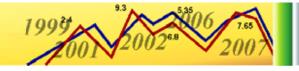


KEY HUMAN CAPITAL CHALLENGES FACING SANTA BARBARA COUNTY







KEY CHALLENGES

- Large employee population nearing retirement
- Difficulty attracting younger workers to public service
- Maintaining qualified workforce
- Meeting needs of multi-generational workforce
- Developing sound position for County in competitive market for talent

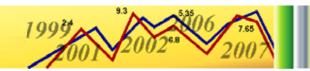






NEED TO BE A COMPETITVE EMPLOYER

- Aging County workforce
- Disinclination of young toward public service
- Competition with other employers for qualified workforce
- Mismatch of job requirements and workforce skills
- Trend toward professionalization of County jobs
- County employs many occupations projected to grow fastest
- County experiencing reduced numbers of applicants for entry level jobs
- Competitive total compensation structure







Aging County Workforce

- 1/3 Nearing Retirement
- Demographics: Average age 44; age span 20 87

Number of employees over age 50

| | 2000 | 2005 |
|------------------|------|------|
| Total | 30% | 34% |
| Appt. Dept Heads | 67% | 84% |
| Physicians | n/a | 68% |
| Deputy DAs | 45% | 56% |





Disinclination of Young Toward **Public Service**

2000 2005

11.8% 9.7% Employees age 18-29

Prior to 10/94 33.2 Average age at entry

36.7 General Employees Since 10/94







Jobs in the private sector are viewed as "better" at:

- Offering interesting and challenging work
- Rewarding outstanding performance
- Allowing employees to take initiative

Those interested in contributing to society increasingly favor the non-profit sector over the public sector by a margin of 52% to 10%.

2001 Hart-Teeter survey of college educated Americans







Competition with Other Employers for Qualified Workforce

Demand growing faster than supply

DOL projections for 2002-12

Increase in labor force 17.4 Million

Job growth
 21 Million







Mismatch of Job Requirements and Workforce Skills

County jobs typically requiring BA/BS or higher = 35%

Persons age 25+ with BA/BS or higher

United States 24.4%

Santa Barbara County 29.4%

US Census Bureau, 2000







Trend Toward Professionalization of County Jobs

- DOL projects 23.3% increase in Professional & related occupations 2000-12 (Primarily health care, IT & technical occupations)
- Following national trend, County jobs will increasingly require advanced education/specialization. See example of professionalization in the Auditor Controller's office (next slide).







Auditor-Controller Position Allocation Comparison 1995 vs. 2005 Shift to Professional Jobs

| | 1995 | 2005 | Change |
|--------------|-------|-------|--------|
| Executives | 2.0 | 2.00 | 0.00 |
| Managers | 7.0 | 7.75 | 0.75 |
| Professional | 27.50 | 34.25 | 6.75 |
| Technical | 0.00 | 3.00 | 3.00 |
| Para.prof. | 10.00 | 10.00 | 0.00 |
| Clerical | 17.00 | 1.00 | -16.00 |
| Гotal | 63.50 | 58.00 | -5.50 |

Strategic Scan





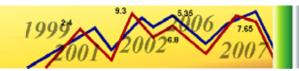


County Employs 2/3 of the Occupations Projected to Grow the Fastest, 2002-2012

Of the occupations projected to have largest percent job growth, the County employs:

- Medical Assistants
- Network Systems and Data Communication Analysts
- Physician Assistants
- Social and Human Service Assistants
- Medical Records and Health Information Technicians
- Physical and Occupational Therapy Aides and Assistants
- Computer Software Engineers, applications and systems software

Bureau of Labor Statistics

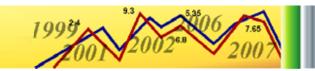






County Experiencing Reduced Numbers of Applicants for Entry Level Jobs

| • | Appraiser I Applications | 2001 130 | 2002 95 | 2004 47 |
|---|------------------------------|-------------|-------------|-------------|
| • | Dispatcher | 2001 319 | 2002 254 | 2004 121 |
| • | Juvenile Institution Officer | 1998 184 | 2001 114 | 2004 90 |







SB County Has a Unique Challenge

Santa Barbara's housing named "least affordable" in U.S.

National Association of Home Builders, January 2005

MEDIAN HOME PRICES

| 6/2005 | <i>Increase over 6/2004</i> |
|--------|-----------------------------|
| | |

| SB County | \$704,270 | 23% | |
|--------------|-------------|-------|--|
| South Coast | \$1,260,000 | 15.1% | |
| North County | \$463,380 | 19.9% | |

Single most common reason for voluntary, non-retirement separations in 2004-05 was "Moving Out of Area" (20%)









Increasingly, County Employees Are a Commuting Workforce

| | | 2000 | 2005 | Change |
|---|------------------------|---------|-------|--------|
| • | Total Regular EES | 4271 | 4120 | -151 |
| • | Live in South County | 1845 | 1556 | -289 |
| • | Live in North County | 1945 | 1942 | -3 |
| • | Live outside SB County | 481 | 621 | +140 |
| | | (11.3%) | (15%) | |





Shift in Generational Values

Older generation's values

loyalty & work ethic "Go out and get a job"

VS.

Younger "me" generation's values

immediate rewards, personal control & flexibility in work, opportunities for learning, recognition "Go out and get a good job that makes you happy"







NON-COMPETITIVE TOTAL COMPENSATION

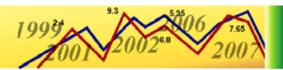
- County wages falling below market for large portion of County workforce
- Significant out-of-pocket costs for health and retirement benefits

Further erodes compensation

Not in keeping with market standards

Following charts demonstrate the issues:

Strategic Scan







Salary Survey

Differential to survey mean

| • | Staff Nurse | -20.1% |
|---|---------------------------------|--------|
| • | Appraiser II | -14.3% |
| • | Mental Health Practitioner II | -19.2% |
| • | Environmental Health Specialist | -20.5% |
| • | Corrections Officer | -15.4% |
| • | Eligibility Worker II | -15.1% |
| • | Office Assistant II | -20.6% |

Aug 2005







Benchmark Survey

- 85% of County job classifications surveyed in 2004 were under market
- Average amount below market was 7.26%
- Significant number of jobs were below market by 20%







Benefit Survey

Employee monthly cost for Family HMO Insurance

• Santa Barbara County \$373.04

• 10 County Average \$209.77*

Local City Average \$175.50**

* 56% of SB County employee cost

** 47% of SB County employee cost

Based on 2005 premium for agency's highest cost HMO plan & cost for largest General bargaining unit









County Retirement Formula Survey

| | Agency | Gene | ra | I | Safe | ety |
|---|------------------------|------|----------|-----------------|------|--------|
| • | Santa Barbara County | 2% | @ | 9 57 | 3% | @ 55 |
| | Marila Oarrah | 201 | | \ FF | 201 | @ F0 |
| • | Marin County | 2% | ω | ⁹ 55 | 3% | @ 50 |
| • | Monterey County | 2% | @ | 55 | 3% | @ 50 |
| • | Orange County | 2.7% | @ | 55 | 3% | @ 50 |
| • | Placer County | 2.5% | @ | 55 | 3% | @ 50 |
| • | San Diego County | 3% | @ | 0 60* | 3% | @ 50 |
| • | San Luis Obispo County | 2% | @ | 55 | 3% | @ 50** |
| • | Santa Cruz County | 2% | @ | 55 | 3% | @ 50 |
| • | Solano County | 2.7% | @ | 55 | 3% | @ 50 |
| • | Sonoma County | 3% | @ | 60* | 3% | @ 50** |
| • | Ventura County | 2% | @ | 58.5 | 2% | @ 50 |
| | | | | | | |

^{*3% @ 60} General formula provides 2.5% @ 55





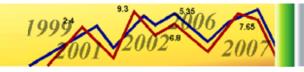
^{**} Implementation pending



Employee Cost for Retirement Local Agencies

| | Agency | General | EE Out-of Pocket Cost |
|---|-------------------------------|-----------|------------------------------|
| • | Santa Barbara County | 2% @ 57 | 6-12% |
| | | | |
| • | APCD | 2% @ 55 | 0% |
| • | City of Santa Barbara | 2% @ 55 | 0% |
| • | Goleta Water District | 2.7% @ 55 | 0% |
| • | Santa Maria Cemetery District | 2.5% @ 55 | 0% |
| • | I.V. Park & Rec District | 2% @ 55 | 0% |
| • | City of Carpinteria | 2% @ 55 | 0% |
| • | City of Santa Maria | 2.7% @ 55 | 2% |
| • | City of Arroyo Grande | 2.5% @ 55 | 0% |
| • | City of Atascadero | 2% @ 55 | 0% |
| • | Cambria CSD | 3% @ 60 | 0% |
| | | | |

Strategic Scan







Employee Cost for Retirement Local Agencies (Cont)

| • | Agency Santa Barbara County | General 2% @ 57 | EE Out-of Pocket Cost 6-12% |
|---|---|------------------------|--------------------------------|
| • | City of Morro Bay | 2.7 @ 55 | 0% |
| • | City of Paso Robles City of Pismo Beach | 2.5% @ 55 2% @ 55 | 0% 0% |
| • | Port San Luis Harbor District SLCU School District | 2% @ 55 2% @ 55 | 0% 0% |
| • | City of Grover Beach | 2.5% @ 55 | 0% |
| • | SB County Superior Court SLO Superior Court | 2% @ 55 2% @ 55 | 6 -12% 0 - 4.6% |
| • | City of Guadalupe City of San Luis Obispo | 2.5% @ 55 2.7% @ 55 | 0% 0% |
| • | City of Lompoc | 2.7% @ 55 | 0% |









TO ATTRACT & MAINTAIN A QUALITY WORKFORCE, THE COUNTY NEEDS TO SET WORKFORCE PRIORITIES

- Be sufficiently competitive in compensating work to "import" well qualified candidates and retain high performers
- Enhance communication regarding opportunities and rewards of public service
- Increase efforts to "grow our own" (Cal State Northridge and Fielding Institute)







TO ATTRACT & MAINTAIN A QUALITY WORKFORCE, THE COUNTY NEEDS TO SET WORKFORCE PRIORITIES

- Better address interests of older workers (e.g., phase retirement) & younger workers (e.g., work-life balance)
- Provide a progressive work environment to attract & retain the best
- Succession planning







Employee Satisfaction is Directly Connected to Organizational Goals and Bottom Line Results

- Connection to organization mission/direction
- Increased employee loyalty and retention
- High employee performance & productivity
- Increased customer service
- Reduced absenteeism







Service Excellence in Organizations

- Employee satisfaction
- Measurement
- Recognition and reward
- Compensation (pay and benefits)
- Work-Life balance
- Environment that contributes to employee loyalty







HUMAN CAPITAL STRATEGY

- Develop organizational depth and flexibility through systems and programs that encourage employee development, initiative and organizational loyalty
- Develop compensation and reward strategies to attract and retain high performing employees
- Identify human capital needs as an organizational priority and commit resources to implement strategies









HUMAN CAPITAL CHALLENGES

- Large employee population nearing retirement
- Difficulty attracting younger workers to public services
- Meeting needs of multi-generational workforce
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Offering interesting and challenging work

Rewarding outstanding performance

Allowing employees to take initiative

2001 Hart-Teeter survey of college educated Americans

The County's experience reflects this trend:

Employees age 18-29

2001 11.8%

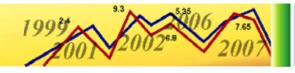
2005 9.7%

General employee average age at entry

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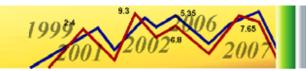
Total Compensation Is Not Competitive

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Based on 2005 premium for agency's highest cost HMO plan & cost for largest General bargaining unit

Retirement:

Comparison agencies have better retirement formulas than Santa Barbara County





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