
- **Implement a consistent approach to evaluating performance**
- **Hold leadership accountable for achieving customer-service related results**
- **Tie pay and rewards to performance and service delivery results**



Before:	Today:
<p>Inconsistent approach to performance management and performance management not tied to business objectives</p>	<p>Consistent approach:</p> <ul style="list-style-type: none"> -Strategically plan forward for performance, development, and results -Tied to leadership competencies and achievement of business results -Set a minimum of two goals linked to improved service delivery -Ongoing discussion about performance, goals, and business objectives -Mandatory annual evaluation -Clearly defined performance ratings
<p>Top-down approach to performance management that didn't align employee efforts with the achievement of business objectives and service delivery improvements</p>	<p>A collaborative partnership that connects individual efforts to achieving business results and improving service delivery through:</p> <ul style="list-style-type: none"> -Performance planning discussions -Goal setting -Performance Check Ins -EPR that reflects overall performance and accomplishments
<p>Systems lacked the flexibility, agility, and versatility needed to be effective, competitive, and responsive</p>	<p>New, modernized systems are designed to provide flexibility, agility, and versatility in order to support departmental efforts to provide excellent and responsive customer service</p>
<p>Inflexible management and executive classifications and pay ranges that resulted in narrow job descriptions that resulted in silohing of management jobs resulting in operational inflexibility</p>	<p>A classification structure that provides greater flexibility to organize department operations and assign work to maximize efficiency and service delivery</p>
<p>No ability to reward top performers and automatic pay increases that resulted in an entitlement organizational mentality</p>	<p>Annual base building increases and lump sum bonuses linked to performance and project completion</p>

Leadership Project

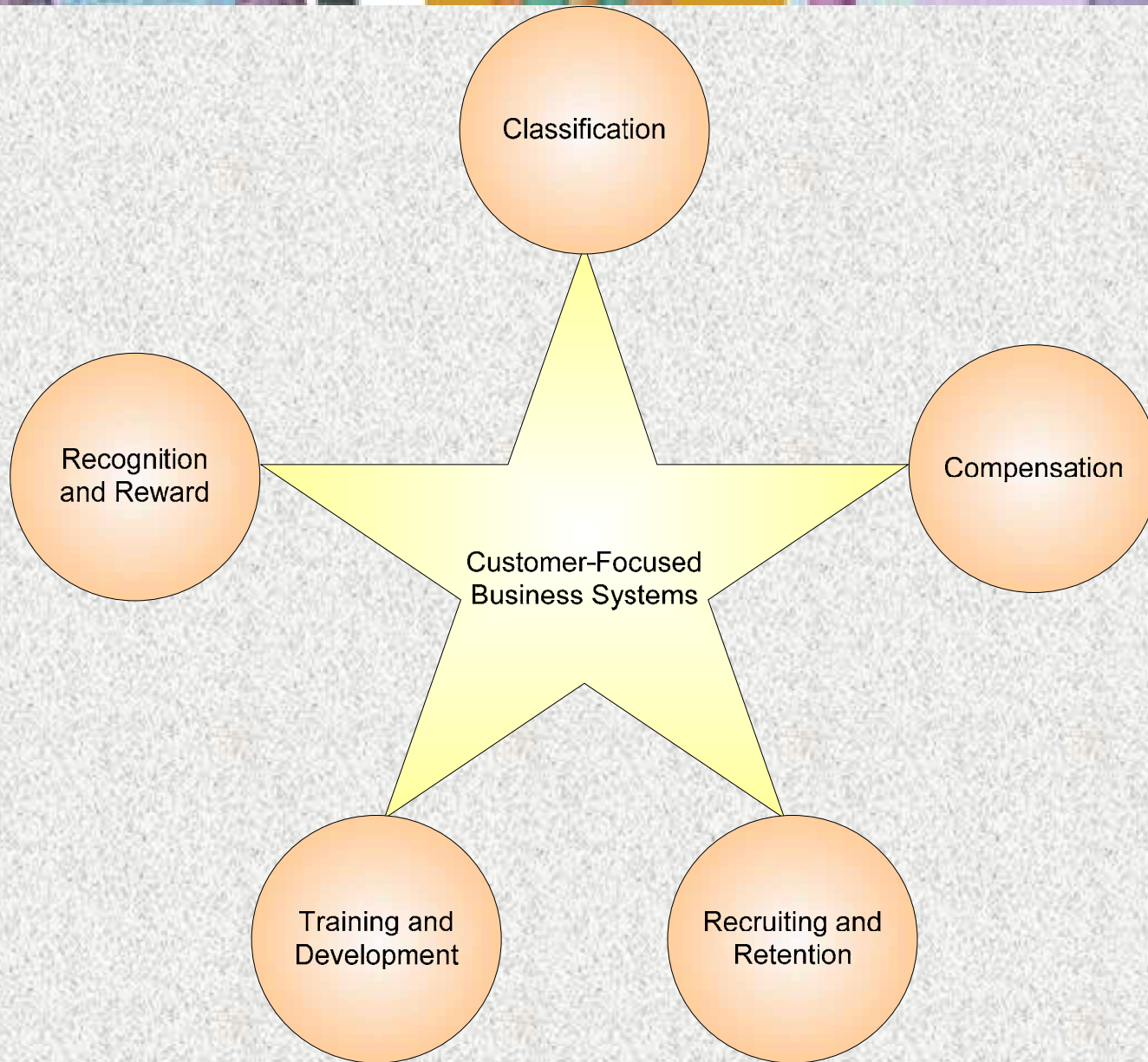




Project Background and Development



Leadership Project



Leadership Project



Project Background and Development – Timelines/Actions



Project Background and Development

- **The Leadership Project:**
 - **Began in Spring 2005**
 - **Was adopted by the Board in June 2006:**
 - ✓ **Classification Plan**
 - ✓ **Salary Plan**
 - ✓ **Performance Management System Components**
 - ✓ **Classification and Salary Plan Board Resolution**
 - ✓ **Funding parameters**



Project Background and Development

- **Began implementation in December 2006**
- **Was fully implemented in December 2007**
- **Managers were allocated on December 5, 2006, February 6, 2007, June 5, 2007, July 10, 2007, and December 11, 2007**
- **Managers were allocated to new classifications based on broad job responsibilities which provided departments with greater flexibility in how those positions were used in the department**
- **Allocations were reviewed with each department head – changes were based on their feedback**



Project Background and Development

- **Department/Corporate Leaders, Assistant Departmental Leaders and Enterprise Leaders were allocated in December 2006 – were already exempt**
- **In subsequent allocations, departments requested, based on reorganization of their departments, that some positions be converted to Assistant Department Leaders and Enterprise Leaders**
- **Departments discussed these proposed changes with each employee**



Project Background and Development

- **Classifications**

125 Positions

Exempt Classifications

Department/Corporate Leader
Assistant Departmental Leader
Enterprise Leader

268 Positions

Civil Service Classifications

Program/Business Leader
Team/Project Leader
Administrative Leader



Project Background and Development

- **During the development of the new systems, the Board and the CEO suspended classification, compensation, market, and equity adjustments to all management classifications**
- **These anticipated changes would have typically occurred throughout the 18 month period; however they were delayed to be handled with implementation of the new system**



Project Background and Development

- In any compensation system, certain events occur annually that are not a function of the Leadership Project:
- These events occur throughout an organization at every level:
 - New hires and rehires
 - Classification upgrades
 - Compensation corrections (reclassifications, equity & market adjustments, special duty pay, etc.)
 - Promotions
 - Annual merit increases
 - Changes in status (i.e. from temporary or extra help to regular)



Project Background and Development

- Many of these events (hiring, promoting, merit increases) cannot be delayed
- Most, if not all of these, are simply part of the cost of doing business and ensuring the integrity of the organizations classification and compensation structure
- With or without the Leadership Project, these are events that naturally occur within an organization
- Information related to these changes, with respect to management, is summarized in this report

Compensation and Funding





Compensation and Funding

- **Leadership Project became operational in December 2006 with initial allocation of some executives and exempt management positions**
- **Additional allocation of managers to Leadership Project classifications occurred on: February 6, 2007, June 5, 2007, and July 10, 2007**
- **Allocation of all managers into the plan was concluded on December 11, 2007**
- **Leadership Project was designed as a performance-based pay system**



Compensation and Funding

- **Key Components:**
 - **Eliminated across-the-board pay increases;**
 - **Eliminated step increases; and**
 - **Tied individual performance and delivery of quality customer service to pay**
- **Pay elements:**
 - **0% for non-performers - performance improvement plan required**
 - **2% - 3% for successful performance**
 - **3.5% for exceptional performance**



- **Additional Pay Elements:**
 - **Exceptional performance also eligible for up to \$3,500 lump-sum re-earnable performance bonus, at department head discretion**
 - **Up to \$2,000 lump sum pay also available to managers or teams of managers who complete significant department or County projects related to improving service delivery**
- **Pay components and allocation adjustments were discussed with the Board on multiple occasions:**
 - **May 2, 2006**
 - **June 14, 2006**
 - **November 7, 2006**
 - **November 21, 2006**
 - **December 5, 2006**



Compensation and Funding

- **Additionally, Board actions that included allocations and other Leadership Project related activities occurred on:**
 - **February 6, 2007**
 - **June 5, 2007**
 - **July 10, 2007**
 - **October 23, 2007**
 - **November 20, 2007**
 - **December 4, 2007**
 - **December 11, 2007**
- **Annual funding parameters established by the Board in June 2006 – 3.75% or approximately \$1.7 million**
- **Additionally, the Board authorized the CEO to make allocation adjustments roughly estimated to be at least \$255K to correct critical pay issues – placed on hold during Project development**



Compensation and Funding

- The plan adopted by the Board also authorized the CEO to make various pay adjustments
- On February 15, 2008 the results of the first full year of experience of performance pay with the Leadership Project were reported to the Board including the following cost summary comparing the old system to the new system:

Old Pay System		Leadership Project Pay System	
3.5% COLA	\$1,065,482	Base Building Increases	\$ 860,144
Step Increases	\$ 176,916	Exceptional Lump Sum	\$ 138,000*
		Project Lump Sum	\$ 160,650*
Total	\$1,242,398		\$1,158,794

**One-time, re-earnable compensation – not base building*



Compensation and Funding

- **During the first year of the Leadership Project there were a number of significant events related to the Project:**
 - **Department Heads were required to provide accomplishments based on allocation criteria focused on:**
 - ✓ **Implementing the new performance management system**
 - ✓ **Implementing changes that result in significant cost savings**
 - ✓ **Reviewing and restructuring staffing levels**
 - ✓ **Partnering with other departments**
 - ✓ **Effectively using core business systems**



Compensation and Funding

- **Managers were allocated into the system throughout the year**
- **A variety of promotions occurred**
- **Market adjustments were made to correct long-standing and delayed pay issues**
- **Salary adjustments were made as Special Duty Pay for managers was eliminated**



Compensation and Funding

During this period of time, additional changes to management and executive pay occurred which were not part of the Leadership Project:

- **Previously-approved equity adjustments went into effect**
- **New managers were hired**
- **Managers were re-hired into the County**
- **Movement from temporary help, extra help, or temporary assignments to regular assignments occurred**
- **A large number of managers remained on a five-step plan requiring step increase raises through December 2007**
- **The Board set salaries for elected officials as required by law**



Compensation and Funding

- **In June 2007, staff provided the Board with cost data related to management compensation from the inception of the Leadership Project in December 2006 to the date of the Board's request for data**
- **Since that time additional allocations and salary adjustments – both those related to the Leadership Project as well as those that are unrelated to the Project - have occurred**
- **A full review of salary events from December 2006 through April 2008 has been conducted and is provided supporting those actions related to the Leadership Project and those that are an ongoing part of doing business, including:**

Leadership Project



Compensation and Funding

- Leadership allocations were implemented throughout the year
- Anticipated that allocation and equity adjustments and the necessity to move some managers to the entry salary would occur
- Allocation adjustments to salaries in need of correction
- In producing cost reports, found many events attributed to “allocation” were actually related to:
 - ✓ Correcting market issues
 - ✓ Promotions
 - ✓ Creating supervisory pay differentials



Compensation and Funding

- **All management salary adjustments/corrections had been placed on hold during the development of the Project, which exacerbated salary-related issues**
- **The coding system for pay events related to the Leadership Project have been developed over time, and now has the ability to clearly identify and segregate different types of pay events – future reports will more accurately reflect salary changes**



Compensation and Funding

- The following chart depicts the CY 2007 and CY 2008 Leadership Project-related costs:

Leadership Project Performance Pay Costs	Jan - Dec 2007	Jan-May 2008
Pay for Performance*		860,144
Bonuses		298,650
Subtotal:	0	1,158,794
Additional Leadership Project-Related Costs		
Allocation Adjustments <i>(includes: promotional, market, and supervisory differential adjustments)**</i>	734,661	124,242
2008 Market Corrections		158,943
Total Estimated Costs:	734,661	1,441,979

* Reflects projected **annual** cost of pay-for-performance increases

** **Transactions placed in this category were not strictly related to allocations; system has been improved to categorize adjustments accurately for all future reports**



Compensation and Funding

- As the following chart shows, from December 2006 (prior to the inception of the Leadership Project) to April 2008, a 5.37% increase in filled management positions contributes to a 8.44% increase in management payroll; however, the average management salary has only increased 2.91% over that same period of time

	December 2006	April 2008	% Increase
Bi-weekly Management Payroll	\$1,147,785	\$1,244,609	8.44%
Number of Managers	298	314	5.37%
Manager - Average Biweekly Salary	\$3,852	\$3,964	2.91%



Compensation and Funding

- A recent survey of management salary increases in the surrounding jurisdictions shows that the average 2.91% management SBC salary increase lags well behind the County's market competition:

Agency	2006 % Increase	2007 % Increase	2008 % Increase
Monterey County	2.2	3.5	Not Available
San Luis Obispo County	3.79	6.34	Not Available
Marin County	3.0	4.0	3.0
Kern County	Not Available	4.0	Not Available
Ventura County	3.0	3.44	Not Available
City of Santa Maria	3.5	5.5	5.5
City of Santa Barbara*	7.5	3.0	3.5
<i>Average</i>	3.83	4.25	4.0

**Managers Only*



Compensation and Funding

- In addition, in both CY 2007 and CY 2008, other non-Leadership Project-related salary events also contributed to the 8.44% increase in management payroll:

Business-Related Costs	Jan-Dec 2007	Jan-May 2008
Promotions*	231,595	88,847
Rehire/New Hires	1,499,529	537,273
Miscellaneous - Change in Status	78,899	-20,074
Allowance Change**	19,068	
Step Increases	176,916	
Estimated Totals:	2,006,007	606,046

* Includes small number of promotions from December 2006

**Adjustment made December 2006



Outcomes



Outcomes

- **The first year of the new system was completed in December**
- **Assessments for various aspects of the process are definitely in progress**
- **Goals and service improvements are being reviewed and process improvements will be made**
- **Pay-for-performance decisions are within funding parameters established in June 2006**
- **Examples of significant department accomplishments follows:**



Outcomes:

**Auditor-Controller
Implemented a
Vendor File Imaging
Project that allows
online workflow for
vendor payment
claims and
streamlines
processing for
greater efficiency**

Bob Geis, Auditor-Controller

Leadership Project



Outcomes:

Public Health

Successfully negotiated a new Medi-Cal FQHC “Scope of Service” rate increase netting approximately \$2,000,000 annually



Dr. Elliot Schulman, Pubic Health

Leadership Project



Outcomes:

Social Services

Implemented the first phase of a Benefit Call Center for Medi-Cal and Food Stamp programs to maximize accessibility for clients and achieve operational efficiencies

Michele Fitzpatrick, Social Services

Leadership Project



Outcomes:

**Fire Department
Consolidated Solvang Fire
Department with County Fire
resulting in improved fire
delivery service**



Tom Franklin, Fire Department

Leadership Project



Outcomes:

Information
Technology
Effectively
employed GIS
technology to
support County
response
activities related
to the Zaca Fire
emergency

Jennifer Slayman and Zacharias Hunt,
Information Technology

Leadership Project



Outcomes:

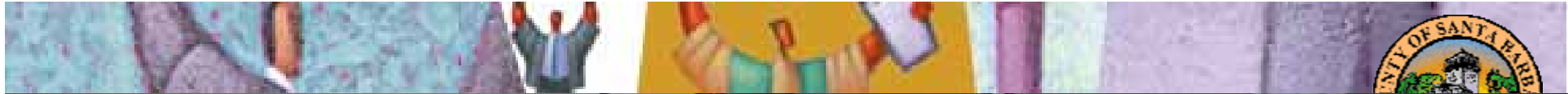
Clerk-Recorder-Assessor

Coordinated a special project to review and consolidate precincts which resulted in reduced election costs and approximately 250 less poll workers



Joe Holland, Clerk-Recorder-Assessor

Leadership Project



Outcomes:



Planning and Development
**Completed County Uniform Rules which enhances
agricultural opportunities in the County for lands in
the Agricultural Preserve Program**

Derek Johnson and David Matson, Planning and Development
Leadership Project



Outcomes:

Probation

Redirected Juvenile Hall beds to Home Supervision or Electronic Monitoring for a cost avoidance of \$4.3M in direct costs



Patti Stewart, Probation



Outcomes:

Public Works
Implemented electronic transactions – the use of debit and credit cards – at the South Coast Transfer and Recycling Center

Scott McGolpin, Tom Fayram, and Dace Morgan, Public Works

Leadership Project



Christie Stanley,
District Attorney
Leadership Project

Outcomes:

District Attorney

**Negotiated a three-year
online legal research
contract which
eliminated 25% of legal
publications used by the
Office**



Outcomes:

**Leadership Project Working Group
Implemented County's Leadership Project to advance
Board direction to improve customer service
countywide**

Melissa Grisales, CEO/HR and Rochelle Camozzi, Public Works
(Leadership Project Team Members)

Leadership Project



The County's Leadership Project was recognized by the Society of Human Resource Management (SHRM) for Strategic Human Resource Leadership:

- **Along with Harley-Davidson Motor Company, the County was a 2007 finalist for the Strategic Human Resource Leadership award, along with the winner, the Coca-Cola Company**
- **Santa Barbara was one of only two public entities to receive recognition across all SHRM award categories**
- **The award recognizes Human Resource Departments that play a key role in driving the performance and reputation of an organization**
- **SHRM is an internationally-recognized organization with more than 225,000 individual members in 125 countries**

Leadership Project

Project Updates and Reports





Project Updates and Reports

- **June 2006 Board Letter adopting the Leadership Project reported that ongoing assessments would be conducted to verify:**
 - **Service improvements were made**
 - **Hiring/promotional pay decisions reflected sound business decisions and supported improved customer service**
 - **Classification and compensation systems were administered within guidelines**
 - **Application of performance components were linked to service delivery and business results**



Project Updates and Reports

These assessments have been consistently conducted since the inception of the Project and staff periodically provides reports to the Board. Following is a summary of key Leadership Project Reports provided to the Board:

- **March 17, 2008 – Leadership Project – Performance Planning results:**
 - **Covered the Performance Planning Period of December 2006 – December 2007**
 - **Provided feedback on all components of the performance planning process including goal setting, performance expectations, collaboration, etc.**



Project Updates and Reports

- **February 15, 2008 – Annual Leadership Project Report provided information regarding:**
 - **The overall distribution of performance rating and pay decisions;**
 - **Cost of performance-based increases, including bonuses**
 - **Summary of projects achieved and recognized with project pay**



Project Updates and Reports

- **June 25, 2007 – Board Inquiry Leadership Project provided:**
 - **Project background;**
 - **Department allocation criteria and accomplishments;**
 - **Allocation data;**
 - **Elected department head compensation data;**



Project Updates and Reports

- **Promotions from December 2006 to date of Board Inquiry**
 - **Employees who did not receive an allocation adjustment; and**
 - **Non-leadership (management) classifications Merit and equity pay adjustments to**
- **Additionally, ongoing memorandums and updates have been provided on the Project from 2005 to present**



Lessons Learned and Results Recap



Lessons Learned and Results Recap

- **Change is hard for organizations and the people in them**
- **Significant change that impacts the culture and status quo of the organization is even harder**
- **The Leadership Project required a strong, focused committed leadership:**
 - **The Boards' vision and commitment to change old systems**
 - **The CEO's leadership to ensure accountability, with an emphasis on improved customer-service throughout the County**
 - **Department Head leadership to implement change and ensure accountability in their operations**



Lessons Learned and Results Recap

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Lessons Learned and Results Recap

- The Leadership Project has been successfully implemented and operational for more than a year
- It modernized outdated systems:
 - Streamlined the classification and compensation structure;
 - Tied pay to performance;
 - Implemented a strong performance management system; and
 - Is being embedded in the way the County:
 - ✓ Hires;
 - ✓ Promotes; and
 - ✓ Trains and develops managers



Lessons Learned and Results Recap

- **Project was implemented and has operated with the authorized annual funding parameters**
- **Service improvements have been made or are underway throughout the organization**