

HUMAN RESOURCES

Mission Statement:

The mission of the Human Resources Department is to strategically partner with City departments to hire, develop and retain an excellent workforce.

Primary Businesses:

- Provide learning opportunities for managers, supervisors and employees to maximize their development and minimize organizational risk.
- Ensure employees have competitive compensation and positive working conditions while minimizing the City's exposure to liability.
- Manage and provide HR information to City, Independent Boards and Agencies for decision-making purposes.
- Assist departments in designing and developing their organization.
- Provide the City, Park & Library Boards with the timely opportunity to hire diverse, competent employees.

Key Trends and Challenges Impacting the Department:

1. Availability of the Workforce
2. Building/Retaining a Competent Workforce
3. Diversity as a Way of Life
4. Technology (use and future role)
5. Heightened Legal & Regulatory Complexity
6. Fewer Resources, Higher Expectations

Key Initiatives or Other Models of Providing Service to be implemented in 2005

Key Initiative #1: Partner with departments and community members to develop and implement a 5-year Enterprise Diversity Plan so that the workforce represents the community we serve and the City of Minneapolis is recognized locally as an employer that honors and embraces diversity.

Key Initiative #2: During the next five years the HR Department will have created comprehensive, accessible information management systems that will help managers and supervisors efficiently and effectively carry out their HR transactions. Also critical to Key Initiative #1 is having up-to-date, accurate human resources information. This will include having all HR policies and procedures well documented and easily available on the city website in an effort to decrease phone inquiries and regular requests for assistance with procedural transactions.

Key Initiative #3: Increase the capacity of City managers and supervisors so that the City builds and retains a competent workforce. Through this initiative HR provides the tools to help prepare our workforce to take on manager and supervisory roles.

Key Initiative #4: Create a strategic HR function so that our department has the ongoing capacity to provide strategic HR services with limited resources. With this initiative, over the next 5 years we will develop HR professionals who possess competencies in organizational design and development, and change management in order to help the enterprise achieve all City Goals.

Elimination of Services

- HR should no longer be involved in Competency Cards. The department volunteered when Competency Cards were first implemented; however this should not have been a permanent solution. HR recommends moving this task to Regulatory Services or outsourcing this business.
- Providing administrative work for employee membership to the NW Racquet Club.
- Police Department-specific activities would no longer be provided by HR staff, thus reducing the Police HR Generalist Team by one person.

Primary business: Provide learning opportunities for managers, supervisors and employees to maximize their development and minimize organizational risk

Description of Primary Business: This business line is designed to enhance the overall development and effectiveness of the city workforce. Research tells us that employees maintain loyalty to an organization most often because of sound, respectful relationships with direct supervisors and managers, and less often because of wages. This information supports our need to develop and retain highly successful managers and supervisors, a key initiative within HR.

We have noticed an increase in demand for assistance with cross training design and competency/proficiency improvement. While HR doesn't provide department-specific skill building (e.g., legal terminology for legal typists), we do provide assistance with needs assessment, cross-training design, change management, and e-Learning opportunities. The need for these services is heightened due to current financial projections and their effect on our workforce (i.e. layoffs and early retirements).

With the potential for fewer employees, fewer new hires, and a workforce size that is likely to be static for the next three years, these factors call for increased learning opportunities rather than less. This runs counter to the reduction of resources in training budgets, which does not impact individual employees but instead produces the unintended consequence of increasing organizational risk.

Depending on the nature and complexity of services provided, a "fee for service" may be a viable option if the HR Department were to benefit directly. While this is not the system currently in place, the Finance Department is moving in this direction which may provide a means for HR to receive payment for services that require significant resource commitment, such as intensive organizational development and design.

Key Performance Measures that are impacted by 2005 resources:

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Projected
Increase average number of contact hours per FTE 20% from 3.1 to 3.7 hours	4	3	3.1	3.1	3

Explanation of Key Performance Measures: This is a performance measure that should increase, not decrease. Key Initiatives 1 & 2 directly affect this business line. A citywide diversity plan is critical to the organization, particularly for supervisors and managers who must be skilled at managing a diverse workforce. In addition to the Leadership Development Program, HR intends, over the next 5 years to more fully develop enterprise-wide supervisory & managerial training that is directly linked to the selection/promotional process. Fee-for-service models will need to be developed to further both of these initiatives on an enterprise-wide basis. Most other in-person employee development training, previously offered on an enterprise-wide basis, has been eliminated due to resource reductions.

Primary Business: We ensure employees have competitive compensation and positive working conditions while minimizing the city's exposure to liability

Description of Primary Business: This business line provides services to all City Council Departments, divisions, and employees. The business line also provides leadership and services to the independent boards and agencies as they share the City's benefit plans. Though this department is the primary provider of the service and is held accountable for effective implementation, it partners with all departments and unions for effective strategy development and implementation in collective bargaining, contract administration, and benefits.

This business line provides strategic and operational leadership for all of the City's collective bargaining. In addition to the collective bargaining responsibilities, the key service activities essential to this business line are: contract administration, compensation administration, classification administration, benefits administration, complaint investigation, and the administration of the Return-to-Work Program. Human Resources develops and implements this business line through face-to-face interactions with department leadership via our Human Resources Generalist (HRG) structure. We also provide leadership through negotiations and consensus building--usually through labor management committees or informal leadership groups. We provide learning opportunities for supervisors and managers in the area of organizational and behavioral expectations in order to generate standardized approaches to compliance related issues. There is also increased focus on standardizing approaches to critical issues such as compensation, classification, and benefits.

Under this business line, Human Resources is also responsible for implementing workforce reductions in a legal and equitable manner while minimizing the City's exposure to risk. The business line also encompasses the investigation of discrimination and hostile work environment claims, ensuring that all investigations are conducted in a timely and comprehensive manner and that appropriate corrective action is taken.

The most critical City function impacted by this business line is budget planning and development. Future success of this business line will depend on the successful realignment of the Human Resources Department's budget and workforce planning processes with those of the departments we partner with throughout the organization.

There are both internal and external factors that will impact customer demand in this business line over the next five years. Internally, demands for services are expected to increase. With shrinking resources, departments are struggling to retain their managerial authority during the collective bargaining processes and searching for ways to recognize and reward high performance employees while unions seek to reward all employees without regard to performance.

Managers will also seek to obtain more flexibility from their workforce, which will likely result in conflict with unions over work "ownership" and other jurisdictional issues. As our departments struggle to maintain and, in many cases, increase output during times of scarce resources, they are often led to reorganize, giving employees increasingly broad and complex responsibilities. This initially increases the level of confusion and ultimately results in requests for position/classification studies in order to retain compensation integrity. Collective bargaining will become more contentious as these issues are brought into sharper focus.

Continued budget reductions will make it difficult, if not impossible, to effectively meet internal expectations. Currently resources are barely adequate without a significant redesign of the manner in which we deliver services. Our current resources could be more strategically positioned by

effectively utilizing available technology. This will provide an avenue for the dissemination of knowledge; however, converting the knowledge into effective action will still require further development or acquisition of additional employees.

The department also anticipates a significant increase in the level and complexity of both internal and external policies and regulations. Internally and externally, policy development and regulatory impositions will lead to an increased demand for procedural response, investigation demand, and defense.

The local economy will also have an impact on the future success of this business line. Should the economy improve, highly qualified employees will have more alternatives, and compensation and benefits will be a more important factor in employee retention. Should the economy decline, more highly qualified candidates will be available for hire, and departments will seek to eliminate the lower performing employees. These efforts will undoubtedly lead to more grievances and claims of discrimination.

Key Performance Measures that are impacted by 2005 resources:

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Projected
All collective bargaining agreements are 100% within the guidelines established by the Executive Committee	8	9	8	13	12
Complete reclassification requests in an average of 20 calendar days, reducing the standard by 66% (currently 60 days).	92%	96%	98%	98%	98%
New salary schedules are within 4% of the City's internal pay equity line	100%	100%	98%	98%	98%
All City benefit packages are within 18% health care cost cap	NA	NA	NA	NA	100%
# of sustained complaints regarding compliance with federal and state IRS regulations regarding benefits	0	0	0	0	0
% of City employees express satisfaction with the choice of benefit plans available	93%	85%	NA	70%	65%
% of discrimination & harassment complaints investigated and resolved within 60 days	NA	80%	80%	65%	80%

Explanation of Key Performance Measures: Employee satisfaction with the new benefits plans are expected to be lower than previous years. HR is using our existing resources, before future year cuts, to begin to develop wellness programs to enhance satisfaction. Future cuts will have negative impacts, as these efforts require staff time & resources. HR's ability to meet performance measures for completing investigations within the 60 day timelines is affected by each city departments' willingness to provide continued resources in the form of investigators. Three departments, including one of our largest departments with a high number of complaints, have refused to provide staff investigators, in spite of minimal time commitment.

Primary Business: We manage and provide HR information to City, Independent Boards and Agencies

Description of Primary Business: This business line is designed to deliver HR related information to all managers, supervisors and employees of the City Council Departments and its Independent Boards and Agencies. The data is maintained within the City's HRIS and is provided to HR customers for the purposes of managing the departments' human resource capital and to employees for viewing and updating various personal employment information and benefit profiles.

While a recent survey indicates the level of satisfaction of having access to Human Resource information is at the rate of 75%, the ability to provide consistent information needs to increase to a much higher level.

The demand to deliver HR information to our customers is increasing as witnessed by the increase in employee self-service and leadership requests for data. We utilize system queries, to assist in making more informed decisions. It is anticipated that future demands to deliver e-Performance and e-Learning technology is imminent.

The challenge to continue meeting current service levels and managing and providing information, may be impacted by the current trend of outsourcing the HRIS application technology support.

The HRIS application also relies on additional software applications to gather, receive and/or deliver data, specifically timekeeping and roster systems in the Police, Fire, and Public Works Departments, the Park and Recreation Board, and the City's financial system (FISCOL).

The most critical City functions impacted by this business line are to hire competent employees, maintain employee benefit programs, and pay our workforce. This business line also calculates all labor and employee fringe benefit expenditures and delivers the information to the City's financial system.

Key Performance Measures that are impacted by 2005 resources:

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Projected
Achieve a 5% increase in customers satisfied with data/information provided by human resources to 3.1	NA	NA	2.6	2.7	3.1

Explanation of Key Performance Measures: Key Initiative #2 directly deals with this issue. HR intends to use existing vacancies in Enterprise Services to complete a data map of PeopleSoft over the next 12 months to best use this resource in preparation for further reductions in the following years.

Primary Business: Assist departments in designing and developing their organization

Description of Primary Business: With the implementation of this business line, HR will move away from the control and audit role, and take on a leadership and development role in order to help the organization manage change associated with human resource issues raised by large-scale strategic transformation. This business line is not yet fully developed by HR, but it will be a critical service as we evolve from a transactional department to a strategic leadership service.

Based on professional trends, we expect this demand to increase. Research indicates that organizations want and need more strategic and futuristic focus from HR. With this added focus, HR can add more value to organizations through strategic business partnerships with customers and departments. This new role will emphasize the development of systems and practices to ensure employees have necessary competencies and are motivated to perform at the highest level.

Primary factors that will impact our customers over the next five years will include limited resource availability to develop the organizational development expertise needed to help departments diagnose and strategically redesign their organization. Because of decreasing resources, many departments will need to restructure service delivery, which would likely increase the demand for this service. Labor market trends and the availability of future employees will also require our full participation in order to create an organization that is desirable to prospective employees.

The continued improvement of data-availability should assist us with this demand; however, these improvements also present additional challenges. Given limited human resources, and the capital

required for such improvements and technological advances, we will be challenged in keeping up with technological advances.

Private consultants generally provide organizational development (OD) and design services to city departments. The fees for these services are often quite high. Furthermore, external based consultation supports a silo-based, department-specific approach to organizational change already prevalent within the City. An advantage to having this service provided in-house is to reduce the costs associated with OD efforts, and to have in-house expertise that can view organizational change issues from an enterprise level in order to break down the silos that hinder growth and effective operation of organizations. Both the BIS and Finance departments offer some services to the City of Minneapolis in the areas of process redesign and business planning. In order to maximize the use of City resources, it will be imperative for HR, Finance, and BIS to collectively organize our efforts and partner in our delivery of these services.

Key Performance Measures that are impacted by 2005 resources:

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Projected
100% of city departments have involved HR in Business Planning Process	77%	94%	100%	65%	50%

Explanation of Key Performance Measures: This is a developmental business line for HR, but an extremely important one for the organization. It is represented as Key Initiative #4 in our business plan, but is supported by all three of the other initiatives. Desired future success indicators include the following items. These will be difficult, if not impossible, with continued reduced resources.

- *HR professionals possess organization development and organizational leadership competencies.*
- *Organizational resources are dedicated to strategic HR work.*
- *HR has a panel of facilitators to help departments with organizational development and change.*
- *HR has an integrated enterprise-wide approach for change management.*
- *HR has an intervention tool for organizational development/change management.*

Primary Business: We provide the City, Park and Library Boards with timely opportunities to hire diverse, competent employees.

Description of Primary Business: The demand for this business line will increase with the City's continued commitment to diversity. Statistics show that Minneapolis is more racially diverse today than at any time in its history and the trend is that this diversity will increase. The City's workforce does not reflect that change. There are many in the labor force that speak little or no English. While many of Minneapolis' minority population graduate and attend schools of higher education, the rate lags far behind their white counterparts. About one-third of Minneapolis' minority population live in poverty and the number of unemployed in the minority community is at least three times that of non-minorities.

There are constraints to accomplishing this business line, however. The lack of diversity in the upper echelons of an organization works against attracting minorities to its ranks at any level as minorities often seek work in organizations that have a diverse workforce. Additionally the last hired, first fired practice as well as rehiring persons from a layoff list before opening positions up to the general public add additional constraints in the City's ability to hire a diverse workforce. Because of these factors, among others, creating diverse candidate pools will increase the demand for HR services.

In general, HR is sole provider of this service in collaboration with the departments; however, at higher levels (department head and some direct reports) consulting firms complete this activity. The real advantages of internal consulting at all levels include in-depth knowledge of the organization.

Based on the work force action plans and its detailed workforce analysis that identify a lack of diversity when it exists, HR interacts with departments by assisting them in writing job announcements, placing recruiting ads, providing opportunity to screen applications, and participating in the initial review process. The nature of the participation of city departments can affect the timeliness of HR service delivery. When consulting firms are engaged, HR provides liaison between the consulting firm and the hiring authority. Additionally, HR provides administrative support and acts as a liaison to any boards or commissions involved in the hiring process.

All City Council departments, the Library and Park Boards are impacted by our ability to timely recruit, advertise and process applications through to the certified list. Delays in our processes or delays in departments' responses in the staffing area could result in loss of the better applicants for the positions. While some delays have been addressed recently by minor changes in the Civil Service Rules, there remain other delays built into the system and collective bargaining agreements that automatically reduce the City's competitiveness.

To remain somewhat competitive, HR has to develop additional strategies to overcome the built in delays, such as our community outreach efforts. If the business line were to be discontinued, staffing would fall on the various departments where little expertise exists to complete the service. This would greatly increase exposure to lawsuits. Ensuring diverse, quality hires is essential to all businesses in the city.

Key Performance Measures that are impacted by 2005 resources:

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Projected
Realize a decrease of 33.77 days (49.1%) in time required to create an eligible list provided "rule of the list" prevails and job bank as well as layoff list eligible positions are excluded	48.5	37	65	70	70
Achieve an average score of 4.57 (5.0 scale) on customer satisfaction surveys for staffing function	4.08	4.5	4.4	4.0	3.5
Percentage of protected class applicants eligible lists	70%	51%	67.9%	68%	65%
Percentage of City workforce that are people of color	18.4%	20%	20%	21%	21%
Percentage of City workforce that are people with disabilities	6.2%	6%	6%	8%	8%
Percentage of City workforce that are women	32.9%	34%	31%	31%	31%

Explanation of Key Performance Measures: Because of reduced resources, we expect a reduction in our key performance measures in this area, particularly as they relate to customer satisfaction. Key initiative #1 supports these workforce measures.

Financial Analysis:

EXPENDITURE

The Human Resources 2005 budget increased 19% over the 2004 Adopted Budget. There is an increase of 11% in the Self Insurance Fund which resulted from moving a position from the General Fund to support the benefit administration functions. This increase will be offset by the revenue from benefit administration fees collected from the beneficiaries.

Human Resources' expenses will increase by \$925,000 because of the General Fund overhead rate model developed for 2005. The model replaces various separate charges for indirect costs that were previously budgeted directly in Human Resources in the Enterprise Funds. The budget for this department also includes \$919,700 in BIS charges calculated on a city-wide rate model and \$9,200 for benefits administration. Both charges were centrally budgeted in the past. Backing these charges out, the 2005 Human Resources budget is \$5.6 million, a 1.5% increase over the 2004 Adopted Budget.

REVENUE

The Department anticipates a slight increase in direct revenue from benefits administration charges.

FUND ALLOCATION

The majority (85%) of the Department's budget originates from the General Fund. The Department also operates the benefits administration function out of the Internal Service Fund (14% of the total). The Department has smaller budgets (1% of the total) in the special revenue funds related to providing services to the Convention Center and to employee recognition activities (funded by proceeds from the "City Store"). The Department allocates a portion of its costs to the enterprise funds (16% of the total), based upon the number of positions employed in those funds city-wide.

MAYOR'S RECOMMENDED BUDGET AND ADOPTED BUDGET

The Mayor's Recommended Budget and Council Adopted Budget included a reduction of 2 Human Resource Associate positions. The Human Resources department's portion of the \$75,000 reduction from the City Coordinator's department to the Police department is \$7,000.

**HUMAN RESOURCES
Staffing Information**

	2002 Adopted Budget	2003 Adopted Budget	2004 Adopted Budget	2005 Adopted Budget	% Change	Change
FTE's by Division						
Administration	2.00	2.00	2.00	2.00	0.00%	-
Employment Services	30.00	28.00	29.00	27.00	-6.90%	(2.00)
Enterprise Services	15.50	15.00	17.00	17.00	0.00%	-
Employee Services	12.00	12.00	7.00	7.00	0.00%	-
Total FTE's	59.50	57.00	55.00	53.00	-3.64%	(2.00)

HUMAN RESOURCES Expense Information

	2002 Actual	2003 Actual	2004 Adopted Budget	2005 Adopted Budget	% Change	Change
Enterprise Funds						
Operating Costs	0	900,000	911,880	0	-100.0%	-911,880
Total for Enterprise Funds	0	900,000	911,880	0	-100.0%	-911,880
General Fund - City						
Contractual Services	781,340	736,090	649,453	1,556,712	139.7%	907,259
Equipment	60,941	0	5,684	764	-86.6%	-4,920
Fringe Benefits	624,656	629,956	725,528	780,597	7.6%	55,069
Operating Costs	301,008	-598,719	-653,188	263,658	-140.4%	916,846
Salaries and Wages	2,804,245	2,704,287	2,969,066	2,924,941	-1.5%	-44,125
Total for General Fund - City	4,572,191	3,471,613	3,696,543	5,526,672	49.5%	1,830,129
Internal Service Funds						
Contractual Services	320,783	233,116	349,870	390,096	11.5%	40,226
Equipment	0	0	3,720	3,772	1.4%	52
Fringe Benefits	77,981	78,998	96,175	97,071	0.9%	896
Operating Costs	9,883	6,176	31,990	32,519	1.7%	529
Salaries and Wages	348,504	255,344	319,310	368,054	15.3%	48,744
Total for Internal Service Funds	757,150	573,634	801,065	891,512	11.3%	90,447
Special Revenue Funds						
Fringe Benefits	12,574	13,651	16,290	17,150	5.3%	860
Operating Costs	10,984	1,023	11,196	11,381	1.7%	185
Salaries and Wages	37,615	38,997	42,156	43,610	3.4%	1,454
Total for Special Revenue Funds	61,173	53,670	69,642	72,141	3.6%	2,499
Total for HUMAN RESOURCES	5,390,514	4,998,917	5,479,130	6,490,325	18.5%	1,011,195

HUMAN RESOURCES
Revenue Information

	2002 Actual	2003 Actual	2004 Adopted Budget	2005 Adopted Budget	% Change	Change
General Fund - City						
Charges for Service	1,717	0	0	0	0.0%	0
Other Misc Revenues	10,788	3,485	7,000	5,000	-28.6%	-2,000
Total for General Fund - City	12,505	3,485	7,000	5,000	-28.6%	-2,000
Internal Service Funds						
Charges for Service	0	0	40,000	1,031,860	2,479.7%	991,860
Other Misc Revenues	41,116	40,427	0	0	0.0%	0
Total for Internal Service Funds	41,116	40,427	40,000	1,031,860	2,479.7%	991,860
Special Revenue Funds						
Other Misc Revenues	4,171	461	10,000	10,000	0.0%	0
Total for Special Revenue Funds	4,171	461	10,000	10,000	0.0%	0
Total for HUMAN RESOURCES	57,792	44,373	57,000	1,046,860	1,736.6%	989,860