

SANTA BARBARA COUNTY'S INNOVATIVE LEADERSHIP PROJECT

The following constitutes an Activity Report prepared in accordance with the California Penal Code, §925 and §928. It is for the public's information and does not require a response.

BACKGROUND

Concerns expressed by senior county officials over salary levels and future retirement costs for executive and managerial employees led the 2009-10 Santa Barbara County Civil Grand Jury (Jury) to review the Leadership Project's (Project) impact on those salary levels and retirement benefit costs. To achieve this change, as part of the Project, the county Human Resources Department (HR) designed new managerial and executive job classifications, compensation, performance planning/review and individual development programs.

The Project began in 2004 when the Santa Barbara County Board of Supervisors (BOS) expressed its desire to create a customer-service mind-set among all county departments by espousing three values: Accountability, Customer Focus and Excellence (ACE) and holding themselves and all employees accountable for upholding these values.

The Project was researched, designed and developed by HR, adopted by the BOS in June 2006 and implemented during fiscal years 2006/07 and 2007/08. Staff work resulted in the utilization of the ACE concept in the redesign of certain elements of the HR programs mentioned above:

- Changes in job classification and a compensation program for executives and managers based on results of individual performance measured against mutually agreed-upon goals, rather than predetermined step increases
- A goal-oriented performance planning and review program with measures of performance and individual development plans
- An opportunity to earn bonus pay for breakthrough performance measured against goals
- This innovative approach earned the County an award from the Society of Human Resource Management and praise from the State of California Personnel Board. In addition, the State of California invited county Human Resources officials to Sacramento to discuss the new approaches as a "Best Practice."

IMPLEMENTATION AND RESULTS

The salary, bonus and performance management elements of the Project were implemented in 2006-07 and 2007-08. Some managers were reclassified and positions were placed into the new salary ranges. Individual salaries were analyzed, adjustments made and approved.

Managers were provided with merit increase guidelines for performance standards. Merit increases were determined and approved according to the new compensation program guidelines. Since this was a change from automatic or step increases, the HR staff trained them on how to determine appropriate salary increases.

In addition, HR audited proposed increases against measured levels of performance and advised managers when the recommended increase was inconsistent with the level of performance. As they reviewed these recommendations, they saw little evidence of “gaming the program.” They also observed that managers did distinguish between levels of performance and that there was a natural bell curve in their results.

Because of serious financial constraints on the county, no changes in salary or bonus payments to the eligible group have occurred since the initial round in 2006-07 and 2007-08.

The annual performance planning and review program has continued despite the salary freeze. HR has continued to build goal setting and performance measures into other employee development programs that emphasize the core values.

INCURRED COSTS

There were three types of costs incurred according to county officials:

- 1) **Base Salary Costs.** Placing jobs into the new ranges and then adjusting certain individual salaries to bring them into the salary ranges assigned to those jobs. This is analogous to putting people onto a level playing field, i.e., placing the jobs into the salary ranges designated for their jobs. The one-time cost was \$2,371,967 or a 7.51% increase in those salaries affected. This took into account certain internal equity, labor market or adjustments to range minimums. The subsequent merit increases, based on performance, were \$897,086, or 2.6% of salaries. Salaries of the executives and managers have been frozen since 2007-08 due to the fiscal crisis.
- 2) **Bonus Costs.** The 2007 bonuses totaled \$300,650. One hundred and fifty-three executives and managers received a one-time bonus payment for superior performance at an average of \$ 2,004. The amounts ranged from \$250 to \$5,500. This aspect of the Project has also been on hold since 2007-08.
- 3) **Retirement Plan.** The increased contribution to the Retirement Plan is estimated to be less than 1%.

CONCLUSIONS

The salary and bonus elements of the Leadership Project were in effect for one year. Merit increase and bonus provisions have been frozen since 2007-08 as a result of budget crises faced by the county. The performance planning and review elements have continued. Flaws and other concerns that surfaced as a result of the follow-up survey conducted by HR have been or are being corrected through plan design changes and continuing manager and employee training.

The county spent a significant amount of money to implement the changes in the pay system. At the same time, the Board of Supervisors and the Chief Executive Officer did not put in place specific success measures related to the three values, e.g., customer service improvements. There is no apparent follow-through from either the BOS or the CEO to ensure the Project will sustain itself in the future.

MOVING FORWARD

The success of the Leadership Project depends on consistency in the leadership of the Board of Supervisors, clarity around expectations of performance, and a rewards program that is clear, honest and consistent in its philosophy, programs and practice.

- 1) It will be up to the **Board of Supervisors** to ensure:
 - The revised compensation, performance planning and review and development programs continue over the long term
 - They establish measures of success for Accountability, Customer Focus and Excellence and hold the Chief Executive Officer (CEO) accountable for achieving them
 - Managers continue to be trained and developed in its use
 - Selection, promotion and pay decisions are as equitable as possible
 - The county CEO continues to carry out the Board mandate.
- 2) It is up to the **CEO** to ensure his executive management team set measurable organizational performance goals. He must review their performance in writing.
- 3) It is up to **department heads** to ensure their managers set measurable performance goals and review their performance in writing. Those managers should do the same thing with their subordinate managers and supervisors.
- 4) It is up to the **Human Resources Department** to constantly monitor the program and audit results to ensure objectivity and equity is occurring. HR must continue to train and develop managers and employees on goal-setting, measuring performance, and preparing and implementing development plans so the county has the best of the best in its workforce.

The citizens of Santa Barbara County expect nothing less.