

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Council District:

To: The City Council

From: Miguel A. Santana, City Administrative Officer  
Gerry F. Miller, Chief Legislative Analyst

*Miguel A. Santana*  
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Reference: Council request for report.

Subject: **Update on the Managed Hiring Process**

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### SUMMARY

Consistent with the directions included in the 2014-15 Budget and with prior Council instructions, the Office of the City Administrative Officer (CAO) and Office of the Chief Legislative Analyst (CLA) have reviewed the managed hiring process and have made changes to the process to expedite hiring where appropriate. This report details these changes and provides the following previously requested information:

- A background of the managed hiring process.
- A review of the 2013-14 criteria used to consider unfreeze request and exemptions.
- The number of positions requested to be unfrozen in 2013-14, and the number approved.
- A discussion of the MHC process including reasons for delays.
- Changes to the managed hiring process for 2014-15.

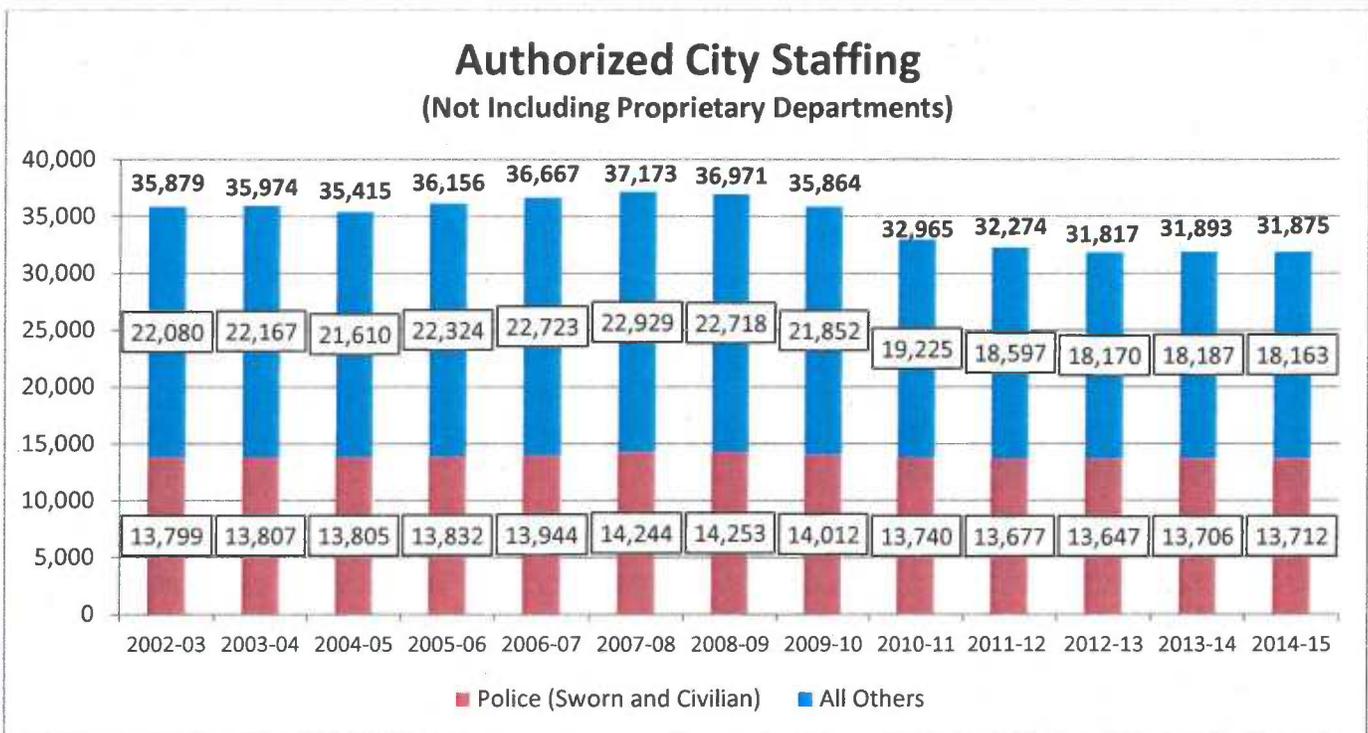
### Background

A hiring freeze or managed hiring process has been in effect in various forms in the City for much of the last decade. The current process was established as part of a hard hiring freeze approved with the 2009-10 Budget. Initially, only sworn Police Department hires were automatically exempt from that freeze, and other exemptions would only be considered if positions were Fire Department sworn, revenue generating, paid fully by grant or special funds, or highly specialized and unique. Exemptions were considered by the Managed Hiring Committee (MHC) comprised of the Mayor's Office, CLA, and CAO. MHC was established to provide oversight of adherence to the Mayor and Council's policy with a more efficient exemption process than in the past when formal Council and/or Mayoral approval was required on all requests.

In 2009-10, the City was experiencing a severe fiscal crisis requiring aggressive steps to close a budget gap of over \$400 million. The hard hiring freeze was one of many actions taken to address that crisis. In addition, the approved budget included layoffs, furloughs were established,

and through the Early Retirement Incentive Program (ERIP) hundreds of employees left the City vacating positions that could not be immediately backfilled.

Shortfalls have continued and City leaders have made a number of difficult decisions to reduce expenditures, increase revenues, restructure and refocus City services, and seek to develop a sustainable workforce. Since employee costs are the largest single component of the City's costs, controlling those costs has included both labor concessions and ongoing efforts to reduce the size of the City workforce. The chart below illustrates the City's success in reducing the size of its workforce to the lowest it has been in many years:



With reduced staffing levels, departments have faced numerous challenges in their efforts to deliver the services expected of them. Being able to hire new staff at their discretion is one of these challenges. Though not the only obstacle in the hiring process, the CAO and CLA recognize that the managed hiring process is not an ideal tool for managing costs against needs. Nevertheless, the MHC has been extremely useful in navigating the fiscal crisis and will continue to be a necessary tool until such time as the City's structural deficit is addressed.

Through its review of requests to fill vacant positions, the MHC has helped to mitigate the fiscal crisis by:

- Enabling the City to avoid employee layoffs by eliminating vacant rather than filled positions through the budget process and by keeping positions in grant- or special-funded

departments vacant to create transfer opportunities for employees in General Fund positions.

- Generating salary surpluses that have been used to cover unanticipated shortfalls during the fiscal year.

In addition, vacancies that have resulted from the managed hiring process have facilitated restructuring by enabling departments to reorganize or transfer functions targeting vacant rather than filled positions, thereby reducing the impact on employees.

While the City is in a better fiscal condition than it was in 2009-10, the CAO has projected continuing deficits for the next three fiscal years. In this context, the managed hiring process continues to serve as a useful management tool, as it has in the past. Nevertheless, given the improving economic conditions, recent cost-saving measures adopted by the Mayor and City Council with respect to pensions and healthcare, ongoing attrition and retirements, and the need to fill positions for the provision of core City services, our Offices recognize a need to enhance flexibility in the process as proposed in this report.

#### **MHC criteria in 2013-14**

Since its inception, the MHC has reviewed requests for exemptions on a case by case basis and, therefore, a wide range of considerations were made prior to the approval of any request. However, in 2013-14 the common criteria used in the evaluation of every request, included:

- Whether the department had adequate funds to cover the cost of filling the position.
- Source of funding for each requested position.
- Vacancy rate in the requested classification and division.
- Duration of a vacancy.
- The service impact of keeping the position vacant.
- Whether the position was revenue generating.
- Whether the position was fee or grant supported.
- Whether the position supported public safety.
- Whether the position supported a Council or Mayor priority.

Positions that departments stated were grant or special funded or revenue generating were not automatically exempted from the managed hiring process. However, individual exemptions were generally approved once the departments submitted a hiring plan and the MHC was able to confirm that the positions fully recovered their costs and would not result in a funding issue for a special fund. For example, during 2013-14, Building and Safety, Planning, Sanitation, and Engineering were granted blanket exemptions based on their hiring plan which demonstrated that these departments operated fee supported or special funded programs with costs that were fully reimbursed. Additionally, specific functions within Transportation and Housing also received blanket exemptions for similar reasons.

### **Positions requested and the number approved**

During 2013-14 departments submitted requests to the MHC to fill 1,254 positions. Of those, MHC considered 1,156 of which 1,079 were approved. The Committee returned 77 requests to the departments for reevaluation of their hiring needs. The departments withdrew 46 requests. The remaining 52 requests are being evaluated by CAO staff in the context of the 2014-15 hiring plans for departments. Attachment 1 breaks down all submissions during 2013-14 by department.

### **MHC process and reasons for delays**

There are several steps involved in the review of a request for exemption from the managed hiring process:

1. The department must submit to the CAO a request with information justifying an exemption.
2. The CAO staff analyzes the request, asks the department for clarification as needed, and prepares a recommendation to the MHC.
3. The MHC reviews the request with the CAO staff recommendation and either approves the request, returns it to the department, or asks for additional information.

Some departments have expressed that the hiring process is too slow, and have pointed to the exemption process as the cause of delay. While some delays result from CAO staff workload issues or occasional MHC meeting postponements, delays mostly occur during the review process when departments are asked to provide additional information either by CAO staff or the MHC itself. In some cases, MHC will hold requests if other components related to hiring for that position have not already occurred. For example, if filling a position requires an action such as approval by the Council of a civil service exemption or a substitute authority, MHC will hold that request until those approvals are secured.

It should also be noted that there are a number of causes for delays in City hiring that are not attributable to the managed hiring process. It takes time and staff resources to recruit candidates, develop, administer, and score tests, calculate seniority, respond to protests, and conduct background reviews in order to establish a civil service eligible list. Currently, the Personnel Department is experiencing delays of four to six months before an exam is assigned to an exam analyst to begin work on it. It then takes four to five additional months to produce an eligible list, depending on the complexity of the exam. According to the Personnel Department, 138 sworn and civilian exams are in the queue waiting to open. Of this number, 65 or nearly half of the exam requests are from the Departments of Airports, Harbor, and Water and Power, many of which are for classifications used by several departments. Departments are able to make emergency appointments to fill positions in situations where an eligible list is not available. Emergency appointments have a limited duration while permanent appointments can only be made from an eligible list. Making emergency appointments, therefore, results in moving the exams for these classifications to the front of the queue and thus delaying other pending exams.

To the degree that expediting the managed hiring process would trigger additional exams, they would be added to this queue. In the absence of additional examining resources for the Personnel Department any increase in exams created by expediting the managed hiring process would just add to the current number of unassigned exams. Although the Personnel Department is exploring options for expediting civil service exam development and alternatives to the current process, it is unlikely that such solutions would have a significant impact on such a large number of pending exams.

At the conclusion of the exam process, a list is established and departments must contact those at the top of the list to make a selection. Departments often have their own internal selection process which can consist of conducting interviews and reference checks. If a department wishes to hire for a position that is not included among its authorized positions, additional approvals may need to be secured. The recommended improvements to the managed hiring process do not address the exam process. Consequently, departments may continue to experience delays in hiring.

### **Modifying and improving the process for 2014-15**

The managed hiring process implemented in 2009-10 has been an effective tool for the City in addressing the fiscal challenges over the past several years. Nonetheless, there are opportunities to refine the process to provide departments with more hiring flexibility while still maintaining control over hiring.

The MHC has made a number of process improvements for 2014-15 consistent with the instructions in the 2014-15 Budget. Many departments have submitted hiring plans that enable them to hire within approved budgetary limits. Twenty (20) of these plans have already been approved by the MHC (See Attachment 2). Of the 20 plans, 5 plans were submitted by departments to address a unique function or division. The other 15 plans cover hiring requests made by departments that address the entire needs of the department. These 15 plans approved by MHC have exempted on average of 92% of a department's total position authorities, thus representing a shift in managed hiring to an exception basis. The parameters by which hiring plans are being reviewed are as follows:

1. Fully funded positions (regular and resolution) that are entirely special funded including direct and indirect costs by special funds that are not facing revenue shortfalls or structural deficits will be considered for blanket exemptions from the Managed Hiring Process for 2014-15. This exemption may be suspended by the MHC based on changes to the financial condition of the fund including a reduction to the reimbursement of related costs to the General Fund. Furthermore, the MHC may adjust this "blanket exemption" in consultation with departments to ensure salary savings targets are being met or for other budget related matters.

2. Positions (regular and resolution) currently exempt from the Managed Hiring Process (General Fund and Special Fund) will be considered for ongoing exemption provided the positions are fully funded in 2014-15.
3. Currently filled regular authority positions will be considered for ongoing exemption (backfill) if they have become vacant and if they are fully funded in 2014-15.
4. The MHC may exclude high level management positions from any exemption list (Assistant General Manager, Chief Management Analyst, etc.), however, departments may submit unfreeze request for these positions on a case by case basis.
5. Positions not covered by the exemption parameters noted above (such as new resolution positions) may be requested by departments as part of their hiring plans. The CAO will review the plan against budgeted funds, salary savings rates, and for consistency with authorized positions and pay grade determinations. The CAO will then submit the plan with a recommendation to the MHC for their consideration. Departments may be instructed to modify their requests to ensure budget compliance in particular with new positions which may only be partially funded.
6. Substitute authority positions will not be considered as part of any hiring plan review as they must be considered under a separate process.
7. Unfunded positions will not be considered as part of any hiring plan review. Departments will need to make requests to unfreeze unfunded positions on a case by case basis, which may be added to hiring plans following MHC review.
8. New requests for unfreezes not included in the hiring plans must be submitted as a separate request to MHC.
9. Positions identified in the Unfreeze Resolution will not be considered as part of the hiring plan review.
10. The MHC will suspend any exemptions and hiring plans for departments in the event the Financial Status Reports indicate the department is projecting a deficit or if the special fund supporting the exempted positions is, or is projected to be, in deficit. The MHC will notify departments prior to this action and will be available to consult with departments on modifying plans to ensure hiring continuity.
11. The MHC may alter this process in the event the City's projected year-end deficit cannot be fully addressed by the mid-year FSR.
12. The MHC will take into consideration as part of its hiring plan review and its review of individual requests, the Mayor and City Council's identified priority areas. Further, pursuant to the Adopted Budget and consistent with past practice, the MHC will continue to expedite the review process for positions that are not otherwise unfrozen if

they are revenue generating, fully grant- or special-funded, hiring hall, summer youth employment, for layoff avoidance, or if they support elections, the Library, or seasonal recreation programs.

In light of the recent tentative ruling of the Employee Relations Board (ERB) challenging the validity of the new pension tier established for the Los Angeles City Employees' Retirement System (LACERS) Tier 2, departments will be required to comply with the following step before hiring individuals that will be new LACERS members and therefore fall within Tier 2 membership (outside hire).

Departments must notify the CAO with the number of positions they intend to fill with new LACERS members, the classifications of these positions, the programs and/or projects these positions will work on, and a justification on why the positions require hiring from outside the existing LACERS membership pool. The CAO will review the requests and approve the request with no further MHC action required or submit the request for MHC action. The CAO's determination as to whether to approve a request or submit it for further MHC action will balance the Mayor and City Council's identified priority areas weighed against the need to minimize the City's potential liability. Some identified priorities include the City's pavement preservation program, the ongoing updates to the General Plan and community plans, and transportation projects.

This requirement applies to all positions where an "outside hire" is expected, regardless of whether they have been exempted from the managed hiring process by any prior action of the MHC, or would be otherwise exempt as described in this memo. This action is not intended to halt outside hiring, but simply the minimize the City's potential liability as a result of uncertainty stemming from the ERB's ruling.

## **RECOMMENDATIONS**

Note and file.

## **FISCAL IMPACT STATEMENT**

There is no fiscal impact resulting from the process improvements detailed in this report. Amending the managed hiring process as described will facilitate hiring, but the controls proposed are sufficient to support efforts to remain within budgetary limits.

**ATTACHMENT 1**  
**Managed Hiring Results, by Department**  
**2013-14**

<b>Department</b>	<b>Requests</b>	<b>Approvals</b>	<b>On Hold / Returned</b>	<b>Withdrawn</b>	<b>CAO Reviewing As part of 2014-15 Hiring Plans</b>
Aging	11	10	0	1	0
Animal Services	13	12	1	0	0
Building and Safety	22	22	0	0	0
City Administrative Officer	13	13	0	0	0
City Attorney	21	18	3	0	0
City Clerk	15	15	0	0	0
City Planning	29	19	10	0	0
Controller	30	27	3	0	0
Convention Center	11	6	0	5	0
Cultural Affairs	7	7	0	0	0
Disability	2	1	1	0	0
Economic and Workforce Development	9	9	0	0	0
El Pueblo	1	1	0	0	0
Emergency Management	2	1	1	0	0
Ethics	3	3	0	0	0
Finance	60	54	6	0	0
Fire	163	145	14	0	4
General Services	89	75	3	11	0
Housing and Community Investment	70	43	14	13	0
Information Technology Agency	48	47	1	0	0
Library	138	136	1	1	0
Neighborhood Empowerment	7	6	0	1	0
Personnel	79	62	17	0	0
Police	186	186	0	0	0
Public Works – Board	13	8	1	0	4
Public Works – Contract Administration	16	11	0	0	5
Public Works – Engineering	19	6	0	0	13
Public Works – Sanitation	39	26	0	9	4
Public Works – Street Lighting	17	12	0	0	5
Public Works – Street Services	15	2	1	0	12
Recreation and Parks	48	48	0	0	0
Transportation	36	26	0	5	5
Zoo	22	22	0	0	0
<b>Total</b>	<b>1,254</b>	<b>1,079</b>	<b>77</b>	<b>46</b>	<b>52</b>

**ATTACHMENT 2  
Hiring Plans Approved**

**Department Submitted Hiring Plans Approved by MHC**

<b>Department</b>	<b>Date(s) Approved</b>	<b>Number of Positions Exempted from MHC Process</b>	<b>Exempted Positions as a Percent of Total Department Authorities</b>
Animal Services	7/25/14	313	94%
Building and Safety	8/8/14	881	94%
City Administrative Officer	8/8/14	103	86%
City Attorney	7/25/14	853	96%
Ethics	7/25/14	22	96%
Fire – Sworn	7/25/14	181	92%
Information Technology Agency	8/8/14	433	92%
Personnel	8/8/14	479	97%
Planning	8/8/14	271	81%
Public Works – Board	7/25/14	83	86%
Public Works – Contract Administration	7/31/14	295	93%
Public Works – Engineering	7/31/14	741	93%
Public Works – Sanitation	7/25/14	2,735	98%
Transportation	7/25/14; 8/8/14	1,242	86%
Zoo	7/25/14	220	96%

**Department Submitted Partial Hiring Plans for Specific Programs Approved by MHC**

<b>Department -</b>	<b>Date(s) Approved</b>	<b>Number of Positions Exempted from MHC Process</b>	<b>Exempted Positions as a Percent of Total Authorities Requested</b>
City Clerk – Elections & Systems	7/10/14	35	100%
General Services Pavement Preservation and Fleet	8/6/14	64	100%
Public Works – Street Lighting Field Operations	7/25/14; 8/8/14	135	100%
Public Works – Street Services Pavement Preservation	7/25/14	43	100%
Recreation and Parks – Partial Plan	8/8/14	119	100%