SUBJECT: Human Resources Budget Status Report (HUR08008) (City Wide)

RECOMMENDATION:

a) That Council approve a maximum of $630,600 of one-time costs related to Human Resources re-organization be funded from the tax stabilization reserve.

b) That Council refer the increased salary, benefit and operational costs for the Human Resources maintenance budget to the 2009 budget process.

EXECUTIVE SUMMARY:

The City Manager commissioned an organizational review of Human Resources in 2007 which culminated in report CMO8004 to Audit and Administration Committee on January 16, 2008, highlighting the need for additional Human Resources staff. In the 2008 budget, Council approved an additional 2.4 FTE for centralized Human Resources services to predominantly provide increased senior and analytical resources in the labour relations area.

This report provides an overview of the one-time costs that have occurred as a result of the reorganization and on-going implementation of the organizational review within Human Resources; an analysis of current operating budget; mitigation strategies for 2008 budget pressures; and the projected annualized variance that will occur in 2009.
Staff is seeking Council approval to fund the one-time transition costs associated with the organizational review from the tax stabilization reserve, and to refer the on-going annualized variance to the 2009 budget process. Staff is also highlighting some service pressures within the human rights portfolio of Human Resources.

**BACKGROUND:**

The City Manager commissioned an organizational review of Human Resources in 2007 which culminated in report CMO8004 to Audit and Administration Committee on January 16, 2008, highlighting the need for additional Human Resources staff. In the 2008 Budget, Council approved an additional 2.4 FTE for centralized Human Resources services to predominantly provide increased senior and analytical resources in the labour relations area.

Helen Hale Tomasik was appointed Executive Director of Human Resources on March 3rd to implement the new organizational structure for the Human Resources Division. The Executive Director retained access to consultant expertise to bridge the management gap in Human Resources until the new management positions were hired. The Manager of Organizational Development and Manager of Health, Safety and Wellness were hired from within the organization and both transitioned into their new roles during the month of March. The Manager of Employment Services, Manager of Compensation and Organization Design, and Director of Employee and Labour Relations were recruited from outside Hamilton and came on board between mid-May and mid-June. The recruitment of the Chief Negotiator is currently under way. Specialist positions recruited have included: a Policy and Planning Specialist, an Organizational Development Specialist and a Health, Safety & Wellness Specialist for Culture and Recreation in Community Services. In addition, the Manager of Health, Safety and Wellness has filled the distributed model position he left in Public Health Services and the Manager of Organizational Development is in the process of filling the distributed model position she left in Community Services.

Terms of reference have been established for the operational review of the Return to Work/Work Accommodation section which is planned to commence by the end of June. The purpose of this review is to ensure that the services provided are efficient and effective and are structured and administered to enhance collaboration between various units in Human Resources, Finance and Administration, and the operating departments. This last review within Human Resources was recommended by Senior Management Team when the Human Resources organizational review was presented to Audit and Administration Committee.

The 9th floor of the Standard Life Building is undergoing some renovations to accommodate the new management structure and create space for staff meetings, labour relations meetings, interview panels, and employee competency testing for positions being recruited within the organization. Health and safety improvements have been made to Human Resources staff accommodation; furniture and equipment have been acquired for new staff; and the Division has had its first all staff meeting to celebrate 2008 accomplishments to date and to begin to chart a course for 2009.
ANALYSIS/RATIONALE:

Annualized Budget Pressures

In preparation for the organizational review, all Human Resources (HR) staff were asked in 2007 to complete a Job Analysis Questionnaire on their current positions to ensure that they were appropriately placed within the non-union salary structure and to ensure that their positions were accurately described. The positions were reviewed by an external HR Compensation Analyst. Approximately one-third of all HR positions have been upgraded or are pending an upgrade with a total estimated annualized cost for salary and benefit increases in 2008 of $155,000. This was not budgeted for in the 2008 HR budget. In a review of the salaries of the complement that makes up the HR budget, it was discovered that the salary of one employee was inappropriately budgeted for a shortfall of $8,000.

Analysis of the operating budgets within Human Resources would indicate the need to make some adjustments to better reflect year over year expenditures plus adequately support new staff who have come on board and need office supplies, office equipment and technology. Within HR administration, there is no budget for staff meeting expenses, health and safety improvements and shredder services for confidential documents. There is need to have a budget for Consulting Services within HR Administration, Human Rights and Compensation to address urgent needs that arise throughout the year. The infrastructure adjustments to the HR budget are estimated to be an annualized pressure of $51,700.

Total Annualized Budget Pressures $214,700

One-Time Re-Organization/Transition Pressures

For the first two months of 2008, the City retained two Consultant Directors to provide interim leadership for HR staff and expert human resources advice to senior management and members of council. With the exit of all HR Directors at the end of February, the incoming Executive Director negotiated access to HR expertise on the short term until the new HR management team could be recruited. The estimated consulting costs during this transition period are $140,000.

Recognizing that there was going to be a challenge with the recruitment of the Director of Employee and Labour Relations and the Chief Negotiator, the Executive Director was advised to use a Search Firm for these positions. Two different firms were contracted for these searches at a total cost of $45,025. Use of external search firms is not a budgeted expense within Human Resources.

Severance costs were incurred as a result of restructuring at a one-time cost of $285,678. In addition, 16 staff received one-time retroactive and pay equity adjustments as a result of their job analysis review for a total of $131,048.
Total costs for the renovations, furniture and equipment to accommodate the new management positions, meeting space and testing room are estimated at $115,000.

Lastly, as part of the Senior Management Team’s report on the organizational review of Human Resources, it was recommended that a review be undertaken of the Return to Work/Work Accommodation section of Human Resources as soon as possible to ensure that the services provided are efficient and effective, and are structured and administered to enhance collaboration between various units in Human Resources and the operating departments. The Executive Director will be contracting for this review during the month of June at an estimated cost of $25,000.

Total One-Time Costs $741,751

Service Pressure within Human Resources

Human Resources contracted with a second Human Rights Specialist in 2007 to assist with the Human Rights Training and Human Rights investigations in the organization. The individual’s contract was to be concluded by the end of June 2008. Given the current volume of activity in the Human Rights portfolio, the Executive Director extended this individual’s contract until the end of the year with the use of gapping funds and a revenue offset from the operating departments for “It Starts With You” training on the City’s Harassment and Discrimination Prevention Policy. The cost of contracting this position to the end of 2008 is $84,668. The Executive Director will be looking for a sustainable funding solution to keep this second Human Rights Specialist on staff permanently as the pending changes in legislation and the current need for investigations, training and dispute resolution across the organization are indicating the need for a complement of 2 FTE in the Human Rights portfolio. The Executive Director will bring forward a report in the fall to update Committee on the implications of the new Human Rights legislation and further rationale for this infrastructure support to the corporation.

Mitigation Strategy for 2008 Budget Pressures

With the delay in filling the new management positions within Human Resources there is currently projected gapping of $368,086. Revenue generated from “It Starts with You Training” is estimated at $18,000 for 2008. Lastly, allocating 33% of the Manager, Compensation and Organization Design’s salary and benefits to the Benefits Reserve budget will provide $24,430 to mitigate budget pressures in 2008. In essence, the total mitigated funds of $410,516 will cover the 2008 budget pressures for staff salary and benefit increases, operating budget infrastructure support, extension of the Human Rights Specialist’s contract, the Search Firm costs, the cost of the Return to Work/Work Accommodation Review, and a portion of the renovation, furniture and equipment costs.

Staff recommend that the balance of the one-time costs be funded through the tax stabilization reserve.
ALTERNATIVES FOR CONSIDERATION:

Council could direct staff to decrease the Human Resources complement to fund the new Human Resources organizational structure, the costs to implement the new structure, and the pay equity adjusted salaries of current staff in Human Resources. This alternative would ‘undo’ the efforts that have been taken to implement the new Human Resources structure and would decrease a complement that Council has been advised by the external consultant review and Senior Management review as being insufficient to meet the current needs of the organization. Given the demands and expectations for HR services in this organization, the current approved model needs the associated resources to begin to build a sustainable Human Resources infrastructure for the City of Hamilton.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial:

Annualized Budget Pressures in 2008

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Compensation increases for current HR staff</td>
<td>$163,000</td>
</tr>
<tr>
<td>Operating Budget infrastructure support</td>
<td>51,700</td>
</tr>
<tr>
<td>Total</td>
<td>$214,700</td>
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</tbody>
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Temporary Contract for Human Rights Specialist    | $84,668  

One-Time Re-organization/Transition Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Search Firm Costs</td>
<td>$45,025</td>
</tr>
<tr>
<td>Return to Work/Work Accommodation review</td>
<td>25,000</td>
</tr>
<tr>
<td>Renovations, furniture, equipment</td>
<td>115,000</td>
</tr>
<tr>
<td>HR Consultant Costs</td>
<td>140,000</td>
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<tr>
<td>Severance</td>
<td>285,678</td>
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<tr>
<td>Retroactive and pay equity adjustments</td>
<td>131,048</td>
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<tr>
<td>Total One-Time Transition Costs</td>
<td>$741,751</td>
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Mitigation Funds

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Salary &amp; Benefits gapping in HR staff</td>
<td>$368,086</td>
</tr>
<tr>
<td>Allocate 33% of Manager, Compensation to Benefit Reserve</td>
<td>24,430</td>
</tr>
<tr>
<td>Estimated revenue for “It Starts With You”</td>
<td>18,000</td>
</tr>
<tr>
<td>Total Mitigation</td>
<td>$410,516</td>
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</tbody>
</table>

The estimated balance of one-time re-organization/transition costs to be funded through Tax Stabilization Reserve is $630,603.

Staffing:
POLICIES AFFECTING PROPOSAL:

None

RELEVANT CONSULTATION:

Human Resources consulted with the General Manager of Corporate Services and Finance and Administration staff in the preparation of this report.

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. □ Yes X No

Environmental Well-Being is enhanced. □ Yes X No

Economic Well-Being is enhanced. □ Yes X No

Does the option you are recommending create value across all three bottom lines? □ Yes X No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? X Yes □ No