




CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: John Leach, Municipal Administrator 

Date: December 12, 2023

Subject: Request for Support in Conducting an Organizational, Job Classification, and Compensation Study

Background

As part of our ongoing commitment to excellence and in alignment with the Strategic Plan's focus on Service, I am writing to request your support and cooperation in undertaking a comprehensive study of our municipality's organizational structure, job classifications, and employee compensation.

As you are aware, one of our Strategic Plan's core objectives under Service states, "CBS is recognized as being a great place to work and excellent service provider to the community." Achieving this ambitious yet crucial goal hinges on our ability to right-size and develop our human capital effectively. Our people are undoubtedly the most vital asset in meeting the goals set by our community and Assembly.

In recent times, the need to focus on our human resources has escalated to my top priority. This emphasis is essential for the success of our ongoing projects and the sustainable delivery of services to the residents of Sitka. However, our efforts have encountered significant challenges, notably in the realms of organizational structure, employee management, and overall workload.

Sections 5.1, 5.2, and 5.4 of our Strategic Plan explicitly highlight the necessity for organizational restructuring.

5.1 states, "Develop a workforce development plan that outlines clear policies for staff training and professional development."

5.2 states, "Prepare a succession plan that addresses development of the current workforce and future workforce recruitment and retention strategies."

5.4 states, "Identify and develop necessary standard policies and procedures to promote organization-wide stability and service level consistency."

A notable concern arose when no consultant accepted our Request for Proposal (RFP)

for the compensation study earlier this Fiscal Year, citing our current state of disorganization as a hindering factor. This situation underscores the urgency to address our internal structural issues.

Analysis

A vital component of this restructuring is examining our span of control. Research, such as Graicunas' theory and modern organizational studies, suggests that an ideal span of control ranges between 5-9 employees per manager. Currently, our broad span of control results in inefficiencies, with managers, department heads, and even the Administrator being preoccupied with tactical details instead of strategic leadership and effective management. This often leads to inadvertent micromanagement and a lack of capacity, hampering effective decision-making.

Based on the span of control guidelines proposed by the Academy to Innovate HR (AIHR), an organization of our scale should ideally maintain a ratio of approximately 4 to 5 employees per manager or supervisor. Currently, as the Municipal Administrator, I am directly overseeing 16 employees, which significantly exceeds this recommended ratio. An excessively broad span of control, as highlighted earlier, can precipitate various managerial and operational challenges. These include inadequate delegation, a tendency towards micromanagement, and communication breakdowns. Such dynamics are detrimental, often culminating in negative employee feedback, heightened turnover rates, diminished productivity, and mutual frustration among managers and their teams. This situation underscores the need for an urgent reevaluation of our management structures to align with optimal practices for organizational efficiency and employee well-being.

Moreover, the cost of turnover and the consequent financial burden, such as increased overtime expenses, are significant concerns. Proper compensation and staffing structures could mitigate these costs by reducing turnover rates. Also, our current organizational configuration offers limited opportunities for professional growth and upward mobility, further emphasizing the need for a re-evaluation.

I recently had a conversation with the City Manager of the City and Borough of Juneau, and I learned that her managerial responsibilities encompass only five direct reports, despite Juneau being over four times larger than CBS. This streamlined structure enables the City Manager to focus on strategic guidance and align staff efforts with the Assembly's directives, which are shaped by the needs and aspirations of Juneau's residents. With fewer direct reports, she can allocate more time to engage with local leaders and community stakeholders, fostering collaborative efforts and guiding the city's direction from a broader perspective. This approach relieves her from being deeply involved in operational tasks that are competently handled by Department Heads and their teams. Additionally, this smaller span of control significantly enhances her ability to nurture strong employee-manager relationships, which is instrumental in driving professional development, career growth, and creating promotion opportunities within the organization. This example highlights the benefits of a more focused managerial structure and its positive impact on organizational leadership and employee advancement.

A full reorganization, reclassification, and compensation review for an organization is a complex process that involves several critical steps. Here's a general outline of how such a process might be structured:

1. Assessment and Planning

- **Identify Objectives:** Clearly define the goals of the reorganization, reclassification, and compensation review. This might include improving efficiency, aligning roles with organizational goals, or ensuring fair and competitive compensation.
- **Gather Data:** Collect current data on organizational structure, job roles, responsibilities, and existing compensation packages.
- **Stakeholder Engagement:** Involve key stakeholders (e.g., management, employees, unions) early in the process to understand their perspectives and needs.

2. Analysis of Current State

- **Evaluate Current Organizational Structure:** Assess the effectiveness of the current structure, looking at aspects like span of control, workflow, and departmental interdependencies.
- **Job Analysis and Classification:** Analyze current job roles and responsibilities to determine if they align with organizational needs and industry standards.
- **Compensation Analysis:** Review current compensation structures to assess competitiveness, equity, and alignment with organizational objectives.

3. Designing the New Structure

- **Develop New Organizational Model:** Create a revised organizational structure that addresses identified issues and aligns with strategic goals.
- **Job Reclassification:** Redefine job roles and classifications based on the new structure and operational needs.
- **Compensation Strategy Development:** Develop a new compensation strategy that is fair, competitive, and aligns with organizational budget and goals.

4. Implementation Planning

- **Develop Implementation Plan:** Outline steps, timelines, and resources needed for the reorganization.
- **Communication Strategy:** Develop a communication plan to keep stakeholders informed and engaged throughout the process.
- **Training and Support:** Plan for training and support needed for employees to transition into new roles or adapt to new structures.

5. Implementation

- **Execute Reorganization:** Implement the new organizational structure and job reclassifications.
- **Adjust Compensation:** Roll out new compensation packages as per the revised strategy.
- **Monitor Transition:** Closely monitor the implementation process, addressing any issues or concerns that arise.

6. Review and Adjustment

- **Evaluate Outcomes:** Assess the impact of the changes on organizational performance, employee satisfaction, and other key metrics.
- **Make Adjustments:** Make necessary adjustments based on feedback and

evaluation results.

- Ongoing Review: Establish a process for ongoing review and adjustment of the organizational structure, job classifications, and compensation to ensure they continue to meet the organization's evolving needs.

Throughout this process, it's essential to maintain transparency, foster open communication, and be receptive to feedback. This approach helps in managing change effectively, ensuring that the reorganization supports both the organization's objectives and the well-being of its employees.

Fiscal Note

The financial implications of the proposed reorganization and compensation study are largely contingent upon the findings and recommendations that emerge from the study itself. It is important to note that the initial cost of conducting the study, which has already been approved in the FY24 budget at \$100K, is an investment in the future operational efficiency and effectiveness of our organization.

Immediate Costs:

The immediate costs will include the expenses associated with hiring consultants or experts to conduct the study, along with any additional resources required for data collection, analysis, and reporting.

Outyear Costs:

The long-term fiscal impact, or 'outyear costs', will primarily depend on the recommendations arising from the study. These may include:

- Additions to Staffing (FTEs): If the study suggests expanding our workforce, this will result in increased costs associated with hiring additional Full-Time Equivalents (FTEs). This expansion could be crucial for achieving optimal operational efficiency and better service delivery.
- Increases in Compensation: Recommendations for adjustments in compensation to align with industry standards, cost of living, and role requirements will lead to increased payroll expenses. Such adjustments are vital for maintaining a competitive and equitable work environment, which in turn can reduce turnover and improve productivity.
- Implementation Costs: Costs associated with implementing the new organizational structure, including potential severance for eliminated positions, training for new or reassigned roles, and system or process changes.

Impact on Union Negotiations:

The compensation study will likely serve as a critical reference point in future union contract negotiations or prompt early renegotiation of existing contracts. The study's findings will provide a factual basis for discussions on salary scales, benefits, and other compensation-related aspects. This could lead to either increased costs, if compensation adjustments are upward, or potential savings, if efficiencies and realignments reduce overall personnel costs.

While the immediate costs of the study are fixed and predictable, the long-term financial

impact is dependent on its outcomes. The study is envisioned not only as a means to ensure fair and competitive compensation but also as a strategic tool for aligning our workforce more closely with organizational goals and community needs. The investment in this study, therefore, is fundamentally an investment in the sustainable future of our organization, with financial implications that will be carefully considered and integrated into our long-term fiscal planning.

Recommendation

I ask for the Assembly's support to conduct an in-depth examination of our organization. This study aims to ensure that we are appropriately sized to deliver the essential services our residents rely on and to successfully complete projects that enhance the quality of life in Sitka. While we understand that the findings of this study may reveal challenging truths, it is imperative to have this information. It will enable us to decide whether we need to reorganize and better compensate our workforce or align the level of services with the realistic capabilities of our employees within a normal workday.

I am confident that with your support, we can undertake this critical evaluation and make informed decisions that will benefit our employees, the organization, and most importantly, the community we serve.

Thank you for considering this request. I look forward to working closely with the Assembly on this vital initiative.