San Diego
HOUSING COMMISSION

HOUSING AUTHORITY REPORT

DATE ISSUED: October 27, 2009 **REPORT NO:** HAR 09-038

ATTENTION: Members of the Housing Authority
For the Agenda of November 24, 2009

SUBJECT: Final Report of the Classification and Total Compensation Study

REQUESTED ACTION:
That the Housing Authority accept the Final Report of the Classification and Total Compensation Study conducted by Koff & Associates, Inc. and the recommendations of the President & Chief Executive Officer (CEO).

STAFF RECOMMENDATION:
That the Housing Authority:

1. Accept the Classification and Compensation Study prepared by Koff & Associates, Inc. provided that any employee whose salary is below any new recommended salary range shall be increased only to the beginning of the new salary range and that any employee whose salary is presently above any existing or new proposed salary range shall not be adversely affected.
2. Approve the implementation of a new salary structure for unrepresented staff to include a minimum, midpoint, and maximum salary range as referenced within the report.
3. Approve the implementation of expanded new salary ranges for represented staff that will consist of ten (10) steps as referenced within the report, subject to negotiation with Services Employees International Union (SEIU), Local 221.
4. Authorize President and Chief Executive Officer or designee to take appropriate actions to implement recommendations, subject to the conditions set forth in Paragraphs 1 through 3 above.

SUMMARY:
Sound human resource management practices prescribe that classification and compensation structures be reviewed and updated periodically. Additionally, the Americans with Disabilities Act (ADA) requires regular updates of job descriptions for employment purposes. The last comprehensive classification and compensation study for the San Diego Housing Commission (SDHC) was conducted in 1998 by Rewards Strategy Group, Inc.

The impact of not conducting a classification and compensation study since 1998 contributes to SDHC's overall average salary lag of 15.4% in comparison to the related labor market. Over the past several years, SDHC has experienced recruitment and retention issues that resulted in losing candidates and employees to other organizations. These issues include the following:

1) Lack of a progressive compensation infrastructure: Due to numerous factors, including ever-changing technology, the economy, and increased globalization, the private sector has become flexible in order to adapt to the changing business environment. As a government agency, SDHC's current structure limits the agency's ability and flexibility to meet changing business needs, utilize private industry best practice models, and attract employees with required skills and abilities.

2) Extended recruitment periods: Frequently recruitments take several months to complete because the compensation package is overall below market for related positions, e.g. averaging 15.4% below market for salaries and 17% below market for total compensation (salary plus benefits). This has resulted in the long term use of temporary agency employees and considerable "ramping up" time when an experienced employee leaves and replacement takes an extended period of time.
3) Hiring new employees in the upper steps of the range: This practice allows the SDHC to hire qualified candidates but limits the potential growth for the new employee, resulting in frequent turnover as employees transfer to higher paid positions or leave the agency for better opportunities.
4) High number of internal pay differentials: Employees can be paid outside their assigned range if their workload and/or responsibilities exceed those of their job descriptions. On average, eight percent of SDHC employees receive pay differentials at any one time.

In an effort to assess the relevancy of the agency's current classification and compensation program, SDHC determined that a full study was required. The goals and objectives of the study were to: 1) assist in identifying and addressing potential recruitment and retention issues; 2) create a comprehensive and objective approach for classification analysis; 3) assist in the creation of career development ladders; and 4) identify internal/external salary inequity issues. This study supports the goal presented in SDHC's FY 2009 - 2011 Business Plan of becoming an "Employer of Choice" by maintaining a competitive position in the employment market. Additionally, this study supports the plan to create and promote a comprehensive pay-for-performance model and philosophy that rewards and distinguishes between individual levels of performance that will support skill and professional development.

BACKGROUND:
In July 2008, a Request For Proposal (RFP) process was initiated for the classification and compensation study. On November 21, 2008, SDHC approved a contract with Koff & Associates, Inc. to conduct the study, using a very transparent, employee participatory process.

The study required an overall review of each department, an analysis of existing job functions and positions within each department, a review of the position specifications for each position, a review of SDHC's pay plan, and a review of comparable positions in other jurisdictions and private industry, where appropriate. This analysis provides the agency with comprehensive information in relationship to job titles and salary structure.

The classification and compensation study was conducted in three (3) phases. The initial phase focused on classification and job titles which consisted of obtaining completed position questionnaires from all SDHC staff. This phase ensured that staff thoroughly participated in the initial data gathering phase. The second phase focused on compensation analysis which consisted of obtaining salary and benefits information from comparator agencies. The last phase of the study focuses on the recommendations and implementation plan. This phase includes a migration plan for transitioning to the recommended compensation program, and instructions on moving from the current compensation program to the recommended salary structure.

The Final Report of the Classification and Total Compensation Study -Volume I (Attachment 1) provides the methodology used in the classification phase. As a result, the consultant provided the following recommendations: four percent (4%) of staff were recommended for internal classification changes; eight percent (8%) of staff were recommended for reclassifications in accordance to expanded job responsibilities; 35% of staff were recommended for title changes in accordance to relevant market comparisons; and 55% of staff were recommended for no changes. There were also recommendations that addressed changes regarding exempt and non-exempt designation, and resulting eligibility for overtime pay in accordance with the Fair Labor Standards Act (FLSA).

The Final Report of the Classification and Total Compensation Study - Volume II (Attachment 2) describes the process used in conducting and obtaining the total compensation and benefits data. The Report recommends separate salary structures for the "Unrepresented" and "Represented" titles. The Unrepresented ("U") structure will consist of a minimum, midpoint and maximum salary range, with a 40% spread between the minimum and maximum of the range. The Represented ("R") structure will consist of a ten (10) step salary range with approximately two and a half percent (2.5 %) between each step. (The current structure consists of seven (7) steps, with five percent (5%) between steps one (1) through three (3) and two and half percent (2.5%) between steps four (4) through seven (7), and is applicable to all employees with the exception of the senior management staff.)

Although the Report includes several options regarding moving current employees to the new salary structures, the CEO is not recommending any of the options noted in the Report. Rather, the CEO's recommendation is to make the salary transition in two (2) phases with little fiscal impact in the current fiscal year. The first phase of the transition would include those employees in the "U" salary structure and are proposed to be implemented in January 2010. The positions included in the "R" salary structure will be scheduled for implementation in July 2010 following labor negotiations with Service Employees International Union (SEIU). These negotiations and the proposed three year contract with SEIU will be presented to the Housing Authority for approval and made a part of the FY2011 budget process.

FISCAL CONSIDERATIONS:

The last phase of the study will have fiscal impact beginning in FY10. SDHC recommends making the salary transition in two (2) phases. The positions covered under the "U" salary structure are proposed to be transitioned in January 2010. This will result in a fiscal impact of $6,079 for a small number of employees that are proposed to be moved to the minimum of the newly proposed ranges. Although fiscal impact in FY2011 will be estimated and will be part of the overall budgeting process, there are some basic considerations that will determine the impact. It is important to note that the report and recommendations refer to salary ranges, not individual employee salaries. So, while the Housing Commission is considerably below the market in its salary ranges, many current employees are being paid close to or within the newly recommended range. This is because some employees, those who have been with the Commission for a long period of time or those who were originally hired into the upper steps of the current pay range, are not experiencing a significant difference with the market. For example, if every employee, both represented and non represented, were placed into the closest step or point on the recommended Pay Plans, the total cost to the Housing Commission in FY2010 would be about $90,000 for 250 employees. Instead, we are proposing to adjust in 2010 only those employees who are not covered by the contract with SEIU. This will allow enough time for processing small adjustments before the new SEIU contract takes effect in July and negotiated, approved adjustments must be made for the employees in the bargaining unit. Finally, the Housing Commission and Housing Authority must approve any budget for salary and benefits recommended by the CEO. Since the Housing Commission is self supporting, and does not receive any City General Funds, it can only provide salaries and benefits that can be fully funded from Housing Commission revenue sources.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:
The Housing Commission Board approved the recommendations from Koff and Associates, and the CEO, at the October 16, 2009 Board meeting.

ENVIRONMENTAL REVIEW:
This activity is not a project within the meaning of the California Environmental Quality Act (CEQA) pursuant to Section 15060 of the State CEQA guidelines, and it is exempt from the National Environmental Policy Act pursuant to 24 CFR Section 58.34 (a)(3).

Respectfully submitted,

Tina Holmes
Human Resources Officer

Approved by,

Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

Attachments:

1. Final Report of the Classification and Compensation Report, Volume I : Classification – Phase I (Appendices I & II)
2. Final Report of the Classification and Compensation Report, Volume II: Total Compensation – Phase II & III (Appendices I – IV)

Copies available for review during business hours at the Housing Commission offices at 1122 Broadway, San Diego, CA 92101, Main Lobby and at the Office of the City Clerk, 202 C Street, San Diego, CA 92101.

JERRY SANDERS
MAYOR

November 9, 2009

Richard Gentry
President & CEO
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

Re: Implementation of a new salary structure for the San Diego Housing Commission

Dear Mr. Gentry:

I write to express my opposition to the restructured salary increases contained within the Final Report of the Classification and Total Compensation Study conducted by Koff & Associates, Inc., which may be heard on November 24, 2009, at the next Housing Authority Meeting. Increasing salaries or any compensation at a time when many people are having their salaries and benefits cut – if not losing their jobs entirely – makes no sense.

I do not believe the fiscal impacts beyond FY2010 are sufficiently explained or understood. Since the Housing Commission is self supported and can only pay salaries out of Housing Commission revenue sources, it is only prudent to thoroughly analyze the consequences of such a change, which may include more serious budget crises in the future.

Over recent years, the City of San Diego has taken numerous steps unpopular with its workforce to balance its budget. These steps included negotiating and imposing a six percent (6%) compensation reduction for every City employee, including public safety department employees. These reductions have been achieved through a combination of wage reductions, decreases in employee health care covered by the City, retirement benefit reductions, and other employment benefits. These reductions in retirement benefits will also yield millions of dollars in savings to taxpayers and rate payers by reducing retiree health care obligations. In the past four (4) years, the City has eliminated 875 positions from the City's workforce. These compensation concessions and streamlining efforts will benefit the City long after I leave office.

I believe these kinds of reductions will be a trend followed by more and more public agencies as the long-term financial impacts of the current economy are fully realized.

Again, this is not an appropriate time to provide salary increases to employees and I am opposed to the proposed compensation program that will be considered by the Housing Authority.

Sincerely,

JERRY SANDERS
Mayor

cc: San Diego Housing Authority Board
San Diego Housing Commission Board