



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

D-2

Department Name: CEO/Human Resources
Department No.: 064
For Agenda Of: 05/27/08
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required:

TO: Select_Board(s)
FROM: Select_From Michael F. Brown, County Executive Officer, 568-3404
Susan Paul, Assistant CEO/HR Director, 568-2817
Contact Info: Jeri Muth, Assistant HR Director, 568-2816

SUBJECT: Set a Hearing – The County’s Leadership Project – Building Responsible and Responsive Customer Service

County Counsel Concurrence

As to form: Select_Concurrence

Auditor-Controller Concurrence

As to form: Select_Concurrence

Other Concurrence: Select_Other

As to form: Select_Concurrence

Recommended Actions:

That the Board of Supervisors set a hearing on June 3, 2008 to receive a presentation on the County’s Leadership Project.

Summary Text:

The County’s award-winning *Leadership Project* was designed in response to the Board of Supervisors direction to create a customer-focused environment throughout the County of Santa Barbara. The *Project* was adopted by the Board of Supervisors in June 2006 (Attachment A) and was implemented in December 2006. The *Project* realized one full year of experience in January 2008. The purpose of this Board item is to provide the Board with a comprehensive report on the accomplishments of the *Project* to date.

Background:

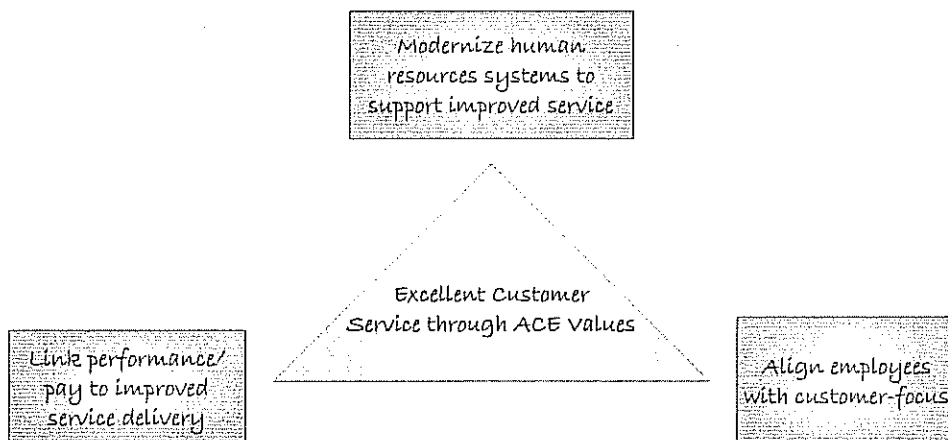
In the spring of 2005, the Board of Supervisors identified as a priority the creation of a customer-service commitment throughout the County of Santa Barbara and identified three key organizational values to support this direction: Accountability; Customer-focus; Efficiency – the County’s ACE Values. To support this organizational shift, the Board’s policy also drove the reformation of key human resources business systems in the areas of classification, compensation, performance management, recruitment and selection, training and

development, and rewards and recognition. The first of many initiatives to achieve this reform was the County's *Leadership Project* – a project that significantly streamlined and improved business systems in order to provide increased operational flexibility and establish a strong connection between individual performance and corresponding pay with the achievement of critical County business objectives and service delivery results.

For an organization to dramatically change the way it delivers service, it must acknowledge that it is those on the frontline who turn vision into reality, and it is the organization's leadership who set the tone, establish expectations, and create an environment that supports customer-focus and service delivery improvements. Therefore, upon initiating the *Leadership Project* in June 2005, in accordance with the Board's direction, the CEO and CEO/Human Resources (CEO/HR) turned its attention to the County's executives and managers and creating and implementing business system changes through which they could successfully achieve the Board's direction.

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

- Soundly embed the County's ACE Values (Accountability, Customer-focus, and Efficiency) within the organization and its business systems;
- Modernize and streamline human resources business systems to support dedication to excellent service delivery;
- Align employees with County business objectives, including a strong commitment to quality customer service; and
- Provide the operational flexibility needed for departments to improve responsiveness to customer service demands and overall service delivery;
- Intrinsically link individual performance and pay to the achievement of business objectives and improved service delivery.

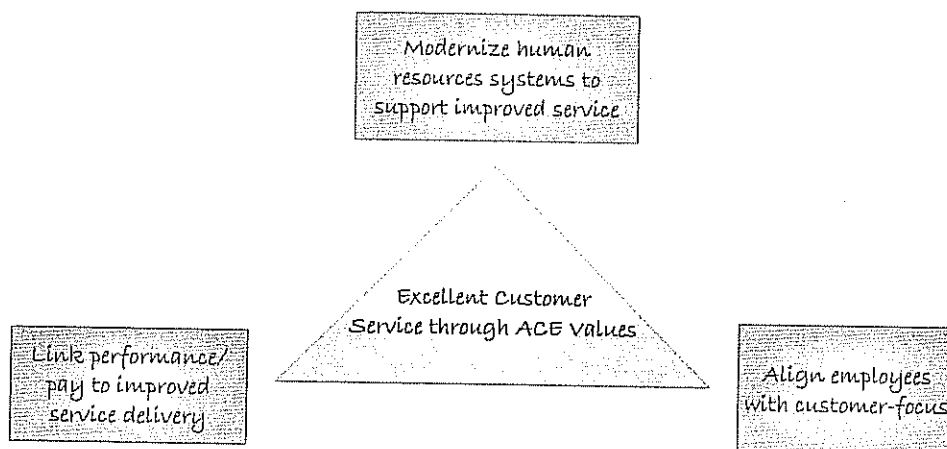


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The key human resources business system reforms required to support the change included:

- Create mechanisms for ensuring continual individual professional skill development;
- Improve career opportunities for the County's executive and management workforce; and
- Implement a consistent approach to evaluating performance that reflected ACE Values and holding leadership accountable for achieving customer-service related results.

The *Project* was developed in collaboration with County executives and managers and included extensive outreach that included interviews, surveys, focus groups, small and large group meetings, department head briefings, Board briefings, correspondence, brown-bag lunch events, training events, and an interactive web site. The new design provided significant improvements over the old systems as shown below:

Before:	Today:
Inconsistent approach to performance management and performance management not tied to business objectives	Consistent approach: <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
Top-down approach to performance management that didn't align employee efforts with the achievement of business objectives and service delivery improvements	A collaborative partnership that connects individual efforts to achieving business results and improving service delivery through: <ul style="list-style-type: none"> - Performance planning discussions - Goal setting - Performance Check Ins - EPR that reflects overall performance and accomplishments
Systems lacked the flexibility, agility, and versatility needed to be effective, competitive, and responsive	New, modernized systems are designed to provide flexibility, agility, and versatility in order to support departmental efforts to provide

Before:	Today:
	excellent and responsive customer service
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	A classification structure that provides greater flexibility to organize department operations and assign work to maximize efficiency and service delivery
No ability to reward top performers and automatic pay increases that resulted in an entitlement organizational mentality	Annual base building increases and lump sum bonuses linked to performance and project completion

Adoption of the *Leadership Project*

The *Leadership Project* was first adopted by the Board of Supervisors on June 14, 2006 (see Attachment A) at which time the Board adopted the new classification and compensation plan for unrepresented executive and management employees. At that time, the Board also directed the CEO and Assistant CEO/Human Resources Director to finalize and implement all administrative aspects of the new system, including the new performance management system, and to make any needed Civil Service Rule changes to support the new systems. The new systems were designed to be activated when the Board allocated positions into the new classifications at a later date. The June 14, 2006 Board Letter advised the Board that the estimated **annual** cost of base-building and non-base building performance pay was \$1.7M. In addition, the Board had been previously advised that at least \$255K would be required to implement the new system at the time of allocation and correct critical salary issues that had become exacerbated over approximately an 18-month period in which little or no adjustments to management salaries were made while the *Leadership Project* was designed.

Allocation of Executives and Managers into the *Leadership Project*

Allocation of executives and managers into *Leadership Project* classifications occurred at intervals. Prior to allocation, CEO/HR met with each department head to review proposed allocations. Department heads often viewed the new classification system as an opportunity to review their operations, set new direction and business objectives, and identify the appropriate level of management staffing. Based on department head feedback and specific requests, initial allocations were often modified. (See Attachment B – Position Allocation Crosswalk) The first such allocations were authorized by the Board of Supervisors in open session on December 5, 2006 at an estimated cost of \$69,361 for the remainder of the fiscal year and an estimated \$138,721 for FY 2007-2008. Additional position allocations were made on February 6, 2007, June 5, 2007, July 10, 2007, and the remainder of all managers were allocated by Board action taken on December 11, 2007. (See Attachments C - Allocation-Related Board Letters.) Subsequent to some of these Board actions, and at the request of department heads, allocation, promotional, and market adjustments were made to correct critical salary issues, of which the organization was well aware. Although a salary reserve fund had been set aside to

assist departments in funding salary adjustments, nearly all departments were able to absorb the cost of adjustments within their budgets, leaving the contingency fund relatively untouched.

Reports to the Board

In the June 2006 Board Letter, staff advised the Board that CEO/HR would conduct ongoing plan assessment activities to verify that:

- Service improvements were made;
- Hiring/promotional pay decisions reflect sound business decisions and support improved customer service;
- Classification and compensation systems are being administered within guidelines; and
- Application of Performance Management components, including goal setting and performance rewards, are clearly linked to customer service delivery and overall business results.

In keeping with this commitment to the Board, staff has conducted a variety of surveys (see Attachment D) and has provided ongoing reports to the Board (see Attachment E) since the inception of the *Project*.

It is worth noting, that in conducting the performance planning survey with the County's managers, a number of positive and constructive remarks were made such as:

"Although change is always difficult, it is nice to utilize a tool that looks forward and supports staff and the formation of reasonable goals, rather than looking backward for the evaluation process."

"The collaboration process has enhanced communication which in turn allows for frank accountability discussions."

"The new planning and evaluation process brings greater accountability to both the staff being evaluated and the evaluator to ensure an interactive process and the establishment of developmental goals."

"Process offers two-way accountability."

CEO/HR is currently concluding its analysis of survey results related to the performance evaluation process as well as an assessment of hiring and promotional pay decisions made by department heads. Once that analysis is complete, those reports will also be forwarded to the Board

Leadership Project Compensation and Funding:

In any compensation system, certain salary events occur on an ongoing basis. These events include such things as: hiring, promoting, merit-based or performance-based pay increases, market/equity adjustments, and changes in employment status (i.e, from temporary/extra help status to regular status). All of these events can trigger a change in an individual's compensation.

In June 2006, the Board established funding parameters for the *Leadership Project* at approximately \$1.7M annually with additional funding to correct critical salary issues upon the implementation of the *Project*. During the first year of the *Project* a number of events occurred, some of which were unrelated to the *Project*:

<u>Non-Leadership Project Events</u>	<u>Leadership Project Events</u>
• Promotions	• Pay-for-performance (base-building)
• New Hires/Rehires	• Performance-based bonuses
• Changes in status	• Allocation adjustments
• Allowance changes	• Market corrections
• Step increases	

Additionally, during the development of the new business systems, department requests for management classification upgrades, market adjustments, equity adjustments, and salary range improvements were placed on hold to allow the County to design the new classification and compensation systems. This strategy was discussed with the Board and was implemented as a vehicle for making whole-system improvements at the time the *Project* was implemented rather than making incremental and piecemealed changes within the old compensation structure. During this period of time, management compensation in the marketplace continued to improve which caused Santa Barbara County management salaries to continue to lose competitive ground. A recent survey of surrounding jurisdictions indicates that in 2006, the average management increase was approximately 3.1% and in 2007, it was 4.46%. By way of comparison, the average Santa Barbara County manager's salary increased by approximately 2.91% from December 2006 to April 2008.

In June 2007, the Board was provided with a cost report related to management compensation from the inception of the *Project* in December 2006 to the date of the Board's request for data. Since that time, staff has fully reviewed all salary events from December 2006 through April 2008, and provides the following summary of management-salary 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 (includes: promotional, market, and supervisory differential adjustments)***	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
- ** Non-base building compensation – re-earnable
- *** Transactions placed in this category were not strictly related to allocations; system has been improved to categorize adjustments accurately for all future reports

It should be noted that, though the cost of bonuses are part of the new compensation structure, they are a one-time cost to the organization. They do not compound employee base-rate pay or impact other ongoing compensation factors.

As demonstrated above, *Leadership Project* related salary events remained within the \$1.7M annual cost authorized by the Board of Supervisors in June 2006.

In addition to *Project*-related costs, there were other salary events that occurred over the same period of time, which would have occurred with or without the implementation of the *Leadership Project*:

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:

In one short year, the County's *Leadership Project* has garnered a number of significant outcomes for the organization including a number of department achievements as summarized on Attachment F. Highlights of those achievements include those related to:

- Improved and streamlined processes and services;
- Increased implementation of technology to aid consumer access to services; and
- Implementation of quality assurance systems and programs.

In addition, the *Project* has achieved the following:

- A meaningful performance management process that strongly connects managers performance to the business objectives of the organization, ACE, and improved customer service;
- Management goals set annually to improve service delivery;
- Institutionalization of the County's ACE Values throughout the management workforce;
- A strengthened compensation system for the County managers that ties pay to performance and achievement of important organizational results;
- Correction of longstanding and critical salary issues within the management workforce;
- Increased operational flexibility for departments to achieve improved service delivery outcomes; and
- Pay-for-performance decisions that are within the funding parameters established by the Board;

Further, in 2007, the Leadership Project was recognized with a Strategic Human Resource Leadership Award by the Society of Human Resource Management for it's the key role the Project played in driving the performance and reputation of the County of Santa Barbara.

Conclusion:

The *Leadership Project* continues to support the Board's vision and direction to create a strong commitment to excellent customer service to the citizens of Santa Barbara. Therefore, in the immediate future CEO/HR will reconvene the *Project Working Group* to begin to explore potential improvements and methods for further strengthening the link between individual performance and the delivery of excellent customer service throughout the organization.

A full review of the Project and other management changes that have occurred will be provided during the Board Hearing on June 3, 2008. The presentation is included as Attachment G to this report.